



Ag & Vet Weekly

Monday February 10 – Friday February 14, 2020

All the news on ASX-listed agriculture and veterinary companies

- * FEB 14: ASX UP, AVW-45 DOWN: WIDE OPEN UP 8%; CANNPAL DOWN 14%
- * TASSAL H1 REVENUE DOWN 16% TO \$270m, PROFIT UP 24% to \$41m
- * SYNLAIT PROFIT WARNING, A2 MILK COMMENT
- * RIDLEY SETTLES LEGAL DISPUTE: TO PAY BAIADA \$1.9m
- * ROOTS: APPOINTS CAIRO & DOUTCHER TO SELL RTZO IN ITALY
- * AGRIFUTURES MELBOURNE 2020 EVOKE AG 'SOLD OUT'
- * NATIONAL VETERINARY: TO BUY 4 NEW CLINICS, OPTION ON 5th
- * NATIONAL VETERINARY TO VOTE ON VETPARTNERS SCHEME
- * ABUNDANT TO DELIST - CITES PRICE, LIQUIDITY
- * CRESO MARIJUANA HORSE FEED
- * THC TO LAUNCH CANNDEO MARIJUANA
- * OPYL, HUUMUN DIGITAL PRODUCTS DEAL
- * PERPETUAL TAKES 8% OF ELDERS
- * ONE FUNDS MANAGEMENT TAKES 7% OF TERRAGEN
- * GRANDEUR PEAK REDUCES TO 6% OF NATIONAL VETERINARY CARE
- * LAKEVILLE TAKES 5% OF NATIONAL VETERINARY CARE
- * ROOTS DIRECTOR DROR NAGEL RESIGNS

MARKET REPORT

The Australian stock market was up 0.38 percent on Friday February 7, with the ASX200 up 27.0 points to 7130.2 points. Twelve of the AVW-45 stocks were up, 15 fell, 14 traded unchanged and four were untraded.

Wide Open Agriculture was the best, up one cent or 7.7 percent to 14 cents, with 49,314 shares traded. Murray Cod climbed 7.1 percent; Food Revolution was up 3.6 percent; Anatara and Clean Seas rose two percent or more; Clover, Ecofibre, Fonterra and Regeneus increased more than one percent; with Bubs, Costa and Select Harvests up more than one percent.

Cannpal led the falls, down two cents or 13.8 percent to 12.5 cents, with 12,600 shares traded. Cann Group fell 10.4 percent; Abundant and Roots lost six or more percent; Creso was down 7.7 percent; Synlait fell 6.7 percent; Auscann and Memphasys shed more than five percent; Althea and Tassal lost two percent or more; Apiam, Elders, Elixinol and Palla were down more than one percent; with Bega Cheese down 0.2 percent.

TASSAL GROUP

Tassal says revenue for the six months to December 31, 2019 was down 16.4 percent to \$270,264,000 with net profit after tax up 24.3 percent to \$40,817,000.

Tassal said most of the revenue came from sales of its salmon, which it expects to increase in the second half of the financial year to June 30, 2020, with sales also from its prawn farming business.

The company said it would pay a dividend of nine cents per share to shareholders on the record date of March 16, to be paid on March 31, 2020.

Tassal said diluted earnings per share rose 10.8 percent to 20.56 cents, net tangible assets per share was up 12.0 percent to \$3.18 cents and it had cash and equivalents of \$39,895,000 at December 31, 2019 compared to \$41,631,000 at December 31, 2018.

Tassal was down 13 cents or 2.8 percent to \$4.47 with 2,990,997 shares traded.

SYNLAIT MILK, A2 MILK

Synlait says it expects its net profit after tax for the year to July 31, 2020 to be between \$NZ70 million (about \$A67.0 million) and \$NZ85 million, less than previously forecast.

Last year, Synlait reported net profit after tax up 10.3 percent to \$NZ82,239,000 and said they expected 2019-'20 profits "to continue to grow with the rate of profitability increasing at least at a similar rate to that of 2018-'19 over 2017-'18".

The company said it had forecast a growth in profits similar to the previous corresponding period, but it would not be achieved due to "significantly lower" infant powder sales caused by China's infant nutrition market consolidating and reducing demand from brand owners yet to receive registration, lactoferrin prices being more volatile than expected, as well as weaker than expected infant formula sales.

The company said A2 Milk's contribution to the infant formula business had not changed. In a separate announcement, A2 Milk said its business performance remained strong and it continued to be in compliance with its disclosure obligations, with its half year results to be released on February 27, 2020

Synlait said it expected net profit after tax for the half year to January 31, 2020 to be between \$NZ26.5 million and \$NZ28.5 million, with sales increasing in comparison to the previous corresponding period but impacted by increased costs associated with its dairy packaging facilities, lower sales of ingredient products than anticipated and also the consolidation of China's infant nutrition market.

Synlait chief executive officer Leon Clement said Synlait's "new investments have resulted in a higher cost profile, which has not yet been absorbed by an offsetting increase in revenue, as Synlait steps up to its next level of growth".

Synlait was down 44 cents or 6.7 percent to \$6.10.

A2 Milk was unchanged at \$15.20 with 3,129,429 shares traded.

RIDLEY CORP

Ridley says it has settled legal proceedings with Sydney-based poultry company Baiada, agreeing to pay the company \$1,935,000 in three instalments over 12 months.

Ridley said it first announced that Baiada had begun legal proceedings on August 20, 2018, in respect to stock feed manufactured by Ridley for Baiada between 2014 and 2017.

Today, the company said its supply agreement with Baiada had been extended for a further two years, until November 30, 2025, and had been amended to provide production efficiencies for Ridley with changes to the fee structure.

Ridley was unchanged at \$1.00.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says Cairo & Doutcher will sell its root zone temperature optimization technology in Italy, committing to EUR3.5 million (about \$A5.6 million) worth of sales by 2024.

Last year, Roots said that the Copertino, Lecce, Italy-based Cairo & Doutcher would install its root zone temperature optimization technology (RZTO) and to improve crop quality and increase yields of herbs and flowers, and if successful, the two parties would collaborate on a multi-year distribution agreement (AVW: Oct 11, 2019).

Today, Roots said that Cairo & Doutcher had committed to sell five root zone temperature optimization (RTZO) systems in the first year of the deal in order to retain exclusive sales rights, with minimum sales targets of EUR500,000 in the second year, EUR1,000,000 in the third year and EUR2,000,000 in the fourth year.

The company said the agreement followed the installation of its RTZO technology at Cairo & Doutcher's greenhouse in Southern Italy, with Cairo & Doutcher inviting the Italian Minister of Agriculture Teresa Bellanova to view the technology and review its benefits.

Roots said Italy was Europe's leading supplier of vegetables and was in Europe's top three for agricultural production, with the sector valued at EUR31.6 billion in 2016.

Roots was down 0.3 cents or 8.6 percent to 3.2 cents with 6,556,361 shares traded.

AGRIFUTURES AUSTRALIA

Agrifutures says tickets to this week's two-day Evoke Ag conference at Melbourne's Royal Exhibition Buildings have sold out.

In December, Agrifutures said it expected more than 1,300 delegates from across the Asia-Pacific region to attend the two-day conference, held at Melbourne's Royal Exhibition Building on February 18 and 19, 2020 (AVW: Dec 6, 2019).

Agrifutures Australia managing-director John Harvey said the conference would hear from "more than 70 thought-provoking experts in their fields ... on how we can challenge the conventions of what we grow, how we grow it and what we eat".

"Some of the themes in our program have a sense of urgency," Mr Harvey said.

Agrifutures said themes included 'Food Farm Future', 'Reading the fine print: Traceability in the supply chain', 'Producer led innovation', 'Are we treating soil like dirt?' and 'Investing in agtech – insider tips'.

For more information visit www.evokeag.com.

NATIONAL VETERINARY CARE

National Veterinary Care says it will buy four new veterinary clinics and has an option agreement for a fifth, for a total cost of \$11.26 million.

National Veterinary said three of the clinics were in Australia, with the fourth in New Zealand and it expected to settle the Australian acquisitions, one of which was a merger with an already owned clinic, by mid-March 2020.

National Veterinary said it had the option to acquire a minority interest in a Melbourne-based clinic if it exercised its option at any time up to March 31, 2020.

The company said the total consideration for the acquisitions was \$11.26 million, made up of total upfront payments of \$9.66 million and deferred consideration components, partially subject to earnout conditions, of \$1.6 million.

National Veterinary said settlement of the acquisitions would take its total number of veterinary businesses to 107 and deliver an expected annual revenue of \$7.15 million, with earnings before interest and taxes of \$2.06 million.

National Veterinary Care was unchanged at \$3.67 with 1,307,083 shares traded.

NATIONAL VETERINARY CARE

National Veterinary says the Supreme Court of Australia has ordered a shareholder meeting for March 19, 2020 to vote on Vetpartners' acquisition of the company. In December, National Veterinary said Sydney's Vetpartners would acquire it through a scheme of arrangement for \$3.70 a share in cash, or \$250 million (AVW: Dec 20, 2019). The company said the meeting would be held at Allens, Level 26, 480 Queen Street, Brisbane on March 19, 2020 and 10am.

ABUNDANT PRODUCE

Abundant says it has applied to delist from the Australian Securities Exchange, primarily because of poor share price performance and liquidity. Abundant said it was delisting for reasons including costs related to listing on the ASX, and expected its shares to be removed by March 31, 2020, subject to ASX approval. The company said its directors believed the company's listed share price to be "significantly and materially lower than the underlying value of the group and also of the net assets that these securities represent", as well as the liquidity of the shares being insufficient to allow shareholders to redeem shares now or in the future. Abundant said that the obligations and costs associated with maintaining an ASX listing could no longer be justified, particularly given the low levels of trading. Abundant was down 0.2 cents or eight percent to 2.3 cents.

CRESO PHARMA

Creso said it will launch Anibidiol Equi, a marijuana-based animal health product for horses and large animals in Latin America, Asia Pacific and Europe this year. The company said that Anibidiol Equi was an edible "flavored micro-milled hemp plant product" which would "reduce stress and pain, and support fast mobility recovery". Creso said the product contained natural hemp compounds recognized as traditional feed components, and represented "an additional pathway to market for the company's hemp-based complementary feed products without the need for regulatory approval". Creso was down one cent or 7.7 percent to 12 cents with 1,047,232 shares traded.

THC GLOBAL

THC says it will launch Canndeo brand marijuana-based medicines in Australia and has applied for supply licences in Canada. Last month, THC said it would sell MGC Pharmaceuticals' marijuana formulations in Australia and New Zealand under its Canndeo brand, with the first purchase for EUR25,000 (\$A40,307) (BD: Jan 20, 2020). The company said it would launch Canndeo medicines in Australia by April 2020, initially offering four products included "a full spectrum [cannabidiol] medicine". THC said Canndeo would "offer existing clinics and prescribers under the special access schemes a high-quality alternative to the current product available for prescription" and it has submitted licence applications to supply marijuana-based medicine to Canada. THC said that Canndeo Canada would target more than 369,000 Canadian medical client registrations accessing medicinal cannabis under existing authorities. The company said it had orders from producers in Canada to supply finished and bulk product from its Southport, Gold Coast, Queensland facility for delivery in 2020. THC was unchanged at 36.5 cents.

OPYL

Opyl says it has a non-exclusive, two-year collaboration agreement with the Bracknell, England-based Huumun for digital health strategy.

Opyl said that Huumun was a “sales, marketing and medical communications company” that developed and used digital technologies.

The company said that the collaboration allowed the two companies to provide extended end-to-end sales and marketing across traditional and digital platforms.

Opyl was unchanged at 11 cents.

ELDERS

The Sydney-based Perpetual says it has increased its substantial shareholding in Elders from 11,417,715 shares (7.33%) to 13,039,439 shares (8.38%).

Perpetual said it bought the shares between January 22 and February 11, 2020, with the single largest purchase 200,000 shares for \$1,640,959 or \$8.205 a share.

Elders was down nine cents or 1.1 percent to \$8.23.

TERRAGEN HOLDINGS

The Sydney-based One Funds Management says it has increased its substantial shareholding in Terragen from 9,350,000 shares (5.00%) to 12,566,000 shares (6.73%).

One Funds said it bought the shares between December 30, 2019 and February 12, 2020, with the single largest purchase 1,566,000 shares for \$227,918 or 14.55 cents a share.

Terragen was unchanged at 18 cents.

NATIONAL VETERINARY CARE

Grandeur Peak Global Advisors says it has decreased its shareholding in National Veterinary Care from 4,161,333 shares (6.21%) to 3,987,233 shares (5.94%).

The Salt Lake City, Utah-based Grandeur Peak said that between October 10, 2019 and February 2, 2020 it bought and sold shares, with the single largest sale of 298,900 shares on February 2 for \$1,095,170 or \$3.66 a share.

NATIONAL VETERINARY CARE

Lakeville Capital Management says it has become substantial in National Veterinary Care with 3,591,385 shares or 5.34 percent of the company.

The Hong Kong-based Lakeville said that between December 16, 2019 and February 13, 2020 it bought and sold shares with the single largest purchase on December 16 of 1,260,800 shares for \$4,555,913 or \$3.61 a share.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says Dror Nagel, who was appointed to the board in July 2019, has resigned as a non-executive director, effective immediately.