

TASFOODS LTD

HALF YEAR 2020 FINANCIAL REPORT INVESTOR PRESENTATION

August 2020



ABOUT TASFOODS

TASFOODS LTD

A remote island located in the southern ocean, Tasmania is ideally positioned to support the creation of premium branded food products.

We believe that great food comes from great places. With its clean air, abundant rain, rich soil and temperate climate, Tasmania is ideally suited to creating the finest food produce. This is why we leverage Tasmania's natural advantages and reputation for fantastic foods to create a portfolio of branded food businesses, bringing the delight of Tasmania's finest foods to consumers.



HALF 1 2020 FINANCIAL RESULTS

TASFOODS LTD

Sales momentum maintained in a challenging market

	H1 FY2020 \$'000	H1 FY2019 \$'000	H1 Change \$	H1 Change %
Sales Revenue	32,459	20,831	11,628	56%
Gross Profit	7,597	5,181	2,416	47%
Gross Profit Margin	23%	25%		(2)%
EBITDA	(5,998)	(1,032)	(4,966)	(481)%
Acquisition Costs	(15)	(329)	314	
Movement in Fair Value	(1,361)	170	(1,531)	
Impairment Expense	(3,500)	-	(3,500)	
Operating EBITDA	(1,122)	(872)	(249)	(29)%

- The financial results for H1 FY2020 show continued growth in sales revenue to \$32.459 million, 56% higher than H1 FY2019. After adjusting H1 FY2019 for the underlying revenue of Betta Milk, year-on-year organic growth was 11%.
- Following a strong Q1 2020, Q2 was interrupted by COVID-19 with the direct impacts of government restrictions (in particular those affecting the food service industry). This reduced Operating EBITDA to negative \$1.122 million, primarily driven by COVID-19 influenced reduction in the gross profit margin from the poultry division.
- An impairment expense totalling \$3.5 million associated with the goodwill of the poultry and dairy business units was recognised in H1 FY2020, along with a \$1.2 million write down in the valuation of the wasabi biological asset. (Refer to the ASX Announcement released 21 July 2020 for full details)

HALF 1 2020 FINANCIAL RESULTS

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Operational Division Performance

	H1 2020				H1 2019			
	Dairy	Poultry	Corporate & Other	Total	Dairy	Poultry	Corporate & Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	14,079	18,439	224	32,742	3,620	17,174	294	21,087
EBITDA	(810)	(1,719)	(3,468)	(5,997)	20	1,413	(2,463)	(1,031)
Acquisition Costs	-	-	(15)	(15)	-	-	(329)	(329)
Impairment Expense	(1,500)	(2,000)	-	(3,500)	-	-	-	-
Fair Value Movement	-	(181)	(1,179)	(1,360)	12	64	94	170
Operating EBITDA	690	462	(2,274)	(1,122)	8	1,349	(2,228)	(872)

- The dairy division performed strongly in H1 FY2020 with revenue growing to 43% of total revenue, up from 17% in the H1 FY2019. Year-on-year organic growth of the dairy division was 16%, after adjusting for the acquired revenue of the Betta Milk operations for H1. Dairy EBITDA improved by \$682,000 reflecting the efficiencies gained from the acquisition of Betta Milk in H2 2019.
- Nichols Poultry sales revenue for the first half of 2020 was 7% higher than the same period for the previous year, however changes to product mix and volumes resulting from COVID-19 influences to markets impacted gross margins, resulting in a decline in EBITDA of \$887,000
- Corporate and Other revenue and EBITDA remained consistent with H1 2019 reflecting no addition to corporate costs resulting from the acquisition of Betta Milk in H2 2019

COVID-19 MANAGEMENT PRACTICES



- The welfare and safety of our employees and contractors has been a key priority throughout the COVID period.

- COVID management plans were implemented across the business in March that remain in place and are improved as new information emerges. Measures implemented are designed to ensure COVID safe work practices are maintained whilst mitigating supply chain disruption;

- Removal of all non essential employees from sites to work from home
- Non essential visitors not permitted on sites
- Provision of protective equipment to employees
- Temperature testing of employees
- Payment of all employees awaiting COVID test results
- COVID specific daily cleaning and sanitation programs
- Additional staff facilities implemented on large sites to allow for isolation of work groups

- Our two largest processing operations of Nichols Poultry and Betta Milk are located on the North West Coast of Tasmania which went into a strict regional lockdown from 12 April to 4 May. Whilst there were a number of employees absent during this period each site was fully operational and able to fulfil all orders in full.



BETTA MILK ACHIEVES ACQUISITION OBJECTIVES



- The successful integration of Betta Milk confirms the potential to leverage this acquisition as a platform for substantial revenue and profit growth.
- Annualised sales growth for the Betta Milk operation to June 2020 is 20%, achieved through organic growth and the launch in December 2019 of a new milk brand into two Tasmanian independent retail chains.
- All TasFoods Milk bottling operations have now been consolidated onto the Betta Milk site providing the processing and logistics synergies forecast at the time of acquisition and contributing to dairy division EBITDA turnaround.
- Volume of milk processed at the Betta Milk bottling facility and sold through the distribution network has grown by 50% from acquisition to June 2020.

COVID-19 IMPACT ON DAIRY DIVISION

**Betta
MILK**



- Despite early market volatility the dairy division has performed well during H1 2020.
- Milk sales, representing 72% of dairy sales have remained strong achieving growth of 20% across all milk brands for H1 FY2020 over H1 FY2019 which is expected to be maintained in H2 FY2020.
- Cream & butter sales, representing 26% of dairy sales achieved 16% growth above H1 FY2019 in H1 FY2020 and are expected to continue to grow in H2 FY2020.
- Cheese sales, representing 2% of dairy sales, returned to pre COVID levels in June and showed growth in July which is anticipated to be maintained throughout H2 2020.

DAIRY DIVISION STRATEGIC DIRECTION

Betta
MILK



Dairy continues to achieve growth through expanded distribution and improved product offerings.

Emerging consumer trends that we have begun to leverage include:

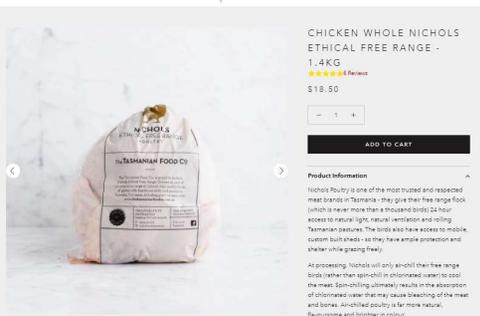
- **Growing support for trusted local brands** through the H2 2020 launch of a reformulated flavoured milk offering that meets changing consumer flavour expectations under improved Betta Milk branding. A new 1 litre carton of Real Milk will be launched in H2 2020 into TAS Coles and Independent Retail stores.
- **Growth in retail purchasing** through ranging of 3 Meander Valley Dairy cream products in 150 premium Woolworths stores across VIC, NSW, QLD, ACT and TAS. Ranging of seasonal Christmas cream products into 850 Woolworths stores nationally will occur in H2 2020.
- **Growth in online purchasing** through improving our online store in H2 2020 and continuing to partner with premium online dairy providers such as Cheese Therapy to expand the online reach.
- **Growing demand for home meal solutions** through launch of a range of ready to cook product solutions that will be brought to market in FY2021. We continue to focus on development of product solutions for meal kit providers.
- **Growing demand for environmental sustainability in packaging** through a partnership with a key packaging supplier to establish a milk bottle recycling process in FY2021.

COVID-19 IMPACT ON POULTRY DIVISION



- Revenue and gross margin in the poultry division were both impacted by a national oversupply of fresh chicken stemming from Government restrictions brought in during March that limited the operations of quick service restaurants and closed of much of the food service sector until June.
- The unprecedented volatility in fresh chicken demand nationally, combined with a significant temporary drop in pricing and higher operating costs, resulted in a decline in operating EBITDA for the poultry division.
- Despite market uncertainty the poultry division achieved 7% revenue growth compared to H1 2019 and was able to expand into new markets and develop products for online retail offers.
- Demand for fresh chicken meat and stable pricing returned to pre COVID levels in July.

POULTRY DIVISION STRATEGIC DIRECTION



Poultry continues to show resilience as a preferred protein with attractive pricing. Emerging consumer trends that we have begun to leverage include:

- **Growing support for trusted local brands** through expanded product offering and retail market penetration for Nichols branded products.
- **Growing demand for home meal solutions** through the launch of a range of ready to cook stir-fry meals and protein solutions into Tasmanian retail stores in H2 2020. A range of ready to eat meal solutions will be brought to market in H1 FY2021.
- **Growth in retail purchasing** through strengthening our relationship with key retail customers as a preferred supplier. Expanded product offerings will commence with all key retail customers during H2 2020.
- **Growth in online purchasing** through ongoing partnerships established in H1 2020 with online ordering platforms that have national market penetration and provide suitable perishable goods delivery services.
- **Growing demand for environmental sustainability in packaging** through the launch in FY2021 of a range of products packed in biodegradable packaging.

Equity Raising

TASFOODS LTD

Equity to support investment in strategic growth

On 24 August 2020, TasFoods announced an equity raising to raise up to \$4 M supported by two of our largest shareholders, Jan Cameron (and associated entities) and CVC Limited. Funds raised under the rights issue will position TasFoods to drive business improvement and deliver on its ambition to become a major Australian food company.

