



Oliver's Real Food Ltd
ABN 33 166 495 441

PO Box 3678
TUGGERAH NSW 2259
(02) 4353 8055

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ASX Release

Oliver's Real Food (ASX:OLI) ASX Appendix 4C, Trading update and revised FY2019 Earnings Guidance

Oliver's Real Food Limited (**Oliver's** or **the Company**) today releases its ASX Appendix 4C for the quarter ended 31 December 2018 (attached) and provides a trading update and revised FY2019 earnings guidance.

ASX Appendix 4C summary

- Cash receipts from operations for the period were \$8.9 million (pcp \$8.8m. YTD \$17.738m), resulting in net operating cash outflow for the quarter of \$0.6m.
- Cash at the period end was \$3.471m.

Trading Update

Whilst cash receipts from trading during the period 1 July to 31 December 2018 were \$17.738m, the sales revenue for this period was lower than the Company's internal forecast. This shortfall in forecast revenue can be attributed to a number of factors, including:

- The ongoing economic uncertainty that has resulted in weaker retail spending generally in the Christmas and holiday period. Trading in Oliver's stores followed this trend resulting in trading during this period being not as strong as expected
- Initiatives to improve foot traffic in stores during the period, including the repricing of products to address negative customer sentiment, assisted in holding customer numbers but the expected increase in foot traffic did not materialise
- Roadworks and diversions at flagship stores that were outside the control of the Company heavily impacted access and, therefore, performance of key stores during the busy Christmas and holiday period

- New product introductions, repricing, and the introduction of combo offerings, all designed to improve value to our customers, while having some early positive effect on customer numbers, did not result in the forecast increase in revenue
- Further unexpected landlord delays in opening the Coffs Harbour southbound store pushed this opening into the next reporting period and meant forecast peak period income for this location was lost
- Several immature stores, which were opened over the past year by prior management, failed to improve sales as forecasted including during the first peak trading period for those stores
- The new personnel added to the team, at both store, region and head office level, to facilitate future growth added to the cost structure, but that increased cost was not offset by higher sales performance during the peak trading period.

Revised FY2019 earnings guidance

The capital raising in November raised a total of \$4.12 million of a possible \$7.4 million target. The Board reserved the right to place the shortfall which would have assisted the Company achieve more of its growth initiatives that were outlined at the time of the capital raising. Additional funds have not yet been raised and it is considered unlikely that those funds will be raised before the expiry of the 3-month deadline on 28 February 2019.

In the absence of these funds to fully assist with growth initiatives, and due to the trading and other factors the Company has experienced over the peak trading period, the Directors advise that FY2019 sales revenue is now expected to be in the range of \$34 million to \$38 million, which in turn is expected to generate an FY2019 EBITDA loss of between \$1.0 million and \$4.0 million, subject to the Board actioning a number of further revenue generating initiatives and cost saving measures over the next 6 months.

Progress on previously disclosed corporate initiatives

The Company provides a brief update on some of the corporate initiatives that have been implemented recently:

- Deployment of 60 new speed ovens across all stores has been completed. This has reduced kitchen cooking times for all products, but most significantly for our Signature Pita Pockets from 6 minutes to just 90 seconds. This had a huge positive effect on speed of service over Christmas and holiday trading
- Wyong Northbound refurbishment was completed in December, seeing a refreshed retail experience, compliant kitchen environment and new juice bar promoting our fresh juice & smoothies at this flagship site
- Self-ordering kiosks have been introduced in 5 stores, with up to 15% of total transactions being processed on the self-ordering kiosks and approximately \$1 additional average customer spend per transaction. This has had a further positive

impact on speed of customer service, and we intend to roll out more kiosks to other key stores in the next 6 months

- Oliver's Coffs Harbour southbound is fully constructed and ready to open once the landlord completes the required infrastructure works, expected to be in March 2019
- Deployment of food safety electronic labelling systems across all stores and commercial kitchens has been completed which has resulted in reduced labour costs
- Migration to NetSuite, a fully functional store and consolidation accounting system, is due for completion this quarter, facilitating day to day financial management across all stores and head office

Other immediate initiatives to improve financial performance and outlook

Store Closures

As noted above, several immature stores, which were opened over the past year by prior management, failed to improve sales as forecasted including during the first peak trading period for those stores.

Based on sustained poor trading, high rent commitments and local economic influences, such as the impact of drought on some communities, the Company advises that the decision was taken to close Oliver's Dubbo store on 28 January 2019. The Company is currently reviewing the performance of all stores and further store closures are likely.

Cost Reductions

As part of the Company's consolidation program, and as a result of cancelled store openings, reduced trading conditions and a shortfall in capital raising proceeds, a cost rationalisation review by the Company is expected to deliver approximately \$1 million in cost savings progressively in H2 of FY2019.

These H2 savings include:

- A review of staffing costs from all support functions to meet immediate strategic priorities
- Operational cost reductions through contract renegotiation or supplier consolidation
- Cost of goods savings realised through supplier renegotiation, product replacement or contract consolidation
- Consolidation of our Warehouse and Kitchen support facilities to cater for the scope of the current operation
- Restructure of support functions, such as payroll arrangements, travel and support services
- Reduction of store labour costs, through both efficiencies and restructure
- Store closures, as previously discussed.

On a full year basis, the cost rationalisation benefit is expected to be in excess of \$2 million. The Company continues to review costs to further improve profitability.

Recruitment of new CFO

As previously announced on 5 December 2018, the current Chief Financial Officer, Alan Lee, has resigned and recruitment has commenced to find a suitable replacement who is able to work with the CEO and Leadership team and assist with taking Oliver's to the next stage of its development.

A further announcement will be made in due course.

Moving Forward

CEO Greg Madigan said *"The Oliver's brand is young and still offers incredible potential. If we continue our consolidation, improving the current portfolio and resolving sales and profitability challenges in subdued trading conditions, we will be in an incredibly strong position to move forward and expand, realising the potential we all know the brand possesses."*

"There is no doubt that the community is looking for a healthy alternative to traditional 'junk food' on the highways and Oliver's is well placed to deliver that experience."

Oliver's continues to observe the continued strength in customer net promoter scores (NPS) seen in H1, and improved staff morale as seen in the Company's recent internal company health check survey. Support from Oliver's loyal band of customers is evident on social media.

The Company continues to review its strategic growth options and requirements to provide exceptionally nutritious and delicious real food.

The Company is excited to be working on non-traditional growth opportunities, further improving staff engagement through better training and streamlined procedures, introducing new products that cater for growing customer segments, and addressing Oliver's environmental impact through packaging and waste management programs.

Oliver's is embarking on a series of consumer research activities in the coming weeks that will properly define our customer needs and provide us with the roadmap to future development of our menu, our stores and our overall brand position.

The Chairman of Oliver's, Mark Richardson, said *"Although the Directors are very disappointed with the Company's performance, we believe that the operational and organisational changes that are being rapidly implemented will improve performance at all levels of Oliver's operational footprint. We must allow time to realise the benefits of the changes over the coming months and for these to flow through to performance and profitability."*

For further information please contact:

Gregory Madigan
Chief Executive Officer
Phone: 02 4353 8055

Mark Richardson
Chairman
Phone : 02 4353 8055

About Oliver's Real Food Limited (ASX:OLI)

Oliver's Real Food Limited (**Oliver's**) listed on the ASX on 21 June 2017. Over its 13-year operating history, Oliver's has established a significant market position providing a healthy fast food alternative for travellers on Australia's major arterial highways. Oliver's Real Food is considered to be the world's first "certified organic fast food chain" and provides its customers with premium quality, "real" food that is fresh, natural, & free from additives and preservatives, 7 days a week.

Oliver's is a conscious business that understands, and is committed to, the interdependency of "all stakeholders" including our customers, investors, team members, suppliers, the environment, and the communities in which we operate. www.oliversrealfood.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Oliver's Real Food Limited

ABN

33 166 495 441

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,919	17,738
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,348)	(8,495)
(c) advertising and marketing	(107)	(283)
(d) leased assets		
(e) staff costs	(4,734)	(9,517)
(f) administration and corporate costs	(202)	(525)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	(31)	(61)
1.6 Income taxes paid	(81)	(161)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(581)	(1,300)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,539)	(1,867)
(b) businesses (see item 10)	-	-
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(139)	(139)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	577	577
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(1,101)	(1,429)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,045	4,045
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(382)	(382)
3.5 Proceeds from borrowings	55	125
3.6 Repayment of borrowings	(424)	(447)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	3,294	3,341

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,859	2,859
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(581)	(1,300)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,101)	(1,429)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,294	3,341

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	3,471	3,471

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,471	1,859
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,471	1,859

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

95

Being directors' fees for the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,000	1,000
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

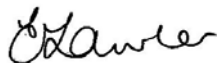
Secured market rate loan facility provided by CBA with interest rate at the 3 months BBSY.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(6,395)
9.3 Advertising and marketing	(140)
9.4 Leased assets	
9.5 Staff costs	(4,638)
9.6 Administration and corporate costs	(278)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(11,451)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Acquisition of businesses only, not business entities	
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 30 January 2019

Print name: Emma Lawler

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.