

TasFOODS LTD

54 Tamar St, Launceston.
PO Box 425, Launceston, TAS, 7250.
(03) 6331 6983
admin@tasfoods.com.au

ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 28 January 2021

Business Activity Report and Appendix 4C Quarterly Cash Flow

Strong second half financial performance delivering revenue growth of 32% to \$67.426 million and a 76% improvement in Operating EBITDA for FY2020

TasFoods Limited (ASX:TFL) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow, including its preliminary unaudited results for the full-year ended 31 December 2020.

Financial Year Highlights:

- The business has experienced a strong 2H FY 2020 financial performance achieving a Group operating EBITDA of \$0.677 million, supporting the Group to report a \$1.384 million or 76% improvement in operating EBITDA for FY 2020 over FY2019 of negative \$0.445 million.
- Revenue growth of 32% to \$67.426 million was achieved in FY 2020 (10% organic growth after adjusting for Betta Milk acquired on 31 July 2019) when compared to FY 2019.
- Revenue for the dairy division grew by 92% to \$29.614 million in FY 2020 (17% organic growth after adjusting for Betta Milk acquired on 31 July 2019) through market expansion and the launch of new products.
- Strong cash position with cash holdings of \$7.244 million at the end of FY2020 and total available funds of \$9.103 million.
- Corporate costs in FY 2020 were well contained coming in below FY 2019 levels.

	FY 2020				FY 2019				Change \$'000	Change %
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000		
Q1 Operating EBITDA	569	806	(992)	383	18	391	(712)	(304)	687	226%
Q2 Operating EBITDA	119	(344)	(1,280)	(1,505)	(10)	956	(1,516)	(569)	(936)	-164%
Q3 Operating EBITDA	974	285	(1,023)	236	261	608	(1,021)	(152)	388	255%
Q4 Operating EBITDA	1,245	328	(1,132)	441	717	(120)	(1,401)	(804)	1,245	155%
FY 2020 Operating EBITDA	2,908	1,074	(4,427)	(445)	986	1,835	(4,650)	(1,829)	1,384	76%

H1 Operating EBITDA	688	462	(2,272)	(1,122)	8	1,347	(2,228)	(873)	(249)	-28%
H2 Operating EBITDA	2,220	612	(2,155)	677	978	489	(2,422)	(956)	1,633	171%

	FY 2020				FY 2019				Change \$'000	Change %
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000		
Revenue	29,614	37,310	501	67,426	15,407	35,176	461	51,044	16,382	32%
Expenditure	(28,245)	(38,343)	(6,098)	(72,685)	(14,385)	(32,901)	(4,915)	(52,201)	(20,484)	39%
EBITDA	1,370	(1,033)	(5,597)	(5,260)	1,023	2,275	(4,455)	(1,157)	(4,102)	-354%
Acquisition Costs	-	-	(15)	(15)	-	-	(497)	(497)	482	97%
Movement in Fair Value	(38)	(107)	(1,154)	(1,300)	37	439	692	1,169		
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-		
Operating EBITDA	2,908	1,074	(4,427)	(445)	986	1,835	(4,650)	(1,829)	1,384	76%

Dairy Division

Our dairy division established its position as a key pillar of profitability in FY 2020, reporting a strong financial contribution at both the revenue and EBITDA levels. The significant increase in the dairy division EBITDA contribution for 2H FY 2020 over 1H FY 2020 reflects both an annual seasonal reduction in spring milk pricing and a 2020/21 milk season reduction in farm gate milk pricing. Q2 2020 results were impacted by a loss of revenue from cheese sales and the closure of the Pyengana Dairy Café for the entire quarter due to COVID-19 restrictions.

Key highlights from the dairy division for FY 2020 include:

- Operating EBITDA contribution of \$2.908 million achieved.
- Organic revenue growth* from the dairy division for FY 2020 of 17% when compared to FY 2019, with growth across all dairy brands.
- Interstate dairy sales revenue grew by 16% for FY2020 over FY2019. Sales revenue growth for H2 FY 2020 was higher at 22% as a result of expanded ranging in national retail for a number of Meander Valley Dairy branded cream products.

Poultry Division

Key highlights from the poultry division for FY 2020 include:

- Revenue growth for FY 2020 of 6% over FY 2019 to \$37.31 million.
- 45% growth in interstate poultry sales over FY 2019
- 22% growth in revenue from ready to cook Nichols Kitchen branded products over FY 2019. This was achieved through the launch of new products that meet the growing demand for convenience from retail and food service customers.

The poultry division was significantly impacted by volatility in the national poultry meat demand and mix following food service and restaurant closures due to COVID-19 through H1 FY 2020 which resulted in a 28% decline in EBITDA contribution for H1 FY 2020 over H1 FY 2019 and a 4% drop in gross margin.

To minimise exposure to COVID-19 influenced market volatility our poultry division reduced the field inventory in Q2 which reduced the volume of product processed during Q3 FY2020. This limited the revenue growth for H2 FY 2020 to only 5% above revenue for H2 FY2019, down from 7% growth in H1 FY 2020. A return to more stable market demand in 2H FY 2020 resulted in a 21% improvement in the EBITDA contribution of the poultry division in 2H FY2020 over 1H FY 2020 and a 2% improvement in gross margin. The increase in expenditure for the poultry division in FY2020 is primarily the impairment charge of \$2 million with some selling and distribution and other non-operating cost increases.

Strengthened Balance Sheet

Cash holdings at the end of Q4 FY 2020 had increased to \$7.244 million. This included an increase of \$4.645 million during the quarter from financing activities made up of an equity placement of \$3 million to AgFood Opportunities Fund, a fund managed by AgFood Fund Pty Ltd through the issuing of 30 million new shares at a price of \$0.10 and the retail component of the Entitlement Offer.

* After adjusting for acquired revenue from Betta Milk operations which was acquired on 31 July 2019.

The Group had undrawn facilities at the end of Q4 FY 2020 of \$1.859 million providing a total of \$9.103 million in available funds.

FY2021 Outlook

Despite COVID-19 influenced border closures through 2020 the Tasmanian economy continues to show resilience and we anticipate Tasmanian consumers will continue to support locally owned brands that they know and trust. TasFoods stable of brands are known and trusted by Tasmanian consumers and we continue to see market growth from that loyalty.

Poultry division sales have commenced well in January 2021 and are 5% up on January 2020 with no increase in production volume. Growth of 43% in sales of higher value Ready-To-Cook Nichols Kitchen branded products are a major driver of this.

Our focus for the poultry division in FY 2021 is to continue to meet growing consumer demand for convenience through the launch of a Ready-To-Eat range of chicken products. New product development work continues for these products that will be presented to retail range reviews in FY 2021.

We are strengthening our Super Premium chicken offering through investment in expanding the growing capacity for our premium free range offering. This growth is targeted at meeting interstate market demand for premium free-range poultry.

Demand for online sales has not abated after the Christmas gifting period. Dairy and wasabi sales dominate the online purchases. We are in the process of engaging an E-Commerce Manager to further expand the online offering and drive sales growth through increased gifting events.

Our strategic focus for the dairy division in 2021 will be to continue to grow our Super Premium and Everyday Luxury brands through new product development and expanded distribution into interstate and export markets. New products will be presented to all retail category reviews for 2021.

Work undertaken over the past two years to build relationships in key export markets has started to deliver sales in January 2021 with the first order of Meander Valley Dairy branded products exported to Malaysia.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter to 31 December 2020 (Q4 2020) has been lodged with the ASX today. Key points include:

- Positive operating cashflow of \$0.368 million
- The quarter ended with a closing cash on hand balance of \$7.244 million and unused finance facilities of \$1.859 million.
- Cash receipts from customers increased by 6% from the previous quarter. This reflects the partial return of existing customers to trading and TasFoods transition to new market and customer channels including online.
- Investment in property plant and equipment of \$0.306 included assets to expand production capacity for dairy and poultry.

- Cash inflows of \$4.645 million from financing activities reflect the proceeds from the successful equity raising completed in Q4 2020 and the equity placement of \$3 million to Agfood Opportunities Fund.

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

TasFoods contact

Jane Bennett
Managing Director and CEO
+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")

31 December 2020

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	17,631	67,342
1.2 Payments for		
(a) research and development	(13)	(27)
(b) product manufacturing and operating costs	(12,439)	(49,330)
(c) advertising and marketing	(103)	(342)
(d) leased assets	(78)	(273)
(e) staff costs	(4,506)	(16,961)
(f) administration and corporate costs	(219)	(1,292)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(70)	(339)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	79	247
1.8 Other (provide details if material)	85	450
1.9 Net cash from / (used in) operating activities	368	(523)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(306)	(1,082)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(13)	(16)

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	23	23
	(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	(296)	(1,075)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,915	7,134
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	(75)	(125)
3.5	Proceeds from borrowings	-	1,123
3.6	Repayment of borrowings	(195)	(732)
3.7	Transaction costs related to loans and borrowings	-	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,645	7,399

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,527	1,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	368	(523)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(296)	(1,075)

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)	4,645	7,399
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,244	7,244

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	7,652	3,432
5.2	Call deposits	-	-
5.3	Bank overdrafts	(391)	(881)
5.4	Other	(17)	(24)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,244	2,527

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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities (includes lease liabilities under AASB 16)	7,009	7,009
7.2	Credit standby arrangements	-	-
7.3	Other (bank overdraft)	2,250	391
7.4	Total financing facilities	9,259	7,400
7.5	Unused financing facilities available at quarter end		1,859
7.6	<p>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> <p>Item 7.1 – TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 31 December 2020 amounted to \$7.009 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 3.96%.</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 \$2.25 million operating under a variable interest rate. As at 31 December 2020 a balance of \$1.859 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)	368
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,244
8.3	Unused finance facilities available at quarter end (item 7.5)	1,859
8.4	Total available funding (item 8.2 + item 8.3)	9,103
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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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> <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: 28 January 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.