

ASX Announcement: 25 July 2024

Business Activity Report and Appendix 4C Quarterly Cash Flow

TasFoods Limited (**TasFoods**, **ASX:TFL**, the **Company**) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 June 2024 (Q2 2024).

Highlights:

- Gross margin for the Group remained flat on the prior comparable period (PCP) for the quarter despite the continuing challenges of consumer spending amidst the current economic climate.
- Gross margin for the Poultry division remained flat on the PCP for the quarter.
- Pyengana Dairy cheese revenue increased 2% on the PCP, a solid result given discretionary spending and tightening of household budgets.
- Our Isle & Sky pet treats range continues to grow as we increase distribution domestically through Petbarn
- Continued focus on an efficient corporate structure has seen a substantial reduction of corporate office costs, reducing by \$0.9m on the PCP for the quarter.
- We continue to pro-actively assess our business operations and the asset profile within our Capital Management framework exploring all avenues to enhance returns for shareholders.

Operational Update

TasFoods continues to align its vision to operate largely as a poultry-focussed business, ensuring the Company's sales mix is heavily weighted to core consumer consumption patterns with poultry the highest consumed protein by volume in the Australian market.

During Q2 2024, total revenue for Poultry decreased by 3% compared on the PCP. This was largely driven by the substitution of imported mainland poultry volumes into the Tasmanian market due to an oversupply of poultry meat in mainland markets. This has had the effect of increasing competition and lowering clearing wholesale price points in the Tasmanian market.

Pleasingly, Isle & 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 demand within this segment as the 'humanisation' of pets trend continues and we expand distribution throughout domestic retailers.

Gross margins within the Poultry division remain flat on the PCP as challenging market conditions and tightening of household spending, together with significantly higher labour costs offset productivity and efficiency initiatives implemented in other areas of the Poultry operations.

Our Transitional Services Agreement (TSA) with Bega Cheese Limited which was entered into following their acquisition of the Betta Milk and Meander Valley Dairy businesses has now concluded.

Pyengana Dairy cheese sales during the quarter were up 2% on the PCP. We remain confident in the potential of this division as we increase our focus on growth opportunities and operational efficiency strategies as a stand-alone business within the TasFoods Group.

The TasFoods Limited corporate head office location has moved to Level 2, 93 Cimitero Street, Launceston, Tasmania. Phone number (03) 6331 6983, email: admin@tasfoods.com.au.

Financial update

During the quarter TasFoods recorded a total revenue decrease of 1.6% to \$11.3m on the PCP for continued operations, reflecting the current economic climate and the tightening of household spending.

The Company saw cost increases in the Poultry business with direct labour costs increasing by 7% compared to PCP. Part of the labour cost increase has been passed onto customers, however the size of cost increase has made full cost recovery challenging given the sensitivity of household budgets in the current economic environment.

The nature of food manufacturing businesses inherently requires strict working capital management and operational management. The Company continues to focus on incremental gains and a robust working capital framework to ensure adequate cash levels are maintained.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 30 June 2024 (Q2 FY2024) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$0.5m. This amount excludes \$1.54m of undrawn working capital facilities with NAB;
- Cash receipts from customers of continued operations were \$11.8m, a decrease of 6% on the PCP;
- Net operating cash flows from continued operations was \$0.01m which was a \$0.8m improvement compared to the PCP;
- Investing net cash outflows for the quarter of \$0.05m included costs from discontinued operations that remained on the balance sheets of Betta Milk and Meander Valley Dairy at the end of December 2023. These have been fully paid and we continue to collect the remaining outstanding receipts owed to these previous business units; and
- Financing net cash outflows for the quarter of \$0.5m was largely due to the reduction of debt, including insurance premium funding amounts.

Outlook

We note the detection of the avian influenza virus, otherwise known as bird flu, across mainland states. Currently this has had no direct impact at any Nichols Poultry growing sites, processing plant and hatchery. The Company continues to supply the local and mainland markets as usual. We continue to follow our strict bio security policy and have a heightened focus on our internal

procedures. The Tasmanian Government's Department of Primary Industries and Water continue to monitor the import of biohazards into the state and we have proactively increased bio security measures across all poultry sites.

Australian consumer discretionary, food & beverage and FMCG companies continue to be impacted by reduced household budgets, consumers trading down in category along with a tightening labour market on the supply side. As consumers trade down in grocery categories TasFoods focuses on offering value options at an affordable price delivered via an efficient supply-chain.

TasFoods will continue to monitor the prevailing macroeconomic conditions and challenges that both we and other food producers face to ensure we are able to adjust to the ever-changing market conditions.

Management is actively reviewing and implementing operational and strategic initiatives to establish a more resilient business operating model. The Company is confident these initiatives will allow the Poultry and Cheese business units to adapt to meet market conditions in Tasmania and the mainland to deliver a more sustainable financial performance for business moving forward.

With this strategic approach we will continue to drive growth in our pet treat brand Isle and Sky brand. The demand for our branded pet treats has allowed the business to hire a dedicated resource to expand nationwide distribution of the Isle and Sky range. This will allow our pet treats to be better positioned to grow in the second half of FY2024.

We continue to pro-actively assess our business and the asset profile under our Capital Management Framework to enhance shareholder returns.

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

TasFoods contact

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Forward-looking statements

The Appendix 4C contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TasFoods. These factors may cause actual results to differ materially from those expressed in the Appendix 4C contained in this announcement.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,770	24,163
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,036)	(17,334)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,648)	(7,912)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(76)	(113)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	10	(1,196)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(152)	(279)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	99	(387)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(53)	(666)

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	1,400
3.6	Repayment of borrowings	(358)	(2,128)
3.7	Transaction costs related to loans and borrowings	(5)	(10)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(151)	(296)
3.10	Net cash from / (used in) financing activities	(514)	(1034)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,098	3,437
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10	(1,196)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(53)	(666)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(514)	(1,034)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	541	541

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	1,005	3,098
5.2	Call deposits	-	-
5.3	Bank overdrafts	(464)	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	541	3,098

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
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	-
<i>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.</i>		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities (includes lease liabilities under AASB 16)	7,321	7,321
7.2	Credit standby arrangements	-	-
7.3	Other (bank overdraft)	2,000	464
7.4	Total financing facilities	9,321	7,785
7.5	Unused financing facilities available at quarter end		1,536
7.6	<p>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.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Item 7.1 –</p> <p>TasFoods Ltd Group's total loan facilities as at 30 June 2024 amounted to \$9.32 million of which \$4.6m relates to financial liabilities under AASB 16 Leases. Borrowings are secured over assets financed, property leases and by mortgage over property and water rights owned by Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd. Interest rates on these liabilities range between 3.06% and 8.06%, with the weighted average interest rate being 6.50%.</p> <p>Item 7.3 and 7.5 –</p> <p>Nichols Poultry Pty Ltd and Tasmanian Food Co. Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have available in unused bank overdraft facilities, combined total being \$1.54m.</p> </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	10
8.2	Cash and cash equivalents at quarter end (item 4.6)	541
8.3	Unused finance facilities available at quarter end (item 7.5)	1,536
8.4	Total available funding (item 8.2 + item 8.3)	2,077
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 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?</p> <div style="border: 1px solid black; padding: 5px; min-height: 40px;"> <p>Answer:</p> </div>	

8.6.2 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:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 25 July 2024

Authorised by: TasFoods Limited Board

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.