

Mr Josh Fletcher

CEO Address - AGM 30 May 2024 11 am

Welcome

Thank you Chairman.

2023 has been a year of significant transformation for TasFoods with the most extensive corporate restructuring programme undertaken since its inception to reposition the business to deliver sustainable value to shareholders.

Despite facing significant market challenges that have affected household budgets, predominantly in the grocery channel across our core operations, we have made strong progress in repositioning the business. With consumers actively seeking value in their everyday purchases, specifically noticeable in the grocery categories TasFoods service, we have implemented comprehensive revenue and efficiency measures in all areas of the business to mitigate against rising input costs.

As we have communicated to investors over the past two years we are regularly assessing our brand portfolio of businesses in response to market demand. In 2023, we implemented substantial changes aimed at gaining greater control and influence over our supply-chain and working capital. These changes involved divesting brands that have significant structural limitations and dynamics, streamlining our operating model to reduce complexity and optimising the cost structure of our corporate centre, better placing us to deliver improved financial returns to shareholders.

The key actions and focus at an operational level through FY2023 were:

- Significant reduction in SKU count to eliminate loss making products and reduce complexity;
- Simplified and streamlined the Company's logistics network to enhance speed, cost and service;
- Implemented a number of price increases to partly mitigate rising input costs and maintain gross margin;
- Efficiency and effectiveness initiatives to reduce costs, working capital and improve cash conversion; and
- Continued to drive revenue growth, improve our interface and build relationships with new and existing customers.

The key actions at a strategic level were:

- Divestment of Shima Wasabi business;
- Divestment of Betta Milk and Meander Valley Dairy businesses to Bega Cheese Ltd (BGA.ASX);
- The launch of Isle & Sky Pet Treat brand including ranging throughout Australia's largest national retailer;
- The acquisition of the Redbank Poultry business to secure our poultry supply-chain;
- Reduction and right-sizing in the Corporate Support Office of ~50% ; and
- Repayment of term debt and overdraft with ANZ.

The strategic actions outlined above represent the culmination of 18 months work to reposition Tasfoods into a leaner, simplified business, predominantly focused on Poultry operations with the sales mix heavily weighted to core consumer consumption patterns. This has placed the business in a more stable financial position to deal with the challenging market dynamics we and our competitors continue to navigate for the foreseeable future. Through our dedicated focus we were able to achieve robust valuations for each of the divested businesses. The acquisition of Redbank Poultry stands as a crucial step in securing control and integrity within our supply chain for Nichols Poultry.

We have made an ambitious step to drive growth through the recent launch of Isle & Sky Pet treats, marking TasFoods entry into a rapidly expanding and highly profitable category. Isle & Sky Pet treats utilise ingredients from Nichols Poultry that would have previously been surplus to requirements and have already achieved initial ranging within Australia's largest Pet retailer.

We have right shaped and significantly reduced our corporate office by approximately 50% and been able to retire all term debt and overdraft with the ANZ.

We are now highly focused on building Nichols Poultry and Pyengana Cheese into sustainable businesses with strong core consumer propositions and improved financial positions going forward. We do so whilst ensuring we remain open to all options on new business opportunities and our existing brand portfolio.

FY2023 Financial Review

TasFoods achieved total revenue growth for the total business (continued and discontinued operations) during FY2023 of 4.7% to reach \$74.9m when compared to FY2022. Sales growth in the poultry division of 15.5% to \$46.0m was strong, driven by revenue management, SKU rationalisation and efficiency initiatives. Sales in the dairy division reduced by 9% to \$28.5m, primarily due to only 11 months revenue reported during 2023 with the sale of the Betta Milk and Meander Valley businesses. The EBITDA for the total business for FY2023 was \$1.6m compared to a loss of \$13.8m in FY2022. The FY2023 results include the net profit on sale of assets of \$6.0m predominantly divested businesses. Pyengana Cheese dairy products (including Farm Gate and Café) showed a solid sales result increasing by 8% compared to FY2022 with a significant growth in mainland sales underpinning this result.

Gross margins for the year were significantly impacted by input cost increases associated with milk, poultry feed and labour. 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.

The Company had cash holdings of \$3.4m at the end of FY2023 compared with \$0.4m at the end of FY2022 excluding any overdraft.

Whilst we are pleased with the financial result for FY2023 on the prior corresponding period (PCP), showing an improved position as a result of the many actions implemented, some of the key workstreams have happened late in the year and the full impact of the changes will be seen through FY2024. We have simplified our operating business model, strengthened our balance sheet and secured our supply chain in poultry but work remains ahead of us to deliver a robust, positive and sustainable operating result going forward.

Sales, Marketing & e-commerce initiatives

Sales initiatives during FY2023 focused on growth areas such as mainland expansion, food service in Tasmania, merchandising support in dairy, establishing our Isle & Sky national customer and distributor and exploring international sales feasibility. We continued to build our focus and capability on key customer facing actions such as selling price increases and SKU rationalisation, promotional activation and maintaining the right setting to drive sales velocity.

Within our online division we continued to progress our 'Boxolove' hamper brand, targeted at the consumer and corporate gifting market to deliver curated hampers with extensive selections of food and beverages from Tasmania's finest producers. Despite slower conditions for at-home gifting post-COVID we are continuing to see strong uptake from the corporate market, diversifying our customer base away from the grocery channel focus we currently maintain.

Pyengana Cheese won many industry awards during the year, solidifying itself as one of Australia's best cheddar cheese products. In addition to Gold Awards at the Australian Grand Dairy Awards, Sydney Royal Cheese and Dairy

Show and Royal Queensland Fine Food & Wine Show we were extremely proud to achieve a silver award at the International Cheese and Dairy Awards in the UK.

People, capability and OHS

None of the achievements through FY2023 would have been possible without the support of the wonderful team at TasFoods.

We are very proud of our strong health and safety result at TasFoods. Our LTIFR in the business units for our continuing operations, measured as lost time injury per million hours worked, 10.98, which is below the industry benchmark of 19.7 (*serious injury frequency rate, meat and meat product manufacturing*). Whilst our goal is always for zero in this area, this result is outstanding given the nature of the industries we work in.

FY2024 April trading update

Overall sales revenue for continued operations at the end of April 2024 is ahead of last year (7%) with all business divisions showing an improvement on the PCP. Sales performance in the Poultry division increased (7%) together with the dairy division, comprising of Pyengana Dairy sales increasing (4%) on PCP.

Input costs remain stubbornly high, in particular labour and wheat. Direct labour input costs increased by (7%) compared to the PCP. Wheat (the main ingredient in poultry feed) fluctuates with global markets and is 10% per tonne higher compared to the same period last year. These two main inputs, along with the economic factors affecting the consumer markets we participate in have prevented recording a positive EBITDA result in the current financial year (year-to-date) despite the strong sales performance on the PCP.

Year-to-date gross margin and EBITDA are stable on PCP which is pleasing given the current economic conditions.

We continue to remain focused on managing our cash flow and costs tightly, optimising working capital and fixed asset utilisation, maximising price realisation, driving procurement, logistics and efficiencies as we navigate a path to positive earnings.

We note the recent detection of the avian influenza virus, otherwise known as bird flu, in Victoria. This has currently no direct impact at any Nichols Poultry growing site or processing plant and hatchery. The company continues to supply the local and mainland markets as usual.

We continue to follow our bio security policy together with continued monitoring by the Tasmanian Government (Department of Primary Industries and Water) and have proactively increased bio security measures across all poultry sites.

The future opportunity

As previously mentioned by the Chairman, FY2023 was a watershed year for TasFoods where we were able to divest businesses that were no longer part of our future focused strategy, simplifying our operating business model, and right sizing our corporate office. We were able to achieve the divestments for robust valuations has allowed the Company to strengthen its balance sheet and secure its supply chain position in Poultry.

From a core business perspective, we continue to look for ways to reduce costs, maximise sales and improve efficiency of our assets. We will continue to assess growth opportunities in our Isle & Sky Pet treats range expanding into more customers and channels along with exploring the export accreditation for Pyengana cheese which we anticipate would materially increase sales.

We know that there is substantial work ahead of us to drive the initiatives we commenced in FY2023 to become a leading Poultry and Cheese business. We are confident the new foundations for the business will improve our trajectory towards delivering a positive financial return whilst we continue to explore all strategic options available to deliver a superior outcome for shareholders.

I want to thank all our stakeholders for supporting us and staying with us on the journey.

Thank you.