

Ag & Vet Weekly



Monday August 29 – Friday September 2, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: NEXT SCIENCE UP 6%; EPSILON DOWN 21%**
- * **A2 MILK REVENUE UP 20% TO \$1.3b, PROFIT UP 52% TO \$109m**
- * **APIAM REVENUE UP 24.5% TO \$157m, NET PROFIT DOWN 9% TO \$4.5m**
- * **BUBS REVENUE UP 127% TO \$89m, LOSS DOWN 85% TO \$11.4m**
- * **CLEAN SEAS REVENUE UP 36.5% TO \$66m, LOSS TO \$8.7m PROFIT**
- * **FOOD REVOLUTION REVENUE UP 5% TO \$44m, LOSS UP 37% TO \$2.8m**
- * **ALTHEA REVENUE UP 78% TO \$20.5m; LOSS DOWN 19% TO \$12m**
- * **SEAFARMS REVENUE DOWN 6% TO \$20m, LOSS UP 192% TO \$75m**
- * **WELLNEX REVENUE UP 15-FOLD TO \$18.6m, LOSS DOWN 70% TO \$7.5m**
- * **MURRAY COD REVENUE UP 31% TO \$12.7m, LOSS UP 651% TO \$8.7m**
- * **RLF REVENUE UP 25% TO \$10.7m, LOSS UP 140-FOLD TO \$3.5m**
- * **WIDE OPEN REVENUE UP 115% TO \$9m, LOSS UP 43% TO \$11m**
- * **CANN GROUP REVENUE UP 49% TO \$6.4m, LOSS UP 5% TO \$26.5m**
- * **MGC REVENUE UP 57% TO \$4.7m, LOSS UP 8% TO \$17m**
- * **CRESO REVENUE UP 43% TO \$4.3m; LOSS DOWN 63% TO \$6m**
- * **BOTANIX PLACEMENT RAISES \$7.5m**
- * **EPSILON PLACEMENT RAISES \$1.65m**
- * **CRESO COMPLETES SIERRA SAGE ACQUISITION**
- * **CRESO: WALMART BUYS \$315k SIERRA SAGE SKINCARE HERBS**
- * **ROOTS \$225k SHORT-TERM LOAN**
- * **FIRST SENTIER TAKES 8.4% OF TASSAL**
- * **MORGAN STANLEY TAKES 7.2% OF TASSAL**
- * **ASX SUSPENDS AUSCANN FOR TRANSACTION, RECOMPLIANCE**
- * **A2 MILK APPOINTS DAVID WANG DIRECTOR**
- * **CANN LOSES DIRECTOR JOHN SHARMAN**

MARKET REPORT

The Australian stock market was down 0.25 percent on Friday September 2, 2022, with the ASX200 down 16.9 points to 6,828.7 points. Ten of the AVW-42 stocks were up, 22 fell, seven traded unchanged and three were untraded.

Next Science was the best, up five cents or 5.65 percent to 93.5 cents, with 32,908 shares traded. Food Revolution climbed 4.8 percent; Nanollose and Select Harvests improved more than three percent; A2 Milk and Creso rose more than two percent; Clover and Pharmaust were up more than one percent; with Clean Seas and Ridley up by less than one percent.

Epsilon led the falls, down 0.7 cents or 21.2 percent to 2.6 cents with 4.6 million shares traded. Roots fell 20.0 percent; Terragen lost 13.0 percent; Botanix was down 10.0 percent; RLF fell 6.1 percent; Murray Cod was down five percent; Avecho and Seafarms fell four percent or more; Memphasys was down 3.85 percent; Apiam, Bega and Elixinol shed more than two percent; Althea, Cann Group, Fonterra, Nufarm and Rare Foods were down more than one percent, with Australian Agricultural, Bubs, Costa Group, Elders and Synlait down by less than one percent.

A2 MILK

A2 Milk says revenue for the year to June 30, 2021, was up 19.8 percent to \$NZ1,446,229,000 (\$A1,288,333,559), with net profit after tax up 52.0 percent to \$NZ122,624,000 (\$A109,222,561).

A2 Milk said revenue from its liquid milk businesses rose 10.4 percent to \$NZ265.44 million, infant nutrition product sales were up 13.6 percent to \$NZ1.0 billion and other nutritional milk product sales were up 202.7 percent to \$NZ158.62 million.

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

A2 Milk managing-director David Bortolussi said "operating cash flow was \$203.8 million ... which was relatively high during the period".

"This was mainly due to an increase in trade and other payables related to the timing of [the three months to June 30, 2022] brand investment and inventory orders, combined with delayed invoicing and payments processing in China due to COVID-19 related lockdown impacts," Mr Bortolussi said.

Mr Bortolussi said that considering its "strong balance sheet position" his company intended to "execute an on-market share buyback of up to \$150 million ... considered to be the most appropriate form of capital management at this time".

A2 said that its full year result was "in line with the company's expectations as outlined on February 21, 2022, delivering double digit revenue and earnings growth despite challenging market conditions driven by the refreshed growth strategy and improved execution".

The company said that its outlook for 2022-'23 was "positive with continued revenue and earnings growth expected, and the company is on track to deliver on its medium-term financial and non-financial ambitions".

A2 Milk said that diluted earnings per share was up 51.8 percent to 16.49 NZ cents, net tangible assets per share was up 3.6 percent to \$NZ1.42.

The company said that it had cash and short-term deposits of \$NZ887,308,000 at June 30, 2022, compared to \$NZ875,150,000 the previous year.

A2 Milk was up 13 cents or 2.3 percent to \$5.83 with 5.9 million shares traded.

APIAM ANIMAL HEALTH

Apiam says revenue for the year to June 30, 2022, was up 24.5 percent to \$157,057,000 with net profit after tax down 9.1 percent to \$4,539,000.

Apiam said revenue was from its veterinary clinics for dairy and mixed companion animals, feedlots and pigs.

The company said it would pay a fully-franked 0.4 cents dividend on October 21, for a record date of September 23, 2022, following the fully-franked 1.2 cents interim dividend.

Apiam managing-director Dr Chris Richards said “the beef feedlot and pig segments continue to be impacted by industry challenges with revenue in [the year to June 30, 2022] declining 6.5 percent ... [and that] the outbreak of Japanese Encephalitis has been a further challenge within the pig segment”.

“Operating investment over [the year to June 30, 2022] was required to support the integration of the 11 acquisitions executed and this saw additional personnel required in the company’s business support network,” Dr Richards said.

“The opening of three new greenfield clinics in the past 18 months and Apiam’s veterinary recruitment strategy also added to the operating expense growth,” Dr Richards said.

“Additional Covid-19 lockdown costs were also incurred in the first half where additional staff were required to assist vets, given animal owners were not permitted in-clinic,” Dr Richards said.

The company said diluted earnings per share fell 19.2 percent to 3.36 cents, with net tangible assets per share constant at negative 11 cents.

Apiam said it had cash and equivalents of \$2,845,000 at June 30, 2022 compared to \$2,150,000 in the prior corresponding period.

Apiam was down two cents or 2.5 percent to 77 cents.

BUBS AUSTRALIA

Bubs says revenue for the year to June 30, 2022 rose 127.1 percent to \$89,297,324 with net loss after tax down 84.7 percent to \$11,400,339.

The company said revenue was from sales of its infant goat and cow formula, organic baby food, adult goat milk powder, fresh dairy products and canning services for dairy products.

Bubs chief executive officer Kirsty Carr said “the last year has delivered recorded revenues and earnings, spear-headed by major innovation with the successful launch of Bubs Supreme A2 beta-casein protein formula, and high growth in all key markets”.

“We accelerated our access to the US with our early acceptance into the Biden-Harris Administrations’ Operation Fly Formula initiative to assist American families during the infant formula shortage crisis,” Ms Carr said.

Bubs said Australian sales fell 29.2 percent to \$20,436,532, with China sales up 372.1 percent to \$49,404,629, and sales in the rest-of-the-world including the US up 202.3 percent to \$25,425,072.

Bubs said that daigou sales had been “reclassified from the Australia segment to the China segment as the products sold in daigou channel are to end consumers within the Chinese economic environment”.

The company said that diluted loss per share was down 83.3 percent to two cents, with net tangible asset per share up 7.4 percent to 8.02 cents.

Bubs said it had cash and cash equivalents of \$16,311,005 at June 30, 2022 compared to \$27,883,302 at June 30, 2021.

Bubs was down 0.5 cents or 0.9 percent to 56 cents with 2.15 million shares traded.

CLEAN SEAS SEAFOOD

Clean Seas says revenue for the year to June 30, 2022, was up 36.5 percent to \$66,164,000, with last year's loss turned to a net profit after tax of \$8,676,000.

Clean Seas said revenue came from the sales of its yellowtail kingfish, with 2,153kg in Australia, 1,237kg in Europe, 307kg in the Americas and 60kg in Asia, for a total of 3,757kg.

The company said the increase in sales reflected "the broad and growing demand for kingfish globally".

Clean Seas said that it used "excess inventory in 2021-'22 to substantially grow frozen sales volumes by 20 percent, [reflecting] the company's strategic decision to establish a more significant customer base for its frozen products, utilizing its innovative premium frozen technology, Sensoryfresh".

The company said that last year's diluted loss per share of 27.36 cents turned to diluted earnings per share of 4.86 cents, with net tangible asset backing per share up 14.5 percent to 46.7 cents.

Clean Seas said it had cash and cash equivalents of \$12,982,000 at June 30, 2022 compared to \$30,072,000 at June 30, 2021.

Clean Seas was up 0.5 cents or 0.8 percent to 64 cents.

FOOD REVOLUTION GROUP

Food Revolution says revenue for the year to June 30, 2022, was up 5.4 percent to \$44,292,000, with a net loss after tax up 37.2 percent to \$2,827,353.

The company said revenue was mainly from the sale of juices, including its Original Juice Black Label brand and Juice Lab shots, fibre and infused fruits, which accounted for \$44.2 million of the total sales, an 8.9 percent increase on the prior corresponding period.

Food Revolution chief executive officer Steve Cail said that Covid-19 pandemic restrictions affected its workforce, with labor costs and shortages increasing.

Mr Cail said his company had the aim to reduce freight and distribution costs, but had to revert focus with "current high fuel prices and challenges in sourcing freight carriers".

Food Revolution said basic loss per share rose 11.1 percent to 0.30 cents, with net tangible asset backing per share down 91.4 percent to 0.03 cents.

The company said it had cash and cash equivalents of \$909,969 at June 30, 2022, compared to \$4,410,639 at June 30, 2021.

Food Revolution was up 0.1 cents or 4.8 percent to 2.2 cents.

ALTHEA GROUP

Althea says revenue for the year to June 30, 2022 is up 77.8 percent or \$20,521,000, with net loss after tax down 19.4 percent to \$12,124,000.

Althea said revenue came from sales and distribution of pharmaceutical and non-pharmaceutical marijuana-based products, with the strongest growth in sales in Canada, which was up 425 percent to \$7,961,000.

The company said that sales were up 17.1 percent in Australia to \$10,446,000, up 87.5 percent in the UK to \$2,062,000 and an initial \$52,000 in Germany.

Althea said diluted loss per share was down 34.05 percent to 3.99 cents, with net tangible assets per share fell 17.6 percent to 7.15 cents.

The company said that it had cash and equivalents of \$6,205,000 at June 30, 2022, compared to \$6,388,000 at June 30, 2021.

Althea was down 0.1 cents, or 1.1 percent to 9.2 cents.

SEAFARMS GROUP

Seafarms says revenue for the year to June 30, 2022, was down 6.2 percent to \$20,049,203 with net loss after tax up 191.6 percent to \$75,113,540.

Seafarms said the revenue was mainly derived from the sale of its Crystal Bay branded fresh and frozen prawn products, including black tiger prawns and banana prawns.

The company said that included in its \$75 million loss was \$32.3 million in “direct pre-development costs from Project Sea Dragon, and given the [...] uncertainty of Project Sea Dragon’s future, an impairment cost of \$13.5 million against Project Sea Dragon assets”.

Seafarms chief executive officer Rod Dyer said “2022 has been one of the more challenging years in Seafarms history as we worked through the future of Project Sea Dragon and production outputs at our Queensland operations”.

Seafarms said its diluted loss per share was up 54.7 percent to 1.64 cents a share with net tangible asset backing per share unchanged at nil, and it had cash and equivalents of \$36,195,529 at June 30, 2022, compared to \$497,112 at June 30, 2021.

Seafarms was down 0.05 cents or 4.2 percent to 1.15 cents with 1.2 million shares traded.

WELLNEX LIFE

Wellnex says it has returned to significant revenue for the year to June 30, 2022, up 1,457.1 percent to \$18,607,000 with net loss after tax down 70.0 percent to \$7,449,000.

Wellnex said revenue came primarily from the sale of its Iron Company slow-release iron gummy product, its Wakey Wakey complementary medicine, its Ocean Road Dairies organic infant milk formula and its liquid paracetamol product, while the loss for the year to June 30, 2022 included one-off and non-cash expenses of about \$4.1 million.

Wellnex chief executive officer George Karafotias said “the company is pleased to release the first preliminary full year financial results for Wellnex, continuing a positive trend of increasing revenue growth and shrinking losses, in what was an important period of growth and transformation for the company”.

Wellnex said diluted loss per share fell 76.0 percent to 2.47 cents, with last year’s 3.58 cents net tangible asset backing per share turned to negative 0.358 cents, and it had cash and equivalents of \$3,181,000 at June 30, 2022, compared to \$7,775,000 in 2021.

Wellnex was unchanged at eight cents.

MURRAY COD AUSTRALIA

Murray Cod says revenue for the year to June 30, 2022 was up 30.8 percent to \$12,708,545 with net loss after tax up 651.5 percent to \$8,749,185.

The company said revenue came from fish and aquaculture equipment sales.

Murray Cod chair Ross Anderson said “last season’s growth was a little slower than expected, impacted by severe staff shortages due to Covid at the operational level”.

Murray Cod managing-director Matthew Ryan said that the “tough growing season, with colder than expected temperatures in late spring and summer, [impacted] spawning numbers, survival, and growth rates in both juvenile fish and grow-out fish”.

The company said that although revenue had increased significantly so too had the cost of fish sales, with employee costs up 51.2 percent to \$5,403,496 and increases in fish farm operating expenses and share-based payment expenses.

Murray Cod said diluted loss per share rose 576.0 percent to 1.156 cents, net tangible asset backing per share rose 100 percent to 10 cents, and it had cash and equivalents of \$27,027,855 at June 30, 2022 compared to \$3,468,432 at June 30, 2021.

Murray Cod was down one cent or five percent to 19 cents.

RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says revenue for the year to June 30, 2022 was up 25.2 percent to \$10,663,000, with net loss after tax up 140-fold from last year's \$24,208 to \$3,539,000.

RLF said revenue came primarily from the sale of liquid plant nutrition products.

The company said it had its best increase in sales revenue, but "continued to experience Covid-19 disruptions in sales, manufacturing and procurement channels in Asia".

RLF said that contributing to the loss were one-off costs associated with its initial public offer and listing on the ASX, as well as expansion plans in Asia including employing more staff, related party fees and obsolesces stock write-off.

RLF company said last year's 0.38 cents basic earnings per share cents turned to a loss of 2.70 cents a share, with net tangible asset backing per share up 2,100 percent to 0.066 cents, and it had cash and cash equivalents of \$7,999,000 at June 30, 2022 compared to \$2,075,038 at June 30, 2021.

RLF was down one cent or 6.1 percent to 15.5 cents.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says revenue for the year to June 30, 2022, was up 114.6 percent to \$9,259,496 with net loss after tax up 43.3 percent to \$10,788,232.

Wide Open Agriculture said the revenue was mainly derived from the sale of its Dirty Clean Foods regenerative and ethical food and drink products.

The company said retail sales amounted to \$1,507,399, with \$3,065,860 from online sales and \$4,686,237 from food service and wholesale.

Wide Open said diluted loss per share rose 10.4 percent to 8.29 cents, with net tangible asset backing per share up 36.1 percent to 16.86 cents, and it had cash and cash equivalents of \$19,474,506 at June 30, 2022, compared to \$12,976,017 at June 30, 2021.

Wide Open was unchanged at 59.5 cents.

CANN GROUP

Cann Group says revenue for the year to June 30, 2022 was up 49.3 percent to \$6,411,000, with net loss after tax up 5.4 percent to \$26,468,000.

The company said revenue was primarily from sales of marijuana products, increasing due to "strong and increasing domestic demand for medicinal cannabis products".

Cann Group said that diluted loss per share was down 19.0 percent to 7.90 cents, with net tangible asset backing per share down 25.0 percent to 24 cents, and it had cash and cash equivalents of \$1,914,000 on June 30, 2022 compared to \$3,105,000 on June 30, 2021.

Cann Group was down 0.5 cents or 1.8 percent to 27 cents.

MGC PHARMACEUTICALS

MGC says revenue for the year to June 30, 2022, was up 56.8 percent to \$4,646,988 with net loss after tax up 8.0 percent to \$17,138,732.

MGC said revenue was primarily from the sales of marijuana products and its herbal Artemic for Covid-19 amounting to about \$2.7 million, with the balance relating to consulting services provided by subsidiaries Medicanl and Medicinal Cannabis Clinics.

MGC said diluted loss per share fell 19.3 percent to 0.67 cents, with net tangible asset backing per share down 51.2 percent to 0.21 cents, and it had cash and cash equivalents of \$1,787,234 at June 30, 2022 compared to \$5,512,928 at June 30, 2021.

MGC was unchanged at 1.6 cents with 1.6 million shares traded.

CRESO PHARMA

Creso says revenue for the six months to June 30, 2022, was up 42.4 percent to \$4,317,041, with net loss after tax down 62.6 percent to \$6,017,618.

Creso said its revenue came from sales of marijuana products, with sales of \$2.6 million from North America and \$1.7 million from sales in Europe and the Middle East.

The company said diluted loss per share fell 69.7 percent to 0.56 cents, net tangible asset backing per share was down 50 percent to 1.2 cents, with cash and cash equivalents of \$3,140,635, at June 30, 2022, compared to \$13,654,203 June 30, 2021.

Creso was up 0.1 cents or 2.6 percent to 3.9 cents with 3.5 million shares traded.

BOTANIX PHARMACEUTICALS

Botanix says it has "firm commitments" to raise up to \$7.5 million in an oversubscribed placement at 6.6 cents a share.

Botanix said investors would receive one attaching option for every two shares bought in the placement, exercisable at nine cents each within 18 months of issue.

The company said that the offer price was a 17.5 percent discount to the last traded price on August 30, and an 18.7 percent discount to the 15-day volume-weighted average price prior to the trading halt.

Botanix said the funds would be used for filing a US Food and Drug Administration application for sofipironium bromide for primary axillary hyperhidrosis (excessive underarm sweating), preparation for commercial launch in the US, enhancing quality and manufacturing capabilities for sofipironium and for general working capital purposes.

Botanix said it expected to file its FDA new drug application by October 2022, and that it expected a 12-month review process for approval.

The company said Euroz Hartleys was the placement sole lead manager and book runner. Botanix was down 0.8 cents or 10.0 percent to 7.2 cents with 4.5 million shares traded.

EPSILON HEALTHCARE

Epsilon says it has "firm commitments" to raise up to \$1.65 million in a placement at 2.75 cents a share.

Epsilon said the placement price was a 23.5 percent discount to the 15-day volume-weighted average price.

The company said that pending approvals, shareholders would receive three attaching options for every four shares acquired in the placement, exercisable at five cents within three years of issue.

Epsilon said the funds would be used for its Southport Queensland factory, working capital and inventory ramp-up as it expanded its operations.

Epsilon was down 0.7 cents or 21.2 percent to 2.6 cents with 4.6 million shares traded.

CRESO PHARMA

Creso says it has completed its acquisition of Sierra Sage Herbs LLC, issuing it a total of 357,614,203 shares.

In February, Creso said that it would buy the Lyons, Colorado-based Sierra Sage Herbs LLC for \$US21 million (\$A29.5 million) in shares upfront, with additional milestone payments (AVW: Feb 4, 2022).

Today, the company said that on certain conditions, further milestone shares would be issued to Sierra Sage.

CRESO PHARMA

Creso says its subsidiary Sierra Sage Herbs has received a \$US214,000 (\$A315,330) order from Walmart for its natural skincare collection.

Creso managing-director William Lay said he expected delivery of the maiden order in September “with products to be on shelves in the weeks following.”

The company said the Green Goo products targeted “anti-aging, acne and eczema”.

ROOTS

Roots says two Sydney companies have loaned it \$225,000 at a non-compounding 60 percent per year, payable by December 31, 2022.

Roots said that Glacierglow Pty Ltd and RAH (STC) Pty Ltd were unrelated to Roots and the loans would finance the equipment required to fill a recent order from the United Arab Emirates, and avoid using its cash reserves.

The company said it intended to conduct a capital raising by way of placement “soon after” its annual general meeting on October 4, 2022, pending shareholder approval.

Roots said Everblu Capital’s chair Adam Blumenthal was also Roots chair, arranged the loan agreements and would receive a six percent commission on total loan funds.

Roots was down 0.1 cents or 20.0 percent to 0.4 cents with 3.5 million shares traded.

TASSAL GROUP

First Sentier says it has increased its substantial holding in Tassal from 14,663,197 shares (6.83%) to 18,055,668 shares (8.40%).

First Sentier did not specify the consideration given for the shares, as required under the Corporations Act 2001.

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

Ag & Vet Weekly believes the First Sentier trading to be related to share speculation based on the Cooke Inc takeover bid, rather than a rival bid.

Tassal was unchanged at \$5.17 with 1.2 million shares traded.

TASSAL GROUP

Morgan Stanley and subsidiaries say they have increased their substantial holding in Tassal from 12,002,489 shares (5.59%) to 15,394,960 shares (7.17%).

Morgan Stanley said that between August 22, and August 30, 2022, it bought, sold, borrowed and returned shares in Tassal in more than 150 separate transactions, with the largest single acquisition 1,553,266 shares for \$8,014,853, or \$5.16 a share.

AUSCANN

The ASX says that Auscann has been suspended pending an announcement of a proposed transaction and recompliance with the chapters 1 and 2 of the Listing Rules.

The ASX said it had exercised its discretion under Listing Rule 11.1.2 to require the proposed acquisition to be conditional on approval by Auscann shareholders and under Listing Rule 11.1.3 to require the company to re comply with chapters 1 and 2 of the Rules.

The ASX said it was expected that Auscann securities would remain suspended until it had recomplied with Chapters 1 and 2 of the Listing Rules.

Auscann last traded at four cents.

A2 MILK CO

A2 Milk says it has appointed David Wang as an independent non-executive director, effective, from September 1, 2022.

A2 Milk said that the China-based Mr Wang had more than 30 years of experience in industrial and consumer goods businesses, and currently was Buhler AG head of Asia and had previously held executive roles at Blackstone, Avintiv Inc and Dover Corp.

CANN GROUP

Cann Group says John Sharman has resigned as a director “due to his other business commitments”, effective today.

Mr Sharman was appointed the chief executive officer of Universal Biosensors in 2020.

Cann chair Allan McCallum said that Mr Sharman had been “a valuable member of the board and we want to thank him sincerely for his contributions to the company”.

The company said the search for a replacement was underway.