



Angel delivers a solid half year result despite slower growing conditions across South Australia

Well positioned for future growth with stock profile improving

26 February 2020 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”) today announced its financial results for the 6 months ended 31 December 2019 (H1 FY20).

Key highlights for H1 FY20

- 3.3 million oysters sold in H1 FY20: up 10% on prior comparative period (pcp)
- Revenue of \$2.5 million in line with pcp; impacted by smaller oyster sizes being sold due to slower growing conditions
- Generated a positive operating cash flow of \$424k (H1 FY19: \$625k outflow); net profit after tax of \$412k (H1 FY19: \$968k loss)
- Additional 1.5Ha acquired in Coffin Bay, bringing total water holding to 12.25Ha
- Export sales gaining momentum, accounting for 16% of Q1 sales
- Well positioned for strong second half of sales; underpinned by improving stock profile
- On track to meet lower end of the guidance of 8-10 million oysters in FY20

Well positioned to capitalise on high quality water holdings

Commenting on the half year result, Angel Seafood Chief Executive Officer Zac Halman, said:

“Whilst our sales in H1 were impacted by slower growing conditions across the region, pleasingly we were able to increase the volume of oysters that we sold by 10 per cent, reflecting the continued growth and strong demand for Angel’s oysters.

“The water temperatures and nutrients levels have now returned to normal levels, and we are encouraged by the state of current stock in the water.

“Following a period of significant investment in increasing our water holdings and improving our infrastructure over the past 12 months, we are now in a very strong position to deliver substantial future growth. Demand for our clean, green, premium oysters continues to exceed supply, and pricing remains strong, which positions us well in the domestic market, and to grow in the export markets.”

H1 FY20 demonstrates the underlying growth of the business

Angel delivered revenue of \$2.5 million in H1 FY20, which was in line with pcp. Whilst the number of oysters sold was up 10%, the revenue result was adversely impacted by slower growing conditions over winter months across South Australia, as previously reported. The conditions resulted in smaller oysters being sold during the first half and consequently lower average prices were achieved.

Pleasingly, conditions have been building up to peak conditions for oyster growth and an overall improvement in the stock profile is expected in the second half, with average stock size increasing.

Angel achieved a net profit of \$412k and positive operating cash flow of \$424k in H1 FY20. The Company expects to make a profit and remain cash flow positive for the full year.

The Company's balance sheet continues to reflect the significant investment for future growth. Biological assets increased 22% to \$5.1 million, representing an increase in volume as well as growth of the biological stock over the period. Angel restructured its bank facilities in November 2019 to improve balance sheet flexibility and liquidity. As at 31 December 2019, the Company has drawn down \$3.8 million of its \$4 million debt facilities.

Growing footprint and improved stock profile to drive future growth

Angel continued to invest in its footprint over the period, acquiring an additional 1.5Ha of high-quality water leases in Coffin Bay, which brings the Company's total water holding to 12.25Ha. With a holding capacity of 20 million oysters and the ability to condition 10 million oysters per annum, Angel is well placed to grow its sales over the coming years. In addition, Angel is continually looking at ways to improve the utilisation of its assets.

Angel's stock profile has improved significantly over the past few months with normalised water temperatures and improved nutrient conditions supporting growth rates. Stock on hand is at 25 million oysters, with Cowell's grow-out leases at capacity and excess stock moved to Haslam. The overall improvement in the stock profile is expected to result in sales growth and higher average oyster pricing in the second half and beyond.

Exports represent a substantial long-term opportunity

The Company experienced strong demand from Hong Kong customers in Q1, with exports making up 16% of the total quarterly sales. Prices achieved for export oysters were largely in line with domestic oyster prices. As planned, the Company suspended exports in Q2 due to greater domestic demand over the festive season and coinciding with Northern Hemisphere oysters coming back in season.

The Asian export market continues to represent a significant long-term opportunity for Angel as the Company continues to grow its production. Exports will recommence in winter to target the peak summer demand in the Northern Hemisphere.

Angel is not currently exporting to mainland China, hence the coronavirus outbreak and the subsequent ban on live seafood imports into mainland China does not have an impact on the Company's current export program.

FY20 Outlook

With Coffin Bay oysters entering spawning season for the majority of Q3, an important part of the natural cycle of oysters; the Company ceased sales in late January and the team at Angel has been focused on husbandry of stock in the water to maintain their health and quality, maintenance of leases and new acquisition builds.

Sales have pleasingly resumed earlier than anticipated, in the last half of February, and are expected to gain full momentum in March. With an improving stock profile, Angel is well positioned for sales into the domestic and export markets during the second half of the year. The Company remains on track to deliver at the lower end of the guidance of 8-10 million oysters for FY20.

This announcement was approved for released by the Board.

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 law