

Mr Scott Hadley

CEO Address - AGM 30 May 2023 11 am

Welcome

Thank you Chairman.

We have reviewed and refreshed the Company's strategic plan and our immediate priority in 2022 was to stabilise the foundations of the business to then be in a position to leverage our core competencies for profitable, sustainable growth. Despite market challenges outside our control we achieved a substantial amount during the year. We made significant changes to all aspects of the business with the board and senior management working together to simplify, streamline and enhance our operating model to drive superior execution whilst providing greater speed and responsiveness as market conditions evolve.

We have reduced the number of brands and SKUs we offer to market to ensure a focus on profitability, not growth for the sake of growth. To complement this we have we have increased our e-commerce capabilities and continue to evaluate alternative channels to market.

Leadership Team

To lead TasFoods we have restructured the Leadership Team to have a laser focus on operating and financial performance whilst building capability to implement key initiatives.

This updated structure drives greater levels of accountability and performance of each division. The team is working hard to drive the future performance of TasFoods and we are looking forward to the challenge ahead of us to turn TasFoods into the business all our stakeholders aspire it to be.

Foundation setting and transformation agenda

Against a very challenging external environment in 2022 we have made significant progress to simplify and strengthen the foundations of all our business divisions with numerous initiatives implemented. Unprecedented input cost rises during the year in milk (30%), poultry feed (15%), cream (13%), COVID related labour (\$400k) and distribution (21%) have weighed heavily on the 2022 financial result.

In order to improve efficiency and effectiveness of the business some of the initiatives we have implemented include:

- Significantly reduced SKU counts in all divisions to simplify operations and eliminate loss making products;
- Implemented price rise process to combat significant increases in input costs and maintain margins;
- Reduce logistics complexity through changes in operating model and implementing minimum order quantities and freight recovery initiatives to ensure all delivery routes are profitable routes;
- Implemented forward purchase/hedging policy, particularly focused on the key input of wheat;
- Exited loss making divisions in Organic Poultry and Goats Milk products where we identified negligible growth opportunities;
- Launch of new e-commerce platform, Boxolove, to further diversify channel strategy outside of grocery;
- New talent hired very selectively in key roles that have made a significant impact on performance to set the foundations for future growth

As the Chairman mentioned earlier, at the beginning of 2022 the Company identified the top 10 foundation-building strategic initiatives that would underpin the future of the business. This agenda has moved forward with the majority of initiatives now having completed the design phase and are ready to be implemented to realise the full benefits. It is a multi-year programme that will deliver significant benefits over time.

We are now in a position to capitalise on our strength in our '*home ground*' of Tasmania through delivering a positive financial return that will provide us with the foundation to aggressively expand our interstate and on-line offerings. As we execute on this strategy we continuously assess opportunities in adjacent categories that may fit with the strategy of TasFoods premium authentic business. We believe that TasFoods will present as an attractive platform to potential brand partners and we will continue to look to add to our product portfolio in the right categories that fit our supply chain risk profile. We have an unrivalled distribution network in Tasmania and have started to leverage for growth through partnerships such as The Juice Guys and The Udder Way.

We believe that delivering on these initiatives will put TasFoods on the path to profit and sustainable returns to shareholders.

FY22 Financial Review

Sales revenue growth of 1.6% to \$70.6 million was achieved in FY2022 when compared to FY2021. Sales growth in the poultry division of 1.9% was solid given the SKU rationalisation and discontinuation of Organic and Ethical Free Range offerings. Sales in the dairy division were largely flat on last year whilst EBITDA was impacted by the delay in passing on the significant milk input cost increases to customers. Pyengana dairy products (including Farm Gate and Café) were a highlight in this division with sales increasing by 8% compared to FY 2021. E-commerce sales increased significantly by 209%, albeit off a very small base.

Gross margins for the year were significantly impacted by input cost increases associated with milk, poultry feed and labour. The majority of these costs were passed on to customers throughout the year, however the speed and frequency of cost increases ensured full margin recovery was not achieved in that period.

The performance in FY2022 coupled with subdued forward-looking industry forecasts for the categories TasFoods participates in, resulted in the Company recognising an impairment charge of \$6.8 million, comprising an intangibles impairment of \$2.9 million in the poultry division and \$3.9 million in the dairy division. Minimal intangible assets remain on the balance sheet and the Board view this as the most conservative approach moving forward.

The Company had cash holdings of \$0.4 million at the end of FY2022 and total available funds of \$3.7 million (including unused overdraft facilities of \$3.3 million).

Whilst the financial result for the year is not reflective of the many improvements to the foundations that have been made, we saw the initiatives coming through in the latter period of the year and the first quarter of this year which give us continued confidence in the future opportunity for TasFoods. FY2022 was a transformative year for the company and we remain confident that we are on the right path to improved performance.

Sales, Marketing & e-commerce initiatives

During FY2022, we restructured the sales, marketing and e-commerce areas of the business. Within sales, we focused resources in growth areas such as mainland opportunities, food service in Tasmania and merchandising support in dairy. Through this improved capability and focus, we were able to implement the numerous customer facing initiatives such as price rises and SKU rationalisation seamlessly whilst maintaining sales velocity. We acquired

new customers on the mainland in both poultry and dairy whilst solidifying our position as a leading FMCG business in Tasmania.

During FY2022 we implemented a range of marketing initiatives to improved awareness of our high quality products. We invested behind our core brands of Betta Milk and Nichols to drive product awareness and sales. The new campaign for Nichols, 'Nothing but..' reminded consumers our core value proposition of chlorine free, no added water pure Tasmanian chicken. Our grass roots campaign for Betta Milk was very successful with over 108,000 entries from 229 participating sports clubs sharing in \$100,000 of cash. This campaign reinforced the Betta Milk positioning as being for all Tasmanians and helped drive sales activity.

In the e-commerce space, the Company has re-branded and re-launched its authentic real wasabi brand, Shima and initiated a chef ambassador program, partnering with some of Australia's most recognisable culinary identities and restaurants. To better service consumer desire for authentic offerings with provenance, the Company has relaunched its premium cheese brand, Pyengana, through a new identity, online platform and social presence, with multiple award-winning cheddar and blue cheese offerings now available direct to home. Finally, the Company has launched a new luxury and corporate gifting brand, 'Boxolove', targeted at the consumer and corporate gifting market. The online channel delivers curated hampers, with extensive selections of food and beverages from Tasmania's finest producers.

Throughout the year our products have won many awards at industry events and shows highlighting the outstanding quality products we have on offer. Additionally, we have showcased these products at industry events such as Mould Festival and other such events throughout Australia.

People, capability and Occupational Health and Safety (OHS)

None of the above initiatives would have been able to be implemented without the support of the wonderful team at TasFoods. We employ over 250 people, the majority in Tasmania, across all our business divisions and shared services. This employment investment by TasFoods supports the Tasmanian economy by over \$18m (including circa \$1m in payroll tax alone). This excludes our direct purchasing of milk, wheat and other key inputs which injects many millions of dollars more into the Tasmanian economy. We are proud to be Tasmania's home-grown premium product company.

Similarly, we are very proud of our outstanding health and safety record at TasFoods. Our Long Term Injury Frequency Rate (LTIFR), measured as LTI per million hours worked, is 2.1, which is well below the industry benchmark of 8.1 (serious injury frequency rate). During the year, we had 1 LTI. Whilst our goal is always for zero in this area, this result is outstanding given the nature of the industries we work in.

FY23 April trading update

Overall sales revenue at the end of April 2023 is significantly ahead of last year on both an absolute (11%) and like-for-like (15%) basis with all business divisions showing an improvement on the prior comparable period (PCP). Sales performance at Nichols Poultry has been a particular standout having commenced the new financial year with revenue up 15% and on a like-for-like basis (eliminating the impact of Organic and EFR) being a 21% increase on the PCP. Strong performances have also been seen in Betta Milk, up 7%, Meander Valley Dairy +6.5%, Pyengana +16% and Shima +17.5%. This is providing confidence that the strategies implemented in 2022 are delivering as intended and providing a platform for growth.

Input costs remain stubbornly high, in particular milk and wheat. Milk input costs increased again in February with the YTD cost of milk per litre 26.5% higher than the PCP. Wheat (the main ingredient in poultry feed) fluctuates with global markets and is 20% per tonne higher than same period last year. These two main inputs, along with cream,

labour and transport have prevented recording a positive EBITDA result despite the strong sales performance on the PCP.

Gross margin has improved by 3% on PCP and EBITDA has improved by 127%. Poultry has been the standout business unit YTD with gross margin up 4.5% and a positive EBITDA result (compared to a significant EBITDA loss same period last year). Our dairy division has found conditions tougher. Whilst revenue has increased on PCP across all three business units (Betta, MVD and Pyengana), milk input cost increases has meant margins and EBITDA for dairy remain flat relative to last financial year.

At a group level, all key metrics are tracking well ahead of PCP and this is translating to a significant improvement in the earnings trajectory. The Company remains focused on managing its cash flow tightly with a continued focus on cost management, working capital optimisation, SKU rationalisation, procurement initiatives, waste minimisation, logistics efficiency, fixed assets utilisation and maximising price realisation as we navigate a path to positive earnings.

The future opportunity

As previously mentioned by the Chairman, the Board and senior management are actively exploring and reviewing every option available to us to maximise returns to shareholders. From a base business perspective, we continue to look for ways to reduce costs, maximise revenue and improve efficiency of our assets.

A fantastic example of this is our new premium planet friendly pet food range under the Isle and Sky brand and a new partnership we have agreed with a national pet retailer to go live in the very near future. In order to utilise more product, reduce waste and commercialise kg's that would otherwise go to land fill, we have developed a premium pet food range which we expect to see positive financial returns from Q4 this year.

Additionally, the partnerships we have announced with The Juice Guys and The Udder Way shows how we are maximising utilisation of existing assets and capability to add incremental net revenue with minimal Capex outlay. These provide only a few examples of how management continues to sweat the Company's assets harder to ensure we are maximising utilisation.

The Company continues to evaluate vertical integration opportunities, particularly in poultry, to not only de-risk our supply chain but to improve profitability and provide certainty for new adjacent opportunities such as pet and value add offerings.

Strategically, we continue to assess ways to improve shareholder returns through partnerships, joint ventures, M&A, fixed asset utilisation and divestment across all divisions. The Board and senior management will assess any opportunity within our continuous capital management framework.

I want to thank all our stakeholders for supporting us through these challenging at times as we navigate extraordinary market conditions.

Thank you.