

TASFOODS LTD

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ASX Announcement

31 August 2020

TasFoods Limited – Half Year 2020 Financial Results

TasFoods Limited (ASX: TFL), Tasmania's largest diversified producer of premium food products today announced its financial results for the half-year ended 30 June 2020 (H1 2020).

	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	14,079	18,439	224	32,742	3,620	17,174	294	21,087
EBITDA	(810)	(1,719)	(3,468)	(5,997)	20	1,413	(2,463)	(1,031)
Acquisition Costs	-	-	(15)	(15)	-	-	(329)	(329)
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-
Fair Value Movement	-	(181)	(1,179)	(1,360)	12	64	94	170
Operating EBITDA	690	462	(2,274)	(1,122)	8	1,349	(2,228)	(872)

Highlights:

- Sales momentum continued strongly with 55% growth compared to H1 2019 to \$32.742 million. After adjusting for revenue associated with Betta Milk's acquisition in 2019, TasFoods achieved 11% year on year organic growth.
- The dairy business unit continued to perform strongly with sales increasing to 43% of total revenue and delivered organic growth of 16%. Operating EBITDA of the dairy division grew strongly in H1 2020 resulting from achievement of synergies identified through the Betta acquisition process. The successful integration of Betta has confirmed the potential to leverage the acquisition as a platform for substantial revenue and profit growth.
- Q2 was influenced by COVID-19 with the consequences of government restrictions impacting financial performance, specifically within our poultry division. Unprecedented national volatility in poultry meat product demand and mix combined with a significant drop in pricing, resulting in a decline in operating EBITDA. The business responded quickly to market volatility with changes to field inventory, adaptations to the poultry business unit and migration into new markets. Despite market uncertainty the poultry division achieved 7% revenue growth compared to H1 2019 and expanded into new markets and development of products for online retail offers. Further adaptations to enhance the profitability of the poultry division are a core component of our poultry strategy.
- Corporate costs remained stable year-on-year highlighting the scalability of the business as we pursue an organic and acquisitive growth strategy.



- An impairment expense of \$3.5 million was recognised in the H1 2020 results, reflecting COVID driven impacts on the economy, specifically assumptions around future market growth of the poultry and dairy segments. The write-down is a statutory accounting adjustment only and does not impact the future trading potential of the business units, nor their cashflow position.
- The wasabi crop value was also impaired by \$1.18 million in the H1 2020 results. The write down does not impact the cash position of the Company, nor does it reflect the biomass of the crop available for future sales.
- We are undertaking a business strategy review with the assistance of KPMG to drive future profitability and enhance focus on segments that can meaningfully scale and deliver penetration of larger markets.

Outlook:

TasFoods diversified portfolio provides a resilient base to withstand the pressures from COVID-19 and economic uncertainty. Poultry products remain a key source of protein for consumers, and dairy is demonstrating sustained growth.

The Board and Management anticipate H2 2020 results will show financial performance recovery of the Group, with July experiencing further growth in the dairy division and improvements in the poultry market from increasing demand and pricing recovery. These improvements, along with lower farm gate milk pricing commencing in H2 2020, positions TasFoods strongly for recovery in H2 2020 which will be sustained and leveraged in FY2021 as feed grain commodity pricing is also forecast to be favourable.

TasFoods will continue to achieve growth in H2 2020 through the launch of new products, expanded market offerings, continued development of new routes to market and the pursuit of additional synergistic acquisitions. These new and expanded offerings will establish a foundation for further profitable growth in FY2021. New products and range expansions that will be launched in H2 2020 include:

- ranging of 3 Meander Valley Dairy cream products in 150 premium Woolworths stores across VIC, NSW, QLD, ACT and TAS;
- expansion of online offerings including seasonal hampers and collaborations with other premium Tasmanian suppliers;
- ranging of seasonal Christmas cream products into 850 Woolworths stores nationally;
- ranging of a new 1 litre 'Real Milk' carton within Tasmanian Coles and independent retail stores;
- the launch of a reformulated favoured milk offering under the Betta Milk brand which meets changing consumer expectations; and
- launch of value added ready to cook chicken stir-fry into Coles Tasmanian stores and an expanded range of ready to cook products into independent retail chains in Tasmania.

Equity Raising:

On 24 August 2020, TasFoods announced an equity raising to raise up to \$4 M supported by two of our largest shareholders, Jan Cameron (and associated entities) and CVC Limited. Funds raised under the rights issue will position TasFoods to drive business improvement and deliver on its ambition to become a major Australian food company.

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

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