

ASX Announcement: 27 October 2021

Business Activity Report and Appendix 4C Quarterly Cash Flow

Solidify the foundations for growth

TasFoods Limited (ASX:TFL) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 September 2021 (Q3 2021).

Highlights:

- As previously announced TFL has recently appointed a new Chief Executive Officer, Scott Hadley, and Chief Financial Officer, Shona Croucher, to lead the business through its next phase of growth. With TasFoods nearing EBITDA profitability, we are well positioned to capitalise on our strong foundations and accelerate our growth strategy
- Sales momentum has continued into Q3 2021 with year-to-date sales 4% high than last year driven by both the Poultry and Dairy divisions. This is a pleasing result due to the negative impact of COVID-19 on our sales into food service and restaurants due to the continued lockdown in NSW and Victoria during Q3 2021 along with the impact to the Tasmanian economy due to lower inbound domestic and international tourism. As these States emerge from lockdown the business has seen early signs of recovery with increased sales through these channels.
- Strong divisional performance in both Dairy and Poultry with each business unit achieving EBITDA profitability for the quarter on a standalone basis and continuing the momentum generated through the first two quarters of the financial year.
- The gross profit margin year to date has increased by 1.5% as compared to the prior comparative period (pcp) driven by improved trading conditions in the Poultry division.
- Year to date EBITDA (excluding Impairment and Biological Asset Fair Value adjustment) reported improvement of 38% on the pcp showing an underlying EBITDA of negative \$0.67 million.
- Responding to increased consumer demand for better-for-you poultry a range of organic chicken products under our new organic brand, Isle and Sky, have been launched through Coles supermarkets across the eastern states of Australia and premium butchers in Victoria and Tasmania. Initial sales have been positive for this exciting initiative and we are confident of increased sales momentum as the market awareness of this offering increases.
- Our Meander Valley Dairy business launched two new products in the quarter, Persian Fetta and Chocolate Cream, continuing our strategy of offering premium products to the market under the Meander Valley brand. The launches have been well received by consumers and continue to show sales momentum into the critical Christmas trading period
- Pyengana Dairy performed extremely well at the recent Australian Dairy Awards. Pyengana Traditional Cloth Matured Cheddar cheese won the award for the highest scoring cheddar cheese in Australia and Pyengana Real Milk received a Gold award in the modified milk class.

Financial update

Income Statement

	Q3 2021				Q3 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	7,517	10,085	100	17,702	7,565	9,289	137	16,992	710	4%
COGS	(5,038)	(7,686)	(49)	(12,773)	(4,739)	(7,162)	(52)	(11,953)	(820)	-7%
Gross Profit	2,479	2,399	51	4,929	2,826	2,128	85	5,039	(110)	-2%
GP Margin	33%	24%	51%	28%	37%	23%	62%	30%		-2%
Expenditure	(1,762)	(2,134)	(1,404)	(5,300)	(1,852)	(1,843)	(1,108)	(4,803)	(498)	-10%
EBITDA	717	265	(1,353)	(371)	974	285	(1,023)	236	(607)	-257%

	YTD Q3 2021				YTD Q3 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	22,329	28,992	318	51,638	21,698	27,728	360	49,786	1,852	4%
COGS	(14,908)	(22,404)	(139)	(37,451)	(14,559)	(21,954)	(362)	(36,875)	(576)	-2%
Gross Profit	7,421	6,588	179	14,188	7,140	5,774	(2)	12,911	1,276	10%
GP Margin	33%	23%	56%	27%	33%	21%	-1%	26%		2%
Expenditure	(5,616)	(5,471)	(3,771)	(14,858)	(6,977)	(7,209)	(4,488)	(18,674)	3,816	20%
EBITDA	1,805	1,117	(3,592)	(670)	162	(1,435)	(4,490)	(5,762)	5,092	88%
Impairment Expense and Biological Asset Write Down 2020					1,500	2,000	1,179	4,679		
Comparative EBITDA	1,805	1,117	(3,592)	(670)	1,662	565	(3,311)	(1,083)	413	38%

Dairy Division

TasFoods dairy division remains the largest contributor to TasFoods profitability and has delivered a strong year-to-date result in terms of sales, gross profit and EBITDA. All key metrics show continued improvement year to date with EBITDA 8.6% higher than the pcp. The gross profit margin came under pressure in Q3 2021 driven by higher farm gate milk prices and increased competition.

Despite seasonal cost challenges TasFoods is starting to realise the strong platform opportunity presented by the division. TasFoods expects a strong finish to the financial year as new dairy products are released to market into the traditional Christmas festive season.

Poultry Division

The poultry division reported a solid Q3 2021 result with sales improving by 5% and gross profit improving by 14% from a 2% improvement in the gross profit margin. This positive momentum has seen EBITDA improve year to date by 98% over the pcp to \$1.1m.

TasFoods is particularly pleased with the poultry division performance given price pressure experienced across some cost inputs through Q2 and Q3 highlighting the importance of pursuing a premium, value-add strategy in poultry that can absorb seasonal margin pressure.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 30 September 2021 (Q3 2021) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$2.056 million and unused finance facilities of \$1.107 million.
- Cash receipts from customers increased by \$0.37 million or 2% over the pcp.
- Net operating cash outflows increased to negative \$1.241 million, reflecting the quarterly trading performance, a net reduction in trade creditors balances from Q2 2021 of \$0.5 million and a net increase in trade debtors balance from Q2 2021 of \$0.5 million.
- Investment in property plant and equipment of \$0.779 comprised primarily of plant and equipment related to the development of new growing facilities for organic chicken.

Foundations for growth

There has been a significant amount of change to the TasFoods business during this quarter. Two new Directors were appointed in June 2021 and started their tenure in Q3 2021. With leadership changes in the CEO and CFO positions announced it has been a period of renewal for the business. Against that backdrop, the Board and management is getting up to speed quickly and focused on the business priorities to best set up TasFoods to close out the financial year with a strong Q4, building earnings momentum into FY2022.

The balance sheet is in a very healthy position and debt levels are low. A review of gearing will occur in the ordinary course to ensure we have the financial foundations for growth established.

The business has strong brands and the operations of the business are very well managed providing a cornerstone for future opportunity. We are now embarking on a program to embed new ways of working through the implementation of a new Enterprise Resource Planning (ERP) system and operational excellence measures to capitalise on these strengths, improve profitability and ensure positive cash flow.

With the refreshed Board and management team having reviewed the existing operations TasFoods will be seeking to build on its existing strengths in poultry and dairy whilst ensuring it is remaining close to new opportunities in the food and beverage sector. With two complementary business divisions each generating strong revenue and EBITDA TasFoods is pleased that it is beginning to realise the strategic and financial opportunity of taking premium, value-add, Tasmanian produce to domestic and international consumers.

New management will be setting out its revised strategy to market over the coming months and will ensure strong engagement with consumers, producers, suppliers and investors as we aim to fast-track the growth of Tasmania's leading premium produce group.

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

TasFoods contact

Scott Hadley
Chief Executive Officer
+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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,015	51,065
1.2 Payments for		
(a) research and development	(116)	(138)
(b) product manufacturing and operating costs	(12,661)	(37,151)
(c) advertising and marketing	(219)	(431)
(d) leased assets	(64)	(230)
(e) staff costs	(4,901)	(14,451)
(f) administration and corporate costs	(338)	(1,099)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(84)	(224)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	13	28
1.8 Other (provide details if material)	114	333
1.9 Net cash from / (used in) operating activities	(1,241)	(2,297)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(739)	(2,300)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(40)	(112)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(779)	(2,412)

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	(165)	(464)
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	(165)	(479)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,241	7,244
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,241)	(2,297)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(779)	(2,412)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(165)	(479)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,056	2,056

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	2,468	4,294
5.2	Call deposits	-	-
5.3	Bank overdrafts	(393)	(32)
5.4	Other	(19)	(21)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,056	4,241

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>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	7,243	7,243
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	1,500	393
7.4 Total financing facilities	8,743	7,636
7.5 Unused financing facilities available at quarter end		1,107
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 – TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 30 September 2021 amounted to \$7.243 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 3.84%.</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. As at 30 September 2021 a balance of \$1.107 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)	(1,243)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,056
8.3 Unused finance facilities available at quarter end (item 7.5)	1,107
8.4 Total available funding (item 8.2 + item 8.3)	3,163
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.5
<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: 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: 27 October 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.