

Ag & Vet Weekly



Monday March 14 – Friday March 18, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX200 UP, AVW-42 EVEN: ALTHEA UP 29%; FOOD REVOLUTION DOWN 9%**
- * **FONTERRA H1 REVENUE UP 9% TO \$10.1b; PROFIT DOWN 7% TO \$341**
- * **CLOVER CORP H1 REVENUE UP 1% TO \$29.7m; PROFIT DOWN 20% TO \$2m**
- * **ELDERS EXPECTS UP-TO \$216m 'UNDERLYING EBIT'**
- * **MEMPHASYS: DRAFT ISO 13485 FOR MANAGEMENT SYSTEMS**
- * **ROOTS \$278k GROPRO RZTO OKLAHOMA MARIJUANA DEAL**
- * **WELLNEX TO SUPPLY GLAXOSMITHKLINE PARACETAMOL**
- * **CANN GROUP: MILDURA FACILITY 'PRACTICAL COMPLETION'**
- * **PHARMAUST MANUFACTURES MONEPANTEL FOR TRIALS**
- * **CRESO TO SHIP 35k MARIJUANA LOZENGES TO SIERRA SAGE**
- * **REGAL REDUCES TO 6.5% OF ALTHEA**
- * **ECOFIBRE APPOINTS MICHELE ANDERSON DIRECTOR**

MARKET REPORT

The Australian stock market was up 0.6 percent on Friday March 18, 2022, with the ASX200 up 43.6 points to 7,294.4 points. Fifteen of the AVW-42 stocks were up, 15 fell, 11 traded unchanged and one was untraded.

Althea was the best, up four cents or 28.6 percent to 18 cents, with one million shares traded. Wellnex climbed 21.95 percent; Murray Cod improved 16.2 percent; Botanix was up 15.6 percent; Avecho rose 8.3 percent; Tasfoods was up 6.3 percent; MGC, Nanollose and Synlait climbed more than four percent; Bega rose 2.9 percent; Bubs, Nufarm and Ridley were up more than one percent; with A2 and Cobram up by less than one percent.

Food Revolution led the falls, down 0.2 cents or 9.1 percent to two cents, with 125,135 shares traded. Epsilon and Seafarms fell four percent or more; Cann Global and Rare Foods (Ocean Grown Abalone) were down more than three percent; Clover, Ecofibre, Memphasys and Tassal shed more than two percent; Australian Agricultural and Pharmaust were down more than one percent; with Elders, Next Science, Select Harvests and Wide Open down by less than one percent.

FONTERRA CO-OPERATIVE GROUP

Fonterra says revenue for the six months to January 31, 2022 was up 8.9 percent to \$NZ10,797 million (\$A10,110 million) with net profit after tax down 6.9 percent to \$NZ364 million (\$A340.87 million).

Fonterra said that revenue came from its milk and dairy products.

Fonterra chief executive officer Miles Hurrell said the Co-op's results "show it is performing well, while creating the momentum needed to achieve its 2030 targets". "The world wants nutritious, sustainably produced dairy and that's what we do well," Mr Hurrell said.

"Our earnings have been achieved at a time when our input costs have been significantly higher with the average cost of milk up almost 30 percent on the same time last year," Mr Hurrell said.

"This shows we're performing well even with a high farmgate milk price," Mr Hurrell said.

"The Co-op has continued its focus on financial discipline and reducing debt."

The company said it would pay an interim dividend of five New Zealand cents per share for holders at the record date of March 24 to be paid on April 14, 2022.

Fonterra said that its diluted earnings per share was down 4.3 percent to 22 NZ cents, with net tangible assets down 11.4 percent to \$NZ2.72.

The company said that it had cash and cash equivalents of \$NZ479 million at January 31, 2022 compared to \$NZ345 million at January 31, 2021.

Fonterra was unchanged at \$3.21.

CLOVER CORP

Clover Corp says revenue for the six months to January 31, 2022 was up 0.96 percent to \$29,726,000, with net profit after tax down 20.0 percent to \$2,009,000.

Clover said its revenue mainly came from sales of its infant formula ingredients, with strong growth in Asia.

The company said that "excluding the one-off impacts of the Melody Dairies [partnership] and ongoing legal costs defending intellectual property rights, [it] would have reported an underlying, normalized [net profit after tax] of \$2.6 million" compared to \$2.5 million last year.

Clover said it expected revenue for the year to July 31, 2022 to be in the range of \$60 million to \$70 million "due to the uncertainty of Covid-19 conditions, ongoing supply chain and geo-political challenges".

Last year, Clover Corp said that revenue for the year to July 31, 2021, was \$60,505,000 with net profit after tax \$6,004,000 (AVW: Sep 24, 2021).

Today, the company said it would pay a fully franked interim dividend of 0.5 cents a share for investors at the record date of April 7, to be paid on April 28, 2022.

Clover said diluted earnings per share fell 20 percent from 1.50 cents in the previous year to 1.20 cents in the six months to January 31, 2022.

The company said net tangible asset backing per share was up 13.5 percent to 35.7 cents compared to 31.45 cents for the previous corresponding period.

Clover said it had net cash and cash equivalents of \$7,979,000 at January 31, 2022, compared to \$9,815,000 at January 31, 2021.

Clover fell three cents or 2.1 percent to \$1.41.

ELDERS

Elders says it expects underlying earnings before interest and tax (Edit) for the year to September 30, 2022 in the range of 20 to 30 percent above the previous year.

Elders said that the outlook exceeded “forecast market expectations as calculated from the mid-point of the earnings expectations of sell side analysts covering Elders”.

Last year, the company said that its underlying earnings before interest and tax for the 12 months to September 30, 2021 was \$166.5 million (AVW: Nov 19, 2021).

This week, Elders managing-director Mark Allison said that “Elders’ performance so far in our financial year 2022 has been strong and exceeds our performance after the first five months of 2020-21”.

“After finalization of the February trading numbers, which continue improved earnings for the first quarter, we now believe we will exceed analysts’ consensus for the full year to September 30, 2022 and produce underlying Ebit result in the range – which is necessarily broad given we are only five months into our financial year – set out above,” Mr Allison said.

“We have seen improvement in our retail and wholesale segments compared with the same time last financial year due to increased sales and favorable seasonal conditions in most parts of Australia,” Mr Allison said.

“While we believe some of these sales are forward purchasing by primary producers seeking to mitigate the risk of instability in supply chains, we consider the majority of sales are a result of increased activity,” Mr Allison said.

“Our agency business continues to perform strongly as a result of high prices in both sheep and cattle, offset to some extent by lower volume due to restocking and the good availability of feed on farm,” Mr Allison said.

Elders said that its real estate business was “exceeding expectations due to increased turnover and high demand ... due to “a combination of market and seasonal factors, acquisition growth and organic growth”.

The company said that its guidance was subject to variables including supply chain disruptions as a result of the Covid-19 pandemic and geopolitical events, unexpected changes due to seasons conditions and severe weather events, and unexpected changes in commodity prices.

Elders fell 11 cents or 0.8 percent to \$13.64 with 1.1 million shares traded.

MEMPHASYS

Memphasys says it has draft International Organization for Standardization 13485 certification for its sperm separator quality management system.

Memphasys said its accreditation regulatory body the British Standards Institute performed the audit, with final certification in process.

The company said that the ISO certification assisted its ability to sell medical devices, including its Felix and other sperm separation devices, in “high regulatory markets” such as Australia, Europe and China, and was “an important accreditation for product adoption by end users in other markets”.

Memphasys chair Alison Coutts said that she was “pleased that Memphasys has received this initial certification and that final certification is being processed”.

“The ISO 13485 certification is extremely important as it provides international accreditation for our [quality management system],” Ms Coutts said.

Memphasys said that it used the specialist software system Greenlight Guru to implement its quality management system.

Memphasys fell 0.2 cents or 2.8 percent to seven cents.

ROOTS SUSTAINABLE AGRICULTURE

Roots says Gropro Hydro will sell, install and provide logistical services for its root zone temperature optimization (RZTO) technology for Oklahoma marijuana growers.

Roots said that the McAlester, Oklahoma-based Gropro would be its exclusive marketer, seller and installer on reaching minimum aggregate sales of \$US200,000 (\$A278,448) within six months, with additional milestones described in the agreement.

The company said it would pay Gropro an "industry standard commission on sales, together with other performance payments".

Roots said that Gropro was a hydroponic and general agricultural equipment business which served "many of Oklahoma's 6,000 medical cannabis grow operations".

Roots said that Gropro would establish a logistics hub for its US operations to provide installation services and a post-sale centre for Roots' root zone temperature optimization technology, and Roots would cover part of the costs associated with the hub, as well as recruit Gropro Hydro salespeople to market and sell its technology.

The company said that the significant disparities in the temperatures in Oklahoma's climate, from -2.0°C in Winter to 35°C in Summer, provided the "ideal conditions for the deployment of [its] RZTO technology, as farmers seek to protect and grow their crops in adverse conditions in a cost-effective and sustainable manner".

Roots said Oklahoma was a "large addressable market opportunity" with a lucrative medicinal marijuana market amongst the largest in the US.

Roots chief executive officer Boaz Wachtel said "the potential for deployment into the growing medical [marijuana] sector in Oklahoma is significant".

Roots was unchanged at 0.5 cents with 3.8 million shares traded.

WELLNEX LIFE

Wellnex says it has a three-year deal with the Brentford, England-based Glaxosmithkline to supply its liquid soft gel paracetamol in Australia and New Zealand.

Wellnex said it would manufacture paracetamol to be marketed under the Glaxosmithkline consumer healthcare pain relief brand.

The company said it produces organic milk, food supplements as well as caffeine and guarana products.

Wellnex was up 1.8 cents or 21.95 percent to 10 cents with three million shares traded.

CANN GROUP

Cann Group says its Mildura marijuana production facility has reached "practical completion" with the Federal Office of Drug Control allowing commercial growing to begin. Cann Group said that final fit-out and commissioning would continue in some areas of the facility but that the site had been "handed over by the principal builder ... and an occupancy certificate has been issued".

The company said the Office of Drug Control granted a permit which allowed the cultivation and production of medicinal marijuana, as well as research activities in relation to medicinal marijuana; and a separate permit for the manufacture of medicinal marijuana products at the Mildura, Victoria facility expected to be issued "in the near future".

Cann Group said the facility had automated climate control, a mobile table system to ensure plants were in the best position for growth, lighting technology, an automated screening system to maximize crop cycles, energy savings and plant protection, and a multiple-stage water filtration, irrigation and nutrient delivery system.

Cann Group was unchanged at 25 cents.

PHARMAUST

Pharmaust says it has completed manufacture of current good manufacturing practice-grade monepantel for its motor neuron disease and Covid-19 clinical trials.

Pharmaust said it had shipped monepantel to the US, tableting was underway in San Diego and completion of manufacturing would allow it to begin the motor neuron disease trial in May, as well as the Covid-19 trials.

Pharmaust chief scientific officer Dr Richard Mollard said that “now we have a defined process for producing scalable [good manufacturing practice] material, Pharmaust will commence planning a further manufacturing round to supply monepantel for cancer and other trials in humans”.

Pharmaust fell 0.1 cents or one percent to 9.7 cents.

CRESO PHARMA

Creso says it will send 35,000 Cannaqix 50 marijuana lozenges to its acquisition target, the Lyons, Colorado-based Sierra Sage Herbs LLC as an initial sales run.

In February, Creso said it would buy Sierra Sage for \$US21 million (\$A29.5 million) in shares, with additional milestone payments (AVW: Feb 4, 2022).

Today, it said the shipment would come from Creso Pharma Switzerland and would be sold online through Sierra Sage’s Good Goo cannabidiol-focused brand.

Creso managing-director William Lay said the work with Sierra Sage was “significantly ahead of the completion of the proposed acquisition ... [and the] initial shipment ... marks an important milestone and will allow us to test the market, as well as learn how consumers will engage with the company’s product suite”.

Creso was unchanged at 5.5 cents with 2.45 million shares traded.

ALTHEA GROUP

The Sydney-based Regal Funds Management says it has reduced its substantial holding in Althea from 22,946,369 shares (7.48%) to 20,435,513 shares (6.48%).

Regal said that between September 14, 2021 and March 10, 2022 it bought, sold and was diluted in Althea, with the largest sale 600,000 shares for \$135,000 or 22.5 cents a share. Althea was up four cents or 28.6 percent to 18 cents with one million shares traded.

ECOFIBRE

Ecofibre says it has appointed Michele Anderson as an independent, non-executive director of the board, effective from March 14, 2022.

Ecofibre said that Ms Anderson had most recently worked at Redwood City, California-based Shutterstock, had worked for Staples’ Print and Marketing Services in the US, and was previously a management consultant for Booz Allen and Hamilton.

The company said that Ms Anderson held a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales, a Master of Business Administration from the Philadelphia, Pennsylvania-based Wharton School, and according to LinkedIn, a Master of Wine from London’s Institute of Masters of Wine.

Ecofibre fell one cent or 2.5 percent to 39 cents.