



## **Q2 FY2020 Activities Update & Appendix 4C**

*Solid result despite adverse growing conditions impacting sales in Q2, demonstrating the underlying growth of the business*

21 January 2020 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”) is pleased to provide the following quarterly update and Appendix 4C for the period ending 31 December 2019 (Q2 FY20).

### **Key highlights for Q2 FY20:**

- **1.8 million oysters sold in Q2, up 6% on Q2 FY19 (pcp)**
- **Sales of \$1.3 million, down 5% on pcp, with oysters sold in the quarter weighted towards smaller stock due to, previously reported, slower growing conditions**
- **Positive operating cash flow achieved for the quarter and year-to-date**
- **R&D refund of \$659k received in relation to FY19 activities**
- **Healthy stock position across farms and improved growing conditions late in the quarter**
- **On track to achieve lower end of the full year guidance of 8-10 million oysters**
- **Pricing remains robust, underpinned by strong demand**

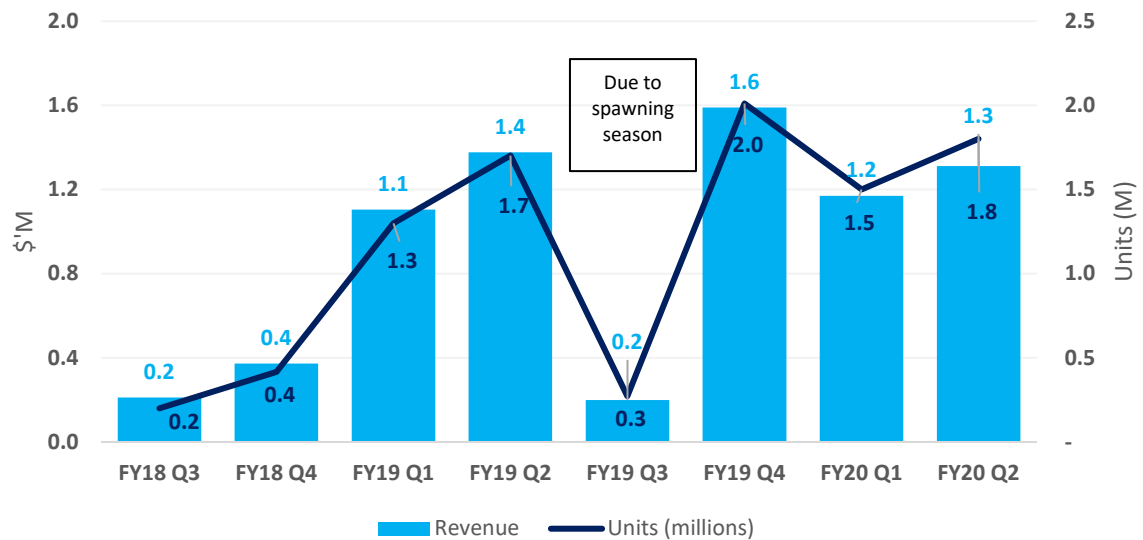
### **Solid Q2 sales despite slower growing conditions; on track to meet lower end of the full year guidance**

Angel sold 1.8 million oysters over the second quarter (Q2), which was up 6% on pcp. The cooler than usual water temperatures and slower growth conditions experienced over winter months across South Australia, as previously reported, impacted the stock available for sale over the peak sales period in December. Oysters sold during the period were weighted towards smaller ‘Bistro’ sizes resulting in a lower average price achieved and consequently sales for Q2 were down 5% on pcp to \$1.3 million.

Pleasingly, water temperatures and nutrient levels have now returned to normal in Cowell and Coffin Bay and conditions have been building up to peak conditions for oysters to grow. Given the improving growing conditions, coupled with robust oyster prices underpinned by continued strong demand in the domestic and export markets, Angel remains on track to achieve the lower end of the full year guidance of 8-10 million oysters and be operationally cash flow positive.

Angel still has some stock on hand for sale in January, before shifting its focus into maintenance and husbandry during the spawning season.

## Growth in quarterly revenue and oyster sales



Cash receipts from customers in Q2 FY20 were 1.4 million, up 39% on pcp. Angel achieved a positive operating cash flow of \$0.6 million for the quarter.

Commenting on the quarter, Angel's CEO and founder, Zac Halman, said:

*"In light of the suboptimal growing conditions we experienced in Q2, we are pleased with the solid quarter result that we have produced. Demand continues to be strong for Angel oysters, with supply being the main constraint for further growth.*

*"Pleasingly, the growing conditions have now returned to normal and we have healthy stock levels on hand. As we enter the spawning season, our team will be working hard to ensure our leases and stock remain healthy as we recommence sales in Q4. Angel remains on track to achieve our targets this year", said Mr Halman.*

## Restructure of bank facilities

In November, Angel announced that it had successfully restructured its bank facilities with the National Australia Bank (NAB), providing the Company additional balance sheet flexibility and liquidity. Angel increased its Business Expansion Loan from \$2 million to \$3 million and extended it to 31 October 2022. At the same time, the revolving Working Capital facility was reduced from \$2 million to \$1 million. In addition, the Company was pre-approved for a further \$1 million in asset finance facilities.

## Outlook

Over the current quarter (Q3), Angel will sell remaining stock in January, before shifting its focus on husbandry of stock in the water to maintain the health and quality of oysters, maintenance of leases and new acquisition builds. Due to spawning, which is a part of the natural cycle of oysters, sales will typically slow down in Q3 as the stock tends to become unfit for sale, with sales expected to recommence in March.

The slow down in sales during Q3 and warmer water promoting faster growth rates over the summer season are expected to result in an overall improvement in the stock profile, with average stock size increasing, and consequently an improvement in the sales mix (by size).

It should be noted that there has been no impact to Angel's operations from the devastating Kangaroo Island bushfire. Angel sympathises with the Communities and Companies affected by this tragic event. The Company remains alert to any potential risk associated with bushfires.

While the summer period is a high risk period for disease, particularly Pacific Oyster Mortality Syndrome (POMS); Angel is pleased to report that all testing undertaken by Primary Industries and Regions South Australia (PIRSA) for POMS have so far returned negative results in all South Australian growing regions. Additionally, Angel remains focused on mitigating the impact of any potential disease outbreak through its multi-bay strategy.

Commenting on the outlook, Mr Halman, said:

*"As we enter the seasonally quieter selling season for our oysters, the team will be busy ensuring that the existing stock is kept in prime condition and ready for a strong finish to the year. The underlying growth of Angel has been extraordinary over the past 12 months and we are confident that our multi-bay strategy will continue to deliver high quality oysters and strong financial results for years to come. We remain on track to achieve the lower end of our full year guidance of 8-10 million oysters."*

## Further Information

Any questions or requests for further information should be directed via email to:

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## Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, variations in spat supply, production estimates and growth and mortality rates from those assumed, as well as the impact of governmental regulation.

The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Angel Seafood Holdings Ltd

**ABN**

38 615 035 366

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,428	2,684
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(544)	(1,230)
(c) advertising and marketing	(9)	(9)
(d) leased assets	(19)	(38)
(e) staff costs	(647)	(1,270)
(f) administration and corporate costs	(148)	(245)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(89)	(172)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	659	659
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>631</b>	<b>379</b>
1.2 (a) The group undertakes research and development activities the cost of which is embedded within its pool of operating costs and have not been split in this cash flow statement.		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(63)	(256)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	70	311
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>7</b>	<b>55</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	354	704
3.6	Repayment of borrowings	(219)	(737)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>135</b>	<b>(33)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	158	530
4.2	Net cash from / (used in) operating activities (item 1.9 above)	631	379
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7	55
4.4	Net cash from / (used in) financing activities (item 3.10 above)	135	(33)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>931</b>	<b>931</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	931	158
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>931</b>	<b>158</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(93)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
6.1 Directors fees and salary for Non-Executive Directors and Executive Director respectively (including superannuation).		

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	4,000	3,832
8.2 Credit and standby arrangements	-	-
8.3 Other (Credit Card)	30	8
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<p>8.1 Loan Facility is provided by National Australia Bank Limited with a facility limit of \$4 million. Drawn down amounts are subject to an interest rate of 4.46% per annum. The loan is secured by Company assets.</p> <p>8.3 Credit card limit at quarter end totalled \$30,000 with an outstanding balance of \$8,163.</p>		

9. <b>Estimated cash in/(out)flows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(500)
9.3 Advertising and marketing	-
9.4 Leased assets	(30)
9.5 Staff costs	(650)
9.6 Administration and corporate costs	(100)
9.7 Other (provide details if material)	700
<b>9.8 Total estimated cash in/(out)flows</b>	<b>(580)</b>
<p>9.7 Estimated net cash inflows for the quarter from sales and collection of receivables, net of cash outflows for investing activities and repayment of liabilities falling due during the quarter.</p> <p>9.8 The Board is of the opinion that total estimated cash outflows are more than sufficiently covered by planned sales, debtors' payments, cash on hand and available debt facilities.</p>	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

### Other – Performance Shares & Consideration Performance Rights

During the quarter, 1,000,000 Performance Shares were on issue. These Performance Shares are subject to escrow for a period of 24 months from the date of official listing on 21/2/18.

Each Performance Share converts into one ordinary share subject to the completion of performance milestones as set out in section 16.3 of the Replacement Prospectus dated 13/12/17 (Replacement Prospectus). No relevant performance milestones for Performance Shares arose during the quarter and no Performance Shares were converted during the period.

Nil Consideration Performance Rights remained on issue during the quarter; vesting and conversion to shares occurred on 27 February 2019.

### 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.



Sign here: .....  
(Director/Company secretary)

Date: 20/01/2020 .....

Print name: Christine Manuel

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.