

**TFS Corporation Ltd**  
**2016 AGM**



Frank Wilson | Managing Director



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# A year of excellent progress

- ✓ Cash EBITDA<sup>1</sup> up 8% on prior year, in line with guidance
- ✓ Strong and sustainable growth in cash revenues, up 16% on prior year
- ✓ Total estate up 15% to 12,182ha with over 1,600ha of new plantings in FY16
- ✓ Completion of third annual harvest, with yield of 310 tonnes in line with expectations
- ✓ Multi-year contracts signed at attractive prices with leading global essential oil company and wood buyers in China and India
- ✓ Strong balance sheet following the successful debt refinance, now maturing in 2023

Note 1: As in previous years, Cash EBITDA equals EBITDA less the fair value gains on the biological assets, revenue from the recognition of deferred lease and management fees and changes in the fair value of land and buildings. In addition Cash EBITDA excludes the non-cash accounting gain associated with the Group's acquisition of Santalis Pharmaceuticals and Viroxis Corporation in July 2015

# Strong financial and operational performance

CASH EBITDA <b>\$62.2m</b>	NPAT <sup>1</sup> <b>\$90.1m</b>	NTA <b>\$497.9m</b>	TOTAL ESTATE <b>12,182ha</b>
YOY CHANGE <b>+8%</b>	<b>-20%</b>	<b>+14%</b>	<b>+15%</b>

- NPAT excluding unrealised FX movements increased by 4% (from \$74.0m to \$76.8m)
- FY16 fully franked dividend of 3.0c per share (FY15: 3.0c per share)

Note 1: NPAT includes the fair value gain on TFS's owned biological assets, revenue from the recognition of deferred lease and management fees, unrealised foreign exchange movements (on Biological Assets and Senior Secured Notes) and the accounting profit of \$17.2m from the Group's acquisition of Santalis Pharmaceuticals and Viroxix Corporation in July 2015.

# Excellent progress against FY16 priorities

Priority		Progress
Expand operations to harvest > 300 tonnes of heartwood	✓	Harvest complete and in line with expectations at 310t Operational expansion (people and equipment) complete
Develop end markets and finalise supply agreements	✓	First supply deals signed with Chinese & Indian wood buyers Supply agreement signed with Young Living Vast majority of harvests through to 2021 now forward sold
Extend plantation ownership	✓	TFS owned estate increased to 3,631ha First two buyback offers completed
Progress pharmaceutical product development	✓	Four Phase 2 trials underway: <i>oral mucositis</i> , <i>eczema</i> , <i>psoriasis</i> and <i>molluscum contagiosum</i>
Introduce new plantation investors	✓	New investors, including substantial US based global fund Average establishment fee per hectare increased by 29%
Review refinance of corporate debt	✓	Completed ahead of schedule with refinance in July 2016 Cost of debt reduced by 20% to a coupon of 8.75%



SECTION 2

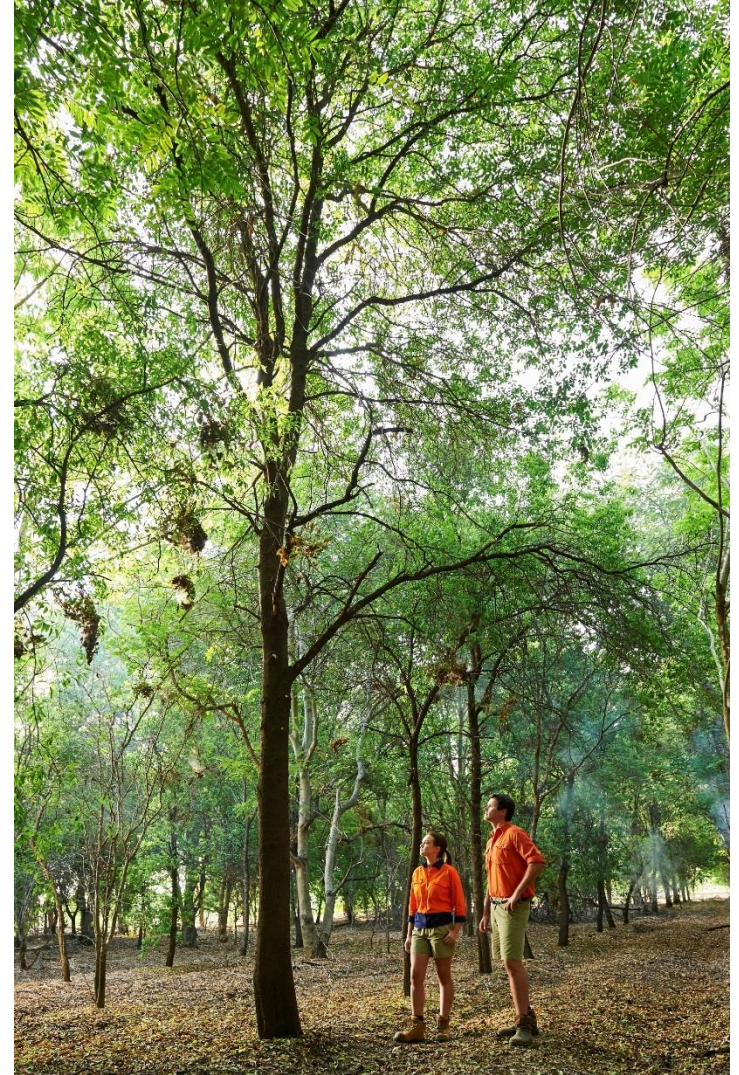
# Business Transformation

# Platform established for a transformational FY17

- ✔ Operational transformation complete, including significant investment to increase the scale of the nursery and wood processing facilities
  
- ✔ Third annual harvest in 2016 delivered 310 tonnes of heartwood – in line with expectations and a tenfold increase on the 2015 harvest
  
- ✔ Sale of harvest will deliver an additional AU\$40+m of cash revenue in FY17
  - Full payment already received for the first two shipments to China
  - First delivery made to Young Living
  
- ✔ Cash at 30 September 2016 of \$107m provides a strong platform for growth

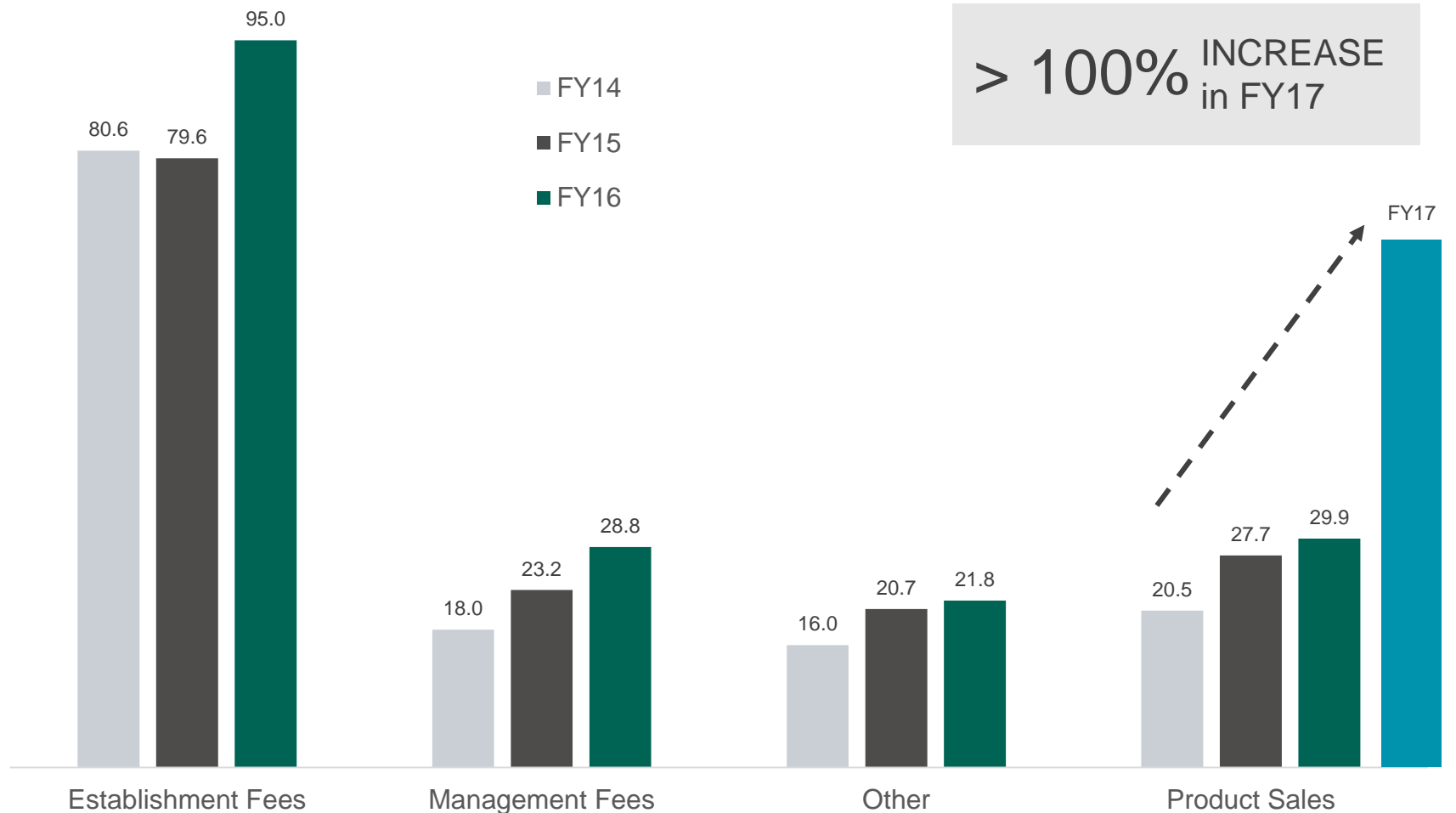
# Successful harvest and good plantation health

- 2016 harvest of > 32,000 trees produced 310 tonnes of heartwood, a tenfold increase on previous harvests
- Grower owned wood from the harvest is being marketed, with the tender expected to close at the end of November
- Total estate contains 5.4m Indian sandalwood trees, up 17% on 2015
- Excellent forestry results in FY16 with a first year survival rate of 98% and a low annualised average mortality of under 1% for trees aged between 2 and 15 years





# Increased harvest leads to stronger product sales



# Results imminent from multiple pharma trials

- Acceleration of product development in FY16 at Santalis Pharmaceuticals with four on-going Phase 2 trials of RX products containing Indian sandalwood oil
- Results due in H2 FY17 and positive results will generate significant shareholder value
- Santalis Pharmaceuticals expects to have at least one product in Phase 3 trials in 2017, which will provide the opportunity to unlock substantial value from this subsidiary

Code	Indication	Formulation Development	Phase I	Phase II	Phase III
VIR 001-00	HPV (skin warts)				CY2017
VIR 003-01	Molluscum (MSV)			Q2 CY17	
VIR 005-01	Oral Mucositis			Q2 CY17	
SAN 009-01	Eczema / AD			Q2 CY17	
SAN 021-00	Psoriasis			Q4 CY17	

# Clear priorities for FY17

- Continue to execute on our strategy and deliver strong growth in financial performance
- Supply processed wood and oil from the 2016 harvest to our global customers
- Extend ownership of Indian sandalwood plantations
- Introduce new institutional and sophisticated plantation investors
- Complete Phase 2 trials and progress pharmaceutical product development
- Develop “go to market” strategies for key markets beyond 2021, centred around our emerging brand

## Guidance for FY17:

Adjusted Cash EBITDA<sup>1</sup> to increase by at least 25% on FY16

Establishment of c1,500ha of new plantations

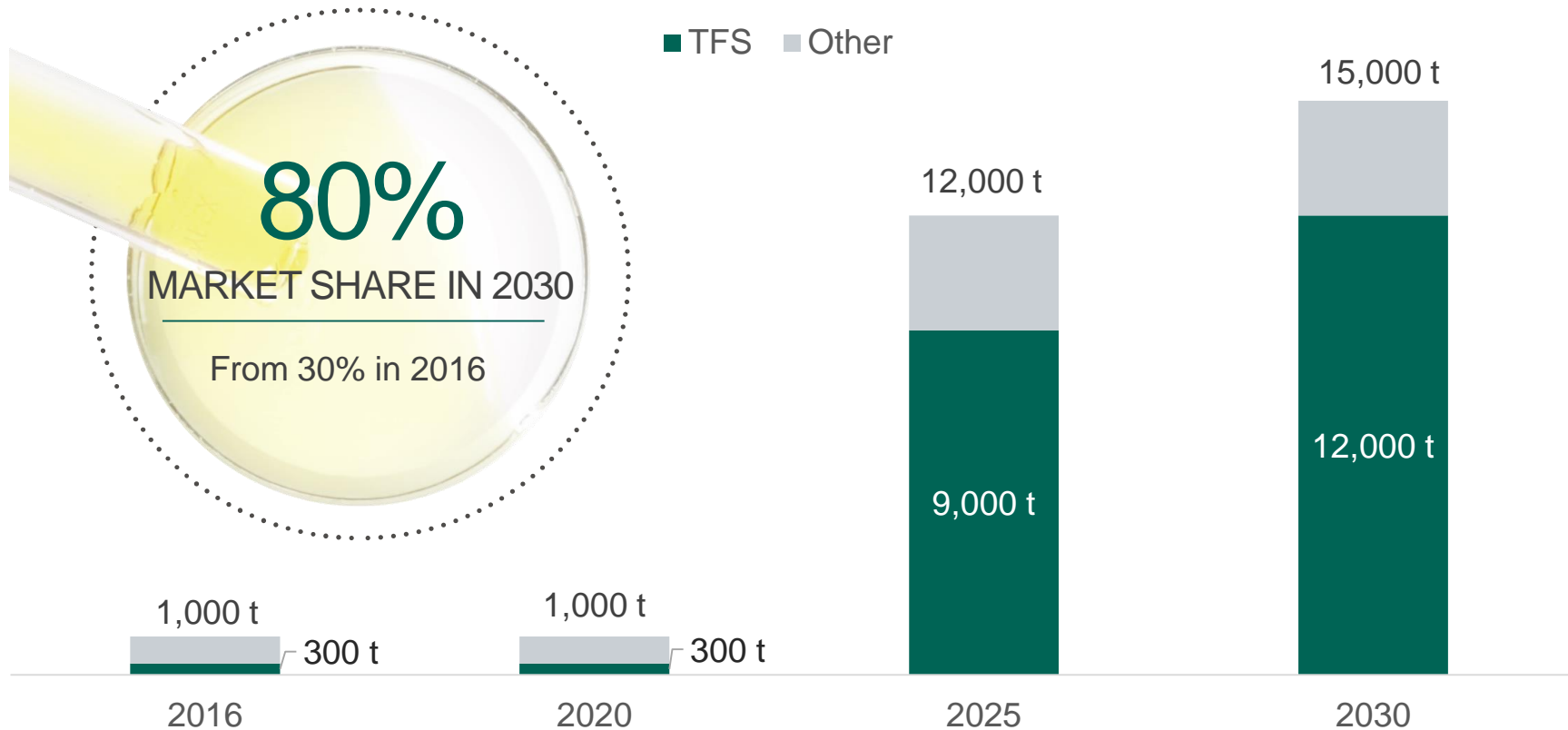
Note 1: Cash EBITDA defined on Page 3. To aid comparison between fiscal years, Adjusted Cash EBITDA excludes the costs of the refinance of the Senior Secured Notes in July 2016 of approximately AU\$18m, which includes the early call premium of AU\$10.6m



SECTION 3

# End Markets

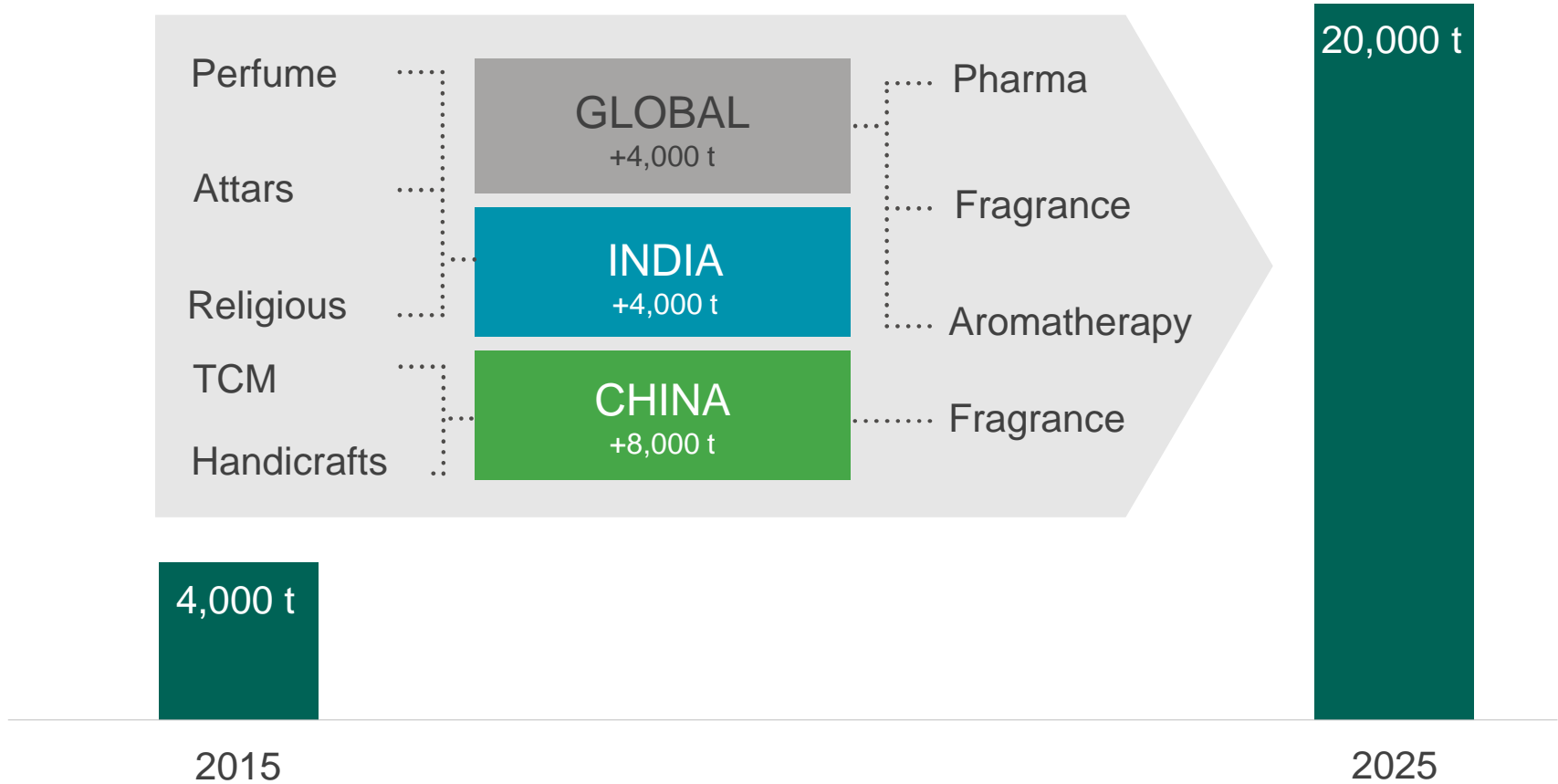
# TFS to be the leading global supplier of sandalwood



Title: Forecast Global Supply of Legal and Authentic Indian Sandalwood 2015 – 2030

Source: Top tier global management consultancy firm, August 2016












# High levels of latent demand to drive consumption



Title: Global Demand for Legal Indian Sandalwood

Source: Top tier global management consultancy firm, August 2016

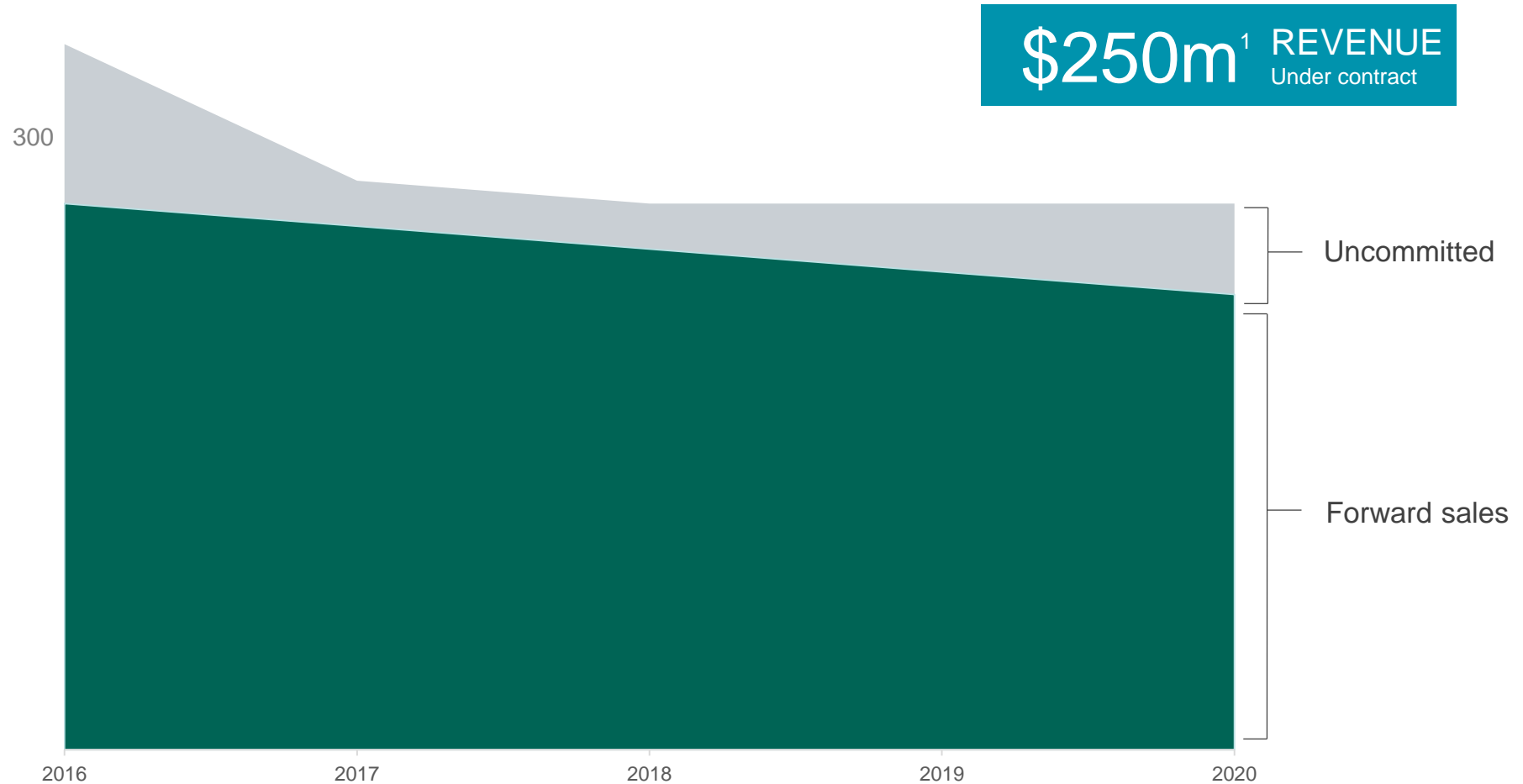
# Diverse markets with significant & growing demand

Territory	Market Segment	Size in 2025 (~ t / pa)	Supply deal
	Furniture & Handicraft	6,400	
	Temple & Worship	4,500	
	Perfumes & Cosmetics	4,000	
	Pharmaceutical	2,100	
	Mouth Freshener	2,100	
	Medicine	900	

Source: Top tier global management consultancy firm, August 2016

# Vast majority of harvests to 2021 are forward sold

Negotiations now commencing for offtakes post 2021



Smoothed projected total harvest volumes (tonnes of heartwood) and contracted sales volumes 2016 - 2020

Note 1: Based on a AUD:USD rate of 0.75





SECTION 4

# Change of Company Name

# The next chapter in our journey

We are the leader and innovator in the global Indian sandalwood industry

We have evolved into a company committed to the production and distribution of a wide range of sandalwood products

A new and unique brand will enhance our position as the global leader in the supply of premium quality, natural and authentic Indian sandalwood





QUINTIS<sup>®</sup>  
SANDALWOOD ALBUM



MEANING

QUINTESSENTIAL

INDIAN SANDALWOOD

QUINTUS = LATIN WORD MEANING FIVE

An aerial photograph of a dense forest with a road running through it. The trees are lush green, and the road is a dark, straight line cutting through the center of the forest. The perspective is from a high angle, looking down on the canopy.

# Q&A