



Oliver's Real Food Ltd
ABN 33 166 495 441

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24 February 2023
ASX Announcement

Oliver's Real Food Limited (ASX: OLI) Reinstatement Disclosure

Oliver's Real Food Limited (Oliver's or the Company) provides the following disclosures and confirmations to satisfy the conditions for reinstatement to quotation of the Company's fully paid ordinary shares on the Official List of the ASX.

1. Oliver's Stated Objectives in the 12 month period following reinstatement

Oliver's objective, taking in the period from January 2023 to end of February 2024, is to build on the current momentum throughout the store network and thereby to deliver consistent profits and a positive operating cash flow.

With the well-planned restructure fully executed and the lockdowns a thing of the past, Oliver's has focussed and will continue to focus on improving our operational performance to ensure an on-going financially sound business model. Our December 2022 quarter's performance achieved both a profit and a positive cash flow (as reflected in our quarterly 4C Appendix, released on 13 January 2023). The Board believes the Oliver's business model is now sustainable as well as providing a solid foundation for managed growth – in market penetration, sales, margins, and the store network itself.

Briefly, management has identified the following areas to achieve this managed growth, all of which have been explored and conservatively incorporated into our forecasts.

Operations

- Equipment upgrades to improve both speed of service and quality of product. Test site and subsequent rollout commenced in November 2022 and will continue through the network over the next 12 months.

Product-led growth strategies

- Expansion of the evening menu (5 to 9 pm) to increase sales, currently at 12% of total sales where we are now targeting growth to 17%. Over the 2020-2022 period our planned increase in our breakfast menu (6 to 11 am) grew from 18% - 32% of

total daily sales via a concentrated target strategy, and we shall deploy similar strategies to increase our dinner trade.

- Launch Oliver's frozen ready-made meals into stores (range currently sold through the EG network) – offering a suite of quality meals as a take home/take to destination convenience offering.
- Refine our menu offering to elevate our focus on nutrition and special dietary offerings, including gluten-free, plant-based, low-carb, etc., and to market this initiative, accordingly, noting that most bakery items will be transitioning to a gluten-free offering from May 2023.

Technology

- Evolve our digital strategy with focus on increasing usage of new technologies launched over the past 12 months including the OLI ordering app, online ordering, and self-service kiosks, all of which are designed to increase our market penetration and improve speed of service, controls, and the overall customer experience.

Marketing

- Digital advertising – continuing our strategy of geotargeting high intent audiences on the highways.
- Billboard network – continue to refresh highway billboards (commenced in Sept 2022) as well as introducing new strategically located billboards over the next 12 months.
- Oliver's Fam Loyalty Program – CRM direct marketing strategy to drive repeat visitation from our existing customer base.
- PR, Social Media & Influencers - Maximise earned reach through media coverage, social media content, product and visitation-based influencer relationships, all of which is already underway
- Targeting the baby boomer market through more traditional media – this customer channel delivers consistent business throughout our lower season months as large numbers take to the roads to explore Australia outside of high season times.

EG partnership

- Strategic promotional activities in the EG customer channel, including a partnership with Uber Eats to offer Oliver's ready-made meals for home delivery to 73 of the 177 EG outlets we are currently ranged in.
- We will also be considering establishing new stores, either on the major highways, in major tourist centres, or in metropolitan areas. We will consider any such opportunities as and when they arise and will only proceed if each such store complies with our stringent financial and operational parameters.

Finally, and importantly, we maintain our lenders' full support, which has been re-confirmed as part of the FY2023 half-year audit review.

2. Independent Expert's Report confirming that Oliver's working capital and financial condition are sufficient for the Company to carry out its stated objectives in the 12 month period following reinstatement

The Independent Expert's Report, prepared by Hall Chadwick, is attached as **Appendix A** to this announcement.

3. Compliance with Listing Rules

The Company confirms that it is in Compliance with the ASX Listing Rules and, in particular, Listing Rule 3.1 that requires once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

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This ASX release has been authorised by the Board of Directors.

For further information please contact:

Martin Green, Chairman

martin.green@olivers.com.au

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 17-year operating history, Oliver's has established a significant market position providing a health fast food alternative for travellers on Australia's major arterial highways. Oliver's Real Food is the world's first "certified organic fast-food chain" and provides its customers with premium quality, "real" food that is fresh, natural, & free from additive and preservatives. 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.olivers.com.au.

24 February 2023

The Directors
Oliver's Real Food Ltd
PO Box 3678
TUGGERAH NSW

Dear Directors,

Oliver's Real Food Ltd ("OLI" or the "Company") – Working Capital Statement

In accordance with our engagement letter dated 4 January 2023, we have been engaged to undertake a review of the Company's forecast working capital and financial condition (including operating results and cash flow forecasts which have been provided to ASX) in connection with the Company's process of relisting its shares on the Australian Securities Exchange ("ASX").

Purpose or our report and restrictions on its use

This report has been prepared on the specific instructions of the Directors solely for the purpose of enabling us to report to on whether, in our opinion, OLI's working capital and financial condition (including operating results and cash flow forecasts which have been provided to the ASX) are sufficient for OLI to carry out its stated objectives in the 12-month period following reinstatement. It should not be relied upon for any other purpose.

The extent of our work comprised the following:

- Obtained forecast statements of profit and loss, cash flows and financial position for the 12 month period following reinstatement ("Forecasts");
- Checked the mathematical accuracy of the Forecasts;
- Confirmed that the Forecasts are stated on a basis consistent with the financial reporting policies and procedures adopted by the Company; and
- Reviewed the reasonableness of the assumptions and estimates upon which the Forecasts are based, in the light of knowledge we have obtained about past accounting trends and ratios and from the Directors concerning the business.

A summary of the Forecasts, underlying assumptions and other explanations underlying our review are included an Annexure 1 to this report.

Based on the above procedures, reasonable enquiries, professional judgment and knowledge of the industry, in our opinion:

- the Directors have prepared the Forecasts after due and careful enquiry;
- the Forecasts have been prepared on a reasonable basis and properly compiled on the basis of the underlying assumptions;
- the Forecasts are presented on a basis consistent with the accounting policies normally adopted by the Company; and
- OLI's working capital and financial condition, based on information provided and Forecasts reviewed (including operating results and cash flow forecasts which have been provided to ASX), are sufficient for OLI to carry out its stated objectives in the 12-month period following reinstatement ("Forecast Period").

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In as much as the Forecasts and the assumptions on which they are based relate to the future, we express no opinion on how closely the trading results and cash flows eventually achieved will correspond with the projections. Furthermore, actual results and cash flows are likely to be different from those projected, because events and circumstances frequently do not occur as expected. The differences may be material.

This report is intended for your information only in connection with the application for relisting on the ASX and is not to be referred to or quoted, in whole or in part, in any other context without prior written consent.

Yours faithfully,



Drew Townsend
Director

Annexure 1

A summary of the OLI business, Forecasts, underlying assumptions and other explanations underlying our review in support of OLI's working capital and financial condition are detailed.

1. Business Operations and Stated Objectives Overview

The OLI business commenced trading in 2005 and offers premium quality, fresh and natural fast foods free from additives and preservatives through its quick service restaurants in Australia.

OLI was the world's first certified organic fast food chain, now operating out of 16 locations along Australia's eastern seaboard and major highway locations. The Forecasts do not assume any change in the number of locations.

OLI's stated objective over the Forecast Period, from 1 March 2023 to 29 February 2024, is to build on the current momentum throughout the store network and thereby to deliver consistent profits and a positive operating cash flow.

With a recent restructure completed and the threat of lockdowns over, OLI has focussed and will continue to focus on improving operational performance to ensure an on-going financially sound business model.

The December 2022 quarter's performance achieved both a profit and a positive cash flow. The Board believes the OLI business model is now sustainable as well as providing a solid foundation for managed growth – in market penetration, sales, margins, and the store network itself.

Briefly, management has identified the following areas to achieve this managed growth as incorporated into the Forecasts and further detailed in the assumptions at section 3 onwards.

- a) **Operations:** Equipment upgrades to improve both speed of service and quality of product. Test site and subsequent rollout commenced in November 2022 and will continue through the network over the next 12 months.
- b) **Product-led growth strategies**
 - i. Expansion of the evening menu (5 to 9 pm) to increase sales, currently at 12% of total sales where OLI are now targeting growth to 17%. Over the 2020-2022 period the planned increase in the breakfast menu (6 to 11 am) grew from 18% - 32% of total daily sales via a concentrated target strategy. Similar strategies will be deployed to increase the dinner trade.
 - ii. Launch OLI's frozen ready-made meals into stores (range currently sold through the EG network) – offering a suite of quality meals as a take home/take to destination convenience.

- iii. Refine the menu offering to elevate the focus on nutrition and special dietary offerings, including gluten-free, plant-based, low-carb, etc., and to market this initiative, accordingly. Many of the bakery items will be transitioning to a gluten-free offering from May 2023.
- c) **Technology:** Evolve the digital strategy with a focus on increasing usage of new technologies launched over the past 12 months including the *OLI ordering app*, online ordering, and self-service kiosks, all of which are designed to increase market penetration and improve speed of service, controls, and the overall customer experience.
- d) **Marketing**
 - i) Digital advertising – continuing the strategy of geotargeting high intent audiences.
 - ii) Billboard network – continue to refresh highway billboards (commenced in Sept 2022) as well as introducing new strategically located billboards over the next 12 months.
 - iii) Oliver's Fam Loyalty Program – CRM direct marketing strategy to drive repeat visitation from our existing customer base.
 - iv) PR, Social Media & Influencers - Maximise reach through media coverage, social media content, product and visitation-based influencer relationships.
 - v) Targeting the baby boomer market through more traditional media – this customer channel delivers consistent business through the lower season months as large numbers take to the roads to explore Australia outside of high season times.
- e) **EG partnership:** Strategic promotional activities in the EG customer channel, including a partnership with Uber Eats to offer OLI's ready-made meals for home delivery to 73 of the 191 EG outlets they are currently ranged in. EG Group is one of the world's leading independent convenience retailers with an extensive network of sites across international markets.

OLI will also be considering establishing new stores, either on the major highways, in major tourist centres, or in metropolitan areas. However the Forecasts assume no change in the number of stores over the Forecast Period. Such opportunities will be considered by management as and when they arise and will only proceed if each store complies with stringent financial and operational parameters.

The forecast profit and loss, balance sheets and cash flows relied upon for the purpose of this report are detailed in the tables below, presented over the Forecast Period on a quarterly basis to 31 December 2023 and the two months to 29 February 2024.

Consolidated Profit and Loss Statement						
	\$'000	Jan-Mar '23	Apr-Jun '23	Jul-Sep '23	Oct-Dec '23	Jan-Feb 24
Revenue (Existing Stores)		6,506	6,610	6,561	7,583	5,081
EG Revenue		98	98	106	104	70
Other Income		3	3	3	3	2
Total Revenue		6,607	6,711	6,670	7,690	5,153
Cost of Sales		2,407	2,446	2,427	2,806	1,880
TOTAL GROSS PROFIT		4,200	4,265	4,243	4,884	3,273
		64%	64%	64%	64%	64%
Less						
Employment Costs		2,473	2,618	2,667	2,998	2,007
Property Costs		706	714	714	714	476
Promotion		106	75	133	155	103
Depreciation & Amortisation		246	246	157	164	124
Other		435	422	400	402	268
Total Operating expenses		3,965	4,075	4,071	4,433	2,978
EBIT Total		235	190	172	451	295
Interest						
Other Interest AASB16 & Expenses		(110)	(106)	(102)	(98)	(64)
Interest Expense - Loans		(201)	(186)	(186)	(194)	(121)
Net Interest		(311)	(292)	(288)	(292)	(185)
OPERATING PROFIT (LOSS)		(76)	(102)	(116)	159	110
EBITDA		481	436	329	615	419

Consolidated Balance Sheet					
\$'000	Mar '23	Jun '23	Sep '23	Dec '23	Feb '24
Current Assets					
Cash & Deposits	219	211	334	400	373
Receivables	60	68	68	68	76
Prepayments	110	115	90	30	65
Inventory	433	462	532	663	466
Other Current Assets	59	38	59	40	28
Total Current Assets	881	894	1,083	1,201	1,008
Non-Current Assets					
Rental Bonds	408	408	408	428	428
Fixed Assets	1,996	2,095	2,094	2,343	2,284
Intangible Assets	540	408	378	348	328
Lease Assets Net	5,483	5,190	5,013	4,836	4,718
Total Non-Current Assets	8,427	8,101	7,893	7,955	7,758
Total Assets	9,308	8,995	8,976	9,156	8,766
Current Liabilities					
Trade creditors	2,078	2,196	2,148	2,694	2,562
Other Payables	224	194	204	239	209
Payment Plans	458	168	-	-	-
Payroll Liabilities	716	716	716	716	651
GST	89	95	110	136	96
Lease Liability Current	1,619	1,450	1,443	1,428	1,431
Loans - Current	375	375	375	375	375
Total Current Liabilities	5,559	5,194	4,996	5,588	5,324
Non-Current Liabilities					
Provisions	382	391	397	403	406
Lease Liability Non Current	10,409	10,051	9,691	9,334	9,096
Derivative Liability	20	20	20	0	0
Loans	7,925	8,425	9,075	8,875	8,875
Total Non-Current Liabilities	18,736	18,887	19,183	18,612	18,377
Total Liabilities	24,295	24,081	24,179	24,200	23,701
Net Assets	(14,987)	(15,086)	(15,203)	(15,044)	(14,935)

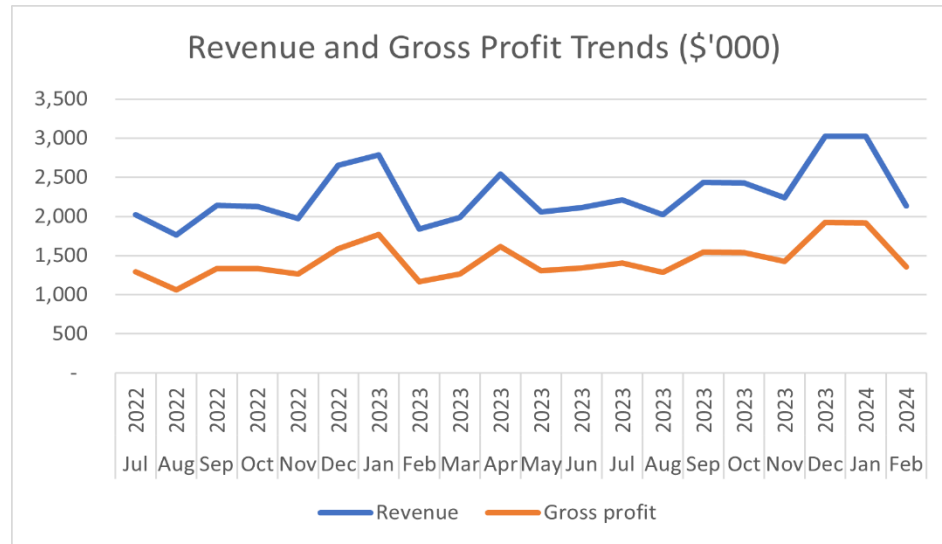
Shareholders' Equity					
Share Capital	36,061	36,061	36,061	36,061	36,061
Retained Earnings	(57,274)	(57,274)	(51,148)	(51,148)	(51,148)
Current Year Earnings	6,225	6,126	(117)	42	152
Total Equity	(14,988)	(15,087)	(15,204)	(15,045)	(14,935)

Consolidated Statements of Cash Flows						
	\$'000	Jan-Mar '23	Apr-Jun '23	Jul-Sep '23	Oct-Dec '23	Jan-Feb 24
Cash flows from operating activities						
Receipts from customers (inclusive of GST)		7,182	7,264	7,145	8,333	5,594
Royalties		107	107	116	114	77
Other revenue		3	3	3	3	2
Payment to suppliers and employees		(6,695)	(6,990)	(7,058)	(7,198)	(5,279)
Finance costs		(120)	(120)	(120)	(120)	(80)
Net cash provided by (used in) operating cash activities		477	264	86	1,132	314
Cash flows from investing activities						
Payments for property, plant and equipment		(100)	(125)	(125)	(375)	(25)
Net cash (used in) investing activities		(100)	(125)	(125)	(375)	(25)
Cash flows from financing activities						
Lease Payments – principal		(634)	(647)	(487)	(493)	(315)
Proceeds from the issue of shares		2,000	0	0	0	0
Proceeds from/(Repayment of) borrowings		(2,000)	500	650	(200)	0
Net cash (used in) provided by financing activities		(634)	(147)	163	(693)	(315)
Net increase in cash and cash equivalents		(257)	(8)	124	64	(26)

The following sections details on the main assumptions and the reasonableness testing undertaken.

2. Revenue and Gross Profit

The chart below shows the trend in revenue and gross profit from July 2022 to February 2024 (actual results to December 2022):



Sales

Sales have been forecast by management based on growth trends in the last 12 months and the pattern of sales immediately prior to Covid during FY2019.

The business was very badly effected by Covid 19 due to border closures, lock downs and people being unwilling or unable to travel. This impact has extended through to October 2022 where the business has since seen a gradual climb in sales.

Assumptions regarding price increases are incorporated into the Forecasts to allow for potential price increases from suppliers and likely wage increases from the 2023 National Wage case decision. The actual timing of any price increases will be dependent on when suppliers increase their prices.

Seasonality is factored into the Forecasts based on historical trends and known busier periods. The business is heavily driven by increased travel on long weekends and school holidays. These periods increase up to 30% above school term periods. Christmas peaks up to 42% over average sales.

Management have undertaken a monthly analysis of sales on a store-by-store basis to Forecast sales accordingly. This analysis has been reviewed and considered reasonable.

Gross Margins

Gross margins are based on a per store analysis of historical results. Overall OLI has been achieving a 63% gross margin which is Forecast to remain consistent.

Over the past 12 months OLI has revamped their entire menu to be more contemporary, but still healthy and tasty. This has enabled OLI to design products to a target margin, with the medium term goal of achieving an average gross margin of 65%. Forecasts however assume a gross profit margin consistent with historical results to-date.

3. Overheads

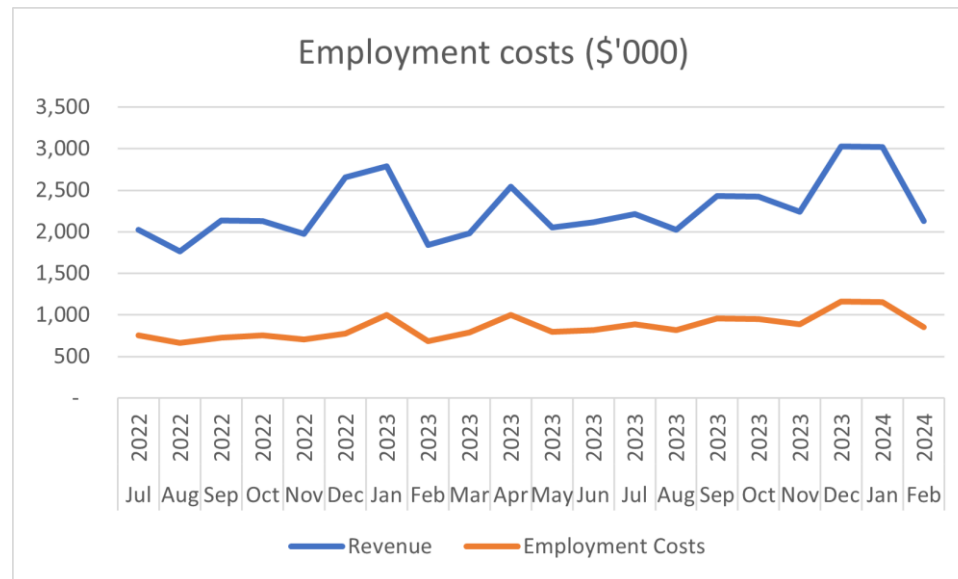
Wages

Employment costs are the largest overheads of the business.

Store wages are calculated at the current run rate from weekly historical results plus on-costs, adjusted for sales fluctuations and expected improvements from efficiencies.

Head Office Wages assumes the same staff level of current staff over the Forecast period inclusive of on-costs.

Management have undertaken a monthly analysis of employment costs as a function of current and forecast sales on a store-by-store basis to Forecast employment costs. This analysis has been reviewed and considered reasonable. The graph below shows monthly employment costs against revenue:



Other overheads

Promotion costs have been forecast based on historical levels and an uplift to 2% of revenue from July 2023. Forecast costs include the following promotional initiatives:

- re-employment of a billboard strategy with a summer campaign
- targeted tactical marketing strategies around product and promotion
- digital marketing strategy peaking in holiday periods
- selected advertising in various magazines
- continual social media program on Instagram Facebook.

Other overheads are Forecast to remain consistent with historical levels.

4. Capital expenditure

Capital expenditure includes a total outlay of \$650,000 between April and December 2023 for the refurbishment / kitchen equipment upgrades for 13 stores (Wyong North, Wyong South and Port Macquarie already complete). A further allowance of \$100,000 is included in the Forecasts for general replacements and repairs.

5. Funding

Borrowings increase over the Forecast Period by \$950,000 (net of repayments) to finance capital expenditure. As stated in the Company's last annual report, "in terms of the existing operation and the funding requirements in that regard, the Board is confident that with the closure of seven Victorian stores plus Chinderah in New South Wales and the combination of the new menu and the marketing initiatives, the consolidated entity will reduce its cash burn to a breakeven or slightly positive cash flow within months. That then reduces and ultimately eliminates any further on-going funding for current operations." EBITDA has been positive since September 2022 and with the exception of July 2023, cash flows from operations are forecast to be positive from December 2022 onwards.

OLI has received correspondence from their major lenders who have committed to ensuring the Company can meet its ongoing obligations. They will continue to discuss investment opportunities such as capital equipment, new stores (on a needs basis) and provide funding specific to these needs as required. They have confirmed that no debts will be called for repayment for a period of 12 months from the date of signing the FY2023 first half financial report, if the Company does not have financial capacity to support such repayment of either interest or capital.

6. Conclusions

The Company is Forecast to generate positive cash flows over the Forecast Period, inclusive of meeting operating cash flows, borrowings and capital expenditure requirements. The following table shows total forecast cash flow movements for the Forecast Period, being the 12 months to 29 February 2024:

	\$'000	Forecast Period
EBITDA		1,870
NPBDA *		716
Operating net cashflows		1,979
Net increase in cash		2
Working capital movement		301

* Net profit before depreciation and amortisation

Operating and total net cash flows are forecast to remain positive over the Forecast Period, inclusive of the capital expenditure required to achieve the stated business objectives during the period and full repayment of outstanding ATO debts. Working capital (current assets less current liabilities) improves over the forecast period by \$301,000.

Forecasts have been prepared in accordance with the accounting policies of the Company and on the basis of the underlying assumptions.

On the basis of the information provided, Forecasts reviewed and underlying inherent assumptions, we conclude that OLI's working capital and financial condition are sufficient for OLI to carry out its stated objectives in the 12-month period following reinstatement.