

ASX Announcement: 24 October 2024

Business Activity Report and Appendix 4C Quarterly Cash Flow

TasFoods Limited (**TasFoods**, **ASX:TFL**, the **Company**) today released its Business Activity Report and Appendix 4C Quarterly Cash Flow for the quarter ended 30 September 2024 (Q3 2024).

Highlights:

- Gross margin for the Group from continued operations remained flat on the prior comparable period (PCP) for the quarter, despite the ongoing challenges from reduced consumer spending together with a difficult economic climate;
- Gross margin for the Poultry division remained flat on the PCP for the quarter;
- Operating Cash Flows of \$21.0k marked a significant improvement of \$0.5m compared to the PCP, which saw a net operating cash outflow of \$0.5m. This positive shift was driven by the recent right-sizing of the corporate structure;
- We continue to progress the Pyengana Dairy growth strategy including export accreditation, independent strategic review and distribution into 182 Coles stores across Tasmania, Victoria, New South Wales and Queensland;
- Our Isle & Sky pet treats continues to increase distribution domestically through Petbarn and locally in Tasmania through the 10 Hill Street Grocer Group stores statewide;
- Development of additional pet treat products will see new products distributed in the market in Q4 2024;
- Indirect costs across the Group reduced 12.6% compared to PCP as our focus on cost management strategies continues to show positive results, despite the continuing challenges of consumer spending and the current oversupply of poultry in the market nationally;
- Continued focus on right-sizing the corporate structure has allowed TasFoods to significantly reduce corporate costs, decreasing by \$0.7m on the PCP for the quarter; and
- We continue to pro-actively assess our business operations and the asset profile within our Capital Management framework, exploring all avenues to enhance returns for shareholders.

Operational Update

TasFoods continues to align its vision to operate largely as a poultry, cheese and pet treats business, we are also ensuring the Company's sales mix is heavily weighted to core consumer consumption patterns with poultry the highest consumed protein by volume in the domestic market.

During Q3 2024, total revenue for Poultry decreased by 7% compared to the PCP. This was driven by the substitution of imported mainland poultry into the Tasmanian market, a result of oversupply of poultry across mainland Australia. This has had the effect of increasing competition and lowering clearing wholesale price points in the Tasmanian market.

Pleasingly, Isle & Sky pet treats continues to expand its distribution network through Petbarn and locally in Tasmania via the Hill Street Grocer Group of stores. The range of pet treats resonates with consumers seeking premium, all-natural, hormone and chemical free products that are 100% Tasmanian-made and human-grade pet treats for both dogs and cats. TasFoods is confident of continuing to grow demand within this segment, supported by the development of new pet treat products set to be distributed in the market in Q4 2024.

Gross margins in the Poultry division have remained flat on the PCP, as challenging market conditions in both Tasmania and mainland states, combined with tightened household spending and significantly higher labour costs offset productivity and efficiency initiatives implemented across other areas of the Poultry operations.

Pyengana Dairy cheese sales for the quarter were down 23% on the PCP, driven by reduced discretionary spending and tighter household budgets. Pyengana Dairy Traditional cheddar and St Columba blue cheese continues to win gold awards at major state and national awards including the Grand Dairy Awards, underscoring the exceptional quality of our products. We remain confident in the potential of Pyengana Dairy as we increase our focus on growth opportunities and operational efficiency strategies as a stand-alone business within the TasFoods Group.

Financial update

During the quarter TasFoods recorded a total revenue decrease of 8.3% to \$10.8m on the PCP from continued operations, reflecting the challenging economic climate, tightened household spending and increased availability of cheaper poultry products sourced from mainland Australian states flooding the Tasmanian poultry market.

The Company experienced cost increases in the Poultry business with direct labour costs increasing by 4.25% compared to PCP, driven by rising award wages and the Superannuation Guarantee. While some of these costs have been passed onto customers, fully recovering the increase remains challenging due to the sensitivity of household budgets in the current economic environment and increased competition in the Tasmanian poultry market.

Agrifood companies inherently require stringent working capital management and operations management. TasFoods remains focused on achieving incremental improvements and maintaining a strong working capital framework to ensure adequate cash levels are maintained.

Quarterly Cash Flow

TasFoods' Appendix 4C for the quarter ended 30 September 2024 (Q3 FY2024) has been lodged with the ASX today. Key points include:

- The quarter ended with a closing cash on hand balance of \$0.3m, excluding \$2.0m in undrawn working capital facilities with NAB;
- Cash receipts from customers for continued operations totalled \$11.4m, down 8% compared to the PCP;

- Net operating cash flows from continued operations was \$21.0k, reflecting a \$0.5m improvement on the PCP (\$0.5m net operating cash outflow in Q3 2023); and
- Net financing cash outflows for the quarter were \$0.1m, a 40% improvement on the PCP, largely due to the repayment of operating leases.

Outlook

Trading conditions remain challenging for all agrifood, food, and beverage companies operating in the domestic grocery, food service and e-commerce channels, as cost-of-living pressures and an uncertain economic outlook weigh on consumer confidence.

Listed grocers continue to report a shift towards value offerings, with consumers prioritising pantry-stocking, purchasing on promotion, and substitution where necessary. We continue to observe consumers trade-down within category (for example preferencing chicken mince over breast or thigh cuts) or substituting premium options with value focussed offerings. We anticipate these conditions to continue through FY2025.

TasFoods closely monitors the prevailing macroeconomic and market conditions, and challenges that both we and other food producers face, to ensure we are able to adjust to the ever-changing market conditions.

Management remains proactive in reviewing, implementing and adjusting operational and strategic initiatives to establish a more resilient operating model. The Company is confident these initiatives will enable the Poultry, Cheese and Pet Treats divisions to adapt to both local Tasmanian and mainland markets to deliver a more sustainable financial performance for the Company moving forward.

Consistent with the Company's approach to its portfolio over the past three years, TasFoods will continue to evaluate the market demand for our branded product assets to achieve optimum shareholder returns. We believe our Nichols Poultry, Pyengana Dairy and Isle & Sky businesses each have their own unique brand equity and the Company will continue to explore opportunities to unlock that potential.

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

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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

Name of entity

TasFoods Limited

ABN

53 084 800 902

Quarter ended ("current quarter")

30 September 2024

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	11,445	35,608
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,020)	(25,354)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,273)	(11,185)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(131)	(244)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	21	(1,175)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(90)	(369)
(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	(12)	(399)
	(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	(102)	(768)

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	-	-
3.5	Proceeds from borrowings	-	1,400
3.6	Repayment of borrowings	(5)	(2,134)
3.7	Transaction costs related to loans and borrowings	-	(10)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(149)	(444)
3.10	Net cash from / (used in) financing activities	(154)	(1188)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	541	3,437
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21	(1,175)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(102)	(768)

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

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)	(154)	(1,188)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	306	306

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	306	1,005
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	(464)
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	306	541

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.

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

7.	Financing facilities <i>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.</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)	7,280	7,280
7.2	Credit standby arrangements	-	-
7.3	Other (bank overdraft)	2,000	-
7.4	Total financing facilities	9,280	7,280
7.5	Unused financing facilities available at quarter end		2,000
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.		
	<p>Item 7.1 – TasFoods Ltd Group's total loan facilities as at 30 September 2024 amounted to \$9.28 million of which \$4.56m relates to financial liabilities under AASB 16 Leases. Borrowings are secured over assets financed, property leases 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 3.06% and 8.06%, with the weighted average interest rate being 6.50%.</p> <p>Item 7.3 and 7.5 – Nichols Poultry Pty Ltd and Tasmanian Food Co. Dairy Pty Ltd (subsidiaries of TasFoods Ltd) have available in unused bank overdraft facilities, combined total being \$2m.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	21
8.2	Cash and cash equivalents at quarter end (item 4.6)	306
8.3	Unused finance facilities available at quarter end (item 7.5)	2,000
8.4	Total available funding (item 8.2 + item 8.3)	2,306
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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>	
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:	

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:

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:

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: 24 October 2024

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.