

ASX Announcement: 30 April 2021

Business Activity Report and Appendix 4C Quarterly Cash Flow

Strong financial performance delivering third consecutive quarter of positive EBITDA and sales growth

TasFoods Limited (ASX:TFL) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 31 March 2021 (Q1 2021).

Highlights:

- Strong financial performance with the third consecutive quarter reporting positive EBITDA, for Q1 2021 Operating EBITDA of \$0.139 million.
- Revenue remained consistent with Q1 FY2020 despite the cycling of the significant impact of Covid-19 and resulting pantry stocking behaviour of consumers which occurred in the prior corresponding period (pcp). The diverse mix of our channels to market has insulated the business against a decline in sales experienced by our major retail customers over the pcp.
- The lower operating EBITDA reflects a return to pre Covid product mix and sales channels.
- Dairy revenue growth of 4% over Q1 2020 was achieved through expanded distribution and ranging for a number of cream and milk product lines. Gross margins for the dairy division improved by 2% reflecting the efficiencies gained from consolidation into three centres of excellence and a lower farmgate milk price.
- Poultry revenue declined by 1% against Q1 2020 which was significantly inflated by consumer pantry filling with retail chicken packs during the pcp. The gross margin for Poultry was 1% lower than Q1 2020 reflecting the return to a standard product mix away from the abnormally high proportion of retail pack sales in Q1 2020.
- Growth in interstate sales of 13% over Q1 FY2020 reflecting the strategic focus on conversion of interstate sales opportunities.
- Strong Online sales growth of 334% over FY2020 reflecting the improved online shopping experience and expanded product offering introduced in Q1 FY2021.
- Continued review of value-add and acquisitive growth opportunities to accelerate the execution of our broader corporate strategy.
- Corporate costs were contained at 2020 levels for the quarter.

	Q1 2021				Q1 2020				Change \$'000	Change %
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000		
Revenue	7,422	9,494	113	17,030	7,113	9,670	95	16,878	152	1%
Expenditure	(6,727)	(9,074)	(1,116)	(16,917)	(6,543)	(8,864)	(1,087)	(16,495)	(422)	-3%
EBITDA	695	421	(1,003)	113	569	806	(992)	383	(270)	-71%
Acquisition Costs	-	-	-	-	-	-	2	2	(2)	
Movement in Fair Value	27	-	-	27	-	-	-	-	27	
Operating EBITDA	721	421	(1,003)	139	569	806	(990)	385	(246)	-64%

A number of marketing initiatives have commenced to drive the strategic objective of increasing sales revenue from Super Premium and Everyday Luxury brands in interstate markets:

- Wasabi from our Shima Wasabi business was featured on the episode of Masterchef aired on 28 April. This was the first of several features for wasabi on the current Masterchef series which will provide significant awareness for the uses of fresh wasabi as a culinary feature.
- A new logistics solution to provide refrigerated delivery to the door for online customers and small retail and restaurant customers will commence in Q2 2021. This will enable the inclusion of highly perishable items such as meat and milk in the online offering. Online sales are an excellent avenue to introduce new customers to the product lines and develop a direct relationship with consumers.
- New promotional campaigns with major retailers are planned for H2 2021 to drive sales instore and online.
- A PR influencer campaign targeted at Sydney and Melbourne consumers will be launched in Q2 2021 focused on Super Premium and Everyday Luxury brands.

Dairy Division

Our 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. Whilst revenue increased by 4% over FY 2020 the EBITDA contribution increased by 22%.

Highlights for the Dairy Division during Q1 2021 include:

- Extended distribution for a range of Meander Valley Dairy products into national independent retail that will be effective in Q2 2021.
- Successful renegotiation of major State Government dairy supply contract that resulted in increased volume and improved gross margins.
- Expansion of sales into the Canberra region through appointment of a new distribution partner.
- Increased ranging for fresh and flavoured milk lines in Coles Tasmanian stores to commence from Q2 2021.

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 Q1 2020 was influenced by unprecedented demand for retail chicken packs and an overall increase in market demand for all forms of chicken products.

The stable market environment is expected to continue through Q2 2021 which will result in a significant improvement to the Q2 2021 Poultry Division financial performance over Q2 2020.

Highlights for the Poultry Division during Q1 2021 include:

- Increased product ranging under Coles Tasmanian Poultry supply agreement commencing supply from July 2021.
- Distribution of chicken to food service channels in Victoria returned to pre Covid levels.
- Finalisation of winter range of ready to cook chicken products for release in Q2 2021.
- Ongoing new product development work on a range of ready to eat products for release in H2 2021.

Growth Initiatives

Our core focus for 2021 is to advance the strategic objectives adopted in 2020 to accelerate growth of our super premium and everyday luxury brands. H1 2021 will see the establishment of a logistics solution for distribution to a broad range of interstate customers and investment in development of new products to support this market opportunity. We will be releasing a number of initiatives in H2 2021 to deliver sales revenue growth associated with this expanded network.

We continue to actively explore value-add and acquisitive growth opportunities that leverage our strong manufacturing, marketing and distribution capabilities for premium and everyday luxury consumer branded products.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 31 March 2021 (Q1 2021) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$5.870 million and unused finance facilities of \$1.572 million.
- Cash receipts from customers remained consistent with the prior comparative period (pcp).
- Net operating cash outflows increased to negative \$0.427 million reflecting an increase in net working capital from a reduction in trade creditors of \$0.571 million and an investment in stock of \$0.141 million.
- Investment in property plant and equipment of \$0.752 comprised primarily of plant and equipment related to the development of new growing facilities for premium chicken.
- Administration and corporate costs increased by \$0.131 million over the pcp due to higher year end compliance costs and changes to the annual insurance premium cycle.

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

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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.

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 2021

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	16,820	16,820
1.2 Payments for		
(a) research and development	(7)	(7)
(b) product manufacturing and operating costs	(11,965)	(11,964)
(c) advertising and marketing	(78)	(78)
(d) leased assets	(77)	(77)
(e) staff costs	(4,702)	(4,702)
(f) administration and corporate costs	(435)	(435)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(71)	(71)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	14	14
1.8 Other (provide details if material)	74	74
1.9 Net cash from / (used in) operating activities	(427)	(427)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(752)	(752)
(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	(752)	(752)
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)	(14)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(181)	(181)
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	(195)	(195)
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	7,244	7,244
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(427)	(427)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(752)	(752)

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)	(195)	(195)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,870	5,870

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	6,556	7,652
5.2	Call deposits	-	-
5.3	Bank overdrafts	(678)	(391)
5.4	Other	(8)	(17)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,870	7,244

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
7.1 Loan facilities (includes lease liabilities under AASB 16)	7,098	7,098
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	2,250	678
7.4 Total financing facilities	9,348	7,776
7.5 Unused financing facilities available at quarter end		1,572
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.		
<p>Item 7.1 –</p> <p>TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 31 March 2021 amounted to \$7.098 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 TasFoods Ltd entered into a lease arrangement for its corporate office building which is recorded as a lease liability in accordance with AASB 16 Leases.</p> <p>Item 7.3 and 7.5 –</p> <p>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 \$2.25 million operating under a variable interest rate. As at 31 March 2021 a balance of \$1.572 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)	(427)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,870
8.3 Unused finance facilities available at quarter end (item 7.5)	1,572
8.4 Total available funding (item 8.2 + item 8.3)	7,442
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	17
<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 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
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>Answer:</p> <p>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: 30 April 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.