

# TasFOODS LTD

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ABN 53 084 800 902 ACN 084 800 902

**ASX Announcement:** 30 January 2019

## Strong second half sets TasFoods on path to profit

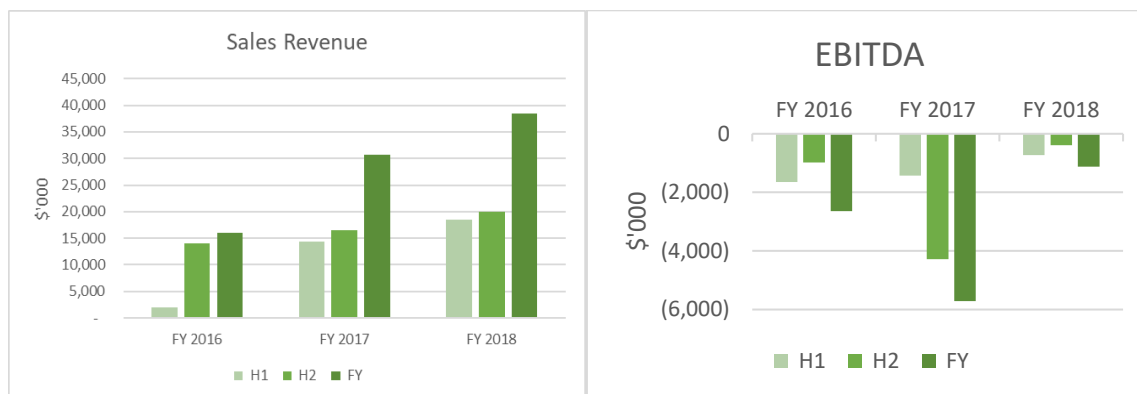
- FY2018 sales up 25%
- H2 operating cash flow positive
- Positive EBITDA expected for FY2019

### Business Update and Appendix 4C for the quarter ended 31 December 2018

TasFoods Limited (ASX: TFL) today announced a strong second half, setting the company on a pathway to profit in line with its strategic growth plan. Preliminary unaudited financial results include sales revenue of \$38.4 million, 25% above FY2017; a 55% increase in gross profit to \$10.8 million; and positive operating cash flow for the third and fourth quarters.

Preliminary unaudited financial results	FY2018 \$000	FY2017 \$000	Change \$000	Change %
Sales revenue	38,397	30,743	7,654	25%
Gross profit	10,798	6,961	3,837	55%
Gross profit margin	28%	23%		5%
EBITDA	(1,125)	(5,710)	4,585	

"The 2018 financial year, and in particular the second half of the year, has been one of strong achievement and progress on our Pathway to Profit," said Shane Noble, TasFoods' executive chairman. "The significant improvement in the company's financial results reflects delivery of the strategic plan implemented at the commencement of the year to grow top-line revenue, generate production efficiencies and leverage our fixed cost base. As a result, we have positioned the business under its current operating structure to deliver positive EBITDA for our financial year to December 2019."



## Financial Highlights of the Year

- **Sales revenue** for FY 2018 was 25% higher than FY 2017, driven by increased sales in the dairy and poultry segments of 140% and 15% respectively. Organic sales revenue growth in the dairy segment (net of sales revenue associated with Pyengana Dairy which was acquired in October 2017) was 36% compared to FY 2017. Sales revenue across the group for Q4 2018 was approximately \$1 million (11%) higher than Q3 2018.
- **Gross profit** margins increased by 5% to 28% in FY 2018, compared to 23% in FY 2017. The improvement in gross profit margin was achieved by building economies of scale through revenue growth, strategic investment in automation, and labour efficiencies.
- **EBITDA** for FY 2018 was negative \$1.125 million, an improvement of \$4.585 million compared to FY 2017 (negative \$5.710 million) which included a \$2.1 million impairment charge.

## Q4 2018 Key Achievements

### **Capacity Expansion**

A \$2.5 million capital investment project on the Nichols Poultry site was completed on time and on budget during Q4 2018. This delivered a number of infrastructure upgrades and included construction of a new air chiller facility which will provide a 50% increase in capacity for processing on the site. Air chilling is a key point of difference that contributes to consumer preference for Nichols Poultry products.

In Q4 2018, Nichols Poultry submitted a development application for the construction of two tunnel-ventilated chicken sheds to increase chicken growing capacity by 14%. Shed capacity expansion will allow for sales revenue growth in FY2019 to meet growing customer demand.

### **Sales and Marketing Expansion**

A range of new products were launched in Q4 including the first branded frozen products in the Nichols range and a Christmas line of flavoured creams under the Meander Valley Dairy brand.

New branding for the Pyengana Dairy cheese range was completed in Q4 2018. A range of retail cheese wedges was released under the new branding along with branded Pyengana Dairy Traditional Cloth Matured Truckles, small 1.3kg wheels targeted towards restaurants and home entertainers.

Meander Valley Double Cream was named in November as one of three finalists in the 2019 Australian Grand Dairy Awards Cream Category. The Australian Grand Dairy Awards are recognised as the premier dairy product competition in Australia.

## Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 31 December 2018 has been lodged with the ASX today. At the conclusion of Q4 2018 TasFoods held cash of \$5.987 million (net of overdraft). Cash decreased by \$1.098 million during Q4 2018.

Highlights include:

- A second consecutive quarter of positive net cash flows from operations;
- Cash receipts from customers of \$10.631 million, 25% higher than Q4 2017 and 10% higher than Q3 2018; and
- Investing cash outflows of \$0.896 million for targeted expenditure on infrastructure and equipment to improve efficiency and increase productivity. Capital investment expenditure in Q4 2018 was primarily related to the factory upgrade at Nichols Poultry to construct a new air chiller and upgrade utility services.

## TasFoods Contacts

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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 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 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10,631	39,052
1.2 Payments for		
(a) research and development	(10)	(47)
(b) product manufacturing and operating costs	(6,862)	(27,046)
(c) advertising and marketing	(116)	(505)
(d) leased assets	(101)	(349)
(e) staff costs	(3,244)	(12,261)
(f) administration and corporate costs	(241)	(933)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	58	148
1.5 Interest and other costs of finance paid	(28)	(104)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	20
1.8 Other:		
Costs associated with potential acquisitions	(96)	(187)
Insurance and Workers Compensation Recoveries	6	144
Freight Equalisation Rebates	16	80
Other	(3)	22
<b>1.9 Net cash from / (used in) operating activities</b>	<b>10</b>	<b>(1,966)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(899)	(4,109)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	3	11
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(896)</b>	<b>(4,098)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	(215)
3.5	Proceeds from borrowings	-	151
3.6	Repayment of borrowings	(211)	(1,111)
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>(211)</b>	<b>2,825</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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 quarter/year to date	7,084	9,226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10	(1,966)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(896)	(4,098)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(211)	2,825
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,987</b>	<b>5,987</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	704	1,819
5.2	Call deposits	5,959	5,959
5.3	Bank overdrafts	(681)	(678)
5.4	Other	5	(16)
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,987</b>	<b>7,084</b>

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	142
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	1,520	1,520
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 31 December 2018 amounted to \$1.520 million, which are secured over the assets financed. Interest rates on these liabilities range between 3.94% and 6.78%, with the average interest rate being 5.49%.

Nichols Poultry Pty Ltd has access to a \$2.0 million facility with the ANZ which remained undrawn at 31 December 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	(7,190)
9.3 Advertising and marketing	(165)
9.4 Leased assets	(74)
9.5 Staff costs	(2,895)
9.6 Administration and corporate costs	(582)
9.7 Other	(100)
9.8 Total estimated cash outflows	(11,006)

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: 30 January 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.