

# Angel Seafood Holdings Ltd



Results for the Financial Year ending 30 June 2020  
*FY2020*

26 August 2020



# Another year of significant progress in positioning Angel for the long-term

- **Record full year sales result delivered despite challenges posed by COVID-19**
  - › Key trading channels shut down in Q4
  - › Adverse impact of restaurant closures partly offset by strong growth in retail
- **Lower sales vs original guidance an opportunity to further focus on improving stock profile**
  - › Biomass more than doubled from 30 June 2019; up 64%
  - › Leases close to capacity with larger oyster sizes in stock

✓  
**6.5m**  
**Oysters sold**  
25% increase

✓  
**20m**  
**stock on hand**

✓  
**Biomass**  
**growth**

✓  
**Profit**  
**of \$252k**

✓  
**Positive**  
**operating**  
**cash flow**

✓  
**0.19c**  
**Earnings per**  
**Share**

# COVID-19 resulted in strong sales growth in the retail market

## Increasing exposure to large retailers a key part of Angel's long-term strategy

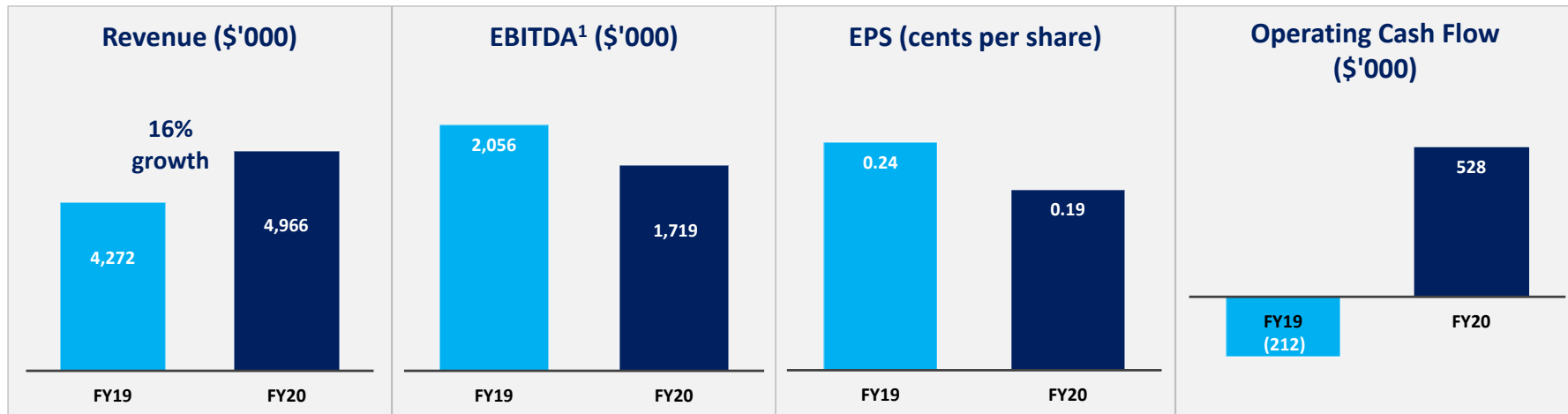
- **Slowdown in restaurant sales fast-tracked Angel's strategy to build its retail sales program**
  - › Strong growth in sales to the retail channel in Q4
  - › Growing our presence with large retailers, including Woolworths, Coles, and Costco
  - › Growing recognition that Angel can guarantee continuous supply of good quality stock to retailers
- **Significant opportunity to further increase penetration within retailers**
  - › Currently less than 20% of major retail stores sell oysters
- **Mainly bistro size oysters sold through retailers**
  - › Creates better balance by complementing demand for larger size oysters by restaurant channel and export markets
- **Export sales recommenced in Q4 but volumes remained small due to COVID-19 restrictions, as well as interrupted economic conditions in Hong Kong**



**ANGEL**  
SEAFOOD

# FY20 Financial Highlights

Record results achieved in unprecedented trading environment

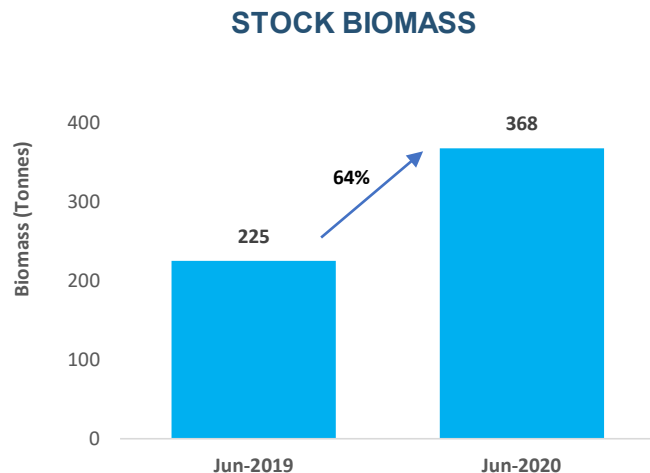


- A record result despite challenging trading conditions in H2 demonstrates the underlying quality and strength of the business
- Steady underlying oyster prices over the year
- Lower earnings reflects the sales impact of COVID-19 restrictions and investment in spat/farming aligned to the company's earlier guidance of 8-10 million oysters

# Further improvement in stock profile towards larger sizes

## COVID-19 impact has allowed for improvement in stock profile

- **Autumn growing conditions in Cowell and Coffin Bay resulted in a significant improvement in stock profile**
- **Biomass\* increased 64% since 30 June 2019; 20m oysters on hand at 30 June 2020**
  - › Significant improvement proportion of larger size oysters in mature stock
  - › Value of stock increased to \$5.3m (2019: \$4.2m)
- **Leases close to capacity; Haslam facility in use to accommodate increased biomass**
  - › Additional 2Ha developed in Haslam, taking total developed water to 9Ha
  - › Further 15Ha available for development as required
- **Capacity to finish 10 million oysters for sale each year**



# Decisive actions taken to offset impact of COVID-19

## Focused on positioning Angel for the long-term

- **Restaurant closures resulted in channel mix weighing towards retail**
  - › Sales slowdown used as an opportunity to further improve stock profile
  - › Increased focus on domestic retail sales program
  - › Short-term strategy adapted to optimise business performance
- **Implemented decisive actions to offset the adverse impacts**
  - › Discretionary operating expenses stopped
  - › Planned expansionary capex deferred
  - › Actions taken to improve balance sheet and liquidity
  - › Access to Government support packages, including JobKeeper and cash flow support
- **Uncertainty remains with regards to ongoing COVID-19 impacts; Company remains alert**
- **Post balance date, Angel extended the lease and option to purchase of its key Hank water holdings in Coffin Bay for two years, providing additional cash flow flexibility before contemplating the purchase**



# Review of FY20 Financials



# Profit & Loss

## Record revenue result despite challenging trading conditions in H2

- A record full year revenue of \$5.0 million, up 16% vs pcp, driven by:
  - › Record oyster sales – 6.6 million oysters, up 25%
  - › Growth in retail channel offsetting the adverse impact of restaurant closures in H2
  - › Strong stock profile and steady underlying oyster prices
  - › Growing consumer preference for healthier food
- Fair value (SGARA) adjustment of \$1.4m reflects growth in biomass over FY20
- Other income includes R&D incentive and Covid-19 support
- Underlying EBITDA of \$1.7m
  - › Additional investments in biological assets (spat) – should contribute to future growth
- NPAT result of \$0.3m

	FY20 (\$'000)	FY19 (\$'000)	%
<b>Revenue</b>	<b>4,966</b>	<b>4,272</b>	<b>16.2%</b>
<i>Other income</i>	1,110	483	129.7%
<i>Fair value adjustment (SGARA)</i>	1,422	1,868	-23.9%
Total expenses (ex share based payments)	(5,778)	(4,567)	26.5%
<b>Underlying EBITDA</b>	<b>1,719</b>	<b>2,056</b>	<b>-16.4%</b>
<i>Share based payments</i>	(239)	(881)	-72.9%
<b>EBITDA</b>	<b>1,480</b>	<b>1,175</b>	<b>25.9%</b>
<i>Depreciation &amp; Amortisation</i>	(857)	(689)	24.4%
<b>EBIT</b>	<b>623</b>	<b>487</b>	<b>28.1%</b>
<i>Interest expenses</i>	(372)	(181)	105.2%
<b>Profit Before Tax</b>	<b>252</b>	<b>305</b>	<b>-17.6%</b>
<i>Income Tax</i>	-	-	
<b>Profit / (Loss) for the year</b>	<b>252</b>	<b>305</b>	<b>-17.6%</b>
<b>Reported EPS (cents)</b>	<b>0.19</b>	<b>0.24</b>	<b>-20.8%</b>



# Balance sheet

## Key focus on improving liquidity

- **A number of initiatives put in place to preserve cash and improve working capital during the COVID-19 pandemic**
  - › Planned expansionary capital expenditure was deferred
  - › Interest and capital repayments on debt facilities were deferred
  - › Additional working capital finance was approved
- **An additional 1.5Ha of high-quality water in Coffin Bay acquired**
- **Increase in biological assets reflecting growth in biomass**
  - › Optimal growing conditions resulted in a significant improvement in stock profile – biomass up 64% on prior year
  - › Investments in spat
  - › Investment in water holdings has further increased capacity
- **Debt facilities increased over FY20 to \$7.9m**
  - › Debt to capital ratio of 38.3%

	30-Jun-20 (\$'000)	30-Jun-20 (\$'000)
Cash	1,345	530
Receivables	592	526
Biological Assets	4,478	3,237
<b>Total current assets</b>	<b>6,415</b>	<b>4,322</b>
Biological Assets	755	920
PP&E	7,371	7,039
Intangible assets	7,243	6,580
<b>Total non-current assets</b>	<b>15,385</b>	<b>14,564</b>
<b>TOTAL ASSETS</b>	<b>21,800</b>	<b>18,885</b>
Trade & other payables	631	569
Borrowings	2,412	2,580
<b>Total current liabilities</b>	<b>3,424</b>	<b>3,331</b>
Borrowings	5,518	3,218
<b>Total non-current liabilities</b>	<b>5,580</b>	<b>3,249</b>
<b>TOTAL LIABILITIES</b>	<b>9,004</b>	<b>6,580</b>
<b>NET ASSETS</b>	<b>12,796</b>	<b>12,305</b>

# Cash Flow

## Positive operating cash flow achieved; increased liquidity

- **FY20 operating cash flow of \$0.5m achieved**
  - Driven by growth in production and sales
- **Investing cash outflows of \$(0.5)m driven by an acquisition of 1.5Ha of water in Coffin Bay, development of 2Ha in Haslam, and new equipment**
- **Financing cash flows of \$2.3m reflects additional borrowings and restructure of nab facilities**
- **Government grants of \$855k includes R&D tax incentive and other COVID-19 government support**
- **Post balance date, Angel extended the lease and option to purchase of its key Hank water for two years, providing additional cash flow flexibility**
- **Liquidity (cash and available facilities) increased to \$1.9m (\$1.1m as at 30 June 2019)**

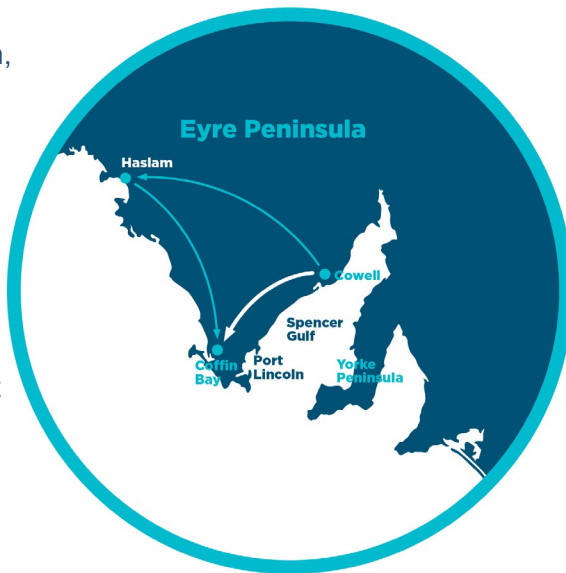
	FY20 (\$'000)	FY19 (\$'000)	Change %
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	5,151	4,117	25%
Payments to suppliers and employees	(5,162)	(4,402)	17%
Government grants	855	231	270%
Other	(316)	(158)	99%
<b>Net operating cash flow</b>	<b>528</b>	<b>(212)</b>	<b>&gt;&gt;</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(592)</b>	<b>(5,765)</b>	<b>&gt;&gt;</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>2,346</b>	<b>1,082</b>	<b>117%</b>
<b>Net (decrease)/increase in cash</b>	<b>2,282</b>	<b>(4,895)</b>	<b>&gt;&gt;</b>
Cash at beginning of period	(938)	3,957	<<
<b>Cash at end of period</b>	<b>1,345</b>	<b>(938)</b>	<b>&gt;&gt;</b>

Outlook

# Multi-Bay strategy creating valuable IP

## Providing significant competitive advantages

- Each bay location has varying growth characteristics (water flow rates, nutrition, rainfall history, water temperature) that can be leveraged to Angel's benefit
- Farming methods can be modified to accelerate the oyster growth cycle, or to generate other benefits, including improved shell growth, taste, fattening, cost of production, environmental impact and production flexibility
- Enables greater flexibility in sales and distribution, as witnessed during the COVID-19 pandemic



Location: Cowell	Location: Haslam	Location: Coffin Bay
Nursery & grow-out ground for spat and juvenile oysters	Grow-out extension and warehousing	Maturing ground for finishing oysters
Area: 15Ha	Area: 9Ha	Area: 12Ha
Holding Volume: 20 million spat and growing oysters	Holding volume: ~2-5 million oysters	Holding volume: 2.5 million mature oysters
12-18 month cycle	As required	10-12 week cycle

# Outlook: Angel positioned strongly for demand recovery

## Short term focus remains on retail channel

- Angel continues its domestic sales program into retail channels, including to large retailers
  - Significant opportunity to expand this channel
- Progressive easing of COVID-19 restrictions in some States should result in increased demand from restaurant channel
  - Although uncertainty remains with potential for sustained or renewed restrictions
- Angel is well positioned for strong growth once consumer demand returns to normal levels with larger oyster sizes available
- Premium exports continue to represent a large long-term growth opportunity
- Angel has noted the alternate market use of oysters, particularly in the nutraceutical sector, and is exploring potential opportunities
- Further growth opportunities through consolidation, vertical integration, branding and retail innovation



## Appendices

# Oysters! Giving your health a boost

*Increasing consumer preference for healthy food*

- Immunity booster – extremely rich in Zinc
- Excellent source of high protein
- Low calories, low fat
- Rare food source for Vitamin D
- Packed with Vitamin B12, good for brain function
- A Rich Source of Omega-3 Fatty Acids
- A boost for romance





# The Board and Management



**Zac Halman**  
Founder & CEO

Zac founded Angel Oysters in 2010 and has been a driving force of innovation in the oyster industry in South Australia. Zac is a former Board Member of the South Australian Oyster Growers Association (SAOGA) and plays a key role assisting in the growth of the industry.



**Tim Goldsmith**  
Non-Executive  
Chairman

Tim was a Partner at global professional services firm PricewaterhouseCoopers (PwC) for over 20 years and comes with decades of leadership experience in many corporate sectors. Tim has been a Non-Executive Chairman at ASX listed company Hazer Group Limited since 24 July 2017 and a Non-Executive Director at Costa Group Holdings Limited since 1 September 2018.



**Michael Porter**  
Non-Executive Director

Michael has extensive experience in the Agriculture Sector having been CEO of a farmer owned unlisted public company that specialised in the marketing of grain and the importation of fertiliser and seed for cropping farms. Michael is also a former Non-Executive Director of ASX listed Murray River Organics.



**Ashley Roff**  
Non-Executive Director

Ashley has had extensive experience in the listed space including coordinating the public listing (IPO) of Aboriginal Holdings Ltd and serving as its company secretary. He was also responsible as General Counsel for the public compliance listing of ABB Grain Ltd and served as their company secretary from 2005 to 2009.



**Christine Manuel**  
Company Secretary

Christine is an experienced Company Secretary and corporate governance professional. A Chartered Secretary, with Fellow status, with practical experience of the public listed company environment and requirements (in an ASX20 company), financial services and mutual organisations.



**Simba Matute**  
Chief Financial Officer

Simba is an experienced Finance Executive with broad financial and commercial experience across a number of industries. With a Big 4 firm background (PwC), Simba has previously held a number of senior finance roles where he has developed teams and corporate structures.

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For further information  
please contact:

Angel Seafood Holdings Ltd  
[simba@angelseafood.com.au](mailto:simba@angelseafood.com.au)

Investor Relations - Market Eye  
[eric.kuret@marketeye.com.au](mailto:eric.kuret@marketeye.com.au)



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