

TasFOODS LTD

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ASX Announcement: 31 January 2020

TasFoods FY2019 sales up 32% to \$50.7 million

TasFoods Limited (ASX:TFL) today released a Business Update and Quarterly Appendix 4C, including its preliminary unaudited results for the year to 31 December 2019, showing a 32% increase in sales to \$50.7 million. Gross profit increased by 20% to \$12.8 million and operating earnings before interest, tax, depreciation and amortisation (EBITDA)* for the second half were \$0.046 million – the company's first positive half year EBITDA as it builds a successful Tasmanian premium food business.

Preliminary unaudited results for the full year	FY2019 (\$'000)	FY2018 (\$'000)	Change (\$)	Change (%)
Sales revenue	50,690	38,391	12,299	32%
Gross profit	12,825	10,716	2,109	20%
Gross profit margin	25%	28%		-3%
EBITDA	(1,155)	(1,110)	(44)	-4%
Acquisition costs	(497)	(187)		
Operating EBITDA*	(658)	(924)	266	29%

"This was a transformational year for TasFoods with a major step change in our dairy portfolio resulting from the strategic acquisition of Betta Milk. This acquisition has balanced our business, with the dairy segment representing 30% of total sales revenue in FY2019, up from 16% in FY2018. Betta Milk performed ahead of expectations, with its sales for the first five months 10% above the previous corresponding period," said Shane Noble, TasFoods' executive chairman.

Group operating EBITDA* for FY2019 improved by 29% despite the adverse impact of commodity price increases. Following its positive operating EBITDA in H2 2019, the company is well positioned to deliver continued improvements in EBITDA in FY2020.

Financial Highlights of the Year

- Sales revenue for FY2019 was 32% higher than FY2018, including five months of sales revenue from the Betta Milk acquisition which was completed on 31 July 2019. Organic sales growth from existing operations (excluding Betta Milk) was 12%, driven by increased sales in the dairy segment of 29% and in the poultry segment of 9%.
- Gross profit increased by 20% to \$12.825 million.
- The gross profit margin declined by 3% to 25% due to drought influenced commodity price increases for poultry feed grain and for milk and cream inputs. The total impact

* EBITDA before acquisition and investment costs and including movement in fair value of biological assets

of input cost increases in FY2019 was \$2.62 million, with the majority incurred in H2 2019. Margin recovery initiatives commenced in Q4 2019 through structured price increases and further pricing initiatives will be actioned in H1 2020.

- Operating EBITDA* for H2 2019 was positive at \$0.046 million. Operating EBITDA* for FY2019 was negative \$0.658 million, which was a 29% improvement on FY2018.

Q4 2019 Key Achievements

Dairy segment

Total dairy sales revenue, including Betta Milk, grew by 287% in Q4 2019 compared to Q4 2018. In the first full quarter of Betta Milk's ownership, its products' sales revenue grew by 10% compared to Q4 2018.

Integration of Pyengana Milk products into Betta Milk's distribution network in Q4 2019 contributed to a 49% increase in Pyengana Milk sales for the quarter compared to Q4 2018. Other highlights included a 43% increase in Robur Farms goat dairy sales and a 21% increase in Pyengana Cheese sales compared to Q4 2018. Both these increases were primarily driven by sales into interstate markets.

A new proprietary fresh milk value brand, Tassie Taste, was launched into several Tasmanian independent retail grocery groups in December 2019, with sales to date exceeding expectations. These products will contribute revenue growth, improve manufacturing efficiency and generate cream supply for the company.

Poultry segment

The \$2.5 million investment in two additional chicken growing sheds completed in Q3 2019 contributed to 13% growth in poultry revenue in Q4 2019, compared with Q4 2018.

Interstate poultry sales grew by 104% in Q4 2019, compared with Q4 2018, as a result of expanded Ethical Free Range Chicken distribution in Queensland and a range of products in New South Wales.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter to 31 December 2019 has been lodged with the ASX today. Key points include:

- At 31 December 2019, cash-on-hand was \$1.442 million, net of overdraft.
- Cash receipts from customers were \$15.831 million, 49% higher than Q4 2018 and 22% higher than Q3 2019.
- Operating cash outflow was \$0.476 million due to the working capital required to fund increased production and sales during the quarter.
- Investing cash outflow was \$0.604 million for planned expenditure on infrastructure and equipment, including final payments for the new chicken growing sheds

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.

About TasFoods

TasFoods, established in 2015, is a diversified food business focused on leveraging the natural attributes of Tasmania's agricultural and food production environment to create premium food products for sale to Australian and export customers.

TasFoods is a public company listed on the ASX with a mix of institutional investors, high net worth individuals and retail investors.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		15,831	49,531
1.2 Payments for			
(a) research and development		(14)	(32)
(b) product manufacturing and operating costs		(11,306)	(33,707)
(c) advertising and marketing		(5)	(343)
(d) leased assets		(53)	(185)
(e) staff costs		(4,654)	(14,766)
(f) administration and corporate costs		(210)	(997)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	60
1.5 Interest and other costs of finance paid		(93)	(252)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	61
1.8 Other:			
Costs associated with potential acquisitions		(6)	(498)
Insurance and Workers Compensation Recoveries		15	121
Freight Equalisation Rebates		27	72
Other		(9)	28
1.9 Net cash from / (used in) operating activities		(476)	(907)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(358)	(3,357)
	(b) businesses (see item 10)	(246)	(11,423)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	(28)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	20
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(604)	(14,788)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	8,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(531)
3.5	Proceeds from borrowings	128	4,645
3.6	Repayment of borrowings	(235)	(955)
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	(109)	11,159

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,631	5,978
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(476)	(907)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(604)	(14,788)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(109)	11,159
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,442	1,442

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	2,127	2,480
5.2	Call deposits	115	409
5.3	Bank overdrafts	(765)	(298)
5.4	Other	(35)	40
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,442	2,631

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	135
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Not applicable		

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable

8. Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,230	5,230
8.2 Credit standby arrangements	-	-
8.3 Other	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

TasFoods total loan facilities (excluding financial liabilities required to be disclosed under AASB 9 Leases) at 31 December 2019 amounted to \$5.230 million, which are secured over the assets financed. Interest rates on these liabilities range between 0% and 6.78%, with the average interest rate being 4.36%.

During the quarter the Group entered into three asset finance arrangements with ANZ Bank totalling \$128,540, secured over the assets subject to the finance agreement. The average interest rate across the asset finance agreements was 3.8%.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	11,796
9.3 Advertising and marketing	165
9.4 Leased assets	175
9.5 Staff costs	4,220
9.6 Administration and corporate costs	670
9.7 Other	-
9.8 Total estimated cash outflows	17,026

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Assets of Betta Milk Cooperative Society Limited	Nil during quarter
10.2	Place of incorporation or registration	Tasmania	
10.3	Consideration for acquisition or disposal	\$11,422,994	
10.4	Total net assets	\$11,422,994	
10.5	Nature of business	Milk Processing and Distribution	

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.



Sign here: Managing Director and CEO

Date: 31 January 2020

Print name: Jane Bennett

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.