

Ag & Vet Weekly



Monday September 26 - Friday September 30, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: ANATARA UP 7%; ROOTS DOWN 12.5%**
- * **ABARES: 'FARM DEBT RISING WITH SECTOR CONFIDENCE'**
- * **SYNLAIT REVENUE UP 21% TO \$1.7b, LOSS TO \$34m PROFIT**
- * **BUBS, ZHITONG J-V; HEILONGJIANG UBEITE DIARY TRADEMARK DEAL**
- * **TGA FINES CANNATREK, MGC, LITTLE GREEN \$972k ON MARIJUANA ADS**
- * **BOTANIX FILES SOFPIRONIUM BROMIDE FOR SWEATING US NDA**
- * **TASSAL: NSW SUPREME COURT APPROVES COOKE SCHEME MEETING**
- * **ROOTS UAE HEAT EXCHANGE PROBE ORDER SHIPPED**
- * **A2 MILK: 37m SHARE BUYBACK**
- * **SEAFARMS REQUESTS 'AUDIT' SUSPENSION**
- * **FIL BELOW 5% IN BEGA**
- * **REGAL FUNDS TAKES 11.5% OF APIAM**
- * **MEMPHASYS DIRECTOR ANDREW GOODALL REDUCES, DILUTED TO 18%**
- * **MEMPHASYS CHAIR ALLISON COUTTS BUYS 1m SHARES, TAKES 8.8%**
- * **WATERCREST, STUART CAMERON, KARANTZIAS TAKE 9% OF EPSILON**
- * **REGAL FUNDS REDUCES TO 6% OF ELIXINOL**
- * **COSTA GROUP LOSES M-D SEAN HALLAHAN, HARRY DEBNEY INTERIM CEO**
- * **AUSTRALIAN AGRICULTURAL: DAVID HARRIS M-D, CEO ON \$700k PA**
- * **EVONNE COLLIER REPLACES APIAM DIRECTOR MIKE VAN BLOMMESTEIN**
- * **BEGA APPOINTS GUNTHER BURGHARDT CFO**

MARKET REPORT

The Australian stock market fell 1.23 percent on Friday September 23, 2022, with the ASX200 down 80.8 points to 6,474.2 points. Thirteen of the AVW-42 stocks were up, 19 fell, five traded unchanged and five were untraded.

Anatara was the best, up 0.4 cents or 7.3 percent to 5.9 cents, with 138 shares traded. Murray Cod climbed 5.6 percent; Nanollose rose 4.6 percent; Creso, RLF and Wellnex were up more than three percent; Cann Group was up two percent; Tasfoods improved 1.6 percent; with A2 Milk, Australian Agricultural, Clean Seas, Elders and Select Harvests up by less than one percent.

Roots led the falls, down 0.05 cents or 12.5 percent to 0.35 cents, with 2.1 million shares traded. Avecho lost 9.1 percent; Wide Open was down 8.2 percent; Elixinol shed 7.1 percent; Memphasys fell 5.3 percent; Clover, Fonterra and Next Science were down more than three percent; Althea, Ecofibre, Nufarm and Rare Foods shed more than two percent; Botanix, Cobram, Pharmaust, Ridley and Synlait were down more than one percent; with Bega and Tassal down by less than one percent.

THE BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

Abares says that increased agricultural sector lending activity “is an encouraging sign that our farmers are looking to expand and invest in their businesses”.

Responding to the report ‘Trends in farm debt: Agricultural lending data 2020-’21’ Abares executive director Dr Jared Greenville said that an increase in farm debt over the last year wasn’t cause for concern.

The report said that agriculture was responsible for about \$100 billion in loans and leases at June 30, 2021, with about \$750 million described as “more than 90 days “past due” and the rate of debt mediation and foreclosures falling from June 30, 2019.

“Because of higher property values, farm business equity has remained steady,” Dr Greenville said.

“Higher commodity prices and two record-breaking seasons have meant farmers have higher incomes to pay down their debts in the short term,” Dr Greenville said.

“As a result, farm incomes are less vulnerable to rising interest rates than they were in the 1990s or the early 2000s,” Dr Greenville said.

“Debt is used by farmers for a range of purposes, including purchasing land, plant and equipment and for providing ongoing working capital,” Dr Greenville said.

“The main reason broadacre and dairy farms borrowed money in 2021 was to fund land purchases,” Dr Greenville said.

“That shows Australia’s farmers are taking advantage of two record-breaking seasons and are looking to expand and invest in their businesses,” Dr Greenville said.

“Lending to the agricultural sector increased in all states and territories during 2020-’21, although it was highest in New South Wales and Queensland,” Dr Greenville said.

“However, it’s good to keep these figures in context,” Dr Greenville said.

“A high proportion of aggregate debt is held by a small number of very large farm businesses that generate high cash flows to finance debt,” Dr Greenville said.

“In 2020-’21, five percent of broadacre and dairy farms accounted for around 47 percent of aggregate debt, whereas nearly 50 percent of farms had very little or no debt,” Dr Greenville said.

The report is at <https://www.agriculture.gov.au/abares/research-topics/surveys/farm-debt>.

SYNLAIT MILK

Synlait says that revenue for the 12 months to July 31, 2022 was up 21.4 percent to \$NZ1,660,601,000 (\$A1,452,643,324) with last year's \$NZ28,451,000 loss turned to a net profit after tax of \$NZ38,523,000 (\$A33,678,833).

The company said that revenue came primarily from the sale of milk and dairy related products.

Synlait chair Dr John Penno said that his company had refocused over the past year.

"While rebuilding revenue, reducing unnecessary costs, releasing working capital, and decreasing capital expenditure, we have focused on building scale and capability in the highest returning segments available to the New Zealand dairy industry," Dr Penno said.

"Our Ingredients business returned to its historical profitability, and our nutritionals business returned to growth, while we continued to invest in customer development across all business units," Dr Penno said.

Synlait chief executive officer Grant Watson said his company was "well positioned as we enter the second year of our recovery... we have progressed our strategy, structure, capability, and culture and lifted our execution, but there is much more to do".

The company said last year's diluted loss per share of 13.77 NZ cents was turned to earnings per share of 17.58 NZ cents, with net tangible asset backing per share down 8.2 percent to \$NZ2.69.

Synlait said it had cash and cash equivalents of \$NZ14,493,000 at July 31, 2022, compared to \$NZ16,020,000 the previous year.

Synlait fell five cents or 1.6 percent to \$3.13.

BUBS AUSTRALIA

Bubs says it has a joint venture agreement with Zhitong (Hangzhou) Health Technology to distribute its goat infant formula products in China.

Bubs said that it would have decision-making power, would oversee financial management and would have a 75 percent interest in the joint venture company, with the remaining interest to go to the Hangzhou-based Zhitong.

The company said it had a trademark licence agreement with the Harbin-based Heilongjiang Ubeite Dairy Group Co (HUG) for the manufacture and distribution of its China label goat infant formula products.

Bubs said that HUG had made a submission to the State Administration for Market Regulation (SAMR) to renew its registration in line with China's new Guojia Biaozhun (GB) or national standards.

Bubs said that its new "ultra-premium" China label goat infant formula product range had been developed for Chinese infants and included ingredients such as the triglyceride SN2 palmitate, lactoferrin, prebiotics and nucleotides.

The company said that HUG had granted it a first right of refusal to secure a SAMR registered A2 protein cow milk slot for its Supreme A2 protein brand, subject to it meeting minimum volume commitments and targets for goat formula products in the first year of the deal.

Bubs chair Dennis Lin said his company was "delighted ... with our latest regulatory roadmap towards achieving official SAMR approval for Bubs China label products to be marketed and sold in China's general trade".

"We anticipate unrestricted access into the largest infant formula market in the world would result in a material shift in our China revenue momentum, commencing in the second half of 2022-'23 and beyond," Mr Lin said.

Bubs was unchanged at 50.5 cents with 2.8 million shares traded.

THERAPEUTIC GOODS ADMINISTRATION

The Therapeutic Goods Administration says it has fined marijuana companies Cannatrek, Little Green Pharma and MGC a total of \$972,360 over advertising.

The TGA said the 73 infringement notices related to “alleged unlawful advertising”, with Little Green Pharma receiving 28 notices for a total of \$372,960 in fines, MGC Pharmaceuticals receiving 23 notices for \$306,360 in fines and Cannatrek 22 notices for \$293,040 in fines.

The Administration said the fines were for “the alleged unlawful advertising of medicinal cannabis products on their websites and social media platforms”.

The TGA said the companies “allegedly promoted the use of prescription-only medicinal cannabis products, including ... their own named products, that are unapproved medicines, that is, not entered on the Australian Register of Therapeutic Goods.

“It is also alleged that the unlawful advertising included unapproved references to the treatment of serious diseases or conditions, including in some cases cancer and epilepsy,” the TGA said. “Further, some advertising allegedly suggested or implied that particular medicinal cannabis products were recommended or approved by a government authority.” The TGA said it facilitated “legal pathways for medical practitioners to prescribe medicinal cannabis products to patients, [but] the medicinal cannabis products that are subject of these infringement notices are unapproved prescription-only medicines”.

“Advertising of prescription-only medicines directly to consumers undermines the doctor-patient relationship and may create an inappropriate demand for particular medicines which may not be right for the individual,” the regulator said.

“Businesses can advertise prescription-only medicines exclusively to health professionals as long as those advertisements are not accessible to the public,” the TGA said.

“The use in advertisements, of claims about a serious disease or condition is also unlawful without express permission from the TGA because Australians facing a serious disease or condition are a particularly vulnerable consumer group,” the regulator said.

The TGA said that ensuring compliance was a priority and it would “continue to investigate and take action in relation to alleged non-compliant advertising of medicinal cannabis”.

Cannatrak is a public unlisted company.

Little Green fell 0.5 cents or two percent to 25 cents.

MGC was unchanged at 1.5 cents with 7.5 million shares traded.

BOTANIX PHARMACEUTICALS

Botanix says it has filed its new drug application to the US Food and Drug Administration for sofipironium bromide for patients with excessive sweating.

Botanix said that sofipironium bromide was a topical gel with “very high statistical significance” for the treatment of primary axillary hyperhidrosis, the medical condition which caused excessive underarm sweating.

In May, the company said it would pay Miami’s Brickell Biotech up to \$US17 million (\$A24 million), plus royalties for sofipironium bromide gel for excessive underarm sweating, and that in recent phase III pivotal studies and a 48-week safety study, sofipironium bromide achieved statistical significance in all primary and secondary endpoints and was found to have a favorable safety profile (AVW: May 6, 2022).

Botanix executive chair Vince Ippolito said “we are delighted with the achievement of this submission milestone... sofipironium bromide has already been recently approved in Japan and achieved very strong early sales”.

Mr Ippolito said the company was targeting FDA by the end of 2023.

Botanix fell 0.1 cents or 1.6 percent to 6.2 cents.

TASSAL GROUP

Tassal says the Supreme Court of New South Wales has approved the scheme meeting for shareholders to vote on the Cooke Inc scheme of arrangement.

In August, Tassal said that Canada's Cooke had offered \$5.23 a share valuing the company at \$1,123,514,777 (AVW: Aug 19, 2022).

The meeting will be held at Stamford Plaza Melbourne, 111 Little Collins Street, Melbourne on November 3, 2022 at 10am (AEDT).

Tassal fell two cents or 0.4 percent to \$5.17 with one million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has shipped the parts and systems for its heat exchange probes to the United Arab Emirates and begun installation for the Elite Agro Coffee House project.

In August, Roots said Abu Dhabi's Elite Agro would pay \$US105,000 (\$A151,350) for its heat exchange probes for root-zone cooling system (AVW: Aug 19, 2022).

Roots fell 0.05 cents or 12.5 percent to 0.35 cents with 2.1 million shares traded.

A2 MILK

A2 Milk says it will conduct an on-market buyback of up to 37,180,621 shares, starting on October 5, 2022 and running for up-to 12 months.

According to its most recent filing, A2 had 743,656,528 shares on issue and Ag & Vet Weekly calculates the buyback would be for about five percent of the company.

A2 Milk was up three cents or 0.6 percent to \$5.40 with 3.8 million shares traded.

SEAFARMS GROUP

Seafarms has requested a temporary suspension "pending release of its audited financial report for the period ended June 30, 2022".

Seafarms said that the suspension was required due to "unresolved matters, including a recently received claim relating to a cancelled construction contract ... received subsequent to the release of our preliminary financial results".

In June, the company said that it continued "to believe in the future of Project Sea Dragon" after an April review, led by former chair Michael McMahon and company secretary Ian Brannan concluded that Project Sea Dragon "cannot proceed in its current form - there is no funding to proceed given failure of the debt financing" (AVW: Apr 8, Jun 24, 2022).

In April, former chair Ian Trahar and Avatar Industries called for the removal of Mr McMahon and replaced him in May, with Rod Dyer later appointed as chief executive officer (AVW: Apr 22, May 6, 20, 2022).

Seafarms said trading would resume on the release of the report or by October 31, 2022. Seafarms was untraded at 1.3 cents.

BEGA CHEESE

The Sydney-based Fidelity International (FIL) Investment Management says that it has ceased its substantial holding in Bega, reducing to 13,748,022 shares or 4.53 percent.

In February, FIL said it reduced its holdings in Bega to 16,847,714 shares (5.56%) and this week said it bought and sold shares from February 7 to September 21, 2022 selling 3,116,231 shares for prices ranging between \$3.585 and \$5.20 (AVW: Feb 11, 2022).

Bega fell three cents or 0.9 percent to \$3.46 with 517,035 shares traded.

APIAM ANIMAL HEALTH

Sydney's Regal Funds Management says it has increased its holding in Apiam from 15,803,149 shares (9.35%) to 20,081,504 shares (11.51%).

Regal said that on August 10 and September 20, it bought 4,278,355 shares for \$3,206,807 or an average of 74.95 cents a share.

Apiam was untraded at 79.5 cents.

MEMPHASYS

Memphasys director Andrew Goodall says he has reduced and been diluted in Memphasys from 171,498,505 shares (23.36%) to 170,498,505 shares (17.76%).

The Tweed Heads-based Mr Goodall said he was diluted on September 21 and on September 28, 2022 sold 1,000,000 shares "off-market" for \$20,000 or two cents a share. Last week, Memphasys said investors subscribed for \$900,112 in rights issue shares at two cents a share, with the underwritten shortfall raising \$860,305 (AVW: Sep 23, 2022). Memphasys fell 0.1 cents or 5.3 percent to 1.8 cents.

MEMPHASYS

Chair Alison Coutts says she has increased her substantial holding in Memphasys from 83,592,819 shares (8.70%) to 84,592,819 shares (8.81%).

The Sydney-based Ms Coutts said that on September 28, 2022 she bought 1,000,000 shares "off-market" for \$20,000 or two cents a share (see above).

EPSILON HEALTHCARE

Watercrest Asset Management, Stuart Cameron and Karantzias Superfund say they have become substantial in Epsilon with 26,639,516 shares or 8.98 percent.

The Sydney-based Watercrest, Stuart Cameron, and Karantzias said they bought the shares between September 21 and 23, 2022, with the largest purchase on September 21 of 17,647,059 shares for \$750,000 or 4.25 cents a share.

Epsilon was unchanged at 2.2 cents.

ELIXINOL WELLNESS

The Sydney-based Regal Funds says it has reduced its substantial holding in Elixinol from 22,247,476 shares (7.03%) to 18,953,133 shares (5.99%).

Regal said that it sold shares between July 27 and September 27, 2022, with the single largest sale 721,000 shares for \$30,570 or an average of 4.24 cents a share.

Elixinol fell 0.2 cents or 7.1 percent to 2.6 cents.

COSTA GROUP HOLDINGS

Costa Group says managing-director and chief executive officer Sean Hallahan has resigned, with Harry Debney replacing him on an interim basis, effective today.

Costa Group said that Mr Hallahan had been with the company for five years, had been its chief executive officer and managing-director since March 2021 and would support Mr Debney in the handover period, expected to finish in mid-October 2022.

Costa Group said Mr Debney was its chief executive officer from 2010 to April 2021.

Costa Group was unchanged at \$2.24 with 2.3 million shares traded.

AUSTRALIAN AGRICULTURAL

Australian Agricultural says it has appointed David Harris as managing-director on a base salary of \$700,000 a year, effective from September 27, 2022.

Australian Agricultural said that Mr Harris had been acting as chief executive officer since June, having joined the company in 2016, and would be eligible for a maximum short-term incentive of \$350,000 a year, up to \$175,000 in deferred equity awards and long-term incentives based on performance hurdles.

The company said Mr Harris had experience in the operation of large-scale intensive animal production systems, and previously was an executive at Stanbroke and Smithfield Cattle Co.

Australian Agricultural said that Mr Harris held a Bachelor of Rural Science from the University of New England in Armidale, New South Wales.

Australian Agricultural was up 0.5 cents or 0.3 percent to \$1.715.

APIAM ANIMAL HEALTH

Apiam says Evonne Collier will replace Mike van Blommestein as a non-executive director, effective from October 1, with Mr Blommestein retiring on November 24, 2022.

Apiam said that Ms Collier had experience in the pharmaceutical, animal health, medical and financial technology, consumer goods and electronic commerce industries and was a director of 4D Medical and several other companies.

The company said Ms Collier held a Bachelor of Arts from the University of Queensland and a Master of Business from the Queensland University of Technology.

Apiam said Mr van Blommestein joined the company in December 2015 and would retire at the November annual general meeting.

BEGA CHEESE

Bega says it has appointed Gunther Burghardt as its chief financial officer, effective from October 3, 2022.

In July, Bega said that former chief financial officer Pete Findlay had been appointed as its chief operating officer, effective from the release of its 2022 annual financial results (AVW: Jul 1, 2022).

Today, the company said Mr Burghardt had more than 30 years of experience, most recently working for Blackmores as chief financial officer and chief investment officer, and previously working for Proctor & Gamble, Reckitt Benckiser, Fosters, Kraft Foods and Treasury Wine Estates.

Bega said that Mr Burghardt held a Bachelor of Business Administration from the Wilfrid Laurier University in Waterloo, Ontario.