

Farm Pride Food Ltd.
ABN: 42 080 590 030

551 Chandler Rd Keysborough
VIC 3173 Australia

1800 OZ EGGS
farmpride.com.au



6th August 2021

ASX Market Announcement Office

Farm Pride Foods Ltd (ASX:FRM) Company Announcement

INVESTOR PRESENTATION – Reach Markets Live Webcast

On the 4 August 2021 the Company participated in the Reach Markets Live Webcast - The Insider: Meet the CEOs Webcast.

Our CEO, Daryl Bird, presented at an online session and provided a short presentation on the egg market and the Company.

A copy of the presentation delivered during the briefing is attached.

For the live recording of the presentation please visit www.farmpride.com.au

This announcement has been authorised by the Farm Pride Foods' Company Secretary, Bruce De Lacy.

Further information

Daryl Bird
Chief Executive Officer
Tel: (03) 9798 9207

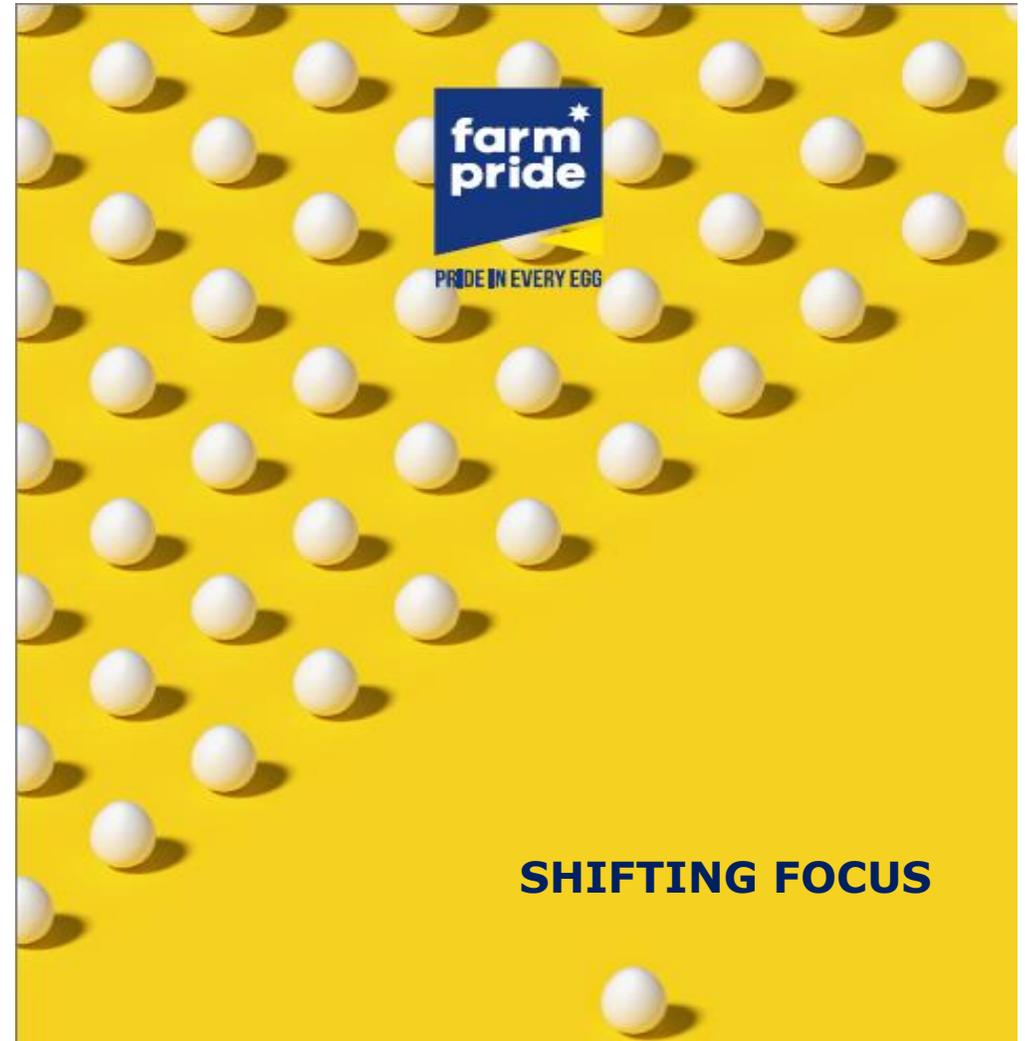


Reach Markets Meet the CEO Webcast Farm Pride Foods Ltd

“SHIFTING FOCUS”

4th August, 2021

Presented By: Daryl BIRD, CEO, Farm Pride Foods Ltd



Disclaimer

This presentation dated 4th August, 2021 provides additional comment on the Annual Report for the 12 months ended 30 June 2020 of Farm Pride Foods Ltd Limited (The 'Company') and accompanying information released to the market. As such, it should be read in conjunction with the explanations and views in those documents.

This presentation is provided for general information purposes only. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should assess their own individual financial circumstances and consider talking to a financial adviser or consultant before making any investment decision.

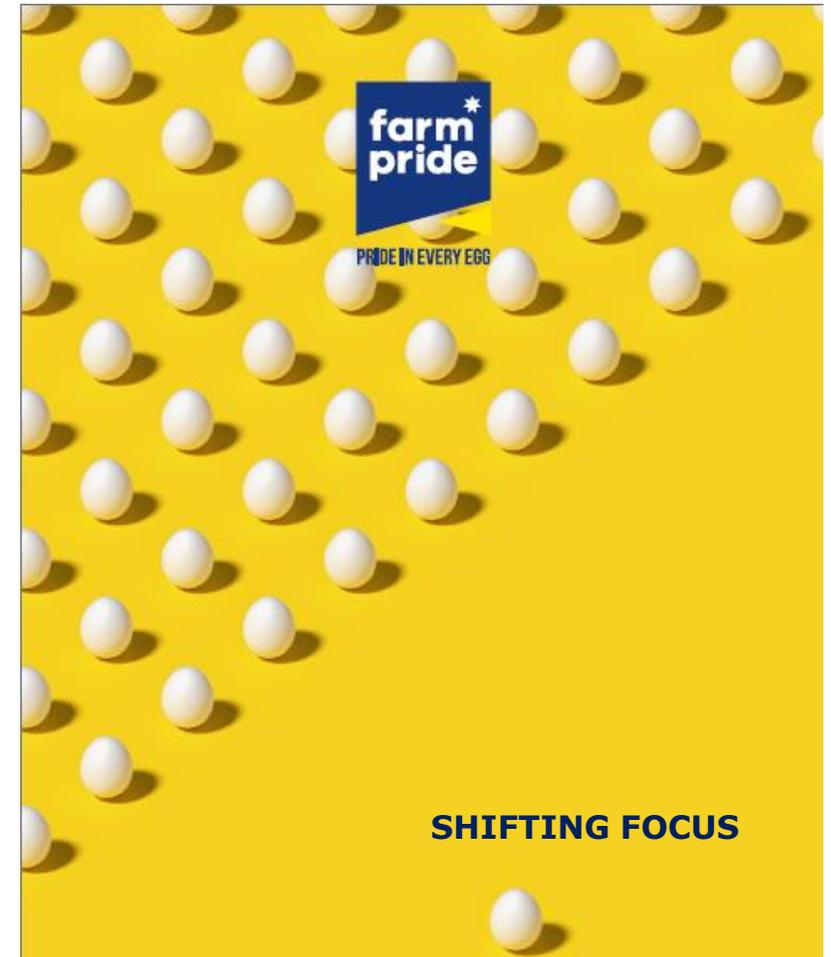
This presentation is not a prospectus, investment statement or disclosure document.

Certain statements in this presentation constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements.

While all reasonable care has been taken in relation to the preparation of this presentation, none of the Company, its subsidiaries, or their respective directors, officers, employees, contractors or agents accepts responsibility for any loss or damage resulting from the use of or reliance on this presentation by any person.

Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Some of the information in this presentation is based on unaudited financial data which may be subject to change.



Industry overview

Key industry metrics



\$867.6m
Revenue

Annual Growth
2015–2020
1.9%

Annual Growth
2020–2025
0.4%

Annual Growth
2015–2025



\$33.0m
Profit

Annual Growth
2015–2020
-1.5%

Annual Growth
2015–2020



3.8%
Profit Margin

Annual Growth
2015–2020
-0.7pp

Annual Growth
2015–2020



528
Businesses

Annual Growth
2015–2020
2.8%

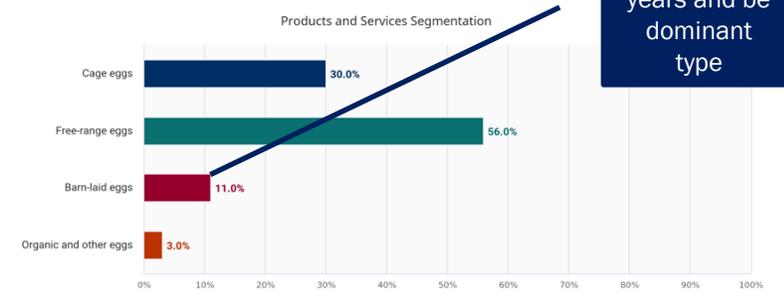
Annual Growth
2020–2025
1.0%

Annual Growth
2015–2025



Source: IBIS World Egg Farming in Australia Report May 2020

Share of category by egg type

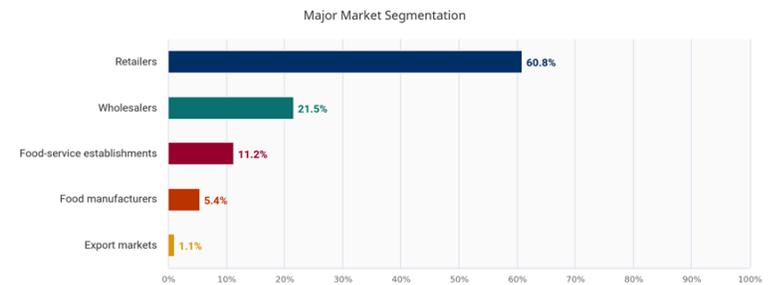


2020 INDUSTRY REVENUE
\$867.6m

Egg Farming
Source: IBISWorld

Barn will replace cage over next 3 years and be dominant type

Market segmentation



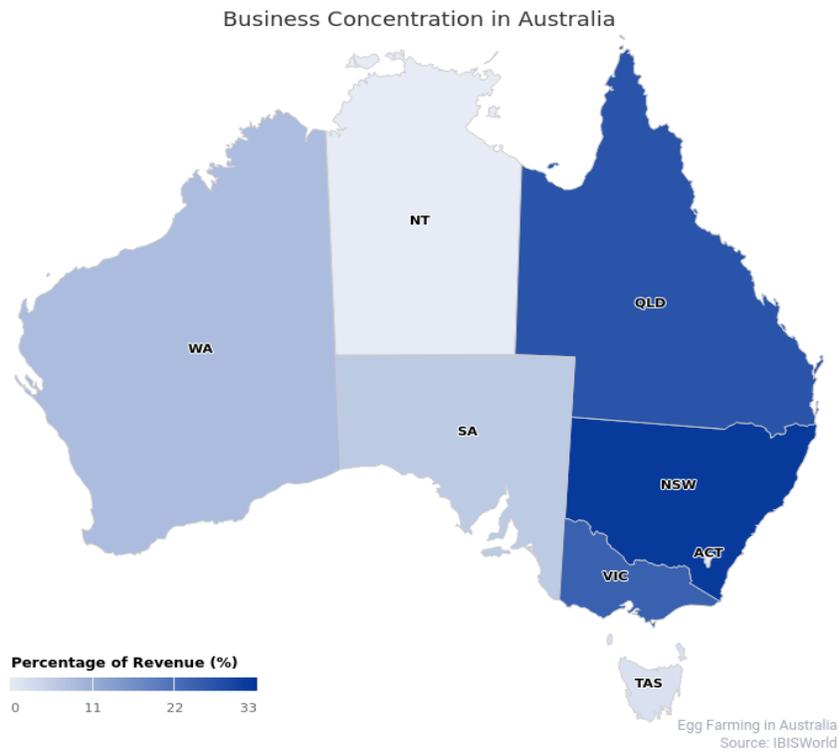
2020 INDUSTRY REVENUE
\$867.6m

Egg Farming
Source: IBISWorld

Source: IBIS World Egg Farming in Australia Report May 2020

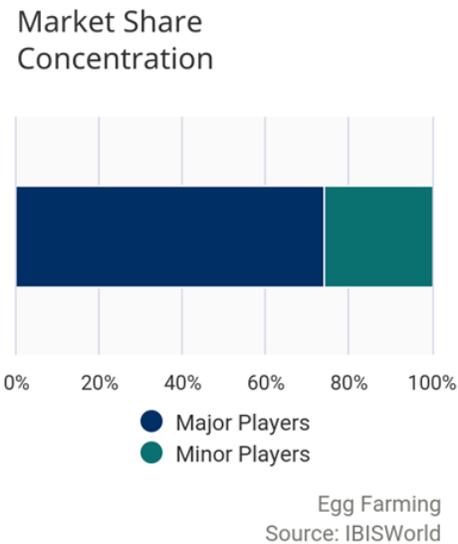
Industry overview

Concentration of egg market



Source: IBIS World Egg Farming in Australia Report May 2020

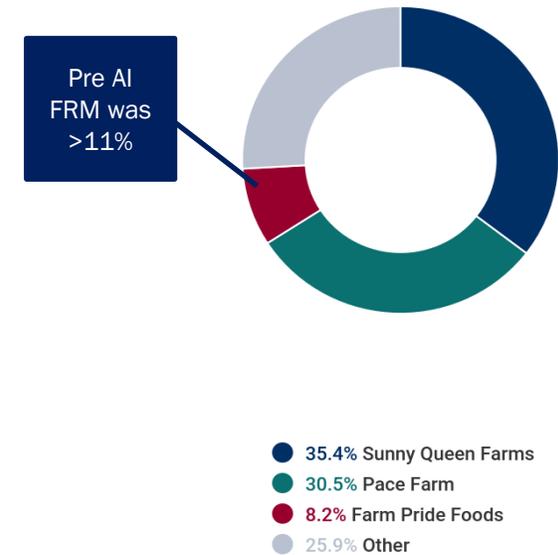
Market player concentration



- The east coast states represent over 85% of egg sales in step with population
- Market share of the total business is highly concentrated across 5-6 suppliers
- FRM share has dropped approx. 3% given AI event impact on supply

Source: IBIS World Egg Farming in Australia Report May 2020

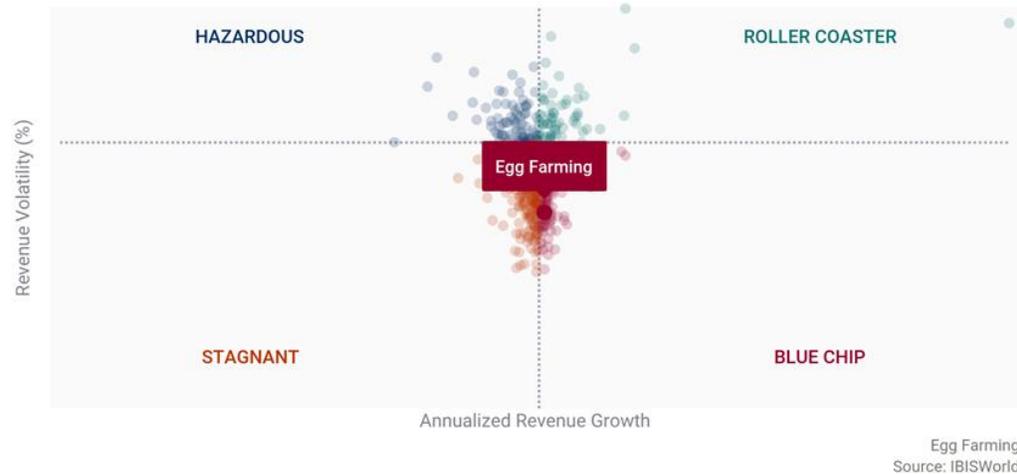
Major players - share



Industry overview

Volatility of egg market

Volatility vs. Growth



- The egg market can be volatile
- Supply fluctuations, feed prices, animal disease, shifts in demand and legislative changes all influence revenue volatility.
- The egg industry is highly capital intensive with investment increasing over the last 13 years with the advent of cage free farming
- Capital investment will continue to increase in the next 5 years as cage free dominates the category

Source: IBIS World Egg Farming in Australia Report May 2020

Capital intensity

Capital Intensity Ratios



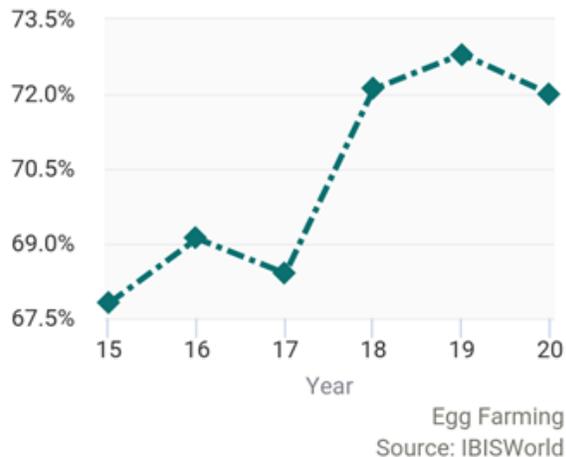
Egg Farming
Source: IBISWorld

Source: IBIS World Egg Farming in Australia Report May 2020

Industry overview

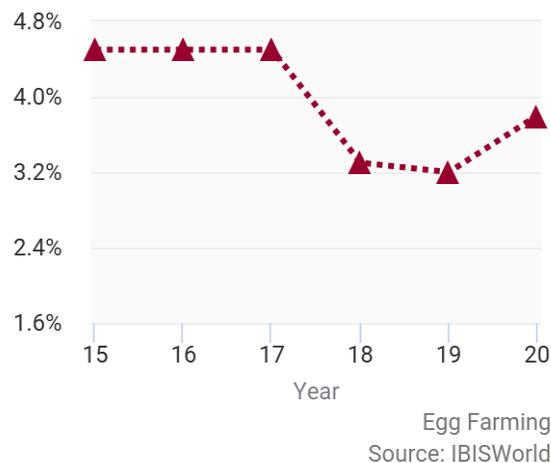
Purchasing costs rising

Purchases as a Share of Revenue 2015-2020



Profit declining

Profit as a Share of Revenue 2015-2020



Source: IBIS World Egg farming in Australia Report May 2020

- Rising costs ('17 to '19) driven by feed (drought), consumables (new laying systems e.g. CF and FR) and compliance
- Some cost reprieve in 2020 with declining wheat and feed prices
- Profits in general decline and future earnings will be further exacerbated with transition to more expensive cage free farming systems
- Key margin determinants remain
 - Historical supply fluctuations – typically over and under supply (demand pretty constant apart from COVID impact)
 - Retailer category realignment – evolution to cage free eggs – downward price pressure
 - Feed and wheat costs – driven by environmental conditions e.g. drought
 - Cost of capital to provide necessary infrastructure to meet retailer cage free requirements by 2025
- Cage egg capacity in market will decline in line with this timetable. Flow over of excess cage stock into the box or non supermarket channels will continue until market re-alignment completed in supermarkets
- Supply and pricing will remain volatile in this part of the market
- FRM does not participate in the box market to any major degree

Industry overview

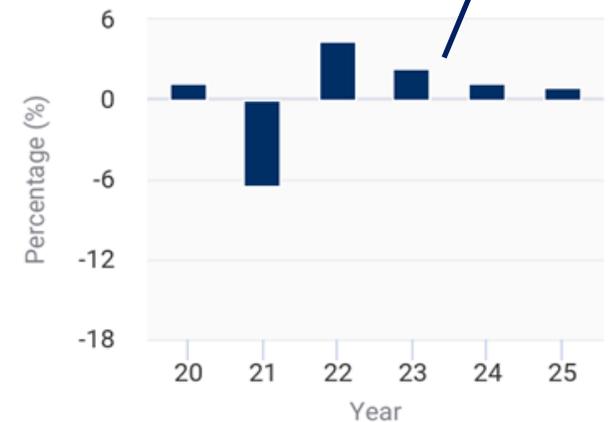
Key market trends (now and mid term 2 - 4 years)

- Cage-free evolution now clearly timetabled with supermarkets stating by 2025 completely cage free – Key focus on Barn Laid (cage free) development
- Innovation in shell egg is minimal and unlikely to change. Limited opportunity to value add.
- Retailers will continue to grow ‘own label’ range at expense of brands (FRM predominantly a P/Label supplier)
- Consolidation of supply base will continue particularly small mid tier players
- Opportunities for innovation of egg based products to serve home and out of home experience driven by changing consumption patterns and more home consumption (COVID)
- Free range will continue to grow in step with market 4% P/a +/-
- FRM will focus on free range and is well positioned to continue to grow in this segment
- Per capita egg consumption growing and should continue to grow, cheap source of protein

Earnings

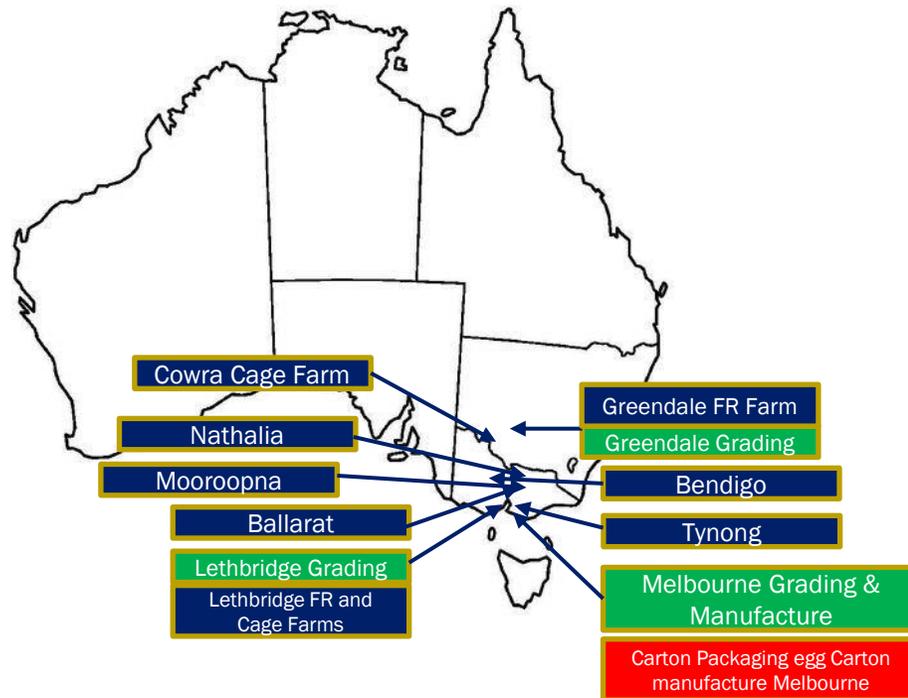
Flat earnings predicted, So how to reshape earnings?

Industry Outlook 2020-2025



Egg Farming
Source: IBISWorld

The business of Farm Pride Foods Ltd



- Est' 1937 as Vic Gov't Egg Board, privatised (1993) after deregulation, incorporated & listed on ASX 1997 – 220 employees
- 11 owned and/or operated farms – rearing, cage, barn laid and free range
- 1.2m laying hens in Co' network & >200k contracted
 - Farms & external contractors operate @ highest industry standards
- Farms geographically spread to reduce biosecurity risk (e.g. AI event)
- Significant aggregation capability
- Processing >1m eggs per day
- 3 grading sites provide supply continuity and assurance...proximity to major east coast markets
- Value added capability serving major blue chip
 - Bulk liquid and egg flour for B2B customers
 - Foodservice & catering
 - Highest certification standards (inc. AQIS for export)
- Market leader in the industrial supply market
- Dedicated egg carton manufacturing – Carton Packaging Melbourne

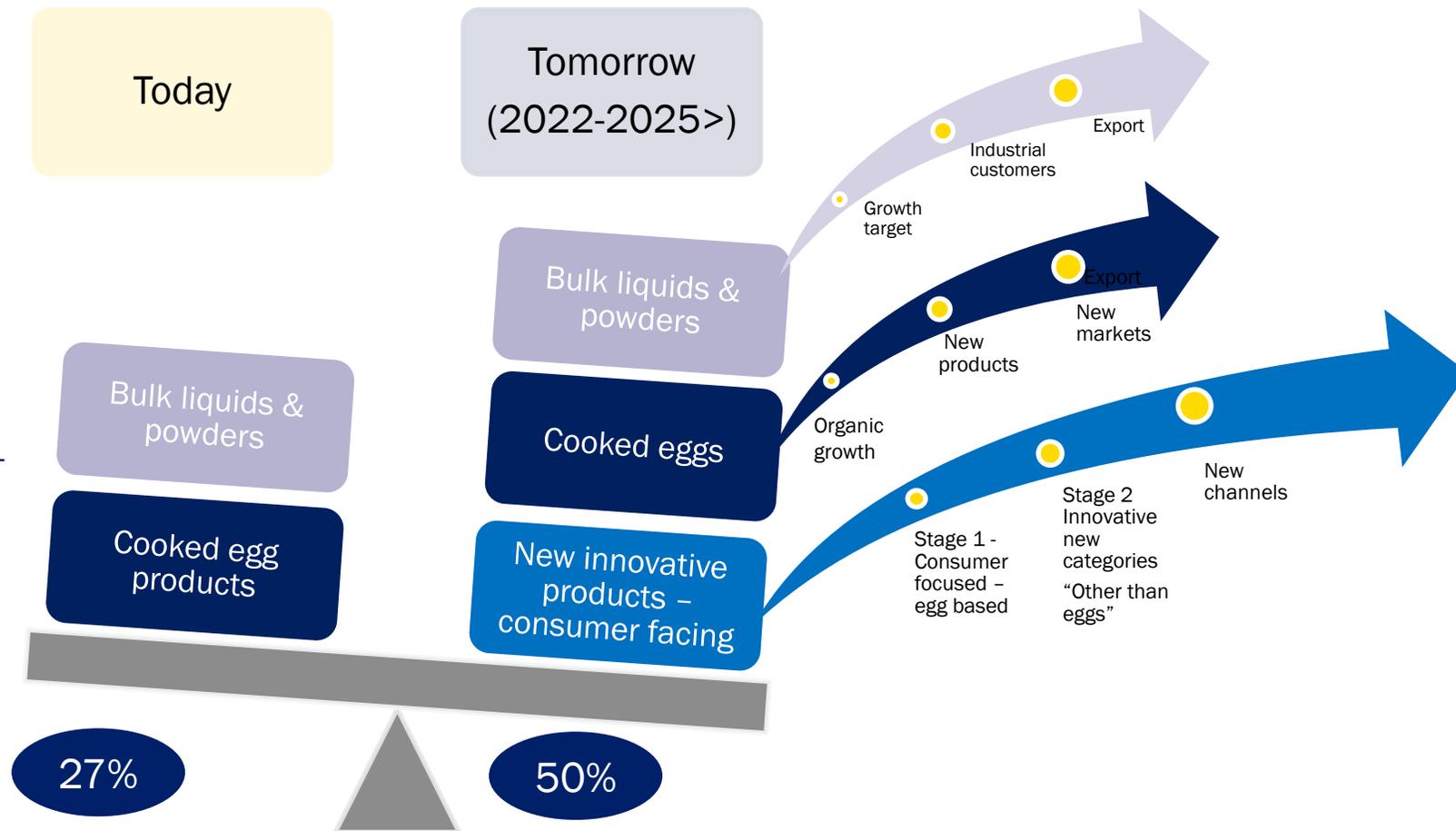
Farm Pride the last 12 months

- 3 year turnaround commenced late FY19 under new management
- Sustainable earnings track established FY20, but interrupted by Avian Influenza outbreak and COVID
- 12 months lost (FY21) dealing with AI recovery & one time costs, disrupted foodservice sales (COVID)
 - Innovation program stalled, but now re-established and being fast tracked
 - Focus on higher margin ingredient sales post COVID recovery of channel
 - Retail cage egg exit 65% complete (positive outcome of AI event) and largest cage farm back on line to supply cheap pulp egg for ingredient business (large multi \$m industrial customer on-boarded)
 - Shell egg supply nearing pre AI levels and place with retailers next 3-5 years clearer - annual growth track re-established
 - Balance sheet repair done with sale of passive and other major assets such as Keysborough plant (on long term lease back)
 - Debt reduced, strong treasury, funds for innovation available
- Focus now is to maintain shell relevance with major retailers, long term agreements established, new business secured FY22
- Maximise ingredient capacity & continue to develop large scale B2B opportunities
 - Asset re-alignment to continue over next 2 years to ensure appropriate supply structure for shell and pulp
- Drive Stage 1 innovation program utilising egg as a RM for new, higher margin and modern product offers in growth sectors
 - Maximise FRM's key advantage of value adding eggs
- Establish financial market interest in an evolving innovation story

Farm Pride value added (innovation) today and tomorrow

Ingredients & value added business

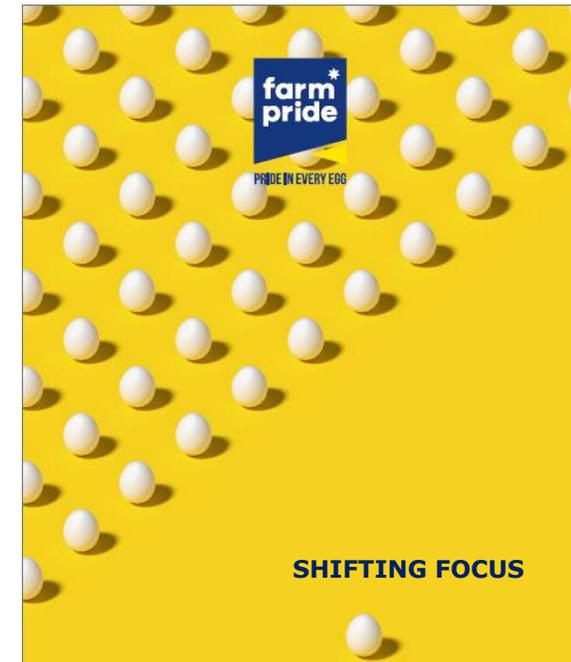
- Stage 1- utilise egg as a RM for innovation
- Unique capability in egg industry
- Key margin driver - earnings
- Key driver of innovation (production & value adding of key raw material)
- Key driver of modernity & market relevance – new consumers/new sales channels
- Key to Farm Pride’s future sustainability
- Stage 2 – evolve to non egg based innovation
- High market relevance, FMCG leadership



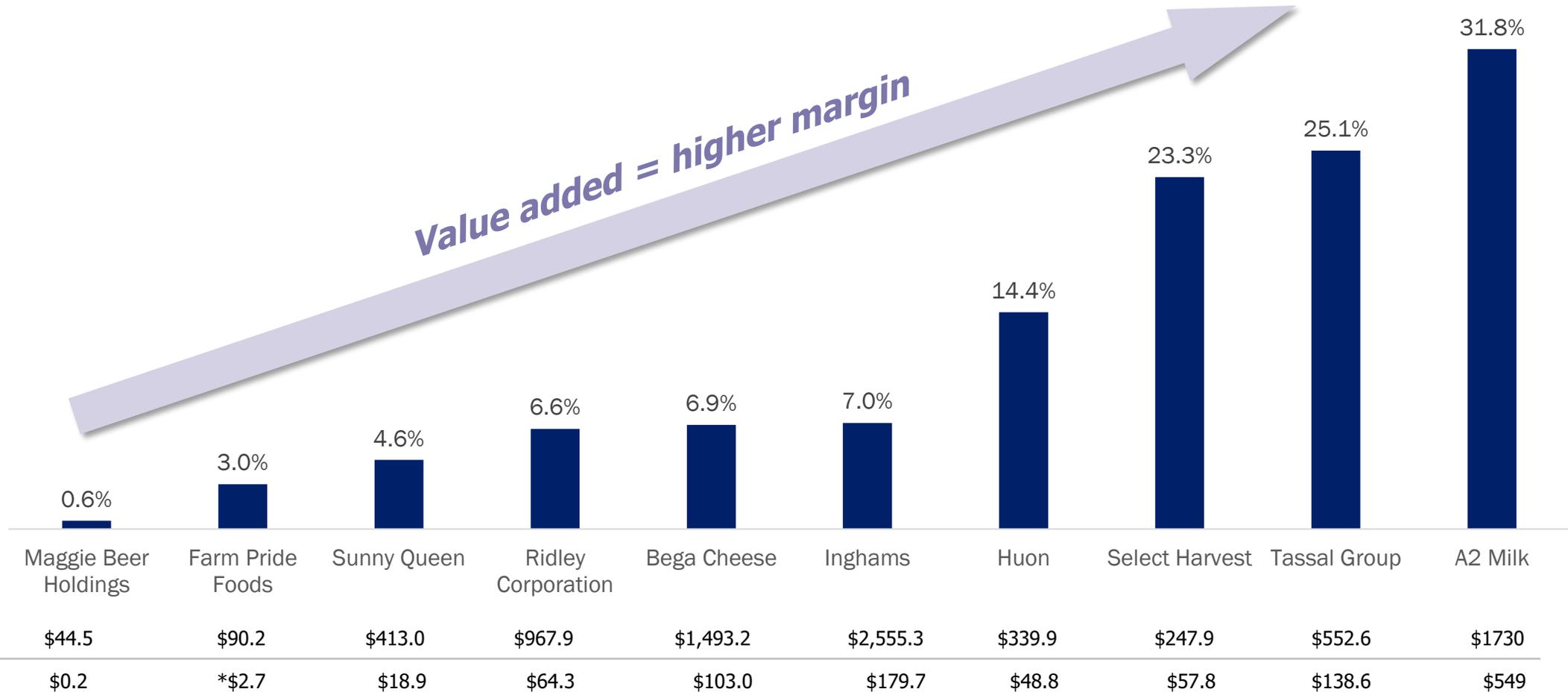
Source: FRM Management Review 2020

Innovation – adding value in 2 stages

- Achieving a strong innovation footing in the next few years remains the key imperative
- Converting our egg raw materials from our farms and other sources, maximising our unique value adding capability and capacity provides Farm Pride the best chance of generating better than industry returns - shell egg will remain important to 'pay the bills', innovation will provide the breakout!
- Innovating the forms in which eggs are consumed and delivered to consumers is not beyond us and plays to our latent strength
- Our shell egg position grows in retail over next few years (from lower base), maximising farm capacity in free range
- COVID and then AI momentarily stalled our innovation trajectory, but we have now re-tasked and restructured our technical efforts to accelerate new product development
- Next 2-3 years will see us launch new value added egg based products and then with improved earnings
- The opportunity for further market enhancement targeting new products and categories, other than eggs through JV, M&A and investment in new sourcing & production capabilities
- Stage 2 evolution - *“putting the foods into Farm Pride Foods”*



Value adding a key to higher earnings...



*FRM earnings FY20 Pre AI)

END....

WE ARE FARM...

- P** PROUD OF WHAT WE DO
- R** RESPECT FOR OUR BUSINESS AND OTHERS
- I** INTEGRITY IS OUR FOUNDATION
- D** DETERMINED TO SUCCEED
- E** EXCELLENCE THROUGH DOING IT RIGHT AND DOING IT WELL

OUR PURPOSE

“ TO BE A TRUSTED AND RESPECTED EGG GROWER AND PROCESSOR DELIVERING SUSTAINABLE VALUE FOR OUR SHAREHOLDERS, CUSTOMERS AND STAKEHOLDERS...” ”



**EVERYDAY WE
DEMONSTRATE
THESE VALUES
WITH PRIDE**

WE DO THIS BY:

Drawing on our long heritage and experience

Managing our farm and processing assets proactively and to the highest quality and performance standards

Ensuring our farming practices are to the highest animal welfare and bio-security standards

Investing in and developing our people

Developing strong and sustainable relationships with our trading and supply partners

Being ethical and transparent in all our activities