

ASX Announcement



Maggie Beer Holdings Limited (ASX:MBH)

28 August 2023

Maggie Beer Holdings Limited FY23 Results

Maggie Beer Holdings Ltd (**MBH** or the **Company**) today announced its financial results for the year ended 30 June 2023 (**FY23**).

The FY23 operating results are consistent with the Company's Trading Update of 30 May 2023 and the announcement of 14 June 2023 where the Company announced that its subsidiary, Paris Creek Farms Pty Ltd (**PCF**), had been reclassified as a continuing asset and no longer held for sale. Accordingly, the accounts for FY22 have been restated to include PCF as a continuing asset for comparison purposes.

FY23 Summary

- Net sales from continuing operations \$88.7 million; down 1.4% on the prior year
 - Maggie Beer Products (**MBP**) up 1.9% from category expansion
 - Hampers & Gifts Australia (**HGA**) down 7.5% - market share improved
 - Paris Creek Farms (**PCF**) up 10.5% - primarily driven by increased milk volume
- Gross margin impacted by higher operating costs and general consumer shift from online to instore; down 1.4 percentage points to 50.3%
- Trading EBITDA¹ from continuing operations \$3.2m (FY22: \$10.5m)
- Strong balance sheet maintained; positive operating cashflow of \$6.5 million (FY22 \$0.7 million) – net cash of \$9.2 million at 30 June supports further investment in growth initiatives
- Reported NPAT \$0.46 million; includes reversal of contingent consideration for HGA of \$14.0 million, offset by non-cash impairment of HGA goodwill of \$12.5 million.

Commentary on results

Commenting on the Company's results, Chief Executive Officer Kinda Grange said:

"Our operating results for FY23 were consistent with the trading update provided in May and reflect the continued effect of rising interest rates and inflation impacting consumer spending, shifting consumer habits in online shopping, together with higher freight and labour costs impacting costs of doing business during the period."

¹ Trading EBITDA is a non-IFRS measure as defined in Directors' Report

“Within that environment we remained focused on operational discipline while continuing to invest in key areas of our business to strengthen and expand our brands to generate further revenue opportunities. This is reflected in retail channel revenue growth and online channel share growth.

“The marketplace challenges and shifting consumer habits we experienced during the year have served as catalysts for us to re-frame our strategy during the year.

“Our 5-year strategy is focused on unlocking value across MBH, optimising and unifying our assets, expanding the Maggie Beer brand, and building scale in our e-commerce platform as we further diversify our categories.

“This 5-year strategy supports our aspiration to create a \$300 million net sales revenue business with strong margins and return on assets,” she said.

Impairment of Hampers & Gifts Australia (HGA)

The HGA business was purchased in May 2021 for an upfront consideration of \$40 million (\$20 million cash and \$20 million shares), plus contingent consideration (provision for earnout with initial fair value of \$14 million) and net of a working capital adjustment of \$0.6 million.

The Company announced in May that it did not expect the earnout hurdle to be met and therefore the earnout provision was reversed resulting in a positive impact to FY23 NPAT of \$14 million.

Following a review of the value of cash generating units and assets, the Company has recorded a non-cash impairment charge of \$12.5 million against the goodwill of HGA in the FY23 accounts which is an offset to the contingent consideration release and reflective of the macro-economic environment in which the business is operating. This impairment has reduced the carrying value of the net assets of HGA from \$63.6 million to \$51.1 million.

Notwithstanding the impairment, the Board believes the HGA business remains a market leading e-commerce platform, with untapped potential.

Strong financial position enables further investment for growth

MBH remains in a strong financial position with total net assets of \$85.7 million and a net cash position of \$9.2 million at 30 June 2023. Meanwhile, the Company continued to generate positive operating cashflow of \$6.5 million for FY23.

The Group’s strong financial position enables the business to respond to the current market challenges while maintaining investments in growth initiatives to build further scale and capability and optimise the asset base.

FY24 Priorities and Outlook

FY24 Focus:

- Investing in marketing, analytics and e-commerce capability to set a strong foundation for FY25
- Optimising our assets
- Innovating and expanding our ranges
- Building new categories and partnerships.

FY24 Outlook:

- MBH is focused on leveraging its strengths to meet shifting consumer habits as market conditions remain uncertain
- The Company expects to return to positive sales growth in FY24 led by growth in MBP across retail and e-commerce
- Gross margin percentage (GM%) is expected to be broadly in line with FY23 given similar macro environment and channel mix
- Continued focus on operational cost and pricing discipline expected to lead to improved EBITDA margin
 - Labour costs expected to increase from investment to execute strategy (% of sales in line with FY23)
 - Advertising spend expected to be similar to FY23.
- Maintain strong balance sheet enabling continued investment in growth.

Ms Grange said the Company's focus in the coming year is aligned to the recently announced 5-year strategy to optimise and unify the asset base, expand the Maggie Beer brand and enhance the scale of its e-commerce platform.

"In FY24 we will cement the foundations to effectively support the execution of our 5-year strategy while continuing to innovate, expand and grow our brands. The Maggie Beer brand will enter new categories in retail and online and see a refreshed approach to marketing. In e-commerce we will leverage our platform and customer base with new partnerships and categories. And at PCF we are focused on implementing the cheese capital expenditure upgrade," she said.

-Ends

Authorised for release by the Board.

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