
TASFOODS LTD

**Mr Shane Noble
Chair's Address
AGM 21 May 2018 11 am**

The companies financial performance in 2017 was obviously disappointing and below the expectations of both the Board and Management.

Jane Bennett has outlined the main contributing factors to that underperformance in her presentation, so I won't spend any time going through those issues again.

The key things I'm focussed on as the new Executive Chairman of Tasfoods is, what can we learn from 2017, and what is the right path to take the business to profitability.

As evidenced by the strong performance turnaround in Q1 2018 the business has responded to a lot of those learnings and I'm confident we now have a deep understanding of our operations and their performance drivers. We are seeing good growth across our two key product categories of Chicken and Dairy and we have a plan for Wasabi.

TasFoods has a strong and loyal consumer base in Tasmania and we will continue to focus on improving and growing our distribution and sales within the island. We have a strong and defensible Tasmanian market position for both our Chicken and Dairy businesses and this is our financial foundation which we must continue to grow and strengthen.

But the big opportunity for the business is Mainland distribution and revenue growth and we are being very targeted in what we are focussed on.

For chicken, it is growing the distribution of our higher margin Ethical Free Range product to a broader range of food service customers and meat wholesalers, marketing the unique product attributes that our production system delivers to consumers.

For dairy we are looking to establish a strategic partnership with a national distributor with a key focus on expanding the ranging of our dairy products in the independent grocery trade. And we continue to discuss opportunities with both Coles and Woolworths.

For wasabi, we obviously made a mistake in assessing the immediate market opportunity when we developed the business case for the acquisition and the subsequent investment in additional growing capacity, and I apologise for that mistake. We have a unique product and we have focussed our growth attention on two key initiatives, ranging the fresh product with a national provider to efficiently

service the restaurant and food service trade, and developing a convenient ready to eat paste for the consumer market.

At circa \$31M of revenue for full year 2017 TasFoods was a subscale corporate business with a high fixed cost base. And we can't wait for organic growth to eventually leverage that fixed cost base so our other key focus area for 2018 is a detailed program of cost reduction. I think that one of the key learnings from our 2017 financial results is you shouldn't increase your fixed cost base ahead of the revenue curve. However, some of that fixed cost investment has contributed to the organic growth that we have been able to achieve and also the improvements in operations and gross margin. So "right sizing" the business structure is always complicated but that being said we have identified a range of cost saving initiatives that we are aggressively going after, and those savings will be critical to achieving profitability for the business.

The corporate structure we now have in place could quite easily absorb another business stream and as previously discussed we continue to look for complementary acquisitions. Our aspirational goal is to eventually have a business built on 3 key product foundations, chicken, dairy, and one other. At this stage we will continue to focus on our vision of being the Tasmanian Food Specialists, so we will stay true to that Tasmanian focus in looking for suitable acquisition targets. Unfortunately, although Tasmania has many unique small food businesses there is not much available of any reasonable scale at this stage.

In summary, although I share your disappointment with the 2017 financial results, I am confident that we have a plan to deliver the business to profitability and more importantly position it well for continued growth. That plan won't be without its challenges, but I look forward to standing up here again in 12 months time and talking about a much better set of numbers.

Thank you for your attention and I will now take questions from the floor.