

ANGEL SEAFOOD

Q4 FY2019 Activities Update & Appendix 4C

Record quarterly sales achieved; operating cash flow positive for FY19¹; stock levels at capacity to drive further sustainable growth

17 July 2019 – 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 30 June 2019 (Q4 FY19).

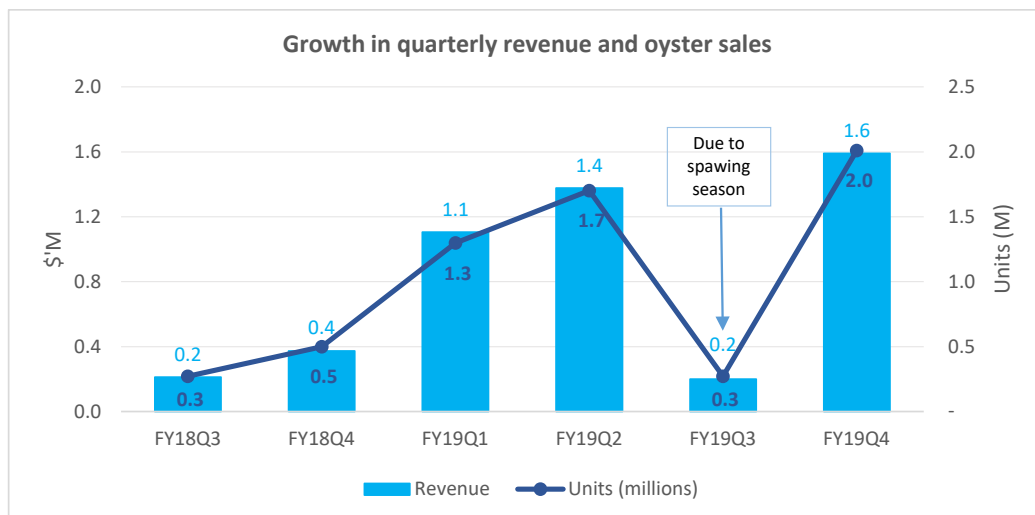
Key highlights for Q4 FY19:

- Record sales for the quarter of \$1.6 million, up 326% on prior corresponding period
- Export sales commenced, accounting for 5% of total June sales
- Strong operating cash flow result for Q4; operating cash flow positive for FY19¹
- Purchase of additional high quality water in Coffin Bay, increasing finishing capacity
- Leases remain fully stocked positioning Angel for strong growth in FY20

Record quarter of sales – up 326% on prior year to \$1.6 million

The company is pleased to announce a record quarter of sales was achieved in Q4 FY19, being \$1.6 million, which was in line with internal expectations. This result was up 326% on the prior corresponding period, and continues Angel’s strong growth trajectory of top line revenue. Total sales for FY19 were \$4.3 million, up 185% on FY18.

The growth in revenue has been driven by the significant capital expenditure program following the Company’s listing on the ASX in February 2018, which has created additional scale in the business, as represented by the growth in sales from 0.5 million oysters in Q4 FY18 to 2.0 million oysters in Q4 FY19.



¹ Adjusted operating cash flow – breakdown on page 2

Commenting on the strong sales growth, Angel's CEO and founder, Zac Halman, commented:

"Demand for Angel oysters continues to be strong, and I am pleased to say that our team have executed our growth strategy methodically to build the Company's capacity to deliver our strong sales growth.

"Our multi-bay farming model and our market-leading farming techniques have allowed us to grow our production in line with our increased capacity, and equally, our strong customer relationships have ensured all produce has been sold", said Mr Halman.

Export sales commenced over the quarter, accounting for 5% of total June sales

Angel is pleased to report that it commenced its first export sales during Q4, with approximately 5 per cent of June sales being exported to Hong Kong. Angel's premium oysters have been very well received by its Hong Kong customers, and it is the expectation that exports will continue into the Hong Kong market in FY20.

Farm gate prices for these early exports have been at a modest premium to domestic prices, reflecting Angel's focus on building sustainable long-term relationships with export customers, and also the strength in domestic prices compared to the international market.

Subsequent to Q4, Angel exported the first shipment to mainland China.

Demand for premium and certified organic oysters in the Asian market is strong, and this continues to represent a large long term opportunity for Angel.

Angel's investment in its state of the art export facility in Port Lincoln has enabled it to execute its early export strategy, and will facilitate growth in export sales as the company continues to grow its production.

Strong operating cash flow result for Q4; operating cash flow positive for FY19

Cash receipts from customers in Q4 were \$1.3 million, a record result for Angel, and this helped to generate a positive operating cash flow result of \$369k for the quarter. The company has also achieved positive operating cash flow for the full year (FY19) on an adjusted basis.

	\$'000s
Full year operating cash flow per Appendix 4C	(164)
Hank acquisition	230
Net change in working capital balances ⁽¹⁾	139
Normalised cash flow for the year	205

⁽¹⁾ Subject to audit of 30 June 2019 financial statements

The company is now operating at a scale where it is expected to continue generating positive operating cash flows and will use these operating cash flows to deleverage the balance sheet as well as investing in further growth.

Coffin Bay acquisition– optimising asset portfolio and balance sheet

In April, Angel acquired 0.5Ha of water located in the highly productive Beacon Zone in Coffin Bay, increasing finishing capacity to 9 million oysters per year.

Given the effectiveness of the Cowell and Coffin Bay growing areas, and the Company's increasing focus on these areas as the core of the "multi-bay strategy", the Board is actively reviewing the asset portfolio and considering opportunities to optimise allocation of capital.

Over the quarter, the Company also secured an asset finance (hire purchase) agreement of \$350k for Angel's recently commissioned big vessel (Angel VI), providing the Company with added balance sheet flexibility.

Research and development

During the quarter Angel received a Research & Development (R&D) Tax incentive rebate of \$231k. The Company continues its strong focus on innovation and research and development activities to position itself as a leader in the oyster industry, and expects to make further R&D claims for FY19.

Fully stocked leases and increased finishing capacity positions Angel for strong growth in FY20

During Q4 Angel took delivery of additional spat batches ahead of the planned schedule (this spat was planned for Q1 FY20). This was done to take advantage of higher growth rates in the extended warm weather conditions experienced over the quarter.

Angel enters FY20 with stock levels at near capacity levels with more than 20 million healthy oysters in the water, and with an increased finishing capacity of 9 million oysters. This will continue to drive the growth momentum for Angel in FY20.

Commenting on the outlook for FY20, Zac Halman, commented:

“Angel enters the new financial year in a very strong position in all areas. Demand for our oysters, both locally and internationally, remains strong. We have invested in our infrastructure to create scale in the business and we are now seeing the early benefits of those operational efficiencies. We have fully stocked leases with healthy oysters, and we maintain a strong financial position to help support our ongoing growth.”

“As a team we look forward to FY20 and beyond with a great deal of excitement. There is a significant opportunity to build the Angel brand to become a world leading producer of clean, green, and organically certified oysters, and we look forward bringing stakeholders along on this journey”, said Mr Halman.

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")

30 June 2019

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	1,339	4,140
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(412)	(2,222)
(c) advertising and marketing	(35)	(37)
(d) leased assets	(32)	(141)
(e) staff costs	(568)	(1,549)
(f) administration and corporate costs	(86)	(418)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(68)	(175)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	231	231
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	369	(164)
<p>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.</p> <p>1.2 (e) Certain staff costs attributable to the construction of infrastructure on new oyster leases have been reclassified to investment activities to align the presentation of this cash flow statements with the accounting treatment adopted for statutory reporting. This has resulted in a restatement of the 'Year to date' amount.</p>		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(422)	(5,971)
	(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	59	59
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(363)	(5,912)

3.	Cash flows from financing activities		
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	413	3,412
3.6	Repayment of borrowings	(29)	(737)
3.7	Transaction costs related to loans and borrowings	-	(25)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	384	2,650

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	141	3,957
4.2	Net cash from / (used in) operating activities (item 1.9 above)	369	(164)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(363)	(5,912)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	384	2,650
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	530	530

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	530	141
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	530	141

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	(107)
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. Payments to related entities of the entity and their associates	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. Financing facilities available <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	3,408
8.2 Asset Finance - Hire Purchase Facility	350	-
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 5.52% PA. The loan is secured by Company assets.</p> <p>8.2 The company secured asset finance of \$350k for one of its new vessels, Angel VI, under a hire purchase facility provided by National Australia Bank Limited. The vessel was previously funded from working capital, therefore the proceeds of the facility were advanced to the Company in cash subsequent to quarter end. This cash has been used to pay down Loan facility.</p> <p>8.3 Credit card limit at quarter end totalled \$30,000 with a balance of \$8,163.</p>		

9. Estimated cash in/(out)flows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(800)
9.3 Advertising and marketing	-
9.4 Leased assets	(30)
9.5 Staff costs	(600)
9.6 Administration and corporate costs	(100)
9.7 Other (provide details if material)	1,700
9.8 Total estimated cash in/(out)flows	170
<p>9.7 Estimated net cash inflows for the quarter from sales and proceeds from disposal of non-core assets, 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: 17 July 2019

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.