

ASX Announcement: 30 January 2024

Business Activity Report and Appendix 4C Quarterly Cash Flow

TasFoods Limited (**TasFoods**, **ASX:TFL**, the **Company**) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 31 December 2023 (Q4 2023).

Highlights:

- TasFoods completed the most extensive corporate restructuring programme since its inception to reposition the business to deliver superior returns to shareholders:
 - Completion and settlement of the divestment of Betta Milk and Meander Valley Dairy business to Bega Cheese Limited;
 - Repayment of all term debt and overdraft facilities with ANZ Bank;
 - Acquisition of Redbank Poultry, a chicken broiler and breeder business in North-West Tasmania that secures the supply-chain for our Nichols Poultry division; and
 - Completion of the significant corporate restructure to right-size the support office in line with the new TasFoods operating model going forward
- Revenue growth in the Poultry division of 11% compared to prior comparable period (PCP) whilst maintaining GM% in line PCP;
- Launch of Isle & Sky Pet Treats with Australia's largest pet retailer, Pet Barn, with representation in a major distributor to drive ranging;
- Underlying Net Operating Cash Flow of \$0.3m is significantly improved on PCP from \$(0.5m) in Q3 FY23 (excluding the one-off impact of acquiring inventory at Redbank Poultry of \$1m). This is the first time since 2020 that TasFoods has produced an operating cash flow surplus from normal operating activities in the quarter; and
- EBITDA performance trajectory for both the Nichols Poultry and Pyengana Dairy business continues to show significant improvement.

Operational Update

Consumers remain cautious with their discretionary spending, a key driver of TasFoods decisions to divest the Shima Wasabi, Betta Milk and Meander Valley Dairy businesses. TasFoods is now largely a poultry-focused business, ensuring the Company's sales mix is now heavily weighted to core consumer consumption patterns. Poultry remains the most affordable protein in the Australian consumer market and whilst there continues to be sales mix movement within the category, overall performance of the poultry division was solid in this key trading period.

Total revenue for Poultry in Q4 2023 increased by 11% over PCP, an encouraging result amidst a challenging market backdrop. This result includes our Pet Treat range which launched in the quarter and is receiving very positive customer feedback.

Gross margins within Poultry remained flat versus PCP with significantly higher labour costs offsetting productivity and efficiency initiatives in other areas of the supply chain. The restructuring work undertaken in the last 12 months has seen positive savings and operational improvements. This will continue to be our focus in the division going forward.

During the quarter, we continued to work closely with our channel partners resulting in Poultry volume increasing by 8% against PCP. Simultaneously we focused on operating model enhancements against a background of rising feed costs, increases in grower costs and significant labour cost increases.

Pyengana Dairy experienced a challenging sales quarter as we cycled an aggressive promotional programme with our major distributor and a continued slow-down in at-home cheese consumption as prior period Covid restrictions abate. Net Sales for the quarter was down by 7% on PCP however we remain confident in this division as we increase focus on growth opportunities and operational improvements as a stand-alone business within TasFoods.

Financial update

Major financial metrics for the Group in the quarter have been impacted by the significant corporate activity undertaken relating to the sale of the Betta Milk and Meander Valley Dairy business units along with the acquisition of Redbank Poultry.

Total revenue for the Group declined by 15% compared to PCP due to the divestment of Betta Milk, Meander Valley Dairy and Shima Wasabi business units.

The Company incurred significant one-off costs relating to our corporate restructuring activities in the quarter delivering a right-sized support office for the two remaining business units.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 31 December 2023 (Q4FY2023) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$3.4m.
- Cash receipts from customers were \$18.2m, a decrease of 2.9% on the PCP.
- Net operating cash outflows excluding the impact of acquiring inventory of Redbank Poultry was \$0.3m. Overall Group operating cashflow was \$(0.7)m for the quarter, which was a \$1.1m improvement compared to the PCP.
- Investing net cash inflows for the quarter of \$8.3m included net proceeds on sale of Betta Milk and Meander Valley Dairy of \$9.3m. Investment in property plant and equipment of \$1.0m for the quarter related to the acquisition of Redbank Poultry.
- Financing net cash outflows for the quarter of \$1.6m was largely due to the reduction of ANZ term debt.

Outlook

We remain cognisant of the broader macroeconomic conditions and the challenges that we and other producers are facing in the categories we participate in. We remain confident that our high-

quality product portfolio in the Poultry and premium cheese markets will continue to be relevant and appealing as consumers seek trusted brands. All our products have a compelling value proposition for the relevant targeted consumer and ensuring each SKU is priced for its market will remain a focus through 2024.

Q4 FY23 was the culmination of 18 months work to right-size the Company to a position where it can be sustainable going forward. The completion of the divestment of Betta Milk and Meander Valley Dairy enables a sharper focus on Poultry and Pyengana to deliver superior results.

Management was able to achieve robust valuations for each of the divested businesses and whilst these business units no longer fit the Company's strategic focus, we look forward to following the success of Shima, Betta Milk and Meander Valley with their new custodians.

Management continues to work hard to position Nichols Poultry as a highly attractive proposition in the affordable premium range of the poultry market. We are actively reviewing and implementing further initiatives that will deliver and underpin a more consistent business model. The acquisition of Redbank Poultry was an important step towards this objective, and we are razor focused on delivering an improved and more sustainable financial performance for the Poultry division going forward.

Whilst we continue bedding down and implementing the significant changes that occurred in Q4 and ensuring the operational performance initiatives in the remaining divisions deliver, we continue to proactively assess the remaining business divisions and their asset profile under our Capital Management Framework to ensure we can drive strong returns for shareholders.

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 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18,168	76,331
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(13,602)	(59,159)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(5,671)	(20,868)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	181	181
1.5 Interest and other costs of finance paid	(203)	(579)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	392	590
1.9 Net cash from / (used in) operating activities	(734)	(3,502)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,283)	(1,614)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	312	(3)

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		686
	(c) property, plant and equipment	9,301	11,452
	(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	8,330	10,521

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	-	-
3.5	Proceeds from borrowings	1,758	1,871
3.6	Repayment of borrowings	(3,210)	(5,343)
3.7	Transaction costs related to loans and borrowings		(146)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(106)	(320)
3.10	Net cash from / (used in) financing activities	(1,558)	(3,937)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	(2,601)	350
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(734)	(3,502)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8,330	10,521

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

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)	(1,558)	(3,937)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,437	3,437

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	3,437	(2,601)
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,437	(2,601)

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)	7,832	7,832
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	0	0
7.4 Total financing facilities	7,832	7,832
7.5 Unused financing facilities available at quarter end		0
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 as at 31 December 2023 amounted to \$7.83 million of which \$5.5m relates to financial liabilities under AASB 16 Leases. Borrowings are secured over assets financed, property leases 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 3.06% and 8.06%, with the weighted average interest rate being 6.50%.</p> <p>Item 7.3 and 7.5 – On 1 December 2023, the bank overdraft facilities in Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd (subsidiaries of TasFoods Ltd) were repaid in full. In total \$6.22m was repaid to the Australia and New Zealand Banking Group Ltd during the quarter in settlement of the overdraft and commercial bill facility.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(734)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,437
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	3,437
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.68
<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?	
Answer:	

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:

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:

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 January 2024

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.