



Tegel Group Holdings Limited

FY17 Full Year Results Presentation
27 June 2017



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"Forecast" refers to the Prospective Financial Information (PFI) contained in the Product Disclosure Statement (PDS) dated 31 March 2016 and the document entitled "Tegel's Prospective Financial Information, a reconciliation of non-GAAP to GAAP information, and supplementary financial information" available on the offer register at www.business.govt.nz/disclose, offer number OFR10514.

In this presentation 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 FY2017 financial statements.

Agenda



1. **FY17 Results Highlights – Phil Hand, CEO**

2. **Financial Results – Peter McHugh, CFO**

3. **Outlook – Phil Hand, CEO**

4. **Appendices**





FY17 Full Year Results Highlights

Phil Hand, CEO

FY17 Highlights

Solid Financial Performance And Delivering On Strategy



Record poultry volumes

~100k tonnes

UP 7% YEAR ON YEAR

Revenue

\$614m

UP 5% YEAR ON YEAR

Primarily driven by volume growth

Underlying EBITDA¹

\$75.6m

UP 1% YEAR ON YEAR

Within revised guidance

Cashflow from operating activities

\$45.6m

Net Profit After Tax

\$34.2m

UP 203% YEAR ON YEAR

Within revised guidance

Final declared dividend of

4.10c PER SHARE

Full year dividends paid of 7.55c per share

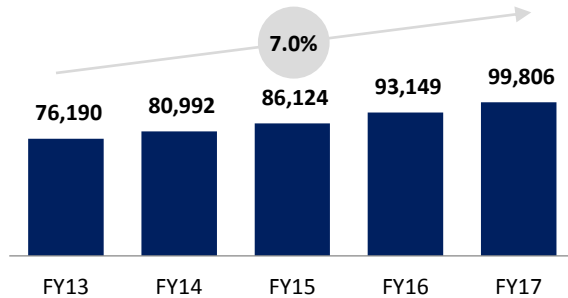
¹ Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure. Tegel uses Underlying EBITDA as a measure of operating performance. Underlying EBITDA excludes the effects of certain IFRS fair value adjustments and items that 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 Appendix 1 to this presentation and in note 2.1 of the FY2017 financial statements.

FY17 Highlights

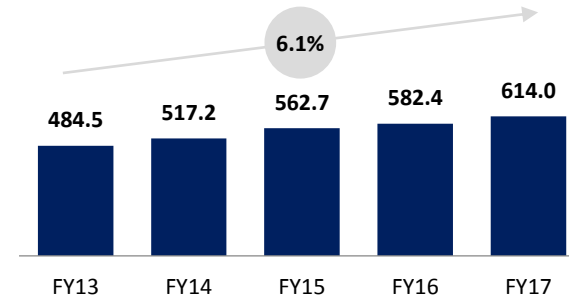
Continuing To Deliver Strong Results



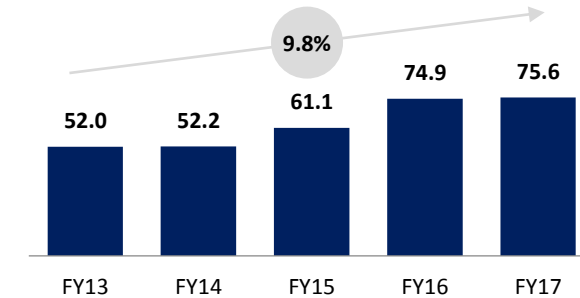
Volume (T)



Revenue (\$m)



Underlying EBITDA (\$m)¹



- ✓ **New Zealand's leading poultry producer with strong heritage** – part of New Zealander's lives since 1961
- ✓ The number one poultry brand in New Zealand, with the highest brand awareness and preference²
- ✓ Completion of full re-brand, including brand livery, packaging re design, and launch of new advertising campaigns
- ✓ Leading producer of high quality core and value-added poultry products, **exporting to 18 countries** across Australia, the Middle East, Asia and the Pacific
- ✓ **Five years of continued growth** in each of Volume, Revenue and Underlying EBITDA

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2. Tegel Brand Tracker Research, March 2017, PSL Research.



FY17 Highlights

Delivering On Our Strategy



Domestic

Drive category growth
Innovate to increase value added sales
Enhance market leadership position

- Strong **domestic volume growth** resulting in market share increase of 2% to 52%¹
- Launch of a new branded category, Quick Cook, creating **category growth** in the fresh meat section of supermarkets
- Continued product innovation with **29 new products launched**
- **Completion of Brand refresh**, including all brand livery, packaging redesign, and launch of new advertising campaigns
- Increased sales of **value added meal solutions** to deliver on evolving consumer preferences
- The **number one poultry brand** in New Zealand, with the highest brand awareness and preference²

Export

Strengthen position in current markets
Enter new markets

- **Diversification of channel and customer mix** in Australia, culminating in new ranges to be launched in Q2, FY18
- Secured **access for fresh products into Australia** and **opened full time sales office**
- Particularly **strong performance from Pacific Islands**
- New **products developed for export markets**
- **Entered new markets** through securing with a strategic new customer in the Philippines
- Market access opened for Bahrain

Operations

Smart investment to reduce costs and improve efficiencies

- Immediate **benefits of capital expenditure realised** in the processing plants
- Agricultural investment across the supply chain
- Annual **cost saving contribution from efficiency initiatives of \$12m** in FY17
- **Costs well controlled**, SIMPLIFY! culture well entrenched



¹ AZTEC Retail Scan data April 2017 and Management estimates for non-retail channels.

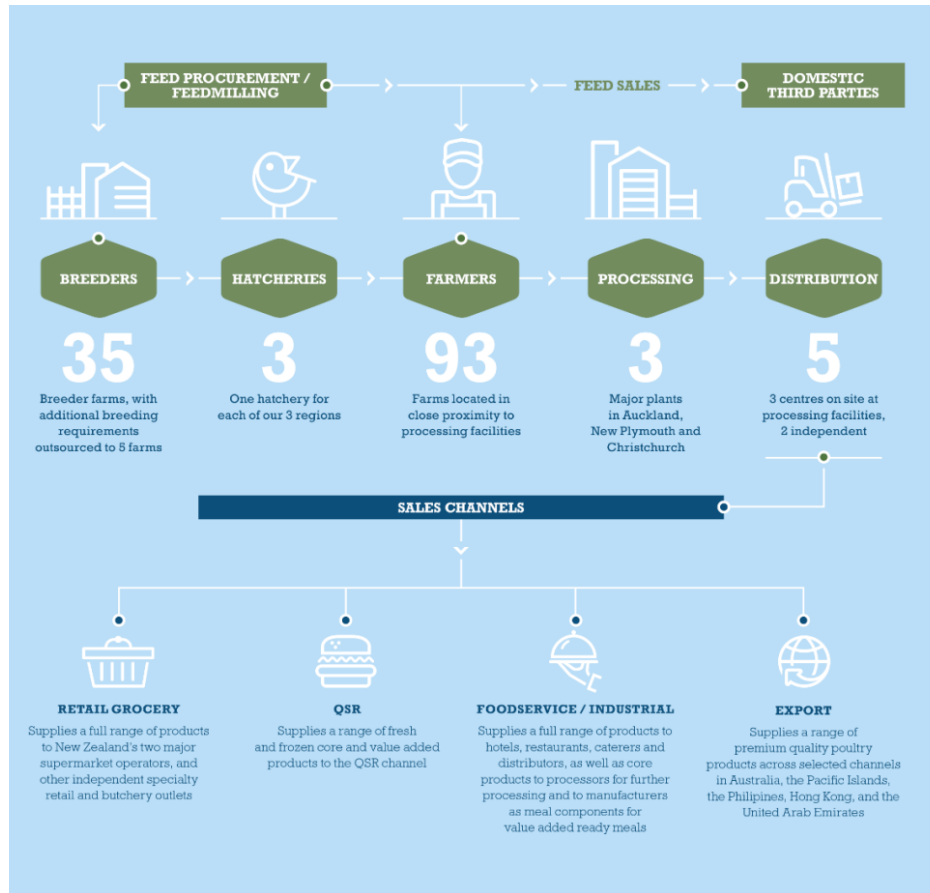
² Tegel Brand Tracker Research, March 2017, PSL Research.

Vertically Integrated Regional Operations

Strategic National Coverage



Tegel's vertically integrated business model aims to ensure efficiency and control at all stages of production as well as the delivery of high quality product to customers



STRATEGIC LOCATIONS

3

Facilities
Hatchery, feedmill, breeder farms, grower farms, processing and distribution

Primary processing capacity

75m

Birds per annum

Upper North Island
AUCKLAND

Lower North Island
NEW PLYMOUTH

South Island
CHRISTCHURCH

Fielding
Distribution*

Wellington
Processing*

* Outside of its three main geographic regions, Tegel operates a small leased distribution facility in Fielding to further service the lower North Island, and operates a processing facility in Wellington which produces various poultry, turkey, beef and other smallgoods products

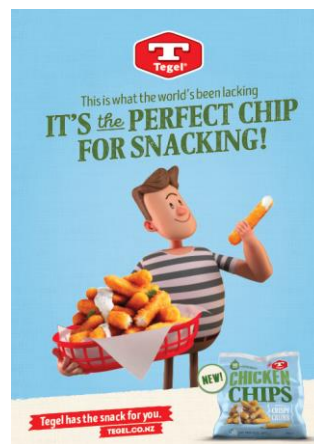
Sustainable And Efficient Business

Compared to Dairy / Lamb / Beef / Pork, Tegel's poultry is more efficient and sustainable, based on:

- World class FCR - lower feed use per kg food
- Lower water use per kg food
- Fewer hectares used per kg food
- Less effluent produced per kg food

FY17 Highlights

Brand Refresh Completed Supported By Advertising Campaign



Investment And Brand Recognition

- Significant investment in our brand, relaunching full brand livery and packaging redesign to deliver increased brand recognition across the supermarket
- Enhanced educational shopper and consumer messaging: cage free, free range, no hormones, NZ raised
- Tegel's brand awareness and preference continue to be the highest of any New Zealand poultry brand¹
- Approximately two thirds of shoppers say Tegel is their first choice (or high consideration) of poultry brands to purchase¹
- Tegel has the highest first choice brand preference at 7x higher than any other poultry brand¹

¹ Tegel Brand Tracker Research, March 2017, PSL Research

FY17 Highlights

Significant Innovation Delivered To Market



New Value Added Products

Extensive range of new value added products introduced to market in FY17:

- Creation of a new branded category through the launch of Tegel Quick Cook range, generating an estimated \$30m annual retail sales over next twelve months
- Tegel Fresh value added products, kebabs and butterflied whole birds, delivering sales increase of 23.6% over FY16

Free Range Growth

- Launch of Tegel Free Range products into the successful Meal Maker range, delivering strong category growth¹
- FY17 sales of free range product increased by 28% from FY16, contributing 25% of total sales growth



¹ Aztec Scan Data April 2017



Financial Results

Peter McHugh, CFO

Financial Overview

Solid Financial Results Driven By Volume Growth And Improved Efficiency



Financial Summary

NZ\$m	FY17 53 weeks	FY16 52 weeks	Var	Var %	FY17 PFI 53 weeks
Poultry Volume (tonnes)	99,806	93,149	6,657	7.1%	100,505
Revenue	614.0	582.4	31.6	5.4%	637.0
Cost of Sales	(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%	(1.7bps)		25.6%
Expenses	(69.5)	(72.5)	3.0	3.7%	(75.7)
Underlying EBITDA ¹	75.6	74.9	0.7	0.8%	87.4 ²
Net Profit After Tax (NPAT)	34.2	11.3	22.9	202.8%	44.0 ²
Final Dividend (cps)	4.10				

Key Highlights

Volume And Revenue Growth

- Strong growth in volume, primarily in domestic
- Volume growth offset by soft pricing in the domestic market

Underlying EBITDA¹

- Top line volume growth offset by weaker than expected domestic pricing, impacting profitability
- Capital investment in efficiency delivering as expected, with cost savings from increased automation
- Impact of 53rd week vs FY16
- Within revised guidance range², though below PFI

Net Profit After Tax

- Net financing costs lower due to lower interest rate on new facilities, and reducing net debt

Final Dividend

- A fully imputed final dividend of 4.10 cents per share will be paid on 27 July 2017
- Combined with the interim dividend of 3.45 cents per share, this gives a total dividend for the FY17 year of 7.55 cents per share

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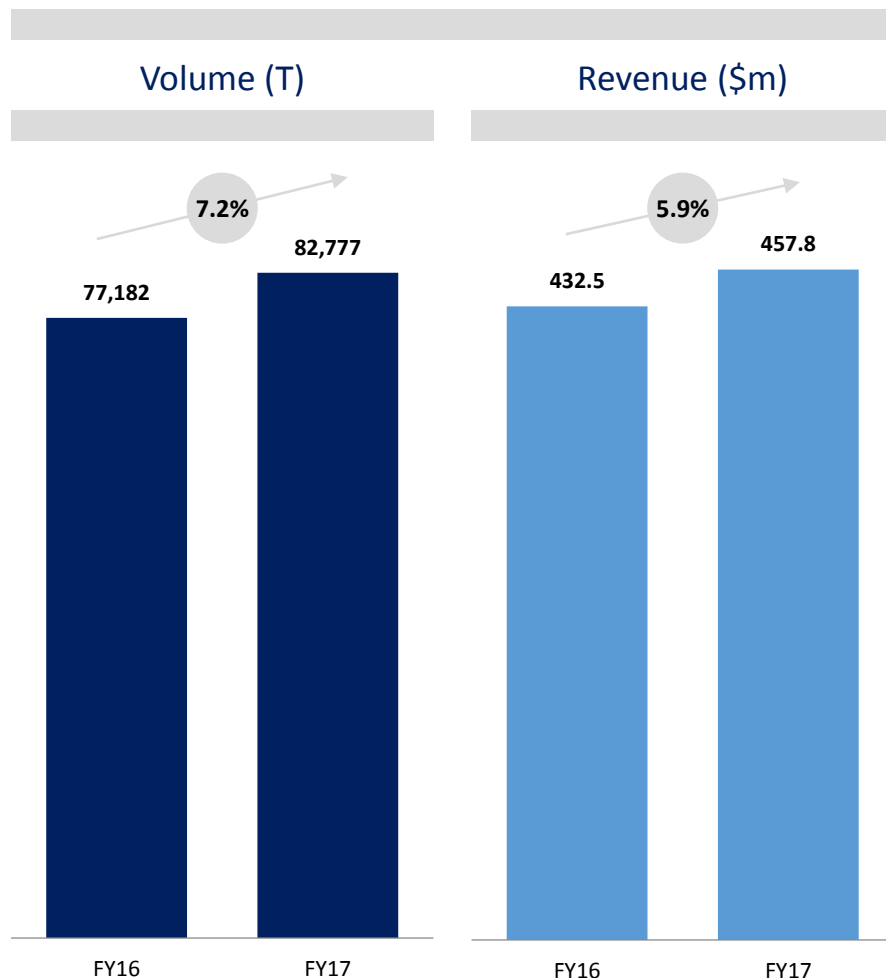
² Underlying EBITDA was revised on 15 December 2016 to a range of between \$75 and \$85 million and NPAT was revised to between \$33 and \$41 million.

Domestic

Growth Driven By Increased Poultry Consumption And New Contracts Won



Domestic Volumes and Revenue



Key Highlights

Domestic Volume Growth

- Domestic volumes were up 7.2% for the period
- All domestic channels increased volumes in FY17 as chicken consumption continues to grow. In addition an extra week of sales (53rd week) included in FY17 results
- The greatest levels of growth came from retail and fast-food channels through contract gains made in FY16 and additional gains made in FY17

Domestic Revenue Growth

- Domestic revenue increased by \$25.3 million or 5.9% despite softer pricing
- Largest revenue gains were again through retail and fast-food channels

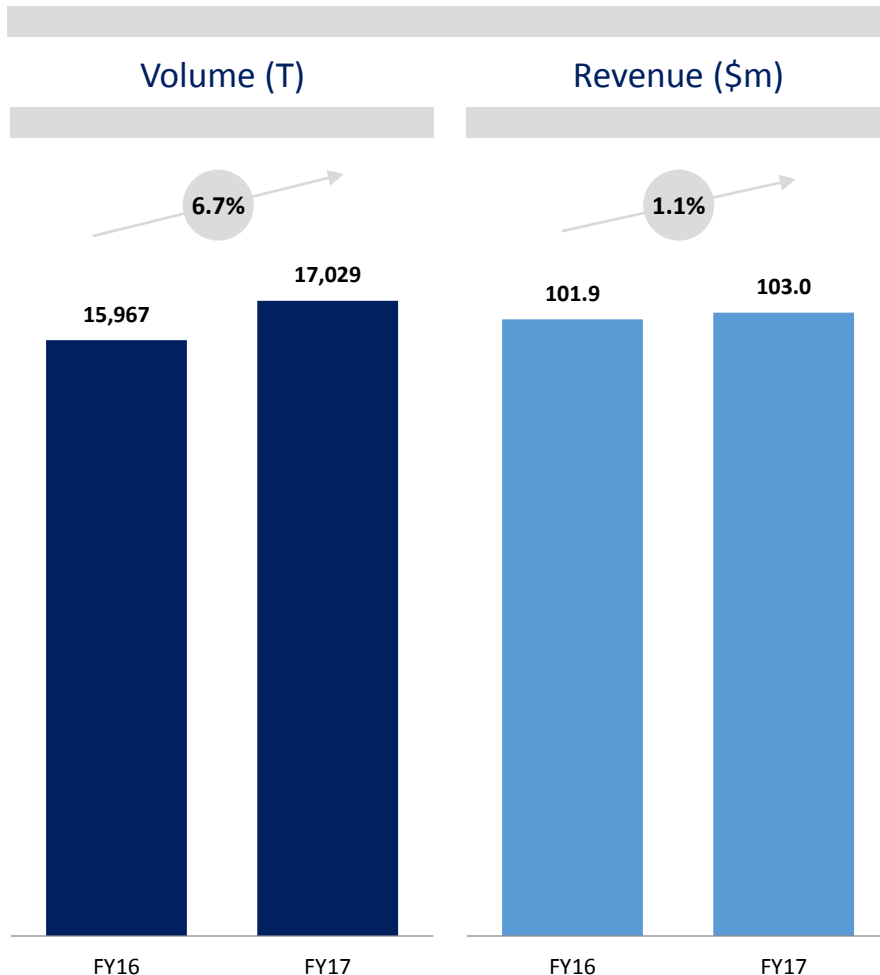


Export

Growth Driven By New And Existing Markets



Export Volumes and Revenue



Key Highlights

Export Volume Growth

- Achieved over 1,000 tonnes in export growth year on year with volumes up 6.7%
- Strong growth into Asia, Middle East and the Pacific

Export Revenue Growth

- Export revenue grew by 1.1% or \$1.1m

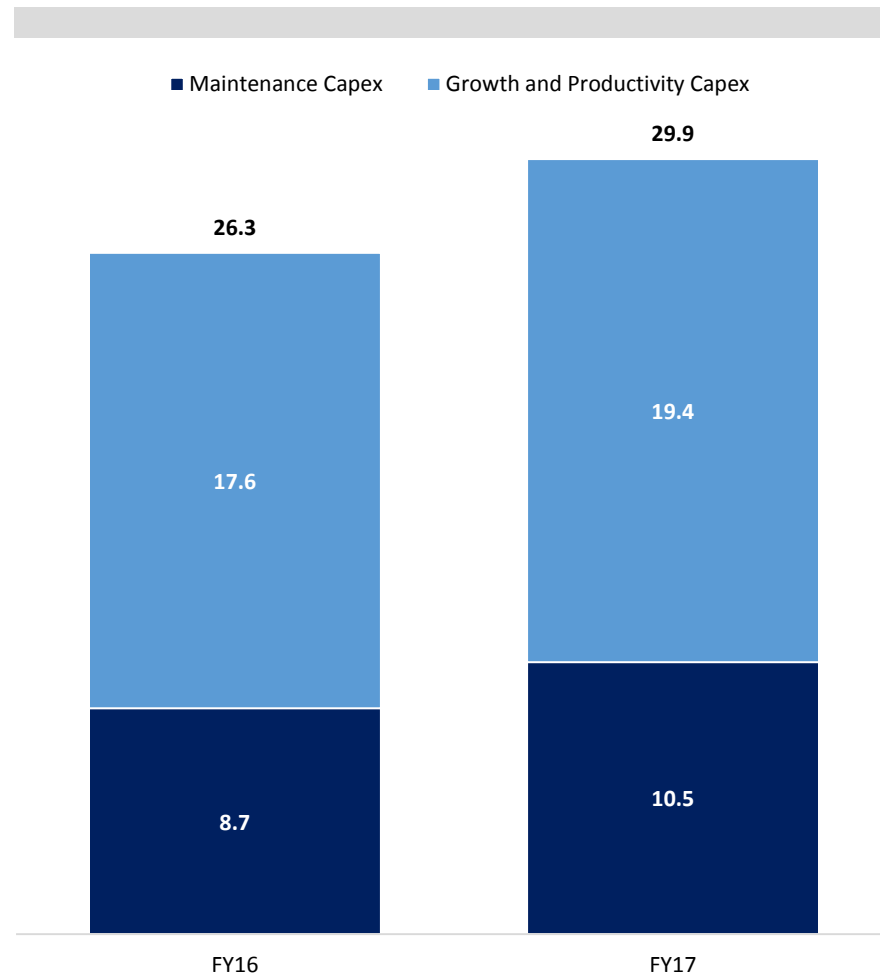


Capital Expenditure

Selective Investment In Plant And Equipment To Drive Efficiency And Quality



Capital Expenditure Summary (\$m)



Key Highlights

- Automation equipment commissioned driving efficiency with paybacks of less than two years:
 - Henderson: brought forward automated breast deboner into FY17
 - New Plymouth: automated breast deboner, auto-cut machine (ACM) and nine-piece cut up machinery
 - Christchurch: Tramway breeder farm to expand capacity
- Upcoming projects to increase capacity and improve systems and reporting include:
 - FY18: ACM upgrade in Henderson
 - FY18 – FY19 Enterprise Resource Planning (ERP) project upgrade





Balance Sheet and Working Capital

Strong Balance Sheet supporting ongoing growth

Summary Balance Sheet NZ\$m	FY17	FY16	Var	Var %	FY17 PFI
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

Working Capital ¹ NZ\$m	FY17	FY16	Var	Var %	FY17 PFI
Trade and other receivables ¹	63.3	78.1	(14.8)	(19.0%)	87.0
Inventories ¹	84.9	82.3	2.5	3.1%	86.9
Trade and other payables	(66.6)	(82.0)	15.4	(18.8%)	(89.0)
Operating Working Capital	81.5	78.4	3.1	3.9%	84.9

¹ To enable a like for like comparison to PFI, FY17 Trade and other receivables is \$69.0m and Inventories is \$79.2m.

Key Highlights

Assets

- Inventory at appropriate levels for Tegel's current production and sales
- Greater investment in automation equipment increasing non-current assets

Liabilities

- Current liabilities reduced mainly through debt repayment of \$130.0m in May 2016
- New borrowing arrangements: \$120.0m and \$40.0m working capital facility. Considerable headroom on debt and interest cover

Operating Working Capital

- Small increase in operating working capital vs FY16 from lower levels of trade and other payables partly offset by lower trade and other receivables due to timing of receipts
- Appropriate inventory levels to support higher sales to both domestic and export markets

Cash Flow

Tegel Continues To Generate Strong Operating Cash Flow



Cash Flow Summary

NZ\$m	FY17	FY16	Var	FY17 PFI
Cash inflow from operating activities	45.6	46.4	(0.8)	55.0
Cash (out)flow from investing activities	(30.2)	(26.6)	(3.6)	(24.0)
Cash (out)flow from financing activities	(6.0)	(27.8)	21.8	(8.5)
Increase / (decrease) in cash	9.4	(8.0)	17.4	22.5
Opening balance	4.0	12.0	(8.0)	0.5
Closing cash balance	13.4	4.0	9.4	23.0

Key Highlights

Operating Activities

- Operating cash flows stable with increased receipts from customers offset by increased supplier payments, higher employee payments and the payment of expenses related to listing

Investing Activities

- Investing activities mainly on automation of production equipment

Financing Activities

- Financing activities mainly relate to interest payments which decreased significantly due to lower levels of debt





Outlook

Phil Hand, CEO

FY18 Outlook



Domestic

Drive category growth
Innovate to increase value added sales
Enhance market leadership position

- Expect continued domestic consumption growth of 4-5%
- Hold share of domestic market
- New brand imagery and packaging launched in FY17, continued investment in FY18
- Free range expansion, brand investment and product innovation

Export

Strengthen position in current markets
Enter new markets

- Diversification of channel and customer mix in Australia, with new range launches in Q2
- Increased presence in Australia through establishment of office and expansion of the team
- Continued focus to build on positions in Asia and the Middle East
- Launch of first products to Bahrain in Q1
- Seek in-market partners in Japan and to gain market access in Singapore, Korea and Taiwan
- Management continuing to target export revenues to represent approximately 25% of total revenues in four years

Operations

Smart investment to reduce costs and improve efficiencies

- Capital expenditure guidance of \$30m across a range of efficiency and growth initiatives
- Continued focus on cost control and efficiency improvements, through continuous improvement processes ("SIMPLIFY")
- Hatchery expansion and continued development of breeder and broiler farms
- FY18 Underlying EBITDA ahead of FY17





Questions And Answers





Appendix 1

Supplementary Information



Reconciliation To GAAP



NZ\$m	FY17 53 weeks	FY16 52 weeks	FY17 PFI 53 weeks
Underlying EBITDA¹	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

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Volume And Revenue



Poultry Volume (T)	FY17 53 weeks	FY16 52 weeks	Var	Var %	FY17 PFI 53 weeks	Var	Var %
Domestic Poultry	82,777	77,182	5,595	7.2%	83,431	(654)	(0.8%)
Export Poultry	17,029	15,967	1,062	6.7%	17,074	(45)	(0.3%)
Total Poultry Volume	99,806	93,149	6,657	7.1%	100,505	(699)	(0.7%)

Revenue (NZ\$m)	FY17 53 weeks	FY16 52 weeks	Var	Var %	FY17 PFI 53 weeks	Var	Var %
Domestic Poultry	457.8	432.5	25.3	5.9%	477.9	(20.1)	(4.2%)
Export Poultry	103.0	101.9	1.1	1.1%	107.7	(4.7)	(4.4%)
Other Revenue ¹	53.2	48.0	5.2	10.7%	51.4	1.8	3.5%
Total Revenue	614.0	582.4	31.6	5.4%	637.0	(23.0)	(3.6%)

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.