

ASX Announcement: 29 February 2024

First stage of transformation complete with extensive restructure

TasFoods Limited (ASX:TFL) today released its financial results for the full-year ended 31 December 2023 (FY 2023).

Highlights:

- Stage 1 of Company transformation complete with the most extensive corporate restructuring programme implemented since its inception to reposition the business.
- During the year we completed the following initiatives;
 - Sale of the Shima Wasabi business to Hillwood Berries Tas Pty Ltd in June;
 - Completion and settlement of the divestment of Betta Milk and Meander Valley Dairy business to Bega Cheese Limited in December;
 - Launch of the Isle & Sky Pet Treats brand in October;
 - Repayment of all term debt and overdraft facilities with ANZ Bank in December;
 - Acquisition of Redbank Poultry, a chicken broiler and breeder business in North-West Tasmania that secures the supply-chain for our Nichols Poultry division in December; and
 - Completion of a significant corporate restructure to right-size the support office in line with the new TasFoods operating model going forward.
- Sales revenue for the total business grew by 4.7% over prior comparative period (pcp) to \$74.9 million (2022: \$71.6 million). This is a result of significant growth in Poultry of 16% driven by improved revenue metrics and total kilograms sold.
- Operating EBITDA of \$(4.6) million (2021: \$(7.3) million) whilst significantly improved, has been impacted by cost inflation impacts to key ingredients and inputs across the supply chain in the Dairy and Poultry businesses.
- A profit on sale of \$6m has been achieved through the divestment of Shima Wasabi, Betta Milk and Meander Valley Dairy. The Betta Milk production site at Burnie is still owned by TasFoods.
- Net Profit after Tax of \$(1.0) million (2021: \$(16.5) million) was positively impacted by the profit on sale of business units, however was negatively impacted by the timing of the corporate restructure compared to the sale of the dairy business units.
- Gross margin of 26% (2021: 22%) was a pleasing result driven particularly by the Poultry division which saw gross margin increase to 24% (2022: 18%).
- Cash position of \$3.4 million at 31 December 2023 with all debt to ANZ being repaid (including overdrafts).

Financial & Operational Performance

| | 2023 | | | | | 2022 | | | | | Change \$'000 | Change % |
|-------------------------|-----------------|-------------------|------------------------|------------------------------|-----------------|-----------------|-------------------|------------------------|------------------------------|-----------------|------------------|---------------|
| | Dairy \$'000 | Poultry \$'000 | Horticulture \$'000 | Shared Services \$'000 | Total \$'000 | Dairy \$'000 | Poultry \$'000 | Horticulture \$'000 | Shared Services \$'000 | Total \$'000 | | |
| Revenue | 28,526 | 46,011 | 211 | 160 | 74,908 | 31,213 | 39,816 | 423 | 120 | 71,572 | 3,336 | 4.7% |
| Operating Expenditure | (28,078) | (44,300) | (284) | (6,882) | (79,544) | (29,738) | (41,325) | (518) | (7,338) | (78,918) | (626) | 0.8% |
| Operating EBITDA | 447 | 1,711 | (73) | (6,721) | (4,636) | 1,475 | (1,509) | (94) | (7,218) | (7,346) | 2,710 | 36.9% |
| GP Margin | 28% | 24% | 39% | 33% | 26% | 29% | 18% | 59% | 0% | 22% | 0.04 | 17.5% |
| Movement in Fair Value | 0 | 243 | 0 | 0 | 243 | 0 | 298 | 77 | 0 | 375 | | |
| Sale of Assets | 7,112 | (100) | (1,043) | (5) | 5,964 | | | | | 0 | | |
| Impairment Expense | 0 | 0 | 0 | 0 | 0 | (3,925) | (2,910) | 0 | 0 | (6,835) | | |
| EBITDA | 7,559 | 1,854 | (1,116) | (6,726) | 1,571 | (2,449) | (4,419) | (94) | (7,218) | (14,181) | 15,752 | 111.1% |
| NPAT | | | | | (987) | | | | | (16,478) | 15,491 | 94.0% |

TasFoods has reported a 2023 statutory net loss after tax of \$1.0 million (-0.24 cps), compared to a net loss after tax of \$16.5 million (-4.03 cps) for 2022. \$6.0 million profit was attributable to the sale of the Shima Wasabi, Betta Milk and Meander Valley Dairy business units. Other financial and operational highlights include:

- Sales revenue grew by 4.7% over prior comparative period (pcp) to \$74.9 million (2022: \$71.6 million). Revenue from continued operations increased by 14%.
- Gross margin of 26% (2022: 22%) were significantly improved driven by Poultry revenue initiatives.
- Within continued operations, total labour costs were well controlled (2.3% increase over pcp) however distribution & warehousing (including associated labour) costs increased at a more substantial 18% driven by inflationary factors relating to fuel, insurances and labour. The Company's insurance related expenditure increased by 26%, this is on top of the 35% increase incurred in 2022.
- Substantial increase in legal and professional fees (34% on pcp) are one-off in nature and are due to the corporate restructuring activity undertaken during the year.
- The result includes a gain on sale of property of \$0.5 million relating to sale and leaseback of a non-core dairy property assets in January 2023.

Whilst the Dairy division remained profitable both revenue and EBITDA were down against the pcp. Betta Milk and Meander Valley Dairy are represented in 2023 for 11 months which impacts comparative analysis. Pyngana Dairy recorded a revenue increase of 5% driven by increased distribution on the mainland.

Revenue for the Poultry division grew by 16% on the pcp. The poultry division reported an EBITDA of \$1.7m for 2023 as the turnaround strategies implemented over the past 18 months positively impacted performance. During the year we re-signed a 3 year contract with a major retailer in Tasmania which underpins the division going forward. The hatchery business was acquired 15 December 2023 and as such has negligible impact on the 2023 financial performance.

Shared services comprise sales, marketing, e-commerce, procurement, IT, finance, HR and corporate. Whilst shared services costs were reduced by 7% compared to pcp, the impact of the restructure will not be seen until 2024 due to it occurring in December 2023.

Forward Looking Initiatives

A significant transformation of TasFoods occurred during 2023. As a result of this corporate restructuring programme TasFoods embarks on 2024 a different looking business. Whilst consumer sentiment and spending continues to be impacted by the macroeconomic backdrop of high inflation and interest rates, management are focussed on ensuring the Company builds on our now solid foundations.

TasFoods is now primarily a Poultry business with three distinct pillars of operations;

- Breeder and Hatchery
- Production
- Pet Treats

Additionally, Pyengana Dairy has a focus on production, sales and distribution of its award winning cheddar cheese. The brand is well positioned for future growth both domestically and overseas.

Within the context of the above pillars of operations, the Company's strategic priorities will be:

- Enhance earnings in Poultry division through vertical integration and other efficiency measures;
- Drive revenue and brand growth in Pet Food division by leveraging our premium product position to drive Isle & Sky revenue growth; and
- Sweat existing assets harder for incremental profit through low CAPEX , channel and NPD expansion for Pyengana Dairy brand.
- Continuing to explore all strategic alternatives available for our remaining divisions that may deliver a superior outcome for shareholders.

2023 was a watershed year for TasFoods insofar that we were able to simplify our operating business, significantly strengthen our balance sheet and secure our supply chain risks in poultry. With new foundations established we are now positioned to move into our second phase of transition to improve our trajectory towards delivering a positive financial return whilst continuing to explore all strategic alternatives available for our remaining divisions that may deliver a superior outcome for shareholders.

TasFoods Chief Executive Officer Scott Hadley, and Chief Financial Officer Joshua Fletcher will present the financial results via a webcast at 11:00am (ADST) Thursday 29 February 2024. The webcast link will be live from 10:45am (ADST). The link to the webcast is as follows:

<http://www.openbriefing.com/OB/5499.aspx>

A recording of the financial results webcast will be available on TasFoods website within 72 hours following the webcast.

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

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