



## Market Update

### AHF expands exclusive rights to The Collective brand in Australia

Australian Dairy Nutritionals Group (**AHF** or the **Group**) is pleased to announce that after several months of discussions with Epicurean Dairy Holdings Limited (**Epicurean Dairy**), Camperdown Dairy Company (**CDC**) has secured the exclusive right to manufacture, distribute and sell 'The Collective' branded products in Australia including all intellectual property rights in those products.

CDC currently manufactures Epicurean Dairy's range of 'The Collective' branded yoghurt and dairy products which are ranged in Woolworths and independent supermarkets nationally. This change means that CDC's rights will now include the exclusive licence to distribute, market and sell Epicurean Dairy's products in Australia.

In addition to the existing 'The Collective' products ranged in Australia, CDC will now have the ability to offer the full range of Epicurean Dairy products sold in New Zealand to the Australian market, and, work with its innovation team on new product development opportunities. The new licence arrangement also gives CDC full control of the manufacture, planning and distribution process affording the opportunity to realise efficiencies in the current supply chain and greater control over margins.

CDC will pay Epicurean Dairy a royalty on net revenues received by CDC for the sale of products under 'The Collective' brand commencing first quarter 2022. Prior to this quarter, CDC will be afforded a royalty-free period for all sales of 'The Collective' branded products in Australia.

To facilitate a smooth transition to the new licensing arrangement, CDC is acquiring all of the shares in Epicurean Dairy Pty Ltd (**Epic Australia**) from a subsidiary of Epicurean Dairy, Epicurean Australia Limited (**Vendor**). Epic Australia is the trading entity used to contract with Australian customers and suppliers and to employ Australian staff. It does not own any intellectual property or material assets. As such, the purchase price for the acquisition of its shares is simply the net working capital position of that company as at completion (which will be determined following completion through a stock take and a standard working capital calculation process). AHF does not expect the net working capital position to be a material amount. There are no conditions to completion of the purchase of Epic Australia, and the sale and purchase agreement contains standard warranties and indemnities in favour of CDC. Epicurean Dairy guarantees the obligations of the Vendor under the sale and purchase agreement.

The purchase of Epic Australia will strengthen AHF's sales and marketing expertise through the transition of experienced sales staff who will work across CDC and the wider AHF Group. Jason Manos, will be responsible for the Group's sales and marketing function, replacing Chris Flahey who will finish up with the Group in May 2020. Jason is an experienced sales and marketing executive with significant expertise in the dairy and FMCG segments. Jason and the sales team will continue to work closely with Epic Australia's retail customers to ensure that the transition process occurs smoothly and efficiently.

The transaction is expected to complete on Thursday 30<sup>th</sup> April 2020. The Group expects revenue from the sale of 'The Collective' products to retailers under the new licence agreement to be in the range of \$7 - \$9 million over the next 12 months, assuming no change to the existing range and distribution of The Collective products in the market. This replaces revenues under the existing manufacturing agreement from the sale of 'The Collective' products.

A summary of the key terms of the new licence agreement is set out in the Schedule to this announcement. CDC's existing manufacturing agreement in relation to 'The Collective' products will be terminated after the acquisition occurs and any previous revenue guidance in relation to it is withdrawn.

## COVID-19 and EBITDA Update

We would like to thank all of our valued staff who have adopted and supported changes to their working conditions in an effort to prevent the spread of COVID-19. As a dairy producer and manufacturer, the Group's farms and manufacturing facility in Camperdown have been largely operating as normal to ensure the continued production of our products for our customers across both the retail, home delivery and food service channels.

Whilst we have seen an uplift in the home delivery channel, the food service channel has seen a reduction in sales. We have moved quickly to adapt to these changes, including rationalising our food service business to minimise the impact of the reduction in sales. Our teams have worked to quickly implement practises to best manage the risk associated with the COVID-19 virus and protect our people, customers and suppliers. We continue to monitor the government's recommendations and adapt our processes in order to ensure we are working to stop the spread of the virus.

AHF is on track to record a good improvement in its operating EBITDA for FY20 versus FY19 however, given the current uncertain market conditions, the Group is not in a position to provide formal guidance on the full year result at this stage.

## Infant formula plant project

The first quarter of this year has seen significant activity on the Group's infant formula project. The Group has secured its planning and preliminary works permits and is now working with its contractors to finalise building plans and site preparation works. The infant formula plant equipment has also been relocated to our installation contractor's premises to be 3D scanned to allow for precise installation and layout modelling. We have been working with contractors to understand any impacts which the current COVID-19 restrictions will have on availability of raw materials and construction works. An updated timetable will be provided to shareholder in the near future on this.

The release of this announcement was authorised by the Company Secretary, Kate Palethorpe on behalf of the Board of AHF.

### Ends

### Further Details

For additional company information or media enquiries, please contact:

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### Communications Policy

*AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to AHF's website: [www.adfl.com.au](http://www.adfl.com.au).*

### About Australian Dairy Nutritionals Group

**Australian Dairy Nutritionals Group (AHF)** (previously named Australian Dairy Farms Group) is a vertically integrated Australian dairy group which owns high quality dairy farms and a processing facility (Camperdown Dairy Company) located in South Western Victoria, the 'Golden Triangle' of Australia's dairy industry. The Group is a trusted source of premium quality branded dairy products using milk sourced fresh from its farms.

### Disclaimer – Forward Looking Statements

*This announcement may include "forward looking statements" within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Readers are cautioned not to place undue reliance on forward looking statements.*

## Schedule – Summary of Licence Agreement Terms

A summary of the key terms of the Licence Agreement is set out below:

Licensor	Epicurean Dairy Brand Co Limited
Licensee	Camperdown Dairy Company Pty Ltd and Epicurean Dairy Pty Ltd
Commencement Date	30 April 2020
Licensed Products	<p>Specified dairy and other products of the Licensor including new products and variations to those existing products developed by the Licensor or Licensee.</p> <p>The <b>Licensed IP</b> includes the Licensor's intellectual property rights in the Licensed Products including trademarks, copyright works, know-how, product specifications and brand guidelines (<b>Collective Brand</b>).</p>
Licence	The Licensor grants the Licensee an exclusive, non-transferable, sub-licensable right to use the Licensed IP to manufacture, market, use, sell and distribute the Licensed Products in the Licensed Territory and apply the Collective Brand to a new or existing product of the Licensee ( <b>Licensee Product</b> ), where approved by the Licensor.
Licensed Territory	Australia
Term	The Licence is a perpetual licence which continues unless terminated pursuant to the terms of the agreement.
Royalty	Effective from the quarter ending 30 June 2022, the Licensee must pay the Licensor a royalty calculated as an agreed percentage of the net revenue for the sale of Licensed Products and Licensee Products in the Licensed Territory.
Mutual Termination Right for Serious or Persistent Breach or Insolvency	<p>A party may terminate the license agreement with immediate notice if the other party:</p> <ul style="list-style-type: none"> <li>(a) commits a serious breach of the agreement and fails to remedy that breach after being provided with a rectification period;</li> <li>(b) persistently breaches material obligations of the agreement; or</li> <li>(c) suffers an insolvency event or similar event.</li> </ul>
Mutual Termination for Convenience after 3 years	<p>Following the 3<sup>rd</sup> anniversary of the Commencement Date, either party may terminate the agreement for any reason by providing 6 months' notice to the other party.</p> <p>A termination fee is payable by the Licensor if it elects to exercise its right to terminate for convenience.</p>
Other Termination Provisions	<p>The agreement may be terminated with an agreed notice period in circumstances that are customary for an agreement of this type (eg. infringement of intellectual property rights and legitimate reputational damage) as well as:</p> <ul style="list-style-type: none"> <li>(a) if there is a change of control of the Licensor within the first 3 years after the Commencement Date (in which case a change of</li> </ul>

	<p>control fee is payable by the Licensor to the Licensee);</p> <p>(b) if the Licensee ceases, or intends to cease selling, the Licensed Products in the Licensed Territory within the first 2 years after the Commencement Date (in which case Epicurean Dairy is required to pay certain wash-up amounts to the Licensee).</p>
Guarantee	The Licensor's parent entity, Epicurean Dairy Holdings Limited guarantees the obligations of the Licensor under the licence agreement.