

Ag & Vet Weekly



Monday August 21 - Friday August 25, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-40 DOWN: EPSILON UP 13%; MGC DOWN 33%**
- * **AG & VET WEEKLY FINAL EDITORIAL**
- * **BEGA REVENUE UP 12% TO \$3.4b, PROFIT TO \$230m LOSS**
- * **A2 MILK REVENUE UP 10% TO \$1.5b; PROFIT UP 27% TO \$144m**
- * **COBRAM REVENUE UP 21% TO \$170m; LOSS TO \$7.7m PROFIT**
- * **ECOFIBRE REVENUE UP 8% TO \$32.5m; LOSS UP 172% TO \$40m**
- * **ECOFIBRE PLACEMENT RAISES \$5m, SHARE PLAN FOR \$1m MORE**
- * **COSTA \$30m REVENUE WARNING; DELAYS H1 RESULTS 1 WEEK**
- * **ELDERS PROFIT WARNING: DOWN 8-12% TO \$165-\$175m**
- * **SELECT HARVESTS: 'CROP NOT IMPACTED BY NSW VARROA MITE'**
- * **ASX SUSPENDS CANN GLOBAL ON FEES**
- * **EPSILON PAYS \$4m LOAN, BORROWS FURTHER \$2.85m**
- * **PHARMAUST: 11 MONEPANTEL MND PATIENTS 'STABLE'**
- * **AVECHO TAKES 'CAPITAL RAISING' TRADING HALT TO SUSPENSION**
- * **PAUL BENHAIM, RAW WITH LIFE BELOW 5% OF ELIXINOL**
- * **AILEEN STOCKBURGER NEXT SCIENCE CHAIR, GRANT HUMMEL DIRECTOR**
- * **BOTANIX COO HOWIE MCKIBBON PROMOTED TO CEO, ON \$624k PA**

MARKET REPORT

The Australian stock market fell 0.93 percent on Friday August 25, 2023, with the ASX200 down 66.9 points to 7,115.2 points. Seven of the AVW-40 stocks were up, 17 fell, nine traded unchanged and seven were untraded.

Epsilon was the best, up 0.3 cents or 13.0 percent to 2.6 cents, with 49,846 shares traded. Cobram climbed 5.3 percent; Clover rose 2.5 percent; A2 Milk, Bio-Gene and Fonterra were up more than one percent; with Ridley up by 0.5 percent.

MGC led the falls, down 0.1 cents or 33.3 percent to 0.2 cents, with 1.95 million shares traded. Nanollose lost 13.0 percent; Pharmaust fell 7.6 percent; Althea and Original Juice were down more than four percent; Memphasys and RLF lost more than three percent; Bubs, Murray Cod and Select Harvests shed more than two percent; Apiam, Australian Agricultural and Bega were down more than one percent; with Elders, Next Science, Nufarm and Synlait down by less than one percent.

AG & VET WEEKLY FINAL EDITORIAL

Next week's edition will be the last Ag & Vet Weekly.

Our first edition was published on August 9, 2019 and there have been exactly 200 editions since then. This is number 201.

We believe we have provided succinct, objective coverage for the innovative ASX-listed agriculture and veterinary companies.

Ag & Vet Weekly certainly appreciates all the companies that have subscribed over the four years and especially those who have resubscribed.

Sadly, while Ag & Vet Weekly paid its bills, it simply has not been profitable enough to merit the work involved.

We have learnt a lot about the sector and wish all our readers great success.

David Langsam
Editor
Ag & Vet Weekly

BEGA CHEESE

Bega says revenue for the year to June 30, 2023 was up 12.2 percent to \$3,376,000,000, with last year's net profit after tax turned to a \$229,900,000 loss.

Bega said the revenue was mainly derived from processing, manufacturing and distributing dairy and food-related products, including milk, juice, cheese, Vegemite and peanut butter.

The company said the "continued decline of milk production in Australia and excess milk manufacturing capacity has created a highly competitive milk procurement environment and a disconnection between returns received from internationally traded commodity markets and Australian farm gate milk price".

Bega said "these circumstances are expected to continue for some time and have resulted in a non-cash impairment and a strategic decision to right size some of the Bega Group's commodity assets".

The company said it was "confident" of continued momentum in its branded business, with the majority of profit for the year to June 30 derived from that segment.

Bega executive chair Barry Irvin said "the non-cash impairment of our bulk commodity assets is reflective of industry circumstances and reinforces the importance of our strategy to transform to a predominantly branded business".

The company said that a fully-franked final dividend of 3.0 cents, a 45.45 percent increase on last year's dividend, would be paid on September 21, for holders on the record date of August 30, 2023.

The company said that last year's diluted earnings per share of 8.0 cents was turned to a diluted loss of 75.3 cents per share, with net tangible asset backing per share down 33.3 percent to \$1.242.

Bega said that it had cash and cash equivalents of \$66,400,000 at June 30, 2023, compared to \$44,900,000 at June 30, 2022.

Bega fell six cents or 1.9 percent to \$3.17 with 1.2 million shares traded.

A2 MILK

A2 Milk says revenue for the year to June 30, 2023 was up 10.1 percent to \$NZ1,592,870,000 (\$A1,470,765,000), with net profit after tax up 26.9 percent to \$NZ155,638,000 (\$A143,707,000).

A2 Milk said sales of its liquid milk products were up 14.5 percent to \$NZ\$304.0 million, infant nutrition product sales were up 8.4 percent to \$NZ1.1 billion and other nutritional milk product sales were up 14.0 percent to \$NZ180.8 million.

A2 Milk said its revenue increase was due to a 37.9 percent rise in China sales and other Asian markets, 27.1 percent higher sales in the US, but Australia and New Zealand sales were down 30.2 percent due to an "intentional change in strategy".

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

A2 Milk managing-director David Bortolussi said the company increased sales "by 10 percent while the core China [infant milk formula] market declined by 14 percent".

Mr Bortolussi said despite a 40 percent decrease in the Daigou market for English label infant milk formula products "our China label [infant milk formula] sales exceeded English label sales for the first time, and our total [infant milk formula] sales were over \$1.1 billion making us a top-three share gainer in the market overall".

"Achieving re-registration of our China label [infant milk formula] product recently was critical to maintaining access to the important domestic market," Mr Bortolussi said.

The company said the infant milk formula market in China was "likely to become more challenging in [2023-'24] with a further double-digit decline in market value expected" but it expected a low single-digit revenue rise, a similar gross margin and similar expenses.

"The China [infant milk formula] market has become increasingly challenging as a result of lower birth rates and increased competitive intensity," Mr Bortolussi said. "[But] we are well positioned to continue to invest and grow share in 2023-'24."

A2 said diluted earnings per share was up 28.1 percent to 21.13 NZ cents, net tangible assets per share fell 1.4 percent to \$NZ1.40, and it had cash and short-term deposits of \$NZ802,234,000 at June 30, 2023, compared to \$NZ887,308,000 the previous year.

A2 Milk was up six cents or 1.3 percent to \$4.69 with 3.1 million shares traded.

COBRAM ESTATE

Cobram says revenue for the year to June 30, 2023 was up 21.0 percent to \$168,954,000, with last year's net loss after tax turned to a profit of \$7,719,000.

Cobram said revenue came from sales of its "premium quality extra virgin olive oil" produced from its Australian and Californian-grown olives.

The company said olive production in Australia was up 32 percent and sales rose 14.9 percent to \$121.6 million, while US sales increased 46 percent to \$42.6 million.

Cobram said forecast sales for 2023-'24 remained "positive ... in Australia and the US benefitting from a global shortage of olive oil and record high global prices".

"Despite the lower crop, the company will have sufficient oil to meet its Australian packaging goods sales plan," the company said. "The company is expecting key grove input costs such as water, fertilizer and electricity to remain contained into [2023-'24]."

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 2023, with further details to be announced at its annual general meeting on November 3, 2023.

The company said that last year's loss per share of 0.17 cents turned to a diluted earnings per share of 1.78 cents, net tangible assets was unchanged at 68 cents, and it had cash of \$13,674,000 at June 30, 2023 compared to \$5,944,000 at June 30, 2022.

Cobram was up 6.5 cents or 5.3 percent to \$1.30.

ECOFIBRE

Ecofibre says revenue for the year to June 30, 2023 was up 7.58 percent to \$32,510,000, with net loss after tax up 172.1 percent to \$39,913,000.

Ecofibre said revenue from its Ananda Health marijuana-derived medical products was up one percent to \$13.0 million, sales from its Ananda Food marijuana and hemp-based food additives fell 33.5 percent to \$2.4 million and sales from its Hemp Black hemp-derived textile products was up 26.2 percent to \$17.35 million. compared to the prior corresponding period.

The company said its "one-off impairments" included \$12.4 million from the closure of its apparel and knitting business, as well as a deferred tax asset of \$13.7 million.

Ecofibre said it would target "positive operating cashflows" for the year to June 30, 2024.

The company said that diluted loss per share was up 169.6 percent to 11.89 cents, with net tangible assets per share down 52.5 percent to 6.28 cents.

Ecofibre said it had cash and cash equivalents of \$7,289,000 at June 30, 2023 compared to \$7,251,000 at June 30, 2022.

Ecofibre was unchanged at 18 cents.

ECOFIBRE

Ecofibre says it has "firm commitments" to raise \$5.0 million through a placement at 18 cents a share, with a share purchase plan for \$1.0 million more.

Ecofibre said the placement issue price of 18.0 cents a share was a 2.7 percent discount to the last closing price on August 21, [2023] and a 11.9 percent discount to the five-day volume weighted average price.

The company said the placement shares would vest in two tranches, with its board and management intending to subscribe for about \$500,000 in the second tranche, subject to shareholder approval at its upcoming annual meeting.

Ecofibre said it would use funds from the placement for working capital for its Hemp Black business.

The company said the share plan would offer existing shareholders at the record date of August 23, up-to \$30,000 in new shares, would open on August 25 and close on September 15, 2023.

COSTA GROUP HOLDINGS

Costa says it has delayed the release of results for the six months to July 2, 2023, from August 25 to August 31, with \$30 million lost on its later season citrus yield.

Costa said it expected its full year earnings before interest, taxes, depreciation and amortization (Ebitda) to be about \$150 million, more than the previous year, but that its full year result would be impacted due to the outlook for its citrus products having "deteriorated" as well as a "softening" in demand for its tomatoes.

The company said it had advised Paine Schwartz Partners of the change, and that while it remained "uncertain" if a transaction would eventuate and at what price, discussions were "continuing" and an update was expected by September 30.

In July, Costa said that the San Mateo, California-based Paine Schwartz Partners LLC had offered \$3.50 a share, excluding a proposed four cent dividend to acquire the company (AVW: Jul 7, 2023).

Costa was unchanged at \$2.96 with 3.3 million shares traded.

ELDERS

Elders says earnings before interest and tax for the year to September 30, 2023 is expected to fall 8.0 percent to 12.5 percent to between \$165 million and \$175 million. Elders said it had lower than forecast rural product sales, higher pressure on its rural product's gross margin in crop products, and declines in the price of cattle and sheep. The company said its target cash conversion of more than 90 percent of its underlying net profit after tax at September 30, 2023 was still expected to be achieved. Elders fell five cents or 0.8 percent to \$6.48 with one million shares traded.

SELECT HARVESTS

Select Harvests says that its 2024 crop is not impacted by the current outbreak of Varroa mite in New South Wales.

Last year, Select Harvests told the ASX that it did not consider a June 26, 2022 New South Wales Varroa mite emergency order material until June 29 (AVW Jul 8, 2022). At that time, the ASX said in an 'aware' query that on June 26 the New South Wales Minister for Agriculture and Western New South Wales said that a state-wide emergency order had been issued to control the movement of bees as a result of the detection of Varroa mites.

This week, Select Harvests said that the bloom and pollination period was "almost complete across our farms and we have no confirmed cases of Varroa mite".

"We currently have one farm under investigation for Varroa mite and even if confirmed positive, this will not affect pollination for this year," the company said.

"We are, of course, concerned and sensitive to the impact of Varroa mite on beekeepers and will work with our beekeepers and the Department of Primary Industries to ensure that we get the best possible result for the industry," Select Harvests said.

Select Harvests fell 10 cents or 2.3 percent to \$4.23 with 1.2 million shares traded.

ASX, CANN GLOBAL

The ASX says that Cann Global has been suspended for failing to pay its annual listing fees by close of business on Monday, August 21, 2023.

The ASX said that any entity that had not paid its annual listing fees by 5pm (AEST) on August 28, 2023 would be removed from the Official List.

Cann Global was in a suspension and last traded at 2.1 cents.

EPSILON HEALTHCARE

Epsilon says it has paid its \$4 million Mitchell Asset Management loan, with interest, and taken a further \$2.85 million loan with Australia Oracles Holding.

In 2020, Epsilon said it had taken a \$4 million loan with Melbourne's Mitchell Asset Management (AVW: May 1, 2020).

Today, the company said the Australia Oracles loan would be due on November 19, 2023 and be under substantially the same terms as the loan from Mitchell Asset Management.

Epsilon said the \$500,000 of the loan funds would be used as working capital, and to expand Epsilon Pharma and Epsilon Clinics and invest in the subsidiary entities.

Epsilon was up 0.3 cents or 13.0 percent to 2.6 cents.

PHARMAUST

Pharmaust says 11 of 12 patients in its phase I trial of monepantel for motor neuron disease were “stable”, with no change in neurofilament light chain protein concentration. Pharmaust said protein concentrations in blood plasma provided an indication of neuron damage.

The company said that monepantel was not harming trial participants and that continued assessment was warranted.

Pharmaust fell 0.6 cents or 7.6 percent to 7.3 cents.

AVECHO BIOTECHNOLOGY

Avecho says it has requested a suspension following Wednesday’s trading halt “regarding a capital raising”.

Trading will resume on the release of an announcement.

Avecho last traded at 0.9 cents.

ELIXINOL WELLNESS

Former Elixinol chief executive officer Paul Benhaim says he has been diluted below the five percent substantial level following the acquisition of Sustainable Nutrition.

Earlier this month, Elixinol said the Federal Court of Australia approved its acquisition of the Sustainable Nutrition Group for about \$4 million in scrip (AVW: Aug 11, 2023).

This week, the Mullumbimby-based Mr Benhaim said his shares were held by Raw with Life Pty Ltd.

Elixinol was unchanged at 1.1 cents.

NEXT SCIENCE

Next Science says director Aileen Stockburger will replace retiring chair Mark Compton, and has appointed Grant Hummel as a director, effective from today.

Next Science said Mr Compton’s retirement followed “two recent close family bereavements and his need to take some personal time”.

The company said Ms Stockburger had been a Next Science non-executive director since 2018, and previously was for Johnson & Johnson’s DePuy Synthes Group business development head, and was currently a director at Microbot Medical, Orchid Orthopaedic Solutions and Materna Medical.

Next Science said Ms Stockburger held a Bachelor of Science and Master of Business Administration from the University of Pennsylvania.

The company said Mr Hummel was part of the company’s initial public offering and ASX listing deal team in 2019 and was a non-executive director of GLG Corp.

Next Science said Mr Hummel held a Bachelor Science and a Bachelor of Laws from the University of Tasmania.

Ms Stockburger said “the board has been saddened to learn of Mark’s personal circumstances which have necessitated his retirement as chair”.

“We were privileged to have Mark as our chair and colleague and he leaves the board with our sincere gratitude for his valued contribution and our thoughts during a difficult time,”

Ms Stockburger said.

Next Science fell half a cent or 0.8 percent to 61.5 cents.

BOTANIX PHARMACEUTICALS

Botanix says it has promoted chief operating officer Dr Howie McKibbon to chief executive officer, on a base salary of \$US400,000 (\$A623,500) a year, effective from today.

Botanix said prior to his role as chief operating officer Dr McKibbon had been its chief commercial officer, and previously was Dermavant Science's head of worldwide commercial operations and Anacor Pharmaceutical's head of sales and marketing.

The company said Dr McKibbon held a Bachelor of Arts from the Tampa-based University of South Florida as well as a Master of Business Administration and Doctor of Pharmacy from the Macon, Georgia-based Mercer University.

Botanix said Dr McKibbon would receive a fixed remuneration of \$US400,000 (\$A623,500) a year, with performance based short term incentives of 35 percent of remuneration and a long-term incentive of up-to 56 million share rights pending a series of performance hurdles.

Botanix was unchanged at 18.5 cents with 2.7 million shares traded.