

Ag & Vet Weekly



Monday August 22 – Friday August 26, 2022

All the news on ASX-listed agriculture and veterinary companies

- * ASX, AVW-42 UP: BEGA UP 12%; AVECHO DOWN 8%
- * FEDERAL 'CRITICAL TECHNOLOGIES' LIST CONSULTATION OPENS
- * BEGA REVENUE UP 45% TO \$3.0b, PROFIT DOWN 69% TO \$24.2m
- * COSTA H1 REVENUE UP 16% TO \$709m, PROFIT DOWN 9.2% TO \$40.3m
- * COBRAM REVENUE DOWN 0.2% TO \$140m, PROFIT TO LOSS OF \$696k
- * TASFOODS H1 REVENUE UP 0.1% TO \$34m, LOSS UP 280% TO \$5.4m
- * ECOFIBRE REVENUE UP 5% TO \$30.2m, LOSS UP 110% TO \$14.7m
- * NEXT SCIENCE H1 REVENUE UP 38% TO \$7.8m, LOSS UP 57% TO \$9.5m
- * PHARMAUST REVENUE UP 58% TO \$3.4m, LOSS UP 28% TO \$1.7m
- * FONTERRA FARMGATE MILK PRICE DOWN TO \$8.24/kgMS
- * NEXT SCIENCE: CANADA APPROVES XPERIENCE
- * WIDE OPEN AGRICULTURE SIGNS COLES FOR DIRTY CLEAN FOODS
- * MGC DRAWS DOWN MERCER STREET \$1.1m
- * CRESO CANADA AMENDMENT FOR PSILOCYBIN PTSD TRIAL
- * ROOTS FILES 2 US RZTO PATENTS
- * FIRST SENTIER, MITSUBISHI TAKE 6.8% OF TASSAL
- * MORGAN STANLEY TAKES 5.6% OF TASSAL
- * EX-CHAIR LAZARUS KARASAVVIDIS REDUCES TO 8.35% OF WELLNEX
- * MARTIN GLENISTER REDUCES TO 8.35% IN WELLNEX
- * AUSTRALIAN AGRICULTURAL ACTING CEO DAVE HARRIS ON \$600k PA
- * CHRIS ROWE TO REPLACE FONTERRA CFO MARC RIVERS
- * SYNLAIT: ADAM MAXWELL INGREDIENTS HEAD, MARTIJN JAGER GOES

MARKET REPORT

The Australian stock market was up 0.79 percent on Friday August 26, 2022, with the ASX200 up 56.0 points to 7,104.1 points. Sixteen of the AVW-42 stocks were up, 13 fell, 10 traded unchanged and three were untraded.

Bega was the best, was up 44 cents or 11.8 percent to \$4.18, with 4.8 million shares traded.

Cobram improved 8.9 percent; Murray Cod climbed 4.8 percent; Pharmaust was up 3.7 percent; Auscann, Creso, Epsilon and Nufarm rose more than two percent; Australian Agricultural, Botanix, Bubs, Costa, Elders and Next Science were up more than one percent; with A2 Milk and Clover up by less than one percent.

Avecho led the falls, down 0.1 cents or 7.7 percent to 1.2 cents, with 50,000 shares traded.

Anatara lost 6.15 percent, Food Revolution fell 4.8 percent, Memphasys was down 3.6 percent, Elixinol shed 2.6 percent, Apiam, Cann Group and Ridley were down more than one percent, with Fonterra, Select Harvests, Synlait, Tassal and Wide Open down by less than one percent.

FEDERAL GOVERNMENT

The Federal Government says it has opened consultation on the List of Critical Technologies in the National Interest to clarify technologies it considers "vital".

In a media release, the Federal Minister for Industry and Science Ed Husic said it was "vital for Australia's continued and future prosperity that emerging and critical technologies are promoted and protected".

The media release said that businesses, researchers and the broader community were encouraged to provide feedback on the List of Critical Technologies in the National Interest, which would run for six weeks and close on September 30, 2022.

The media release said the list built on the 2021 list which featured 63 technologies across seven categories which were vital for Australia's interests today or within the next decade, and that interested parties could visit its website to learn more or participate:

<https://consult.industry.gov.au/critical-technologies-2022>.

The Federal Government said it was focused on the "potential of these future technologies to accelerate Australia's productivity growth and create well-paying jobs", in addition to their role in national security and social cohesion.

"It is vital we understand and send a clear signal about what technologies we should be focusing on and where our strengths lie - and that is exactly what this consultation is all about," Mr Husic said.

"By identifying technologies that will play a vital role in our national industrial and scientific progress, the list provides focus and forms the basis for further discussions around investment and collaboration across all sectors of the economy," Mr Husic said.

"This work is also part of our goal to reach 1.2 million [technology] jobs by 2030," Mr Husic said.

BEGA CHEESE

Bega says revenue for the year to June 30, 2022 was up 45.2 percent to \$3,009,900,000, with net profit after tax down 69.0 percent to \$24,200,000.

The company 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 executive chair Barry Irvin said business was impacted by the Covid-19 pandemic, extreme weather conditions, supply chain logistics and volatility from the war in Ukraine.

“The direct costs of Covid-19 and its associated impacts contributed an estimated additional cost in excess of \$40 million,” Mr Irvin said.

Bega chief executive officer Paul van Heerwaarden said that the rise of the Omicron Covid-19 variant from October “saw high levels of absenteeism across our manufacturing sites and distribution centres ...this in turn placed pressure on production volumes and service levels”.

“Global shipping disruption, and specifically the lockdown in Shanghai, a lack of container availability and the cost of containers, impacted our export and international market during the year, especially for infant formula to China,” Mr van Heerwaarden said.

Bega said that its financial results also included a number of non-recurring items primarily related to acquisition and integration costs.

Bega said that a fully-franked final dividend of 5.50 cents, a 0.1 percent increase on last year’s dividend, would be paid on September 23, for holders on the record date of September 1, 2022.

The company said that diluted earnings per share fell 72.7 percent, from a restated 29.4 cents in the previous year, to 8.0 cents for the year to June 30, 2022, with net tangible asset backing per share down 1.8 percent to \$1.861.

Bega said that it had cash and cash equivalents of \$44,900,000 at June 30, 2022, compared to \$87,200,000 at June 30, 2021.

Bega was up 44 cents or 11.8 percent to \$4.18 with 4.8 million shares traded.

COSTA GROUP HOLDINGS

Costa says that revenue for the six months to July 3, 2022 was up 15.7 percent to \$708,657,000, with net profit after tax down 9.2 percent to \$40,303,000.

The company said that sales came primarily from its fruit and vegetable products and the reduced profit was partially due to “higher depreciation and interest charges primarily relating to prior year acquisitions and renewal of major property leases”.

Costa chief executive officer Sean Hallahan said that the results highlighted the “growing contribution from our international operations, with China’s performance reflecting strong quality demand and higher pricing for our premium berry product”.

“It is a very pleasing result, which reflects the company’s strong execution on our strategic capital projects, including positive yield consistency and quality at our Monarto mushroom facility, and the coming online of our new 10 hectares of tomato glasshouse at Guyra, which performed as per our expectations,” Mr Hallahan said.

Costa said it would pay a fully franked interim dividend of 4.0 cents a share for the six months to July 3, 2022 for the record date of September 15 to be paid on October 6, 2022.

Costa said diluted earnings per share fell 12.6 percent to 8.15 cents for the six months to July 3, 2022, with net tangible asset backing per share up 13.0 percent to \$1.2112 at July 3; and the company had cash and cash equivalents of \$138,881,000 at July 3, 2022, compared to \$97,006,000 at June 27, 2021.

Costa was up five cents or 1.8 percent to \$2.79 with 1.9 million shares traded.

COBRAM ESTATE

Cobram says revenue for the year to June 30, 2022 was down 0.2 percent to \$139,617,000, with last year's profit turned to a loss after tax of \$696,000.

Cobram said that revenue came from sales of its "premium quality extra virgin olive oil". The company said that it was in a "lower yielding crop year", and that profit was recorded in the year of production rather than the year of sale, causing "material but expected statutory profit variability in two-year cycles".

Cobram said it had paid a partially franked dividend of 3.3 cents a share in December last year, and intended to pay the same dividend in December 2022, with further details to be announced at its annual general meeting on October 28, 2022.

Cobram said that last year's restated diluted earnings per share of 8.26 cents turned to a loss of 0.17 cents per share, with net tangible assets up 44.7 percent to 68 cents.

The company said it had cash and cash equivalents of \$5,944,000 at June 30, 2022 compared to \$1,175,000 at June 30, 2021.

Cobram was up 12.5 cents or 8.9 percent to \$1.525.

TASFOODS

Tasfoods says revenue for the six months to June 30, 2022 was up 0.1 percent to \$34,312,000 with loss after tax up 279.6 percent to \$5,406,000.

Tasfoods said that revenue was from sales of its dairy, poultry and horticulture products.

The company said that major factors impacting its results "were volatility and absenteeism from Covid-19 to our direct labor force ... rising supplier input costs of milk, poultry feed, energy and distribution costs".

"Further impacting this result were the operational challenges in the organic chicken business, delivering a \$500,000 operating loss for the half," the company said.

Tasfoods said its diluted loss per share was up 210.0 percent from 0.4 cents at June 30, 2021 to 1.24 cents this year, with net tangible asset backing per share down 34.7 percent to 4.7 cents.

The company said it had cash and cash equivalents of \$3,122,000 at June 30, 2022 compared to \$4,273,000 at June 30, 2021.

Tasfoods was untraded at 7.3 cents.

ECOFIBRE

Ecofibre says revenue for the year to June 30, 2022 was up 4.95 percent to \$30,220,000, with net loss after tax up 110.0 percent to \$14,670,000.

Ecofibre said revenue from sales of its Ananda Health marijuana-derived medicinal products were down 9.8 percent to \$12.9 million, sales from its Ananda Food marijuana and hemp-based food additives were up 38.5 percent to \$3.6 million, and sales from its Hemp Black hemp-derived textile products were up 15.1 percent to 13.7 compared to the prior corresponding period.

The company said that profit margins were impacted by "supply chain and business disruption" as well as higher operating costs.

Ecofibre said that diluted loss per share was up 104.2 percent to 4.41 cents, with net tangible assets per share down 25.0 percent to 13.23 cents.

Ecofibre said it had cash and cash equivalents of \$7,251,000 at June 30, 2022 compared to \$8,620,000 at June 30, 2021.

Ecofibre was unchanged at 28.5 cents.

NEXT SCIENCE

Next Science says revenue for the six months to June 30, 2022 was up 38.2 percent to \$US5,411,124 (\$A7,791,564) with net loss after tax up 56.9 percent to \$US6,588,785 (\$A9,487,297).

Next Science said that in the six months to June 30, 2022, it signed multiple distribution partnerships in Australia and New Zealand for its Bactisure, Xperience, Surgx and Blastx wound treatment and surgery products.

The company said it had an increase in staff costs, including recruitment and travel “associated with higher levels of direct sales” in the US.

Next Science said diluted loss per share rose 49.5 percent to 3.20 US cents, net tangible asset backing per share fell 20.3 percent to 5.51 US cents, with cash and equivalents of \$US11,024,787 at June 30, 2022, compared to \$US6,934,276 at June 30, 2021.

Next Science was up 1.5 cents or 1.7 percent to 91 cents.

PHARMAUST

Pharmaust says revenue for the year to June 30, 2022 was up 58.0 percent to \$3,381,273, with net loss after tax up 27.7 percent to \$1,708,209.

Pharmaust said revenue was primarily from its wholly-owned subsidiary Epichem’s synthetic and medicinal chemistry operations.

The company said its diluted loss per share was up 28.6 percent to 0.54 cents, with net tangible assets per share down 17.7 percent to 1.49 cents.

Pharmaust said it had cash and cash equivalents of \$2,415,616 at June 30, 2022 compared to \$3,020,268 at June 30, 2021.

Pharmaust was up 0.3 cents or 3.7 percent to 8.4 cents.

FONTERRA SHAREHOLDERS’ FUND

Fonterra says it has decreased its 2022-’23 forecast farmgate milk price range from \$NZ8.50 to \$NZ10.00 (\$A7.57 to \$A8.91) per kilogram of milk solids (kgMS).

In June, Fonterra said it had widened its 2022-’23 forecast farmgate milk price range from \$NZ8.75 to \$NZ10.25/kgMS (\$A7.95 to \$A9.31) (AVW: Jun 24, 2022).

Today, the company said that it reduced the midpoint of the range to \$NZ9.25/kgMS, but that the current advance payment rate of \$NZ5.70/kgMS was unchanged.

Fonterra chief executive officer Miles Hurrell said “the change in 2022-’23 forecast farmgate milk price will be disappointing for our farmers but it reflects a number of factors, including the recent downward trend in global dairy prices driven by some short-term softening in global demand, and the general impact of inflation on purchasing behavior”.

Fonterra was down two cents or 0.7 percent to \$2.76.

NEXT SCIENCE

Next Science says Health Canada has approved its Xperience surgical irrigation solution and expects to launch the product by the end of the year.

Next Science said it would build a sales agent distribution network and begin a major randomized, controlled study comparing Xperience with the standard-of-care and the rate of post operative infections at the University of Ottawa.

Next Science managing-director Judith Mitchell said the company was “thrilled to see this licence come through and can now move to both commercial and clinical research activity in Canada”.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says it has signed its first contract to supply Coles supermarkets with up to 12 Dirty Clean Food products.

Wide Open said its first Coles contract was to supply Western Australia's first Coles 'Local' supermarket; it was awaiting the final ranging and did not disclose the financial terms of the agreement.

The company said Coles would stock between eight to 12 products, including its plant-based substitute products "across multiple categories".

Wide Open said that Coles would expand its Coles Local concept into Western Australia, with the first shop planned for Angelo Street in South Perth.

Wide Open chief executive officer Jay Albany said his company was "thrilled at the opportunity to work directly with the Coles Group as part of the first Coles Local location in Western Australia".

"Working directly with Coles is an important milestone for Dirty Clean Food and a significant step forward in our strategy to create and lead a new category of regenerative food," Mr Albany said.

Wide Open was down 0.5 cents or 0.8 percent to 59 cents.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says it has drawn \$US750,000 (\$A1,076,171) of its \$US10 million draw down equity facility with Mercer Street Capital for costs related to its Malta factory.

Last month, MGC said it would issue New York's Mercer Street \$US10 million in convertible securities, with the first tranche of 1.32 million notes at \$US1 each, providing \$US1.20 million and issue Mercer 21,511,545 shares (AVW: Jul 29, 2022).

Today, the company said it would issue 825,000 convertible notes with a face value of \$US1 each to Mercer, and that the funds would be used for the final construction and equipment fit out costs of its Malta good manufacturing practice production facility.

MGC said that after final payment for the facility, it would submit its reimbursement claim for 80 percent of the costs as part of its EUR3.2 million (\$A4,581,451) grant to build the plant from the Maltese Government (AVW: Jan 18, 2021).

MGC was unchanged at 1.8 cents with 1.2 million shares traded.

CRESO PHARMA

Creso says Health Canada has amended its clinical trial authorization for its up-to 20 patient, phase II trial of psilocybin for post-traumatic stress disorder.

Last month, Creso said its subsidiary Halucenex Life Sciences had expanded its up-to 20 patients, phase II trial of psilocybin for treatment-resistant post-traumatic stress disorder, and would apply for amendments to its approved clinical trial authorization to include cohorts currently using selective serotonin reuptake inhibitors (SSRIs or anti-depressants), and not require patients to stop using prescribed medications for a week prior to the potential trials' commencement (BD: Jul 18, 2022) (AVW: Jul 22, 2022).

Today, the company said the Health Canada adjustment would provide benefits, including a broadened patients scope, as well as data on how psilocybin interacts when used in combination with other medication utilised by post-traumatic stress disorder sufferers.

Creso managing-director William Lay said the amendment was "a major step forward for Creso Pharma, Halucenex and patients managing symptoms associated with [post-traumatic stress disorder] while using other medication".

Creso was up 0.1 cents or 2.8 percent to 3.7 cents with 2.1 million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has filed two provisional patents with the US Patents and Trademarks Organisation relating to its Root Zone Temperature Optimisation (RZTO) products. Roots said the one patent, titled 'Aeration System' would protect its technology until July 6, 2042

The company a second patent, titled 'A System and Method for Irrigation & Liquid Fertilization (Called Fertigation) Coupled With Root Zone Heating And Cooling In One Controlled System/Unit', would protect its technology until May 9, 2042.

Roots was unchanged at 0.4 cents.

TASSAL GROUP

First Sentier Investors Holdings and Mitsubishi UFJ say they have increased their holding in Tassal from 11,421,153 shares (5.32%) to 14,663,197 shares (6.83%).

Ag & Vet Weekly believes this to be related to share speculation rather than the Cooke Inc takeover bid.

Last week, Tassal said that the Canada-based Cooke had offered \$5.23 a share valuing the company at \$1,123,514,777 and that it had entered into a scheme of arrangement (AVW: Aug 19, 2022).

After the market closed last Friday, the Sydney-based First Sentier, a subsidiary of Mitsubishi UFJ Financial Group, said it had become substantial in Tassal with 11,421,153 shares or 5.32 percent.

At that time First Sentier said that it bought shares between May 4 and August 8, 2022, with the single largest purchase 57,677 shares for \$212,828 or \$3.69 a share.

This week, Mitsubishi said that in more than 100 trades on August 18, it bought, sold, borrowed and returned shares, with the largest acquisition 950,000 shares at \$5.151 a share on August 18 and the largest sale 1,000,000 shares at \$5.145 a share on August 19 Tassal was down one cent or 0.2 percent to \$5.15, with 2.8 million shares traded.

TASSAL GROUP

Morgan Stanley and subsidiaries say they have become substantial in Tassal with 12,002,489 shares, or 5.59 percent of the company.

Morgan Stanley said that between April 20, 2022, and August 19, 2022, it bought, borrowed, and returned shares in Tassal in more than 1500 separate transactions.

The company said the first purchase was 2,541 shares for \$9,402 or \$3.70 a share, with the most recent 554 shares for \$2,853, or 5.15 a share.

WELLNEX LIFE (FORMERLY WATTLE HEALTH AUSTRALIA)

Former chair Lazarus Karasavvidis says he has reduced his substantial holding in Wellnex from 33,110,921 shares (10.91%) to 25,332,198 shares (8.352%).

The Alphington, Melbourne-based Mr Karasavvidis said that "as a controller of Jamata Pty Ltd and LLEA LK Pty Ltd LMB Wattle Trading Unit Account" he sold and transferred shares to "margin lenders" from April 29, to August 18, 2022, with the single largest sale on June 6 of 259,255 shares for \$25,811 or 9.96 cents a share.

Wellnex was untraded at 8.4 cents.

WELLNEX LIFE (FORMERLY WATTLE HEALTH AUSTRALIA)

Martin Glenister says he has reduced his substantial holding in Wellnex from 33,100,921 shares (10.91%) to 25,322,198 shares (8.348%).

The Alphington and Preston, Melbourne-based Mr Glenister said that “as a controller of Jamata Pty Ltd and LLEA LK Pty Ltd LMB Wattle Trading Unit Account” he sold and transferred shares to “margin lenders” from April 26 to August 18, 2022, with the single largest sale on June 6 of 259,255 shares for \$25,811 or 9.96 cents a share.

AUSTRALIAN AGRICULTURAL CO

Australian Agricultural says acting chief executive officer Dave Harris will receive a base salary of \$600,000 a year, and up to \$450,000 in incentives.

Australian Agricultural said Mr Harris was eligible to receive \$300,000 in short term incentives and an unstated long-term incentive, pending performance hurdles, as well as up to \$150,000 a year through a deferred equity award.

In June, Australian Agricultural said that Mr Harris had been appointed acting chief executive officer while it began an executive search program (AVW: Jun 24, 2022).

Australian Agricultural was up 3.5 cents or 1.9 percent to \$1.85.

FONTERRA SHAREHOLDERS FUND

Fonterra says Chris Rowe will become acting chief financial officer to replace chief financial officer Marc Rivers when he leaves the company at the end of 2022.

Fonterra said that Mr Rowe had worked for Fonterra since 1988 and was currently its group finance director.

The company said that Mr Rowe would be appointed acting chief financial officer from October 1, 2022 with Mr Rivers moving to the role of strategic advisor to the chief executive officer until his departure.

SYNLAIT MILK

Synlait says Adam Maxwell has been appointed director of ingredients, with director of nutritionals and ingredients Martijn Jager to retire, effective from September 1, 2022.

Synlait said that Mr Maxwell had been promoted from head of ingredients to director OF ingredients and previously worked as general-manager of marketing and sales at Dairyworks.

Synlait was down two cents or 0.7 percent to \$3.03.