
TasFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 31 October 2019

TasFoods operating cash flow positive* year-to-date

- Sales revenue up 23% year-to-date
- Betta Milk sales and earnings exceed expectations
- Company expected to be EBITDA positive* for H2 2019

TasFoods Limited (ASX:TFL) today released its Appendix 4C Quarterly Cash Flow report for the quarter ended 30 September 2019, showing positive operating cash flow for the nine months to 30 September 2019 before costs associated with its acquisition of Betta Milk Cooperative Society Limited's assets on 31 July 2019.

Betta Milk's sales for the first two months since its acquisition were 10% above the previous corresponding period and its earnings contribution before interest, tax, depreciation and amortisation (EBITDA) was 15% higher than expected.

Unaudited results for nine months to 30 September	2019 (\$'000)	2018 (\$'000)	Change (\$)	Change (%)
Sales revenue	34,454	27,940	6,514	23%
Gross profit	8,930	7,820	1,110	14%
Gross profit margin	26%	28%		
EBITDA	(1,346)	(927)	(419)	(45)%
Acquisition costs	(491)	(90)	(401)	
Underlying operating EBITDA*	(855)	(837)	(18)	(2)%

'We are delighted with the initial performance of Betta Milk during its first two months as part of TasFoods,' said Shane Noble, TasFoods' executive chairman. 'We expect to see further benefits during the coming months from combining dairy distribution and transferring Pyengana Dairy milk bottling to Betta Milk's modern Burnie processing facility.

'Completion of Nichols Poultry's two new growing sheds has increased its production by 10%, enabling us to meet increasing demand for its products, including higher-margin Ethical Free Range poultry.

'The Betta Milk acquisition has given us additional capacity to allow further growth, provided greater balance between our dairy and poultry operations and is a significant step in our strategy to build a premium food business leveraging Tasmania's unique environmental and marketing advantages.'

* Before acquisition costs

Financial highlights for the nine months to 30 September 2019

- **Sales** grew by 23% (\$6.514 million) compared with the previous corresponding period.
Growth was led by the dairy segment, up 113% (\$4.467 million) including Betta Milk. Excluding Betta Milk, dairy sales increased by 38% (\$1.483 million).
Poultry sales grew by 9% (\$2.026 million), helped by additional volume from the two new chicken growing sheds which produced their first birds in late Q3.
- **Gross profit** increased by 14% to \$8.930 million. The gross profit margin, however, was 2% lower at 26% due to price increases for poultry feed grain and for milk and cream.
- **Underlying operating EBITDA**, net of Betta Milk acquisition costs, was 2% lower due to the reduction of gross margin and an increase in distribution costs which is expected to reverse as a result of combining distribution with the Betta Milk network.

Achievements

- Betta Milk has been integrated successfully into the group, with the following synergies realised to date and further benefits expected in future months:
 - TasFoods' dairy sales in Tasmania have been integrated into the Betta Milk distribution network, which progressively will lead to cost savings.
 - The first stage of transferring Pyengana Dairy milk bottling to Betta Milk's Burnie facility has been completed, creating capacity to expand core product lines at Meander Valley Dairy's Launceston facility. Further product lines will be transferred to Burnie during Q4.
 - The shelf life for milk products bottled at Burnie has been extended, allowing expanded distribution into interstate and international markets.
- Sales of Meander Valley Dairy Crème Fraiche began in Coles stores nationally towards the end of the quarter.
- Construction of Nichols Poultry's two new mechanically-ventilated chicken growing sheds was completed on-time and on-budget, increasing the number of birds available for processing by approximately 10%.
- Sales of Nichols Poultry's higher-margin Ethical Free Range product increased by 163% year-to-date from a low base.

Quarterly cash flow

- At 30 September 2019, TasFoods held cash of \$2.631 million, net of overdraft.
- Cash flow from operations in Q3, excluding Betta Milk acquisition costs, was negative \$0.038 million. Including Betta Milk acquisition costs, it was negative \$0.350 million.
- Cash flow from operations for the nine months to 30 September 2019, excluding Betta Milk acquisition costs, was positive \$0.061 million.
- Investing cash outflow for Q3 was \$12.196 million. Of this, \$11.177 million was associated with the Betta Milk acquisition and \$0.983 million was primarily associated with the completion of Nichols Poultry's two new chicken growing sheds.
- There was positive cash flow of \$8.193 million from financing activities in Q3 due to:

- Proceeds of \$7.519 million, net of transaction costs, from the issue of shares to fund the acquisition of Betta Milk.
- The final \$0.928 million draw-down from a \$2.5 million loan facility with ANZ Bank to fund the new Nichols Poultry sheds.
- Repayment of existing borrowings of \$0.254 million.

Q4 outlook

- Revenue is expected to continue to increase in Q4 2019 helped by:
 - A seasonal uplift in pre-Christmas sales of dairy products.
 - A full quarter's contribution by Betta Milk.
 - A full quarter's sales of Crème Fraiche in Coles stores.
 - The launch of new products including flavoured butters and marinated goat cheese during the quarter.
- EBITDA for the six months to 31 December 2019 is expected to be positive.

Corporate changes

- TasFoods' focus on brand development, marketing and growth has been strengthened with the appointment of Cathy Zeppieri as Chief Marketing Officer. David Bennett will now focus on sales and distribution. The Chief Operating Officer, Tom Woolley, has resigned and the company at this stage does not intend to replace the role.

TasFoods contact

Jane Bennett
Managing Director and CEO
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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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	13,013	33,699
1.2 Payments for		
(a) research and development	(6)	(18)
(b) product manufacturing and operating costs	(8,915)	(22,400)
(c) advertising and marketing	(70)	(338)
(d) leased assets	(47)	(132)
(e) staff costs	(3,705)	(10,114)
(f) administration and corporate costs	(312)	(787)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	59
1.5 Interest and other costs of finance paid	(66)	(158)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	14	75
1.8 Other:		
Costs associated with potential acquisitions	(312)	(491)
Insurance and Workers Compensation Recoveries	24	106
Freight Equalisation Rebates	25	45
Other	3	24
1.9 Net cash from / (used in) operating activities	(350)	(430)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(983)	(2,991)
(b) businesses (see item 10)	(11,177)	(11,177)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(36)	(36)
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	(12,196)	(14,184)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	8,000	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	(481)	(530)
3.5 Proceeds from borrowings	928	4,517
3.6 Repayment of borrowings	(254)	(718)
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	8,193	11,269

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	6,984	5,976
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(350)	(430)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12,196)	(14,184)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,193	11,269
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,631	2,631

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	2,480	6,695
5.2	Call deposits	409	409
5.3	Bank overdrafts	(298)	(98)
5.4	Other	40	(22)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,631	6,984

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	149
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

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

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	5,450	5,450
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 30 September 2019 amounted to \$5.450 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 4.48%.

During the quarter Nichols Poultry Pty Ltd finalised the drawdown of a \$2.5 million loan with ANZ to fund the construction of two mechanically ventilated chicken sheds on the Nichols Poultry site. This loan is a variable rate facility secured over the assets of the Nichols Poultry business.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	11,754
9.3 Advertising and marketing	208
9.4 Leased assets	86
9.5 Staff costs	4,205
9.6 Administration and corporate costs	525
9.7 Other	-
9.8 Total estimated cash outflows	16,778

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	\$11,176,682	
10.4 Total net assets	\$11,176,682	
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 October 2019

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.