

ASX Announcement

Maggie Beer Holdings Limited
(ASX:MBH)

22 February 2024

Solid recovery in Q2 sales reflects strong performance in online channel
Strong balance sheet maintained – net cash \$11.6m

Maggie Beer Holdings Ltd (**MBH** or the **Company**) today announced its financial results for the half year ended 31 December 2023 (H1 FY24).

Sales by Channel

- Net sales \$58.9 million; up 0.9% in H1 on the prior corresponding period (**pcp**)
- Q2 strong recovery across online sales up 6.8% and retail (supermarket) sales up 2.9% vs pcp.
- Online sales accounted for 62.1% of revenue in H1 vs. 61.5% in the pcp.

| Sales by Channel (\$m) | H1 FY24 Sales | H1 FY24 vs PCP | Q1 FY24 vs PCP | Q2 FY24 vs PCP |
|---------------------------|---------------|----------------|----------------|----------------|
| MBH Total | 58.9 | +0.9% | -10.6% | +5.8% |
| Online (Maggie Beer, HGA) | 36.6 | +1.8% | -19.9% | +6.8% |
| Retail (Maggie Beer, PCF) | 22.4 | -0.6% | -4.8% | +2.9% |

Sales by Entity

- Strong sales growth of 7.4% in Maggie Beer Products (**MBP**) in Q2 sales vs. pcp driven by category expansion in Cooking (stocks, broths and finishing sauces into Coles) and launch of Ice Cream into Woolworths.
- Hampers and Gifts Australia (**HGA**) delivered strong growth of 7.9% in the peak Q2 selling period reflecting the strength of “The Hamper Emporium” brand. Growth has been delivered through successful execution of strategic priorities including:
 - A more personalised approach to Corporate sales delivering 20% growth in Q2 vs. pcp
 - New ranges and brand partnerships (including Penfolds) delivering \$2m in sales in Q2
 - Focus on customer service that resulted in improved NPS and “The Hamper Emporium” awarded the Canstar Blue 2024 Award for Customer Satisfaction for the category “online gift delivery”.

- Paris Creek Farms (PCF) net revenue declined by (10.6%) in Q2, primarily in bulk milk sales.

| Sales by Entity (\$m) | H1 FY24 Sales | H1 FY24 vs PCP | Q1 FY24 vs PCP | Q2 FY24 vs PCP |
|-----------------------|---------------|----------------|----------------|----------------|
| MBP | 17.8 | +4.1% | -0.6% | +7.4% |
| HGA | 33.7 | +2.5% | -19.8% | +7.9% |
| PCF | 7.5 | -12.0% | -13.4% | -10.6% |

Financial Results

- Gross margin 50.2% (down 1.4 pts) was impacted by:
 - Delayed price recovery of higher input costs in Christmas Hampers and MBP
 - Shifting product and channel mix in MBP
- Trading EBITDA \$2.8m (H1 FY23: \$5.0m) reflects:
 - Gross margin impact (above)
 - Lower volumes in PCF and increased labour costs
 - Increased investment in growth initiatives including brand building campaign in Maggie Beer to drive future growth, and investment in HGA labour to build capability and deliver key business initiatives. These investments have supported the delivery of revenue turnaround in Q2 and create a platform for future scale and growth.
 - Advertising spend in H1 for HGA was in line with pcp.
- Underlying NPAT gain of +\$0.2m.
- Statutory Loss of (\$5.7m) includes non-cash impairment in PCF of \$4.6 million and onerous contracts (PCF milk supply contract) of \$0.9m.

Update on PCF

Trading results in PCF reflect the decline in bulk milk sales, however gross margin percentage was higher than pcp from product mix improvement.

Following a periodic review of the carrying value of the PCF assets in accordance with the relevant accounting standards, the Company has recognised a non-cash, impairment charge of \$4.6 million. The carrying value of property, plant and equipment for PCF is now \$4.8m, including land and buildings of \$4.7m. As part of this review, the milk supply contracts were deemed onerous contracts under the accounting standards resulting in a profit and loss charge of \$0.9m.

The Company remains focused on optimising its assets. In executing this strategy the Company has identified a cost efficient opportunity to leverage a large scale, quality manufacturer to supply Maggie Beer cheese. MBH is well advanced in securing this third party supply and as a result, the planned capital expenditure for the facility's cheese operation has been placed on hold.

HGA earn-out

MBH previously announced an update regarding the earn-out dispute related to the acquisition of Hampers and Gifts Australia (HGA). The parties are engaging in the disputes resolution process as set out in the share purchase deed. The Board maintains its previously stated position that there is no obligation to pay an earn-out to the HGA vendors due to the earn-out hurdle not having been met.

Strong financial position enables further investment for growth

MBH retains a strong balance sheet with total net assets of \$80.2 million and a net cash position of \$11.6 million at 31 December 2023 with no debt. Meanwhile, the Company continued to generate positive operating cashflow of \$5.3 million for H1 FY24. 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 Company's asset base.

Outlook and Strategic Priorities FY24

For H2 FY24, MBH is focused on accelerating strategic initiatives and delivering operational efficiencies to create further value.

For FY24 the Company expects to achieve positive sales growth driven by MBP and HGA. While MBH expects H2 FY24 Trading EBITDA to improve on H2 FY23, given the H1 FY24 result, the full year trading EBITDA is expected to be lower than FY23.

MBH will maintain a strong balance sheet which supports investments in growth initiatives.

Commentary on Results

Chief Executive Officer, Kinda Grange said: *"while overall market conditions remain challenging, we were pleased to deliver a strong recovery in sales growth in the second quarter (compared to the pcp). This growth demonstrates positive market traction from the execution of our strategic initiatives across both online and retail channels.*

"In response to the continuing market challenges, we are accelerating strategic initiatives in the second half and delivering operational initiatives to recover cost inflation and generate efficiencies across manufacturing.

"Our medium-term strategy remains consistent which is to build scale in core categories through leveraging the strength of the Maggie Beer brand and our e-commerce capability to drive growth, while generating efficiencies in our operations network," she said.

Ends

Investor briefing being held today (22 February) at 10.30 am AEDT

Details of the call are as follows:

<https://bellpotter.zoom.us/j/81007656202?pwd=WFf0bGq3LVb4BKVeJavAA8AbNvj6Im.1>

Meeting ID: 810 0765 6202

Passcode: 788911

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Authorised for release by the Board of MBH

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