

TasFOODS LTD

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ASX Announcement - 23 August 2019

TasFoods on track for positive EBITDA in FY2019 **Continued positive operational cash flow achieved in H1** **Transformational acquisition completed in July 2019**

TasFoods Limited (ASX:TFL) today announced its results for the six months to 30 June 2019 and confirmed its guidance of achieving positive EBITDA from existing operations, excluding the Betta Milk business, for the year to 31 December 2019. Betta Milk, acquired on 31 July 2019, is expected to make a contribution to earnings for the period.

Sales revenue grew strongly, increasing by 13% to \$20.8 million (H1 2018: \$18.5 million), with dairy sales up 45% to \$3.612 million and poultry sales up 8% to \$17.043 million. Interstate sales were 22% higher and represented 15% of total revenue.

The company's underlying loss before interest, tax, depreciation and amortisation, and excluding acquisition costs of \$329,000, improved to \$704,000 from \$718,000.

As already reported, despite production efficiencies, average gross margins were 3% lower at 25%, due largely to industry-wide increases in the price of grain, which is the company's largest input cost. Grain prices are expected to stabilise in the second half when margins will benefit from progressive sale price increases. The company maintained its focus on cost control, labour efficiency and business optimisation and fixed costs remained stable despite the growth in sales.

Depreciation increased by \$207,000, reflecting the 2018 investment in upgrades to the Nichols Poultry processing facility and other facilities as well as changes required under AASB16 Leases. The underlying after-tax loss was \$1.517 million (H1 2018: \$1.253 million). The statutory after-tax loss was \$1.846 million (H1 2018: \$1.268 million).

Results for six months to	30 June 2019	30 June 2018	% change
	\$'000	\$'000	
Sales revenue	20,831	18,481	13%
Underlying EBITDA*	(704)	(718)	2%
Underlying NPAT*	(1,517)	(1,253)	(21)%
Statutory EBITDA	(1,032)	(733)	(41)%
Statutory NPAT	(1,846)	(1,268)	(46)%

*Excluding Betta Milk acquisition costs of \$329,000

'We remain on track to achieve positive EBITDA for the full year to 31 December 2019,' said Shane Noble, TasFoods' executive chairman. 'This will be a significant step in building a

profitable premium food company capitalising on Tasmania's unique environment and reputation.

'The acquisition of Betta Milk is transformational for the company, providing greater balance between our dairy and poultry operations. It provides us with new revenue streams, excess capacity to allow further growth and access to a Tasmanian state-wide distribution network. While it is early days, we are beginning to benefit from the revenue opportunities and cost synergies we anticipated – especially in expanded distribution, lower distribution costs and increased purchasing power.

'The 46% increase in dairy sales from existing operations during H1 2019 reflects growing demand for our products and expanded ranging. Our dairy business offering in National Retail Chains continues to grow in H2 2019 with the first consignment of Meander Valley Dairy Crème Fraiche having been shipped to Coles in August for supply to 680 stores nationally.

'Poultry sales in the second half will benefit from additional capacity provided by the recently completed growing sheds at Nichols Poultry. These sheds will increase by 10% the chicken available for sale from October 2019,' said Mr Noble.

Reflecting tight cost control, the company's operational cash flow during the half year, excluding expenditure related to the acquisition of Betta Milk, was positive at \$30,000, compared with operational cash outflow of \$2.1 million in H1 2018.

In line with TasFoods' growth strategy, the acquisition of Betta Milk Co-operative Society Limited's milk processing assets and brands was completed on 31 July 2019. The acquisition included Betta Milk's export-accredited milk processing facility in Burnie and distribution centres and vehicle fleets in Launceston and Hobart. The cost of approximately \$11.5 million excluding completion adjustments was funded through internal funds and a rights issue at 12.0 cents per share that raised \$8.0 million before costs after balance date.

For further information please contact:

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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.