

# Ag & Vet Weekly



Monday September 28 – Friday October 2, 2020

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

- \* ASX, AVW-44 DOWN: NANOLLOSE UP 11.5%; SEAFARMS DOWN 12.5%
- \* NSW FARMERS: AGRICULTURAL INNOVATION AUSTRALIA FOR R&D
- \* SYNLAIT REVENUE UP 27% TO \$1.2b, PROFIT DOWN 8.5% TO \$69m
- \* SEAFARMS REVENUE UP 14% TO \$28m, LOSS DOWN 17.5% TO \$25.5m
- \* SELECT HARVESTS TO PAY \$129m FOR PIANGIL ALMOND; \$120m RAISE
- \* HUON SHARE PLAN RAISES \$2m, TOTAL \$66m
- \* TASFOODS RETAIL RIGHTS RAISE \$1.5m, TOTAL \$3.7m
- \* NANOLLOSE INVESTS \$200k IN CELLUAIR FILTRATION
- \* A2 MILK FORECASTS REVENUE UP TO \$1.75b
- \* REGENEUS RECEIVES \$677k R&D TAX INCENTIVE
- \* PHARMAUST: MONEPANTEL SELECTIVE FOR CANCER CELLS
- \* REGENEUS AUSTRALIAN PATENT FOR OA, MSC BIOMARKERS
- \* CRESO REQUESTS 'CAPITAL RAISING' TRADING HALT
- \* PENDAL GROUP TAKES 5% OF A2 MILK
- \* HUON CEO PETER BENDER INCREASES, DILUTED TO 53%
- \* WEXFORD RISE TAKES 6.5% OF AUSTRALIAN PRIMARY HEMP
- \* WIDE OPEN REQUESTS 'CAPITAL RAISING' TRADING HALT
- \* RIDLEY: 1.8m CEO QUINTON HILDEBRAND SHARES AGM
- \* TASFOODS LOSES DIRECTOR ALEXANDER BEARD

## MARKET REPORT

The Australian stock market was down 1.4 percent on Friday October 2, 2020, with the ASX200 down 81.4 points to 5,791.5 points. Four of the AVW-44 stocks were up, 25 fell, nine traded unchanged and six were untraded.

Nanollose was the best, up 0.9 cents or 11.5 percent to 8.7 cents, with 9,573,337 shares traded. Opyl rose three percent; with Clean Seas and Ridley up more than one percent.

Seafarms led the falls, down 1.5 cents or 12.5 percent to 10.5 cents, with 4,255,328 shares traded.

Cannpal lost 9.1 percent; Food Revolution and Tasfoods shed eight percent; Pharmaust fell 7.4 percent; Regeneus was down 6.45 percent; Murray Cod lost 5.9 percent; Roots retreated four percent; Auscann shed 3.3 percent; Althea, Bubs, Fonterra, Huon, Nufarm and Terragen were down more than two percent; Bega, Cann Group, Clover, Ecofibre, Elders, Next Science and Synlait lost more than one percent; with A2 Milk, Costa and Tassal down less than one percent.

## NEW SOUTH WALES FARMERS

New South Wales Farmers says 15 Australian agricultural companies have founded an agricultural research and development company Agricultural Innovation Australia.

NSW Farmers said the Federal Government had committed \$1.3 million to the company in seed funding.

NSW Farmers president James Jackson said that Agricultural Innovation Australia (AIA) would “draw on the collective expertise of a range of industries, which will lead to less duplication of effort and greater investment opportunities to drive productivity, sustainability and profitability of agriculture”.

“Through attracting commercial investment, AIA will hopefully place agricultural [research and development] on a path toward transformative innovation - something that has waned over recent years,” Mr Jackson said.

Mr Jackson said NSW Farmers had reviewed research and development corporations in 2019 and was pleased to see an overlap between the review’s recommendations and the proposed function of AIA.

“In the review, [NSW Farmers] emphasized the value of increased collaboration between [research and development corporations], so it is pleasing to see this approach adopted to drive greater industry innovation,” Mr Jackson said.

“We also urged stronger interaction with other research bodies, such as universities ... having AIA in place will simplify the process for seeking external partnership and investment opportunities” Mr Jackson said.

“We support an equitable co-funding model between industry and government ... the AIA structure will enable industry investment to be matched by both government and private sector contributors,” Mr Jackson said.

NSW Farmers said AIA’s founding members included Agrifutures Australia, Australian Eggs, Australian Meat Processor Corporation, Australian Pork, Australian Wool Innovation, the Cotton Research and Development Corporation, Dairy Australia, the Fisheries Research and Development Corporation, Forest and Wood Products Australia, the Grains Research and Development Corporation, Horticulture Innovation Australia, Live Corp, Meat & Livestock Australia, Sugar Research Australia and Wine Australia.

### SYNLAIT MILK

Synlait says revenue for the year to July 31, 2020 was up 27.1 percent to \$NZ1,302,025,000 (\$A1,201,144,103) with net profit after tax down 8.5 percent to \$NZ75,208,000 (\$A69,380,884).

Synlait said revenue was from its milk powder, milk powder related products, liquid milk, cheese and butter products.

The company said diluted earnings per share were down 8.6 percent to 41.85 NZ cents and that it had cash and cash equivalents of \$NZ5,887,000 at July 31, 2020 compared to \$NZ16,007,000 at July 31, 2019.

Synlait fell nine cents or 1.8 percent to \$5.01.

### SEAFARMS GROUP

Seafarms says revenue for the year to June 30, 2020 was up 14.0 percent to \$27,815,691 with net loss after tax down 17.5 percent to \$25,542,668.

Seafarms said the revenue was mainly derived from the sale of its Crystal Bay branded prawn products, including black tiger prawns and banana prawns.

The company said the reported loss included costs relating to the development of 'Project Sea Dragon', a prawn aquaculture facility it was building in northern Australia.

Seafarms said that diluted loss per share was down 31.9 percent to 1.24 cents a share with net tangible asset backing per share down 50.0 percent to one cent.

The company said it had cash and cash equivalents of \$6,466,055 at June 30, 2020, compared to \$16,302,589 at June 30, 2019.

Seafarms fell 1.5 cents or 12.5 percent to 10.5 cents with 4.25 million shares traded.

### SELECT HARVESTS

Select Harvests says it will buy Piangil Almond Orchard for about \$129 million plus costs, and hopes to raise \$120 million in a rights offer and placement at \$5.20 a share.

Select Harvests said it had agreements with United Almonds, Bright Light Agribusinesses and Lake Lucas Almonds to acquire the almond orchard, a 1,566 hectare property at Piangil, north-west Victoria, that had 1,566 hectares of mature plants as well as 389 hectares of immature plants.

The company said the purchase, expected to be completed by December 31, 2020, included 2,499 mega-litres of water, 641 hectares of unplanted land and a 2021 almond crop.

Select Harvests said it would fund the acquisition through a combination of new debt facilities and the proceeds from a fully underwritten \$120 million entitlement offer and placement.

The company said it hoped to raise \$80 million in its one-for-6.3 entitlement offer through the issue of about 15.3 million shares, and \$40 million in the placement of about 7.7 million shares.

Select Harvests said its entitlement offer opened to institutional shareholders on October 1 and closed today, October 2, and would open to retail shareholders on the record date of October 6, opening on October 9 and closing on October 22, 2020.

Select Harvests said shares offered under the capital raising were a 4.8 percent discount to its closing price on October 1, 2020.

Select Harvests was untraded at \$5.46.

### HUON AQUACULTURE GROUP

Huon says it has raised \$2 million through a share purchase plan at \$2.92 a share, for a total of \$66 million.

In August, Huon said it had raised \$64 million through a placement to institutional and sophisticated investors at \$3.00 a share and would offer a share plan for up to \$4 million (AVW: Aug 28, 2020).

Huon fell seven cents or 2.5 percent to \$2.75.

### TASFOODS

Tasfoods says it has raised \$1.48 million of a hoped-for \$1.9 million in a retail rights offer at 8.5 cents a share, and \$200,000 in a shortfall, for a total of \$3.68 million.

In August, Tasfoods said it raised about \$2 million including \$1.1 million in a placement at 8.5 cents a share, as well as \$255,000 in a shortfall placed to Elsie Cameron Foundation and binding commitments from CVC for \$650,000 (AVW: Aug 28, 2020).

This week, the company said it had a \$630,000 shortfall, \$200,000 of which would be placed by the Elsie Cameron Foundation, which had agreed to underwrite the rights offer. Tasfoods said it had the right to place the shortfall shares within three months of the rights offer closing date, on the same terms as the original offer.

The company said it had appointed PAC Partners Securities Pty Ltd to manage the shortfall placement.

Tasfoods fell 0.8 cents or eight percent to 9.2 cents.

### NANOLLOSE

Nanollose says it has invested \$200,000 for a 20 percent holding in Celluair, a company developing a nanocellulose-based advanced filtration technology.

Nanollose said Celluair's advanced filtration technology, developed by the Queensland University of Technology, had "multiple applications ... across the medical, construction and air treatment industries".

The company said Celluair filed a patent application for its technology in July, 2020.

Nanollose said Celluair would use the investment funds to investigate the replacement of its current plant-based nano-cellulose with Nanollose's microbial nano-cellulose, as well as scale the technology using commercial equipment and prepare for both Australian and international commercialization.

The company said its investment could help Celluair enter the personal protective equipment market, which reached \$US11 billion (\$A15.36 billion) in 2020.

Nanollose executive chairman Dr Wayne Best said the company was "pleased to have invested in a seed capital raise for Celluair, as strong synergies exist between the two companies, and we believe in the potential of nanocellulose across multiple industries and applications."

"This investment allows Nanollose to contribute to, and benefit from, Celluair's technology without diverting significant resources from the company's near-term objective of commercializing its tree-free Nullarbor fibre," Dr Best said.

Nanollose was up 0.9 cents or 11.5 percent to 8.7 cents with 9.6 million shares traded.

## THE A2 MILK COMPANY

A2 Milk says it expects revenue of between \$NZ1.8 billion (\$A1.66 billion) and \$NZ1.9 billion (\$A1.75 billion) for the year to June 30, 2020

In April, A2 Milk said it expected revenue of between \$NZ1.7 billion and \$NZ1.75 billion despite Covid-19 uncertainty, due to increased revenue, pandemic-related pantry stocking among consumers, favourable exchange rate movement between the US and New Zealand and lower than expected costs for travel and expenses (AVW: Apr 24, 2020).

This week, the company said it expected a full year earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of 31 percent and a group revenue of between \$NZ725 and \$NZ775 million for the six months to December 31, 2020.

A2 Milk said September sales from its corporate resellers, particularly to China, were disrupted due to stage four lockdown in Victoria, which it expected to continue up to January 2021.

The company said it didn't receive the expected amount of orders from its resellers and predicted that Australian and New Zealand revenue would be materially below the forecasted amount for the six months to December 31, 2020, as Chinese resellers made up a significant portion of its Australian and New Zealand infant formula sales.

A2 Milk said it believed this to be a temporary logistics issue that would resolve should Covid-19-related issues stabilize in Australia, with Chinese demand for its products still strong.

The company said performance in all other areas of its business was strong.

A2 Milk fell four cents or 0.3 percent to \$13.98 with 4.4 million shares traded.

## REGENEUS

Regeneus says it has received \$676,591 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Regeneus said the rebate related to research and development expenditure for the year to June 30, 2020.

Regeneus fell one cent or 6.45 percent to 14.5 cents.

## PHARMAUST

Pharmaust says screening of RNA sequencing by the Olivia Newton-John Institute has found that its sheep worm drench monepantel is selective for cancer cells.

Pharmaust said Melbourne's Olivia Newton-John Cancer Research Institute investigated how the entire genome of melanoma, lung cancer and ovarian cancer cell lines responded to monepantel compared to a non-cancer cell line control.

The company said it identified the genes that were switched on and off when treated with monepantel and found that changes in gene expression were relatively modest in the non-cancer cells compared to changes in the cancer cell lines.

Pharmaust said this indicated that monepantel did not affect non-cancer cells, was selective towards cancer cells and supported the safety profile of monepantel on non-cancer cells.

The company said it also demonstrated that cancer cell genes involved in promoting cell division were suppressed and those involved in inducing cancer cell death were induced.

Pharmaust said it had identified several genes that would be investigated further to establish the mechanism of action of monepantel.

Pharmaust fell one cent or 7.4 percent to 12.5 cents with 1.65 million shares traded.

### REGENEUS

Regeneus says IP Australia has accepted a patent application covering its biomarkers to monitor disease progression mesenchymal stem cell therapy patients.

Regeneus said the patent, titled 'Biomarkers for cell therapy' would cover the intellectual property until 2034, and the company the patent to be granted in January 2021.

The company said the patent covered macrophage migration inhibitory factor, cartilage oligomeric matrix protein, and crosslinked C-telopeptides of type II collagen to monitor inflammatory conditions in patients undergoing a broad range of cell therapies.

Regeneus said that osteoarthritis included the progressive loss of particular cartilage and the patent would allow the company to monitor the biomarkers to measure severity of the disease, determine further treatments and better manage the disease.

### CRESO PHARMA

Creso has requested a trading halt as it "considers, plans and executes a capital raising".

Trading will resume on October 7, 2020 or on an earlier announcement.

Creso last traded at 3.8 cents.

### THE A2 MILK CO

Sydney's Pandal Group says it has become a substantial shareholder in A2 Milk with 38,355,845 shares or 5.165 percent of the company.

Pandal did not provide the details of the acquired shares.

### HUON AQUACULTURE GROUP

Huon chief executive officer Peter Bender says his holding has increased but been diluted from 57,691,523 shares (66.06%) to 57,872,875 shares (52.67%).

The Hobart-based Mr Bender said that on September 30, 2020 his holding was diluted following a \$2 million share plan at \$2.92 a share (see above) but did not detail his acquisition of shares.

### AUSTRALIAN PRIMARY HEMP

The Melbourne-based Wexford Rise says it has become a substantial shareholder in Australian Primary Hemp with 4,525,000 shares or 6.52 percent of the company.

Wexford did not provide the details of the acquired shares.

Australian Primary Hemp was unchanged at 19 cents.

### WIDE OPEN AGRICULTURE

Wide Open Agriculture has requested a trading halt "pending the release of an announcement regarding a proposed capital raising".

Trading will resume on October 8, 2020 or on an earlier announcement.

Wide Open was untraded at \$1.07.

### RIDLEY CORP

Ridley says it will vote to issue chief executive officer Quinton Hildebrand 270,567 ordinary shares and up to 1,566,108 performance rights, worth about \$1.5 million. Ridley said the annual general meeting would vote to issue Mr Hildebrand 270,567 shares under its short-term incentive plan, based on key performance indicators and the company's earnings before interest, tax, depreciation and amortization (Ebitda) targets, for an entitlement worth \$245,000.

The company said it would vote to issue Mr Hildebrand 1,566,108 performance rights through its long-term incentive plan, to vest in two tranches, with 41.2 percent of the shares in the first tranche and 58.8 percent of the shares in the second.

Ridley said the first tranche was equivalent to 70 percent of Mr Hildebrand's remuneration, or \$490,000, while the second tranche was equivalent to 100 percent of his remuneration, or an additional \$700,000.

The company said it would vote to elect Mick McMahon, Rhys Jones, Prof Robert Barneveld and Patria Mann as directors and adopt the remuneration report.

The meeting will be held virtually on November 23, 2020 at 11am (AEDT).

Ridley was up one cents or 1.25 percent to 81 cents.

### TASFOODS

Tasfoods says director Alexander Beard has resigned from the board, effective from September 30, 2020.

Tasfoods said Mr Beard was appointed a director on March 13, 2018.