

# Ag & Vet Weekly



Monday June 21 – Friday June 25, 2021

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

- \* **ASX UP, AVW-42 DOWN: HUON UP 8%; SEAFARMS DOWN 26%**
- \* **COSTA \$190m PLACEMENT FOR \$219m 2PH FARMS**
- \* **SEAFARMS PLACEMENT FOR \$90m, SHARE PLAN FOR \$15m**
- \* **HUON POTENTIAL SALE; GUIDANCE CONFIRMED**
- \* **WELLNEX RIGHTS RAISE \$1.32m, SHORTFALL \$1.56m**
- \* **NEXT SCIENCE, ZIMMER TALKS ON XPERIENCE DISTRIBUTION**
- \* **WIDE OPEN: MARKET GROCER VIC, NSW OATUP ORDERS**
- \* **PALLA COMPLETES IRELAND, GERMANY CO-CODAMOL SUBMISSIONS**
- \* **PALLA APPOINTS ALLOGA UK CO-CODAMOL SUPPLIER**
- \* **ALTHEA SHIPS MARIJUANA TO SOUTH AFRICA**
- \* **WIDE OPEN SELLS 2.3m DIRECTOR OPTIONS TO NEW INVESTORS**
- \* **CRESO REQUESTS 'SALES, REVENUE UPDATE' TRADING HALT**
- \* **PERPETUAL TAKES 10% OF SELECT HARVESTS**
- \* **TATTARANG, 'TWIGGY' FORREST TAKE 7.3% OF HUON**
- \* **REGAL FUNDS BELOW 5% OF HUON**
- \* **SCOBIE DICKINSON WARD TAKES 17.6% OF TERRAGEN**
- \* **ONE FUNDS TAKES 9.7% OF TERRAGEN**
- \* **COSTA APPOINTS HARRY DEBNEY DIRECTOR**
- \* **JOHN MURPHY, JOHN O'HARA REPLACE TASFOODS ROGER MCBAIN**
- \* **TERRAGEN LOSES CFO, CO SEC KARA KING**
- \* **EPSILON: LOUISA HO IN, PHILIP LEIGHFIELD OUT; NICHOLAS MARSHALL**

## MARKET REPORT

The Australian stock market was up 0.45 percent on Friday June 25, 2021, with the ASX200 up 32.7 points to 7,308.0 points. Thirteen of the AVW-42 stocks were up, 20 fell, six traded unchanged and three were untraded.

Huon was the best, up 21 cents or 7.8 percent to \$2.90, with 126,371 shares traded. Tassal climbed five percent; both Ecofibre and Ridley improved four percent; A2, Epsilon and Nufarm were up more than three percent; Next Science, Palla Pharm and Wide Open rose more than one percent; with Clean Seas, Elders and Synlait up by less than one percent.

Seafarms led the falls, down 2.2 cents or 25.6 percent to 6.4 cents, with 2.6 million shares traded. Memphasys lost 9.7 percent; Anatara fell 6.7 percent; Avecho and MGC shed five percent or more; Auscann, Pharmaust and Tasfoods fell more than four percent; Food Revolution, Nanollose and Terragen lost more than three percent; Bubs and Murray Cod shed more than two percent; AP Hemp, Apiam, Cann Group, Ocean Grown and Select Harvests fell more than one percent; with Bega and Fonterra down less than one percent.

## COSTA GROUP HOLDINGS

Costa says it has an agreement to acquire 2PH Farms for about \$200 million and has a fully underwritten one-for-6.33 renounceable rights capital raising at \$3.00 a share.

Costa said the acquisition of the Central Queensland-based citrus grower 2PH would require about \$219 million, to be funded from the rights offer and existing debt facilities.

The company said the rights offer had institutional and retail components, and it expected the acquisition transaction to be completed by late July 2021.

Costa said the record date was June 28, the institutional offer would open on June 23 and close on June 24, while the retail offer opening on July 2 and closing on July 19, 2021.

Costa said the \$3.00 a share offer was a 10.3 percent discount to the theoretical ex rights price with UBS the financial adviser and King and Wood Mallesons the legal adviser.

Costa said 2PH had operations in Central Queensland, Emerald and Dimbulah, and was expected to generate about \$29 million in earnings before interest, taxes, depreciation, amortization and stock-based compensation in 2021.

The company said it would pay a further \$31 million in July 2023 for the 2PH Farms-owned Conaghans property where a citrus plant was currently being planted.

Costa said 2PH had 1,474 planted hectares of citrus, and 240 planted hectares of table grapes, with a further 210 hectares to be planted by at the Conaghans property by 2023.

Costa was in a halt for the capital raising and last traded at \$3.40.

## SEAFARMS GROUP

Seafarms says it has raised \$92.5 million in a placement to institutional and sophisticated investors at 5.5 cents a share and hopes to raise a further \$15 million in a share plan.

Seafarms said it would issue three options for every five new shares, exercisable at 9.75 cents within three years, with chair and major shareholder Ian Trahar subscribing for \$20 million in shares and converting \$15.2 million of debt into equity.

Seafarms said the funds would go towards the \$281 million for stage 1a of Project Sea Dragon expanding its black tiger prawn operations, provide working capital and expenses.

The company said that the share plan had a record date of June 22, would open on July 6 and close on August 6, 2021 with Bell Potter Securities the lead manager.

Seafarms fell 2.2 cents or 25.6 percent to 6.4 cents with 2.6 million shares traded.

## HUON AQUACULTURE

Ag & Vet Weekly understands that Huon Aquaculture is negotiating a possible sale with four parties, not including the Andrew 'Twiggy' Forrest-owned Tattarang Agrifoods.

This morning, Huon confirmed to the ASX that it was "facilitating due diligence by select interested parties, with customary confidentiality obligations in place, in order to explore whether a transaction could be consummated for the benefit of shareholders".

The company said there was "no certainty around whether the current engagement with interested parties will result in a binding transaction, the form, or terms of any transaction, or whether there will be a decision or recommendation ... to pursue any transaction".

Huon said that despite the "challenges brought on by Covid-19" there had been a steady increase in demand and the impact of lockdowns had eased, with pricing and volumes "generally back to pre-Covid levels".

The company said it was trading "in line with previous guidance" and expected to harvest 35,000 tonnes of salmon for the year to June 30, 2021, with earnings before interest, taxation, depreciation and amortization (Ebitda) between \$15 million to \$20 million.

In March, Huon said that although its revenue from salmon production for the six months to December 31, 2020 was up 23.55 percent to \$220,069,000, its previous net profit after tax was turned to loss of \$95,330,000.

In February, Huon said it expected its earnings to be "substantially lower" due to \$1.8 million of incurred damage to fish pens in two unrelated events, as well as the theft of up to 250 tonnes of salmon valued at more than \$4 million from its Ingleburn, New South Wales facility, which was under police investigation with five employees charged by police (AVW: Nov 27, 2020, Jan 22, Feb 5, 2021).

The company said in February that it had appointed corporate advisor Grant Samuel to undertake a strategic review.

Last year, the company said that revenue for the 12 months to June 30, 2020 was up 20.5 percent to \$339,869,000 with its net profit after tax down 48.0 percent to \$4,915,000 (AVW: Aug 28, 2020).

The company said in August 2020 that, until the end of March 2020, it had made up for lost sales due to biological and weather events in the previous two years, but the closure of restaurants, clubs and the food catering industry due to the Covid-19 shutdown caused a "significant drop" in volumes of salmon for the wholesale market, with air freight services disrupting exports.

Earlier this week, Regal Funds said it had ceased to be substantial in Huon, selling 8,000,000 shares, and Tattarang Agrifoods with Andrew 'Twiggy' Forrest became substantial buying 8,057,839 shares on-market.

Tattarang's website said the company was "one of Australia's largest private investment groups and is owned by the Forrest family".

"Our investment portfolio spans across agri-food, energy, resources, property, and lifestyle," the company said.

Ag & Vet Weekly understands that there is a "process" with four confirmed bidders who have agreed to a "standstill" clause so they do not increase or decrease their holdings and Mr Forrest's group is not one of the four.

Ag & Vet Weekly has been told that although Tassal could argue the acquisition of Huon would not be a problem with the Australian Competition and Consumer Commission, it is not one of the four potential bidders, although a major supermarket might be.

According to his most recent substantial shareholder notice, Huon chief executive officer Peter Bender with executive director Francis Bender held a combined 52.67 percent of the company (AVW Oct 2, 2020).

Huon was up 21 cents or 7.8 percent to \$2.90.

### WELLNEX LIFE (FORMERLY WATTLE HEALTH AUSTRALIA)

Wellnex says it has raised \$1.32 million in a one-for-12 non-renounceable rights issue and hopes to raise up to \$1.56 million in a shortfall placement.

In May, Wattle said it hoped to raise \$2.88 million in a rights issue at 15 cents a share to complete the Brand Solutions Australia transaction (AVW: May 14, 2021).

Today, the company said the shortfall was \$1,563,880 and would open on June 25, 2021. Wellnex was in a suspension at 53 cents.

### NEXT SCIENCE

Next Science says Zimmer Inc has filed a complaint over commercial exclusivity rights to Xperience in the US District Court at the Northern District of Indiana.

Next Science said the Warsaw, Indiana-based Zimmer Inc alleged it had global commercial exclusivity rights over Xperience no rinse antimicrobial solution.

The company said it denied the allegations but has agreed to open negotiations with Zimmer for commercialization and distribution rights to its Xperience.

Next Science said that if the negotiations failed it intended to "vigorously defend the complaint if and when it is served" on the company while Zimmer Inc indicated that it would not serve the complaint, pending the outcome of the negotiations.

Next Science was up two cents or 1.4 percent to \$1.49.

### WIDE OPEN AGRICULTURE

Wide Open says it has an initial purchase order for its Oatup oat-based milk from The Market Grocer, for sales in New South Wales and Victoria.

Wide Open said the Lilydale, Victoria-based Market Grocer was one of the largest grocery wholesalers servicing independent, specialty grocers and major supermarkets across Australia and would promote and distribute Oatup in the two states.

The company said Oatup was expected to be available "by the end of June".

Wide Open was up one cent or 1.2 percent to 85 cents.

### PALLA PHARMA

Palla says it has completed regulatory submissions to the Ireland and Germany medicines regulators for its Co-Codamol products.

Earlier this week, Palla said it had appointed Alloga UK as its exclusive provider of pre-wholesale supply chain services for its 30mg codeine phosphate-500mg paracetamol tablet and caplet combination in the UK (see below).

Palla was up half a cent or 1.4 percent to 37 cents.

### PALLA PHARMA

Palla says it has appointed the Weybridge Surrey, England Alloga UK as its exclusive provider of pre-wholesale supply chain services for its codeine-paracetamol in the UK. Palla acting chief executive officer Brendan Middleton said the company was "able to access Alloga's distribution network including six major UK wholesale groups which supply to 70 percent of the UK Co-Codamol retail market".

"In addition, Alloga's international healthcare supply chain network offers a pan-European delivery capability, and the company will look to further leverage its partnership with Alloga as it launches products into other major European markets," Mr Middleton said.

### ALTHEA GROUP HOLDINGS

Althea says it has completed its first shipment of medicinal cannabis products to Africann, its local partner and exclusive distributor in South Africa.

Althea said Africann was a licenced wholesaler that specialized in the import and distribution of medicinal cannabis products in South Africa.

Althea was unchanged at 32.5 cents.

### WIDE OPEN AGRICULTURE

Wide Open says 2,267,985 options held by chair Anthony Maslin and managing-director Ben Cole have been sold to Australian fund management institutions.

Wide Open said the options were sold to block trade arrangements managed by Perth-based Euroz Hartleys and the sale to new institutional shareholders provided “strong validation that investors appreciate the company’s growth strategy to increase revenue and launch additional products”.

### CRESO PHARMA

Creso has requested a trading halt “pending an announcement regarding a material sales and revenue update”.

Trading will resume on June 29, 2021 or on an earlier announcement.

Creso last traded at 14 cents.

### SELECT HARVESTS

Perpetual Investment Management says it has increased its substantial shareholding in Select Harvests from 11,116,070 shares (9.25%) to 12,420,240 shares (10.33%).

Sydney’s Perpetual says that between May 7 and June 22, 2021 it bought shares at prices ranging from \$5.45 to \$6.45 a share.

Select Harvests fell 11 cents or 1.6 percent to \$6.66 with 349,657 shares traded.

### HUON AQUACULTURE

Tattarang Agrifood Pty Ltd and John Andrew Henry Forrest say they have become substantial shareholders in Huon with 8,057,839 shares or 7.33 percent.

The Perth-based Tattarang said that with Forrest and Forrest Pty Ltd it bought the shares between June 17 to 21, 2021 for \$19,974,792 for \$2.47 per share.

### HUON AQUACULTURE

Regal says it has ceased to be substantial shareholder in Huon Aquaculture.

The Sydney-based Regal said that between September 21, 2020 and June 17, 2021 it bought and sold shares in Huon, with the largest sale on June 17, 2021 of 8,000,000 shares for \$19,840,000 for \$2.48 per share.

Last year Regal said it held 10,627,964 Huon shares (9.73%) (AVW: Sep 25, 2020).

### TERRAGEN HOLDINGS

Scobie Dickinson Ward says he has increased his substantial shareholding in Terragen from 31,345,761 shares (16.50%) to 33,345,761 shares (17.56%).

The Dunedin, New Zealand-based Mr Dickinson Ward said between June 10 and 21, 2021 he bought 2,000,000 shares for \$581,661 or an average price of 29.10 cents a share.

Terragen fell one cent or 3.3 percent to 29 cents.

### TERRAGEN HOLDINGS

One Funds Management says it has increased its substantial shareholding in Terragen from 16,500,000 shares (8.74%) to 18,500,000 shares (9.74%).

The Sydney-based One Funds said that it bought shares between November 26, 2019 and June 23, 2021, with the most recent purchase 548,188 shares for \$148,195 or 27 cents a share.

### COSTA GROUP HOLDINGS

Costa says it has appointed its former chief executive officer Harry Debney as a non-executive director, effective from July 1, 2021.

Last year, Costa said it had appointed chief operating officer Sean Hallahan as chief executive officer replacing Harry Debney, effective from March 31, 2021 and starting on a salary of \$850,000 a year (AVW: Nov 13, 2020).

The company said Mr Debney was its chief executive officer from 2010 and was currently a non-executive director at Kogan.com and was previously with Visy Industries rising to chief executive officer.

Costa said Mr Debney held a Bachelor of Applied Science from the University of Queensland.

### TASFOODS

Tasfoods says John Murphy and John O'Hara have been appointed non-executive directors, effective from June 23, replacing director Roger McBain.

Last month, Tasfoods said that Mr McBain was re-elected as director opposed by 127,201,369 votes (49.51%), with 129,735,703 votes (50.49%) in favor (AVW: May 21, 2021).

In an Appendix 3Y change of director's interest notice, Mr McBain said that on June 11 he sold 2,530,000 shares of his 3,271,026 shares for 13.5 cents a share and retained 741,026 shares.

Tasfoods said that Mr McBain resigned effective from June 22, 2021.

The company said Mr Murphy was previously the managing-director of Coca-Cola Amatil Australia and Carlton & United Breweries, Visy Industries' chief executive officer, was currently the chair of Tribe Breweries and was previously the deputy chair of Bellamy's Organic, chair of PFD Foods Australia and chair of the Lantern Hotel Group.

Tasfoods said Mr O'Hara was previously the chief executive officer of Sunny Queen Australia and worked for Dairy Farmers Co-op and National Foods.

The company said that Mr O'Hara was currently the chair at Mulgowie Farming Company and the advisory board chair at Morgan's Pastoral Company and Priestley's Gourmet Delights.

Tasfoods fell half a cent or 4.35 percent to 11 cents.



### TERRAGEN

Terragen says that chief financial officer and company secretary Kara King has resigned to work on her family lamb farm in Western Victoria.

The Coolumb Beach, Queensland-based company said it had begun recruitment for a new chief financial officer and company secretary.

### EPSILON HEALTHCARE

Epsilon says it has appointed Louisa Ho as company secretary effective from June 18, 2021 replacing Philip Leighfield following his resignation on June 18, 2021.

Last week, Cardiex said Nicholas Marshall would replace Philip Leighfield as joint company secretary (BD: Jun 18, 2021).

Today, Epsilon said it had appointed Nicholas Marshall as interim chief financial officer to support chief executive officer, Jarrod White, and chief operating officer, Sonny Didugu “through the completion of the corporate and strategic initiatives”.

The company said Ms Ho would join Mr Didugu who continued as company secretary.

Epsilon was up half a cent or 3.85 percent to 13.5 cents with 1.2 million shares traded.