



Tegel Group Holdings Limited

FY17 Interim Results Presentation
15 December 2016



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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. Pro Forma EBIT refers to earnings before interest and tax prepared on a pro forma and consistent basis with the Pro Forma EBIT 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.

Agenda



1. FY17 Interim Results Highlights

Phil Hand, CEO

2. Financial Results

Peter McHugh, CFO

3. Business Update and Outlook

Phil Hand, CEO

4. Appendices



FY17 Interim Results Highlights

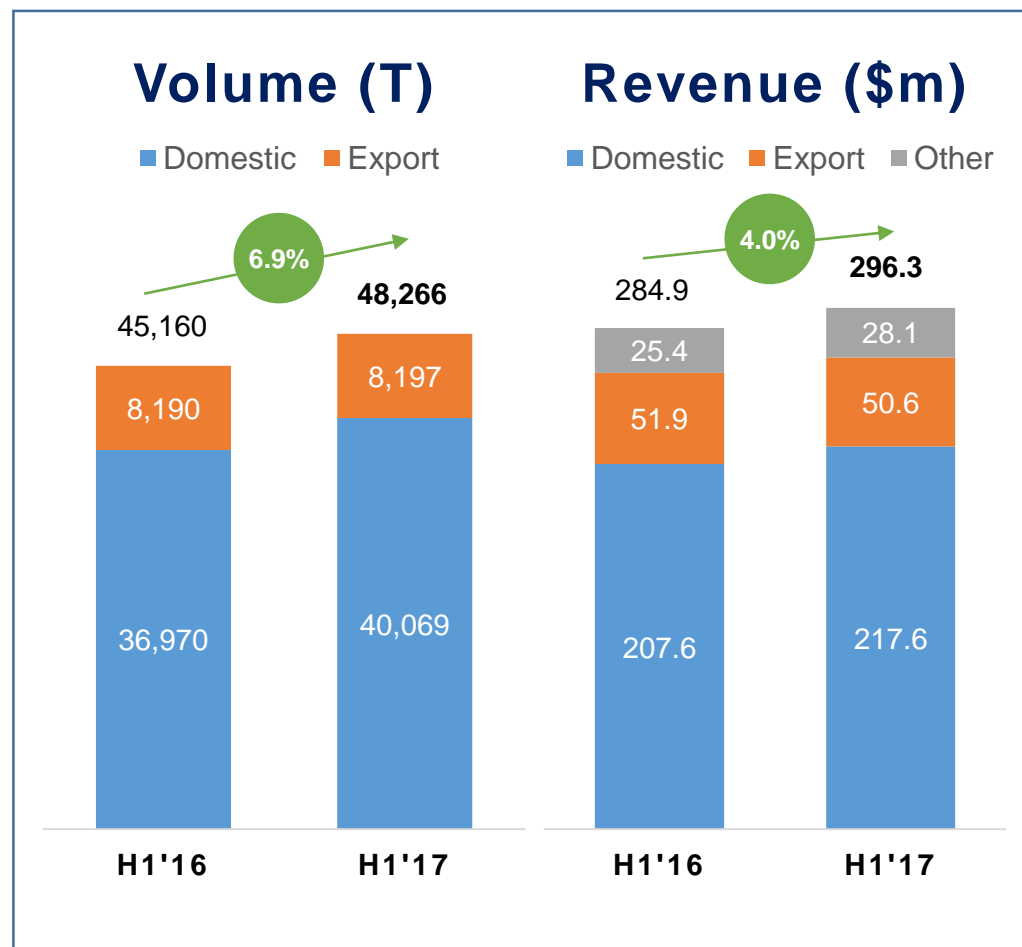
Phil Hand, CEO

H1'17 Financial Highlights



Vs H1'16:

- Poultry Volume up 6.9% to 48,266T
- Revenue up 4.0% to \$296.3m
- Gross Profit down 3.9% to \$68.7m
- Underlying EBITDA¹ down 4.0% to \$35.1m
- NPAT up 153.2% to \$15.1m through higher revenues and lower finance costs partially offset by higher cost of sales and higher tax
- Interim dividend of 3.45 cents per share



¹ Underlying EBITDA is a like for like comparison to Pro forma EBITDA in the PFI. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation and a number of other adjustments as noted in the reconciliation contained in the appendix.

Strategic Objectives



Domestic

1

Volume growth

Market growth

Category
growth

New product
development

Brand refresh

2

Increase sales
of value added
products to
satisfy evolving
consumer
preferences

Export

3

Expand existing
markets

4

Enter new
export markets

H1'17 Operational Highlights



Domestic	Volume growth Market growth Category growth New product development Brand refresh	<ul style="list-style-type: none"> Domestic market share increased by 2% Brand refresh launched in November 2016 supported by significant marketing activity New product launches performing well
	Increase sales of value added products to satisfy evolving consumer preferences	<ul style="list-style-type: none"> Increased marketing and product investment driving additional growth through sales of higher priced value added meal solutions such as chicken kebabs, free range products and ready to cook meals
Export	Expand existing markets	<ul style="list-style-type: none"> First orders of raw poultry to be shipped to Australia in H2'17 Continuing growth from existing customers in Dubai New products being developed for export markets
	Enter new export markets	<ul style="list-style-type: none"> Export growth continuing with orders secured from new customers in the Philippines and new market access in Bahrain

Continued investment in agriculture and accelerated investment in processing assets to support sales growth, efficiency gains and savings



Financial Results

Peter McHugh, CFO

Financial Overview



NZ\$m	H1'17	H1'16	Var	Var %
Poultry Volume (tonnes)	48,266	45,160	3,106	6.9%
Revenue	296.3	284.9	11.4	4.0%
Cost of Sales	(227.6)	(213.4)	(14.2)	(6.6%)
Gross Profit	68.7	71.5	(2.8)	(3.9%)
Gross Profit %	23.2%	25.1%	(1.9bps)	
Expenses	(33.6)	(34.9)	1.3	3.7%
Underlying EBITDA ¹	35.1	36.6	(1.5)	(4.0%)
Net Profit After Tax (NPAT)	15.1	6.0	9.1	153.2%
Interim Dividend (cps)	3.45			

Key Highlights

Revenue

- Growth of \$11.4m in the half driven by strong domestic poultry volume

Underlying EBITDA

- Cost of Sales per kg unchanged
- Gross Profit impacted by lower domestic pricing
- Cost control suppressed overhead expenses

Interim Dividend

- 3.45 cents per share

¹ Underlying EBITDA is a like for like comparison to Pro forma EBITDA in the PFI. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation and a number of other adjustments as noted in the reconciliation contained in the appendix.

Volume And Revenue



Poultry Volume (tonnes)	H1'17	H1'16	Var	Var %
Domestic Poultry	40,069	36,970	3,099	8.4%
Export Poultry	8,197	8,190	7	0.1%
Total Poultry Volume	48,266	45,160	3,106	6.9%

Revenue (NZ\$)	H1'17	H1'16	Var	Var %
Domestic Poultry	217.5	207.6	9.9	4.8%
Export Poultry	50.6	51.9	(1.3)	(2.5%)
Other Revenue ¹	28.1	25.4	2.7	10.6%
Total Revenue	296.3	284.9	11.4	4.0%

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 both H1'17 and H1'16.

Key Highlights

Domestic

- Strong increase in volume
- Revenue growth driven by volume increase partially offset by softer domestic pricing

Export

- Volume in line with H1'16
- Continuing new customer and volume growth
- Slightly lower revenue through change in product mix and timing of customer promotions

Other revenue

- Higher feed sales

Summary Balance Sheet



NZ\$m	H1'17	FY16	H1'17vs FY16 Var
Current Assets	223.1	208.6	14.5
Non-Current assets	493.8	487.1	6.7
Total Assets	716.9	695.7	21.2
Current Liabilities	73.0	240.4	(167.4)
Non-Current Liabilities	171.4	141.4	30.0
Total Liabilities	244.4	381.8	(137.4)
Net Assets	472.5	313.9	158.6
Issued Capital	427.1	284.4	142.7
Retained Earnings and Reserves	45.4	29.5	15.9
Total Equity	472.5	313.9	158.6

Key Highlights

Current Assets

- Higher inventories supporting higher sales

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

Cash Flow And Capex



Cash flow summary NZ\$m	H1'17	H1'16	Var
Cash in/(out)flow from operating activities	(18.2)	5.8	(24.0)
Cash (out)flow from investing activities	(16.3)	(11.4)	(4.9)
Cash inflow from financing activities	39.6	13.4	26.2
Increase / (decrease) in cash	5.1	7.8	(2.7)
Opening balance	4.0	11.9	(7.9)
Closing cash balance	9.1	19.7	(10.6)

Capital Expenditure NZ\$m	H1'17	H1'16
Maintenance capital expenditure	4.0	4.6
Growth and productivity capital expenditure	11.9	6.9
Total Capital Expenditure	15.9	11.5

Key Highlights

Operating activities

- Operating cash flows impacted by increased supplier payments (reducing liabilities) and IPO costs
- Increased working capital, particularly higher inventories, supporting growth phase

Financing activities

- Balance sheet restructure through IPO, 270m shares issued, bank facilities refinanced

Capital expenditure

- Automation equipment driving efficiency including breast deboner and automatic cut up machinery in New Plymouth and Tramway breeder farm expansion in Christchurch

Interim Dividend



- Tegel is pleased to confirm its first dividend as a listed company
- A fully imputed interim dividend of 3.45 cents per share will be paid on 27 January 2017
- Dividend policy unchanged

Stronger H2'17



- FY17 H1/H2 weighting:
 - Extra trading week in FY17 from retail accounting method (H1'17: 26 weeks / H2'17: 27 weeks);
 - Full six month impact of new contracts won in H1'17
 - Anticipated pricing improvement due to better market conditions
 - Full six month benefit of capital improvement projects implemented in H1 including breast deboner and new cut up machinery in New Plymouth and new agricultural assets such as the expansion of the Tramway Breeder Farm
 - Brand refresh and advertising started in November 2016 supporting domestic retail sales
 - Summer seasonality with a broader range of Tegel value added products sold through summer months
- New product launches
- Partially offset by prolonged softer domestic pricing and increased inter-island freight costs due to Kaikoura earthquake
- Volumes well ahead of FY17 PFI forecast, underlying EBITDA between \$75 and \$85 million and NPAT between \$33 and \$41 million



Business Update and Outlook

Phil Hand, CEO

Domestic Update



Volume and market growth	<ul style="list-style-type: none"> Continue domestic growth through: <ul style="list-style-type: none"> Population growth Increasing poultry consumption per capita growth “Share of plate” gains driven by relative affordability
Category growth	<ul style="list-style-type: none"> Category growth driven by: <ul style="list-style-type: none"> Innovation (new product development); and Communications campaign underpinning brand refresh Tegel’s free range expansion continues with new launches planned throughout FY17
New product development	<ul style="list-style-type: none"> Market launches of new product innovation will continue throughout FY17, with the first wave of innovation bringing five new frozen value added products, and five new packaged smallgoods products to market in H1’17 Further 19 new products to come to market in FY17
Brand refresh	<ul style="list-style-type: none"> Tegel’s new brand imagery and packaging launched in FY17 Comprehensive communications campaign underpins the brand refresh to drive growth for Tegel



Brand Refresh And Advertising



Export Update



Existing markets

- Continued sales growth in existing markets of Australia, United Arab Emirates (UAE), Hong Kong and the Pacific Islands
- Launch of Tegel into the Foodservice channel in the UAE in FY16, forming the platform for further growth in FY17
- Forecast further growth will be driven in these markets through new products, existing customer growth, new customers and sales to additional sales channels

New markets

- First sales into the Philippines
- Customer meetings and product presentations taken place in Singapore
- Market access obtained in Bahrain
- Work continues to seek in-market partners in Japan and to gain market access in Singapore, Korea and Taiwan



100% New Zealand Raised

All Tegel's chickens and turkeys are locally farmed here in New Zealand.



Healthy chickens

New Zealand has world-class conditions for raising poultry. This is just as well, because raising healthy chickens and turkeys is very important to us here at Tegel.



No added hormones

The use of growth hormones is not permitted in New Zealand. We guarantee that we've never used added hormones in our chickens or turkeys, and we intend to keep it that way.



Not genetically modified

Our chickens and turkeys are not genetically modified in any way. We believe it's pretty hard to improve on nature.



Outlook



- New product launches
- Export growth through key management appointments
- Board approval to bring forward installing proven successful equipment in Henderson driving operational and cost savings by end of FY17
- FY17 H1/H2 weighting partially offset by prolonged softer domestic pricing and increased inter-island freight costs due to Kaikoura earthquake
- Volumes well ahead of FY17 PFI forecast, FY17 underlying EBITDA between \$75 and \$85 million and NPAT between \$33 and \$41 million





Questions And Answers





Appendix 1

Supplementary Information



Reconciliation To GAAP



NZ\$m	H1'17 Actual	H1'16 Actual
Underlying EBITDA	35.1	36.6
Corporate governance structural changes due to IPO	-	(0.5)
Unrealised foreign exchange revaluations	(0.3)	(1.2)
Fair value adjustment to Biological Assets	(0.2)	-
Employee share option expense	(0.1)	-
Settlement of historical legal claim & other legal costs	(0.1)	-
EBITDA	34.4	34.9
Depreciation	(7.9)	(7.3)
Amortisation	(1.6)	(1.7)
Net finance costs	(3.5)	(17.8)
Net profit before income tax	21.4	8.1
Income tax	(6.3)	(2.1)
Net profit after income tax	15.1	6.0

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.

Tegel At A Glance



Established, well recognised products across a range of categories



Vertically integrated operations

Three vertically integrated and regionally separated operations in New Zealand, each of which contains:

Hatchery
Feedmill
Breeder farms
Grower farms
Processing facility
Distribution centre

Surety of supply to customers

Integrated 'poultry to plate' model

Materially lower feed conversion ratios¹

Leading market positions

Processes approximately 50% of New Zealand poultry²

#1 across all branded poultry product categories³ in New Zealand

Established and growing export business

Key current export markets include:

**Australia
Hong Kong
UAE**

Strong biosecurity controls supporting Tegel's premium international brand



1. Relative to the global average for the Ross breed of chickens
2. Calculated as a total share of poultry processed in New Zealand (measured by dress weight), as surveyed by Statistics New Zealand
3. New Zealand market data for branded product market share based on Aztec scan data using dollar value of sales for the 52 week period ending April 2016. Aztec data includes only Foodstuffs and Progressive scan data. Branded market share excludes private label products which represent approximately 32% of the poultry grocery market channel

Vertically Integrated Operations In Three Separate Locations



INTEGRATED 'POULTRY TO PLATE' MODEL ENABLES TEGEL TO EFFECTIVELY MANAGE QUALITY AND COST

