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**TASFOODS LTD**  
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# AGM Presentation

23 May 2019



# About TasFoods

TasFoods is a diversified food business leveraging Tasmania's unique environment to create premium food products for sale to Australian and export customers.

TasFoods has a strong and loyal customer base in Tasmania and continues to focus on its long-term vision to showcase the State's finest produce to the world.

The company owns a stable of high value food brands in three key product categories:

## Poultry



**NICHOLS**  
POULTRY

## Dairy



**MEANDER VALLEY**  
DAIRY



**PYENGANA**  
DAIRY



**ROBUR FARM**  
DAIRY

## Horticulture



**SHIMA**  
WASABI

# FY18\* Company Highlights

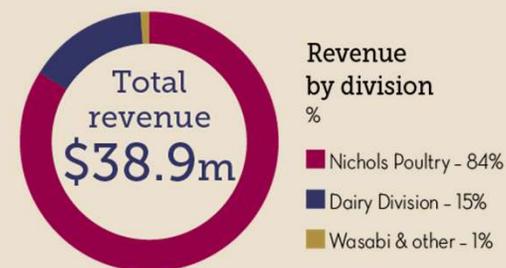
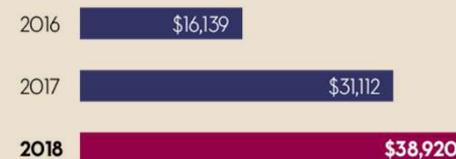
FY18 was a year of strong growth for TasFoods, setting the company on a pathway to profit.

Highlights include:

- Sales revenue up 25% to \$38.4 million.
- Gross profit up 54% to \$10.7 million.
- EBITDA improvement of \$4.6 million.
- H2 delivered positive operating cash flow.

\*Financial year ended 31 December 2018.

Total revenue (\$'000)



# FY18 Results Summary

|                     | FY2018 \$'000 | FY2017 \$'000 | Change \$'000 | Change % |
|---------------------|---------------|---------------|---------------|----------|
| Sales revenue       | 38,391        | 30,743        | 7,648         | 25%      |
| Gross profit        | 10,716        | 6,961         | 3,755         | 54%      |
| Gross profit margin | 28%           | 23%           |               | 5%       |
| EBITDA              | (1,110)       | (5,710)*      | 4,600         |          |
| NPAT                | (1,358)       | (6,808)       | 5,450         |          |

\*Includes an impairment charge of \$2.11m.

Sales revenue (\$'000)



EBITDA (\$'000)



## Balance Sheet and Capital Management (as at 31 December 2018)

- Improving operational efficiency across the business was a core focus in 2018.
- Net assets increased by \$2.62 million, assisted by a \$3.79 million capital raising, (net of costs) in early FY18.
- Cash balances declined during the year by \$3.01 million, in part due to;
  - Strategic capital investment program (\$4.11 million) in the dairy and poultry segments (including a new air chiller at the Nichols Poultry processing site).
  - Repayment of borrowings (\$1.11 million).
  - Movements in working capital, including;
    - Increase in inventory levels (\$0.60 million) due to higher cheese production volumes (requiring a 12 month maturation period) and raw materials and packaging (associated with increased sales volumes and delivery lead times); and
    - Decrease in trade payables balance (\$0.80 million).

|                                      | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------------------|----------------|----------------|
| <b>Current Assets</b>                |                |                |
| - Cash and cash equivalents          | 6,658          | 9,663          |
| - Receivables                        | 2,609          | 2,799          |
| - Biological assets                  | 2,432          | 1,932          |
| - Inventory                          | 2,572          | 2,013          |
| - Prepayments                        | 542            | 350            |
| <b>Total Current Assets</b>          | <b>14,814</b>  | <b>16,757</b>  |
| <b>Non-current Assets</b>            |                |                |
| - Property, plant and equipment      | 17,458         | 14,944         |
| - Intangibles                        | 8,673          | 8,673          |
| - Other                              | 275            | 328            |
| <b>Total Non-current Assets</b>      | <b>26,406</b>  | <b>23,946</b>  |
| <b>Total Assets</b>                  | <b>41,220</b>  | <b>40,702</b>  |
| <b>Current Liabilities</b>           |                |                |
| - Payables                           | 3,976          | 4,775          |
| - Borrowings                         | 1,470          | 1,255          |
| - Provisions                         | 623            | 524            |
| <b>Total Current Liabilities</b>     | <b>6,069</b>   | <b>6,554</b>   |
| <b>Non-current Liabilities</b>       |                |                |
| - Borrowings                         | 727            | 1,379          |
| - Provisions                         | 156            | 144            |
| - Other                              | -              | 979            |
| <b>Total Non-current Liabilities</b> | <b>883</b>     | <b>2,502</b>   |
| <b>Total Liabilities</b>             | <b>6,953</b>   | <b>9,056</b>   |
| <b>Net Assets</b>                    | <b>34,267</b>  | <b>31,646</b>  |

# Business Operations

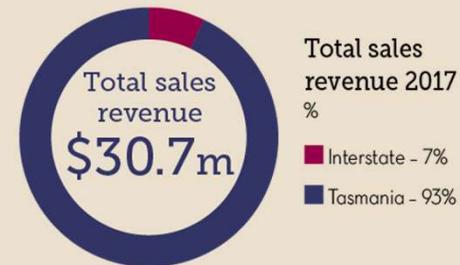
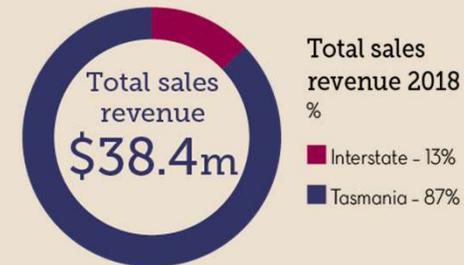


# Brands and Market Expansion

TasFoods aims to showcase Tasmania's finest produce to the world. One of our objectives in 2018 was growing sales to markets outside Tasmania.

## FY18 Achievements:

- Key distribution partners established to supply dairy and poultry products to customers in Victoria, New South Wales and Queensland.
- 106% sales growth in interstate markets, representing 13% of total sales in FY18.
- Growth of 18% in Tasmania through increased sales of Nichols Poultry and Pyengana Dairy branded milk.



# Poultry

## Operational Activities

- Poultry processing.
- RSPCA approved barn raised poultry growing.
- Free range poultry growing.
- Contract grower management.

## Achievements of the Year

- Sales revenue growth of 15% to \$32.10 million.
- Lower processing labour costs through automation of processing lines.
- New contract grower sheds commissioned contributing 12% growth in bird numbers.
- New air chiller installed on time and on budget to increase processing capacity by 50%.

## Objectives for 2019

- Construction of new company owned tunnel ventilated poultry growing sheds at Nichols Poultry to increase bird numbers to leverage processing capacity.
- Relocation of targeted processing operations into old air chiller space to improve operational efficiencies.
- Continued expansion of Nichols Ethical Free Range Chicken sales to interstate markets.



Sales revenue (\$'000)



# Dairy

## Operational Activities

- Milk and cream processing facility.
- Cheese manufacture and maturation facility.
- Café and retail shop.
- Goat farming operation.

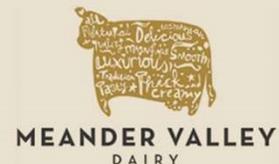
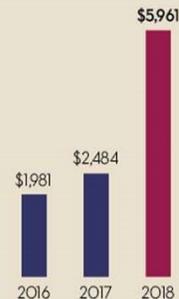
## Achievements of the Year

- Sales revenue growth of 140% to \$5.96 million.
- New premium brand developed for Pyengana Dairy Milk with successful launch of 9 new products in the range.
- Ranging for Meander Valley Dairy Double Cream in Coles nationally.
- Rebranding of Pyengana Dairy Traditional Cloth Matured Cheddar and launch of retail portion cheese range and 1.3kg truckle wheels.

## Objectives for 2019

- Sales growth benefiting from full year of sales from new markets established in 2018.
- Launch of new Pyengana Dairy cheese products including St Columba Blue and Cloth Matured Goat Cheddar.
- Continued focus on expanding Meander Valley Dairy and Robur Farm Dairy branded products into interstate markets.

Sales revenue (\$'000)



# Horticulture

## Operational Activities

- Wasabi growing and harvesting facilities.
- Wasabi packing and processing facilities.

## Achievements of the Year

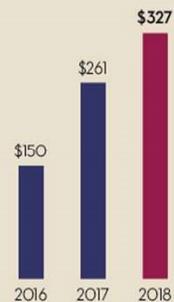
- Sales revenue growth of 25% to \$0.33 million.
- Development of new distribution network to improve service and delivery to restaurant customers.
- Efficiency gains in labour management through revised harvest systems.

## Objectives for 2019

- Launch of new value added wasabi products.
- Expansion of distribution network for fresh wasabi product.
- Continued research into active components of the wasabi plant that may have value in the health and wellbeing industry.



Sales revenue (\$'000)



# Dairy Expansion



# TasFoods Expands Dairy Business with Purchase of Betta Milk

**Transformational acquisition for TasFoods with significant growth and synergy opportunities.**

- On 13 May 2019, TasFoods entered into an agreement to purchase the milk processing assets and brands of the Betta Milk Co-Operative Society Limited.
- The cost of the acquisition will be approximately \$11.5 million in cash, funded in part through an \$8 million non-renounceable rights issue fully underwritten at \$0.12 per share. (*TasFoods' cash-on-hand at 30 April 2019 was c. \$6 million.*)
- Betta Milk, established in 1956, has market shares of 17% of Tasmanian fresh milk sales and 37% of branded milk sales.
- In FY18, Betta Milk's net revenue was \$16.42 million.
- Acquisition includes Betta Milk's export-accredited processing facility in Burnie, and distribution centres in Launceston and Hobart.
- Transaction expected to complete in late June/early July 2019.



# Complements and Strengthens Existing Dairy Business

**The acquisition of Betta Milk is another step in TasFoods' strategy to build a successful premium food business leveraging Tasmania's unique environmental and marketing advantages.**

Strategic advantages include:

- Existing revenue stream of approx. \$16.5 million.
- EBITDA positive operations.
- Leading Tasmanian dairy brand with loyal customer base.
- Tasmanian customer profile complementary to TasFoods' existing brands and business divisions.
- Significant excess processing capacity (50%) presenting multiple avenues for growth within Tasmania, other states and export markets.
- Facility in Burnie recently upgraded to include high-speed volumetric bottle filling system which has doubled production capacity and increased shelf-life of products.

Synergies with existing operations include:

- Complements existing dairy brands – Pyengana Dairy, Meander Valley Dairy and Robur Farm.
- Expands present distribution network whilst enabling freight and logistics cost savings.
- Improved buying power for raw materials and packaging through increased volume.
- Streamlining of milk bottling operations into the one location – export-accredited Burnie facility.
- Provides greater scale and market presence for the combined dairy business and leverages present resources and facilities.

# Growth Opportunities from Betta Milk Acquisition

**TasFoods' increased scale through the Betta Milk acquisition will allow the company to grow its investment in premium Tasmanian food products and help it achieve its goal to become a more significant player in the Australian dairy market.**

- Excess processing capacity at Betta Milk's Burnie facility provides opportunities to tender for future contracted milk business to increase revenue streams.
- Opportunities to leverage TasFoods' recently registered Van Diemen's Land Dairy brand in mainland and Asian markets.
- Further enhances the opportunity to continue to showcase the State's finest produce whilst retaining solid, focused market position in Tasmania.
- TasFoods will continue to support the Betta Milk brand in the Tasmanian market where it has a strong and loyal following.



# FY19 Group Outlook

**TasFoods has established a solid base from which the business can scale and grow.**

**Under its current operating structure (before Betta Milk acquisition), positive EBITDA is expected for the year to December 2019, despite commodity price headwinds. Key business objectives for FY19 include:**

## **Revenue Growth:**

- Expansion of Meander Valley Dairy product lines into mainstream grocery.
- Expansion of Nichols Ethical Free Range Chicken into interstate foodservice and high-end retail markets.
- Pyengana Dairy range expansion.

## **Business Optimisation:**

- Maintaining strong discipline on costs through the Pathway to Profit initiatives.
- Strategic investment to leverage processing capacity gains for Nichols Poultry.
- Contracting additional sources for key inputs to manage cost and secure supply.
- Strategic price adjustments to reduce impact of commodity cost increases in both poultry and dairy.

## **Acquisition:**

- Growth through acquisition to build business scale and strengthen bottom line performance.
- Agreement reached on purchase of Betta Milk's milk processing assets and brands on 13 May 2019. Expected completion late June/early July 2019.

# TasFoods Well Positioned for Profitable Long-Term Growth

- Strategic leverage of the Tasmanian brand and its ability to deliver a premium food offering valued by consumers.
- Two established foundation pillars in poultry and dairy, each with a solid and loyal customer base in Tasmania.
- Strong defensible brand market position in Tasmania.
- Growing brand presence in the larger interstate markets through strategic distribution partnerships.
- Business operations located close to the shipping ports of the North West Coast.



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