



PRIDE IN EVERY EGG

Farm Pride Foods Ltd 2021 AGM CEO Presentation *“Shifting Focus”*

22nd November, 2021

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





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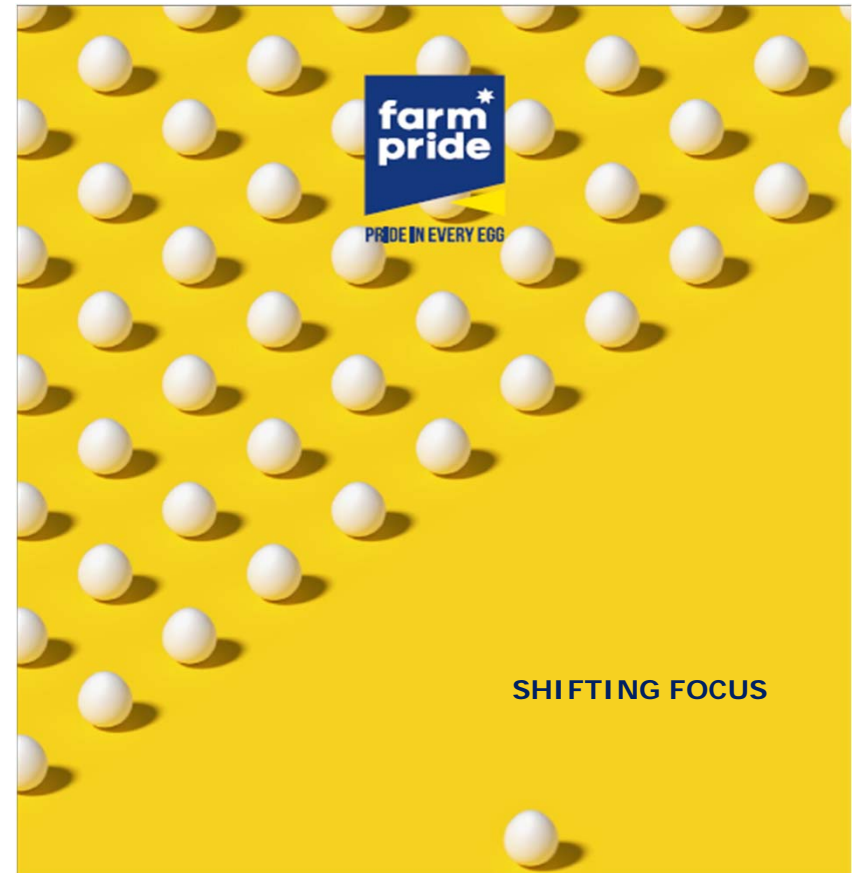
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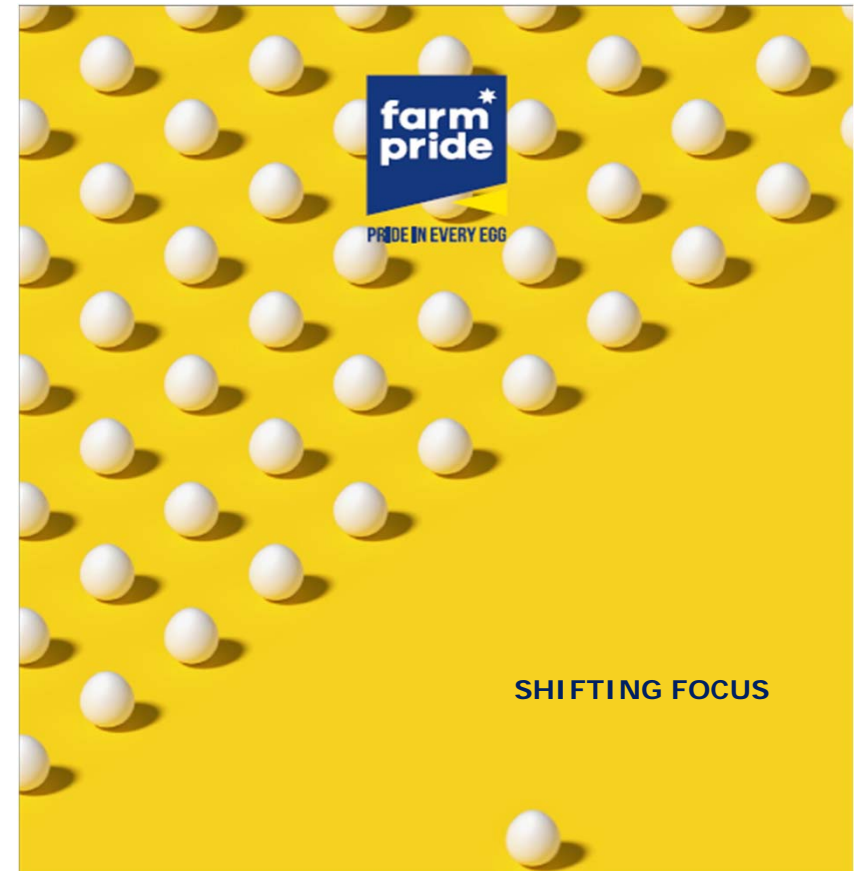
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Agenda

- Industry overview
 - Industry
 - COVID
 - Navigating change
- Farm Pride Foods Ltd FY21 Results
- The 3 year journey so far and matters subsequent
- FY22 outlook
 - Environmental, Social and Governance (ESG)





Industry overview

Industry overview



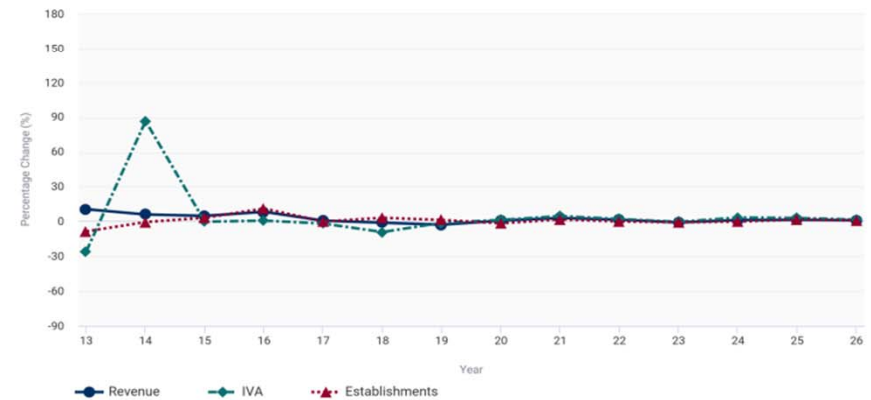
Key industry metrics



Share of category by egg type



Industry Performance



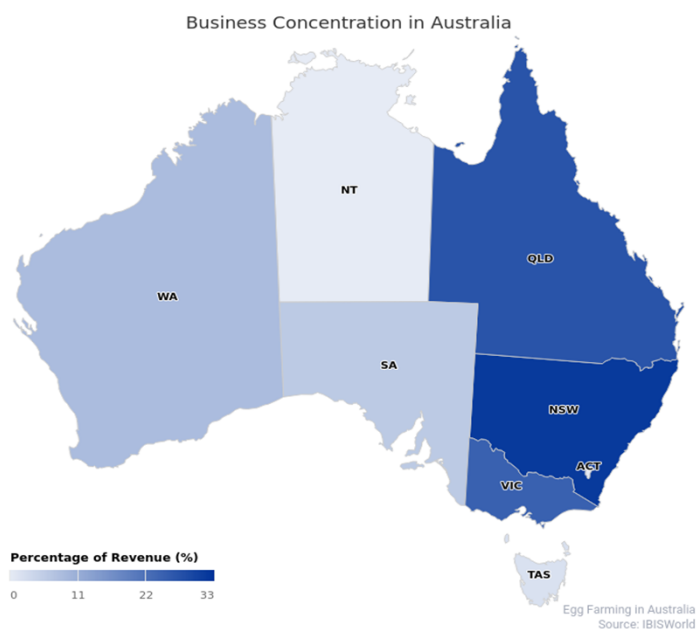
- Industry growth steady at 0.3%, but impacted since COVID, growth outlook disrupted.
- Profit decline driven by lower margins in shell eggs.
- Supermarket retailers represent approx. 63% of industry sales.
- Cage share of industry declining and will accelerate in FY23 when supermarkets ramp up cage free transition.
- Barn laid eggs will replace cage volumes plus more and be a significant segment in category – barn laid the new cage and low cost entry point on shelves for consumers.
- Free Range eggs growing, but focus will be on barn laid – still FR opportunities.

Source: IBIS World Egg Farming in Australia Report April 2021

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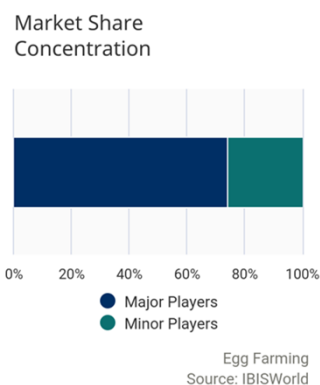
Industry overview

Concentration of egg market



Source: IBIS World Egg Farming in Australia Report April 2021

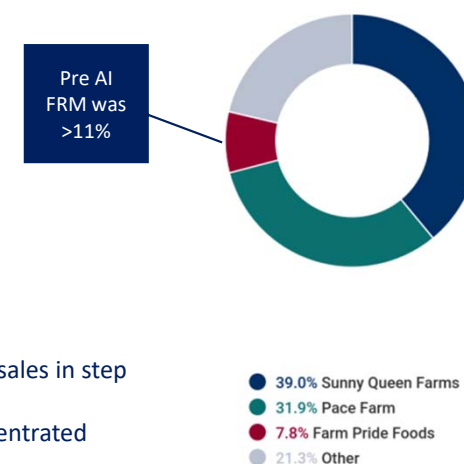
Market player concentration



- The East coast states represent over 85% of egg sales in step with population.
- Market share of the total business is highly concentrated across 3 - 5 suppliers.
- FRM share has dropped approx. 3% given AI event.
- Moreover, our share of the industrial supply segment has increased and we estimate at 60% (this sub segment is valued at approx. 4.5% of the total egg market).

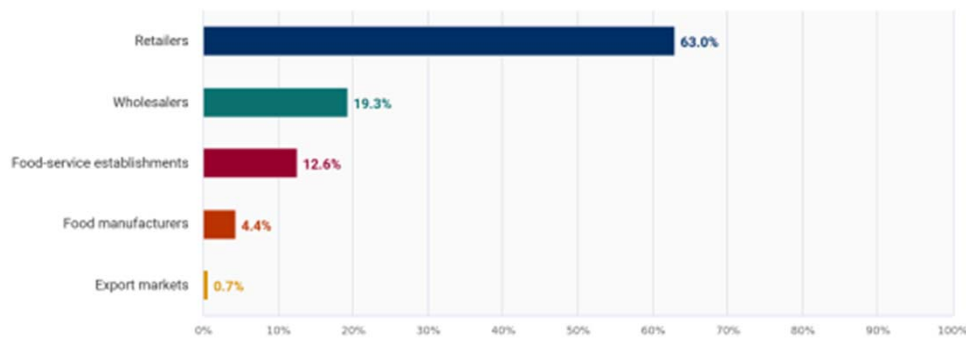
Source: IBIS World Egg Farming in Australia Report April 2021

Major players - share



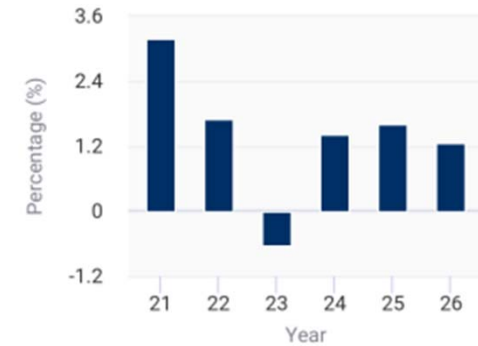
Industry overview

Major markets



Source: IBIS World Egg Farming in Australia Report April 2021

Industry Outlook Growth outlook 5 years



Source: IBIS World Egg Farming in Australia Report April 2021

- The egg market is cyclical and COVID has made trading conditions even more volatile.
- Supermarket retailers represent approx. 63% of industry sales and are driving the industry agenda.
- Industry growth outlook is forecast at 1.1% annual growth over next 5 years. COVID is likely to impact negatively on initial term industry growth.
- Capital investment will continue to increase in the next 5 years as cage free dominates with grower/processor returns challenged as retailers demand lower and 'sub cost' pricing for cage free eggs (and jettison more profitable cage eggs).
- Farm Pride, while not immune to these structural challenges, does have additional strings to its bow including a growing ingredient manufacturing business and the potential to develop new higher margin products using its raw material processing capability.
- The box market (all channels other than supermarkets) has been significantly impacted by COVID and will remain volatile as more cage eggs flow in as supermarkets exit cage eggs.



COVID

COVID Impacts

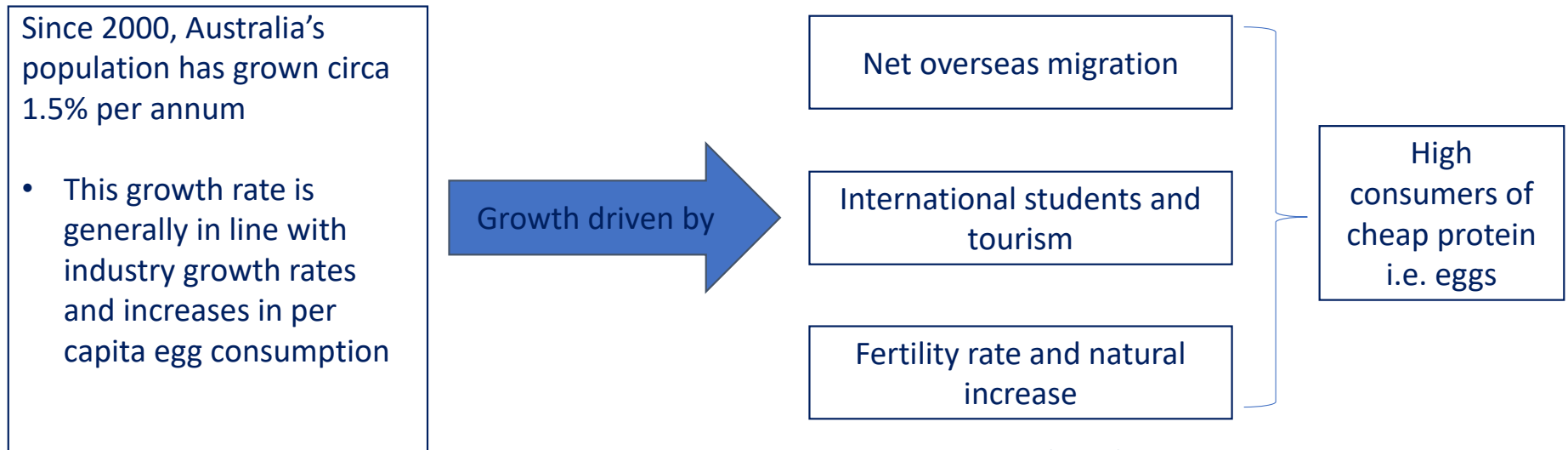
Comparison of demographic trends

Demographic trends	Pre-COVID (2000-2020)	COVID (2020-22)	COVID-recovery (2022-27)
Net overseas migration	Strong growth	Strong decrease	Short run growth (long run constant)
International students and tourists	Strong growth	Strong decrease	Uncertain
Fertility rate	Slight decrease	Slight decrease	Short run growth (long run decrease)
Natural population growth	Slight decrease	Slight decrease	Short run growth (long run decrease)

Source: Demographic trends in Australia – impacts of COVID-19 on future population growth Australian Eggs July 2021

COVID impacts

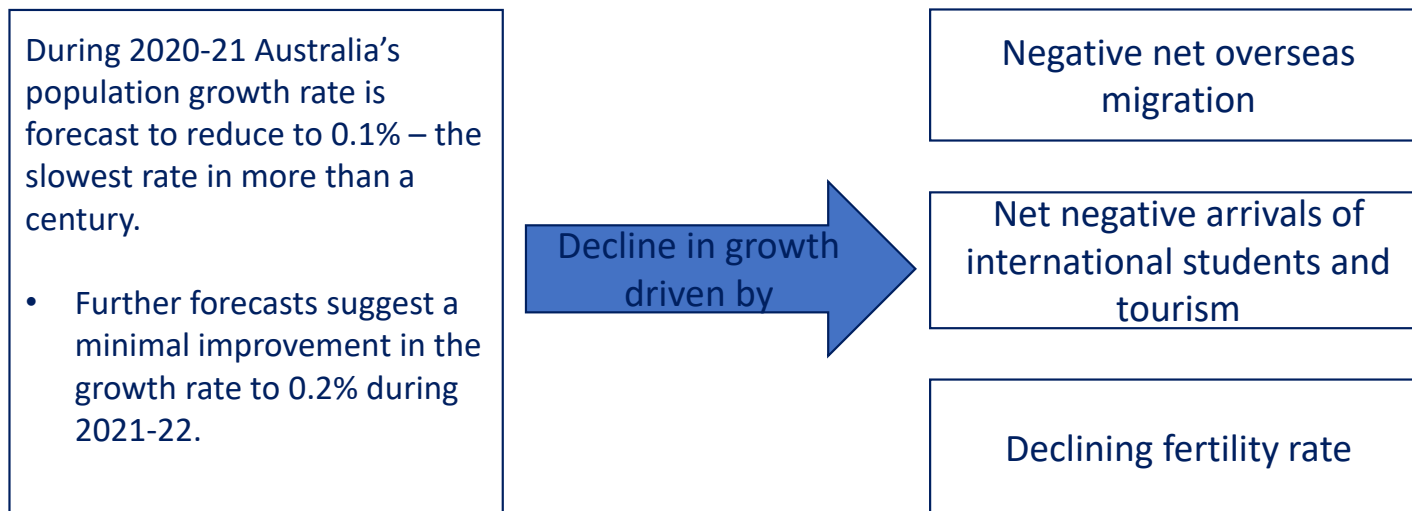
Pre-COVID (2000 to 2020)



Source: Demographic trends in Australia – impacts of COVID-19 on future population growth Australian Eggs July 2021

COVID impacts

COVID-19 period (2020-22)



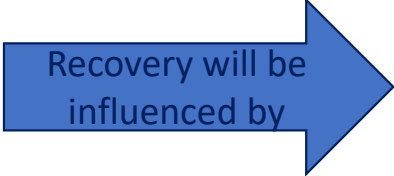
Source: Demographic trends in Australia – impacts of COVID-19 on future population growth Australian Eggs July 2021

COVID impacts

COVID recovery period (2022-27)

Population growth is expected to recover to a similar level to pre-COVID. By 2023-24 the growth rate is forecast at 1.3% but gradually begins to fall after a period of five years.

- Industry growth rates sited earlier are thus very dependent on population recovery
- In 2024-25 the predicted population is 26.7 million, 1.3 million less than forecasted in the 2015 *Intergenerational Report*.



Gradual return to long run net overseas migration

Immediate spike in the fertility rate

Positive contribution of natural increase

Increase in the number of tourists

Source: Demographic trends in Australia – impacts of COVID-19 on future population growth Australian Eggs July 2021

Industry overview



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

- Per capita egg consumption (egg in shell) stagnant until population and consumption patterns return post COVID.
- Compliance adding cost/little opportunity to offset in price but increases barriers to entry at retail supply level.
- Cage-free evolution now clearly timetabled with supermarkets stating by 2025 (but likely earlier) completely cage free – key focus on barn laid eggs.
- 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.
- Supply and price remain volatile in this part of the market.
- Key margin determiners remain:
 - Egg supply fluctuations (under/over) with cage free evolution and excess of cage egg in market.
 - Retailer category realignment – evolution to cage free eggs – downward price pressure and supply timing disruptions.
 - Feed and wheat costs – likely to remain as per current in FY23 at least.
 - High cost of capital required to provide necessary infrastructure to meet retailer cage free requirements.
 - Labour force impediments continue as per general economy and current agricultural situation.

Egg consumption declines then rebounds

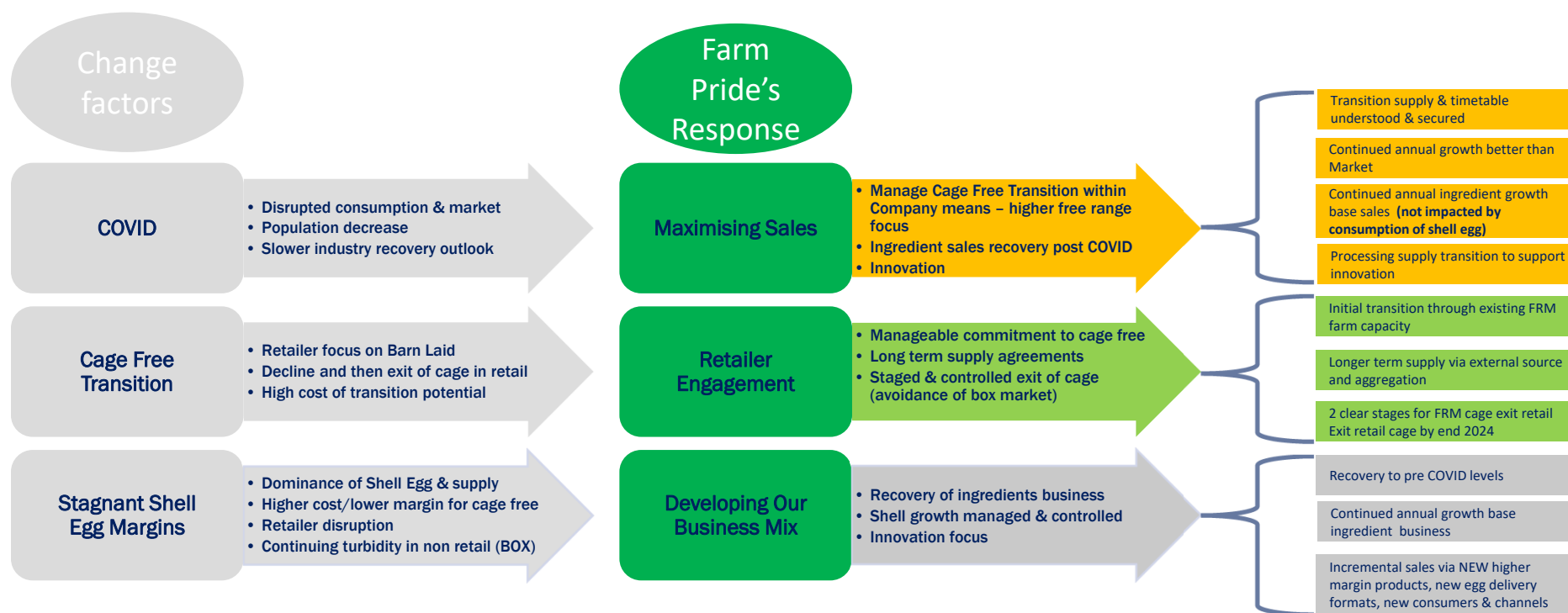
Compliance drives barriers to entry

Cage free transition ramps up 2022

Over exposure to cage free = high cost/low margin

Cage eggs excess until cage free completed

Navigating COVID and Industry Structural Change – The Road Ahead



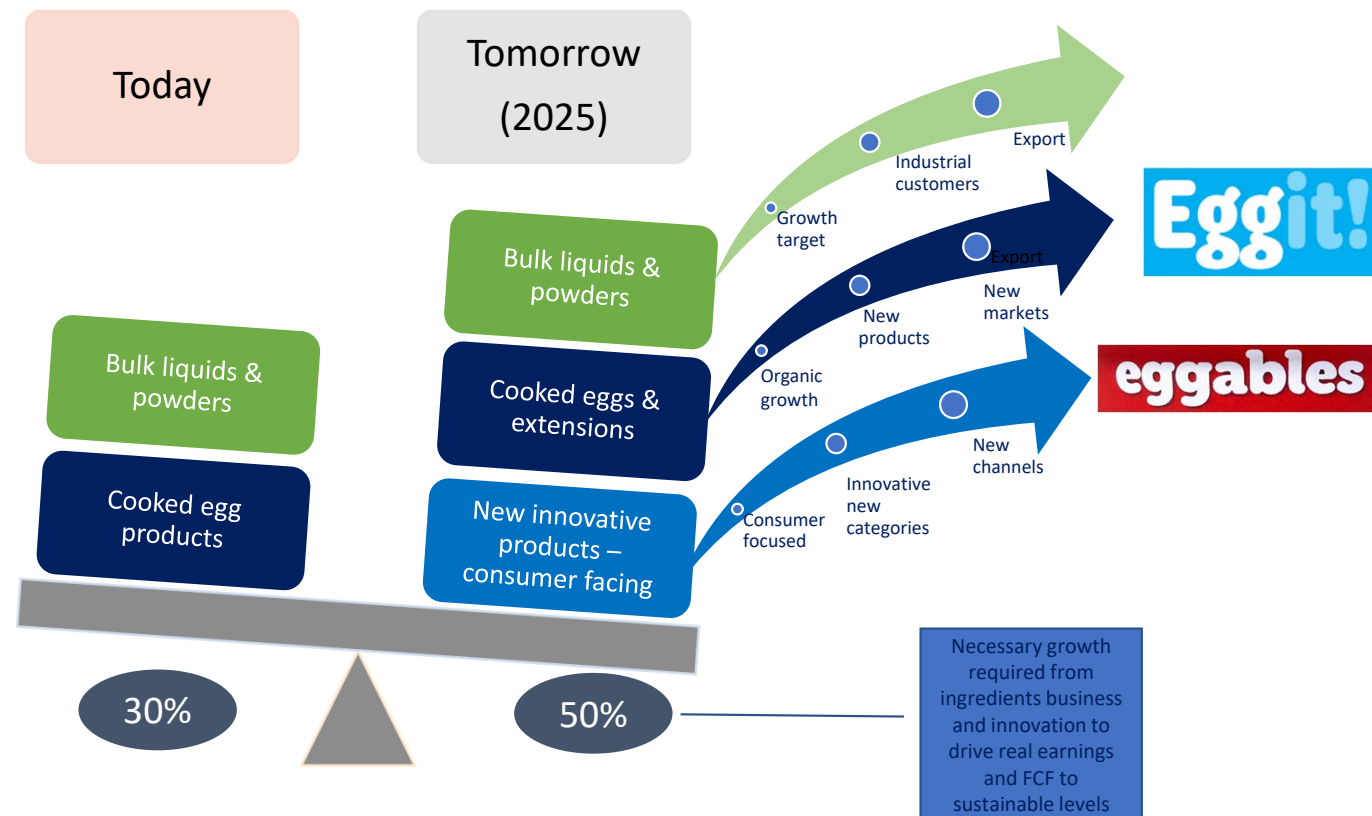


The evolving business of
Farm Pride

Farm Pride value added (ingredients) today and tomorrow

Ingredients and value added business

- Unique capability in egg industry.
- A key margin driver for the future.
- A key driver for innovation (production and value adding of key raw material).
- A key driver of modernity and market relevance – new consumers/new sales channels.
- As of FY22, innovation program commenced and gathering momentum.
- Solid new product pipeline developing and initial range of new products nearing commercialization.





Farm Pride Foods Ltd
FY21 Results



Farm Pride Foods Ltd – Headline Results FY21

Revenue
\$76,991M
 ▼ (14.8%) YOY decline (AI/COVID)

- Loss of shell egg sales due to impact of Avian Influenza (AI) July 2020 – approx. 33% of company flock lost.
- Revenue includes \$3.561M of AI levy payments.
- Company forecast for sales loss was originally \$18-\$23M.
- Actions taken and earlier recovery of ingredients business impacted by COVID limited sales loss to (\$13.4M)Vs PY.

EBITDA (Underlying)
(\$4.33)M
 ▼

Net Cash provided
\$2.71M
 ▲

- Primary earnings impact through loss of sales due AI and COVID.
- Feed prices remained higher than targeted range due persistently high Wheat and Soymeal prices.
- Impact of under-performing farms.
- Lower sales throughput drove lower overhead recoveries.

- Net cash improvement YOY provided through proceeds of Pittsworth sale net of purchase of PPE.

Net Debt
(\$17.42M)
 ▼

EPS
(21.69)_{cps}
 ▼

Net Profit After tax
(\$11.97M)
 ▼

- Net Debt reduced through Pittsworth sale proceeds.
- Cost of debt remains high.
- Capex and Opex controlled after AI.

- EPS diluted as outcome of AI sales loss and earnings impact and ensuing loss on disposal of flocks and impairment to properties.

- Key impacts incl. loss of revenues, property impairment & loss on disposal biological assets (AI).
- Income tax benefit of \$2.54M incl.



FY21 Headline results

Business scorecard – operational as @ end June 2021

“Apart from key revenue and earnings impact of AI, some good progress across the company....”

<p>Safety</p> <p>40% reduction in reported incidents Vs FY20</p>	<p>Quality</p> <p>60% reduction in product quality complaints Vs FY20</p>	<p>Shell Price UP</p> <p>Avg Shell price up 4% YOY</p>	<p>Product Price UP</p> <p>Avg Ingredient price up 11% YOY</p>	<p>Carton Pack Sales UP 46%</p>	<p>DIFOT 99.2%</p>
<p>Revenue</p> <p>AI Sales loss contained \$5M less than F/C</p>	<p>New Bus</p> <p>Significant ingredient & retail secured for FY22</p>	<p>Cont'n Margin %</p> <p>4.5% below PY (NSV 19% below PY)</p>	<p>Farm cost up</p> <p>\$ Cost per doz' up due lower volume</p>	<p>Egg Yield UP 3%</p> <p>(Despite loss of flock – AI)</p>	<p>VTO 4.8%</p> <p>(Voluntary Staff T/o)</p>

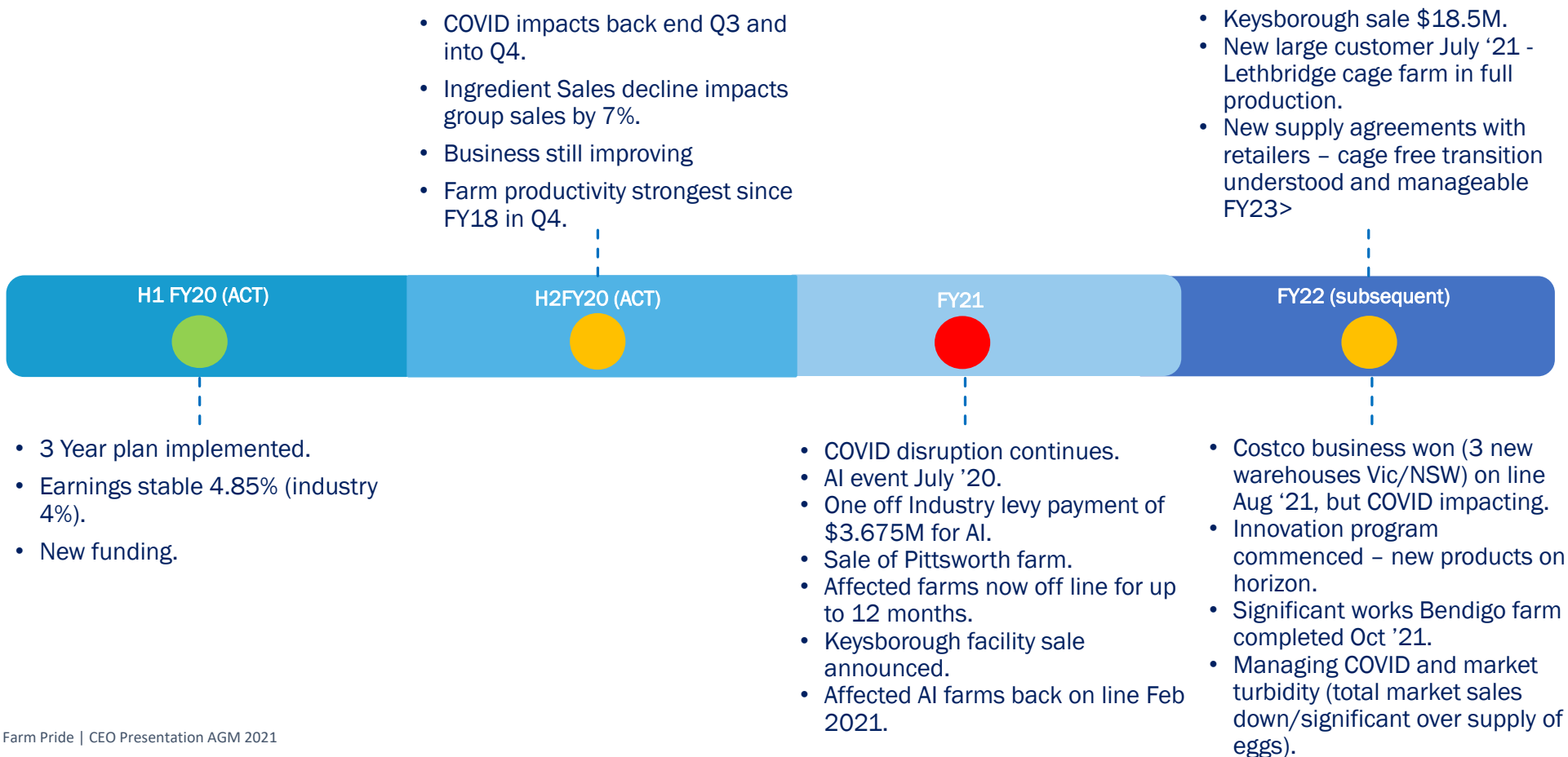


Summary
The 3 year journey so far
and matters subsequent



The journey so far...”Managing for Value”

Solid signs of recovery and as per plan, then detour for COVID and AI





12 month outlook



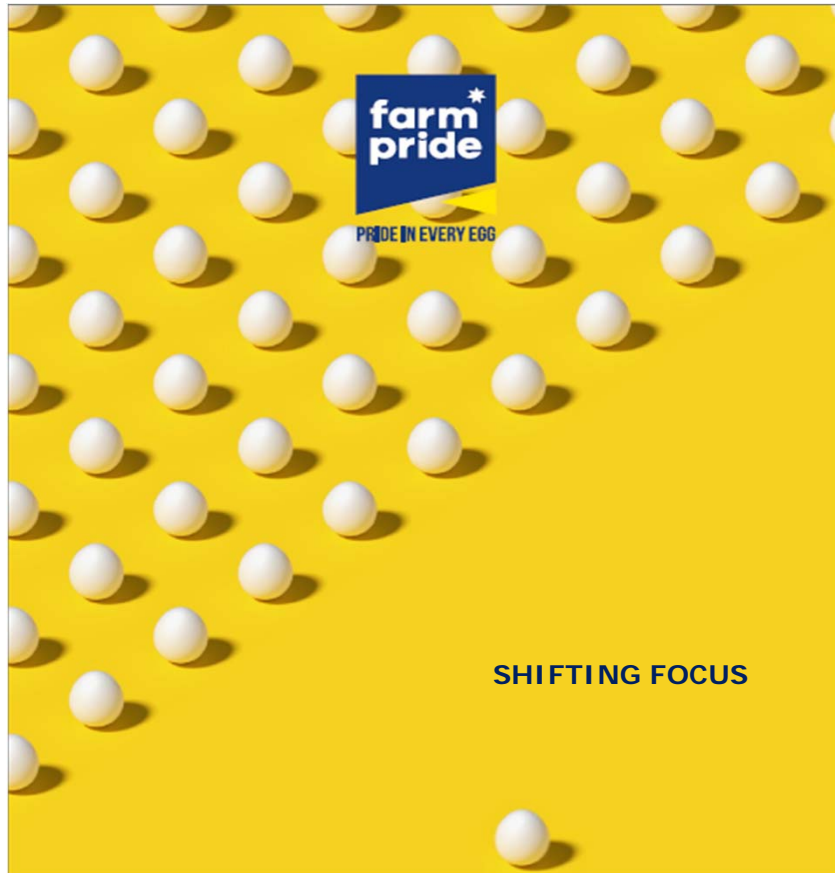
Moving forward next 12 months (FY22)

- Key focus areas
 - Finalise the detail of initial stages of cage free transition with major retailers and appropriate operational responses.
 - Continue to engage retail customers and seek growth opportunities for free range in particular.
 - Refinancing of current debt and future WC needs.
 - Targeted capex
 - Supporting innovation – Keysborough.
 - Supporting continued farm asset realignment per cage free transition.
 - Organic and incremental growth of industrial ingredients business as priority.
 - Continue to reinforce company mission internally and with external stakeholders.

Moving forward next 12 months (FY22)

- Environmental, Social and Governance (ESG)
 - Environmental and social sustainability efforts are growing in consciousness and active participation globally.
 - By its very nature the Farm Pride business conducts itself at all levels with the highest ethics and compliance standards in place and these behavioural tenets and commitments must now extend to further action and investment per ESG responsibilities.
 - The business has started the process of discussion and consideration with the view of developing a philosophical blue print which can evolve into demonstrable actions which position Farm Pride as a responsible corporate participant in ESG.
 - The considerations for our proactive involvement include but are not limited to such things as:
 - **Climate change**
 - Carbon footprint
 - Eco sustainable practices such as recyclability
 - Water pollution and scarcity
 - Bio waste management
 - **Social**
 - Data security
 - Gender and diversity inclusion
 - Community relations
 - Mental health
 - **Governance**
 - Board of directors and its makeup
 - Executive compensation guidelines
 - Hiring and onboarding best practices (recruitment and retention)





We are a resilient business, and we are taking all steps necessary to return to a growth setting and unleash the latent potential of the Farm Pride business.

Our future shell egg supply and continued growth in line with industry looks manageable. Our ingredient business has recovered from the impacts of COVID and we are shifting focus to developing our innovation offerings to improve the value of our business mix and provide sustainable earnings into the future

Thankyou.



Finish
Questions?