

Ag & Vet Weekly



Monday November 14 - Friday November 18, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-41 EVEN: ECOFIBRE UP 25%; AVECHO DOWN 11%**
- * **FONTERRA SELLS SOPROLE TO GLORIA FOODS FOR \$956m**
- * **NUFARM REVENUE UP 17% TO \$3.8b, PROFIT UP 118% TO \$133m**
- * **ELDERS REVENUE UP 33% TO \$3.5b; PROFIT UP 9% TO \$163m**
- * **AUST AGRICULTURAL H1 REVENUE UP 14% TO \$163m, PROFIT DOWN 38%**
- * **WELLNEX 4-MONTH REVENUE UP 60% TO \$8.8m**
- * **NUFARM \$950m LOAN REFINANCING**
- * **ARC LAUNCHES TROPICAL AQUACULTURE HUB**
- * **RLF OPENS VIETNAM OFFICE; NHAN LU MANAGER**
- * **ELDERS 107k RETIRING M-D MARK ALLISON RIGHTS AGM**
- * **PIP GREENWOOD TO REPLACE A2 CHAIR DAVID HEARN NEXT YEAR**
- * **BOAZ WACHTEL REPLACES CRESO CHAIR JAMES ELLINGFORD**

MARKET REPORT

The Australian stock market was up 0.23 percent on Friday November 18, with the ASX200 up 16.1 points to 7,151.8 points. Sixteen of the AVW-41 stocks were up, 16 fell, four traded unchanged and five were untraded.

Ecofibre was the best on no news, up eight cents or 25.4 percent to 39.5 cents, with 95,992 shares traded. Roots climbed 25 percent; Australian Agricultural and Creso were up more than four percent; Food Revolution, Murray Cod, Nanollose and Wellnex were up more than three percent; Cobram, Fonterra and Pharmaust rose more than two percent; Botanix and Synlait were up more than one percent; with Apiam, Nufarm and Select Harvests up by less than one percent.

Avecho led the falls, down 0.1 cents or 11.1 percent to 0.8 cents, with 70,000 shares traded. Seafarms lost 10 percent; Memphasys fell 6.25 percent; RLF was down 5.9 percent; Wide Open fell 4.55 percent; A2 and Elixinol were down more than three percent; Bega and Bubs shed more than two percent; Clean Seas, Costa, Elders and Terragen were down one percent or more; with Clover, Next Science and Ridley down by less than one percent.

FONTERRA SHAREHOLDERS FUND

Fonterra says it will sell its Chilean Soprole business to the Lima Peru-based Gloria Foods Jorb SA for 591.07 billion Chilean Pesos (\$NZ1.041 billion; \$A956.346 million).

Fonterra chief executive officer Miles Hurrell said the divestment process began in April 2022, following the launch of Fonterra's strategy to 2030.

"A key pillar of our strategy is to focus on New Zealand milk," Mr Hurrell said.

"Soprole is a very good business but does not rely on New Zealand milk or expertise," Mr Hurrell said.

Fonterra said that Gloria Foods was a consumer dairy market leader in Peru, with operations in Bolivia, Puerto Rico, Argentina, Colombia and Uruguay and the two companies had "a long-standing commercial relationship in South America".

The company said that the divestment included the sale of shares in a Fonterra-owned holding company and the proceeds would be subject to relevant adjustments including capital gains tax, working capital and net debt adjustments at closing, foreign exchange hedging costs, and other transaction related costs.

Fonterra said the consideration included dividends from Soprole and intercompany debt owing to Fonterra, to be repaid at completion.

The company said that the divestment was subject to regulatory and other conditions expected to take about six months.

Fonterra said that the previously announced 2022-'23 earnings guidance would continue "to reflect only the underlying performance of the Soprole business during the pre-completion period" and the overall impact of the divestment program would be part of the 2022-'23 financial reporting.

Fonterra was up six cents or 2.15 percent to \$2.85.

NUFARM

Nufarm says revenue for the year to September 30, 2022, was up 17.3 percent to \$3,772,970,000 with net profit after tax up 118.1 percent to \$133,197,000.

Nufarm said revenue included \$3,283,545,000 from crop protection with \$1,038,424,000 from the Asia-Pacific region, \$1,350,190,000 from North America and \$894,931,000 from Europe; with \$296,311,000 from seed technologies as well as \$193,114,000 from its corporate segment.

The company said that its net cash outflow from investing activities increased 64 percent "with the majority of the increase due to investment in plant and equipment, increased investments in Enko and Crop Zone, and the acquisition of the Biovertis energy cane assets from Granbio Inverimentos SA".

Nufarm said that "the investments in Enko, Crop Zone and Biovertis illustrates the group's commitment to utilize free cash flow on growth opportunities".

The company said an unfranked dividend of six cents a share for the record date of November 25 would be paid on December 9, 2022.

Nufarm said that diluted earnings per share increased 72.8 percent to 26.1 cents.

The company said that its net tangible assets per share rose 9.5 percent to \$2.53.

Nufarm said it had cash and cash equivalents of \$585,702,000 at September 30, 2022, compared to \$724,215,000 on September 30, 2021.

Nufarm was up four cents or 0.7 percent to \$5.90 with 914,576 shares traded.

ELDERS

Elders says revenue for the year to September 30, 2022 was up 33.4 percent to \$3,445,254,000 with net profit after tax up 8.7 percent to \$162,866,000.

Elders said the revenue was from the sale of seeds, fertilizers, agricultural chemicals, animal health products and general rural merchandise, with rural products including chemicals and fertilizers, driving growth.

The company said it would pay holders at the record date of November 22, a partly-franked, final dividend of 28 cents a share on December 16, 2022.

Elders said diluted earnings per share was up 9.0 percent to \$1.041, net tangible asset backing per share rose 30.88 percent to \$2.84 and it had cash and equivalents of \$17,800,000 at September 30, 2022 compared to \$48,063,000 at September 30, 2021.

Elders fell 10 cents or one percent to \$10.30 with 1.7 million shares traded.

AUSTRALIAN AGRICULTURAL COMPANY

Australian Agricultural says revenue for the six months to September 30, 2022 was up 14.1 percent to \$163,741,000 with net profit after tax down 38.0 percent to \$51,567,000.

Australian Agricultural said revenue included \$122,325,000 from meat sales of which \$120.2 million was from the sale of Wagyu beef and \$41,416,000 from sales of cattle.

The company said employee expenses increased 23.1 percent from \$24,607,000 to \$30,298,000 with "administration and selling costs" up 48.6 percent to \$22,387,000 and "other operating costs" up 23.4 percent to \$15,210,000.

Australian Agricultural said no dividends would be declared, diluted earnings per share fell 38.05 percent to 8.63 cents, net tangible assets per share rose 23.9 percent to \$2.33, and it had \$8,730,000 in cash at September 30, 2022 compared to \$13,312,000 a year earlier.

Australian Agricultural was up eight cents or 4.9 percent to \$1.71.

WELLNEX LIFE

Wellnex says that revenue for four months to October 30, 2022 was up 60.0 percent to \$8.8 million compared to the prior corresponding period.

Wellnex said it had growth in its own brands and contract manufacturing, launched Mark Wahlberg's Performance Inspired and Ocean Road Dairies in October in Chemist Warehouse, along with the The Set.Co electronic commerce brand and platform, allowing it to enter the "online health and wellness market".

The company said it expected to finalize the Mr Bright acquisition in December, launch Pharmacy Own in January, along with medical marijuana products planned for early 2023. Wellnex Life was up 0.25 cents or 3.5 percent to 7.45 cents.

NUFARM

Nufarm says it has a five-year \$800 million 'asset-based lending credit facility' and a two-year \$150 million 'liquidity facility' to provide FOR working capital requirements.

Nufarm said the five-year \$800 million credit facility secured against trade receivables and inventory located in Australia, the US and Canada and the two-year \$150 million liquidity facility, would replace the existing 12-month \$500 million 'securitized trade receivables facility' and the three-year \$440 million 'syndicated bank facility'.

The company did not disclose the interest rates associated with any of the loans.

Nufarm said the loans would complement the \$US350 million (\$A523 million) 'senior unsecured notes' issued in January 2022, which mature in January 2030.

AUSTRALIAN RESEARCH COUNCIL

The Australian Research Council says it has launched a Tropical Aquaculture research hub in Cairns, to be led by the Townsville-based James Cook University.

The Australian Research Council said that the Tropical Aquaculture research hub would take a genetic approach to improving aquaculture industry breeding outcomes and lowering risks from disease.

The Council said that the research would involve work with five species: pearl oysters, barramundi, prawns, seaweed, and grouper, aiming “to boost productivity of farming, improve breeding outcomes and lower risks associated with disease”.

The ARC said that the projects would select genetic lines for fast growth, product quality and pathogen tolerance, improve hatchery breeding processes, improve biosecurity and lower the threat of disease.

Australian Research Council chief executive officer Judi Zielke said the hub would use genetics “to help boost productivity for aquaculture farmers, as it has in other livestock and crop industries”.

The ARC said it was investing \$5 million over five years in this research hub, under the Industrial Transformation Research Program to support “collaborative research and partnerships that focus on strategic industry outcomes which would not otherwise be achieved independently”.

The Council said that James Cook University had partnered with the University of Queensland and five industry partners, and included 20 investigators, three research fellows, three research assistants and two doctoral students.

RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says Vietnam has approved the establishment of an office in Ho Chi Minh City and it has appointed Nhan (Frank) Lu as its regional manager and authorized representative.

RLF said the authorization would allow it to establish legal standing, including functions such as trading operations, employment of personnel and product registration ownership.

The company said Mr Lu would be responsible for the company’s operations, including management and support distributor partners and it intended “to seek deep penetration into markets by leveraging its ability to increase farm yields, improve crop quality and nutritional values, reduce the use of traditional fertilizers and improve resilience and health, whilst generating significant returns for farmers”.

RLF said that agriculture was “critical to the Vietnamese economy, contributing approximately \$56 billion or 15 percent of total [gross domestic product] GDP in 2020, and employing 30 percent of the country’s workforce”.

The company said the importance of its products in Vietnam was “magnified with the smaller-scale, under two hectares, nature of farms” comprising about 70 percent of Vietnam’s agriculture; and its products would allow farmers to increase yields, improve crop quality and nutritional value, reduce traditional fertilizers and improve soil health.

RLF managing-director Ken Hancock said the company was “excited to announce the establishment of our new representative office in Ho Chi Minh City, Vietnam and the appointment of Frank Lu as our local manager and authorized representative”.

“The company sees South East Asia as a core pillar of our expansion strategy and I am delighted to launch our new presence in Vietnam together with Frank,” Mr Hancock said.

“We look forward to seeing how RLF ... products can provide a value-add sustainable solution to local farming as we drive on farm efficiency and work towards better, higher quality crops to feed local and international markets,” Mr Hancock said.

RLF fell one cent or 5.9 percent to 16 cents.

ELDERS

Elders says its annual general meeting will vote to issue 107,000 performance rights to managing-director Mark Allison, who is retiring next year.

Elders said the performance rights would vest in two equal tranches, pending total shareholder return and compound annual earnings growth targets.

The company said shareholders would vote on the adoption of the remuneration report, the re-election of director Ian Wilton and to approval a 25 percent increase in the directors' fee pool from \$1,200,000 to \$1,500,000.

The meeting will be held in the City Room, Adelaide Convention Centre, North Terrace, Adelaide on December 15, 2022 at 10am (ACDT).

A2 MILK COMPANY

A2 Milk says Pip Greenwood will replace chair David Hearn when he retires from the company after nine years at the next annual general meeting in November 2023.

A2 said Ms Greenwood had been a director for more than three years and had "both the skills and importantly the experience to take over from David Hearn at that time".

A2 fell 20 cents or 3.25 percent to \$5.95 with 4.7 million shares traded.

CRESO PHARMA

Creso says director Boaz Wachtel will replace James Ellingford as chair, effective immediately.

Creso said Mr Wachtel was the co-founder and former managing-director of Phytotech Medical (now Hygrovest), co-founder of the International Medical Cannabis Patient Coalition and chair of Roots Sustainable Agricultural Technologies.

In 2020, Roots said it had appointed Mr Ellingford as a director (AVW: Feb 28, 2020).

The company said Mr Wachtel held a Master of Arts from the University of Maryland.

Last year, the Australian Securities and Investments Commission (ASIC) told Ag & Vet Weekly that it had raided the offices of Everblu Capital, an investor in Creso and Roots Sustainable and other companies, including the delisted Esense (AVW: Nov 19, 2021).

The chair of Everblu, Adam Blumenthal was at that time the chair of Creso and Roots. A spokesperson for ASIC told Ag & Vet Weekly that the Australian Federal Police exercised warrants on behalf of the Commission in relation to "certain market activities, among other things" and at the time of publication no one had been charged.

Later that month, Creso said that chair Adam Blumenthal had stood aside and James Ellingford was appointed interim chair (AVW: Nov 26, 2021).

Creso was up 0.1 cents or 4.8 percent to 2.2 cents with 11.4 million shares traded.