

# TasFOODS LTD

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**ASX Announcement:** 30 July 2019

## **Dairy sales momentum continues prior to completion of Betta Milk acquisition**

**Group sales revenue up by 13% on prior year  
Underlying operating cashflow continues to be positive  
Rights issue completed raising \$8 million before costs**

### **Business Update and Appendix 4C for the quarter ended 30 June 2019**

TasFoods Limited (ASX: TFL) today released its **preliminary unaudited results** for the half-year ended 30 June 2019 (H1 2019).

The results show sustained growth in sales revenue to \$20.831 million, 13% higher than H1 2018; a 2% increase in gross profit and a 2% increase in operating EBITDA over H1 2018.

	<b>H1 2019 \$'000</b>	<b>H1 2018 \$'000</b>	<b>H1 Change \$'000</b>	<b>H1 Change %</b>
Sales Revenue	20,831	18,481	2,350	13%
Gross Profit	5,181	5,088	93	2%
Gross Profit Margin	25%	28%		-3%
EBITDA	(1,032)	(733)	(299)	-41%
Acquisition Costs	(329)	(15)		
Operating EBITDA	(704)	(719)	15	2%

Shane Noble, TasFoods Limited's Executive Chairman, said: "We are very pleased with the continued increase in demand for our premium products which has resulted in 13% growth in sales revenue in H1 2019 over H1 2018. Our dairy brands achieved the highest growth at 46% as a result of expanded ranging and the launch of new products.

In H1 2019 we maintained our strong focus on cost control, labour efficiency and business optimisation ensuring that the Group's employment costs, overhead and fixed cost base remained stable through this period of sales growth.

The Group is experiencing commodity price increases in one of its key business inputs, feed grain. This cost increase has resulted in a contraction in the gross margin of the Group from 28% in H1 2018 to 25% in H1 2019. A number of key margin improvement initiatives have been implemented, including price recovery, the impact of these will begin to flow through in H2 2019".

### **Financial Highlights for H1 2019**

- **Sales revenue** in H1 2019 was 13% higher than H1 2018, with dairy sales increasing by 46% and poultry sales reporting growth of 8%. Interstate sales reported growth of 22% when compared to H1 2018, increasing to 15% of total sales revenue.
- **Gross profit** increased by 2% in H1 2019 when compared to H1 2018, however the gross profit margin contracted by 3% to 25% over the same comparative period. External industry-wide commodity price increases are the largest challenge facing the Group in 2019, with grain inputs (the Group's largest input cost) increasing in H1 2019 when compared to H1 2018. This contributed to the contraction in the gross margin of the Group from 28% in H1 2018 to 25% in H1 2019.
- **Operating EBITDA** (statutory EBITDA excluding non-recurrent costs associated with the acquisition of Betta Milk) in H1 2019 reported improvement of 2% to negative \$0.704 million when compared to H1 2018 (negative \$0.719 million). The Group remains positioned to deliver positive operating EBITDA from existing operations for FY 2019.

### **Key Achievements**

#### ***Meander Valley Dairy Crème Fraiche Ranging***

TasFoods has been successful in gaining ranging of its premium Meander Valley Dairy 200ml Crème Fraiche product into 680 Coles stores nationally. Dispatch of first orders will commence in Q3 2019.

#### ***Acquisition of Betta Milk***

In H1 2019 TasFoods announced the acquisition of the milk processing assets and brands of the Betta Milk Co-Operative Society Limited (Betta Milk), at a cost of approximately \$11.5 million.

The acquisition will strengthen the existing TasFoods dairy segment and will lead to significant revenue opportunities and operational synergies including expansion of TasFoods present distribution network. The acquisition is scheduled to be completed on 31 July 2019.

#### ***Completion of Rights Issue***

In June 2019, TasFoods announced the commencement of a rights issue to raise \$8.0 million (before costs) to partially fund the acquisition of the milk assets and brands of Betta Milk.

The rights issue was completed on 17 July 2019, resulting in the issuing of 66,666,667 new shares in TasFoods Limited on 19 July 2019.

### **Quarterly Cash Flow**

TasFoods' Appendix 4C for the quarter ended 30 June 2019 has been lodged with the ASX today. At 30 June 2019, TasFoods held cash of \$6.984 million (net of overdraft and prior to the receipt of rights issue proceeds received in July). Key points include:

- Cashflows from operations were negative \$0.113 million for Q2 2019. Underlying operating cashflow (after removal of cash outflows associated with the acquisition of Betta Milk assets) continued to be positive at \$0.031 million for the quarter;
- Investing cash outflows were \$1.539 million, principally associated with the construction of the Nichols Poultry chicken growing sheds. The construction of the growing sheds are on-time and on-budget and will be fully operational in early Q3 2019; and
- Cashflows from financing activities during Q2 2019 reported a net inflow of \$3.311 million. This included the drawdown of a commercial bill facility of \$2.0 million to return working capital to the business used to fund the construction of the air chiller at Nichols Poultry in late 2018. In addition, a progress drawdown from a \$2.5 million facility to fund the construction of the new mechanically ventilated chicken growing sheds on the Nichols Poultry site was completed. During Q2 2019 the Group also made debt repayments of \$0.228 million.

### **TasFoods Contacts**

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### **Forward-looking Statements**

The Appendix 4C contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TasFoods. These factors may cause actual results to differ materially from those expressed in the Appendix 4C contained in this announcement.

### **About TasFoods**

TasFoods, established in 2015, is a diversified food business focused on leveraging the natural attributes of Tasmania's agricultural and food production environment to create premium food products for sale to Australian and export customers. TasFoods is a public company listed on the ASX with a mix of institutional investors, high net worth individuals and retail investors.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

**Name of entity**

TasFoods Limited

**ABN**

53 084 800 902

**Quarter ended ("current quarter")**

30 June 2019

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		10,644	20,687
1.2 Payments for			
(a) research and development		(2)	(11)
(b) product manufacturing and operating costs		(7,027)	(13,485)
(c) advertising and marketing		(156)	(268)
(d) leased assets		(37)	(84)
(e) staff costs		(3,333)	(6,408)
(f) administration and corporate costs		(164)	(477)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		27	56
1.5 Interest and other costs of finance paid		(54)	(92)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		61	61
1.8 Other:			
Costs associated with potential acquisitions		(145)	(179)
Insurance and Workers Compensation Recoveries		53	81
Freight Equalisation Rebates		8	19
Other		12	20
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(113)</b>	<b>(80)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,559)	(2,008)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	20	20
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,539)</b>	<b>(1,988)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	(49)	(49)
3.5	Proceeds from borrowings	3,588	3,588
3.6	Repayment of borrowings	(228)	(463)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,311</b>	<b>3,076</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,325	5,976
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(113)	(80)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,539)	(1,988)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,311	3,076
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,984</b>	<b>6,984</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	6,695	1,438
5.2	Call deposits	409	3,959
5.3	Bank overdrafts	(98)	(61)
5.4	Other	(22)	(11)
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,984</b>	<b>5,325</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	143
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	
Not applicable		

<b>7. Payments to related entities of the entity and their associates</b>		<b>Current quarter \$A'000</b>
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	
Not applicable		

<b>8. Financing facilities available</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	5,652	4,724
8.2 Credit standby arrangements	-	-
8.3 Other	-	-
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.	

TasFoods total loan facilities (excluding financial liabilities required to be disclosed under AASB 9 Leases) at 30 June 2019 amounted to \$4.724 million, which are secured over the assets financed. Interest rates on these liabilities range between 0% and 6.78%, with the average interest rate being 4.48%.

During the quarter Nichols Poultry Pty Ltd entered into a number of financing arrangements, including:

- Accessing its \$2.0 million facility with the ANZ during June 2019 to return working capital to the business which was used to fund the construction of the new air chiller at Nichols Poultry completed in late 2018. The facility is a two-year fixed term facility at a rate of 3.96%. The facility is secured by mortgage over the assets of the Nichols Poultry business;
- Commenced the drawdown of a \$2.5 million loan with ANZ to fund the construction of two mechanically ventilated chicken sheds on the Nichols Poultry site. This loan was not fully drawn at 30 June 2019 and is a variable rate facility secured over the assets of the Nichols Poultry business; and
- Entered into a 36-month interest free asset finance arrangement with Kubota Australia Finance associated with the acquisition of equipment.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(9,910)
9.3	Advertising and marketing	(193)
9.4	Leased assets	(86)
9.5	Staff costs	(4,015)
9.6	Administration and corporate costs	(353)
9.7	Other	(100)
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(14,657)</b>

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of entity	Nil during quarter	Nil during quarter
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: Managing Director and CEO

Date: 30 July 2019

Print name: Jane Bennett

### 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.