

TasFOODS LTD

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ASX Announcement: 30 July 2020

Business Activity Report and Appendix 4C Quarterly Cash Flow

TasFoods Limited (ASX:TFL) today released a Business Activity Report and Appendix 4C Quarterly Cash Flow, including its preliminary unaudited results for the half-year ended 30 June 2020 (H1 2020).

The results show continued growth in revenue to \$32.795 million, 56% higher than H1 2019. After adjusting H1 2019 for the underlying revenue of Betta Milk, year-on-year organic growth was 11%. Operating EBITDA reduced to negative \$1.063 million, primarily driven by a reduction in the gross profit margin from the poultry division.

	H1 2020				H1 2019			
	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000	Dairy \$'000	Poultry \$'000	Corporate and Other \$'000	Total \$'000
Revenue	14,133	18,439	223	32,795	3,622	17,173	246	21,041
Expenditure	(14,945)	(20,103)	(3,687)	(38,734)	(3,603)	(15,763)	(2,708)	(22,073)
EBITDA	(812)	(1,664)	(3,463)	(5,939)	20	1,410	(2,462)	(1,032)
Acquisition Costs	-	-	(15)	(15)	-	-	(329)	(329)
Movement in Fair Value	-	(181)	(1,179)	(1,361)	12	64	94	170
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-
Operating EBITDA	688	518	(2,269)	(1,063)	8	1,347	(2,228)	(873)

The dairy division performed strongly with revenue growing to 43% of total revenue, up from 17% in H1 2019. Year-on-year organic growth of the dairy division was 16%, after adjusting for the acquired revenue of the Betta Milk operations for H1 2019. This growth was achieved despite the COVID-19-induced closure of the food service market during the quarter, which negatively affected the Pyengana operations. The strategic acquisition of Betta Milk in July 2019 has provided a strong foundation for the dairy division. Milk sales, which represent 62% of total dairy sales, have remained strong and continued to grow, with year-to-date growth across all milk brands of 19%. The acquisition has allowed the business to strategically relocate operations to focus on centres of excellence, with the Burnie facility now bottling all fresh milk products, an increase in volume of 50% since acquisition.

Poultry revenue for H1 2020 has increased by 7% compared to H1 2019. Unprecedented shifts in the national poultry market since March created significant uncertainty as the industry experienced rapid changes to demand mix and volume in response to COVID-19 restrictions. The Company responded quickly to changes in demand by realigning chicken volumes in its agricultural operations. The ten-week lead time for changes to chicken inventory, and excess supply in the national market, significantly reduced gross profit margins as the Company moved to balance production volumes, sales demand, market pricing and cashflow of the business. This contributed to a reduction in gross profit margin of 4% in H1 2020 when compared to H1 2019. Volatility in the chicken market has eased in July, with the Company expecting a return of gross profit margin in the poultry division in H2 2020.

Operating EBITDA for the Corporate and Other division has remained stable year-on-year with no additional corporate costs incurred following the acquisition of Betta Milk.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter to 30 June 2020 (Q2 2020) has been lodged with the ASX today. Key points include:

- Cash receipts from customers declined by 3% from the previous quarter. This reflects the interruption to the food service sector, which represents 30% of the Company's customer base, as well as the Company's rapid response to changing conditions in the market that enabled growing retail sales to replace lost food service market volumes.
- Operating cash payments reduced by 4% when compared to Q1 2020 as the Company responded to changing demand and operating conditions.
- As at 30 June 2020, cash-on-hand was \$1.29 million, net of overdraft. The Company restructured its financial arrangements with ANZ Banking Group Ltd, its financial provider, to ensure an optimal position. As a result of the renewed arrangement, the Company has unused bank overdraft facilities of \$2.328 million as at 30 June 2020. The restructure also included a \$1.0 million business loan facility which was fully drawn at the end of the quarter.

Authorised for ASX release by the Board of Directors of TasFoods Ltd.

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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,309	33,061
1.2 Payments for		
(a) research and development	(5)	(10)
(b) product manufacturing and operating costs	(12,300)	(24,324)
(c) advertising and marketing	(93)	(184)
(d) leased assets	(56)	(105)
(e) staff costs	(3,686)	(8,298)
(f) administration and corporate costs	(325)	(629)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(100)	(186)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	72	72
1.8 Other (provide details if material)	122	200
1.9 Net cash from / (used in) operating activities	(62)	(402)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(226)	(408)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(226)	(408)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(2)
3.5	Proceeds from borrowings	1,021	1,021
3.6	Repayment of borrowings	(115)	(361)
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	903	657

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	675	1,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(62)	(402)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(226)	(408)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	903	657
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,290	1,290

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	1,728	1,799
5.2	Call deposits	-	-
5.3	Bank overdrafts	(422)	(1,116)
5.4	Other (provide details)	(16)	(8)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,290	675

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities (includes lease liabilities under AASB 16)	7,100	7,100
7.2	Credit standby arrangements	-	-
7.3	Other (bank overdraft)	2,750	422
7.4	Total financing facilities	9,850	7,522
7.5	Unused financing facilities available at quarter end		2,328
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Item 7.1 – TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 30 June 2020 amounted to \$7.1 million. Borrowings are secured over assets financed and by mortgage over property and water rights owned by Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd. Interest rates on these liabilities range between 0% and 6.78%, with the average interest rate being 4.14%.</p> <p>During the quarter the Group entered into an asset finance arrangement with ANZ Bank totalling \$20,900, secured over the asset subject to the finance agreement. The interest rate of the asset finance agreement was 3.19%. In addition, the Group also entered into a variable rate Business Loan for \$1.0 million with ANZ Bank.</p> <p>Item 7.3 and 7.5 – Nichols Poultry Pty Ltd and Van Diemen's Land Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have bank overdraft facilities with the Australia and New Zealand Banking Group Ltd for a combined amount of \$2.75 million operating under a variable interest rate. As at 30 June 2020 a balance of \$2.328 million remained undrawn.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(62)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,290
8.3	Unused finance facilities available at quarter end (item 7.5)	2,328
8.4	Total available funding (item 8.2 + item 8.3)	3,618
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	58
8.6	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p> <p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: Not applicable</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:
Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:
Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 30 July 2020

Authorised by: TasFoods Limited Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.