

TasFOODS LTD

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Strong organic growth and strategic acquisition driving transition to sustained profitability

- **FY2019 sales up 32%**
- **Operating EBITDA up 29%**

TasFoods Ltd (ASX: TFL) today released the company's full year results and annual report for the 2019 financial year.

Executive Chairman, Shane Noble commented: "I am pleased with TasFoods' progress in a year when we have rebalanced our product portfolio and continued to refine our internal resources to ensure a brand-driven focus on strong organic growth."

The July 2019 acquisition of Betta Milk's assets has substantially increased the size and scale of our diversified Dairy operations and provided us with an export-accredited dairy bottling facility. Together with Betta Milk's extensive Tasmanian distribution network, this will be a key contributor to our revenue and profit growth into the future.

TasFoods' business now has two strong operational pillars in Poultry and Dairy, with Poultry continuing to be our largest business unit and Dairy operations forecast to contribute circa 40% of total revenue in 2020.

Both these businesses are well positioned to benefit from positive consumer trends and our continued focus on operational optimisation and customer partnerships.

The company's financial results for 2019 include five months' trading by the Betta Milk business and its sales revenue and EBITDA in this period have exceeded due diligence expectations.

TasFoods Ltd Financial Results	FY2019 \$000	FY2018 \$000	Change \$000	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%
NPAT	(3,459)	(1,358)	(2,101)	-155%

Sales revenue in 2019 grew to a milestone \$50.69 million, 32% higher than 2018. This was achieved through a combination of organic growth and the acquisition of the Betta Milk assets. Sales growth from existing business operations (excluding Betta Milk) was

12%, driven by increased sales of 29% in the Dairy segment and 9% in the Poultry segment.

Gross profit increased by 19% to \$12.827 million; however, the gross profit margin declined by 3% to 25% due to drought-influenced input price increases for poultry feed grain, milk and cream. Structured price increases commenced in Q4 2019 to recover lost margin and further increases are being introduced in H1 2020.

Operating EBITDA (statutory EBITDA less acquisition and investment costs) in 2019 was negative \$0.658 million, a 29% improvement on 2018. Operating EBITDA for H2 2019 was positive at \$0.05 million.

The company's bottom line performance was a net loss before tax of \$3.20 million.

Strong sales growth is forecast for 2020 supported by a full year of sales from the Betta Milk acquisition and an increase in poultry supply from the new chicken sheds completed in Q3 2019.

The business will continue to focus on optimising its existing asset mix and on margin improvement initiatives and is well positioned to deliver its first full year of operating EBITDA in 2020.

"The board believes that the long-term fundamentals of TasFoods' businesses are strong, with increasing demand for premium foods, especially in the dairy and poultry segments," said Mr Noble. "The company's strategy will be to continue to expand and grow its distribution in existing and new markets by leveraging its Tasmanian heritage and the premium provenance of its brands."

This announcement and the accompanying documents have been authorised for release by the Board of Directors.

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About TasFoods

TasFoods 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.