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TasFoods Ltd (TFL.ASX) H1 2024 Results Presentation



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Highlights



H1 2024 Business Highlights

Acceleration of value enhancing initiatives

- Change of feed suppliers has seen an improvement in Feed Conversion Rate (FCR), driving strategic and operational benefits to the Poultry division for the largest input cost item.

Operational efficiencies

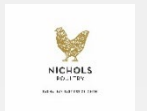
- Successful integration of Redbank Poultry hatchery delivering security, control and financial benefits to the poultry supply chain;
- Labour and yield improvements at Nichols Poultry with assistance from Operations Feedback Systems to digitise processes has seen fundamental changes to the daily operational model;
- Substantially reduced corporate office costs to be fit for purpose.

Geographical expansion

- Pyengana Dairy cheese continues to win major dairy awards nationally;
- Pyengana Dairy cheddar cheese to be ranged from October in 182 Coles and Coles Local stores across 4 states;
- Cheese export accreditation progressing.

New growth channels

- Pet Treats growth in distribution and penetration through Petbarn and continued discussions with new potential customers;
- Final stages of completing the sign up of another major customer;
- Poultry waste stream development to commercialise to improve financial returns in the poultry division.



H1 2024 Financial Highlights

- Statutory Net Profit After Tax (NPAT) loss of \$5m which includes a \$2.9m accounting impairment of poultry assets.
- The Group NPAT loss (excluding impairment) of \$2.1m was a 45% improvement on pcp NPAT loss of \$3.8m. The divestment in June 2023 of Shima Wasabi and the dairy business units (Betta Milk and Meander valley Dairy) in December 2023 has been a major contributor to this overall result.
- EBITDA for total operations (continued and discontinued) was improved with an EBITDA loss of \$1m, a 61% improvement on prior corresponding period (pcp) (\$2.5m loss).
- Operating EBITDA for continued operations was much improved with an EBITDA loss of \$1.1m a 51% improvement on pcp (\$2m loss).
- Gross margin in continued operations of 25% (H1 2023: 23%) was pleasing to see with price increase initiatives, offset by rising labour input costs.
- We have taken an impairment in the Poultry division of \$2.9m. This follows 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.
- Cash position of \$0.5m remains steady at 30 June 2024, compared to pcp \$1.8m overdraft. This is a steady position and remains a key focus given the current market and economic challenges that the Company operates in.

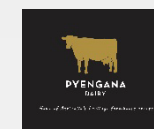


H1 2024 Financial Highlights

	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)

- Consolidated Group EBITDA \$1 million loss which is significantly improved by 61% compared to the \$2.5 million loss in H1 2023.
- 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 pcp.
- 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 pcp, 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 for poultry assets (organic and alignment of general trading).



Pyengana Dairy - premium product and continued focus on quality. Winning numerous awards in the last 12 months showcasing quality Cheddar and Blue cheese products we provide to consumers.



Pet Treats – presents a significant growth stream





ISLE & SKY PLANET FRIENDLY PET NUTRITION



- The Pet Food market in Australia is estimated to be worth over \$3bn with the treats segment accounting for ~10% of the total market demand.
- It is estimated that Pet & Pet Supplies retailers generated \$3.9bn in revenue for 2022 in Australia, of which pet food accounted for 56%.
- This growth is seen to be driven by Australia's growing pet ownership rate, being one of the largest in the world with owners seeking premium offerings for their pets.
- **Australia is at the forefront of the continued humanisation and premiumisation trend of pet products. 8 of Australia's 10 largest dog food brands are premium brands.**
- Tasfoods has developed a unique offering in this category, leveraging off the inherent product strengths of Nichols and capturing the key trends in this segment.
- TasFoods has already achieved ranging in Australia's largest pet retailer, Pet Barn, and in the largest pet food distributor covering Australia's east coast – Easter Distributer.
- Export opportunities.

Current Product Range





-  Vet recommended nutrition
-  100% human grade produce



-  All natural
-  Chlorine free



-  Social impact
-  100% waste neutral



69%

Of Australian households are estimated to own a pet, significantly above 2019 levels of 61%



2.7% CAGR

Expected until 2028 in Australian pet food products



\$33bn

Is spent annually on Australian pets with 51% made up by food products



Humanisation of Pets

Creating demand for health and wellness products that are targeted and use high quality ingredients

Source: Ibis World, Mordor Intelligence



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Financial Information



Profit and loss – Group NPAT loss excluding impairment improved by 45% on prior year

Profit or Loss (\$'000's) c	HY24	HY23	HY24	HY23	HY24	HY23
	Total Consolidated		Continued Operations		Discontinued Operations	
Income						
Revenue from operations	23,985	38,158	23,985	23,681	-	14,477
Other income	695	1,000	509	297	186	703
Total income	24,680	39,158	24,494	23,978	186	15,180
Expenses						
Fair value adjustment of biological assets	72	249	72	249	-	-
Impairment	(2,926)	-	(2,926)	-	-	-
Raw materials used	(12,852)	(22,539)	(12,852)	(13,347)	-	(9,192)
Employment and contractor expense	(7,935)	(11,116)	(7,935)	(8,223)	-	(2,892)
Freight	(1,707)	(2,946)	(1,702)	(1,569)	(5)	(1,377)
Occupancy costs	(477)	(728)	(440)	(483)	(37)	(245)
Depreciation and amortisation	(794)	(1,041)	(744)	(616)	(50)	(425)
Finance costs	(387)	(287)	(383)	(217)	(4)	(70)
Insurance	(383)	(484)	(373)	(373)	(10)	(111)
Legal and professional fees	(502)	(386)	(497)	(356)	(5)	(30)
Marketing and event expenses	(103)	(212)	(103)	(162)	-	(50)
Repairs and maintenance	(460)	(657)	(442)	(343)	(18)	(314)
Loss on sale of assets	(29)	(1,059)	(16)	(24)	(13)	(1,035)
Other expenses	(1,202)	(1,762)	(1,178)	(1,369)	(24)	(393)
Net Loss before income tax	(5,005)	(3,810)	(5,025)	(2,855)	20	(955)
Income tax benefit/(expense)	-	-	-	-	-	-
Net Loss after tax for the year	(5,005)	(3,810)	(5,025)	(2,855)	20	(955)

- From the extensive corporate restructuring activity in 2023, TasFoods profit/loss statement has been separated between continuing (Nichols Poultry and Pyengana Dairy), discontinued operations (Betta Milk, Meander Valley Dairy and Shima Wasabi).
- Statutory NPAT loss of \$5m which includes a \$2.9m accounting impairment of organic poultry assets.
- H1 2024 Group NPAT loss (excluding impairment) of \$2.1m, a 45% improvement on pcg NPAT loss of \$3.8m.
- Continued operations includes six months of corporate office shared services costs which is significantly reduced compared to pcg by 45%.
- Income received in discontinued operations \$0.2 million related rent and sublease charged to Bega Cheese Limited for Betta Milk and Meander Valley Dairy sites.
- 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.



Balance sheet

\$'000's	Jun 24	Dec 23
Current Assets		
Cash & Cash Equivalents	999	3,432
Trade & Other Receivables	2,704	3,209
Biological Assets	3,418	3,487
Inventory	2,365	2,128
Assets Classified as Held for Sale	1,597	-
Prepayments	500	691
Total Current Assets	11,583	12,947
Non-Current Assets		
Property, Plant & Equipment	12,411	17,264
Right of Use Assets	4,395	4,422
Intangible Assets	435	572
Total Non-Current Assets	17,241	22,258
Total Assets	28,824	35,205
Current Liabilities		
Trade & Other Payables	7,425	9,662
Borrowings	3,185	2,284
Lease Liabilities	322	332
Provisions	837	987
Total Current Liabilities	11,769	13,265
Non-Current Liabilities		
Borrowings	2	13
Lease Liabilities	4,276	4,241
Provisions	127	111
Total Non-Current Liabilities	4,405	4,365
Total Liabilities	16,174	17,630
Net Assets	12,650	17,575
Equity		
Contributed Equity	66,834	66,834
Reserves	1,433	1,353
Accumulated Losses	(55,617)	(50,612)
Total Equity	12,650	17,575

- The Group is supported by a balance sheet with a net asset position of \$12.7m (noting property, plant and equipment balances of \$12.4m).
- Closing cash as at 30 June 2024 was \$1.0m.
- Inventory values have increased in line with rising input costs.
- Intangible assets solely relate to ERP development costs in Shared Services and water licenses in the Poultry business unit.
- Total borrowings (current and non-current) have increased by \$0.9m due bank overdraft facilities utilised and retirement of debts associated with continued and discontinued operations.



Cash flow

\$'000's	HY24	HY23
Cash flows from operating activities		
Receipts from customers	24,161	23,920
Payments to suppliers and employees	(25,252)	(25,787)
Interest paid	(113)	(151)
Net cash used in operating activities relating to continued operations	(1,204)	(2,018)
Operating cash flows relating to discontinued operations	(517)	(255)
Net cash used in operating activities relating to continued and discontinued operations	(1,721)	(2,273)
Cash flows from investing activities		
Proceeds/(payments) from disposal of property, plant and equipment	150	(24)
Payments for property, plant and equipment	(279)	(78)
Payments for other non-current assets	-	(85)
Net cash flows (used in)/ provided by investing activities relating to continued operations	(129)	(187)
Investing cash flows relating to discontinued operations	(12)	2,523
Net cash (used in)/ provided by investing activities relating to continued and discontinued operations	(141)	(2,336)
Cash flows from financing activities		
Proceeds from borrowings	1,400	-
Principal elements of borrowing payments	(2,128)	(1,992)
Principal elements of lease payments	(256)	(108)
Transaction costs related to borrowings	(11)	(111)
Net cash used in financing activities relating to continued operations	(995)	(2,211)
Financing cash flows relating to discontinued operations	(40)	17
Net cash provided by financing activities	(1,035)	(2,194)
Net (decrease)/increase in cash held	(2,897)	(2,131)
Cash and cash equivalents at the beginning of the year	3,432	351
Cash and cash equivalents/ (bank overdraft) at the end of the half year	535	(1,780)

- Net cash outflows from operating activities were \$1.7m (continued and discontinued operations) for the half year which is reflective of:
 - Current challenges of household spending and economic climate;
 - Operational cost increases in the poultry business for labour.
- Cash receipts from customers were \$24.2m, from continued operations, which was an increase of 1% on pcp.
- Net cash outflow from investing activities of \$0.7m relates to net cash payments from customers and to suppliers of discontinued operations (Betta Milk and Meander Valley Dairy).
- Net cash outflows from financing activities were \$1m an improvement of 53% on pcp, 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.



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Outlook



Outlook

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

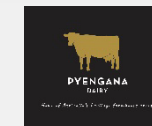
Both major listed grocers have reported the continuing trend towards value offerings with consumers focussed pantry-stocking, buying on promotion and substitution where necessary. Indeed, we are observing consumers continuing to trade-down within category or alternatively substituting premium options 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 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.

Growth opportunities in Isle and Sky pet treats and our award-winning Pyengana Dairy cheese are strategic initiatives that we fast-track development for the remainder of FY2024. Such initiatives includes the final stages of signing up another major customer for our Pet Treats business and our Pyengana Dairy cheese being ranged in 182 Coles and Coles Local across four states from October 2024.

TasFoods will continue to actively review and implement operational and strategic initiatives to further develop a robust business model, the Company is confident that these initiatives will allow our business units to adapt and meet market conditions in Tasmanian and mainland Australia to deliver stronger financial performance.

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.



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