

# ANGEL

## SEAFOOD

### Q2 FY21 Activities Update & Appendix 4C

**Record quarter with 3.2m oysters sold; good progress with productivity initiatives; biomass growth positions Angel for strong H2**

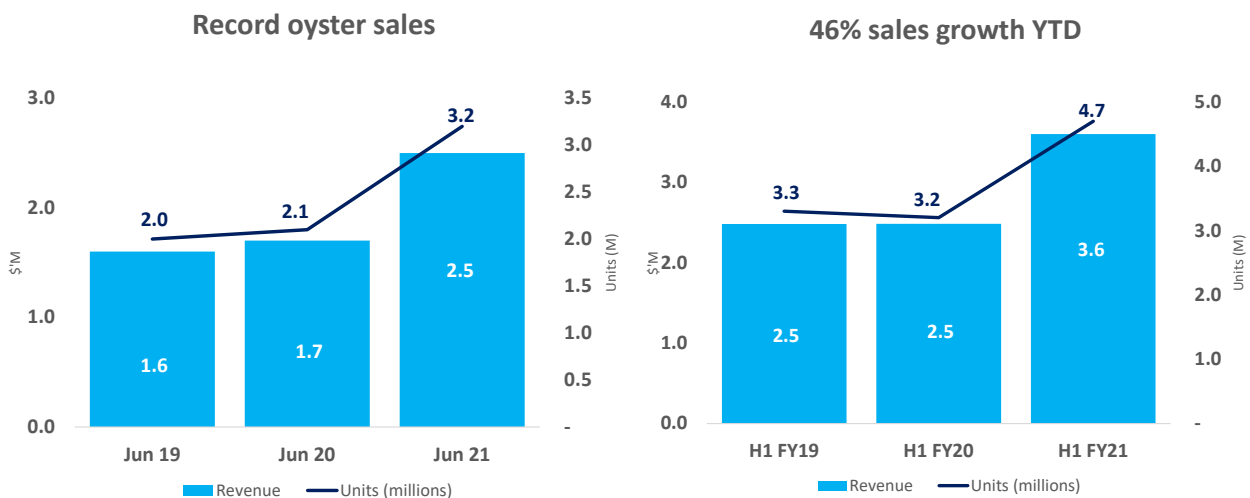
27 July 2021 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”), the Southern Hemisphere’s largest producer of certified organic and sustainable pacific oysters, provides the following quarterly update and Appendix 4C for the period ending 30 June 2021.

#### Key highlights for the period:

- Record quarter with 3.2 million oysters sold, up 50% on the prior corresponding period (pcp)
- Positive operating cashflow in the June quarter; cash receipts of \$2.8 million, up 67%
- Biomass increased 42% on pcp following investment in stock to cater for planned growth; 30 million oysters on hand
- Strong half-year results; record June half-year sales of 4.7 million oysters sold (up 44%); EBITDA of \$1.3 million, up 178%; net profit of \$546k (unaudited), up from \$160k loss
- Growth initiatives towards doubling production and increasing profitability on track
- NAB Facility extended by \$1 million; Angel in a strong financial position

#### Another record quarter for revenue and oyster sales; strong growth in biomass

Angel has delivered another strong quarter, with 3.2 million oysters sold in the quarter ending 30 June 2021 (Q2 FY21), representing an increase of 50% on pcp. This resulted in sales revenue of \$2.5 million for the period, up 54% on pcp, with a marginal increase in the average oyster price.



Over the period, demand for Angel's product remained strong, with the restaurant channel showing good signs for most of the quarter, before COVID-19 lockdowns had an impact. Demand from the retail sales channel continues to grow. The increase in sales was facilitated by the availability of stock from Angel's increased scale and biomass, and stock sourced under allied arrangements to meet demand into Angel's growing market.

The continued investment in stock across the Company's water leases has seen biomass increase 42% on prior year to 532T, which represents 30 million oysters on hand, positioning the Company well as it heads into the warmer months.

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

*"I am very thankful to be part of a very keen team that not only supports the Company's vision, but are leading the charge in strengthening our operations and efficiencies. Our results continue to prosper because of the dedication of our team across the board."*

*"I am pleased that the investments we have made in our operations have enabled Angel to grow our sales to meet the growing demand for our oysters. It was great to see a pickup in trade in the restaurant channel through most of the quarter, and we expect this demand to return once we get through the current lockdowns."*

*"We have been able to grow our biomass position over the quarter, which was a positive result given there was less feed available throughout the bays over the period. With 30 million oysters on hand, we are well positioned to continue on our growth trajectory."*

*"We continue to progress our three-pillar strategy to double production capacity and improve profitability, with trials progressing well for our FlipFarms, summer oysters, and Hálo Club. These initiatives will help us build capacity and improve the profitability of our operations."*

### **Productivity initiatives progressing well; FlipFarms expanded to Cowell; Summer oysters on track**

As part of Angel's three-pillar strategy for the next phase of its growth, the Company launched several initiatives to improve operating efficiencies and lower the cost of production.

Through the quarter, Angel continued with FlipFarm trials with the first 3Ha of FlipFarms in Coffin Bay, and a further 2Ha developed in Cowell during the period, which are now stocked and in operation. This brings the total FlipFarms in operation at the end of the quarter to 5Ha. While some early productivity gains and labour efficiencies are apparent, further work is required to fully optimise the FlipFarms.

Summer oysters continue to perform well, with grading showing strong survival rates, and are on track to be available for sale in early January 2022. If successful, summer oysters will extend Angel's sales season from its current 10 months to the entire calendar year and increase annual sales by 10-15% with no further investment in assets. Additionally, a successful outcome from the trial will further strengthen Angel's position within the market given the ability to guarantee a continuous supply over key festive periods including Chinese New Year and Valentine's Day.

#### **Pilot launch of Hálo club represents new sales channel**

In June, Angel launched a pilot of its direct-to-consumer offering, 'Hálo Club'. The club operates as a membership and subscription-based model and gives members direct access to Angel's oysters on a monthly basis, whilst creating a new high-value and recurring income stream.

The initial phase of the roll-out is being trialled over three-months with membership available to Angel's shareholders and a select group of customers across metropolitan Melbourne, Sydney and Adelaide. Feedback from the first shipments has been positive and Angel will continue to refine the product offering and logistics alliances in preparation for a broader launch in Spring.

Once operating at a commercial scale, the Hálo Club is expected to generate a price premium of 30-50% on the comparative wholesale prices, in addition to cultivating brand loyalty and growing the retail channel.

#### **Expansion program to explore export opportunities in the Middle East and South-East Asia**

Angel was selected to participate in the South Australian government-funded Global Expansion Program, with a focus to grow export capability and capacity into new and existing markets.

The Global Expansion Program is a four-year funding program targeting South Australian businesses with solid growth and potential to diversify and boost their presence in existing or new markets. The program gives access to \$50k in funding to explore high value markets such as South-East Asia and the Middle East and will aim to advance efforts in international markets.

#### **Positive operating cash flow for the quarter; strong financial position**

Cash receipts from customers in Q2 FY21 were \$2.8 million, up 67% on pcp. Operating cash expenditure for Q2 FY21 was \$2.2 million, comprising of stock purchases, staff costs, production costs, advertising and marketing, finance costs and corporate costs. Net operating cash flows were positive for the quarter, at \$0.6 million.

Payments to related parties over Q1 FY21 were \$183k, consisting of Directors' fees and KMP salaries.

##### *NAB Facility extension*

Angel extended its finance facilities with the NAB by \$1 million during the period, accessing the Australian Government supported scheme (SME Guarantee Scheme 2.0) to accelerate growth in the recovery from COVID-19. The loan was drawn down in June 2021 and will be repaid over a period of 5 years.

Angel closed the quarter in a very strong financial position, with a cash balance of \$2.5 million and liquidity of \$4 million (including undrawn facilities).

### Half-year financial results; strong growth across all metrics

Angel achieved record half-year sales and revenue for the six months ended 30 June 2021, while also achieving EBITDA growth of 178%, and retaining a net profit of \$546k. The continuing investment in stock biomass, which will drive future growth in sales, resulted in a net cash outflow from operations during the half year period.

Metrics	6 months to 30 June 2021 <sup>#</sup>	6 months to 30 June 2020 <sup>&amp;</sup>	%
Revenue	\$3.6 million	\$2.5 million	46%
EBITDA	\$1.3 million	\$0.5 million	178%
Net profit/(loss)	\$546k	(\$160k)	>>
Operating cash flow	(\$593k)	\$104k	<<
Liquidity	\$4.1 million	\$1.9 million	116%

# - H1 FY21 numbers are unaudited

& - Angel changed its financial year to a 31 December year end with effect from 1 July 2020. Comparative results, 6 months to June 2020, were included in full year results for the year ended 30 June 2020.

### Outlook

Angel remains focused on its sales program and strengthening its relationships with large retailers while continuing to invest in the future growth of the business. A number of opportunities continue to present themselves for Angel as momentum grows in the wholesale, commercial and direct to consumer channels.

Angel is making good progress on key initiatives across the three pillars of its growth strategy that will support the Company in progressing towards its goal of increasing annual production capacity to 20 million oysters and improving profitability through increased productivity and improved pricing.

COVID-19 restrictions and lockdowns are continuing in some regions of Australia, including metropolitan Sydney, Melbourne and Adelaide. While Angel remains positive about production and the level of demand for product, extended COVID-19 restrictions can have an impact the economy and the Company's operations and results.

### Webinar details

An investor webcast will take place today at 2:00pm AEST. 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\\_szSLgEZ9TgmahyRa9RBKNA](https://us02web.zoom.us/webinar/register/WN_szSLgEZ9TgmahyRa9RBKNA)

*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 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (six months) \$A'000
<b>1. Cash flows from operating activities</b>	2,834	3,760
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(897)	(1,829)
(c) advertising and marketing	(48)	(58)
(d) leased assets	(15)	(35)
(e) staff costs	(943)	(1,761)
(f) administration and corporate costs	(247)	(481)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(95)	(189)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>589</b>	<b>(593)</b>
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 (six months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(278)	(1,698)
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(278)</b>	<b>(1,698)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	1,000	1,500
3.6	Repayment of borrowings	(193)	(391)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>807</b>	<b>1,609</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,376	3,176
4.2	Net cash from / (used in) operating activities (item 1.9 above)	589	(593)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(278)	(1,698)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	807	1,609
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,494</b>	<b>2,494</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	2,494	1,376
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,494</b>	<b>1,376</b>

**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**

(183)

-

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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	6,625	5,067
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	6,625	5,067

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%.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	589
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,494
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)	4,052
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

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: 27 July 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