

# Ag & Vet Weekly



Monday March 2 – Friday March 6, 2020

*All the news on ASX-listed agriculture and veterinary companies*

- \* MAR 6: ASX, AVW-46 DOWN: ANATARA UP 9.5%; SEAFARMS DOWN 11%
- \* BEGA H1 REVENUE UP 14% TO \$741m, PROFIT UP 71% TO \$8.5m
- \* SEAFARMS H1 REVENUE UP 20% TO \$21.5m, LOSS DOWN 7% TO \$12.3m
- \* FOOD REVOLUTION H1 REVENUE UP 19% TO \$18.0m, LOSS DOWN 48% TO \$1.8m
- \* THC REVENUE UP 80% TO \$4.8m, LOSS UP 36% TO \$11.7m
- \* AVECHO REVENUE UP 204% TO \$4.2m, LOSS TO \$850k PROFIT
- \* CRESO REVENUE UP 550% TO \$3.6m, LOSS DOWN 9% TO \$15m
- \* ABUNDANT H1 REVENUE DOWN 41% TO \$556k, LOSS UP 43% TO \$1.4m
- \* WIDE OPEN H1 REVENUE OF \$491k, LOSS UP 19% TO \$730k
- \* NUFARM CLEARANCE FOR \$1.2b BRAZIL SALE
- \* NATIONAL VETERINARY COMPLETES ACQUISITION; TOTAL 107 CLINICS
- \* REGENEUS, KYOCERA \$1.4m PROGENZA DEAL, \$4m DIRECTORS LOAN
- \* NEXT SCIENCE BACTISURE WINS CE MARK
- \* WIDE OPEN COMPLETES 5KL OAT MILK PRODUCTION TRIAL
- \* ROOTS, FINEPRO OFF-GRID TEMPERATURE CONTROL COLLABORATION
- \* COHEN GROUP ENDS CRESO ISRAEL J-V; POTENTIAL LEGAL ACTION
- \* CRESO APPOINTS FARMAGON SCANDINAVIA MARIJUANA DISTRIBUTOR
- \* MGC EXTENDS, AMENDS ONIX BRAZIL DISTRIBUTION AGREEMENT
- \* THC EXPANDS MEDICAL MARIJUANA SUPPLY FOR 6k PATIENTS
- \* PHARMAUST OPENS 2 MORE DOG CANCER TRIAL CENTRES
- \* ABUNDANT APPLIES TO DE-LIST FROM THE ASX
- \* MITSUBISHI, FIRST SENTIER REDUCE TO 9% OF A2 MILK
- \* PERPETUAL TAKES 11% OF ELDERS
- \* LAZARD ASSET MANAGEMENT REDUCES TO 6% OF COSTA
- \* CHALLENGER TAKES 5% IN CLOVER
- \* LAKEVILLE CAPITAL TAKES 7% OF NATIONAL VETERINARY
- \* TASSAL APPOINTS RICHARD HAIRE DIRECTOR
- \* CLEAN SEAS APPOINTS GILBERT VERGÈRES DIRECTOR
- \* FONTERRA CHAIR JOHN MONAGHAN TO RETIRE IN NOVEMBER
- \* TODD RICHARDS REPLACES APIAM CO SEC SOPHIE KARZIS

## MARKET REPORT

The Australian stock market fell 2.81 percent on Friday March 6, with the ASX200 down 179.5 points to 6216.2 points. Nine of the AVW-46 stocks were up, 25 fell, seven traded unchanged and five were untraded.

Anatara was the best, up two cents or 9.52 percent to 23 cents, with 22,885 shares traded. Cannpal was up 4.2 percent; Opyl rose 3.45 percent; Auscann and Elders climbed by more than two percent; Ridley was up 1.2 percent; with Bubs, Ecofibre and Nufarm up by less than one percent.

Seafarms led the falls, down 0.7 cents or 10.8 percent to 5.8 cents, with 1.3 million shares traded. Pharmaust fell 10.4 percent; both Creso and Palla were down 9.4 percent; Clean Seas, Food Revolution and THC shed more than eight percent; Next Science lost 7.3 percent; Elixinol and Memphasys fell more than five percent; Ocean Grown, Regeneus, Roots and Tasfoods fell four percent or more; Althea, Bega, MGC and Terragen were down more than three percent; Cann Group and Costa shed two percent or more; A2 Milk, Huon and Select Harvests lost one percent or more; with Sylait and Tassal down by less than one percent.

## BEGA CHEESE

Bega says that revenue for the six months to December 29, 2019 was up 14.2 percent to \$741,151,000 with net profit after tax up 71.1 percent to \$8,545,000.

Bega said revenue came primarily from Bega Cheese sales, which increased by 32 percent to \$624.4 million, with Tatura Milk revenue decreasing by 10 percent to \$189.1 million following a "reduction in milk intake".

The company said that while preparing the half year financial reports, it identified that it had incorrectly calculated cost of sales in its June 30 2019 financial statements "resulting in an understatement of trade and other payables of \$9.0 million and an overstatement of inventories of \$1.5 million at 30 June 2019"

Bega said that "the errors have been corrected".

The company said that a fully franked interim dividend of five cents a share for shareholders on the record date of March 12 would be paid on April 3, 2020.

Bega said that diluted earnings per share was up 60.0 percent to 4.0 cents, net tangible assets per share was down 11.8 percent to \$1.27, with cash and cash equivalents of \$23,652,000 at December 29, 2019 compared to \$40,646,000 at December 30, 2018.

Bega was down 15 cents or 3.25 percent to \$4.46 cents with 1.4 million shares traded.

## SEAFARMS GROUP

Seafarms says revenue for the six months to December 31, 2019 was up 20.1 percent to \$21,543,045 with net loss after tax down 7.4 percent to \$12,259,005.

Seafarms said revenue included \$21,499,429 from its black tiger prawn and banana prawn operations and \$43,616 from other revenue.

The company said diluted loss per share was down 25.6 percent to 0.61 cents, net tangible assets per share was constant at 2.0 cents and it had cash and cash equivalents of \$2,113,937 at December 31, 2019 compared to \$8,523,900 at December 31, 2018.

Seafarms was down 0.7 cents or 10.8 percent to 5.8 cents with 1.3 million shares traded.

### FOOD REVOLUTION GROUP

Food Revolution says revenue for the six months to December 31, 2019 was up 19.3 percent to \$17,960,069 with net loss after tax down 48.1 percent to \$1,782,906.

Food Revolution said revenue from plant and equipment, including branded juice sales, co-packing and ingredient sales and warehousing other sales, was \$16,717,921 and revenue from office equipment was \$102,953.

The company said net tangible assets per share fell 80.9 percent to 0.42 cents, diluted loss per share was down 65.3 percent to 0.26 cents and it had cash and cash equivalents of \$1,596,196 at December 31, 2019 compared to \$1,733,853 at December 31, 2018.

Food Revolution fell 0.8 cents or 8.4 percent to 8.7 cents with 24.9 million shares traded.

### THC GLOBAL GROUP

THC says revenue for the year to December 31, 2019 was up 79.9 percent to \$4,792,258 with net loss after tax up 35.6 percent to \$11,679,182.

THC said revenue was primarily from an increase in Canadian sales of its hydroponic equipment for growing marijuana and other plant material.

The company said net tangible asset backing per share was down 26.3 percent to 14 cents, with basic loss per share was up 26.7 percent to 8.78 cents at December 31, 2018.

THC said it had cash and cash equivalents of \$3,551,595 at December 31, 2019 compared to \$6,333,540 at December 31, 2018.

THC was down three cents or 8.8 percent to 31 cents.

### AVECHO BIOTECHNOLOGY (FORMERLY PHOSPHAGENICS)

Avecho says revenue for the year to December 31, 2019 was up 204.0 percent to \$4,238,113 with last year's \$3,991,020 loss turned to a net profit after tax of \$849,955.

Avecho said revenue was mainly attributable to a \$3.6 million licence fee from the Covington, Kentucky-based Ashland Global for the manufacturing rights to Vital ET and tocopheryl phosphate mixture (BD: Jun 20, 2019).

The company said that last year's diluted loss per share of 25 cents turned to diluted earnings per share of five cents, with net tangible assets up 56.25 percent to 0.25 cents at December 31, 2019.

Avecho said it had cash and cash equivalents of \$3,210,540 at December 31, 2019 compared to \$2,111,171 at December 31, 2018.

Avecho was unchanged at 0.3 cents with 1.4 million shares traded.

### CRESO PHARMA

Creso says revenue for the year to December 31, 2019 was up 549.5 percent to \$3,626,427 with net loss after tax down 8.9 percent to \$15,339,772.

Creso said the revenue was from sales of its marijuana-based human and animal health food supplements and sales through its subsidiary Halifax, Nova Scotia-based medical marijuana producer Mernova Medical, which sold its first harvest of dried marijuana flowers in July 2019 (BD: Feb 19, 2018; Jul 2, 2019).

The company said diluted loss per share was down 29.7 percent to 10.47 cents, with net tangible assets per share down 38.5 percent to 8.0 cents at December 31, 2019.

Creso said it had cash and cash equivalents of \$2,800,318 at December 31, 2019 compared to \$6,390,538 at December 31, 2018.

Creso was down 0.8 cents or 9.4 percent to 7.7 cents with 1.4 million shares traded.

### ABUNDANT PRODUCE

Abundant says revenue for the six months to December 31, 2019 was down 40.8 percent to \$555,751 with net loss after tax up 42.7 percent to \$1,421,575.

Abundant said revenue included \$488,250 from health and beauty products and \$61,391 from seeds.

The company said diluted loss per share was up 5.0 percent to 1.89 cents and it had cash and cash equivalents of \$1,878,077 at December 31, 2019 compared to \$2,971,188 at December 31, 2018.

Abundant was unchanged at two cents.

### WIDE OPEN AGRICULTURE

Wide Open Agriculture says revenue for the six months to December 31, 2019 was up from zero to \$491,014 with net loss after tax up 18.8 percent to \$729,621.

Wide Open Agriculture said revenue for the six months to December 31, 2017 was \$6,268 from horticulture revenues and this year's revenue was from its Dirty Clean Food fresh meat products, which began distribution in May 2019.

The company said diluted loss per share was up 18.4 percent to 1.03 cents, net tangible assets per share fell 33.3 percent to 2.26 cents and it had cash and cash equivalents of \$2,291,644 at December 31, 2019 compared to \$4,143,966 at December 31, 2018.

Wide Open Agriculture was untraded at 12.5 cents.

### NUFARM

Nufarm with it has regulatory clearance for the sale of Nufarm Brazil to the Tokyo-based Sumitomo for \$1.188 billion.

Nufarm said that the general-superintendent of Brazil's Administrative Council of Economic Defence provided the clearance for the sale, and the decision would trigger a mandatory 15-day waiting period in which members of the council's tribunal could request the case for a second review.

The company said the purchase price would "be adjusted to reflect working capital and net debt balances as at March 31, 2020 and the net proceeds received by Nufarm will be used to pay down existing debt facilities".

Nufarm said the sale would have a favorable impact on its financing, depreciation and amortization costs.

Nufarm was up four cents or 0.8 percent to \$5.06 with 2.9 million shares traded.

### NATIONAL VETERINARY CARE

National Veterinary says it has settled the acquisition of a group of three Australian veterinary clinics, as announced in February (AVW: Feb 10-14, 2020).

National Veterinary said the acquisitions took the total number of clinics it owned to 107 clinics.

The company said it had acquired eight clinics since July 1, 2019, and these acquisitions had a total expected annualized revenue of \$10.8 million and annualized earnings before income tax of \$3.3million.

National Veterinary was unchanged at \$3.68.

## REGENEUS

Regeneus says the Tokyo's Kyocero Corp will pay JPY100,000,000 (\$A1.4 million) upfront for the exclusive negotiation rights of its Progenza for knee osteoarthritis.

Separately, Regeneus said it had a \$4 million directors' loan facility to support negotiations to licence and commercialize Progenza for knee osteoarthritis in Japan.

Regeneus said it had a memorandum of understanding with Kyocera until July 31, 2020, before progressing to a conditional commercial agreement.

The company said the agreement would give Kyocera "access to highly confidential aspects of Progenza manufacturing, technical knowhow and clinical data for due diligence".

Regeneus said Kyocera would pay a further JPY100,000,000 following the completion of due diligence, which was expected to be completed with 45 days of receiving the documentation, refundable if the criteria for due diligence was not met.

Regeneus chief executive officer Leo Lee said that the "memorandum of understanding with a company of Kyocera's prominence is an important step in the commercialization pathway for Progenza [osteoarthritis] in Japan".

The company said Mr Lee would provide \$2 million and chairman Barry Sechos would provide the remaining \$2 million through related entity Paddington St Finance.

Regeneus was down 0.4 cents or 4.8 percent to 7.9 cents.

## NEXT SCIENCE

Next Science says it has Conformité Européenne (CE) mark for its Bactisure surgical lavage, or cleanser, for the removal of bacteria and debris from wounds.

On its website, Next Science said that Bactisure removed "structurally resistant forms of bacteria [or biofilm] through physical deconstruction of the extracellular polymeric substance matrix, making bacteria more susceptible to traditional antibiotics and the body's normal defense mechanisms".

The company said that Bactisure would be sold in Europe by its international distributor, the Warsaw, Indiana-based Zimmer Biomet.

Next Science managing-director Judith Mitchell said that "CE mark approval marks a major milestone for Next Science".

Next Science was down 16 cents or 7.3 percent to \$2.03.

## WIDE OPEN AGRICULTURE

Wide Open Agriculture says it has completed a trial to produce 5,000-litre of the first Western Australian regenerative oat milk.

Wide Open said it bought 90 tonnes of Western Australian oats from an unnamed farm near Kojonup, with regenerative farming credentials for commercial production.

The company said that oat milk was "a vegan alternative to dairy milk that's made by blending water and oats, and then straining out the liquid ... [with] the potential to be a sustainable alternative to high growth products like almond, rice, coconut and soy milk" and the oats had no residue of pesticides or herbicides.

Wide Open said it was completing market testing of its oat milk focusing on taste, color and texture to ensure it met "the requirement of customers across Western Australia in homes, cafes, and restaurants".

The company said the oat milk would initially be produced in Europe and it expected to start commercial production, sales and distribution in June 2020.



## ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it will collaborate with Finepro Consulting on off-grid, gas-powered heat and cooling pumps for its root zone temperature optimization (RZTO) technology.

Roots said the Israel-based Finepro Consulting represented the Zingonia, Lombardy, Italy-based Robur SpA, a gas-based heat pump manufacturer.

The company said it had an initial design of an off-grid irrigation by condensation (IBC) system which included a gas-operated chiller backed by a small solar panel installation and batteries from Robur.

Roots said that it would use Robur's teams to install its RZTO technology in combination with Robur's IBC gas pump in Israel.

The company said that "special terms and prices" would be paid to Roots by Robur in line with the number of Robur units bought.

Roots said that a Robur heat pump had been installed in its system in California and achieved "successful results" prompting the expanded collaboration.

The company said that "many farmers around the world are not connected to electricity grids, a limiting factor on their ability to operate climate management options in the greenhouses".

Roots said that tapping into the off-grid market would "significantly bolster the sale potential of ... [its] RZTO technology".

Roots chief executive officer Boaz Wachtel said the collaboration "significantly opens up opportunities to sell our RZTO and IBC systems for off-grid farms around the world – which would have considerable positive impacts on the company's bottom line".

Roots was down 0.1 cents or 4.0 percent to 2.4 cents.

## CRESO PHARMA

Creso says its Israeli joint venture agreement with the Cohen Propagation Nurseries and Asaf Cohen has been terminated.

In 2018, Creso said that through its subsidiary Creso Pharma Switzerland GmbH, it would own 74 percent of the joint venture, which would grow marijuana for medical purposes in Israel (BD: May 16, 2018).

Today, the company said that both "parties had been negotiating the agreed scope of the Cohen Group's responsibilities and entitlements ... for some time".

Creso said that the parties could not reach a resolution, which led to the termination of the agreement by the Cohen Group.

The company said that the Cohen Group intended "to seek damages in respect of alleged breaches by Creso GmbH of its obligations under the Israeli [joint venture] agreement".

Creso said it "disputes the claims made by the Cohen Group regarding any breaches by Creso GmbH and intends to strongly defend these claims and any formal proceedings".

## CRESO PHARMA

Creso says it has appointed Farmagon as the distributor of its marijuana-based products for Norway, Denmark, Sweden and Finland.

Creso said the Oslo-based Farmagon would initially distribute its Cannaqix50 and Cannaqix10 for pain management.

The company said that through the agreement it would have access to the necessary licences for distribution and Farmagon's established retail distribution channels.

Creso did not state minimum quantities or commercial terms, but said the agreement could be terminated by either party with three months' notice.

### MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says it has amended its distribution agreement with the Brazil-based Onix Empreendimentos e Participações to include minimum orders.

Last year, MGC said it had a three-year agreement with Onix to distribute Cannepil and Cognicann for dementia and Alzheimer's disease in Brazil (BD: Jun 19, 2019).

Today, the company said that Onix had agreed to order a minimum of 20,000 units in the first year, valued at \$1.65 million and an immediate down payment of about \$107,000 for the first order of 4,000 units.

MGC said that for the second and third years of the agreement, the minimum order would be increased to 50,000 units, worth at least \$4.1 million.

The company said that the initial three-year minimum term had been extended to seven years, with the option to renew for an additional five years by mutual agreement.

MGC said that the amended agreement included a deposit payment from Onix for each order of up to 50 percent, with the remaining balance to be paid within 30 days.

MGC managing-director Roby Zomer that the agreement amendment "with Onix is a clear commitment of minimum order volumes over the next seven years, and confirmation that Onix are the partners we are looking for in the region".

"This is a significant milestone for MGC Pharma," Mr Zomer said.

MGC was down 0.1 cents or 3.85 percent to 2.5 cents with 2.4 million shares traded.

### THC GLOBAL

THC says it has an expanded commercial cultivation permit and has increased production of marijuana-based medicines to supply 6,000 Australian patients.

THC said that the expanded permit was granted by the Australian Office of Drug Control for its Bundaberg, Queensland cultivation facility.

THC chief executive officer Ken Charteris said that the company expected "to supply at least an initial 6,000 patients using Canndeo medicinal cannabis on an ongoing basis commencing from [April to May] 2020".

### PHARMAUST

Pharmaust says Brisbane's Animal Referral Hospital will participate in its trial of monepantel in dogs with treatment-naïve B-cell lymphoma.

Pharmaust said the trial had five sites in Melbourne, Sydney, Perth and Brisbane.

Pharmaust was down one cent or 10.4 percent to 8.6 cents.

### ABUNDANT PRODUCE

Abundant says it has applied to de-list from the ASX, following in-principle advice from the ASX that it would remove the company on receipt of a request.

Abundant said its reasons for de-listing included "significantly and materially" low trading prices compared to the value of the company, insufficient liquidity of shares to allow shareholders to redeem shares now or in the future, and financial, administrative and compliance obligations and costs of listing on the ASX no longer being justified.

The company said that it would need to request removal, approved by a special resolution of shareholders, a shareholder approval meeting notice would need to set out a timetable of key dates and provide the chance for shareholders to sell their shares before de-listing, and removal should not take place earlier than one month after approval.

### A2 MILK

Mitsubishi UFJ Financial Group and First Sentier Investors say they have reduced their holding in A2 Milk from 74,990,656 shares (10.198%) to 65,959,081 shares (8.963%). The companies said that between November 19, 2019 and February 25, 2020 they traded shares with the single largest purchase 680,194 shares for \$9,515,914 or \$13.99 a share. A2 Milk was down 26 cents or 1.6 percent to \$16.39 with 3.8 million shares traded.

### ELDERS

Perpetual says it has increased its substantial shareholding in Elders from 14,770,459 shares (9.49%) to 16,642,473 shares (10.69%).

The Sydney-based Perpetual said that between February 26 and March 2, 2020 it bought and sold shares for prices ranging between \$7.54 and \$8.13 a share.

Elders was up 22 cents or 2.6 percent to \$8.81 with 1.5 million shares traded.

### COSTA GROUP HOLDINGS

Sydney's Lazard Asset Management Pacific Co says it has reduced its substantial shareholding in Costa from 27,056,404 shares (7.52%) to 24,639,192 shares (6.15%).

Lazard said that between November 8, 2019 and March 2, 2020 it traded shares, with the single largest purchase of 2,570,993 shares for \$6,271,474 or \$2.44 a share.

Costa was down six cents or two percent to \$2.97 with 4.1 million shares traded.

### CLOVER CORPORATION

The Sydney-based Challenger says it has become a substantial shareholder in Clover with 8,452,867 shares or 5.08 percent of the company.

Challenger said it bought and sold shares between October 18, 2019 and March 3, 2020 with the single largest purchase 717,816 shares for \$1,830,431 or \$2.55 a share.

Clover was unchanged at \$2.60 with 470,747 shares traded.

### NATIONAL VETERINARY CARE

Lakeville Capital Management says it has increased its substantial shareholding in National Veterinary from 3,591,385 shares (5.34%) to 4,434,693 shares (6.59%).

The Hong Kong-based Lakeville Capital said that between February 14 and 28, 2020 it bought 843,308 shares for \$3,098,813.89 or \$3.67 a share.

### TASSAL GROUP

Tassal says it has appointed Richard Haire as a non-executive director.

Tassal said Mr Haire had more than 29 years' experience in agriculture business, with 27 years' experience in commodity trading and banking.

The company said Mr Haire was a non-executive director of the Bank of Queensland, and BEC Stockfeed Solutions, as well as chair of the Cotton Research and Development Corporation, Reef Corporate Services and Endeavour Foundation.

Tassal said Mr Haire held a Bachelor of Economics from the Armidale, New south Wales-based University of New England and a Diploma of Corporate Management from the University of Sydney.

Tassal was down one cent or 0.3 percent to \$3.77 with 1.5 million shares traded.



### CLEAN SEAS SEAFOOD

Clean Seas says it has appointed Gilbert Vergères as a non-executive director, effective from March 2, 2020.

Clean Seas said Mr Vergères was a partners of the Liechtenstein-based asset manager Bonafide Wealth Management, which held about 17.5 percent of Clean Seas' shares.

The company said Mr Vergères established the Bonafide Global Fish Fund with two partners in 2012 and was based in Asia, reflecting a focus on aquaculture investments in the Asia-Pacific region.

Mr Vergères previously worked in the Swiss financial sector.

Clean Seas was down 5.5 cents or 8.3 percent to 61 cents.

### FONTERRA SHAREHOLDERS' FUND

Fonterra says chairman John Monaghan will retire when his current three-year term ends at the annual general meeting in November, after 11 years as a director.

Fonterra said it planned to announce a new chair from its seven existing farmer directors "by no later than August this year".

Fonterra was untraded at \$3.71.

### APIAM ANIMAL HEALTH

Apiam says Todd Richards will replace company secretary Sophie Karzis, effective from March 3, 2020.

Apiam was untraded at 47 cents.