



Vertically  
Integrated  
Sandalwood  
Company



# TFS Corporation Ltd

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Frank Wilson, CEO



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# Overview

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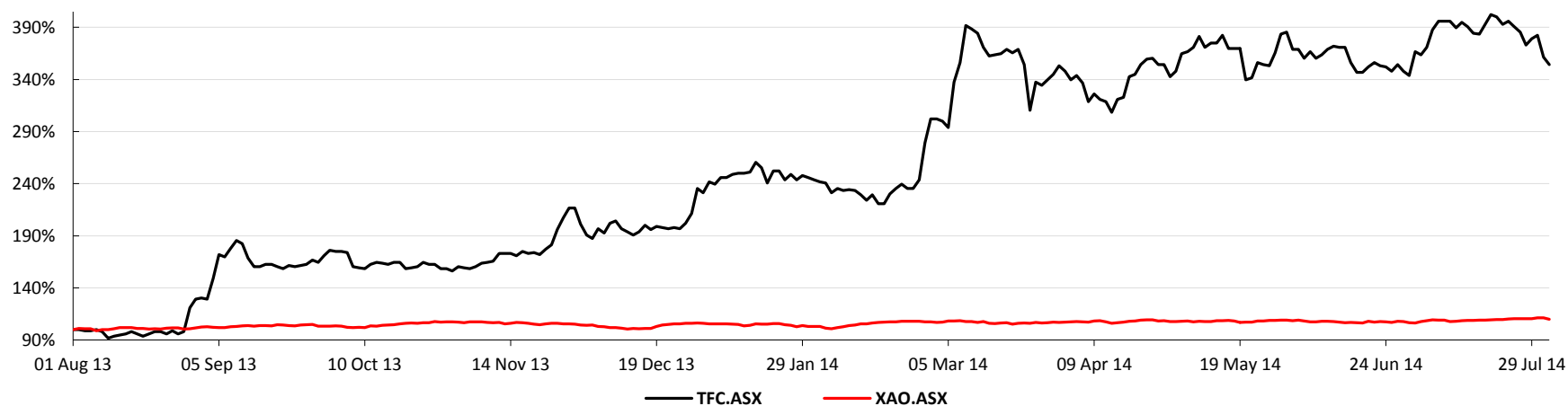
- World's largest owner and manager of sustainable Indian sandalwood plantations.
- Fully vertically integrated with operations comprising large scale cultivation, plantation, processing and sales and distribution.
- Established first commercial plantations in 1999 and now manages over 9,000 hectares in prime agricultural areas in northern Australia.
- Fifteen years experience in R&D aimed at optimising plantation yield and developing distribution networks and end markets.
- Uniquely positioned to capitalise on attractive global supply/ demand dynamics and the expected price inflation of Indian sandalwood heartwood and oil.
- TFS expects record profits in FY14 – NPAT around \$70m, up by more than 25% on FY13, and cash EBITDA to be in line with FY13.

# TFS at a Glance

## Key Financials

Share price at 01/08/14 (ASX: TFC)	\$1.70
Market Capitalisation	\$551m
NTA per share	80.3c
Gearing (net debt / net debt + equity)	29.8%

Price history and performance against the ASX All Ordinaries Index for the period: 1 August 2013 – 1 August 2014



# What is Indian Sandalwood?

- Indian sandalwood (*Santalum album*) is one of the world's most valuable hardwoods.
- Traded commodity for over 2,000 years and declared a royal tree in India in 1792.
- Recognised as a Vulnerable Species on the International Union for Conservation of Nature (IUCN) Red List.
- Value lies in the heartwood, the inner most layer of timber, which can also be distilled into oil.
- Heartwood found at the core of Indian sandalwood has many applications and end markets - as a wood product or as processed oil - including in pharmaceutical and perfumery products.

HEARTWOOD OF INDIAN SANDALWOOD

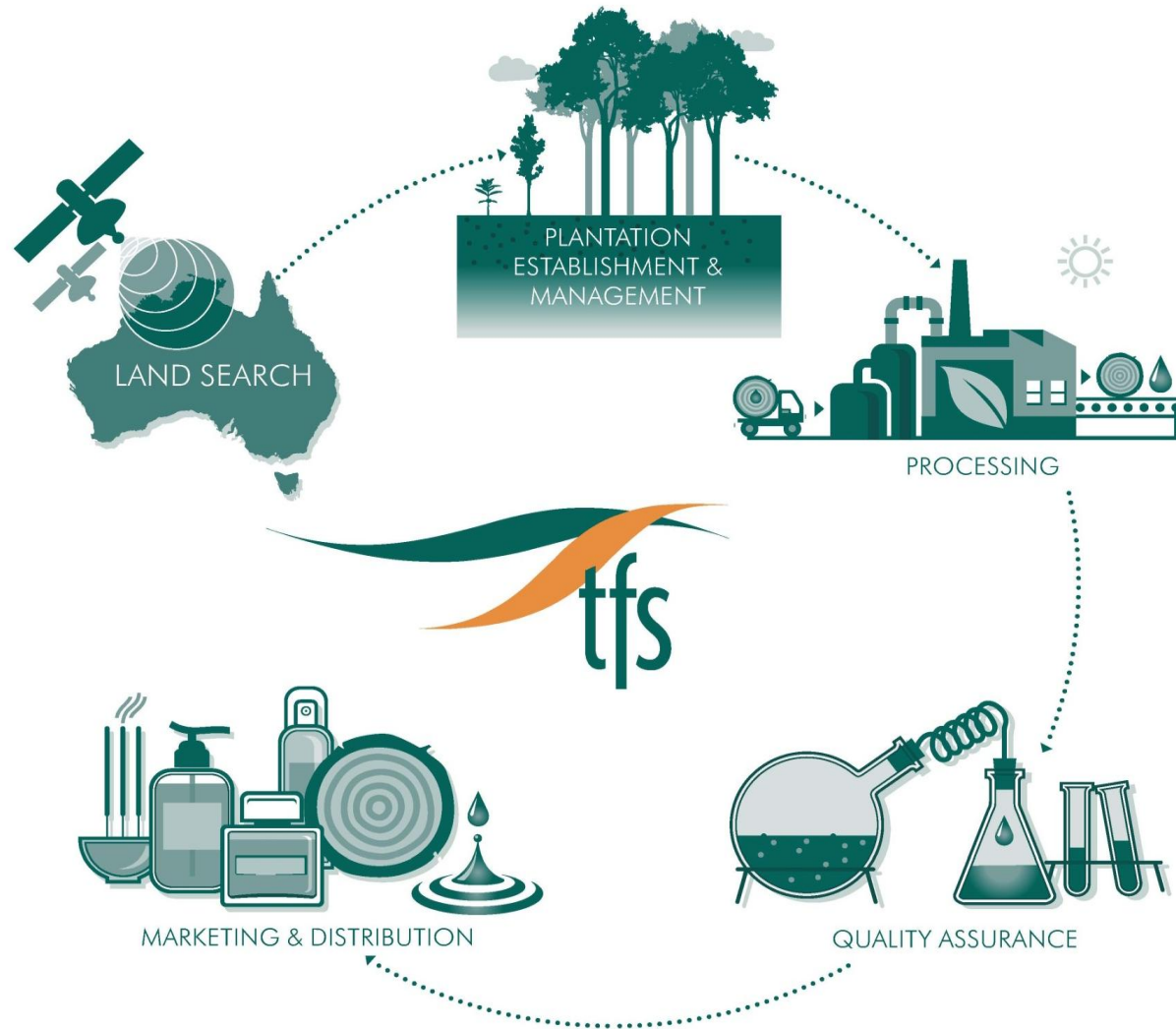


MATURE INDIAN SANDALWOOD TREES





# Vertically Integrated Business Model

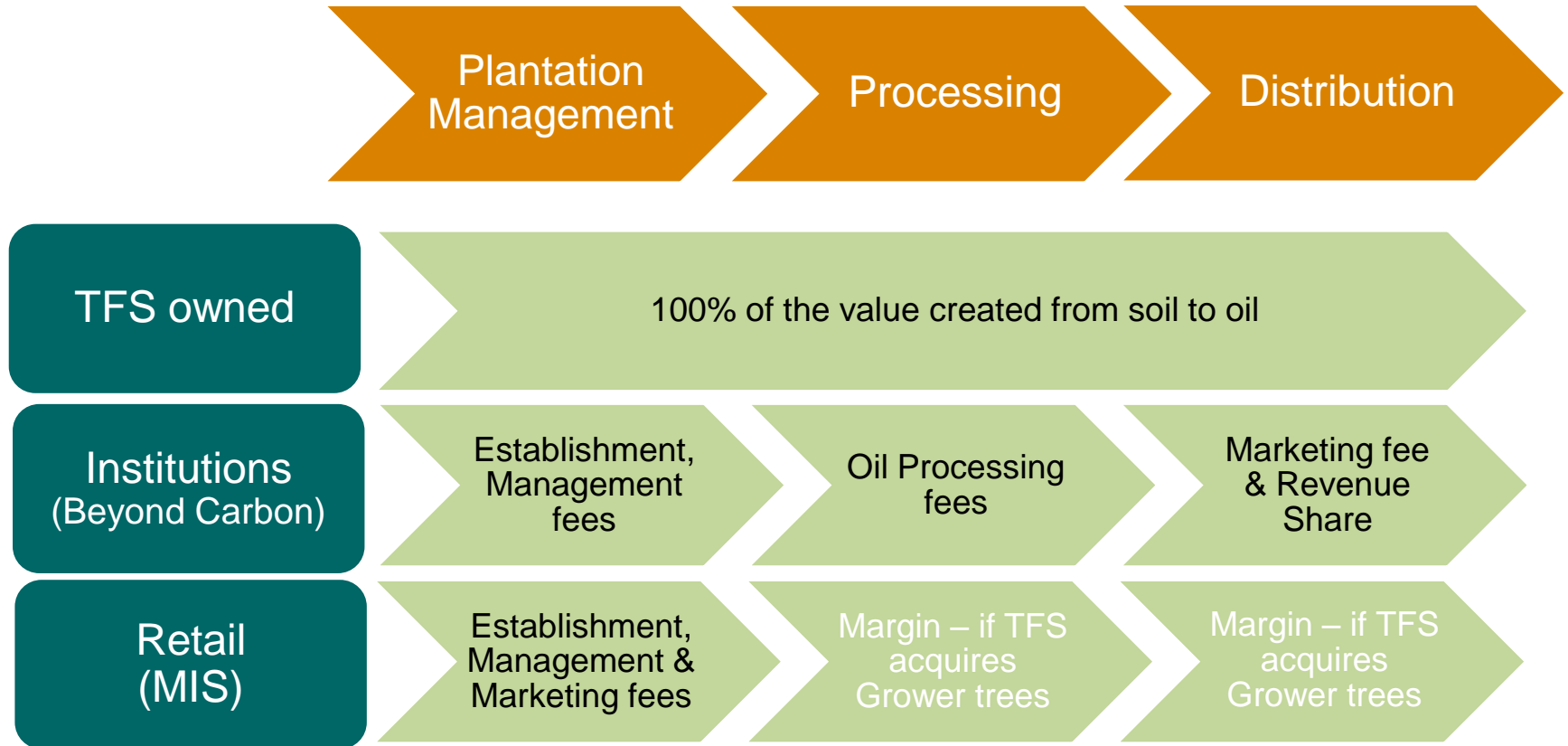


# Plantation Assets

- TFS manages the largest Indian Sandalwood plantations in the world – over 9,000 hectares planted to date comprising:
  - 2,900 hectares owned by TFS
  - 3,300 hectares owned by institutional investors (Beyond Carbon product)
  - 2,900 hectares owned by retail investors (MIS)
- Plantations strategically located across three Australian states, offering optimal growing conditions, including fertile land and abundant irrigation.



# Capturing Value Through the Supply Chain





# Underlying Value of Plantation Assets

Illustrative value chain -



**Note 1:** Key assumptions include: (i) survival rate – 80%, (ii) heartwood yield – average yield estimated at 20 kg per tree, (iii) expected oil yield of 3.7%, (iv) oil price of US\$4,500, and (v) FX rate of AU\$1.12 to USD.

**Note 2:** Gross and undiscounted yield before maintenance, harvest, processing and distribution costs.

**Note 3:** Value of \$1.6m per hectare is generated from all parts of the “soil to oil” value chain.

**Note 4:** Balance sheet carrying value does not reflect the full underlying value of TFS’s plantation assets – e.g: book value is based on a fair market value that uses an oil price of US\$2,500 per kg.

# BUSINESS UPDATE



# First Harvest Completed in June

- First harvest completed in June, with oil quality confirmed to be pharmaceutical grade.
- TFS owned wood has already been harvested, processed into oil and sold. TFS has shipped a total of 470 kg of pharmaceutical grade sandalwood oil to the US.
- Grower wood will be sold by public tender and completed by 29 August.



# Significant Potential of Pharmaceutical Market

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- Unique botanical substance with multiple clinically important dermatological attributes:
  - Anti-inflammatory (acne, eczema/dermatitis and actinic keratosis)
  - Anti-bacterial (acne, eczema, wound care)
  - Anti-fungal (toenails, athletes foot, dandruff, eczema)
  - Anti-proliferative (actinic keratosis, skin warts)
- Wide range of formulations (topical, oral, inhaled)
- Extensive peer reviewed research supports unique activity and safety
- FDA botanical guidelines
  - Requires sustainable plantation growth and GMP manufacture (no wild sourced oil)
  - Allows streamlined and low cost product development

**TFS is the world's only supplier of pharmaceutical grade sandalwood oil**



# Clinical Examples of Indian Sandalwood Oil Efficacy

Before

Acne OTC



Eczema OTC



HPV OTC



After

8 weeks



8 weeks



4 weeks



# Supply Agreement with Galderma

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- In February, a landmark deal was finalised with Galderma, wholly owned by Nestle, the world's leading nutrition, health and wellness company, for the supply by TFS of pharmaceutical grade oil.
- Galderma is a global dermatology company with a worldwide network of distributors, more than 4,500 employees and an extensive product portfolio available in 80 countries.
- Long-term supply agreement for TFS pharmaceutical grade oil at a price of US\$4,500 per kg.
- Galderma has the potential to consume a large proportion of TFS's oil over the long-term. Total orders to date of 470 kg (AU\$2.3m) are being used in commercial scale production trials for skin products that will initially launch in the US in Q414.





# Rapidly Advancing Several Products to Market

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## **Several dermatology products being developed by Santalis Pharmaceuticals Inc**

- 50/50 JV between TFS and ViroXis
- Initiating FDA Phase II clinical studies for prescription uses for eczema (pediatric), actinic keratosis and acne

## **First consumer product launch later this year for one OTC product line (four acne products)**

- Products licensed to Galderma S.A, wholly owned by Nestle, by Santalis
- US launch by Galderma is expected in Q4CY14 into major distribution channels
- Global launches expected to follow in 2015 (including eczema)

## **US based ViroXis Corporation Inc is developing anti-viral products**

- First OTC product (for HPV) licensed to Galderma S.A (targeting 2015 US launch)
- FDA Phase II completed for prescription drug candidate for HPV/warts
- Q4 initiating FDA pediatric phase 2 study for Molluscum contagiosum (MCV)

# Well Placed for Future Expansion

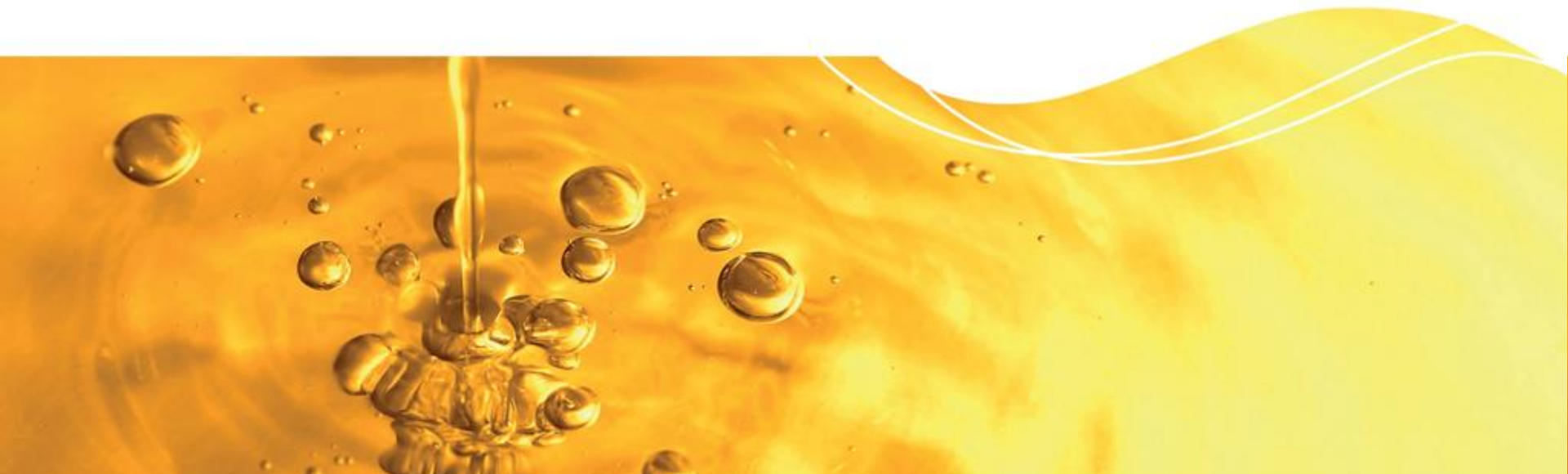
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Recent \$67m institutional placement means TFS is well placed to pursue a range of accretive opportunities. Such as:

- Increase direct ownership of plantations – over 360ha already acquired.
- Acquire the harvest from retail growers' plantations – tender closes 29 August.
- Source additional quality land – properties already under contract and expected to settle in 2QFY15.
- Drive demand and pricing for sandalwood across all *existing* markets, including perfumery and cosmetics.
- Build *new* markets - significant potential in pharmaceutical and traditional Eastern medicinal sectors.
- Develop Santalis, US joint venture with ViroXis, which creates and licenses skincare products using Indian sandalwood oil.

# APPENDIX



# Historical Operating Results

(\$m)	1H14	FY13	1H13	FY12	1H12
Total revenue	55.0	187.7	45.4	126.8	56.1
Net profit after tax	3.2	55.7	4.8	25.9	6.0
EBITDA	16.6	101.0	15.9	55.0	21.0
Earnings per share	1.16c	19.9c	1.72c	9.29c	2.15c
Cash operating revenue	27.2	121.7	18.4	88.4	36.6
Cash net profit after tax	(14.7)	21.3	(14.1)	6.6	(3.0)
Cash EBITDA	(9.0)	51.8	(11.1)	23.8	8.1

# Q&A

