



ASX Announcement

26 March 2020

UPDATE ON COVID-19 AND NEW ZEALAND OPERATIONS

- Australian divisions remain open and trading with current volumes of work generally unaffected
 - NZ food and environmental water testing laboratory registering as an essential service and is to remain open
 - NZ non-essential laboratory services and field HAZMAT teams in lock down as NZ government moves to level 4 response for 4 weeks
 - Company has sufficient cash reserves to fund current NZ shutdown
 - FY20 earnings guidance withdrawn during this period of uncertainty
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HRL Holdings Limited (ASX:HRL) (“HRL” or “the Company”) provides the following update on the impact of COVID-19 on future trading conditions.

Business trading – NZ laboratory an essential service

The New Zealand Government has increased the COVID-19 alert to level 4 effective 25 March 2020, closing all non-essential businesses for a period of 4 weeks.

HRL’s New Zealand operations include laboratory testing and HAZMAT consulting services. Laboratory operations in relation to the food and water supply chain are being registered as essential services and will remain open during the level 4 alert. These “essential services” equate to approximately 50 percent of the Company’s New Zealand laboratory revenue. Remaining laboratory and HAZMAT consulting operations are considered non-essential services and will close until the level 4 alert is reduced. Whilst restructuring of the New Zealand operations and cost saving measures have been put in place, we are working closely with our staff to support them through this period and to be well positioned as activity levels inevitably pick-up.

Australian businesses continue to trade with extensive social distancing and sanitisation procedures in place. To date we have seen very little change in demand for the Company’s services in Australia however plans are in place for likely future changes.



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Results and Guidance

For the six months ended 31 December 2019 the Group reported revenues of \$16.3m and underlying EBITDA¹ of \$2.6m. For the eight months ended 29 February 2020, Group revenues were \$22.0m and underlying EBITDA of \$3.6m, with both measures ahead of internal budgets and on track to achieve the full year broker consensus forecasts.

However, as a result of the level 4 shutdown on affected New Zealand operations and highly uncertain trading conditions in general, it is now difficult to quantify with any confidence the impact on the Group results for FY20. Any definitive comments about likely performance in the near to mid-term future in these uncertain times is not appropriate and HRL therefore suspends forward earnings guidance for FY20. HRL will provide further updates on trading performance as is appropriate.

The HRL Board and Executive Team have elected to decrease their fees/salaries by 20% through the remainder of the current financial year.

This announcement was approved for release by the Board.

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¹ EBITDA is stated on a pre-AASB 16 basis.