

ASX Announcement: 14 January 2025

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 2024 (Q4 2024).

Highlights:

- TasFoods achieved three quarters of positive operating cash flows in a row, a strong result driven by focused operational and productivity improvements, together with strict management of working capital by the management team and all business units. This continues to be a major focus moving forward;
- The Tasmanian Poultry market is showing early signs of stabilisation, with improving supply-demand balancing positively affecting pricing and margins. We are closely monitoring market movements to adjust our operational strategies to best harness future upside;
- Operating Cash Flows of \$134k for the quarter marked an \$868k improvement compared to the prior comparable period (PCP). This progress was driven by cost-efficiency initiatives and strategies across the Group, with major improvements from Poultry and Corporate divisions;
- Gross margins for the Poultry division remained flat on the PCP. Maintaining and growing the Poultry customer base locally amidst current market challenges reflects the strength of the Nichols Poultry brand and instils confidence in its market position;
- Gross margin from continued operations for the Group during the quarter was 2% lower than the PCP, driven by the ongoing challenges of reduced consumer spending and the oversupply of poultry in current markets;
- Pyengana Dairy continues to increase cheese volumes and expand distribution into Coles supermarkets. The growth strategy is progressing, as we enter the final steps to export accreditation;
- Speciality pet treat brand Isle and Sky continues to record solid growth nationwide through Petbarn;
- Indirect costs across the Group decreased 25.3% compared to PCP, reflecting the positive impact of cost management strategies despite persistent challenges in consumer spending and poultry oversupply;
- The ongoing effort to right-size the corporate structure has resulted in a \$1.3m reduction in corporate costs compared to the PCP for the quarter; and
- We remain committed to pro-actively assessing business operations and the asset profile under our Capital Management framework, exploring all avenues to enhance returns for shareholders.

Operational Update

TasFoods remains focused on aligning its operations with its core vision to operate as a poultry, cheese and pet treats business. The Company continues to prioritise a sales mix that reflects core consumption patterns in poultry and cheese, adjusting this mix in response to market demands. In addition, we see the speciality pet treat market as an attractive, uncorrelated exposure to a fast-growing consumer channel.

In Q4 2024, total revenue for Poultry declined by 7.7% compared to the PCP, driven by an oversupply of mainland poultry into both local Tasmanian and mainland markets. This has had the effect of increasing competition and lowering clearing wholesale price points in the respective markets as mainland wholesalers seek to ship inventory at low cost.

Gross margins in the Poultry division remained flat on the PCP, as challenging market conditions, together with tighter household spending and higher labour costs due to minimum award wages and Superannuation Guarantee increases, offset productivity and efficiency initiatives implemented in Poultry operations.

Isle and Sky pet treats delivered a solid sales growth performance through Petbarn in Q4 2024 with a 3% increase in revenue to PCP, with new SKU's to be launched nationally in 2025.

Further work around the Poultry waste stream occurred in Q4 2024. This work is expected to yield commercial returns and cost savings, commencing in H1 2025.

Pyengana Dairy sales for the quarter were down 23% on the PCP, primarily due to reduced discretionary spending and lower foot traffic at the farmgate café. We remain confident in the growth potential of Pyengana Dairy as we increase our focus on growth opportunities and operational efficiency strategies in cheese production and the farmhouse café as a stand-alone business within the TasFoods Group.

Financial update

During the quarter, TasFoods reported a total revenue decrease of 8.6% to \$10.9m on the PCP from continued operations. This decline reflects the challenging economic climate, tightened household spending and increased availability of cheaper poultry products sourced from mainland Australian states flooding the Tasmanian poultry market. We anticipate wholesale poultry prices to revert to mean prices once inventory discounting has abated however the timing of this remains uncertain.

The Poultry division faced cost pressures, with direct labour costs rising by 4.25% compared to PCP, driven by increases in award wages and the Superannuation Guarantee. While some of these costs have been passed onto customers, fully offsetting these increases remains challenging in the current economic environment and amid heightened competition in both local and mainland Poultry markets.

TasFoods recognises the importance of strict working capital and operational management in the industry it operates within. The Company remains focused on achieving incremental improvements and upholding a strong working capital framework to maintain adequate cash levels and financial stability.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 31 December 2024 (Q4 FY2024) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$0.5m, excluding \$2.0m in undrawn working capital facilities available through NAB;
- Cash receipts from customers from continued operations (poultry, cheese, online) totalled \$11.7m, representing a 5% decrease compared to the PCP;
- Net operating cash flows of \$134k reflected a \$0.9m improvement on the PCP (\$0.7m overall net operating cash outflow in Q4 2024); and
- Net financing cash inflows for the quarter totalled \$0.2m, comprising a \$0.5m drawdown from the NAB term loan facility for capital improvements, offset by repayment of operating leases and insurance premium funding payments.

Outlook

We observed early signs of improvement in market conditions late in Q4 2024. However, trading conditions are expected to remain challenging into 2025 for food manufacturing companies operating in the domestic grocery, food service and e-commerce channels. Persistent cost-of-living pressures and economic uncertainty continue to weigh heavily on both business and consumer confidence.

The Company continues to closely monitor the prevailing macroeconomic and market conditions, as well as the challenges facing both TasFoods and the broader food production and manufacturing industry. This diligence ensures we can adapt effectively to the ever-changing market conditions locally in Tasmania and mainland markets.

Management remains proactive in reviewing, implementing and adjusting operational and strategic initiatives to establish a more resilient operating model for 2025. TasFoods is confident these initiatives will enable the Poultry, Cheese and Pet Treats divisions to adapt to both local Tasmanian and mainland markets to deliver a more sustainable financial performance for the Company moving forward.

Under our Capital Management Framework TasFoods continues to evaluate its business and asset portfolio to optimise shareholder returns. The Company will continue to evaluate the market conditions and demand for our branded product assets to achieve optimum shareholder returns. We believe our Nichols Poultry, Pyengana Dairy and Isle & Sky businesses each have their own unique brand equity, and the Company will continue to explore opportunities to realise that potential.

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 2024

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	11,660	47,268
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,131)	(33,485)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,327)	(14,512)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(68)	(312)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	134	(1,041)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(172)	(541)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(399)
	(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	(172)	(940)

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	597	1,997
3.6	Repayment of borrowings	(230)	(2,364)
3.7	Transaction costs related to loans and borrowings	-	(10)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(146)	(590)
3.10	Net cash from / (used in) financing activities	221	(967)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	306	3,437
4.2	Net cash from / (used in) operating activities (item 1.9 above)	134	(1,041)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(172)	(940)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	221	(967)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	489	489

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	489	306
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)	489	306

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)	8,617	8,214
7.2 Credit standby arrangements	-	-
7.3 Other (bank overdraft)	2,000	-
7.4 Total financing facilities	10,617	8,214
7.5 Unused financing facilities available at quarter end		2,403
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 available as at 31 December 2024 amounted to \$8.6m of which \$4.5m relates to financial liabilities under AASB 16 Leases, \$3.2m relates to term loans with NAB, \$0.5m relates to asset finance facility with NAB (unused \$0.4m) and \$0.4m insurance premium funding.</p> <p>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 –</p> <p>Nichols Poultry Pty Ltd and Tasmanian Food Co. Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have available in unused bank overdraft facilities, combined total being \$2m.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	134
8.2 Cash and cash equivalents at quarter end (item 4.6)	489
8.3 Unused finance facilities available at quarter end (item 7.5)	2,403
8.4 Total available funding (item 8.2 + item 8.3)	2,892
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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: 14 January 2025

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.