

ANGEL

SEAFOOD

Q3 FY21 Activities Update & Appendix 4C

Record September quarter revenue despite COVID-19 lockdowns; strong progress with productivity initiatives; significant biomass growth

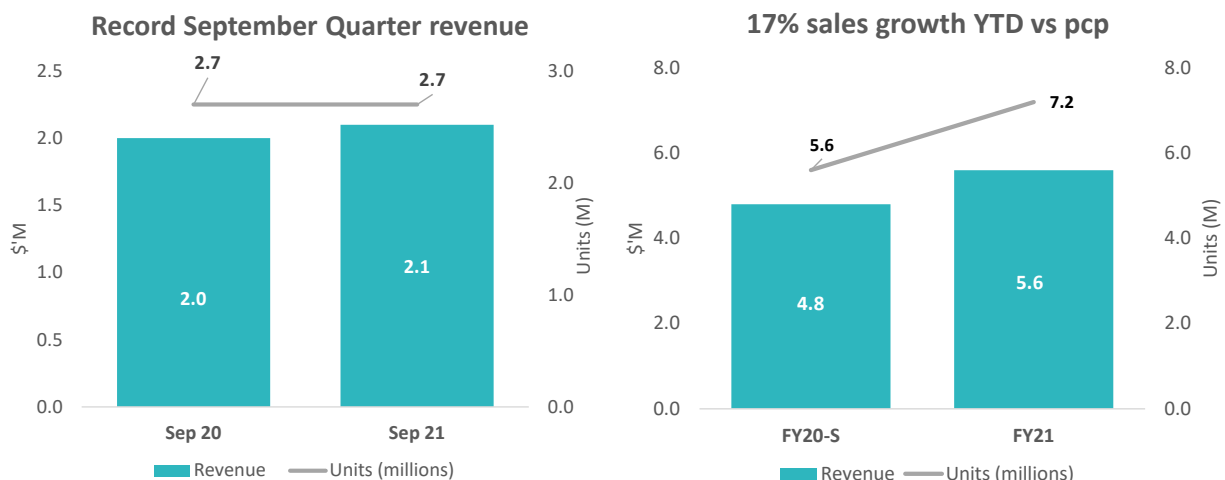
26 October 2021 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”), the Southern Hemisphere’s largest producer of certified organic and sustainable pacific oysters, provides the following quarterly update and Appendix 4C for the period ending 30 September 2021.

Key highlights for the period:

- Record September quarter revenue of \$2.1 million, up 5% on prior corresponding period (pcp) despite challenging trading conditions, with Victoria and NSW in lockdowns for the majority of the period; 2.7 million oysters sold, in line with pcp
- Increase in average price per unit, driven by improvement in sales mix and resilient underlying prices
- Biomass increased significantly by 94% on pcp to 496T; healthy stock profile to cater for peak season demand and return of food service in VIC and NSW
- Growth initiatives towards 20 million production capacity and increasing profitability progressing well

Record September quarter revenue despite ongoing lockdowns; significant improvement in biomass

Angel has delivered another strong quarter, despite COVID-19 related lockdowns and restrictions affecting NSW, Victoria and the ACT, with record September quarter sales revenue of \$2.1 million for the period ending 30 September 2021 (Q3 FY21), up 5% on pcp. Units sold for the quarter held steady in line with the previous September quarter record of 2.7 million, while an increase in the average unit price resulted in a new revenue record for the September quarter.



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

“Despite restrictive trading conditions in NSW, ACT and Victoria throughout much of the period, Angel has produced a record September quarter revenue result. Our ability to improve stock profiles, minimise mortality rates, and sell our oysters into our growing channels at improved prices has helped contribute to this record result.

“September trading conditions in particular, showed promising signs of a resurgence in oyster demand ahead of the festive and summer season; sales increased 66% when compared to August. Recent ABS supermarket scan data is also signalling strong growth in oyster purchases through the retail channel with up to 83% volume growth and 5% price growth in FY21.

“Good growth conditions have allowed us to increase our biomass considerably while increasing the average size of our oysters. We hold a very strong stock position as we move into Q4, placing us well to have sufficient supply on hand and ready to be deployed for the peak season as much of the economy reopens and to service the increasingly growing retail channel.”

The average price per unit increased considerably, up to 80 cents per unit (75 cents per unit in Q3 FY20), driven by an improvement in the sales mix, while underlying prices remained resilient despite COVID-19 lockdowns in major markets during the quarter. Stock also remains healthy, with biomass increasing to 496T, up 94% on pcp. This positions the Company well to provide a continuous supply of organic, sustainable, high-quality stock into the upcoming peak oyster sales period.

Angel recommenced exports in Q3, albeit in very small quantities as freight costs remain a challenge, making up circa 5% of sales for the quarter. The Company is pleased with the continuation of relationships with export customers despite several challenges during the COVID-19 pandemic, and is looking forward to building on these relationships going forward.

Productivity initiatives advancing: efficiencies in flip farms will increase production capacity and lower average costs; Summer oysters on track for first sales in early 2022

As part of Angel’s three-pilar strategy for the next phase of growth, the Company launched several initiatives to improve efficiencies and pricing.

Flip farm trials in Coffin Bay and Cowell are progressing well, realising expected labour efficiencies, and there are promising signs of superior product quality that will meet the preferences of the growing retail demand. Integration of the flip farms into operations, on completion of the trials, will further increase production capacity while lowering average production costs.

Summer oysters continue to perform well and are on track for sale in January and February 2022. The stock has experienced a small amount of mortality through winter, in line with expectations, however, the remaining stock levels remain healthy. The success of summer oysters will extend Angel’s sales season from 10 months to a full calendar year including across key festive periods such as the Chinese New Year and Valentine’s Day, with annual sales expected to increase by 10-15% with no further investment in assets.

Hálo club

The Halo Club pilot is ongoing, with initial positive feedback from customers. Angel remains focused on incrementally optimising the product offering and logistic processes as membership numbers increase. Once operating at a commercial scale, Hálo Club is expected to generate a 30-50% price premium on comparable wholesale prices, creating a new high-value and recurring income stream to complement the growing retail channel.

Cash flow commentary

Cash receipts from customers in Q3 FY21 were \$1.8 million, down slightly on pcp (Q3 FY20: \$1.9 million). The strong resurgence of sales towards the end of the quarter has resulted in some cash receipts falling into October (Q4).

Total operating cash outflow for Q3 FY21 was \$175k, which comprises spat purchases (including investment in net biological stock growth for future sales growth), production costs, advertising and marketing, payments for leased assets, staff costs, and administration and corporate costs.

Payments to related parties over Q3 FY21 were \$182k, mainly consisting of KMP salaries and fees for Directors.

Angel remains well funded with liquidity of \$3 million.

Outlook

Angel remains focussed on providing a continuous supply of oysters for the peak sales season, and with a strong stock position, is well positioned to do so. With key states set to re-open throughout October and November and heading into the festive season, demand is expected to strongly recover as all sales channels show signs of a strong resurgence. Success of the summer oysters trial should see Angel continue its sales into the summer months, bringing the sales program to all months of the year for the first time.

Angel continues to make solid progress towards its three-pillar growth strategy to double production to 20 million oysters, improving profitability through increased productivity and improved pricing. Flip farms and summer oysters initiatives are already beginning to benefit Angel through increased production and efficiencies.

Webinar details

An investor webcast will take place today (Tuesday 26 October) at 2:00pm AEDT. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

- https://us02web.zoom.us/webinar/register/WN_uqeMYHvhQ6esD-NYKNeWWg

This announcement was approved for release by the Board.

Further Information

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

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About Angel Seafood Holdings Ltd

Angel Seafood is a producer of fresh, clean and consistently high-quality oysters that don't compromise the environment. Angel has grown from a family-operated South Australian business and has rapidly developed from a traditional oyster-growing business into a premium, innovative and organically certified producer of Coffin Bay Oysters. The Company primarily sells oysters to the domestic market; however, exports represent a substantial long-term growth opportunity.

Angel Seafood is the Southern Hemisphere's largest sustainable and organic certified pacific oyster producer.

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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ANGEL SEAFOOD HOLDINGS LIMITED

ABN

38 615 035 366

Quarter ended ("current quarter")

30 September 2021

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	1,831	5,591
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(971)	(2,800)
(c) advertising and marketing	(32)	(90)
(d) leased assets	(33)	(68)
(e) staff costs	(1,055)	(2,816)
(f) administration and corporate costs	(207)	(688)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(96)	(284)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	388	388
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(175)	(767)
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 (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(660)	(2,358)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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	(660)	(2,358)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	500
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	1,500
3.6	Repayment of borrowings	(189)	(580)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(189)	1,420

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,494	3,176
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(175)	(767)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(660)	(2,358)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(189)	1,420
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,471	1,471

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	1,471	2,494
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)	1,471	2,494

6. Payments to related parties of the entity and their associates

- 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

**Current quarter
\$A'000**

(182)

-

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

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,550	4,992
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,550	4,992

7.5 **Unused financing facilities available at quarter end** 1,558

7.6 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.

7.1 – The Group has finance facilities with National Australia Bank (NAB); a revolving Working Capital Facility of \$3 million, and Business Expansion loan facilities for \$3.6 million. Facilities are secured by a first claim over present and future rights, property and undertaking of the consolidated Group. Interest is incurred on the drawn down portion of these facilities at a floating interest rate. As of 30 June 2021, the average interest rate on these facilities was 3.98%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(175)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,471
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,558
8.4 Total available funding (Item 8.2 + Item 8.3)	3,029
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	17

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer: N/A

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: N/A

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: N/A

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: 26 October 2021

Authorised by: the Board

(Name of body or officer authorising release – see note 4)

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.

+Rule 4.7B

+Rule 4.7B