Market Release

27 June 2017

Tegel FY2017 Full-Year Results Announcement

Tegel delivers on strategy and delivers continued growth with record volumes, revenues and profit

Key financial and operational highlights for the 53 weeks ended 30 April 2017:

- FY2017 Net Profit After Tax (NPAT) of $34.2 million, 202.8% ahead of FY2016, within revised guidance range
- Record poultry volumes of 99,806 tonnes, 7.1% ahead of FY2016; domestic up 7.2%, export up 6.7%
- Record revenue of $614.0 million, 5.4% ahead of FY2016; domestic up 5.9%, export up 1.1%
- Gross Profit of $145.1 million, 1.6% below FY2016; impacted by lower domestic pricing
- Underlying EBITDA[1] of $75.6 million, 0.8% ahead of FY2016, within revised guidance range
- Volume growth delivered in the domestic market and 2% increased market share[2], brand refresh completed, 29 new products launched
- Secured wider range of Tegel branded products in the Australian retail channel, on shelf from Q2 FY2018
- Final dividend of 4.10 cents per share bringing total dividend of 7.55 cents per share for FY2017

Summary Financials NZD million	**FY2017 53 weeks**	FY2016 52 weeks	Variance $m	Variance %	FY2017 PFI[1]
Revenue	**614.0**	582.4	31.6	5.4%	637.0
Cost of goods sold (COGS)	**468.9**	434.9	34.0	7.8%	473.9
Gross profit	**145.1**	147.4	(2.3)	(1.6%)	163.1
Gross profit %	**23.6%**	25.3%	(1.7%)		25.6%
Underlying EBITDA[1]	**75.6**	74.9	0.7	0.8%	87.4[3]
Net profit after income tax	**34.2**	11.3	22.9	202.8%	44.0[4]
Final Dividend (cents per share)	**4.10**				
Total Dividend (cents per share)	**7.55**				

New Zealand's largest poultry producer, Tegel Group Holdings Limited (NZX/ASX: TGH, the Company), is pleased to report its annual result for its first year as a listed company, achieving a strong result and record profit. Net profit after tax (NPAT) for the 53 weeks ended 30 April 2017 (FY2017) of $34.2

[1] Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure. Tegel uses Underlying EBITDA as a measure of operating performance. Underlying EBITDA excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. It has been calculated on a consistent basis with the "Pro forma EBITDA" presented in the PFI. A reconciliation of Underlying EBITDA to net profit after income tax is provided in note 2.1 of the financial statements attached to this announcement.

[2] Aztec Retail Scan data April 2017 and Management estimates for non-retail channels.

[3] Underlying EBITDA was revised on 15 December 2016 to a range of between $75 and $85 million.

[4] NPAT was revised on 15 December 2016 to a range of between $33 and $41 million.

million was ahead of the 52 weeks ended 24 April 2016 (FY2016) by $22.9 million. Meanwhile Underlying EBITDA was solid at $75.6 million for the year. Both metrics were within the revised guidance range provided in December 2016. The Company delivered 7.1% volume growth to report its highest ever volumes at 99,806 tonnes for FY2017 and delivered 5.4% growth on record revenue of $614.0 million. However, as signalled, softer domestic pricing during the year resulted in Tegel missing its original PFI targets for FY2017.

Tegel's Board have approved a fully imputed final dividend of 4.10 cents per share, taking the total dividends for the year to 7.55 cents per share. The final dividend will be paid on 27 July 2017. The dividend policy remains unchanged and is to pay between 60% and 75% of adjusted NPAT excluding the expense relating to the non-cash amortisation of customer contracts.

Financial Overview

Poultry Volume Tonnes	FY2017 53 weeks	FY2016 52 weeks	Variance Tonnes	Variance %	FY2017 PFI 53 weeks
Domestic Poultry	**82,777**	77,182	5,595	7.2%	83,431
Export Poultry	**17,029**	15,967	1,062	6.7%	17,074
Total Poultry Volume	**99,806**	**93,149**	**6,657**	**7.1%**	**100,505**

Revenue NZD million	FY2017 53 weeks	FY2016 52 weeks	Variance $	Variance %	FY2017 PFI 53 weeks
Domestic Poultry	**457.8**	432.5	25.3	5.9%	477.9
Export Poultry	**103.0**	101.9	1.1	1.1%	107.7
Other Revenue[1]	**53.2**	48.0	5.2	10.7%	51.4
Total Revenue	**614.0**	**582.4**	**31.6**	**5.4%**	**637.0**

[1] Other revenue includes sales of eggs, day-old chicks, feed and offal. Smallgoods were previously classified as Other revenue but are now classified into Domestic poultry and Export poultry for all periods. PFI comparatives have been restated on a consistent basis.

Record poultry volumes of close to 100,000 tonnes were 7.1% higher than FY2016. Total revenue for FY2017 was $614.0 million, $31.6 million or 5.4% ahead of FY2016. Revenue growth continues to be driven by growing demand for poultry as a meat protein in New Zealand and globally. Underlying poultry consumption continues to increase, driven by population growth and share of plate gains.

In the domestic market the Tegel brand refresh and launch of 29 new products supported revenue growth of 5.9% to $457.8 million. Tegel grew domestic market share by 2% to 52% in the year mainly through contract wins. Export revenue grew $1.1 million, 1.1% from $101.9 million to $103.0 million. Export sales were strong in the Pacific Islands while in the UAE, Tegel added an additional supermarket chain providing the opportunity for a greater range of Tegel products in store. In Australia, Tegel continued its approach to diversify across channels. In line with Tegel's export strategy and the market access change for the Australian market, the Company is very pleased to announce today that a wider range of Tegel branded products will soon be on shelf in the Australian retail channel. This is an exciting development in the diversification of the Australian business. First orders to the Philippines were delivered in FY2017 and the Company has gained market access to Bahrain.

Animal health, welfare and nutrition are a primary focus of Tegel's agricultural operations. During FY2017 a new breeder farm in Christchurch was completed and its first birds have been placed. Construction of new broiler farm has commenced near Christchurch and the Company has plans to expand the hatchery in New Plymouth in FY2018. Technology developments continue with improved data from chicken sheds, for example, the weight tracking for production planning. As consumer preferences evolve, Tegel is focused on satisfying those changes and will continue to convert to free range farms.

Gross profit for the financial year was $145.1 million compared to $147.4 million in the comparative period. The gross profit margin decreased from 25.3% to 23.6% in FY2017 primarily as a result of softer pricing in the domestic market.

Expenses continued to be well controlled within the business at 4.1% lower than FY2016. Annual cost saving contribution initiatives amounted to $12 million savings during the year. These related to capital expenditure, SIMPLIFY! (lean manufacturing principles) initiatives, procurement and cost to serve savings.

Net Profit after Tax was $34.2 million. This was $22.9 million higher than the prior year mainly as a result of the change in capital structure. In FY2016, the business incurred net finance costs of $28.0 million while in FY2017, these were reduced to $6.0 million.

Tegel revised its Underlying EBITDA to a range of between $75 and $85 million and NPAT to a range of between $33 and $41 million on 15 December 2016. Whilst the full year metrics were within the revised guidance ranges, the results were below the original PFI targets. As signalled, the results were affected by softer domestic pricing. Volumes of 99,806 tonnes were broadly consistent with PFI of 100,505 tonnes, however revenue of $614.0 million was $23.0 million or 5.0% below the original PFI. Continued cost control and efficiency gains partially offset the pricing impact and resulted in Gross Profit being $18.0 million lower than originally forecast.

Summary Balance Sheet

NZD million	**Actual 30 April 2017**	Actual 24 April 2016	Variance $m	Variance %	PFI 30 April 2017
Current Assets	**196.0**	208.6	(12.6)	(6.0%)	231.6
Non-Current assets	**497.6**	487.1	10.5	2.2%	491.7
Total Assets	**693.6**	695.7	(2.1)	(0.3%)	723.3
Current Liabilities	**71.7**	240.4	(168.7)	(70.2%)	95.1
Non-Current Liabilities	**139.8**	141.4	(1.6)	(1.1%)	136.7
Total Liabilities	**211.5**	381.8	(170.3)	(44.6%)	231.8
Net Assets	**482.1**	313.9	168.2	53.6%	491.5
Issued Capital	**427.1**	284.4	142.7	50.2%	428.6
Retained Earnings and Reserves	**55.0**	29.5	25.5	86.4%	62.9
Total Equity	**482.1**	313.9	168.2	53.6%	491.5

The Group's balance sheet is in a position to facilitate further growth opportunities for the business with significant headroom on covenants. The inventory balance increased by 3.1% to $84.9 million as at 30 April 2017 supporting increased volumes and higher sales. Working capital of $80.5 million was $2.1 million higher than 24 April 2016 as a result of lower levels of trade and other payables offset in part by lower trade and other receivables due to timing of receipts.

Planned plant investments for FY2017 were completed on time and on budget. Tegel invested in a breeder farm in Christchurch to expand capacity and additional automation in New Plymouth with an automated breast deboner, an auto-cut machine (ACM) and nine-piece cut up machinery. With the strong payback of the capital expenditure in New Plymouth, Tegel brought forward the investment in the Henderson plant with an automated breast deboner. Tegel continues to explore initiatives to drive efficiencies throughout its operations.

Tegel's IPO at the beginning of the financial year resulted in $284 million of capital raised with repayment of borrowings of $130 million. The Company negotiated new arrangements for its borrowing facilities which includes a facility of $120 million and a working capital facility of $40 million. These expire in November 2018.

Cash flows

Overall cash flows were strong for the year with an increase in cash of $9.4 million. Operating cash flows of $45.6 million were stable. Increased receipts from customers were partially offset by increased supplier payments, higher employee payments and the payment of expenses related to the listing of Tegel. Investment in property, plant and equipment was $5.8 million above forecast due to the investment in automation equipment being brought forward into the FY2017 year. Net cash outflows from financing activities of $6.0 million include the balance sheet restructure following the IPO, the payment of the FY2017 interim dividend which was $12.3 million and interest payments of $4.4 million which decreased from $22.4 million due to lower levels of debt.

Looking ahead

Tegel continues to deliver on its key strategic objectives. In the domestic market it is expected that poultry consumption growth will continue at approximately 4 - 5% driven by population growth and increasing consumption per capita due to lower relative price to other proteins and trends towards healthy eating. Free range expansion is expected to continue. Further new products will come to market in FY2018 supported by investment in technology. The brand refresh launched in FY2017 will continue in FY2018 with a comprehensive communications campaign to drive growth for Tegel.

In its export markets, Tegel continues to drive growth through new products, existing customers, new customers and sales through additional channels. This will continue to diversify exposure across channels and provide stability of sales. Positive export earnings momentum will be supported by a wider range of Tegel branded products that will soon be on shelf in the Australian retail channel.

Tegel continues to make excellent progress on cost and efficiency initiatives through the SIMPLIFY! project and the Company will benefit from these annualised savings.

To secure input costs, the Company hedges its exposure to certain commodities and foreign exchange risks denominated in US dollars. The Company also uses foreign exchange contracts to hedge revenue from export sales denominated in Australian dollars. All foreign exchange forward contracts and commodity contracts are executed in accordance with the Board-approved FX Hedging and Commodity Risk Treasury Policies. As at 30 April 2017, 89% of US dollar raw material purchase requirements and 77% of forecast Australian dollar receipts were hedged for FY2018.

Outlook

Looking ahead to FY2018, based on the current market conditions, holding domestic market share, with continued domestic consumption growth of 4-5% and continuing exports, overall, Tegel expects to deliver an increase in Underlying EBITDA on FY2017.

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About Tegel Group Holdings Limited

Tegel Group Holdings Limited (NZX/ASX: TGH) processes approximately 53 million birds per year, across vertically integrated operations in Auckland, Christchurch and New Plymouth. It is New Zealand's leading poultry producer, processing approximately half of New Zealand's poultry, and also manufactures and markets a range of other processed meat products. Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked small-goods and frozen further processed products), which are sold through three key sales channels domestically (retail grocery, foodservice / industrial and quick-service restaurants), and in selected channels in international markets. Its brands are Tegel, Rangitikei and Top Hat.

For more information go to: www.tegel.co.nz

Appendix: Reconciliation to GAAP

Underlying EBITDA is a profit measure used by Tegel to manage the business and differs from NZ IFRS net profit after tax. Underlying EBITDA is used by management in conjunction with other measures to monitor operating performance and make investment decisions. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure and excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature.

NZD million	**FY2017 53 weeks**	FY2016 52 weeks	FY2017PFI 53 weeks
Underlying EBITDA	**75.6**	74.9	87.4
Unrealised foreign exchange revaluations	**(0.4)**	-	-
Fair value adjustment to Biological Assets	**-**	0.5	-
Share based payments, listing costs and management bonus	**(0.4)**	(12.0)	-
Settlement of historical insurance claims and other legal costs	**(0.7)**	(0.4)	-
Gains / (loss) on the disposal of property, plant and equipment	**(0.1)**	-	-
Kaikoura earthquake	**(0.5)**	-	-
EBITDA	**73.4**	63.0	87.4
Depreciation	**(16.3)**	(15.1)	(16.8)
Amortisation	**(3.2)**	(3.3)	(2.3)
Net finance costs	**(6.0)**	(28.0)	(7.1)
Net profit before income tax	**47.9**	16.7	61.2
Income tax	**(13.6)**	(5.4)	(17.2)
Net profit after income tax	**34.2**	11.3	44.0