

Ag & Vet Weekly



Monday August 23 – Friday August 27, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX FLAT, AVW-42 UP: MGC UP 44%; CLEAN SEAS DOWN 7%**
- * **ABARES: SEAFOOD DOWN 2% TO \$3.15b; FARMING OVERTAKES FISHING**
- * **BEGA REVENUE UP 39% TO \$2.1b, PROFIT UP 239% TO \$72m**
- * **A2 MILK REVENUE DOWN 30% TO \$1.2b, PROFIT DOWN 79% TO \$77m**
- * **RIDLEY REVENUE DOWN 4.2% TO \$928m, LOSS TO \$25m PROFIT**
- * **COSTA H1 REVENUE \$612m, PROFIT DOWN 6% TO \$47m**
- * **HUON REVENUE UP 26% TO \$426m, PROFIT TO \$128m LOSS**
- * **COBRAM REVENUE DOWN 0.5% TO \$140m, LOSS TO \$33m PROFIT**
- * **CLEAN SEAS REVENUE UP 20% TO \$48.5m, LOSS UP 112% TO \$32m**
- * **TASFOODS H1 REVENUE UP 4.6% TO \$34.3m, LOSS DOWN 80% TO \$1.4m**
- * **CANN GROUP REVENUE UP 369% TO \$4m, LOSS UP 48% TO \$25m**
- * **TERRAGEN REVENUE UP 86% TO \$3.65m, LOSS UP 24% TO \$6.1m**
- * **ALTHEA RAISES \$10.6m**
- * **APIAM BUYS HARBOUR CITY VETS FOR \$2.8m**
- * **NEXT SCIENCE: IRRIMAX XPERIENCE SURGICAL WASH LEGAL ACTION**
- * **ROOTS RZTO SYSTEM FOR HOME GARDENERS**
- * **MGC CLAIMS \$33m AMC MARIJUANA, CIMETRA DEAL**
- * **ALTHEA, CANOPY GROWTH MARIJUANA MANUFACTURING DEAL**
- * **EMMANUEL POHL, ECP BELOW 5% IN COSTA GROUP**
- * **DEBORAH AMBROSINI REPLACES CANN GROUP CFO GREG BULLOCK**
- * **SCOTT HADLEY TO REPLACE TASFOODS CEO JANE BENNETT**

MARKET REPORT

The Australian stock market slipped 0.04 percent on Friday August 27, 2021, with the ASX200 down 2.9 points to 7,488.3 points. Fourteen of the AVW-42 stocks were up, 12 fell, 14 traded unchanged and two were untraded.

MGC was the best, up 1.7 cents or 43.6 percent to 5.6 cents, with 95.75 million shares traded. Murray Cod climbed 8.2 percent; Apiam and Avecho improved more than six percent; Palla was up 5.7 percent; Pharmaust climbed 3.6 percent; Bubs, Ecofibre and Terragen rose more than two percent; Fonterra, Next Science and Seafarms were up more than one percent; with Ridley and Select Harvests up by less than one percent.

Clean Seas led the falls, down four cents or 7.1 percent to 52 cents, with 336,401 shares traded. A2 Milk and Althea lost two percent or more; Costa, Huon, Memphasys, Nanollose, Synlait, Tassal and Wide Open were down more than one percent; with Cobram and Elders down by less than one percent.

BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

The Australian Bureau of Agricultural and Resource Economics and Sciences says the seafood industry value fell two percent to \$3.15 billion with farming overtaking fishing. An ABARES media release said that the latest edition of 'Australian Fisheries and Aquaculture Statistics 2020' said that the aquaculture sector was "on a trajectory of steady growth, but the entire industry has experienced disruption due to the Covid-19 pandemic". Abares executive director Dr Jared Greenville said the aquaculture sector had been "steadily increasing in both value and share of gross value of fisheries production" which increased by 10 percent in 2019-'20.

Dr Greenville said that aquaculture made up "just over half of the total ... fisheries and aquaculture industry, which is up from 43 percent in 2015-'16 and 34 percent in 2005-'06". "Much of this has been reflected in Tasmania's growing salmon aquaculture industry, which is now worth 35 percent of national fisheries and aquaculture [value]," Dr Greenville said.

"That said, market disruption during Covid-19 has impacted the decrease in wild-catch production, mostly due to decreased exports of rock lobster and abalone, with fishery product exports down eight percent to \$1.41 billion in 2019-'20," Dr Greenville said.

"This created a 12 percent contraction in the [value] of the wild-catch sector," he said.

"This trend isn't limited to exports," Dr Greenville said. "Domestically, buyer behavior has also changed."

"Australians consumed around 335,000 tonnes of seafood in 2019-'20, a decrease from around 341,000 tonnes in 2017-'18, including imported seafood products," Dr Greenville said.

"The total value of fishery and aquaculture products imports decreased by four percent to \$2.2 billion last year, driven mostly by decreased imports of prawns, squids and octopus," Dr Greenville said.

An Abares spokesperson told Ag & Vet Weekly that in 2019-'20 aquaculture made up 51 percent of Australia's wild-caught and aquaculture seafood industry by value, but on a production volume basis wild caught (179,261 tonnes) was ahead of aquaculture (106,139 tonnes).

The report is at: https://daff.ent.sirsidynix.net.au/client/en_AU/search/asset/1032481/0

BEGA CHEESE

Bega says revenue for the year to June 30, 2021 was up 38.9 percent to \$2,073,400,000, with net profit after tax up 239.0 percent to \$72,200,000.

Bega said the revenue was mainly derived from processing, manufacturing and distributing dairy and food-related products, including milk, juice, cheese, Vegemite and peanut butter.

Bega chair Barry Irvin said there had been a “change in demand in the infant formula and toddler category, particularly in China”.

“We have been pleased to see our customers diversify their customer portfolio and geographic spread, which mitigates the decline [in Chinese demand],” Mr Irvin said.

Bega said that a fully-franked final dividend of 5.0 cents, the same as last year’s dividend, would be paid on September 24, for holders on the record date of September 2, 2021.

The company said that diluted earnings per share rose 174.7 percent from 9.9 cents in the previous year, to 27.2 cents for the year to June 30, 2021.

Bega said that net tangible asset backing per share was up 56.5 percent from \$1.199 at June 30, 2020, to \$1.876 at June 30, 2021.

The company said that it had cash and cash equivalents of \$87,200,000 at June 30, 2021, compared to \$22,882,000 at June 30, 2020.

Bega was unchanged at \$5.51 with 2.55 million shares traded.

A2 MILK CO

A2 Milk says revenue for the year to June 30, 2021, was down 30.3 percent to \$NZ1,206,734,000 (\$A1,158,728,660), with net profit after tax down 79.1 percent to \$NZ80,658,000 (\$A77,334,083).

A2 Milk said revenue from its liquid milk businesses rose 7.7 percent to \$NZ240.52 million, infant nutrition product sales were down 35.8 percent to \$NZ900 million and other nutritional milk product sales were down 38.5 percent to \$NZ52.4 million.

The company said that the year was “very challenging ... impacted by unprecedented levels of uncertainty and volatility due to the prolonged impact of COVID-19 and a rapidly changing China infant nutrition market”.

“Over the past year, China market growth has reduced significantly from globally high rates to be flat, and cross-border trade has been disrupted significantly,” the company said.

A2 Milk chair David Hearn said that “across the early phase of the pandemic, and particularly in our infant nutrition business, there were highly unusual swings in demand as consumers tended to panic buy and pantry load, creating a large spike in sales, followed several months later by a gradual unwinding of these pantry stocks as things settled down”.

“These dramatic swings in consumer behavior subsequently drove equally significant changes in the behavior of many of our trade customers as they tried to meet demand and also balance off their own challenges,” Mr Hearn said.

The company said that no dividend would be paid for the year.

A2 said that diluted earnings per share was down 80.5 percent to 10.86 NZ cents, net tangible assets per share was down 7.4 percent to \$NZ1.37 and it had cash and short-term deposits of \$NZ875,150,000 at June 30, 2021, compared to \$NZ854,178,000 the previous year.

In its outlook, the company said it was “confident in the underlying fundamentals” and that “the growth opportunity remains significant” despite the uncertainty.

A2 Milk fell 16 cents or 2.6 percent to \$5.89 with 18.3 million shares traded.

RIDLEY CORP

Ridley says revenue for the year to June 30, 2021 fell 4.2 percent to \$927,719,000 with last year's \$10,862,000 net loss after tax turned to a \$24,896,000 profit.

The company said revenue was primarily from the sales of bulk and packaged feeds and ingredients in the pig and poultry sectors.

Ridley said it would pay a fully-franked dividend of 2.0 cents a share for holders at the record date of October 8, to be paid on October 29, 2021.

The company said that last year's 3.4 cents diluted loss per share turned to a 7.6 cents diluted earnings per share and net tangible asset backing per share was up 11.9 percent to 66 cents.

Ridley said it had in cash and cash equivalents of \$39,904,000 at June 30, 2021, compared to \$45,818,000 at June 30, 2020.

Ridley was up half a cent or 0.4 percent to \$1.30.

COSTA GROUP HOLDINGS

Costa says that revenue for the six months to June 27, 2021, was up 0.01 percent or \$68,000 to \$612,424,000, with net profit after tax down 6.2 percent to \$47,222,000.

Costa said that the increase in revenue was led by sales of its fruit and vegetables in China and Morocco.

The company said it would pay a fully franked interim dividend of four cents a share for the six months to June 27, 2021 for the record date of September 16 to be paid on October 7, 2021.

The company said diluted earnings per share fell 13.7 percent to 9.33 cents for the six months to June 27, 2021, with net tangible asset backing per share was up 6.6 percent to \$1.072 at June 27, 2021.

Costa said that it had cash and cash equivalents of \$97,006,000 at June 27, 2021, compared to \$83,037,000 at June 27, 2020.

Costa fell six cents or 1.85 percent to \$3.18 with 2.6 million shares traded.

HUON AQUACULTURE

Huon says revenue for the year to June 30, 2021 was up 25.5 percent to \$426,408,000 with last year's \$4,915,000 net profit after tax turned to a loss of \$128,069,000.

Huon said that the Covid-19 pandemic affected operations and the cost of freight for its salmon exports "more than doubled over the past year with serious implications for profitability".

The company said that sales and the domestic market recovered during 2020-'21 from the initial shock of the lockdown in March 2020, with its focus on increased sales and volumes into the domestic market "capturing the majority of volume growth in the market ... and increasing its share of both the wholesale and the retail segments".

Huon said dividends were again suspended "to preserve cash flow for operations".

The company said that last year's 5.63 cents diluted earnings per share turned to a loss per share of 120.79 cents and net tangible asset backing per share fell 33.3 percent to \$2.32.

Huon said it had cash and cash equivalents of \$5,877,000 at June 30, 2021, compared to \$5,934,000 at June 30, 2020.

Huon fell five cents or 1.3 percent to \$3.79.

COBRAM ESTATE

Cobram says revenue for the year to June 30, 2021 was up 0.5 percent to \$139,950,000 with last year's loss turned to a net profit after tax of \$32,647,000.

Cobram said that revenue came from sales of its "premium quality extra virgin olive oil".

The company listed on the ASX earlier this month (AVW: Aug 13, 2021).

Cobram said it would not pay a dividend.

The company said that last year's 9.0 cents diluted loss per share was turned to diluted earnings per share of 8.0 cents, with net tangible assets up 23.7 percent to 47 cents.

Cobram said it had cash and cash equivalents of \$1,175,000 at June 30, 2021 compared to \$3,767,000 at June 30, 2020.

Cobram fell one cent or 0.5 percent to \$2.05.

CLEAN SEAS SEAFOOD

Clean Seas says revenue for the year to June 30, 2020 was up 20.2 percent to \$48,460,000, with last year's loss up 122.1 percent to \$32,097,000.

Clean Seas said revenue came from the sales of its yellowtail kingfish and it had focused on diversifying channels and markets such as "supermarkets and specialty retail channels that had not previously featured Clean Seas' Kingfish".

The company said that diluted earnings per share was up 75.7 percent to 27.36 cents for the year to June 30, 2021.

The company said net tangible asset backing per share fell 37.7 percent to 40.8 cents, with cash and cash equivalents of \$30,072,000 at June 30, 2021 compared to \$22,169,000 at June 30, 2020.

Clean Seas fell four cents or 7.1 percent to 52 cents.

TASFOODS

Tasfoods says revenue for the six months to June 30, 2021 was up 4.6 percent to \$34,261,000, with loss down 80.2 percent to \$1,424,000.

The company said that revenue was from sales of its dairy and poultry products.

Tasfoods said its diluted loss per share was down 84.85 percent from 2.64 cents at June 30, 2020 to 0.4 cents this year.

With net tangible asset backing per share up 2.7 percent to 7.65 cents.

The company said it had cash and cash equivalents of \$4,273,000 at June 30, 2021 compared to \$7,635,000 at December 31, 2020.

Tasfoods was unchanged at 11 cents.

CANN GROUP

Cann Group says revenue for the year to June 30, 2021 was up 369.05 percent to \$4,334,000, with net loss after tax up 48.2 percent to \$25,103,000.

Cann Group said revenue was primarily from sales of marijuana products.

Cann Group said net tangible asset backing per share was down 30.4 percent to 32 cents, diluted loss per share was down 18.1 percent to 9.75 cents and it had cash and cash equivalents of \$3,105,000 on June 30, 2021 compared to \$1,554,000 on June 30, 2020.

Cann Group was unchanged at 29 cents.

TERRAGEN HOLDINGS

Terragen says revenue for the year to June 30, 2021 was up 86.0 percent to \$3,652,301 with net loss after tax up 23.8 percent to \$6,100,151.

Terragen said revenue was from sales of its Mylo microbial feed supplement and Great Land products, with a strategic focus on sale of Mylo into dairy farms.

The company said that diluted loss per share was down 1.2 percent to 3.23 cents and net tangible asset backing per share fell 25.4 percent to 6.75 cents, it had cash and cash equivalents of \$11,641,681 at June 30, 2020 compared to \$16,378,408 at June 30, 2019. Terragen was up half a cent or 2.1 percent to 24.5 cents.

ALTHEA GROUP

Althea says it has raised \$10.64 million in a placement at 24 cents a share for its marijuana products.

Althea said that the offer price was a 15.8 percent discount to the closing price prior to the trading halt on August 23, 2021.

The company said that the proceeds would fund “a range of growth initiatives across the company’s pharmaceutical business ... [and] support further expansion in Australia, Europe and other international markets and to fund general working capital”.

Althea said Canaccord Genuity Australia was the lead manager to the placement.

Althea fell half a cent or two percent to 25 cents with 1.4 million shares traded.

APIAM ANIMAL HEALTH

Apiam says it has bought Harbour City Veterinary Surgery in Gladstone, Queensland for \$2.8 million, with \$1.96 million in cash and the remainder in shares.

Apiam said the acquisition would add \$2.34 million in revenue on a pro-forma basis.

Apiam managing director Dr Chris Richards said the acquisition “supports our regional growth plans, taking us into a location we believe offers us strategic advantages”.

“The clinic services the attractive and fast-growth companion animal segment, an area that is delivering significant growth for our business as we continue to capture market share,” Dr Richards said.

Apiam was up six cents or 6.5 percent to 98 cents.

NEXT SCIENCE

Next Science says that the Irrimax Corporation has filed a legal complaint alleging “common law unfair competition and false advertising regarding Xperience”.

Next Science said that it “strenuously denies the allegations and intends to vigorously defend the complaint if and when it is served”.

The company said the complaint had been filed in the US District Court for the Northern District of Georgia and the Irrimax website said that it was a subsidiary of the Lawrenceville, Georgia-based Innovative Technologies Inc.

Next Science said it was a new entrant in the surgery irrigation market with Xperience, which was a US Food and Drug Administration-cleared no rinse antimicrobial solution.

The company said that it had “independent, third-party data showing the performance of Xperience compared with other in-market surgery irrigation products”.

Next Science said that Irrimax was a supplier of a chlorhexidine wash, comprising 99.95 percent water and 0.05 percent chlorhexidine, to the surgery irrigation market.

Next Science was up 2.5 cents or 1.8 percent to \$1.44.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has launched a small-scale root zone temperature optimization (RZTO) system to target home gardeners.

Roots has previously announced trials and larger scale farm contracts for fruit, vegetables and marijuana.

Today, the company said the new system was designed “to assist the growing numbers of small-scale private food gardeners and communal gardens to grow food crops and adopt the plants to local weather conditions” delivering greater food security and superior crop quality.

Roots executive chair Boaz Wachtel said it was “very pleasing to see the hard work and development come together to launch our plug and play, small scale RZTO system, another revolutionary product aimed at solving the challenges of global food security”.

“Initially, the company will focus on high density areas across Europe and US, where consumers are engaging with the natural world around them and the benefits that home food gardens provide,” Mr Wachtel said.

Roots was unchanged at one cent with 1.6 million shares traded.

MGC PHARMACEUTICALS

MGC says it has supply and distribution deal with AMC Holdings, with minimum orders of \$US24 million (\$A33.1 million) for its marijuana and artemisinin products over three years.

MGC said the agreement was its “first dedicated supply agreement” for the supply of marijuana pharmaceutical products into the US.

The company said that AMC was based in the US and would buy its marijuana-derived Cannepil, and Cognicann and its artemisinin and curcumin Cimetra products.

MGC said that AMC would be responsible for negotiating and coordinating the clinical trial process in the US, including the recruitment of patients. And would undertake all marketing activities in the US, as well as managing the import and warehousing of the products.

The company said that the agreement included a minimum \$US3 million of sales in the first year, subject to AMC receiving a National Clinical Trial Number for an MGC product by the end of September 2021.

MGC said the Trial Number enabled US hospitals to participate in clinical trials for Cannepil or Cognicann under approval of a global ethics committee.

The company said that US trial sites would be added to the Cimetra program and the two companies would seek approval to distribute and issue Cannepil to patients through Florida’s early access scheme.

MGC was up 1.7 cents or 43.6 percent to 5.6 cents with 95.7 million shares traded.

ALTHEA GROUP HOLDINGS

Althea says its Canadian subsidiary Peak Processing Solutions has a marijuana manufacturing agreement with Canopy Growth Corp subsidiary Supreme Cannabis.

Althea said that Peak would “perform hydrocarbon extraction services to create various concentrate products for Supreme using their cannabis inputs”.

The company said that Peak would provide Supreme with additional manufacturing capabilities and the agreement included minimum order quantities of about \$C600,000 in the initial one-year term and the agreement had two renewal options of one year each.

COSTA GROUP HOLDINGS

Emmanuel Pohl and ECP Asset Management say they have ceased their substantial shareholding in Costa Group, selling 1,176,936 shares.

ECP said that between July 12 and August 23, 2021 it bought 808,708 shares for \$2,632,590.56 or an average price of \$3.26 a share; and sold 1,155,688 shares for \$3,790,174.71 or an average price of \$3.27 a share.

In July, ECP said it held 23,093,468 Costa shares or 52.6 percent of the company (AVW: Jul 9, 2021).

Ag & Vet Weekly calculates that ECP retains 22,746,488 shares or 4.9 percent of Costa.

CANN GROUP

Cann Group says its chief financial officer Greg Bullock will be replaced by Deborah Ambrosini effective from September 1, 2021.

Cann Group said Ms Ambrosini was most recently the chief financial officer with Acrux. Ms Ambrosini was previously the company secretary and a director of BPH Energy, formerly Biopharmica, which held biotechnology assets.

TASFOODS

Tasfoods says that Scott Hadley will replace Jane Bennett as chief executive officer effective from October 1, 2021.

Tasfoods chairman Craig Treasure thanked Ms Bennett “for her leadership and dedication to the ... business over many years and her promotion of the business to Tasfoods’ many stakeholders in the Tasmanian community and across the mainland”.

The company said that Mr Hadley had more than 20 years’ experience in public companies “building premium brands, leading teams and developing go to market and supply chain organizations” and most recently as Asahi Premium Beverages chief executive officer for Australia and New Zealand.

Tasfoods said that Mr Hadley previously worked for TT-Line Co, Fosters Group, Glaxosmithkline and Cadbury Schweppes.

The company said that Mr Hadley would have a base remuneration of \$450,000 a year including superannuation with short term incentives of up to 50 percent of the base pay and long-term incentives of up to 70 percent of the base pay, and would be granted 5,000,000 options exercisable at 10 cents each.