

# Ag & Vet Weekly



Monday August 17 – Friday August 21, 2020

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

- \* **AUGUST 21: ASX DOWN, AVW-44 UP: WIDE OPEN UP 13.5%; ANATARA DOWN 17%**
- \* **CANN GROUP OVERSUBSCRIBED PLAN RAISES \$25.9m, TOTAL \$40.2m**
- \* **A2 MILK REVENUE UP 33% TO \$1.6b, PROFIT UP 34% TO \$352m**
- \* **TASSAL REVENUE UP 0.3% TO \$562.5m, PROFIT UP 18% TO \$69m**
- \* **A2 MILK: OFFERS \$246m TO ACQUIRE 75% OF MATAURA VALLEY MILK**
- \* **CSIRO, FUTURE FEED SEAWEED TO REDUCE CATTLE METHANE**
- \* **REGENEUS: US PATENT FOR SYGENUS FOR SKIN CONDITIONS**
- \* **ALTHEA: 740 NEW MARIJUANA PATIENTS IN JULY FOR \$692k**
- \* **MEMPHASYS, NEWCASTLE UNI PARTNER FOR IVF**
- \* **AVECHO: 'TPM INCREASES MARIJUANA CBD SOLUBILIZATION, IN-VITRO'**
- \* **ROOTS REQUESTS 'CAPITAL RAISING' TRADING HALT**
- \* **SEAFARMS PLEADS SCHULTZ TO 50% ASX PRICE QUERY**
- \* **LAZARD REDUCES TO 9.25% OF RIDLEY**
- \* **LAZARD BELOW 5% IN COSTA**
- \* **FONTERRA APPOINTS TEH-HAN CHOW GREATER CHINA CEO**
- \* **MGC: '10-PATIENT ARTEMIC FOR COVID-19 DATA MEETS ENDPOINTS'**

## MARKET REPORT

The Australian stock market was down 0.1 percent on Friday August 21, 2020, with the ASX200 down 8.8 points to 6,111.2 points. Twenty-two of the AVW-44 stocks were up, 14 fell, five traded unchanged and three were untraded.

Wide Open Agriculture was the best, up 16.5 cents or 13.5 percent to \$1.39, with 2,179,192 shares traded. AP Hemp and Nanollose climbed more than 11 percent; Terragen was up 9.1 percent; Tassal improved 5.2 percent; Althea, Cannpal, Clean Seas and Pharmaust rose more than four percent; Elixinol was up 3.1 percent; Creso, Huon, Next Science and THC climbed two percent or more; A2 Milk, Bubs, Opyl and Palla Pharma were up more than one percent; with Apiam, Clover, Nufarm and Select Harvests up by less than one percent.

Anatara led the falls, down four cents or 16.7 percent to 20 cents, with 288,920 shares traded. Ocean Grown lost 11.5 percent; MGC and Regeneus shed more than six percent; Food Revolution fell 4.1 percent; Memphasys and Synlait were down more than three percent; Cann Group and Seafarms lost more than two percent; Costa, Ecofibre and Elders shed one percent or more; with Bega and Fonterra down by less than one percent.

## CANN GROUP

Cann Group says it has raised \$25.9 million through an oversubscribed share plan at 40 cents a share, increased the plan by \$15.9 million due to strong demand.

Last month, Cann Group said it had raised \$14.3 million through a placement and hoped to raise a further \$10 million through a share plan (AVW: Jul 17, 2020).

Today, the company said the funds were for working capital and to strengthen its position in terms of securing external debt funding for the first stage of its Mildura expansion.

Cann Group fell one cent or 2.2 percent to 44.5 cents with 3.6 million shares traded.

## A2 MILK COMPANY

A2 Milk says revenue for the year to June 30, 2020 was up 32.8 percent to \$NZ1,732,527,000 (\$A1,582,401,800), with net profit after tax up 34.1 percent to \$NZ385,837,000 (\$A352,404,840).

A2 Milk said revenue from its liquid milk businesses rose 27.7 percent to \$NZ223.4 million, infant nutrition product sales were up 33.8 percent to \$NZ1.4 billion and other nutritional milk product sales increased 29.6 percent to \$NZ85.2 million.

A2 Milk chief executive officer Geoffrey Babidge said the company “demonstrated significant resilience in the second half managing the business in the face of the Covid-19” but that continued uncertainty related to the pandemic could “impact consumer behavior in our core markets, as well as participants within the supply chain, most notably in China”.

“Notwithstanding these uncertainties, overall for [the year to June 30, 2021] we anticipate continued strong revenue growth,” Mr Babidge said.

The company said it expected the earnings before interest, taxes, depreciation and amortization for the year to June 30, 2021 to be in the order of 30 to 31 percent, reflecting higher material costs, increase of market investment and the Covid-19 benefits it received between January and March not to be replicated.

A2 said diluted earnings per share was up 34.4 percent to 52.12 NZ cents, net tangible assets per share was up 42.3 percent to \$NZ1.48 and it had cash and short-term deposits of \$NZ854,178,000 at June 30, 2020, compared to \$NZ464,805,000 the previous year.

A2 Milk was up 21 cents or 1.2 percent to \$18.37 with 4.9 million shares traded.

## TASSAL GROUP

Tassal says that revenue for the 12 months to June 30, 2020 was up 0.3 percent to \$562,489,000 with net profit after tax up 18.3 percent to \$69,111,000.

Tassal said that revenue was primarily derived from the sale of salmon and salmon products, down 3.9 percent to \$455.5 million, while sales of prawns and other fish and seafood products was up 25.5 percent to \$97.1 million, with sales of its prawns alone increasing 339.3 percent to \$12.3 million.

The company said a new marketing campaign and further improvements in its fish husbandry practices were expected to increase its salmon stocks more effectively during 2021, improving survival rates and increasing biomass size while reducing costs.

Tassal said that a final dividend of 9.0 cents per share, franked to 2.25 cents would be paid on September 29, for holders on the record date of September 15, 2020, the same as the interim dividend and the previous final dividend.

The company said net tangible asset backing per share rose 11.0 percent to \$3.23, diluted earnings per share was up 0.03 percent to 33.93 cents and it had cash and cash equivalents of \$21,860,000 at June 30, 2020, compared to \$24,566,000 the previous year.

Tassal was up 19 cents or 5.2 percent to \$3.85 with 1.7 million shares traded.

## A2 MILK COMPANY

A2 Milk says it has offered about \$NZ270 million (\$A246 million) to acquire 75.1 percent of the Southland, New Zealand-based dairy business Mataura Valley Milk.

A2 Milk said Mataura Valley Milk had granted it a period of exclusivity to conduct due diligence and negotiate transaction documentation.

The company said this period of exclusivity was supported by Mataura Valley Milk's majority shareholder, Beijing's China Animal Husbandry Group, a subsidiary of the China's state-owned China National Agriculture Development Group.

A2 Milk said the China National Agriculture Development Group was also the parent of its own strategic partner CSFA Holdings Shanghai

The company said it had been exploring options to manufacture at Mataura Valley Milk's Southland facility when it made the offer.

A2 Milk chief executive officer Geoffrey Babidge said that due to the increasing scale of the company's infant nutrition business, it had been "assessing participation in manufacturing capacity and capability".

"The potential investment in Mataura Valley Milk's recently commissioned facility, alongside China Animal Husbandry Group, aligns with this strategic objective as we look to complement and build upon our current strategic relationships with Synlait Milk and Fonterra Co-operative Group, which remain in place".

"Our intention would be to invest further to establish blending and canning capacity at Mataura's facility to support the establishment of a fully integrated manufacturing plant for infant nutrition".

A2 Milk said any transaction that resulted from discussions with Mataura Valley Milk would be expected to be settled towards the end of the year to June 30, 2021 and would be funded entirely from existing cash reserves.

## COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION FUTURE FEED

The CSIRO says Future Feed will commercialize its livestock feed additive made from the seaweed *Asparagopsis taxiformis*, to reduce methane emissions in cattle

The Organisation said spin-out company Future Feed Pty Ltd would develop the livestock feed supplement, which the CSIRO had spent more than five years developing in collaboration with Meat and Livestock Australia and the Townsville, Queensland-based James Cook University.

The CSIRO said the *Asparagopsis taxiformis*-based additive had been shown to reduce methane emissions in beef and dairy cattle by more than 80 percent in trials in Australia and the US.

The Organisation said its scientists estimated that, if the feed additive was adopted by 10 percent of beef feedlots and dairy industries, the global livestock industry greenhouse gas emissions could be reduced by about 120 megatonnes a year, equivalent to reducing the number of cars on the road by 50 million for an entire year.

The CSIRO said commercial volumes of the feed additive would be supplied into the Australian beef and dairy market by July 2021 and international markets after that.

The Organisation said the AGP Sustainable Real Assets and Sparklabs Cultiv8 joint venture, Grain Corp, Harvest Road and Woolworths Australia had invested a total of \$13 million for Future Feed's foundation.

## REGENEUS

Regeneus says the US Patent and Trademark Office has allowed a patent for its Sygenus platform for non-inflammatory skin conditions.

Regeneus said the patent, entitled 'Pharmaceutical compositions and topical use thereof', would protect its intellectual property until 2032.

The company said Sygenus was a fat-derived, cell-free topical serum and gel treatment for pain and inflammation, composed of selective bioactive molecules.

Regeneus said the patent covered the treatment of a broad range of non-inflammatory skin conditions with adipose, or fat, derived cell secretions, including age spots, sun spots, thinning skin, wrinkles, and other age-related degenerative diseases.

Regeneus fell one cent or seven percent to 13.5 cents.

## ALTHEA GROUP HOLDINGS

Althea says that its marijuana has been prescribed to 740 new patients in July, providing unaudited revenue of \$692,091, taking the total prescribed to 8,304 patients.

Althea said it had higher than anticipated demand for its subsidiary Myaccess Clinics, which was a marijuana provider in the UK.

Althea chief executive officer Josh Fegan said that "prescriptions [were] increasing by the day and a robust supply chain [was] now in place".

"Our Myaccess Clinics business continued to drive patient access to medicinal cannabis across the UK, with our GBP99 (\$A180) consultation price point and unrivalled customer service resonating well with the public," Mr Fegan said.

Althea was up 1.5 cents or 4.23 percent to 37 cents with 1.2 million shares traded.

## MEMPHASYS

Memphasys says it will progress several prospective reproductive technologies for animals and humans with Newcastle University in central New South Wales.

Memphasys said the projects would include its next generation Felix sperm separation device for humans and animals, diagnostics for animal fertility and semen oxidative stress, and development of long-life sperm storage media.

The company said it was progressing technical feasibility studies to establish operational and economic viability of the products and aimed to complete the studies by December 31, 2020.

Memphasys said fertility expert Prof John Aitken had increased his commitment to the company to progress the product initiatives.

Memphasys executive chair Alison Coutts said the "primary objective is to bring our Felix device for human [in-vitro fertilization] into commercialization, [but] we are not a one product company".

"Over the past few months, we have strengthened our relationship with Newcastle University by jointly progressing a number of projects focused on male infertility in animals and humans which are now at technical feasibility study stage," Ms Coutts said.

"If successful, and requisite internal and external hurdles are met, then these niche products may provide significant additional revenue streams to the Felix device," Ms Coutts said.

Memphasys fell 0.5 cents or 3.7 percent to 13 cents with 1.8 million shares traded.

### AVECHO (FORMERLY PHOSPHAGENICS)

Avecho says its tocopheryl phosphate mixture (TPM) increases the dispersibility and solubilization of marijuana-based cannabidiol in simulated gastrointestinal digestions. Avecho said the in-vitro studies of its vitamin E-based TPM technology combined with cannabidiol (CBD), conducted by researchers at the University of Copenhagen in Denmark, showed a “significantly” increased the solubilization of CBD in model of gastric and intestinal digestion, which suggested the potential for improved oral bioavailability in animals and patients.

The company said CBD administered in a commercial formulation vehicle had “very poor gastric and intestinal solubility ... [and] poor oral bioavailability”.

Avecho said the formulations identified in the studies would be tested in animals, and if successful, would progress to in-human testing.

Avecho chief executive officer Dr Paul Gavin said “the coming months will determine whether this increase in gastro-intestinal solubilization produces a commensurate increase in oral bioavailability”.

Avecho was unchanged at 0.9 cents with 2.9 million shares traded.

### ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots has requested a trading halt “pending an announcement in relation to a capital raising”.

Trading will resume on August 24, 2020 or on an earlier announcement.

Roots last traded at 2.3 cents.

### SEAFARMS GROUP

Seafarms has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company’s share price rose 50 percent from 6.2 cents on August 13, to 9.3 cents today August 18, 2020 and noted a significant increase in the trading volume.

Seafarms fell 0.2 cents or 2.6 percent to 7.5 cents with two million shares traded.

### RIDLEY CORPORATION

Sydney’s Lazard Asset Management Pacific Co says it has reduced its substantial shareholding in Ridley from 38,754,176 shares (12.45%) to 29,375,176 shares (9.25%).

Lazard said that it bought and sold shares between May 27 and August 14, 2020, with the single largest sale 12,839,186 shares for \$9,178,738 or 71.5 cents a share.

Ridley was unchanged at 70.5 cents.

### COSTA GROUP HOLDINGS

Lazard Asset Management Pacific Co says it has ceased to be a substantial shareholder in Costa Group.

Lazard said that between August 11 and 14, 2020 it bought and sold shares with the single largest sale 4,218,580 shares for \$12,443,076 or \$2.95 a share.

In March, Lazard said it had reduced its holding in Costa to 24,639,192 shares (6.15%) and Ag & Vet Weekly calculates that Lazard holds 19,430,233 shares or 4.85 percent of the company (AVW: Mar 6, 2020).

Costa fell three cents or one percent to \$2.96 with 2.5 million shares traded.

## FONTERRA

Fonterra says it has appointed Teh-han Chow as chief executive officer for Greater China. Fonterra said Mr Chow had been acting chief executive officer for Greater China since December 2019 and was previously the head of its New Zealand milk products ingredients business for Greater China and South and East Asia.

The company said Mr Chow was previously China's Louis Dreyfus chief executive officer and Simplot Greater China managing-director.

Fonterra fell one cent or 0.3 percent to \$3.48.

## MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says interim results from 10 patients in its up-to 50-patient phase II trial of Artemic for Covid-19 show safety and efficacy, with no adverse effects.

MGC said its Israel-based, phase II, double-blind, placebo-controlled trial of its anti-inflammatory Artemic, comprised of artemisinin, vitamin C, curcumin and boswellia serrata, or Indian frankincense, for patients diagnosed with Covid-19 met the primary endpoints of "sustained clinical recovery, the resolution of symptoms, and prevented the need for intensive care or invasive mechanical ventilation".

The company said it used the UK National Early Warning Score 2 (NEWS2), which measured a patient's degree of illness to prompt critical care intervention where scores above seven were, arguably, predicative of intensive care admissions for Covid-19.

MGC said four patients in the group receiving Artemic had NEWS scores between eight and 11 at admission, which reduced to zero at discharge ( $p = 0.005$ ), with two patients in the placebo group having NEWS score of zero at discharge.

The company said there were a further 19 patients currently in the trial, with a maximum number of 50.

MGC fell 0.2 cents or 6.7 percent to 2.8 cents with 27.7 million shares traded.