

Ag & Vet Weekly



Monday March 16 – Friday March 20, 2020

All the news on ASX-listed agriculture and veterinary companies

- * MAR 20: ASX, AVW-46 UP: REGENEUS UP 27%; CANN GLOBAL DOWN 12.5%
- * FONTERRA H1 REVENUE UP 7% TO \$10.3b, PROFIT UP 596% TO \$496m
- * SYNLAIT H1 REVENUE UP 19% TO \$556m, PROFIT DOWN 30% TO \$26m
- * BUBS: 'COVID-19 DOUBLES INFANT FORMULA PRODUCTION'
- * MURRAY COD: \$6.5m FOR ESTABLISHED HATCHERY
- * SELECT HARVESTS: MONTH-ON-MONTH ALMOND SHIPMENTS UP 40%
- * KYOCERA PAYS REGENEUS \$1.6m PROGENZA MILESTONE
- * NEXT SCIENCE: PRODUCTS 'KILL COVID-19-LIKE VIRUSES', SALES HIT
- * NEXT SCIENCE LAUNCHES ON-LINE ACNE CREAM
- * FOOD REVOLUTION EXPECTS \$40m REVENUE, DEMAND INCREASES
- * NATIONAL VET EGM APPROVES VETPARTNERS ACQUISITION
- * CANN GLOBAL: OBSIDIAN REFINANCES L1 NOTES
- * MGC REQUESTS 'SWISS COVID-19 J-V' TRADING HALT
- * PERPETUAL REDUCES TO 12% OF BEGA
- * REGAL FUNDS TAKES 8.5% OF HUON
- * MICROEQUITIES REDUCES TO 7.7% IN NATIONAL VETERINARY
- * VINVA INVESTMENT BELOW 5% IN SELECT HARVESTS
- * PENDAL GROUP BELOW 5% IN ALTHEA
- * SYNLAIT CEO NIGEL GREENWOOD GOES JUNE 26

MARKET REPORT

The Australian stock market climbed 0.7 percent on Friday March 20, with the ASX200 up 33.7 points to 4816.6 points. Twenty of the AVW-46 stocks were up, 12 fell, nine traded unchanged and five were untraded.

Regeneus was the best, up 1.4 cents or 27.45 percent to 6.5 cents, with 66,141 shares traded. Murray Cod climbed 23.7 percent; Synlait was up 20.8 percent; Elixinol rose 16.7 percent; Select was up 15.9 percent; Memphasys increased 13.5 percent; Althea was up 12.9 percent; Seafarms and Wide Open climbed more than 11 percent; Food Revolution rose 10.8 percent; Bubs was up 9.8 percent; Cann Group, Cannpal and THC were up seven percent or more; Clover and Ridley rose more than five percent; Apiam was up 3.85 percent; Tassal climbed two percent; A2 Milk increased 1.9 percent; with Nufarm up 0.2 percent.

Cann Global led the falls, down 0.1 cents or 12.5 percent to 0.7 cents, with 7.3 million shares traded. Terragen fell 10.1 percent; Palla was down 9.5 percent; Huon lost 7.6 percent; Auscann fell 5.6 percent; Fonterra and Ocean Grown were down more than three percent; Clean Seas shed 2.3 percent; Costa and Next Science were down more than one percent; with Bega and National Veterinary down by less than one percent.

FONTERRA CO-OPERATIVE GROUP

Fonterra says revenue for the six months to January 31, 2020 was up 7.0 percent to \$NZ10,423 million (\$A10,309.9 million) with net profit after tax up 595.8 percent to \$NZ501 million (\$A495.6 million).

Fonterra chief executive officer Miles Hurrell said the company was “a very different Co-op to this time last year”.

“We’re prioritizing New Zealand milk and staying focused on what we know we’re good at and what makes a difference to our farmer owners, unit holders, employees and communities,” Mr Hurrell said.

“While there’s no doubt the world is experiencing an almost unprecedented situation and response to Covid-19, I’m pleased with the progress we’ve made so far against our four priorities for 2020,” Mr Hurrell said.

“These are to hit our financial targets, reduce our environmental footprint, build a great team, and support regional New Zealand,” he said.

Mr Hurrell said that Fonterra’s key financial targets for 2020 were to meet its earnings guidance of 15-25 (New Zealand) cents per share, achieve a gross margin in excess of \$NZ3 billion, reduce debt so it is no more than 3.75 times earnings and ensure capital expenditure is no more than \$NZ500 million.

“Our Foodservice business has definitely been our stand-out performer in the first half as we’ve grown our sales to bakeries and coffee and tea houses across Greater China and Asia,” Mr Hurrell said.

“We completed the sale of DFE Pharma and Foodspring in the first half of the year with cash proceeds of \$NZ624 million and this has helped reduce net debt by 22 percent or \$NZ1.6 billion, compared to this time last year,” Mr Hurrell said.

Fonterra said that last year’s diluted 35 NZ cents loss per share was turned to an NZ 32 cents diluted earnings per share, with net tangible assets up 18.75 percent to \$NZ2.47 and cash and cash equivalents of \$460 million at January 31, 2020 compared to \$348 million at January 31, 2019.

Fonterra fell 12 cents or 3.1 percent to \$3.77.

SYNLAIT MILK

Synlait says revenue for the six months to January 31, 2020 was up 18.8 percent to \$NZ559,286,000 (\$A555,933,700.40) with net profit after tax down 29.8 percent to \$NZ26,196,000 (\$A26,038,984.02).

Synlait said revenue was from its dairy products, including milk powder, milk power related products, liquid milk and cheese.

The company said 35 percent of revenue came from New Zealand, 24 percent from Australia, 23 percent from the rest of Asia, eight percent from China, six percent from the Middle East and Africa and four percent from the rest of the world.

Synlait said diluted earnings per share was down 29.8 percent to 14.61 NZ cents and it had cash and cash equivalents of \$NZ6,974,000 at January 31, 2020 compared to \$NZ13,493,000 at January 31, 2019.

Synlait was up 92 cents or 20.8 percent to \$5.34.

BUBS AUSTRALIA

Bubs says it has increased production line capacity for its goat milk and cow milk infant formulas due to a rise in demand following the Covid-19 coronavirus outbreak.

Bubs said that production had increased to two shifts a day and it had the capacity to increase to three shifts a day.

The company said that its raw material supply chain had “not been impacted to date ... [and it was] building inventory to ensure steady future supply”.

Bubs chief executive officer Kristy Carr said that the company’s “domestic sales in the most recent half year accounted for about 70 percent of Bubs revenues”.

“Over the last few weeks, we have worked with our retail partners including Coles, Woolworths, Big W and Chemist Warehouse to ensure distribution and continued supply,” Ms Carr said.

“To assist any Australian family still finding it difficult to access product in their local retail outlet, we have extended our free shipping offer across all orders of baby food and infant formula for any orders made on our own website store,” Ms Carr said.

Bubs was up five cents or 9.8 percent to 56 cents with 8.4 million shares traded.

MURRAY COD AUSTRALIA

Murray Cod says it will pay \$6.5 million to acquire a “fully operational and staffed” Murray Cod hatchery and 75-acre property in Euberta, New South Wales

Murray Cod said the acquisition would increase its Murray Cod fingerlings capacity “by a factor of 2.5 times”.

The company said the hatchery and property was 30km from its existing facility and would have access to underground bore water and Murrumbidgee River water.

Murray Cod said the \$6.5 million payment included \$3 million for Murray Darling Fisheries Pty Ltd, who owned and operated the property, and \$3.5 million for freehold land, buildings and permanent rights to 600 megalitres of water.

The company said it would pay \$6 million in cash and 4,088,533 shares worth \$500,000, based on a five-day volume weighted average price to March 16, 2020 of 12.2 cents a share, and subject to a 12-month voluntary escrow.

Murray Cod said the acquisition was conditional on obtaining appropriate licences from the NSW Department of Primary Industries.

Murray Cod was up 2.2 cents or 23.7 percent to 11.5 cents.

SELECT HARVESTS

Select Harvests says that between March 2019 and January 2020 its month-on-month almond shipments were up 40 percent, with year to date shipments up 26 percent. Select Harvests said that the data came from the Australian Almond Board's January export shipment report.

The company said that "world demand from major almond importers and domestic customers remains strong".

Select Harvests said more than 65 percent of its 2020 crop was committed for sale at prices between \$8.00-\$8.50/kg and expected to begin exporting "within the next month". The company said that about 40 percent of its orchards had been harvested for 2020, and expected to complete the harvest by May.

Select Harvests said that 10 percent of the 2020 crop had been processed with "yield and quality profile similar to last year" and it was "optimistic about crop size and quality. Select Harvests was up \$1.00 or 15.9 percent to \$7.30 with 1.6 million shares traded.

REGENEUS

Regeneus says it has received JPY100,000,000 (\$A1,556,100) milestone payment from Tokyo's Kyocera Corp for rights to Progenza for knee osteoarthritis.

Earlier this month, Regeneus said Kyocera would pay the non-refundable JPY100,000,000 upfront for exclusive negotiation rights to Progenza in Japan and a further JPY100,000,000 following completion of due diligence, expected within 45 days of receiving documentation and refundable if due diligence was not met (BD: Mar 2, 2020). Today, the company said Kyocera had begun due diligence for Progenza, which had progressed positively, and Kyocera would have until August 2020 for exclusive rights to negotiate for a commercial licence of Progenza in Japan. Regeneus was up 1.4 cents or 27.45 percent to 6.5 cents.

NEXT SCIENCE

Next Science says it has "a number of products ... that are effective in the removal of Covid-19-like viruses" but sales growth has been impacted by the outbreak.

Next Science said that its Bactisure surgical lavage, or cleanser, for the removal of bacteria and debris from wounds, its Blastx chronic wound gel which removed bacteria and viruses in infected wounds, and its Surgx sterile wound gel for the prevention of bacterial and viral infections in surgical procedures were "effective in the removal of Covid-19-like viruses".

The company said that sales growth had been affected in the US by the coronavirus outbreak due to reduced hospital visits by its distribution agents, postponement of medical congresses and a reduction in the number of elective procedures.

Next Science said it would continue to service existing customers and distribution partners, but new account growth with hospitals would be "temporarily affected".

The company said that it was too early to estimate sales for the three months to June 30, 2020, but expected sales growth to be disrupted "until access to customers is restored".

Next Science said it expected to launch two new products in the US to further address infection in 2020 including surface disinfectant to remove biofilm, bacteria and viruses from hard surfaces and Xperience surgical rinse for the removal of biofilm, bacteria and viruses in the surgical field.

Next Science was down 2.5 cents or 1.6 percent to \$1.495.

NEXT SCIENCE

Next Science says its acne cream is available through Sydney-based online skincare direct marketer, TBH Skincare in Australia, New Zealand, the UK and parts of Europe. Next Science said its acne cream used its Xbio technology in a non-salicylic acid-based topical cream which was “non-toxic and gentle on the skin ... [and broke] down the protective biofilm layer to expose acne bacteria and reduce acne symptoms”.

The company said that “multi-site ongoing clinical testing ... [showed] superior results in the resolution of mild to moderate acne compared to leading competitive brands, including products containing benzoyl peroxide.

Next Science chief executive officer Judith Mitchell told Biotech Daily that the 50-patient trial data was confidential at this stage.

The company said that TBH Skincare had run its own trial of the acne cream with a sample group of 20 females.

THE FOOD REVOLUTION GROUP

Food Revolution says it expects at least \$40 million in revenue for the year to June 30, 2020, with \$3.8 million orders of hand sanitizer this month and increased demand.

Food Revolution said its full year revenue guidance reported “a minimum of \$40 million” for the 12 months to June 30, 2020, with a minimum of \$22.0 million” in revenue expected for the six months to June 30, an increase of 23 percent compared to the revenue of \$17.96 million for the six months to December 31, 2019.

The company said it had \$3.8 million sales orders for hand sanitizer in March alone and “strong demand” across its core juice and beverage products and its ‘Better for you’ Original Juice Company product range.

Last week, Food Revolution said its hand sanitizer was “in high demand due to the global outbreak of coronavirus” (AVW: Mar 13, 2020).

Today, the company said that its sales in supermarkets had been up since the onset of Covid-19, and it had received interest from an unnamed “major supermarket group” to launch three new juice products in May.

Food Revolution said the proposed juice products would be branded under its Original Black Label and Original Juice Company and come in 1.5 litre sizes.

Food Revolution rose 0.7 cents or 10.8 percent to 7.2 cents with 12 million shares traded.

NATIONAL VETERINARY CARE

National Veterinary says its scheme meeting has overwhelmingly approved the scheme of arrangement to be acquired by Sydney’s Vetpartners.

In December, National Veterinary said Vetpartners would acquire the company through a scheme of arrangement for \$3.70 a share in cash or \$250 million and in February, the company said the Supreme Court of Australia had ordered a shareholder meeting to vote on the acquisition (AVW: Dec 20, 2019; Feb 14, 2020).

Today, the company said the scheme passed with 42,695,900 votes (99.84%) in favor and 67,876 (0.16%) votes against.

National Veterinary said the scheme was subject to approval by the Supreme Court of Queensland and it would apply for approval at a March 25, 2020 hearing.

The company said that if the scheme became effective, shares would cease trading on the ASX on March 25, with the scheme record date set for April 1 and the scheme implementation date expected on April 8, 2020.

National Veterinary fell two cents or 0.5 percent to \$3.65 with 905,721 shares traded.

CANN GLOBAL

Cann Global says Obsidian Global GP will acquire all 2,600,000 convertible notes held by L1 Capital Global Opportunities Master Fund through a refinancing agreement.

In November, Cann Global said it would issue the Melbourne, New York and Grand Cayman Islands-based L1 Capital 2,600,000 convertible notes to raise \$2.22 million after costs (BD: Nov 5, 2019).

Today, the company said the maturity date of the convertible notes would be extended to 80 days from the execution date to allow shareholder approval of replacement notes with a March 31, 2021 maturity date.

Cann Global said it would issue Obsidian 375,556 additional notes and 25,000,000 shares in consideration for the refinancing, which would be held as collateral shares.

The company said that on receiving the funds from Obsidian, L1 would reinvest a further \$862,000 through a \$250,000 placement at 1.0 cent a share, with a free attaching option at 2.5 cents a share for three years, and \$612,000 for 680,000 convertible notes issued by Cann Global and its subsidiary Medical Cannabis Research Group (MCRG).

The company said the new L1 notes would be issued at 90 cents per note and could be converted into either Cann Global or MCRG shares.

Cann Global said funds from the capital raising would be used for commercialization of its multiple sclerosis research, undertaken by MCRG and the Haifa, Israel-based Technion and for general working capital.

Cann Global fell 0.1 cents or 12.5 percent to 0.7 cents with 7.3 million shares traded.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC has requested a trading halt pending an announcement on "a material agreement regarding a strategic joint venture with a Swiss company in relation to Covid-19.

Trading will resume on March 23, 2020 or on an earlier announcement.

MGC last traded at 1.7 cents.

BEGA CHEESE

Perpetual and its subsidiaries say they have reduced their substantial shareholding in Bega from 31,070,731 shares (14.50%) to 26,022,505 shares (12.15%).

The Sydney-based Perpetual that it bought and sold shares between November 11, 2019 and March 11, 2020 with the single largest sale on February 12 of 660,099 shares for \$2,607,391 or \$3.95 a share.

After the market closed on Friday, Perpetual said it sold a further 2,521,231 shares at prices ranging from \$4.04 to \$4.24 between March 12 and 18, 2020.

Bega was down three cents or 0.7 percent to \$4.20 with 1.8 million shares traded.

HUON AQUACULTURE

Regal Funds Management says it has increased its substantial shareholding in Huon from 5,344,454 shares (6.12%) to 7,399,630 shares (8.47%).

Sydney's Regal Funds said it bought and sold shares between December 5, 2018 and March 11, 2020 with the single largest purchase of 1,739,819 shares for \$7,046,267 or \$4.05 a share.

Huon was down 30 cents or 7.6 percent to \$3.65.

NATIONAL VETERINARY CARE

Microequities Asset Management Pty Ltd says it has reduced its substantial holding in National Veterinary from 5,189,030 shares (8.80%) to 5,163,171 shares (7.68%).

The Sydney-based Microequities said that it bought and sold shares between August 22, 2017 and March 12, 2020 with an average purchase price of \$2.67 a share and an average sale price of \$3.44 a share.

SELECT HARVESTS

Vinva Investment Management says it has ceased to be a substantial shareholder in Select Harvests.

In February, the Sydney-based Vinva said it became substantial in Select Harvests with 4,853,937 shares or 5.05 percent of the company.

Last week, Vinva said that between February 7 and March 16, 2020 it acquired 11,610 shares for \$67,446 or \$5.81 a share and sold 59,248 shares for \$369,796 or \$6.24 a share.

According to Select Harvests' most recent Appendix 3B new share issue announcement, the company had 96,179,168 shares on issue.

Ag & Vet Weekly calculates that Vinva holds 4.997 percent of the company.

ALTHEA GROUP HOLDINGS

The Sydney-based Pental Group says it has ceased to be a substantial shareholder in Althea.

Last October, the Sydney-based Pental said it had become a substantial shareholder with 12,000,000 shares or 5.14 percent of the company (BD: Oct 30, 2019).

Today, Pental said that on March 12, 2020 it sold 915,000 shares for \$183,000 or 20.0 cents a share.

Althea was up two cents or 12.9 percent to 17.5 cents with 1.2 million shares traded.

SYNLAIT MILK

Synlait says that chief executive officer Nigel Greenwood will step down effective from June 26, 2020 to assist his replacement, Angela Dixon, in the transition period.

Synlait said that it had previously expected Mr Greenwood to "finish in late March or early April 2020" but he would stay on to support the company until Ms Dixon started in June.