

Ag & Vet Weekly



Monday February 20 - Friday February 24, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-41 UP: NANOLLOSE UP 9%; TERRAGEN DOWN 24%**
- * **BEGA H1 REVENUE UP 11% TO \$1.7b, PROFIT DOWN 74% TO \$7.3m**
- * **COSTA REVENUE UP 11% TO \$1.4b, PROFIT DOWN 19% TO \$33.6m**
- * **A2 MILK H1 REVENUE UP 18.6% TO \$710m, PROFIT UP 24% TO \$67m**
- * **APIAM H1 REVENUE UP 25% TO \$93.7m, PROFIT UP 69% TO \$2.8m**
- * **COBRAM H1 REVENUE UP 1.8% to \$72m, LOSS UP 91% TO \$10m**
- * **CLEAN SEAS H1 REVENUE UP 9.7% TO \$34.2m, LOSS UP 61% TO \$3.5m**
- * **ECOFIBRE H1 REVENUE UP 6.4% TO \$16.5m, LOSS UP 163% TO \$17.6m**
- * **CANN GROUP H1 REVENUE UP 83% TO \$5.8m, LOSS UP 128% TO \$18.8m**
- * **WIDE OPEN H1 REVENUE UP 37% TO \$5.4m, LOSS UP 44% TO \$7.7m**
- * **FONTERRA FARMGATE MILK MIDPOINT \$7.77kg/MS**
- * **FONTERRA APPROVED TO SELL CHILE SOPROLE TO GLORIA FOODS**
- * **BEGA TO RELOCATE CANBERRA DAIRY MANUFACTURING TO PENRITH NSW**
- * **AVECHO, LAMBERT EXPAND SOFT-GEL MARIJUANA TRIALS**
- * **ROOTS EXTENDS \$210k LOAN**
- * **PHARMAUST STARTS 2nd MOTOR NEURONE DISEASE COHORT DOSING**
- * **ECOFIBRE LOSES DIRECTOR JON MEADMORE**

MARKET REPORT

The Australian stock market was up 0.3 percent on Friday February 24, 2023, with the ASX200 up 21.6 points to 7,307.0 points. Sixteen of the AVW-41 stocks were up, 12 fell, 10 traded unchanged and three were untraded.

Nanollose was the best, up 0.5 cents or 9.1 percent to six cents, with 26,166 shares traded. Bega and Creso climbed more than seven percent; RLF was up 6.25 percent; MGC and Sustainable Nutrition improved five percent or more; Next Science was up 3.5 percent; Costa and Tasfoods rose more than two percent; Botanix, Bubs, Clean Seas and Elders were up more than one percent; with Fonterra, Nufarm and Select Harvests up by less than one percent.

Terragen led the falls, down 1.4 cents or 23.7 percent to 4.5 cents, with 19,875 shares traded. Anatara lost 6.25 percent; Althea was down 5.7 percent; Elixinol fell four percent; Murray Cod was down 3.3 percent; A2, Ecofibre and Synlait shed more than one percent; with Apiam, Australian Agricultural, Cobram and Ridley down by less than one percent.

BEGA CHEESE

Bega says that revenue for the six months to December 25, 2022 was up 11.1 percent to \$1,675,100,000 with net profit after tax down 73.9 percent to \$7,300,000.

In its results presentation, Bega Cheese said that the “time of price increasing lagged significant cost increases”.

Bega said revenue came primarily from Bega cheese and milk sales, Vegemite, Bega peanut butter, Tatura Milk sales and food packaging and distribution.

The company said its dairy and drinks branded business was “lower than the prior year as the timing of price increases in the Australian market lagged significant farm gate milk price rises and other cost inflation”.

Bega said that “the [dairy] industry has been impacted by low labor availability, extensive flooding in some regions, high land prices and the attraction of high prices in other agricultural commodities such as beef ... some of these milk production headwinds are expected to moderate in [the second half of] 2022-'23 and 2023-'24.

Bega company said that a fully franked interim dividend of 4.50 cents a share for shareholders on the record date of March 1 would be paid on March 23, 2023.

Bega said that diluted earnings per share was down 73.9 percent to 2.4 cents with net tangible assets per share down 4.6 percent to \$1.87.

The company said it had cash and cash equivalents of \$78,600,000 at December 26, 2022 compared to \$51,400,000 at December 26, 2021.

Bega was up 25 cents or 7.5 percent to \$3.57 with 2.5 million shares traded.

COSTA GROUP

Costa says revenue for the year to January 1, 2023 was up 11.2 percent to \$1,357,556,000 with net profit after tax down 18.8 percent to \$33,630,000.

Costa said that its China operation had revenue up 34 percent on the prior year, “mainly attributable to larger volumes, up 40 percent, from increased plantings and higher pricing, especially for premium jumbo Arana blueberries”.

The company said that despite Covid-19 lockdowns in China, the berry, mushroom, and tomato categories “all delivered strong revenue growth year on year”.

Costa said that revenue for berries was up eight percent compared to the prior corresponding period, with revenue for mushrooms and tomatoes up 11 percent and 27.1 percent, respectively.

Costa said “extensive weather impacts resulted in a reduced pack-out of export quality citrus grades” and with higher crop input and freight costs it had \$40 million lower earnings than planned for its citrus products.

The company said that avocado yield fell 14.8 percent compared to the previous corresponding period due to weather impacts in Northern New South Wales.

Costa said it would pay a 40 percent franked, final dividend of five cents a share to holders at the record date of March 9, 2023 and payable on April 6, 2023.

Costa chief executive officer Harry Debney said “with improved weather expectations for 2023, and La Nina appearing exhausted as we head into more neutral weather patterns, we are forecasting a return to more normal growing conditions, which we expect to deliver improved performance”.

The company said that diluted earnings per share fell 23.5 percent to 7.24 cents, with net tangible assets per share down 6.9 percent to 114.68 cents.

Costa said that it had cash and cash equivalents of \$85,212,000 at January 1, 2023 compared to \$61,887,000 at December 26, 2021.

Costa was up six cents or 2.3 percent to \$2.62 with 1.3 million shares traded.

A2 MILK

A2 Milk says revenue for the six months to December 31, 2022 was up 18.6 percent to \$NZ783,339,000 (\$A709,855,000) with net profit after tax from continuing operations up 23.7 percent to \$NZ73,777,000 (\$A66,853,000).

A2 said that revenue from Australia and New Zealand for its infant formula, liquid milk and other products fell 24.6 percent to \$NZ213,662,000, revenue from Asia was up 54.0 percent to \$NZ306,300,000 million, with North American revenue up 61.8 percent to \$NZ52,438,000 million.

The company said an increase in revenue was due to “new products and favorable foreign exchange movements”.

In its outlook, A2 said that for the year to June 30, 2023 it expected “low double digit revenue growth” despite challenges in the China infant milk formula market, and earnings before interest, taxes, depreciation and amortization (Ebitda) margin similar to the 2022 financial year.

A2 Milk said diluted earnings per share rose 23.7 percent to 9.9 NZ cents, net tangible assets per share was up 2.8 percent to \$NZ1.46 and it had cash and equivalents of \$NZ777,195,000 at December 31, 2022 compared to \$NZ747,170,000 the previous year.

A2 Milk fell 10 cents or 1.5 percent to \$6.40 with 4.25 million shares traded.

APIAM ANIMAL HEALTH

Apiam says that revenue for the six months to December 31, 2022 was up 24.7 percent to \$93,719,000 with net profit after tax up 68.6 percent to \$2,849,000.

Apiam said that an increase in revenue was driven by “continued growth in the dairy and mixed animal [veterinary] segment, which contributes a less cyclical revenue stream as well as higher gross margins”.

The company said it increased the number of its clinics from 61 at the end of the previous corresponding period to 79 clinics at December 31, 2022.

Apiam declared no dividend for the six months and said it intended “to invest all capital during this rapid growth period towards funding the accelerated acquisition strategy rather than returning funds to shareholders”.

Apiam said diluted earnings per share was up 27.7 percent to 1.66 cents with net tangible assets per share down 22.2 percent to negative 21 cents, and cash and equivalents of \$3,425,000 at December 31, 2022 compared to \$2,772,000 at December 31, 2021.

Apiam fell half a cent or 0.8 percent to 61.5 cents.

COBRAM ESTATE OLIVES

Cobram says that revenue for the six months to December 31, 2022 was up 1.8 percent to \$71,487,000 with net loss after tax up 90.5 percent to \$9,895,000.

This week, Cobram said net loss after tax was due to an increased marketing investment in Australia, an increased percentage of Australian sales in its lower-priced Red Island olive oil products “the timing of the benefits of US price increases flowing through, and a provision for slow moving Wellgrove [‘wellness’] stock”.

The company said full year earnings were forecast to be “materially higher” than 2022 due to an “on-cropping year” with greater olive yield and a forecast increase in US sales.

Cobram said that diluted loss per share doubled to 0.02 cents, net tangible asset backing per share was up 18.9 percent to 63 cents, with cash and cash equivalents of \$6,086,000 at December 31, 2022, compared to \$11,196,000 at December 31, 2021.

Cobram fell one cent or 0.8 percent to \$1.31.

CLEAN SEAS SEAFOOD

Clean Seas says revenue for the six months to December 31, 2022 was up 9.7 percent to \$34,231,000 with net loss after tax up 60.5 percent to \$3,467,000.

Clean Seas said revenue was up due to “demand exceeding supply and the elimination of surplus frozen inventory sales” of its yellowtail kingfish.

Clean Seas said production costs decreased by 11 percent, with prices for its fresh and frozen fish products increasing by 20 percent and 79 percent, respectively, due to “demand outstripping supply”.

The company said diluted loss per share was up 60.3 percent to 2.10 cents, with net tangible asset backing per share up 12.5 percent to 45 cents and it had cash and equivalents of \$10,698,000 at December 31, 2022 compared to \$14,564,000 at December 31, 2021.

Clean Seas was up one cent or 1.85 percent to 55 cents.

ECOFIBRE

Ecofibre says revenue for the six months to December 31, 2022 was up 6.4 percent to \$16,453,000, with net loss after tax up 163.0 percent to \$17,608,000.

Ecofibre said it had revenue of \$7.7 million from sales of its Hemp Black textile products, \$6.8 million from sales of its Ananda Health marijuana medicines and \$1.9 million from sales of its Ananda Food hemp-based food additives.

The company said that the loss “included pre-tax impairment charges against the carrying value of assets in Hemp Black and Ananda Health totaling \$12.4 million”.

Ecofibre said it decided to close the Hemp Black apparel and 3-D knitting business, and the write-down reflected “the lower level of capacity utilization required for cannabinoid extraction at Ananda Health’s production facility in Georgetown, Kentucky”.

The company said diluted loss per share was up 158.6 percent to 5.25 cents with net tangible assets per share down 55.4 percent to 7.27 cents.

Ecofibre said it had cash and cash equivalents of \$7,375,000 at December 31, 2022 compared to \$5,917,000 at December 31, 2021.

Ecofibre fell half a cent or two percent to 25 cents.

CANN GROUP

Cann Group says revenue for the six months to December 31, 2022 was up 83.4 percent to \$5,819,000 with net loss after tax up 127.6 percent to \$18,844,000.

Cann Group said that the revenue increased due to “large repeat orders for [marijuana] oil and flower products, and the largest single domestic order for a [marijuana] oil product received by the company so far”.

The company said its increased net loss was due to “higher than usual administration, corporate and [research and development] costs [which] reflected the scale up of the Mildura facility and the completion of the [schedule] 3 clinical trial during the half-year”.

The company said that its diluted loss per share was up 92.8 percent to 5.34 cents, net tangible assets per share fell 34.8 percent to 18.83 cents and it had cash and cash equivalents of \$7,190,000 at December 31, 2022 compared to \$10,680,000 at December 31, 2021.

Cann Group was unchanged at 17 cents.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says revenue for the six months to December 31, 2022 was up 37.1 percent to \$5,446,145, with net loss after tax up 44.4 percent to \$7,678,370.

Wide Open said revenue came from sales of its Dirty Clean Food fresh meat products and “regenerative oat milk”, with research continuing into its lupin plant protein.

The company said diluted loss per share was up 20.0 percent to 5.39 cents, with net tangible assets per share fell 42.7 percent to 11.82 cents.

Wide Open said that it had cash and equivalents of \$11,039,975 at December 31, 2022 compared to \$26,209,954 at December 31, 2021.

Wide Open Agriculture was unchanged at 21 cents.

FONTERRA SHAREHOLDERS FUND

Fonterra says it has reduced its 2022-'23 forecast farmgate milk price range to \$NZ8.20 to \$NZ8.80 (\$A7.50 to \$A8.05) per kilogram of milk solids (kg/MS), with a midpoint of \$NZ8.50 (\$A7.77).

In December, Fonterra said the farmgate midpoint was \$NZ9.00 (AVW: Dec 9, 2022).

Fonterra chief executive officer Miles Hurrell said while Fonterra's collections for the season were up from the prior corresponding period “cyclone Gabrielle and dry conditions in the South Island have impacted the co-op's full season expectations”.

Fonterra was up one cent or 0.35 percent to \$2.84.

FONTERRA SHAREHOLDERS FUND

Fonterra says that Chile's Fiscalía Nacional Económica has approved the sale of its Soprole business to Gloria Foods Jorb SA.

In 2022, Fonterra said it would 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) (AVW: Nov 18, 2022).

The company said it would make a final decision on the amount and timing of any capital return once the sale agreement was unconditional and it had received the proceeds.

Fonterra chief executive officer Miles Hurrell said that completion of the sale was subject to conditions, including the start of an irrevocable public tender offer process in Chile for the outstanding shares in Soprole, not already owned by Fonterra.

“Receipt of [Fiscalía Nacional Económica] approval is a significant milestone for the transaction and we remain on track in the sale process,” Mr Hurrell said.

“We will update the market on expected timing for completion of the sale as the remaining conditions are progressed,” Mr Hurrell said.

BEGA CHEESE

Bega says it will relocate its fresh dairy products manufacturing facility in Griffith, Canberra, to its site in Penrith, New South Wales.

Bega said there were no dairy farms in Canberra, so milk was sourced from outside the Australian Capital Territory and transported to Griffith for production, which could bypass “more efficient and sustainable production sites like Bega's Penrith facility”.

The company said that there would be no change to the brand or milk across Canberra Milk or Dairy Farmers brands.

Bega said that 19 employees were affected by the relocation and would be provided with “redundancy packages or redeployment where possible”.

AVECHO BIOTECHNOLOGY

Avecho says the Lambert Initiative at the University of Sydney will use its oral cannabidiol (CBD) 'soft-gel' capsule in its trials for new undisclosed indications.

Avecho said that it would provide its tocopheryl phosphate mixture (TPM) enhanced marijuana-based CBD capsule to the Lambert Initiative for use in two trials which would examine novel indications "not previously associated with CBD therapy".

The company said that the undisclosed candidate indications "emerged from pre-clinical and early-stage clinical studies conducted by Lambert Initiative researchers and ... [were] attractive indications for future CBD products registered as over-the-counter medicines with the Therapeutic Goods Administration".

Previously, Avecho said that a 15-patient, phase IIa study conducted with the Lambert Initiative showed that tocopheryl phosphate mixture-marijuana-derived cannabidiol had a "highly significant" osteoarthritis pain reduction (BD: Mar 29, 2022).

Today, Avecho said that the first trial to be conducted by the Lambert Initiative would begin dosing in "the middle of the year" with the second study to start dosing by October 2023.

The company said it was focused on its planned phase III trial of the cannabidiol soft-gel capsule for insomnia.

Avecho chief executive officer Dr Paul Gavin said the company always intended "to allow others to examine further clinical applications of our formulations in other indications of value and interest".

"The Lambert Initiative ... decision to use Avecho's CBD product in their own studies is testament to the clinical relevance of the work we've conducted over the last three years on product development in the cannabinoid space," Dr Gavin said.

Avecho was unchanged at one cent.

ROOTS SUSTAINABLE AGRICULTURE TECHNOLOGIES

Roots says it has reached an agreement with its lenders to extend its short-term loans of \$210,000 from January 31 to March 15, 2023.

In September, Roots said two Sydney companies had loaned it \$225,000 at a non-compounding 60 percent a year, payable by December 31, 2022 (AVW: Sep 2, 2022).

In November, the company said RAH Pty Ltd and Glacier Glow Pty Ltd had agreed to extend their short-term loans until January 31, 2023 (AVW: Nov, 25, 2022).

Roots was unchanged at 0.2 cents with 1.05 million shares traded.

PHARMAUST

Pharmaust says it has begun dosing the second cohort in its 12-patient, phase I/II trial of monepantel for motor neurone disease.

Last year, Pharmaust said it had completed dosing the first cohort of six patients in its trial for motor neuron disease or amyotrophic lateral sclerosis (BD: Dec 2, 2022).

Today, the company said the first patient in the second cohort would receive 4mg/kg monepantel which was twice the dose of the first patient in the first cohort.

Pharmaust said all six cohort one patients "elected to continue" on monepantel and the first patient had more than 140-days of treatment "with no material safety issues or serious adverse events".

Pharmaust was unchanged at 7.8 cents.

ECOFIBRE

Ecofibre says Jon Meadmore retired as a non-executive director, effective from February 20, 2023.

The company thanked Mr Meadmore for his commitment to the role since his appointment in October 2017.