

# Maggie Beer Holdings Ltd

## Capital return of 1.0 cps despite recent headwinds

Maggie Beer Holdings Ltd (ASX:MBH) operates in the food and beverage industry focusing on premium products and gifts in grocery retail and e-commerce. Its three current business units are (1) Hampers & Gifts Australia ('HGA'); (2) Maggie Beer Products ('MBP'); and (3) Paris Creek Farms ('PCF'). FY22 represented a transformative year for MBH with the first full-year contribution of HGA following its acquisition in May 2021 for \$40m (plus up to est. \$14m earnout contingent upon HGA FY23 EBITDA of ≥\$10m). More recently, it appointed a strategic advisor to divest its loss-making dairy businesses (PCF and St David Dairy ['SDD']) and sold SDD on 31 August. HGA is a gourmet hamper and gift business which has provided scale and diversification for MBH (HGA is primarily e-commerce while MBP is skewed to retail grocery stores). MBH confronted several headwinds in H2 FY22 including cost inflation and supply chain issues which resulted in its FY22 performance falling below its original guidance (per 12 May disclosure). Nonetheless, MBH intends to make a 1.0 cps capital return (subject to shareholder approval). MBH has not provided FY23 guidance but stated that "COVID-19 lockdowns in FY22 will make it difficult to cycle growth in some months however we expect revenue growth to continue in FY23". To ameliorate cost inflation, MBH has recently fully implemented price rises and will consider further increases if needed. MBH continues to pursue new product development to further diversify its revenue.

### Business model

MBH sells branded premium food and beverage products and gifts, primarily in Australia, via its three businesses: HGA, MBP and PCF. HGA comprises 'The Hamper Emporium' and 'Gifts Australia' with a ~75%/25% sales split. It sells a range of >150 hampers priced from \$60-\$850, and >65k gifts pa (at ~\$50 average). MBP sells a range of premium foods using Australian ingredients spanning cheese, ice-cream, fruit pastes and jams, verjuice, olive oils and vinaigrettes, stocks and soups, paté, and low- and no-alcohol wines through major Australian retailers (including Woolworths, Coles and Metcash) and online. 66% of MBH's continuing revenue is from e-commerce. PCF (to be divested) produces milk and yoghurt.

### Hampers & Gifts fuels FY22; dairy assets divestment in train

MBH recently announced its FY22 results including the following key metrics: (1) \$98.3m revenue (up 86% on pcp boosted by HGA's \$45.2m full-year contribution - but below \$100m original guidance); (2) 22% like-for-like yoy revenue growth from continuing operations (HGA and MBP); (3) 53.0% gross margins for HGA and MBP; (4) \$10.3m trading EBITDA (vs. \$13.5m-\$15.5m original guidance); (5) Reported net loss of \$12.3m (including \$19.8m dairy asset losses); (6) Operating cashflows of \$0.7m and free cash outflows of \$0.7m; and (7) \$10.8m net cash (no debt) and \$15.8m inventory (reflecting early pre-Christmas build) at 30 June. Excluding the dairy assets, MBH's trading EBITDA was \$11.3m and it would have posted \$7.5m net profit and \$3.0m operating cashflows. MBH also announced a 1.0 cps capital return (in lieu of a dividend given the dairy asset losses). Other recent notable developments were the appointment of an adviser for the dairy assets' divestment and the sale of SDD on 31 August for ~\$1.6m.

### Trading at a premium to Pental, owner of Hampers With Bite

MBH is trading on forward (FY23f) EV/Revenue of 0.9x, EV/EBITDA of 5x, and PER of 14x (Source: Refinitiv). There are several ASX-listed companies that we consider to be peers, namely Pental (ASX:PTL), FFI Holdings (ASX:FFI), Pure Foods Tasmania (ASX:PFT), Tasfoods (ASX:TFL), Forbidden Foods (ASX:FFF) and Beston Global Food Company (ASX:BFC). Only PTL and FFI are profitable. Notably, PTL acquired Hampers With Bite for ~\$28m in September 2021 (60% PTL's FY22 EBIT). MBH is trading at a premium to PTL's forward (FY23f) EV/Revenue of 0.5x, EV/EBITDA of 4x, and PER of 8x (Source: Refinitiv).

#### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	EBITDA rep.	NPAT rep.	EPS rep. (c)	EV/Revenue (x)	EV/EBITDA Adj* (x)	PER (x)
06/19a	25.6	(5.4)#	(9.5)	(21.7)	(16.7)	2.2	nm**	nm
06/20a	44.5	1.1	0.8	(14.8)	(7.1)	1.3	52.0	nm
06/21a	52.9	3.1	1.3	1.9	0.8	1.8	36.0	39.1
06/22a	98.3	10.3	9.0	(12.3)##	(3.6)##	1.0	9.7	nm

Source: Company data \*EBITDA adjusted for one-time items and impairments \*\*Not meaningful #Assumes 100% full-year MBP ownership (vs. 48% to 15-Apr-19) ## Incl. \$19.8m dairy asset losses

## Food, Beverage & Tobacco

9th September 2022

### Share Details

ASX code	MBH
Share price (8-Sept)	\$0.315
Market capitalisation	\$110.8M
Shares on issue	351.84M
Net cash at 30-Jun-2022	\$10.8M
Free float	~60%

### Share Performance (12-months)



### Upside Case

- Stronger-than-expected Christmas 2022 sales
- Cost inflation and supply chain issues dissipate and/or are offset by MBH price rises
- Better than expected dairy asset divestment proceeds (\$11.4m carrying value)

### Downside Case

- More challenging economic conditions = lower customer spend
- Further cost inflation/supply chain disruptions
- Dairy asset divestment process is prolonged or yields lower than expected proceeds

### Catalysts

- Strong Christmas sales and FY23 growth
- Franked dividends/capital mgmt in FY23/24

### Comparable Companies (Australia)

Pental Ltd (ASX:PTL), FFI Holdings (ASX:FFI), Pure Foods Tasmania (ASX:PFT), Tasfoods (ASX:TFL), Forbidden Foods (ASX:FFF), Beston Global Food Company (ASX:BFC)

### Board and Management

Reg Weine	Non-Exec Chairman
Chantale Millard	MD & CEO
Maggie Beer	Non-Exec Director
Tom Kiing	Non-Exec Director
Hugh Robertson	Non-Exec Director
Susan Thomas	Non-Exec Director

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# FINANCIAL SERVICES GUIDE

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**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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