

TasFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 30 April 2020

Business Update and Activity Report

TasFoods positive EBITDA result for Q1 2020

TasFoods Limited (ASX:TFL) today released a Business Update and Quarterly Appendix 4C showing \$16.7 million in sale revenue for Q1 2020, an increase of \$6.4 million or 62% over Q1 2019. The Q1 2020 results include sales revenue for Betta Milk which was acquired in Q3 of 2019. Sales revenue for existing operations (excluding Betta Milk) were up 11% on Q1 2019.

Gross profit increased by 80% to \$2.1 million with gross profit margin improving by 2% on Q1 2019. The company continues to deliver a positive operating result with earnings before interest, tax, depreciation and amortisation (EBITDA) for Q1 2020 at \$0.4 million, a 305% improvement on the Q1 2019 result of negative \$0.2 million.

Q1 Results	Q1 2020 (\$'000)	Q1 2019 (\$'000)	Change (\$)	Change (%)
Sales revenue	16,765	10,348	6,417	62%
Gross profit	4,742	2,639	2,102	80%
Gross profit margin	28%	26%		2%
EBITDA	383	(187)	570	305%
Acquisition costs	(2)	(44)		
Operating EBITDA	385	(143)	528	370%

An increase in sales revenue for Betta Milk of 13% over Q4 2019 continued to drive dairy sales revenue growth during Q1 2020. Sales for the Tassie Taste white milk brand released in December 2019 continued to exceed budget forecasts, growing further in late March as more Tasmanian consumers shopped at independent retail outlets.

Sales of chicken grew 4% on Q4 2019 as a result of a higher volume of meat available for sale and strong demand.

Whilst the first quarter results are very pleasing for the company the business has been affected during the period by COVID-19 and continues to navigate the changing business environment resulting from the global pandemic.

TasFoods is committed to the health and safety of our workers and customers. The business has implemented a number of measures on operational sites to comply with physical distancing requirements and followed Government and industry recommended best practice for minimising the risk of COVID-19 spread.

The impact of COVID-19 on the tourism and hospitality industries resulted in the difficult decision to close the Pyengana Dairy Café and the reduction of fresh wasabi harvesting operations at Shima Wasabi in late March. Employees of each of these business operations are eligible for the Job Keeper payment through which they continue to be paid in readiness for the market conditions to return to a point where these operations can recommence.

Demand for product from the food service sector began to decline in March with the conversion of restaurants and cafes to take away only and the cessation of large gatherings including sporting events. To counter this short term market decline in the food service sector the business is focused on growing sales to existing and new retail customers and building opportunities in emerging markets.

Economic conditions relating to COVID-19 will continue to influence the business operating environment for the foreseeable future with the changes to the food service sector contributing to a decline in sales revenue during April for the chicken and wasabi divisions whilst dairy sales remain strong. The Board of TasFoods continues to work with the management team to review operations to adjust to the changing environment and conserve cash.

In April 2020 ANZ finance facilities were renewed and included an additional \$1 million of overdraft facility.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter to 31 March 2020 has been lodged with the ASX today. Key points include:

- At 31 March 2020, cash-on-hand was \$0.675 million, net of overdraft. The Group had unused finance facilities of \$0.884 million at 31 March 2020 with a further \$1 million overdraft facility established in April 2020.
- Cash receipts from customers were \$16.752 million, 40% higher than Q1 2019 and 6% higher than Q4 2019.
- Net cash used in operating activities was \$0.34 million resulting from payment for compliance costs for 2019 year end and seasonal Christmas production inputs, as well as working capital required to fund increased stock holdings and additional safety requirements resulting from COVID-19.

Authorised for ASX release by the Board of Directors of TasFoods Ltd

TasFoods contact

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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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,752	16,752
1.2 Payments for		
(a) research and development	(5)	(5)
(b) product manufacturing and operating costs	(12,024)	(12,024)
(c) advertising and marketing	(91)	(91)
(d) leased assets	(49)	(49)
(e) staff costs	(4,612)	(4,612)
(f) administration and corporate costs	(304)	(304)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(86)	(86)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	78	78
1.9 Net cash from / (used in) operating activities	(340)	(340)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(182)	(182)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(182)	(182)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(246)	(246)
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	(246)	(246)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,443	1,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(340)	(340)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(182)	(182)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(246)	(246)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	675	675

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	1,799	2,127
5.2	Call deposits	-	115
5.3	Bank overdrafts	(1,116)	(765)
5.4	Other (provide details)	(8)	(34)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	675	1,443

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,272	6,272
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	2,000	1,116
7.4 Total financing facilities	8,272	7,388

7.5 Unused financing facilities available at quarter end	884
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Item 7.1 –

TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 9 Leases) at 31 March 2020 amounted to \$5.173 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 4.28%.

The Group did not enter into any new finance arrangements in the quarter ended 31 March 2020.

Item 7.3 and 7.5 –

Nichols Poultry Pty Ltd (a subsidiary of TasFoods Ltd) has a bank overdraft facility with the Australia and New Zealand Banking Group Ltd for an amount of \$2 million operating under a variable interest rate. As at 31 March 2020 a balance of \$0.884 million remained undrawn.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(340)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	675
8.3 Unused finance facilities available at quarter end (Item 7.5)	884
8.4 Total available funding (Item 8.2 + Item 8.3)	1,559
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Not applicable

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Not applicable

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:
Not applicable

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.

Date: 30 April 2020

Authorised by: TasFoods Limited Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.