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ASX Announcement: 27 October 2020

Business Activity Report and Appendix 4C Quarterly Cash Flow

Strong financial performance delivering a 255% improvement in third quarter EBITDA of positive $0.236 million

TasFoods Limited (ASX:TFL) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 September 2020 (Q3 2020).*

Highlights:

- The business has experienced strong financial performance, with the Group reporting a return to positive EBITDA of $0.236 million in Q3 2020.
- Revenue growth of 24% to $16.992 million was achieved for the quarter (12% organic growth after adjusting for Betta Milk acquired on 31 July 2019) when compared to Q3 2019.
- The Group was able to seamlessly adapt to an increase in consumer demand for online distribution through our online retail partners to grow total online sales revenue by 1245% above Q3 2019. This includes direct online retail sales growth of 217% on Q3 2019.
- A continued focus on expansion into interstate markets resulted in sales revenue from interstate customers increasing by 22% when compared to Q3 2019.
- First full quarter of integrated milk bottling operations driving efficiency gains reflected in the EBITDA improvement through Q3 2020.
- Q3 2020 reported an improvement in the gross profit margin of 6% when compared to H1 2020.
- The Group continues to focus on New Product Development for changing consumer tastes and demand for convenience with a range of ready-to-cook and ready-to-eat meals. During Q3 2020 ready to cook Nichols Poultry Stir Fry meals were launched with ranging in Tasmanian Coles and independent retail stores.
- Corporate costs continue to be contained at 2019 levels.

	Q3 2020				Q3 2019					
	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000	Dairy $'000	Poultry $'000	Corporate and Other $'000	Total $'000	Change $'000	Change %
Revenue	7,565	9,289	137	16,992	4,809	8,819	113	13,741	3,250	24%
Expenditure	(6,591)	(9,004)	(1,160)	(16,756)	(4,548)	(8,211)	(1,296)	(14,056)	(2,700)	19%
EBITDA	**974**	**285**	**(1,023)**	**236**	**261**	**608**	**(1,183)**	**(314)**	**550**	**175%**
Acquisition Costs	-	-	-	-	-	-	(162)	(162)	162	100%
Operating EBITDA	**974**	**285**	**(1,023)**	**236**	**261**	**608**	**(1,021)**	**(152)**	**388**	**255%**

* All figures contained within this ASX announcement are unaudited.

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Dairy Division

Our dairy division continued to reinforce its position as a key pillar of profitability, reporting a strong financial contribution at both the revenue and EBITDA levels. Key highlights in Q3 2020 from the dairy division include:

- EBITDA contribution of $0.974 million achieved.
- Organic revenue growth[†] from the dairy division in Q3 2020 of 20% when compared to Q3 2019, with growth across all dairy brands.
- Revenue growth of 9% compared to Q2 2020.

Our strategy for refining the dairy operations into three centres of excellence was completed in late June with the consolidation of all milk bottling operations into the Betta Milk site. The operational efficiencies gained from these changes are reflected in the improved dairy EBITDA performance in Q3 2020.

Further dairy growth is anticipated in Q4 2020 through expanded retail ranging for products including:

- Launch of 3 premium Meander Valley Dairy branded cream products into 150 premium Woolworth stores.
- Launch of new 1 litre Real Milk cartons into Tasmanian retail stores.
- National Woolworths and independent retail seasonal Christmas ranging for 2 Meander Valley Dairy branded flavoured cream products – Brandy Cream and Chocolate Cream.
- Ranging for new Betta Milk branded flavoured milk products in Tasmanian route and retail stores.

Poultry Division

Our poultry division experienced a return to profitability in Q3 supported by a stabilisation of market trading conditions that had been impacted by volatility in the national poultry meat demand and mix following food service and restaurant closures due to COVID through Q1 and Q2 2020. Key highlights in Q3 2020 from the poultry division include:

- EBITDA turnaround in Q3 of $0.573 million from Q2 2020.
- Improvement in gross margin of 3% over H1 2020.
- Growth in sales of poultry products to interstate markets of 60% in Q3 2020 over Q3 2019.
- Expansion of our ready to cook range of products into retail markets including ranging of Nichols Poultry stir fry into Tasmanian Coles and independent retail stores.

Further growth is anticipated for the poultry division in Q4 2020 through increased volume. New Product Development work is continuing on expansion of the ready to cook range and the launch of a ready to eat product range in FY2021 to meet growing consumer demand for convenience.

COVID safe measures implemented across the business during Q2 2020 have been maintained, positioning the group well for reopening of Tasmanian borders in Q4 2020.

[†] After adjusting for acquired revenue from Betta Milk operations which was acquired on 31 July 2019.

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Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter to 30 September 2020 (Q3 2020) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of $2.527 million and unused finance facilities of $1.867 million.
- Cash receipts from customers increased by 2% from the previous quarter. This reflects the partial return of existing customers to trading and TasFoods transition to new market and customer channels including online.
- Net operating cash outflows increased by $0.428 million from the prior quarter reflecting an increase in net working capital.
- Investment in property plant and equipment of $0.367 included additional milk storage capacity to support the increased milk volume being processed at the Burnie milk bottling facility
- Cash inflows from financing activities reflect the proceeds from the accelerated component of the successful equity raising completed in Q4 2020.

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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
TasFoods Limited	
ABN	**Quarter ended ("current quarter")**
53 084 800 902	30 September 2020

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	16,650	49,711
1.2	Payments for		
	(a) research and development	(4)	(14)
	(b) product manufacturing and operating costs	(12,566)	(36,891)
	(c) advertising and marketing	(55)	(239)
	(d) leased assets	(90)	(195)
	(e) staff costs	(4,158)	(12,456)
	(f) administration and corporate costs	(443)	(1,072)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(83)	(269)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	96	168
1.8	Other (provide details if material)	164	364
1.9	**Net cash from / (used in) operating activities**	**(489)**	**(892)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(367)	(775)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(3)	(3)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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**	**(370)**	**(778)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,219	2,219
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	(49)	(51)
3.5	Proceeds from borrowings	102	1,123
3.6	Repayment of borrowings	(176)	(536)
3.7	Transaction costs related to loans and borrowings	-	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**2,096**	**2,754**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,290	1,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(489)	(892)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(370)	(778)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,096	2,754
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,527**	**2,527**

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	3,432	1,728
5.2	Call deposits	-	-
5.3	Bank overdrafts	(881)	(422)
5.4	Other	(24)	(16)
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,527**	**1,290**

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	-

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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)	7,156	7,156
7.2	Credit standby arrangements	-	-
7.3	Other (bank overdraft)	2,750	881
7.4	**Total financing facilities**	9,906	8,037

7.5	**Unused financing facilities available at quarter end**	1,869

7.6 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.

Item 7.1 –

TasFoods Ltd Group's total loan facilities (including financial liabilities under AASB 16 Leases) at 30 September 2020 amounted to $7.15 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 4.12%.

During the quarter the Group entered into an asset finance arrangement with ANZ Bank totalling $102,000, secured over the asset subject to the finance agreement. The interest rate of the asset finance agreement was 3.56%.

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 September 2020 a balance of $1.869 million remained undrawn.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(489)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,527
8.3	Unused finance facilities available at quarter end (item 7.5)	1,869
8.4	Total available funding (item 8.2 + item 8.3)	4,396
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	9

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.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer:

Not applicable

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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: 27 October 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.

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