

ASX Announcement: 30 August 2024

30 June 2024 Results (1H FY24)

TasFoods Limited (**TasFoods**, **ASX:TFL**, the **Company**) today released its financial results for the half-year ended 30 June 2024 (H1 2024).

Highlights

- TasFoods recorded a Statutory Net Profit After Tax (NPAT) loss of \$5 million which includes a \$2.9 million accounting impairment of poultry assets. This impairment adjustment follows from our decision not to continue in the organic category and alignment of general trading in the current poultry market driven by cost-of-living pressures and reduction in household spending.
- The Group NPAT loss (excluding impairment) of \$2.1 million, which is a 45% improvement on the NPAT loss of \$3.8 million recorded in the prior comparable period (PCP).
- This positive shift was driven by continued tight cost control at head office along with the divestments of the Shima Wasabi, Meander Valley Dairy and Betta Milk divisions that have reduced the earnings drag on the Company.
- Management remains focussed on cost control amidst a challenging economic backdrop with consumers continuing to trade-down and substitute within the grocery channel with flow-on impact to the food service channel.
- EBITDA improved significantly by 61% compared to the pcg, primarily due to reduced corporate office costs to be fit for purpose and the divestment of non-core business units in 2023 (Shima Wasabi, Betta Milk and Meander Valley Dairy).
- Sales revenue for continued operations (poultry and cheese) grew by 2.2% on the pcg to \$24.5 million, a pleasing result following the challenges of reduced discretionary spending and tighter household budgets.
- Gross margin for the poultry division remained steady at 23% for H1 2024, consistent with the prior period.
- Continued focus on cost management initiatives throughout H1 2024 led to a 2% reduction in total operating expenditure for continued operations compared to the pcg.
- TasFoods Isle and Sky pet treats range continues to grow distribution throughout Australia and we receive strong positive feedback from customers. We remain confident of the future growth opportunity in the pet treat sector.
- Pyengana Dairy Traditional cheddar and St Columba blue cheese won Gold at major state and national awards, highlighting the quality of our product range.

Financial Performance

	H1 2024							
	Continued operations				Discontinued operations			Consolidated
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Total \$'000	TOTAL \$'000
Total Revenue	1,260	23,001	233	24,494	186	-	186	24,680
Operating Expenditure	(1,056)	(22,705)	(1,841)	(25,602)	(101)	1	(100)	(25,702)
Operating EBITDA	204	296	(1,608)	(1,108)	85	1	86	(1,022)
GP Margin	47%	23%	0%	25%	0%	0%	0%	25%
Movement in Fair Value	-	72	-	72	-	-	-	72
Sale of Assets	-	-	(16)	(16)	(13)	-	(13)	(29)
EBITDA	204	368	(1,624)	(1,052)	72	1	73	(979)
NPAT (excluding impairment)				(2,099)			20	(2,079)
Impairment Expense	-	(2,926)	-	(2,926)	-	-	-	(2,926)
NPAT				(5,025)			20	(5,005)

	H1 2023							
	Continued operations				Discontinued operations			Consolidated
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Total \$'000	TOTAL \$'000
Total Revenue	1,246	22,685	46	23,977	14,272	205	14,477	38,454
Operating Expenditure	(1,018)	(21,807)	(3,406)	(26,231)	(14,273)	(278)	(14,551)	(40,782)
Operating EBITDA	228	878	(3,360)	(2,254)	(1)	(73)	(74)	(2,328)
GP Margin	26%	23%	0%	23%	25%	39%	32%	23%
Movement in Fair Value	-	249	-	249	-	(1,121)	(1,121)	(872)
Sale of Assets	-	19	-	19	647	-	647	666
EBITDA	228	1,146	(3,360)	(1,986)	646	(1,194)	(548)	(2,534)
NPAT (excluding impairment)				(2,856)			(954)	(3,810)
Impairment Expense	-	-	-	-	-	-	-	-
NPAT				(2,856)			(954)	(3,810)

TasFoods has reported a H1 2024 Consolidated EBITDA \$1 million loss which is significantly improved by 61% compared to the \$2.5 million loss in H1 2023. This improved result was largely influenced by the divestment of Shima Wasabi, the dairy business units (Betta Milk and Meander Valley Dairy) and a reduction of corporate office (shared services) costs, which has had a positive impact on the overall performance for the period.

- Operating EBITDA for continued operations showed a 51% improvement, with an EBITDA loss of \$1.1 million compared to a \$2.0 million loss in the pcg
- The Group NPAT loss excluding impairment from continuing operations of \$2.1 million for H1 2024 marked a 26.5% improvement compared to a statutory net loss after tax of \$2.9 million for H1 2023.
- Sales revenue for continued operations increased by 2.2% compared to the pcg, with the Poultry and Dairy divisions recording a 1.5% and 1.1% increase respectively, driven by the implementation of price and channel management initiatives.
- Gross margin from continued operations of 25% (H1 2023: 23%) was supported by price increase initiatives, though partially offset by rising labour input costs.
- Impairment of \$ 2.9m was recorded for Nichols Poultry from our decision to not continue in the organic category and alignment of general trading in the current poultry market driven by cost-of-living pressures and reduction in household spending.

Operational Performance

Sales revenue for the Poultry Division in H1 2024 was \$23.0 million, marking an increase of 1.5% compared to the pcpc, with operating EBITDA of \$0.3 million, (\$0.5 million lower than the pcpc). This positive result during a challenging economic environment and heightened competition in the Tasmanian market, demonstrates TasFoods' continued focus on aligning its operations as a poultry focused business. This strategy ensures the sales mix is heavily weighted to core consumer consumption patterns with poultry the highest consumed protein by volume in the Australian market.

Gross margins in the poultry division remained stable compared to the pcpc as challenging market conditions and tightening of household spending, coupled with significantly higher labour costs eroded productivity and efficiency initiatives implemented in across the poultry division operations.

Isle and Sky pet treats continues to resonate with consumers who are seeking a premium, all natural, chemical free, 100% Tasmanian-made, human grade pet treat for their dogs and cats. TasFoods is confident of growing the demand within this segment as the 'humanisation' of pet's trend continues and we expand distribution throughout domestic retailers.

Sales revenue in the Pyengana Dairy cheese and café division for H1 2024 was \$1.3 million, reflecting a 1.1% increase from the pcpc, despite the challenging economic backdrop. TasFoods remain confident in the potential of this division as we continue to focus on growth opportunities and operational efficiencies with our distribution partners.

Revenue in shared services reflects the Transitional Services Agreement (TSA) with Bega Cheese Limited which was entered into following their acquisition of the Betta Milk and Meander Valley Dairy businesses concluded in June 2024. Operating EBITDA in the shared services segment includes online sales operations, centralised expenditures such as audit fees, ASX listing costs and insurances, IT related expenditure, share based payments expense human resources and payroll services.

Balance Sheet

Key points relating to TasFoods' balance sheet for the half year ended 30 June 2024 include:

- Net assets for continued operations at 30 June 2024 were \$11.3 million (FY23: \$15.1 million), representing 2.6 cents per share (FY23: 3.4 cents per share);
- Cash and cash equivalents as at 30 June 2024 were \$0.5 million (FY23: \$1.0 million), and undrawn facilities of \$1.5 million (FY23: \$2.5 million); and
- Total borrowings as at 30 June 2024 were \$3.2 million (FY23: \$6.5 million) and unused facilities of \$1.5 million.

Cash Flow

Key points relating to TasFoods' cash flow for the half year ended 30 June 2024 include:

- The half ended with a closing cash on hand balance of \$0.5 million and unused facilities of \$1.5 million;
- Cash receipts from customers were \$24.1 million for continued operations, an increase of 1% on the pcpc;
- Net operating cash outflows of \$1.7 million represented an improvement of 24.3% on the pcpc; and
- Financing net cash outflows were \$1 million, an improvement of 53% on the pcpc, which was largely due to the reduction of external borrowings associated with discontinued operations and transition of financial institutions from ANZ and AMAL Security Services Pty Ltd to NAB.

Outlook

Trading conditions remain challenging for all food and beverage groups trading through the domestic grocery and e-commerce channels with cost-of-living pressures and an uncertain economic outlook impacting consumer sentiment.

Both major listed grocers have reported the continuing trend towards value offerings with consumers focussed pantry-stocking, buying on promotion and substitution where necessary. Indeed, we are observing consumers continuing to trade-down within category (for example, preferencing chicken mince over breast or thigh cuts) or alternatively substituting premium options with value focussed offerings. We anticipate these conditions to continue through H2 FY2025.

Despite the challenges this presents for branded food producers we are responding to consumer demand with value-add offerings in our poultry range such as pre-seasoned chicken packs that resonate with value-for-money buyers. Similarly, we are well placed to benefit from a return to lower cost at-home entertaining with our Pyengana Dairy cheese range as consumers manage household budgets.

Consistent with the Company's approach to its portfolio over the past three years TasFoods will continue to monitor the market demand for our branded product assets to achieve optimum shareholder returns. We believe our Nicholls Poultry, Pyengana Dairy and Isle & Sky business units each have unique brand equity and the Company will continue to explore opportunities to best realise that value over time.

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

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