



ASX: CSF

ASX Announcement | 29 April 2022

## MARCH 2022 QUARTERLY ACTIVITIES REPORT

### Introduction

Catalano Seafood Limited (ASX: CSF) (Company) listed on the ASX on 11 March 2022 after successfully raising \$5 million. The purpose of the raise was to accelerate growth plans via the already established strategic pillars:

- Seafood Management Solution & Preferred supplier status;
- Processing & Production; and
- National Distribution.

During Q3, a significant amount of work and investment has taken place in these three areas of business. New plant and equipment have been purchased which will drive higher levels of productivity inside the factory and allow for greater volumes of seafood to be processed.

Vibrio parahaemolyticus contamination in the waters of South Australia forced the SA Health Department to announce a recall of 22,544 dozen oysters. This had a negative impact on Catalano's fresh and frozen oysters in stock, with the Company having no oysters for sale since 19 November 2021. The Company estimates sales loss of ~\$525,000 as a direct result of this. Oyster stock is expected to become available again in Q4. The recall was an industry issue beyond the control of management and an insurance claim has been submitted with settlement expected in Q4.

### Covid19

Although a Covid-19 plan is in place, Catalano has experienced some issues as a result of Covid-19 during the quarter which did create minor disruption to production and sales. Government lockdowns further impacted the operation. These issues have now been overcome.

## Highlights

The following highlights are noted from the quarter:

- YTD sales of ~\$11.2 million.
- Group percentage GP: 33.5%.
- EBITDA: \$311,970
- Cash on hand at the end of Q3: ~\$4.28m
- Strategic review of the Catalano marketing plans are underway to ensure a strong brand awareness is created across all states.
- Strategic review being conducted of the factory facility.
- Recruitment underway for CFO.

## Seafood Management Solution

The following key notes from the seafood management solution in the quarter are as follows:

- During the quarter, Catalano branded product was ranged into five independent supermarkets in Victoria via the Michaels IGA group.
- Catalano frozen range has been rolled out to the first Reddrop store in Victoria. Reddrop are the second largest independent supermarket operator in Victoria with 22 stores.
- Catalano East Coast Executive working to onboard more multi store owners in Victoria over Q4.
- Sales exceeded \$1m with Metcash in WA during the quarter - 83% up on prior year.
- Sales to independent retailers up 19% on prior year.
- Catalano is now the preferred supplier of 25 stores across Western Australia and Victoria.
- Plans in place to engage with Queensland independent supermarket operators in Q4.
- SMS introduced into the Winthrop IGA store in WA has seen sales increase by 142% since implementation of the concept.
- SupalGA Waterford in WA has signed a 5-year agreement to have the SMS concept implemented in store. This is scheduled to become live in Q4.
- 4 further stores in the pipeline for SMS concept.

## East Coast

The following key notes from the East Coast arm of the business in the quarter are as follows:

- The appointment of Michael Koukounaras as key executive for Catalano on the East coast. Michael has over 25 years of experience in the seafood industry.
- Appointment of Regal Seafoods as Catalano's contract processor and cold storage company in Melbourne.
- Creation of second tier value brand – Fresca. This will allow Catalano to compete more effectively with imported products.
- Meeting planned with Metcash procurement team in QLD for early Q4.

## Processing & Production

The company has been granted a \$700,000 grant via the Department of Primary Industries and Regional Development (DPIRD). As a result, the following new plant has been purchased, installed, and commissioned:

- Scaling machine for scaling all sizes of fish.
- Portioning machine to be able to cut fish fillets at set weights.
- Skinning machine able to skin all sizes of fish fillets.
- Ulma Skin packing machine. The ultimate presentation of retail packs for supermarkets.
- Refrigeration of water on the fish filleting line.
- Diosan pump bacteria control system via the chilled water.
- Installation of effluent Flow Meter.

During Q3 the company has been negotiating plant to be purchased by early Q4 to be installed and commissioned by December 2022.

- Batch weighing machine to be used for all forms of retail fish packing.
- New fish filleting line to accommodate more filleters.
- Nitrogen tunnel to fast freeze individual seafood products.
- Three new prawn peeling machines to be able to increase prawn production.
- Flowline equipment (conveyors, lifts etc).
- Bagging machine for packing individual seafood products.
- Manufacturing IT systems and Hardware (scales/scanners).
- Facility Upgrade.
- The purchasing of the above plant and equipment will enable the company to save on cost of production and become more productive. Anticipated cost savings on labour, time, and motion of 15%.
- The appointment of Process Engineer, George Porrins, has been made to ensure all new equipment & plant will be leveraged to ensure maximum returns.
- Austral Fisheries contract processing of 180 ton of ice fish caught in Antarctica and 150 tonnes of prawns caught in the Gulf of Carpinteria. Potential sales of \$900,000 p/a.
- Wild Barra Fisheries have indicated they would like Catalano to process 150/200 tonne p/a of their wild barramundi. Potential sales of \$700,000 p/a.

## Global Distribution

The following key points with relation to global distribution occurred in the quarter:

- An agreement has been reached with Cellmore Seafood to import up to 100 tonne of farmed cooked Black Tiger prawns for distribution across Australia. This will contribute an estimated \$2.4m in sales over the full calendar year.
- With funds from the listing of the Company, we can now aggressively pursue the national rollout into all states via the Independent grocery chains including IGA, Foodworks, Foodland and with Metcash Limited.

- Catalano's have already imported three containers of Norwegian Salmon. Due to a saving in cost of 7% it has become the strongest frozen selling product. It is expected other frozen imported lines with similar savings will follow in Q4.
- Business Development Manager, Paul Catalano, and East Coast Trading, Manager Michael Koukounaras, have been working in close consultation with Austrade and are in the process of developing a family of Australian branded retail packs for the overseas marketplaces.

## Financial Summary

The Appendix 4C provides details on the cashflows for the quarter ended 31 March 2022. At 31 March 2022 the Company had a cash balance of \$4.28m. The Company's net cash used in operating activities for the quarter amounted to \$1.452m comprising \$3.4m receipts from customers, \$2.802m for product manufacturing and operating costs, \$6,000 for advertising costs, \$121,000 for leased asset related costs, \$1.08m for staff costs, and \$843k for administration and corporate costs.

A total of ~\$46,000 was paid to related entities of the Company for the quarter. These payments related to director and consultancy fees.

-ENDS-

This announcement was authorised for issue by the Board of Catalano Seafood Limited.

For more information, please contact:

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## Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of Catalano Seafood Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.