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TASFOODS
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(03) 6331 6983
admin@tasfoods.com..au

tasfoods.com.au
ABN 53 084 800 902

PO Box 425,.
Level 2, 93 Cimitiere St
Launceston,
TAS, 7250, Australia
ACN 084 800 902

ASX Announcement: 28 February 2025

FY2024 - Continued challenging year of market dynamics

TasFoods Limited (ASX:TFL, or the Company) today released its financial results for the full-year ended 31 December 2024 (FY2024).

Highlights:

- Following the significant restructure in 2023, TasFoods became a more streamlined and simplified business focused on poultry as the Company's primary operating asset;
- During FY2024 we completed the following initiatives to improve the business position;
    - Successfully completed the full integration of Nichols Hatchery (Redbank Poultry), securing our Poultry supply chain and improving our commercial position;
    - Successful transition of our poultry feed supplier from Inghams to Ridley has significantly enhanced the broiler growing operations by improving efficiency and delivering an improved feed conversion ratio by circa 6%;
    - The significant reduction in our corporate overhead costs has been achieved despite ongoing volatility and resource challenges in the markets TasFoods competes in;
    - Rollout of our Pet Treat strategy continues with new product development, distribution expansion and strong retailer feedback supporting our ambitious growth plans;
- Operating EBITDA for FY2024 from continued operations was a $2.3 million loss, representing a 35% improvement on the prior comparable period (pcp) operating EBITDA loss of $3.5 million;
- Group gross margin (continued operations) of 23% (2023: 25%) was down 2% on the pcp. This was largely driven by a reduction in consumer spending across the domestic market along with the unprecedented oversupply of poultry in the Tasmanian and mainland markets. Whilst we are observing a run-off of surplus poultry product in the market we expect it will take time for market dynamics to return to a stable footing;
- Net Profit After Tax (NPAT) loss of $10.5 million was $9.5 million higher compared to pcp (2023: $1 million loss, included profit on sale of divested business units).;
- $6.0m of the NPAT consisted of a non-cash impairment charge for the year against Nichols Poultry property, plant and equipment including organic assets no longer used was recorded following a review of the value of cash generating units and assets across the Company;
- Right-sizing of the Shared Services (corporate) structure in 2024 resulted in $3.8 million in cost savings, representing a 55% cost reduction on the pcp. We remain focused on identifying further opportunities to optimise costs and drive a leaner, more efficient business;
- Cash position of $0.5 million at 31 December 2024 was $2.9 million lower than pcp due to the unprecedented oversupply of poultry in Tasmanian and mainland markets, which has had an effect of increasing competition and lowering wholesale prices in the respective markets, together with significant direct labour cost increase has impacted cash.

Financial & Operational Performance

2024	Continued operations				Discontinued operations				Consolidated
	Dairy	Poultry	Shared Services	Total	Dairy	Horticulture	Shared Services	Total	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	2,125	44,416	280	46,821	238	-	-	238	47,059
Expenditure	(2,010)	(44,012)	(3,079)	(49,101)	13	1	-	14	(49,087)
OPERATING EBITDA	**115**	**404**	**(2,799)**	**(2,280)**	**251**	**1**	**-**	**252**	**(2,028)**
GP Margin	41%	23%	84%	23%	-	-	-	-	24%
Fair Value - Biological Assets (AASB 141)	-	(359)	-	(359)	-	-	-	-	(359)
Profit/(Loss) Sale of Assets	-	29	(16)	13	1	-	-	1	14
Impairment (Non-Cash)	-	(5,960)	-	(5,960)	-	-	-	-	(5,960)
Statutory EBITDA	**115**	**(5,886)**	**(2,815)**	**(8,586)**	**252**	**1**	**-**	**253**	**(8,333)**
NPAT				**(10,575)**				**122**	**(10,454)**

2023	Continued operations				Discontinued operations				Consolidated
	Dairy	Poultry	Shared Services	Total	Dairy	Horticulture	Shared Services	Total	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	2,432	46,011	160	48,603	26,094	211	-	26,305	74,908
Expenditure	(2,121)	(44,300)	(5,717)	(52,137)	(25,958)	(284)	(1,165)	(27,407)	(79,544)
OPERATING EBITDA	**311**	**1,711**	**(5,556)**	**(3,534)**	**136**	**(73)**	**(1,165)**	**(1,102)**	**(4,636)**
GP Margin	33%	24%	33%	25%	1%	39%	-	1%	26%
Fair Value - Biological Assets (AASB 141)	-	243	-	243	-	-	-	-	243
Sale of Assets	-	(100)	(5)	(105)	7,112	(1,043)	-	6,069	5,964
Impairment (Non-Cash)	-	-	-	-	-	-	-	-	-
Statutory EBITDA	**311**	**1,854**	**(5,561)**	**(3,396)**	**7,248**	**(1,116)**	**(1,165)**	**4,967**	**1,571**
NPAT				**(5,047)**				**4,060**	**(987)**

TasFoods has reported a 2024 Operating EBITDA loss from continued operations of $2.3 million, which was a 35% improvement on the operating EBITDA loss of $3.5 million for 2023.

Total Consolidated (continued and discontinued operations) EBITDA for 2024 was a $2 million loss, this was a $2.6 million or 56% improvement on 2023 which included the divested business units of Betta Milk, Meander Valley Dairy and Shima Wasabi.

This follows a review in 2024 of the value of cash generating units and assets, where the Company recorded a non-cash impairment charge of $6 million for the full year against Nichols Poultry property, plant and equipment, including organic assets. This impairment is reflective of the current macro-economic environment and poultry market that Nichols Poultry operates in. This impairment has reduced the carrying value of the net assets of Nichols Poultry from $14.1 million to $7.7 million.

Consolidated Group net profit after tax loss of $10.5 million for 2024 was $9.5 million higher compared to a net profit after tax loss of $1 million for 2023 (included divested business units). $6 million was attributable to the non-cash impairment in Nichols Poultry. Other financial and operational highlights include:

- Sales revenue from continued operations reduced by 4% on the pcp to $46.8 million (2023: $48.6 million);
- Poultry division sales revenue reduced by 3.5% to $44 million compared to pcp, driven by an oversupply of poultry in markets Nichols competes in, which has had the effect of increasing competition and lowering wholesale prices. This has been compounded by lower consumer demand throughout the grocery and food service channel;

- Pyengana Dairy revenue reduced by 13% to $2.1 million due to Pyengana Dairy farmhouse café revenue being 23% lower than pcp, driven by a reduction on tourist numbers at the café and visitor centre over the last 12 months and as seen in the broader Tasmanian tourism data;
- Total consolidated revenue declined by 37% on the pcp to $47.1 million (2023: $74.9 million which included divested business units);
- Gross margin for continued operations of 23% (2023: 25%) were down 2% driven by consumer spending reduction and an oversupply of poultry in the Tasmanian and mainland markets;
- Within the Poultry division direct production labour costs increased 11% over pcp driven by inflationary factors relating to Fairwork, Superannuation Guarantee Charge increases and Enterprise Agreement. Distribution & warehousing increased by 3% due to fuel, insurances and labour increases. Repairs and maintenance increased by 11% on pcp driven by equipment reliability.

Significant corporate restructure programme that occurred in 2023 to become a more streamlined and simplified business delivered a $3.8 million cost reduction in 2024 or 55% compared to pcp. The business continues to explore all opportunities internal and external to reduce this cost further and improve capability.

Future Strategy and Outlook

The Company faced a challenging year in 2024 as market conditions continued to face the headwinds experienced through 2023. In response, the Board and senior management continue to focus on our strategic priorities of right-sizing the business mix to allow the Company to trade through a lower-demand, higher-cost environment through 2025. As part of our Capital Management Framework we are continuously evaluating and assessing our business divisions and their asset profile to ensure we can deliver the best outcome for shareholders in the near-to-medium term.

The Company is laser focused and disciplined on building a more robust and stable business with the can deliver consistent results.

Our immediate priorities will be to:

- Enhance earnings in the Poultry division through disciplined cost management, improved equipment reliability, strengthen our grower supply chain, increase production efficiency and optimise sales channels and product mix measures;
- Pyengana Dairy scale up of product range, capability, access to domestic and international markets with the completion of our export accreditation (90% achieved) and leverage our café and visitor centre as part of the long-term growth strategy;
- Increase distribution and revenue in pet treats, leveraging our premium product positioning to grow Isle & Sky and the new range of pet treat SKU's;
- Maximise value from our poultry waste streams to manage costs and increase yield at our poultry production facility;
- Maintain the strict disciplines of the Group's working capital management framework;
- Optimise existing assets in poultry and cheese production to drive incremental profit through strategic capital expenditure;
- Further reduce our overhead cost base looking at all insource and outsource service provisions to enhance our earnings position; and
- Continue evaluating the TasFoods business and asset portfolio to maximise shareholder returns.

We observed very early signs of improvement in the local Poultry market conditions late in Q4 2024. However, trading conditions are expected to remain challenging throughout 2025 for domestic food manufacturing companies operating in retail and food service channels. Continuing cost-of-living pressures and ongoing economic uncertainty continue to weigh heavily on both business and consumer confidence. This has resulted in lower food service channel demand and cost-conscious consumers in the grocery market.

TasFoods continues to closely monitor the prevailing macroeconomic and market conditions, as well as the challenges facing both TasFoods and the broader food production and manufacturing industry. This diligence ensures we can adapt effectively to the ever-changing market conditions locally in Tasmania and mainland markets.

Management is disciplined and focused on reviewing, implementing and adjusting operational and strategic initiatives as they continue to evolve and adapt to establish a more resilient operating model for 2025. TasFoods is confident these initiatives will enable the Poultry, Cheese and Pet Treats divisions to adapt to markets we compete in to deliver a more sustainable financial performance for the Company into 2025 and beyond.

Under our Capital Management Framework TasFoods continues to evaluate its business and asset portfolio to improve shareholder returns. The Company will continue to evaluate the market conditions and 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 realise that potential.

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

TasFoods contact

Joshua Fletcher
Chief Executive Officer
+61 3 6331 6983