

ASX Announcement: 26 February 2021

Strong second half financial performance delivering revenue growth of 32% to \$67.426 million and a 76% improvement in Operating EBITDA for FY2020

TasFoods Limited (ASX:TFL) today released the company's full year results and annual report for financial year 2020.

2020 Financial Year Highlights

- Revenue growth of 32% to \$67.426 million was achieved in FY 2020 (10% organic growth after adjusting for Betta Milk acquired on 31 July 2019) when compared to FY 2019.
- Sales revenue growth in dairy division of 92% to represent 44% of total revenue, providing the company with two core operating divisions in growth markets of poultry and dairy.
- Strong cash position with cash holdings of \$7.244 million at the end of FY2020 and total available funds of \$9.103 million.
- Adoption of new strategic plan rolling out in 2021 to drive strong organic revenue growth through market expansion of super premium and everyday luxury brands in interstate markets

	FY 2020				FY 2019				Change \$'000	Change %
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000		
Revenue	29,617	37,311	508	67,436	15,415	35,176	514	51,105	16,331	32%
Expenditure	(28,247)	(38,344)	(6,105)	(72,696)	(14,392)	(32,901)	(4,969)	(52,262)	(20,434)	39%
EBITDA	1,370	(1,033)	(5,597)	(5,260)	1,023	2,275	(4,455)	(1,157)	(4,102)	-354%
Less Non-operating Items:										
Acquisition Costs	-	-	(15)	(15)	-	-	(497)	(497)	482	97%
Movement in Fair Value	(38)	(107)	(1,154)	(1,300)	37	439	692	1,169		
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-		
Operating EBITDA	2,908	1,074	(4,427)	(445)	986	1,835	(4,650)	(1,829)	1,384	76%
GP Margin	35%	20%		27%	34%	22%		25%		2%
NPAT				(6,407)				(3,459)		

2020 was a very challenging and unforeseen year for TasFoods with significant COVID influenced market volatility experienced across the business. Despite these challenges the company ended the year with a strong cash balance and achieved earnings growth since August. The turn-around in the business from August reflected the rapid response of the management team to dramatically changing production, sales and distribution conditions, and provides the momentum required to successfully implement the company's new strategic plan in 2021.

The changes made in response to market conditions helped generate a strong second-half financial performance, achieving a Group operating EBITDA of \$0.677 million. This enabled the Group to report a \$1.384 million, or 76%, improvement in operating EBITDA for the full year over FY 2019, lifting the result to negative \$0.445 million. Positive operating EBITDA was reported for each quarter except Q2 2020, which was negatively impacted by market volatility associated with the COVID pandemic.

The economic uncertainty experienced in the first half of 2020 led the company to recognise an impairment expense of \$3.5 million, comprising goodwill impairment of \$2 million in the poultry division and \$1.5 million in the dairy division. This combined with a decline of \$1.2 million in the fair value of the wasabi crop, both recognised in June, contributed to the full-year financial result of a net loss of \$6.41 million. The impairment of goodwill and the write-down of the wasabi biological asset value did not affect the cash position of the company, which was boosted by two equity injections, totalling \$7.1 million, in the second half of the year that were supported by high quality patient investors. TasFoods ended 2020 in a strong cash position with cash holdings of \$7.24 million and total available funds of \$9.10 million.

The results highlight the resilience of the company's business model founded on strong support from loyal local consumers which underpinned sales in a year where sales to interstate markets were interrupted by changing market conditions.

Following mid year Board renewal the Board and Executive Team developed a new strategic plan for the business to drive profitable growth. The focus for 2021 is on delivering strong organic growth in the company's super premium and everyday luxury stable of brands through expansion of distribution and product ranging in interstate markets. The business has a diverse range of channels to market that support it to deliver the essence of Tasmania to where the consumers of the company's stable of brands choose to shop and eat.

Growth for the poultry division in 2021 is focused primarily on extending ranging for the Nichols and Super Premium branded chicken in interstate markets. Expansion of the ready to cook product range and the launch of a new product range of ready to eat chicken offerings will generate revenue from high growth convenience categories.

Growth in the dairy division will be through range extension for the Meander Valley Dairy brand into new dairy categories where existing relationships with national retail and distribution channels can be leveraged to build product ranging.

Significant expansion of online sales will be achieved through a new E-Commerce strategy and logistics solution tailored to provide a service for perishable goods sourced from Tasmania directly to consumers. This will enable meat and fresh milk products to be included in the online offering.

Improved gross margin is forecast through manufacturing efficiencies derived from increased equipment utilisation and further processing of waste streams.

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

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