

Ag & Vet Weekly



Monday August 15 – Friday August 19, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 EVEN: ROOTS UP 25%; MEMPHASYS DOWN 18%**
- * **CANADA'S COOKE TO TAKE TASSAL FOR \$1.1b**
- * **RIDLEY REVENUE UP 13% TO \$1.05b, PROFIT UP 70% TO \$42.4m**
- * **TASSAL REVENUE UP 33% TO \$789m, PROFIT UP 60% TO \$55.3m**
- * **TASSAL \$497m 'SUSTAINABILITY-LINKED LOAN'**
- * **RIDLEY TO BUY-BACK \$20m SHARES ON-MARKET**
- * **FEDERAL STAFF FOR SAMOA, FRANCE ANIMAL HEALTH**
- * **ROOTS \$190k UNITED ARAB EMIRATES, ISRAEL CONTRACTS**
- * **ROOTS SELLS NETAFIM \$7k RZTO TURKISH BLUEBERRY TEST SYSTEM**
- * **MEMPHASYS \$1.6m PLACEMENT; RIGHTS OFFER for \$1.76m MORE**
- * **NANOLLOSE, CODI EXTEND WET WIPE DEAL 3 YEARS**
- * **MGC: MARIJUANA CANNEPIL 'DOES NOT IMPAIR SIMULATED DRIVING'**
- * **AMC ORDERS \$1.45m OF MGC ARTEMIC**
- * **PHARMAUST TO BEGIN US MONEPANTEL DOG CANCER TRIAL**
- * **ARGO BELOW 5% IN TASSAL**
- * **JULIE RAFFE TO REPLACE RIDLEY DIRECTOR DAVID LORD**
- * **AUSCANN APPOINTS DIRECTOR CHRIS MEWS CFO**
- * **CRESO APPOINTS KOLBY TULLIER IMPACTIVE 'BRAND AMBASSADOR'**

MARKET REPORT

The Australian stock market edged up 0.02 percent on Friday August 19, 2022, with the ASX200 up 1.7 points to 7,114.5 points. Fifteen of the AVW-42 stocks were up, sixteen fell, eight traded unchanged and three were untraded.

Roots was the best, up 0.1 cents or 25 percent to 0.5 cents, with 4.1 million shares traded. RLF improved 9.7 percent; Rare Foods was up 6.85 percent, Nanollose climbed 4.9 percent; Botanix was up 3.7 percent; Creso, Murray Cod and Pharmaust rose more than two percent; Cann Group and Ridley were up more than one percent; with A2 Milk, Australian Agricultural, Costa, Synlait and Tassal up by less than one percent.

Memphasys led the falls, down 0.7 cents or 18.4 percent to 3.1 cents, with 585,783 shares traded. Althea and Auscann fell more than four percent; Epsilon lost 3.95 percent; Bubs, Clean Seas, Fonterra, Next Science and Select Harvests shed more than two percent, Apiam Cobram and Tasfoods were down more than one percent; with Bega, Clover, Elders and Nufarm down by less than one percent.

TASSAL GROUP, COOKE INC

Tassal says that the Canada-based Cooke has offered \$5.23 a share valuing the company at \$1,123,514,777 and it has entered into a scheme of arrangement. Earlier this year Tassal said the Blacks Harbour, New Brunswick-based Cooke Aquaculture had bid \$4.85 a share, valuing the company at \$1,041,882,728, and a 22.28 percent premium to Monday night's closing price of \$3.97, prior to the Tassal announcement, but a 41.6 percent premium to the \$3.425 a share price when Cooke started buying Tassal shares on June 17, 2022 (AVW: Jul 1, 2022).

Last year, Cooke said it was interested in taking over Huon Aquaculture, which was eventually sold to the Brazil beef farming company JBS (AVW: Aug 20, Nov 5, 2021). This week, Tassal said that its board unanimously backed the takeover, with a scheme meeting planned for November 2022.

The company said that the \$5.23 per share payment assumed that no final dividend was declared and paid for the financial year to June 30, 2022.

In its preliminary final report (see below) Tassal said that no final dividend would be paid, compared to a 7.00 cents dividend per share in the previous corresponding period.

The company said that the scheme consideration implied an equity value for Tassal of about \$1.1 billion and an enterprise value of \$1.7 billion, an uplift in equity value of about 12 percent compared to the indicative cash price of \$4.67 initially proposed by Cooke.

Tassal said the \$5.23 offer was a 49 percent premium to its undisturbed closing price of \$3.52 on June 22, 2022, the last trading day prior to press reports of Cooke-affiliate Amore Foods Pty Ltd acquiring a stake in Tassal.

Kidder Williams principal and adviser to Cooke, David Williams, told Ag & Vet Weekly that the sector was a circa 100,000 tonne industry with Huon producing about 40,000 tonnes of Australian salmon a year, Tassal about the same and the Japan and New Zealand owned Petuna joint-venture producing about 20,000 tonnes a year of Australian salmon. Tassal said it expected the scheme implementation "to occur before the end of 2022", in the absence of a superior proposal and subject to an independent expert concluding that the scheme was fair and reasonable and in the best interests of shareholders.

The company said that the scheme was "not subject to any financing or due diligence conditions".

"Cooke has advised that it has already obtained Foreign Investment Review Board approval in relation to the scheme," the company said.

In July, Cooke Inc said it held 10.49 percent of Tassal, with the registered holder Amore Foods Pty Ltd, care of Melbourne's Kidder Williams (AVW: Jul 22, 2022).

Tassal chair James Fazzino said the announcement followed "a few months of constructive engagement by the Tassal board with Cooke in order to secure additional value beyond the initial approach by Cooke".

"The Tassal board believes the revised proposal reflects appropriate long-term value for the business, and is unanimous in its view that the scheme is in the best interests of Tassal shareholders," Mr Fazzino said.

Tassal managing-director Mark Ryan said the company believed in "sustainably produced food and in responsibly harnessing our precious water resources".

"Our responsible business blueprint sets out how we will do this to ensure a prosperous, healthy planet for future generations," Mr Ryan said.

"Combining our two companies' people-first cultures and our shared passion for producing top quality seafood, is a natural fit," Mr Ryan said.

"A future acquisition by Cooke enables Tassal to fast-track our goal to be one of the world's most transparent and sustainable protein producers," Mr Ryan said.

Tassal was up one cent or 0.19 percent to \$5.16, with 1.7 million shares traded.

RIDLEY CORP

Ridley says revenue for the year to June 30, 2022 was up 13.1 percent to \$1,049,086,000 with net profit after tax up 70.4 percent to \$42,430,000.

Ridley said revenue was primarily from the sales of bulk and packaged feeds and ingredients in the pig, poultry and aqua-farming sectors.

The company said that it saw a 70.4 percent increase in net profit after tax due to the sale of locations such as its former feed mills in Bendigo, Mooroopna and Murray Bridge, for a combined \$4.2 million, as well as \$6.2 million from the sale of its Westbury extrusion business in Tasmania.

Ridley said it would pay a fully-franked dividend of 4.0 cents a share for holders at the record date of October 6, to be paid on October 27, 2022.

The company said that diluted earnings per share was up 3.5 percent to 11.3 cents, and net tangible asset backing per share was up 13.6 percent to 75 cents.

Ridley said it had in cash and cash equivalents of \$27,078,000 at June 30, 2022, compared to \$39,904,000 at June 30, 2021.

Ridley was up two cents or 1.05 percent to \$1.92, with 1.1 million shares traded.

TASSAL GROUP

Tassal says that revenue for the 12 months to June 30, 2022 was up 32.8 percent to \$788,670,000 with net profit after tax up 59.9 percent to \$55,345,000.

Tassal said that revenue was primarily derived from the sale of salmon and salmon products, up 29.8 percent to \$610.92 million, while sales of prawns were up 80.4 percent to \$107.90 million.

The company said it had not declared a final dividend for the year to June 30, 2022, compared to last year's unfranked dividend of 7.0 cents a share (see above).

Tassal managing-director Mark Ryan said the company had "a strong financial result ... and it is pleasing to see our strategy translate into strong growth for our people, customers and shareholders, with the business now generating strong cashflow growth".

Mr Ryan said the company had invested to produce "a step change in cash generation ... with attractive domestic industry dynamics and strong global supply-demand fundamentals underpinning strong pricing outcomes in the salmon and prawn markets".

"Following the completion of significant infrastructure investment over previous years, Tassal's salmon production is now at scale," Mr Ryan said.

"Salmon prices started 2021-'22 in recovery mode and ended at re-rated levels, a trend we have seen both domestically and in [foreign] sales," Mr Ryan said.

"Our prawn operations are benefiting from "smart farming" initiatives and shorter working capital cycles, and deliver similar competitive advantages to those Tassal enjoys in our salmon business, with clear market leadership, biosecurity protections and nitrogen caps becoming akin to marine leases," Mr Ryan said.

"Having delivered circa 5,700 tonnes over the past 12 months, we are now reaping the benefits of increasing scale as Australia's largest prawn farmer," Mr Ryan said.

"Tassal is focused on achieving the right balance between minimizing our environmental impact and maximizing our shareholder value, to ensure growth is optimized and sustainable," Mr Ryan said.

"Tassal remains Australia's number one ranked and top 15 globally-ranked sustainable protein producer," Mr Ryan said.

Tassal said its net tangible asset backing per share was up 4.6 percent to \$3.38, diluted earnings per share was up 57.8 percent to 25.80 cents and it had cash and cash equivalents of \$29,746,000 at June 30, 2022, compared to \$30,623,000 the previous year.

TASSAL GROUP

Tassal says it has a 'sustainability-linked loan' for \$497 million of facilities, which would link some of the interest charges on its loans to sustainability milestones.

Tassal said the agreement was with Commonwealth Bank, Rabobank and Westpac Bank, which acted as joint sustainability coordinators, and that under the agreement, it was "incentivized to perform against" greenhouse gas emission reduction, greater feed use efficiency, and a commitment to continuous improvement initiatives require to maintain Aquaculture Stewardship Council certification.

The company said that the sustainability-linked loan had been verified by environmental, social, and governance firm, Sustainalytics based in Amsterdam.

Tassal managing-director Mark Ryan said "while Tassal has been committed to sustainability for many years, this is still a significant step for Tassal and a first for aquaculture in Australia".

"Integrating our sustainability performance with our financing framework is an important step in our responsible business strategy, accelerating our work towards our ambitious sustainability targets," Mr Ryan said. "Linking the sustainability [key performance indicators] to our performance in this way is another example of the type of measures that we are prepared to put in place to keep us accountable in a critical area of our business."

RIDLEY CORP

Ridley says it will buy back a maximum of 11,400,000 shares for \$20 million in an on-market buy-back from October 13, 2022 to June 30, 2023.

Ridley said share price was "not known at the time of announcing" and it would confirm the broker who would offer to buy-back securities on its behalf.

Ridley said it had 319,494,975 shares on offer.

FEDERAL GOVERNMENT

The Federal Government says the office of the chief veterinary officer has seconded four staff to work in Samoa and France "to support animal health".

In a media release from the Department of Agriculture, the acting chief veterinary officer Dr Beth Cookson said that one staff member would work at the Food and Agriculture Organization (FAO) in Samoa, with three staff members at the World Organisation for Animal Health headquarters in France.

The release said the secondments built on the Government's efforts to support animal health with its neighbors and would "strengthen international standards around animal health, welfare, biosecurity, food safety and antimicrobial resistance and provide support to build animal health capacity within our immediate region".

"As part of this program we are sending an expert from the Department to undertake a secondment to the FAO sub-regional office in Apia, Samoa, to enhance the delivery of scientific and technical support to Pacific Island countries through increasing institutional capacity and ... expertise," Dr Cookson said.

"We are also sending three Australian experts to support the important work of the World Organisation for Animal Health in France, in the areas of international animal health standard setting and the implementation of these standards," Dr Cookson said.

The release said that the staff would support the World Organisation for Animal Health project, which analyzed practices of members, the implementation of its Aquatic Strategic, aiming to improve aquatic animal health worldwide, and provide support to the Organisation on foreign policy issues.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has sales contracts worth \$189,924 in the United Arab Emirates and Israel for its heat exchange probes and root zone temperature system.

Roots said Abu Dhabi's Elite Agro would pay \$US105,000 (\$A151,350) for its heat exchange probes for root-zone cooling for Eliteagro's 'Coffee House Murmum' project. The company said it had received an initial payment of 15 percent of the total, with the remaining funds to be paid in a 55 percent instalment on shipment, 20 percent upon installation, and 10 percent after one year against the final acceptance certificate.

Roots said its technology was designed "to support and facilitate the growth of 9,000 coffee plants in pots, under very hot weather conditions near Dubai".

"Coffee plants have a shallow root system and most roots concentrate around the drip irrigation area," the company said. "The Roots system is designed to cool the root-zone area ... maintaining an optimum temperature range under 30°C."

"The system is controlled by a unique monitor, which operates as a centralized data collection and data sharing system to control the heat pump operation," the company said.

Roots said that it had a sales agreement worth \$12,600 with a 'hydroponic fluid temperature stabilization project' at Kibbutz Pelech in Israel's North.

Roots said it would receive 60 percent of the payment immediately, with 30 percent on the installation date and the final 10 percent on completion of the installation.

The company said it had a sales agreement worth \$25,974 with the Moshav Azriel, Israel-based Gobari Farm for its root zone temperature system, and receive 40 percent of the payment immediately, with the remaining 60 percent payable on completion of installation and a governmental subsidy payment, which had been approved.

Roots chief executive officer Boaz Wachtel said "the sale agreement with Eliteagro marks an exciting step forward for the business, demonstrating both the effectiveness of Roots' agricultural technology to improve production outcomes in harsh weather conditions, as well as the broader commercial opportunities underpinned by the recent Israel-UAE free trade agreement".

Roots was up 0.1 cent or 25 percent to 0.5 cents, with 4.1 million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says that Israeli irrigation company Netafim will pay \$US5,000 (\$A7,210) to test its Super Mini root zone temperature optimization ('RZTO') systems.

Roots said that Tel Aviv-headquartered Netafim was owned by the Mexico City-based Orbia, formerly Mexichem.

The company said that Netafim had included it among its suppliers.

Roots said that Netafim would run a pilot program to validate the Super Mini RZTO's efficacy at a blueberry farm in Antalya, Southern Turkey, using its heat exchange probes and heat pump on at a pot-based blueberry farm.

The company said that following a successful study, and subject to a definitive agreement, Netafim would be granted exclusivity in Azerbaijan, Kazakhstan, Georgia, Armenia and Turkmenistan.

Roots said that rising temperatures and the escalating effect of global warming was harmful for some blueberry strains needing specific root zone temperature range to ameliorate the negative effects of sustained heat waves.

Roots executive chair Boaz Wachtel said the sale to Netafim "provides us with a fantastic foothold into a region, which more than most has experienced the need for alternative and sustainable solutions to agriculture".

MEMPHASYS

Memphasys says it has commitments to raise \$1.6 million in a placement at two cents a share, and has an underwritten one-for-nine rights offer to raise a further \$1.76 million. Memphasys said the funds would help commercialize its Felix sperm selection device in low regulatory markets, undertake regulatory work, continue development with the University of Newcastle, start development of a next-generation system and pay debts. The company said the rights offer had a record date of August 23, would open August 26, and close September 6, 2022, and was underwritten by Canaccord Genuity (Australia) who would act as lead manager to both the placement and the rights offer. Memphasys was down 0.7 cents or 18.42 percent to 3.1 cents.

NANOLLOSE

Nanollose says it has extended its cooperation agreement with the Veenendaal, Netherlands-based Codi International BV for wet wipes, for a further three years. In 2019, Nanollose said it had a three-year agreement with wet-wipe manufacturer Codi to develop wipes using its non-woven rayon fibre (AVW: Aug 16, 2019). At that time, the company said Codi would receive exclusive rights for the development of personal and homecare wipes using its 'Tree-Free' fibre and Codi would help commercialize its rayon fibre wipes, with a further agreement pending commercial testing. Today, Nanollose said the extension followed its transition from rayon fibre to a "more environmentally friendly lyocell fibre". Nanollose was up 0.35 cents or 4.9 percent to 7.55 cents.

MGC PHARMACEUTICALS

MGC says a randomized, double-blind study of 31 healthy, fully-licensed drivers, dosed with its epilepsy treatment Cannepil showed that it did not impair simulated driving ability. MGC said the study was sponsored by Cannvalate Australia and undertaken by Melbourne's Swinburne University of Technology.

The company said participants were dosed with 1ml of 20-to-one cannabidiol (CBD) to delta 9-tetrahydrocannabinol (THC), or a placebo and at 90 minutes post treatment, completed a 40 minute 'highway' drive using a simulator which assessed performance outcomes of deviation of lateral position, deviation of speed, steering variability, mood states and sedation levels.

MGC said the study found that oral doses of Cannepil "did not impair overall vehicle weaving [and] standard deviation of lateral position was not significantly altered in those administered Cannepil compared with placebo across the full drive [and] standard deviation of speed was not increased within 20 minutes' drive".

The company did not provide any data from the results.

MGC said that sedation was "not significantly increased during testing following Cannepil administration, however onset of increased sedation was reported by several participants between three to six hours after Cannepil was administered".

The company said that "contentedness ... was significantly increased following the driving task with those patients administered Cannepil".

MGC said that in Australia, a positive roadside saliva test for tetrahydrocannabinol might lead to criminal convictions irrespective of prescribed use, and it "hoped that standardized assessment of performance decrements, such of the findings of this trial, will inform policy guidelines concerning responsible use of medicinal cannabis products".

MGC was unchanged at 1.8 cents with 2.4 million shares traded.

MGC PHARMACEUTICALS

MGC says AMC Holdings has ordered \$US1 million (\$A1.45 million) of its Artemic, updating its US supply and distribution agreement.

Last year, MGC said it had an agreement with the Tampa, Florida-based AMC Holdings, with minimum orders of \$US24 million (\$A32.9 million) for its marijuana, and artemisinin and curcumin products over three years (BD: Aug 27, 2021).

In October the company said that AMC had placed an initial order for 1,000 units of Cimetra (Artemic backwards) for sale in the US and later ordered \$US3 million of Cimetra (AVW: Oct 1, 8, 2021).

This week, MGC said that production of Artemic Rescue would “begin immediately and ... be delivered to AMC over the next three months”.

The company said that 3,500 units of Artemic Rescue had been delivered to AMC, clearing regulatory requirements for import to the US, “resulting in the placing of a new \$US1,000,000 purchase order.

MGC managing-director Roby Zomer said the inclusion of Artemic in the AMC agreement “recognizes the progress that MGC Pharma has made in the development of this product”. The company said Artemic was a food supplement and claimed that a 50-patient, phase II, double-blind, placebo-controlled trial of Artemic for Covid-19 in Israel and India “successfully met the primary and secondary endpoints” (AVW: Dec 18, 2020).

MGC said artemisinin, vitamin C, curcumin and boswellia serrata, or Indian frankincense Artemic met the endpoint for “clinical improvement” maintained for 24 hours in comparison to routine treatment.

PHARMAUST

Pharmaust says a US trial assessing the anti-cancer potential of monepantel will treat up to 10 dogs following US Food and Drug Administration guidelines.

Pharmaust said Monepantel was “already approved for veterinary use for a different indication in food-chain animals” namely round worm in sheep and goats.

The company said that of 27 treated dogs, 16 had “optimum blood levels” and of the 16, one dog had a partial response, with 13 dogs having “stable target lesions” and nine described as having “stable disease”.

Pharmaust said it required 18 or more dogs of 46 dogs to show a clinical benefit to meet its statistical endpoint.

Pharmaust’s principal investigator Dr Kim Agnew said Monepantel showed “effective anti-cancer activity and minimal side effects, which supports continued development into ... registration trials”.

“The commercial target is to develop and partner a product that supersedes the current standard-of-care, prednisolone, and provides a canine lymphoma treatment option that can be administered daily by the owner and enabling excellent quality of life for the dog during treatment,” Dr Agnew said.

Pharmaust was up 0.2 cents or 2.4 percent to 8.6 cents.

TASSAL GROUP

The Adelaide-based Argo Investments says it has ceased its substantial holding in Tassal. Last year, Argo said it became substantial in Tassal with 10,766,165 shares or 5.07 percent of the company (AVW: Apr 1, 2021).

This week, Argo said it bought and sold shares between August 20, 2021 and August 16, 2022, with the single largest sale on August 16, 2022 of 3,500,000 shares for \$17,990,000 or an average of \$5.14 a share.

RIDLEY CORP

Ridley says Julie Raffe will replace David Lord as a non-executive director, effective from September 1, 2022.

Ridley said that Ms Raffe would stand for election at its annual general meeting in November, 2022.

The company said that Ms Raffe had more than 40 years of experience, previously working for Village Roadshow as finance director and company secretary, as well as serving on a number of boards, including as a director of Ironman 4 x 4 Pty Ltd.

Ridley said that Mr Lord had retired “due to increasing commitments elsewhere”.

AUSCANN GROUP HOLDINGS

Auscann says non-executive director Chris Mews has been appointed as its chief financial officer.

In 2019, Auscann said Mr Mews had been appointed as a non-executive director.

Today, the company said Mr Mews was currently the chief financial officer and company secretary of Perth’s Merchant Group Pty Ltd and had previously worked as chief financial officer and company secretary of Polynovo.

Auscann said Mr Mews held a Bachelor of Business from Perth’s Edith Cowan University. Auscann fell 0.2 cents or 4.3 percent to 4.5 cents.

CRESO PHARMA

Creso says its Kanata, Ontario-based cannabidiol subsidiary Impactive has appointed North American sports coach Kolby Tullier as a “brand ambassador”.

The company said the appointment would be for an initial term of 12 months, with Mr Tullier to be paid \$US40,000 (\$A56,344) and receive 100,000 shares, subject to shareholder approval.

The company said that Mr Tullier would be eligible for up to 2,000,000 performance rights, pending revenue hurdles.

Creso was up 0.1 cents or 2.7 percent to 3.8 cents with 3.5 million shares traded.