

ASX Announcement: 29 July 2021

Business Activity Report and Appendix 4C Quarterly Cash Flow

Strong margin improvement and sales growth

TasFoods Limited (ASX:TFL) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 June 2021 (Q2 2021).

Highlights:

- Substantial step-up in Q2 gross profit of 55% on the prior comparative period (pcp) highlighting the leverage of the enhanced food and beverage platform TasFoods is building.
- Continued EBITDA improvement of 77% in H1 over pcp nearing EBITDA breakeven in what is traditionally a lower revenue fiscal half compared to the December half year.
- The trailing last 12 months financial results reflect a profitable EBITDA of \$0.37 million demonstrating the business is starting to deliver on the brand growth strategy adopted following the strategic review in 2020
- Strong revenue growth across all divisions of 9% for Q2 2021 over pcp to grow overall revenue for H1 by 5% to \$33.94 million.
- The more stable trading conditions of Q2 2021 compared to Q2 2020 resulted in a gross margin improvement of 8% over the pcp despite the higher dairy costs traditionally incurred in Q2. This contributed to a \$1 million improvement in operating EBITDA for H1 2021 over H1 2020 to negative \$0.3 million.
- Expansion of distribution for two Meander Valley Dairy cream products into national independent retail, and other products into interstate food service markets via distribution partners in H1 2021 contributed to 27% growth in interstate branded sales revenue over pcp
- Farm milk supply for the Pyengana brand has been increased by 21% to support the growth focus for premium brands.
- Continued review of value-add growth opportunities to accelerate the execution of our broader corporate strategy.

| | Q2 2021 | | | | Q2 2020 | | | | Change \$'000 | Change % |
|---------------------|-----------------|-------------------|----------------------------------|-----------------|-----------------|-------------------|----------------------------------|-----------------|------------------|-------------|
| | Dairy \$'000 | Poultry \$'000 | Corporate and Other \$'000 | Total \$'000 | Dairy \$'000 | Poultry \$'000 | Corporate and Other \$'000 | Total \$'000 | | |
| Sales Revenue | 7,418 | 9,462 | 109 | 16,988 | 6,838 | 8,702 | 93 | 15,634 | 1,354 | 9% |
| COGS | (5,118) | (7,578) | (51) | (12,747) | (5,066) | (7,555) | (280) | (12,901) | 153 | 1% |
| Gross Profit | 2,299 | 1,883 | 58 | 4,241 | 1,773 | 1,148 | (187) | 2,733 | 1,507 | 55% |
| GP Margin | 31% | 20% | 53% | 25% | 26% | 13% | -200% | 17% | | 8% |

| | H1 2021 | | | | H1 2020 | | | | Change \$'000 | Change % |
|--|-----------------|-------------------|----------------------------------|-----------------|-----------------|-------------------|----------------------------------|-----------------|------------------|-------------|
| | Dairy \$'000 | Poultry \$'000 | Corporate and Other \$'000 | Total \$'000 | Dairy \$'000 | Poultry \$'000 | Corporate and Other \$'000 | Total \$'000 | | |
| Sales Revenue | 14,812 | 18,906 | 218 | 33,936 | 13,934 | 18,291 | 174 | 32,399 | 1,537 | 5% |
| COGS | (9,949) | (14,718) | (90) | (24,756) | (9,819) | (14,793) | (310) | (24,922) | 166 | 1% |
| Gross Profit | 4,863 | 4,189 | 128 | 9,180 | 4,115 | 3,498 | (136) | 7,477 | 1,703 | 23% |
| GP Margin | 33% | 22% | 59% | 27% | 30% | 19% | -78% | 23% | | 4% |
| Expenditure | (3,775) | (3,337) | (2,367) | (9,479) | (4,927) | (5,218) | (3,330) | (13,475) | 3,996 | 30% |
| EBITDA | 1,088 | 852 | (2,239) | (299) | (812) | (1,720) | (3,466) | (5,998) | 5,699 | 95% |
| Impairment Expense and Wasabi Biological Asset Write Down 2020 | | | | | 1,500 | 2,000 | 1,179 | 4,679 | | |
| Comparative EBITDA | 1,088 | 852 | (2,239) | (299) | 688 | 280 | (2,287) | (1,319) | 1,019 | 77% |

Note: 2021 financial results are subject to half year review by PwC

Dairy Division

TasFoods dairy division continued to reinforce its position as a key pillar of profitability, reporting a strong financial contribution at both the revenue and EBITDA levels. Revenue for H1 2021 increased by 6% over H1 2020. A 3% improvement in gross margin over the pcp contributed to the operating EBITDA contribution increasing by 58% over H1 2020 to \$1.09 million.

As is customary we experienced a seasonal reduction in dairy division gross margin of 4% for Q2 over Q1 from the higher price paid for milk sourced during the winter months in Tasmania. We are pleased we have been able to continue to drive margin expansion year-on-year despite the traditionally challenging Q2 cost for sourcing dairy inputs.

Highlights for the Dairy Division during Q2 2021 include:

- Extended distribution for two Meander Valley Dairy branded cream products into national independent retail in Q2 2021.
- An additional Pyengana farm milk supplier was signed up in June to supply milk under a 3 year contract from July. This will increase milk supply for Pyengana branded dairy products by 21% to support the growing demand for Pyengana branded milk and cheese.
- Launch of mascarpone cream cheese under the Meander Valley Dairy brand into food service markets in NSW and Victoria to meet market demand.
- Launch of two lactose free milk products under the Betta Milk brand into Coles and independent retail in Tasmania.
- Ranging for two Betta Milk flavoured milk products developed in 2020 into Coles Tasmanian stores.



Poultry Division

The Poultry Division continues to show a stable recovery from the Covid 19 influenced market volatility experienced in FY 2020. Poultry sales revenue in Q2 2021 grew by 9% over Q2 2020. The gross margin improved by 7% over Q2 2020 reflecting the stable market conditions for the quarter. This significant improvement in gross margin contributed to the growth in operating EBITDA for the poultry division for H1 2021 of 204% over H1 2020 to \$0.85 million.

Highlights for the Poultry Division during Q2 2021 include:

- Gross margin improvement of 7% over pcg resulting from more stable trading conditions for the quarter. This resulted in a gross margin improvement for the poultry division in H1 2021 of 3% over H12020.
- Division EBITDA profitability of \$0.85m for the half highlighting the success of management initiatives to return the business to profitability
- Continued focus on value-add, new product development with the launch of a range of ready to cook kebabs. A range of ready to cook curry packs will be released in H2.
- Construction commenced for the organic free range chicken farm announced in May 2021 with supply of chicken to the market from September 2021

Growth Initiatives

Through Q2 we have continued to advance the strategic objectives adopted in 2020 to accelerate growth of our super premium and everyday luxury brands through interstate markets. TasFoods has identified these product pillars as our key differentiator to drive brand growth through broader domestic and export markets with consumers seeking high-quality, premium Tasmanian produce.

Organic chicken range

The impending launch of an organic chicken brand in September is the key driver for premium brand growth in the poultry division recognising growing consumer demand for better-for-you, organic produce. Australian Certified Organic (ACO) Standard accreditation was achieved in July 2021 for the organic chicken growing farm and Nichols Poultry processing facility. The first chicks have been placed on the farm to commence the growing cycle.

Direct-to-consumer offering

To support the distribution of the new organic chicken products directly to butcher stores, premium retail and restaurants interstate, TasFoods entered into a contract with a national refrigerated logistics provider in July 2021. This service will prove a refrigerated delivery service to the door for orders of individual cartons for home delivery and small commercial customers. It will also enable the inclusion of perishable products such as chicken meat and fresh milk in our online store offering from September as well as improve the customer experience by ensuring perishable products arrive in suitable condition.

Expanded range and distribution

Interstate sales growth for the dairy division will be accelerated in H2 2021 through the launch of a range of Meander Valley Dairy cheese products into national independent retail. The range of Meander Valley Dairy seasonal cream products will be expanded for Christmas 2021. These will be ranged with a major retailer nationally and in national independent retail stores.

TasFoods commenced supply of an additional 10 private label chicken SKU's to Coles Tasmanian stores in July 2021.

COVID 19

As a provider of leading Tasmanian produce TasFoods is saddened to see the impact the current lockdowns in major cities across Australia are having on the food service and hospitality industry.

Whilst we continue to support our food service customers, the impact of lockdowns on our supply chain has been largely mitigated by the multi-channel route-to-market strategy we have adopted.

TasFoods has taken a proactive approach to vaccinating employees through a strong education program across the business. The TasFoods HR Manager has assisted employees on each site to book their vaccination and organised vaccination clinics for the Nichols Poultry site. At the end of July 2021 85% of all TasFoods employees have received at least a first vaccine dose and 98% of all employees working on the Nichols Poultry site have been fully vaccinated. No incentives for vaccination have been paid to any employees.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 30 June 2021 (Q2 2021) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$4.241 million and unused finance facilities of \$1.468 million.
- Cash receipts from customers increased by \$0.92 million or 6% over the pcg and \$0.41 million or 2% above Q1 2021.
- Net operating cash outflows increased to negative \$0.629 million, reflecting the quarterly trading performance and a net reduction in in trade creditors balances from Q1 2021 of \$0.670 million.
- Investment in property plant and equipment of \$0.881 comprised primarily of plant and equipment related to the development of new growing facilities for organic chicken.

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

TasFoods contact

Jane Bennett
Managing Director and CEO
+61 3 6331 6983

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.

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")

30 June 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 17,231 | 34,050 |
| 1.2 Payments for | | |
| (a) research and development | (14) | (21) |
| (b) product manufacturing and operating costs | (12,528) | (24,491) |
| (c) advertising and marketing | (134) | (213) |
| (d) leased assets | (88) | (166) |
| (e) staff costs | (4,847) | (9,548) |
| (f) administration and corporate costs | (325) | (760) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (69) | (140) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | 14 |
| 1.8 Other (provide details if material) | 145 | 219 |
| 1.9 Net cash from / (used in) operating activities | (629) | (1,056) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (809) | (1,561) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | (72) | (72) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 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 | (881) | (1,633) |

| | | | |
|-------------|---|--------------|--------------|
| 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 | - | (14) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (119) | (300) |
| 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 | (119) | (314) |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 5,870 | 7,244 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (629) | (1,056) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (881) | (1,633) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (119) | (314) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 4,241 | 4,241 |

| 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 | 4,294 | 6,556 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | (32) | (678) |
| 5.4 | Other | (21) | (8) |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,241 | 5,870 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|----------------------------|
| 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 | - |
| <i>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.</i> | | |

| | | | |
|-----------|--|---|--|
| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 | Loan facilities (includes lease liabilities under AASB 16) | 6,954 | 6,954 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (bank overdraft) | 1,500 | 32 |
| 7.4 | Total financing facilities | 8,454 | 6,985 |
| 7.5 | Unused financing facilities available at quarter end | | 1,469 |
| 7.6 | <p>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.</p> <p>Item 7.1 – TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 30 June 2021 amounted to \$6.954 million. Borrowings are secured over assets financed and by mortgage over property and water rights owned by Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd. Interest rates on these liabilities range between 0% and 6.78%, with the average interest rate being 3.86%.</p> <p>During the quarter upon the maturity of existing debt facilities the Group restructured its debt facilities, entering into a five-year fixed interest five year loan facility for \$3.5 million and a \$1m variable rate principal and interest loan with an eight year term.</p> <p>Item 7.3 and 7.5 – Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have bank overdraft facilities with the Australia and New Zealand Banking Group Ltd for a combined amount of \$1.5 million operating under a variable interest rate. These facilities were reduced during the quarter from a total \$2.25m facility available at 31 March 2021. As at 30 June 2021 a balance of \$1.468 million remained undrawn.</p> | | |

| | | |
|-----------|---|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (629) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 4,241 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 1,469 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 5,710 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 9 |
| | <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 | <p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 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?</p> <p>Answer: Not applicable</p> | |

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 29 July 2021

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.