Quintis moves to bring in administrator

Vesna Poljak

Quintis has appointed KordaMentha as administrators after its cash reserves were finally exhausted following a hedge fund's decision to force the sale of a plantation parcel back to the company.

By placing the business into voluntary administration, equity investors face the risk of realising zero return on their shares, which have not traded since May 2017.

On Friday, Davidson Kempner elected to exercise its right to sell 400 hectares of Indian sandalwood trees back to the company at the agreed price of $37 million. It has held that right since 2014 under a put option that it was awarded when it invested in the company's plantations. Davidson Kempner is supposed to see payment by February 2, but will now join the queue of creditors.

"The company does not have the financial resources available to it to pay the put option price and the directors have therefore resolved to appoint Richard Tucker, Scott Langdon and John Bumbak of KordaMentha as voluntary administrators of Quintis Limited and its Australian subsidiaries," it said in a statement on Sunday. The appointment was made on Saturday.

Bondholders, the biggest of which is BlackRock, are seeking to name McGrathNicol as receivers.

"The company has been working tirelessly on a recapitalisation transaction to improve its liquidity position since April 2017 and it is disappointing that a successful solvent recapitalisation could not be completed," Quintis said.

Quintis chairman Dalton Gooding says he is very disappointed.

The rescue attempt by the former TFS began in May 2017 when the shares plunged 72 per cent in the days after it emerged that a prestigious oil supply deal with Galderma was lost without the knowledge of the board or any top-level managers in Australia. But it was the work of a US short-seller, Glaucus, that invited scrutiny of the Quintis business model after Glaucus published research in March 2017 that estimated the shares were worthless, and likened aspects of the organisation to a Ponzi scheme.

Glaucus refused to back down after the company accused it of "substantial and egregious inaccuracies" and analysing "the price of BMW vehicles by looking at import data for Kia vehicles".

Quintis was hamstrung by its reliance on the capital markets for funding given the long lead times to maturity for Indian sandalwood trees. A hoped-for spin-off of its Santalis business, which investigates clinical uses for sandalwood oil, was impossible after the Galderma contract termination. At 2016-17, its plantations were valued at $438 million after being revalued lower by $300 million, and it is carrying almost $150 million of property, plant and equipment mainly being its vast land holdings, although those properties are largely encumbered.

Chairman Dalton Gooding said: "We are very disappointed with this outcome given the huge efforts made over the last nine months to recapitalise the company in order to deliver its sustainable future. The board is very grateful for the support of the management team, the noteholders and many others over this period."

Further information from Quintis is expected this week.

The appointment of administrators comes as the board was faced with a challenge brought by a group of shareholders, backed by founder and former boss Frank Wilson to roll three directors including Mr Gooding. It had not yet responded to the requisition when KordaMentha was summoned.

The company still has two shareholder class actions ahead of it, one of which also names Mr Wilson as a defendant, (Quintis and Mr Wilson have previously stated they intend to defend proceedings). ASIC has also made inquiries of Quintis, with which it co-operated, and at least two other legal disputes are ongoing.

Barry Lambert and Eric Wang expect to have three well-established businesses by the time of the IPO. PHOTO: PETER BRAIG

Barry's Lambert's Ecofibre hemp company plans to list this year

Carrie LaFrenz

Ecofibre, the industrial hemp company chaired by Rich Lister Barry Lambert, plans to list on the ASX later this year.

It is in the final stages of a pre-IPO raising, with funds slated to expand its business, including the development of its high-tech fibre textile, Hemp Black.

Chief executive Eric Wang – formerly Perpetual chief operating officer – is garnering institutional investor support and has secured backing from IMF Investors, among others. Based on the latest $10 million investment round, Ecofibre is valued between $125 million and $135 million.

"[The] fund raise is going well," Mr Wang told *The Australian Financial Review*. "We have a great pool of high net worth investors, so I've been focused on institutions, which help move us towards an eventual IPO. We will have three well-established businesses by the time that happens."

Mr Wang said Hemp Black will eventually become the biggest part of its business. It will launch women's running tights and sport bras in the East Coast of the US in April. It is also planning launches in the athleisure wear category and possible healthcare and military applications.

Hemp Black is akin to Gore-Tex used in performance apparel.

"It's about using the technology in clothing," Mr Wang said. "We have a special process we use for hemp that allows it to keep its wickability, it's thermal regulation, and antibacterial properties. In addition, it allows the garment to conduct currents and that allows for connected body regulation, like what we call passive monitoring."

Mr Wang added Ecofibre plans on leveraging its relationships from Philadelphia's Thomas Jefferson University. In 2016 Barry and Joy Lambert donated $3 million to support its Centre for Medical Cannabis Education and Research. This was on the back of the philanthropists' gift of $34 million to the University of Sydney for what is called the Lambert Initiative for Cannabinoid Therapeutics.

High-tech fibre Hemp Black will become the biggest part of the business.

Mr Lambert is known for building Count Financial, which he sold to the Commonwealth Bank of Australia for $373 million in 2011. But later in life he has helped spearhead the fight to legalise medical marijuana in Australia. His grand-daughter suffers from a rare form of child epilepsy.

Mr Lambert said Ecofibre was preparing for a float. It has converted to a public company status and the founder has stepped down.

While the federal government recently approved the export of medicinal cannabis products such as oils, sprays, tablets and patches, and in November it legalised hemp as a food source, Mr Lambert remained critical of Australian regulation.

"The government prefers to not explain the difference between hemp and marijuana, and so the minute everyone thinks about cannabis, the average Australian thinks about marijuana ... because there is no hemp grown here. We are a hemp business, not marijuana businesses," he said.

He added the Therapeutic Goods Administration and Office of Drug Control are "living in the past, all surrounded buy paranoia over marijuana".

Mr Lambert is quick to point out the difference between hemp and marijuana: they are both part of the cannabis family – but the THC (the chemical that gets you high) is from the flower and leaves, not from the seeds.

In 2016, Ecofibre moved its commercial operations to Kentucky, due to tight regulations in Australia.

Ecofibre has raised some $30 million from private investors including fund manager Chris Cuffe, Fred Marishel, Erica and George Gregan, investment bank executives and entertainers.

"As a retired dentist I am well aware of the history of cannabis-based products and the plant's use for a whole host of natural medicines over the millennia," Mr Marishel said.

"I look forward to the reintroduction of cannabis-based pain relievers and for the plant to resume its rightful place as an effective and non-toxic pain medication available freely."

Iconic IXL Jam for sale as changing consumer tastes weigh on sales

Sue Mitchell

Breakfast may still be the most important meal of the day, but changing consumption habits have prompted Coca-Cola Amatil's SPC unit to look for buyers for its iconic IXL Jam business.

When Tasmanian Henry Jones founded IXL ("I excel in everything I do") in Hobart in 1891, toast and jam was a breakfast staple.

These days, consumers are more likely to indulge in smashed avocado on sourdough, acai bowls and kale smoothies – or skip breakfast altogether – rather than feast on strawberry conserve or orange marmalade.

Sales of jams and preserves are falling by about 5 per cent a year, according to Euromonitor, and the sector, worth about $120 million a year, is facing increased competition from imports, private label and niche brands.

SPC managing director Reg Weine says the company is growing sales and market share in three of its four divisions – tomatoes, packaged fruit, and baked beans and spaghetti.

"The one category under pressure is jam," Mr Weine told *The Australian Financial Review*.

He said following the completion of a $100 million investment program co-founded by CCA and the Victorian government, SPC had reviewed its brand portfolio and decided to explore the sale of IXL Jam and Taylors marinades and sauces.

"IXL and Taylors are great brands, but the spreads and sauces/marinades categories are a relatively small part of the overall portfolio and we've concluded that we are best to focus on the areas where we have a distinct competitive advantage," Mr Weine said.

"We have a great sense of responsibility in ensuring these heritage brands find a good home."

Mr Weine has hired KPMG Corporate Finance to examine options for a potential sale of the two brands and expects strong interest. SPC acquired Henry Jones IXL and Taylors in May 2004 for $51 million from American food company JM Smucker, which had bought the business 15 years earlier from John Elliott's Elders IXL.

At the time of the SPC acquisition, Henry Jones IXL was generating sales of $61 million and earnings before interest, tax, depreciation and amortisation of $6.1 million. It was the market leader in the $116 million fruit spreads sector with about 30 per cent, just ahead of Cottees, which was at that stage owned by Cadbury Schweppes.

IXL is now the second-biggest jam brand in Australia after Cottees, which is now owned by Heinz.

Coca-Cola Amatil acquired IXL and Taylors through the $700 million acquisition of SPC in 2005. CCA no longer discloses sales and earnings for SPC, now part of CCA's food, services and corporate division, which earned $8.2 million before interest and tax on sales of $342 million in calendar 2016, with SPC making a loss.

The sale of IXL and Taylors is likely to lead to further job losses at SPC, which has undergone significant restructuring over the last three years after receiving a $22 million rescue package from the Victorian government in 2014.

IXL and Taylors are both processed in Kyabram, and if the businesses are sold SPC plans to consolidate manufacturing at Shepparton.

Under the $22 million funding package, SPC must maintain at least 500 staff in Shepparton until 2019. However. the condition does not apply to Kyabram, which was earmarked for closure several years ago.