

TasFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

ASX Announcement: 22 October 2018

TasFoods Limited

Business Update and Appendix 4C for the quarter ended 30 September 2018

TasFoods Limited (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. The Company is pleased to release its Business Update and Appendix 4C Cash Flow Statement for the quarter ended 30 September 2018 (Q3 2018).

In releasing the business update and Appendix 4C quarterly cash flow, TasFoods Chairman, Shane Noble said: "It is pleasing to report continued improvements in the financial performance of the TasFoods Group of companies as well as improvements to our quarterly cashflow position. Q3 2018 saw the Group generate its first positive cashflows from operating activities. This result reflects the crystallisation of a range of strategic initiatives implemented under the 'Pathway to Profit' project which will continue to deliver further fixed cost optimisation and margin improvement as the business grows. The Q3 result also reflects sales growth for the Dairy division that stems from opportunities initiated earlier in the year."

Business Update

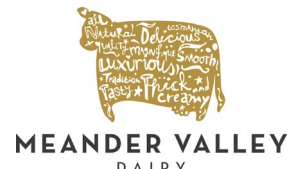
Financial Performance

TasFoods unaudited financial performance for Q3 2018 continued the trend of consistent improvement when compared to the comparative Q3 2017 financial period.

	Q3 YTD 2018 \$'000	Q3 YTD 2017 \$'000	% Change
Sales Revenue	27,940	21,728	29%
Gross Profit	7,820	5,491	42%
Gross Profit Margin	28%	25%	
Operating EBITDA	(926)	(2,271)	59%

Key financial highlights include:

- Year to date sales revenue to Q3 2018 were 29% higher than the comparative Q3 2017 period, driven by continued sales growth in the dairy and poultry segments;



- Gross profit margins were consistent with the H1 2018 results of 28%, which is 3% higher than year to date Q3 2017 position. This improvement reflects the efficiency improvements achieved as part of the Pathway to Profit project;
- The year to date operating EBITDA reported an improvement of 59% when compared to the comparative period in 2017. This has been achieved through improvements to gross profit margins in addition to reductions in the fixed cost base of the business; and
- The quarter has seen continuous improvement in operating results that culminated in the month of September producing the first monthly positive EBITDA result for the business.

Sales and Business Developments

Revenue for Q3 2018 (unaudited) was 3% higher than Q2 2018 and 27% higher than Q3 2017. Dairy operations experienced the highest levels of sales growth achieving 48% organic growth over Q3 2017 and 30% above Q2 2018.

During Q3 2018 the following key initiatives were implemented:

- Sales of Meander Valley Dairy branded Double Cream commenced to Coles stores nationally, with sales in line with expectations;
- Delays in timing of commencement of independent retail distribution of Meander Valley Dairy cream to mainland states reduced anticipated dairy revenue for the first two months of the quarter;
- Revised branding of Pyengana Dairy cheese was launched to enable sales of retail portions of cheese in addition to wholesale cheese sales;
- The Pyengana Dairy processing facility was modified during the non-cheese production months of winter to expand the artisan cheese making capacity and broaden the range of cheese product styles that can be produced on site for sale under the premium Pyengana Dairy brand;
- The major capital works project to upgrade the air chiller capacity for the Nichols Poultry processing site continued on time and on budget. The new air chiller will be commissioned and fully operational in early Q4 2018. This will provide a significant increase in production speed for the whole processing facility and improve product quality and output capacity; and
- Construction of new contract grower sheds to expand the chicken growing capacity of Nichols Poultry progressed during Q3 with the placement of chicks in the first completed shed taking place in mid-October 2018.

Quarterly Cash Flow

At the conclusion of Q3 2018 TasFoods maintained a strong cash position of \$7.084 million.

During Q3 2018, TasFoods reported a net decrease in cash held of \$1.811 million, which was driven by investment in plant and equipment (\$1.709 million) in addition to the repayment of borrowings (\$0.208 million). These cash outflows were offset by positive operating cash flows of \$0.106 million.

Key results from the Q3 2018 quarterly cash flow include:

- Improvements to financial performance have contributed to strong advances in the operating cash flow position. In Q3 2018 TasFoods generated positive operating cash flows of \$0.106 million. This result is a \$0.785 million improvement when compared to Q2 2018 which reported net operating cash outflows of \$0.679 million;
- Cash receipts from customers for the quarter of \$9.632 million, 34% higher than Q3 2017 and 4% higher than Q2 2018;
- Cash payments associated with product manufacturing and operating costs have reported reductions of 3% whilst staffing costs have reported reductions of 9% when compared to Q2 2018; and
- Cash outflows of \$1.716 million associated with expenditure on infrastructure and equipment related to upgrades to plant and equipment to improve efficiency and increase productivity. Capital investment expenditure in Q3 2018 is primarily related to the factory upgrade at Nichols Poultry to enhance air chill capacity and improve production efficiency. This development is on time and on budget, with forecast completion in early Q4 2018.

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.

TasFoods Contacts

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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 2018

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	9,632	28,421
1.2 Payments for		
(a) research and development	(9)	(38)
(b) product manufacturing and operating costs	(6,276)	(20,184)
(c) advertising and marketing	(127)	(389)
(d) leased assets	(87)	(249)
(e) staff costs	(2,871)	(9,016)
(f) administration and corporate costs	(224)	(691)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	47	90
1.5 Interest and other costs of finance paid	(26)	(76)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	20	20
1.8 Other:		
Miscellaneous	27	136
1.9 Net cash from / (used in) operating activities	106	(1,976)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,716)	(3,209)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	7	7
	(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	(1,709)	(3,202)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,000
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	1	(215)
3.5	Proceeds from borrowings	-	151
3.6	Repayment of borrowings	(208)	(900)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(1)	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(208)	3,036

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	8,895	9,226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	106	(1,976)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,709)	(3,202)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(208)	3,036
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	7,084	7,084

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	1,819	2,564
5.2	Call deposits	5,959	7,179
5.3	Bank overdrafts	(678)	(832)
5.4	Other	(16)	(16)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,084	8,895

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	134
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	1,721	1,721
8.2	Credit standby arrangements	2,000	-
8.3	Other (please specify)	-	-

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 of loan facilities at 30 September 2018 amounted to \$1.721 million, which are secured over the assets financed. Interest rates on these liabilities range between 2.38% and 6.78%, with the average interest rate being 5.74%.

Nichols Poultry Pty Ltd has access to a \$2.0 million facility with the ANZ which remained undrawn at 30 September 2018. This facility is secured.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(7,004)
9.3	Advertising and marketing	(187)
9.4	Leased assets	(99)
9.5	Staff costs	(3,296)
9.6	Administration and corporate costs	(288)
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	(10,874)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Nil during quarter	Nil during quarter
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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: 22 October 2018

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.