

The background of the slide is a close-up photograph of several stacked logs of wood. The logs are cut into sections, revealing the light-colored wood grain and the darker bark. Handwritten in black ink on the flat surfaces of the logs are various labels. These include '360 mm', '450 mm', '370 mm', '420 mm', and '6510-0159'. Some logs also have the letters 'F' and 'B' written on them. The labels appear to be identification codes for the wood sections.

TFS Corporation Ltd

FY16

Half Year Results

Frank Wilson, Managing Director
Alistair Stevens, CFO



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An aerial photograph of a dense, green forest. A narrow, light-colored road or path winds through the trees, starting from the bottom left and curving towards the top right. The sun is shining from the top right, creating a warm, golden glow across the entire scene.

SECTION 1

Overview

A Strong Start to FY16

- ✓ Multi-year agreements signed with Chinese and Indian wood buyers – 100% of TFS owned wood from the 2016 and 2017 harvests is now forward sold, at prices broadly equivalent to US\$4,500 per kg of oil
- ✓ Cash EBITDA¹ up 29% on prior year, with guidance² reaffirmed
- ✓ Annual harvest to commence in May of > 300t of heartwood – up tenfold on FY15
- ✓ Significant growth in sales of Benzac® - royalty receipts tripled in Q2 FY16
- ✓ Plantation sales up 50% on prior year with strong demand from all investor groups
- ✓ Cash balance of \$52m (compared to \$30m at 31 December 2014)
- ✓ Total estate now at 10,583ha with a further 1,500ha of plantings planned for Q4 FY16

Note 1 - As in previous years, Cash EBITDA equals EBITDA less the fair value gain on the biological assets, revenue from the recognition of deferred lease and management fees and unrealised foreign exchange movements. 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.

Note 2 - Guidance is for FY16 Cash EBITDA to increase by between 5% and 10% on FY15

Key Financial & Operational Results

Cash EBITDA \$8.6m	NPAT ¹ \$67.4m	TOTAL ESTATE 10,583ha	PLANTATION SALES \$15.2m
YOY CHANGE +29%	+23%	Flat	+50%







- FY16 planting of around 1,500ha will commence in April, after the wet season

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 and the accounting profit of \$17.2m generated from the Group's acquisition of Santalis Pharmaceuticals and Viroxis Corporation in July 2015

Growth in TFS Owned Plantations



Good Progress Against FY16 Priorities

Priority		Progress
Expand operations to harvest > 300t of heartwood		Harvest to commence in May, post wet season Operational expansion (people and equipment) complete Installation of new production line at processing facility
Develop end markets and finalise supply agreements		100% of TFS owned harvest in 2016 & 2017 is forward sold First supply agreement signed with Chinese wood buyer First supply agreement signed with Indian wood buyer
Extend plantation ownership		TFS owned estate increased to 3,547ha Finalised plans to buyback plantations from MIS growers
Progress pharmaceutical product development		Strong Benzac® performance – 1m units shipped in Q2 FY16 Phase 2 trials for <i>oral mucositis</i> & <i>molluscum contagiosum</i>
Introduce new plantation investors		Strong start to FY16 with sales up 50% in H1 Promising levels of domestic interest
Review refinance of senior secured notes		Notes mature in July 2018 Leading bank appointed & preparatory work complete Early call premium reduces by 50% (US\$8m) in July 2016

 On track

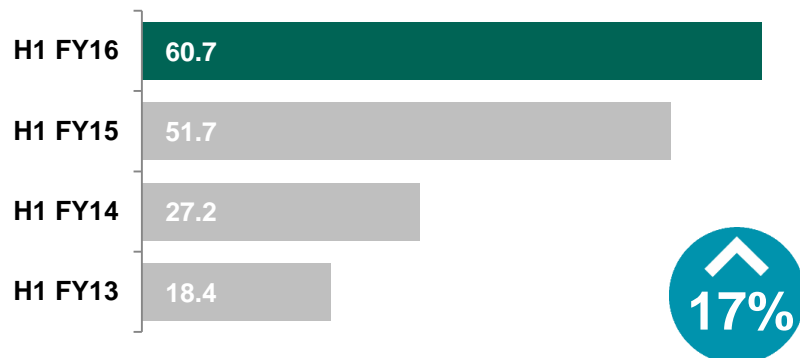
A photograph of three people in a forest. A woman in an orange shirt, blue cap, and denim shorts is crouching and measuring the trunk of a tree with a green measuring tape. Two men, also in orange shirts and blue caps, are crouching nearby. One man is holding a clipboard and pen, and the other is looking at the measuring tape. The forest has many thin trees and a ground covered in dry leaves.

SECTION 2

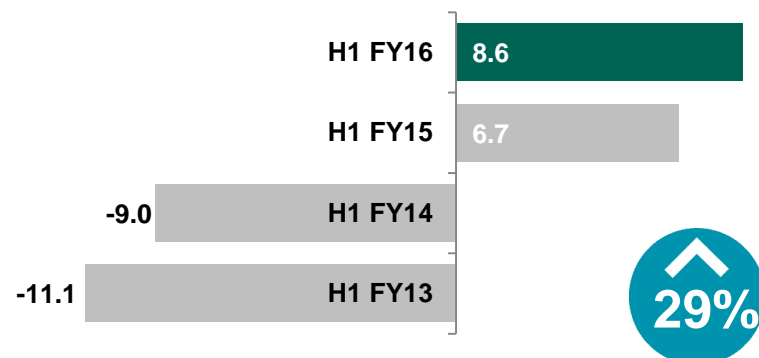
Financial Results

Key Financial Results

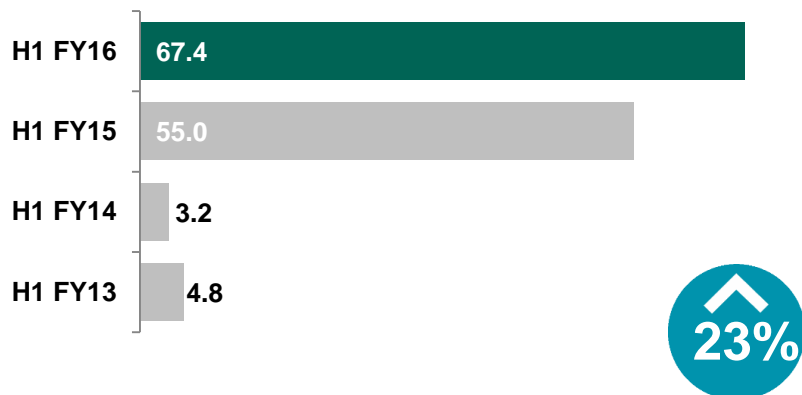
Cash Revenue (\$m)



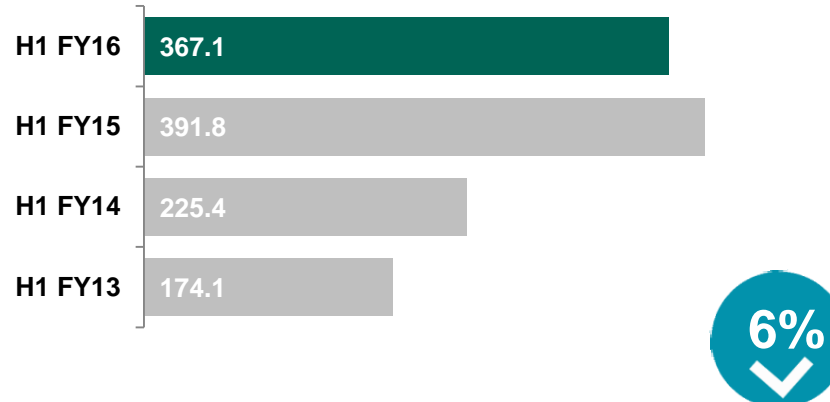
Cash EBITDA (\$m)



NPAT (\$m)

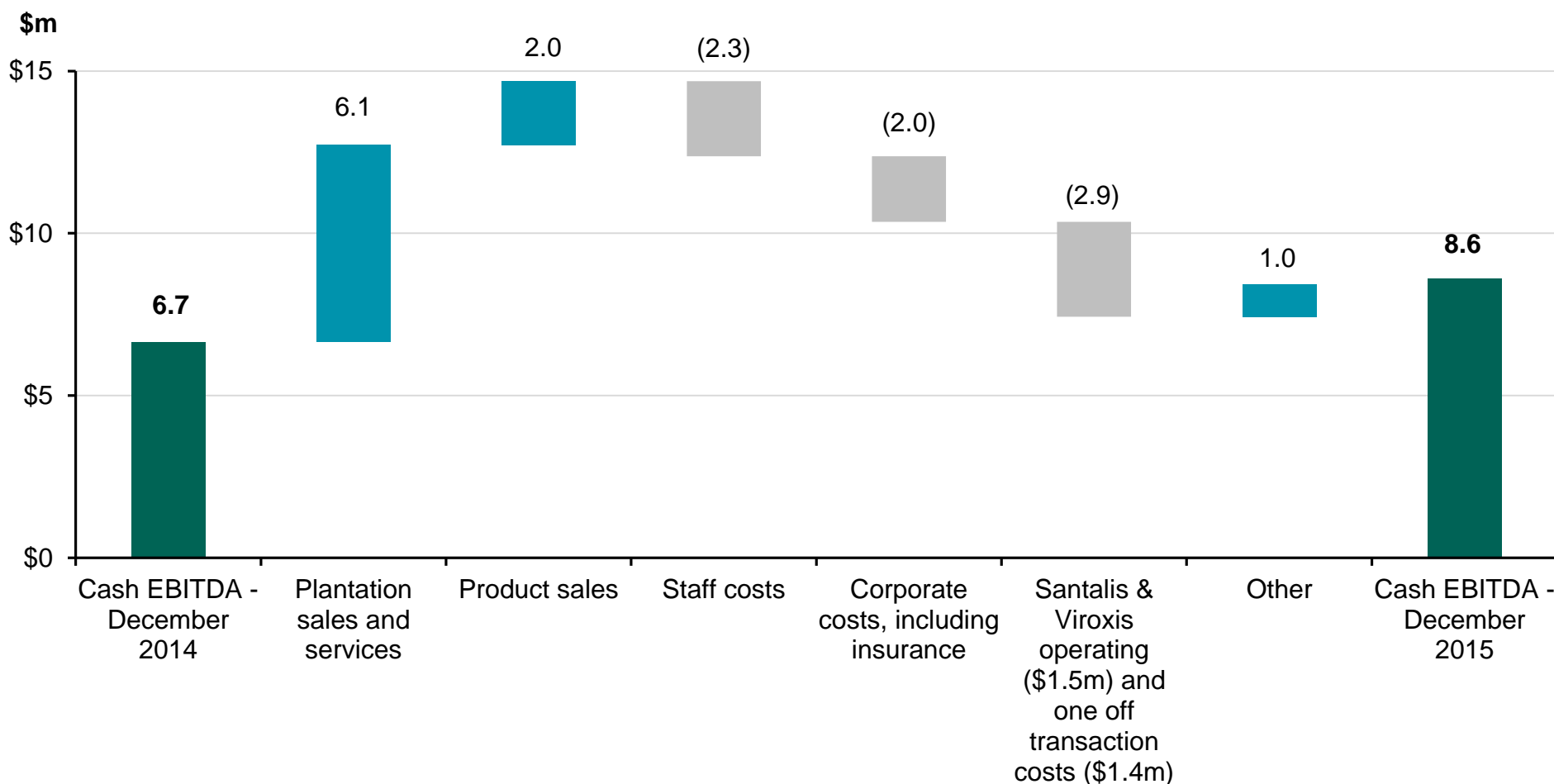


NTA (\$m)



NTA reduction due to the acquisition of Santalis and Viroxis, adding intangible assets of \$136m and liabilities (contingent consideration) of \$38m - see slide 33

Cash EBITDA up by 29%



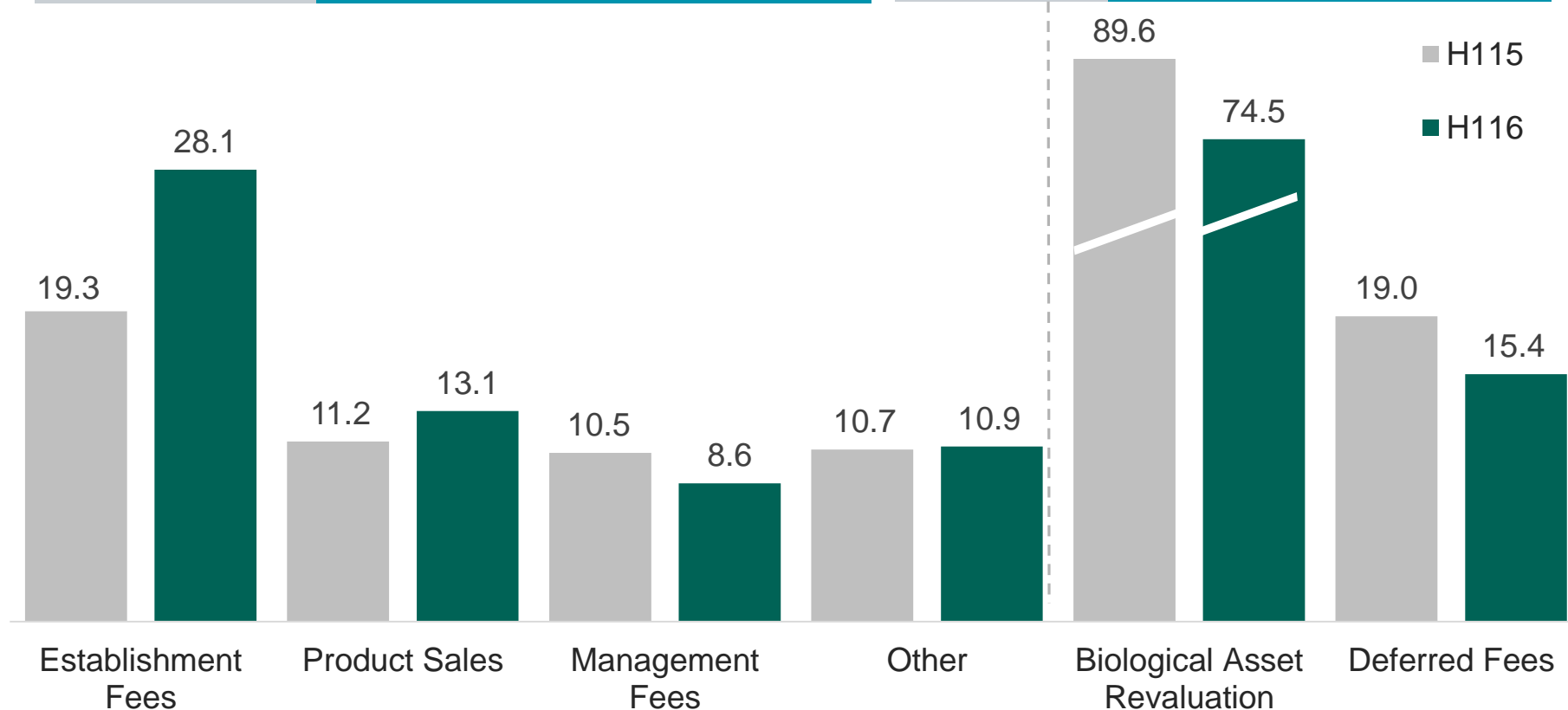
Broadly Based Revenue Growth

CASH
REVENUE

↑ 17% to \$60.7m

NON-CASH
REVENUE¹

↓ 17% to \$89.9m

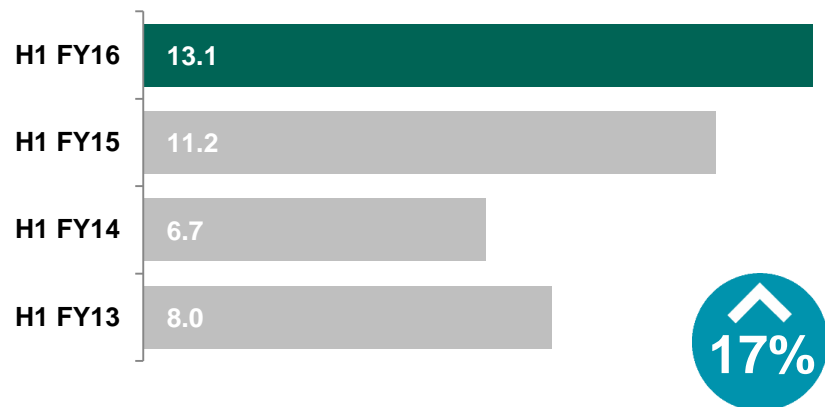


Lower fair value gain is due to a smaller
FX movement than in the prior year

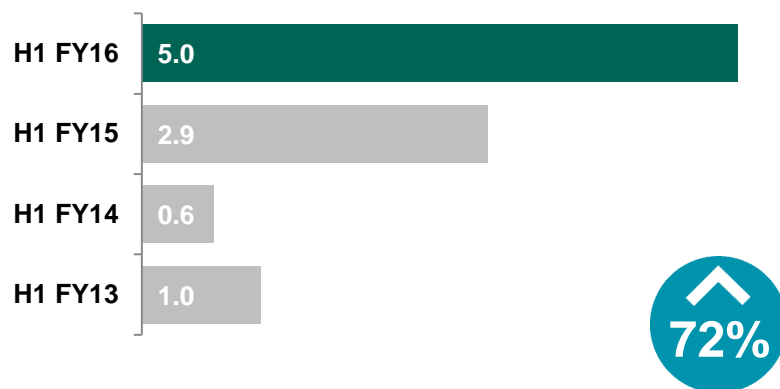
Strong Momentum in Sandalwood Product Sales

- Further growth (up 17%) in sandalwood product revenue, all of which dropped straight to the bottom line (up 72%) – illustrating the scalability of our processing facilities
- Further growth expected in H2 FY16 as the distillation of the majority of the 2015 harvest (acquired from the MIS growers in September) has only recently been completed
- Transformational growth expected in FY17 as the 2016 harvest will be 10x the 2015 harvest

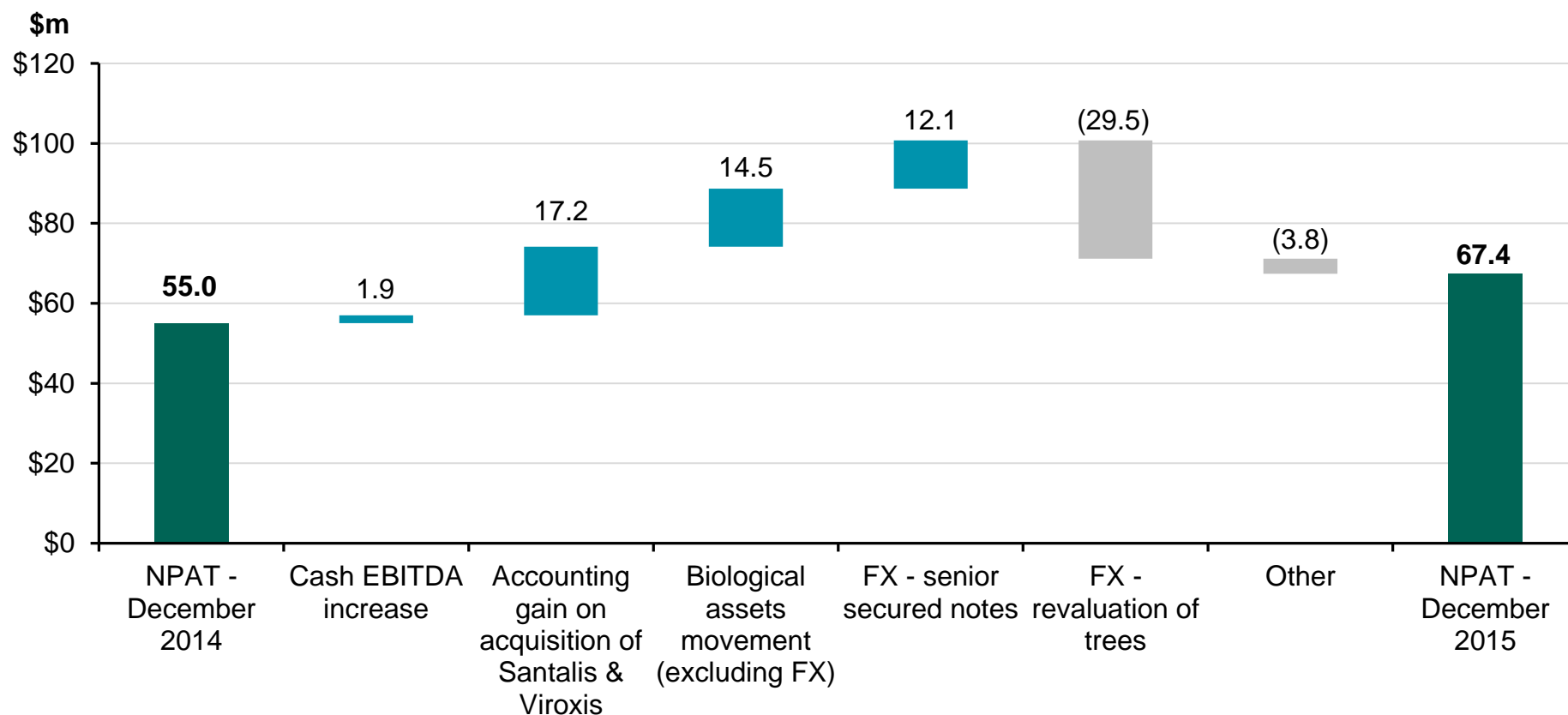
Revenue (\$m)



Contribution (\$m)



Net Profit After Tax up by 23%



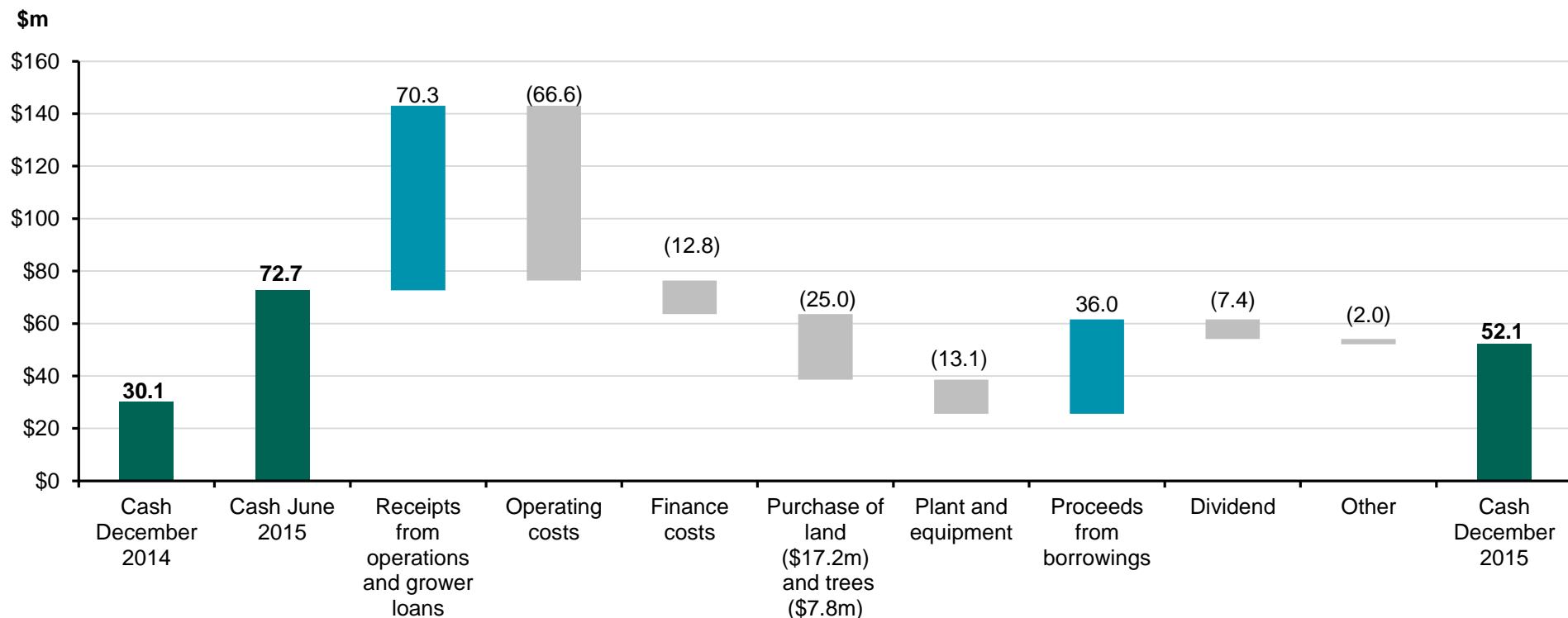
Biological Asset Valuation

- TFS's biological assets¹ increased to \$586m, up 16% on June 2015, reflecting larger directly owned estate, increased tree maturity and benefit of strengthening US
- No change to the valuation methodology used to value the plantations

Key Assumptions	Assumption at 31 December 2015	Comments
Number of TFS owned trees ¹	1,031,028	From annual inventory count in Q4 FY15
Heartwood yield at harvest	TFS projections	Based on extensive TFS and industry research Assessed as part of inventory count in Q4 FY15
Oil content	3.7%	Based on research and actual results
Oil price per kg	US\$2,800	Director assessment – not inflated FY15 oil sales: average of US\$4,385/ kg
FX	US\$0.73c : AU\$1.00	Actual as at 31 December 2015
Harvest and processing costs	\$16,000 per kg and \$207 per kg of oil	Expected costs inflated at 3.0% pa
Discount rate	12-14%	Rate applied is dependent on tree age

Note 1 - Excluding the external MIS growers' interests

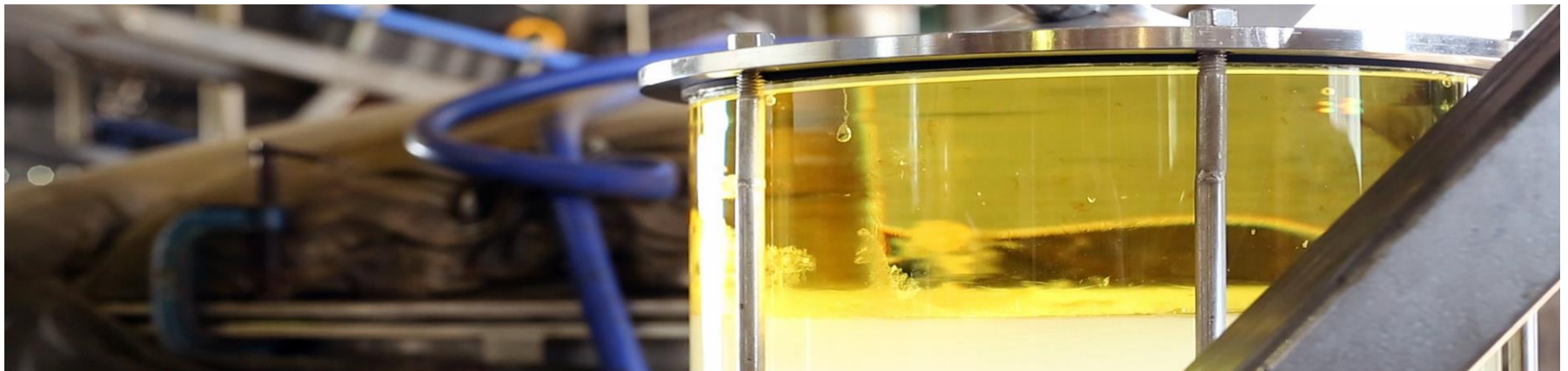
Cash Balance of \$52m



- Investment in land and plantations of \$25.0m in H1 FY16
- TFS's cash inflows from plantation sales are heavily weighted to H2
- Consistent with both FY14 and FY15, net cash generated by operating activities is expected to be positive for the full year (H1 result: \$22m outflow)

Sale of Loan Book expected in H2

- Since 1998, TFS has offered vendor financing to plantation investors
 - Loans are secured by the Indian sandalwood plantation and are full recourse
 - Loans typically have a 7 year term and yield between 8% and 11%
- Periodically, TFS frees up capital by selling its loan book to third parties
 - In 2008, TFS sold a loan book to CBA, generating operating cash of \$21m
 - In 2013, TFS sold a loan book, generating operating cash of \$22m
- TFS expects to complete a loan book sale during H2 FY16
 - At 31 December 2015, the loan book totalled \$38m

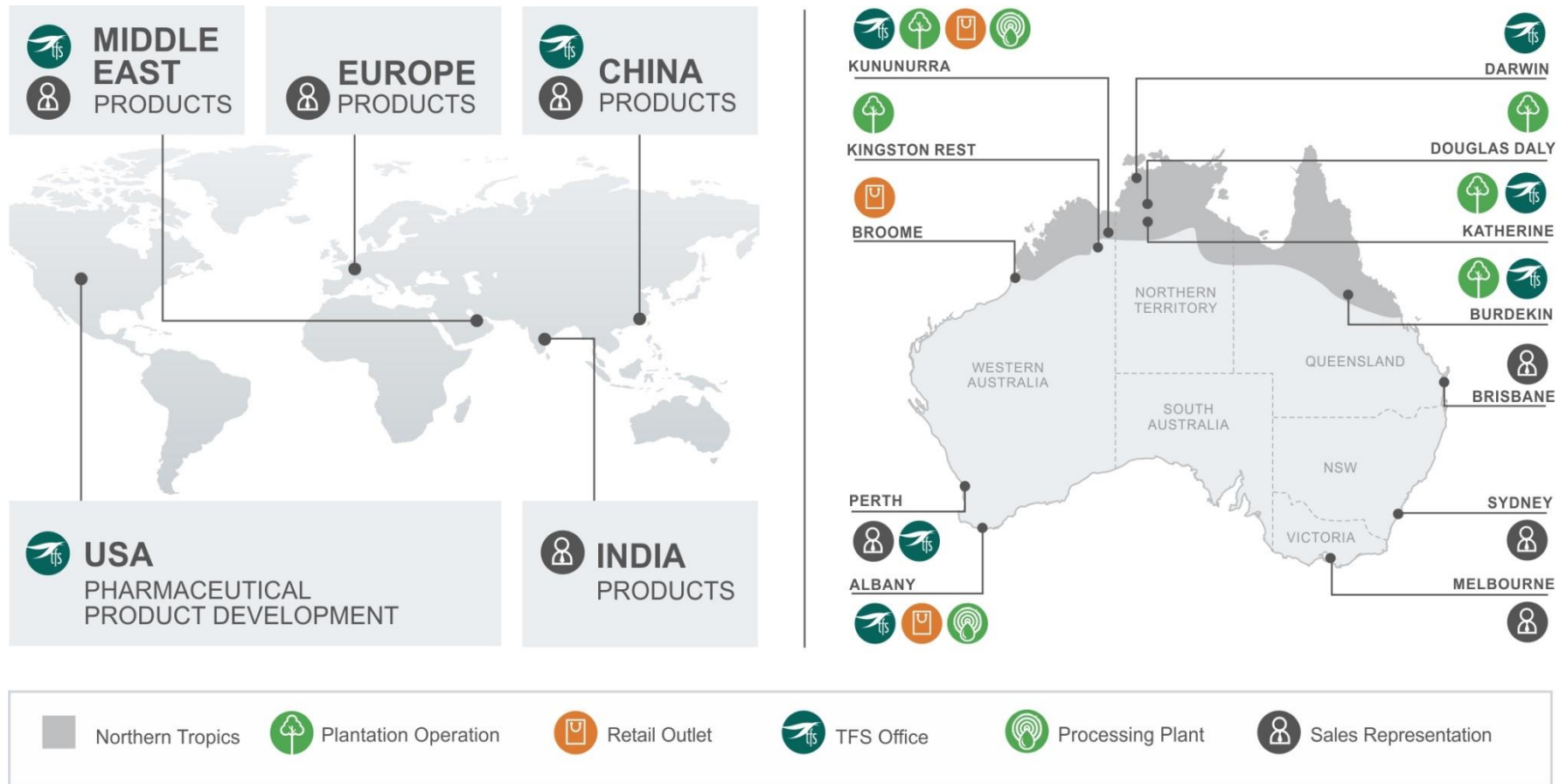




SECTION 3

Business Update

A Vertically Integrated and Global Business



New Supply Agreements for TFS's Owned Harvest

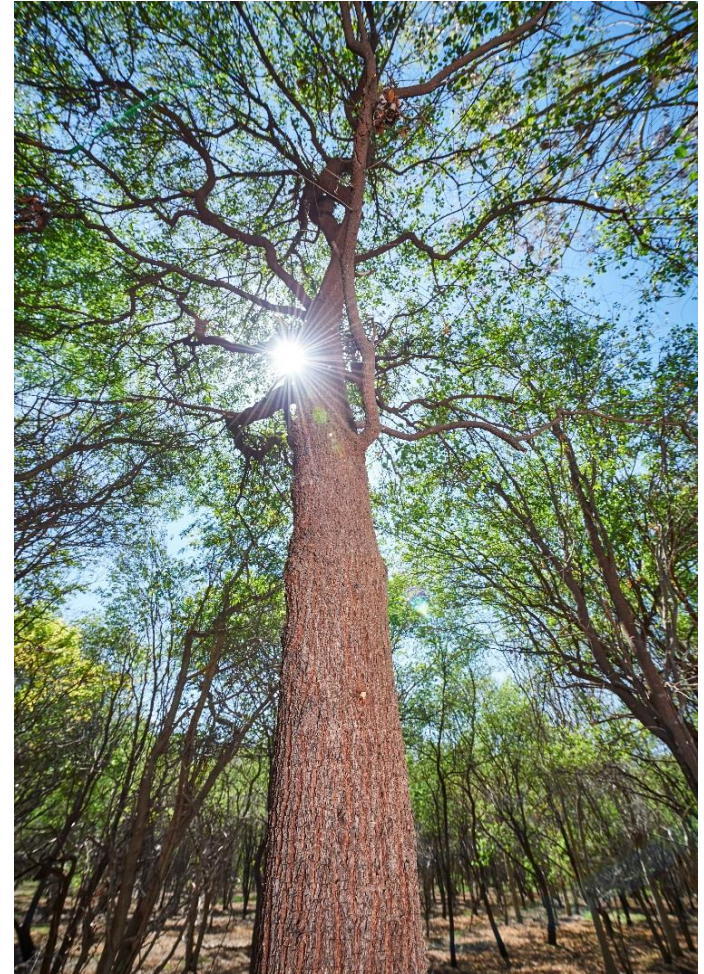
TFS owns 60% (c180 tonnes) of the 2016 harvest and this is now 100% committed to four different global buyers across four different markets, well ahead of harvest

1. China: First supply agreement signed with 150t of heartwood to be shipped from the 2016 harvest
 - Price (for TFS's value added wood) is broadly equivalent to Galderma oil price of US\$4,500/ kg
 - Strong demand in China – first large harvest this year will establish the authenticity of TFS's supply
2. India and Middle East: First supply agreement signed with 30t of heartwood to be shipped from the 2016 harvest
 - Pricing (for TFS processed billets) is broadly equivalent to Galderma oil price of US\$4,500/ kg
 - Counterparty is an existing customer which has acquired over AU\$30m of *spicatum* from TFS since 2008
3. Cosmetics: Commencement of supply of Indian sandalwood oil to Lush under a contract signed in 2008
 - Minimum of 1t of oil pa, first shipment expected in March 2016
 - Lush has over 900 stores in over 40 countries and has been buying TFS's *spicatum* oil since 2008
4. US pharmaceutical – existing contract with Nestle owned Galderma to supply oil for the Benzac® range



Excellent Operational Performance

- Excellent plantation performance during the wet season, especially in the Northern Territory during heavy rainfall in the Douglas Daly
- Significant scale added to our operational capacity
 - Second production line added to the Kununurra processing facility in advance of the 2016 harvest
 - Second seedling nursery built in Katherine, which will contribute to the 2016 plantings (see slide 34)
- Awarded Major Project Status by Northern Territory government which will increase government support for TFS projects in the state
- Oil for fine fragrance market included on approved product lists by two iconic global perfume houses



Promising Momentum in Plantation Sales

- Continuing demand for plantation sales among institutional investors
 - Sale of 214ha completed to Church Commissioners for England
- Strong momentum in sales to sophisticated investors (HNW)
 - Multiple sales signed in H1, compared to nil in both FY15 and FY14
 - ATO approval already received, 3 months ahead of last year, providing for a far longer sales window
 - As in prior years, plantation sales heavily weighted to the last quarter of the FY
- Support committed by one of Australia's leading independent financial planning groups (first time in 7 years) which significantly expands TFS's reach to further stimulate domestic sales
- Strong profit margin expansion in FY16 as establishment fees across all three investor groups (new institutions, sophisticated and retail) have been increased by over 10% on FY15
- Further profit margin expansion in FY16 as fewer sales will be made to our original institutional investors at contracted historical rates

Strong Growth in Benzac® Sales

- Royalty income received from OTC product sales increased 3x in Q2 FY16
- 1.0 million units of the five OTC products were shipped in Q2 FY16 alone
- Strong consumer feedback with awards for Benzac® (distributed across the US by Galderma, wholly owned by Nestle) from *ALLURE* and *HEALTH* magazine
- New marketing campaign to commence in FY16



THE BEAUTY EXPERT
allure

"The drugstore Acne Fighters
Dermatologists Swear By"

Find Benzac At:



Accelerating Pharmaceutical Product Development

- Phase 2 study commenced of an oral rinse to treat *oral mucositis*, a cancer-associated mouth condition
- Phase 2 trial commenced of a drug to treat *molluscum contagiosum*, a contagious skin infection that occurs predominantly in children
- Positive results from a study of pediatric patients with eczema with 82% of patients showing at least a 25% improvement – prescription drug trials expected to commence in CY2016

Code	Indication	Formulation Development	Phase I	Phase II	Phase III	On Market
VIR 001-00	HPV (skin Warts)				EOP2	
VIR 003-01	Molluscum (MSV)			Q2 FY16		
SAN 005-01	Oral Mucositis			Q2 FY16		
SAN 009-01	Eczema / AD			Q4 FY16		
SAN 022-00	Pruritus (pediatric)			Q1 FY17		
SAN 021-00	Psoriasis			Q1 FY17		

Opportunity for Cost of Debt Savings

- Senior secured notes of US\$200m (11% coupon) mature in July 2018
- TFS has been able to call the notes since July 2015:
 - Call premium: 8% prior to July 2016
 - Call premium: 4% between July 2016 and July 2017
 - Call premium: 2% between July 2017 and July 2018
- Notes are traded through DTC and the last trade was in January at a price of \$104.25 - indicating holders expect the notes to be refinanced in FY17
- TFS has appointed a leading global investment bank as its advisor and expects to refinance the notes once the call premium reduces to 4%, at which point the break-even coupon for the refinance is 9%
- Strong support evident from noteholders - TFS's notes are narrowly held and thinly traded and one large global fund has acquired 100% of the issuances in the last two fiscal years

لندن
2000
ECTARES OF
ANTATION
9 MILLION
IAN SANDALWOOD
EES PLANTED
(Santalum album)

SANDALWOOD TREE

- 14-16 years harvesting
- 2-13 years management
- 1 year establishment

Research shows that with ongoing tree management it is likely maximum nutrient output and specialised fragrances within sandalwood can reach commercial quality within 14-16 years. Since 1999 we've planted trees primarily to create a reliable long-term supply to global markets.

أخلاقي - مستدام - خالص
ETHICAL - SUSTAINABLE - PURE
THE ESSENCE
OF LUXURY

SANDALWOOD

3D34

CTC TRADING LLC

DUMOI
PARIS

صنابل مستدام - من الأوقار إلى الزيت
TENGHERESZ-ARTER IN AUSTRALIA'S TROPICAL NORTH
SUSTAINABLE INDIAN SANDALWOOD
FROM SOIL TO OIL

SECTION 4

Outlook

tfs

جزء الصندل الصافي والطبيعي 100% والخاص بنا.

TRY OUR 100% PURE AND NATURAL
SANDALWOOD



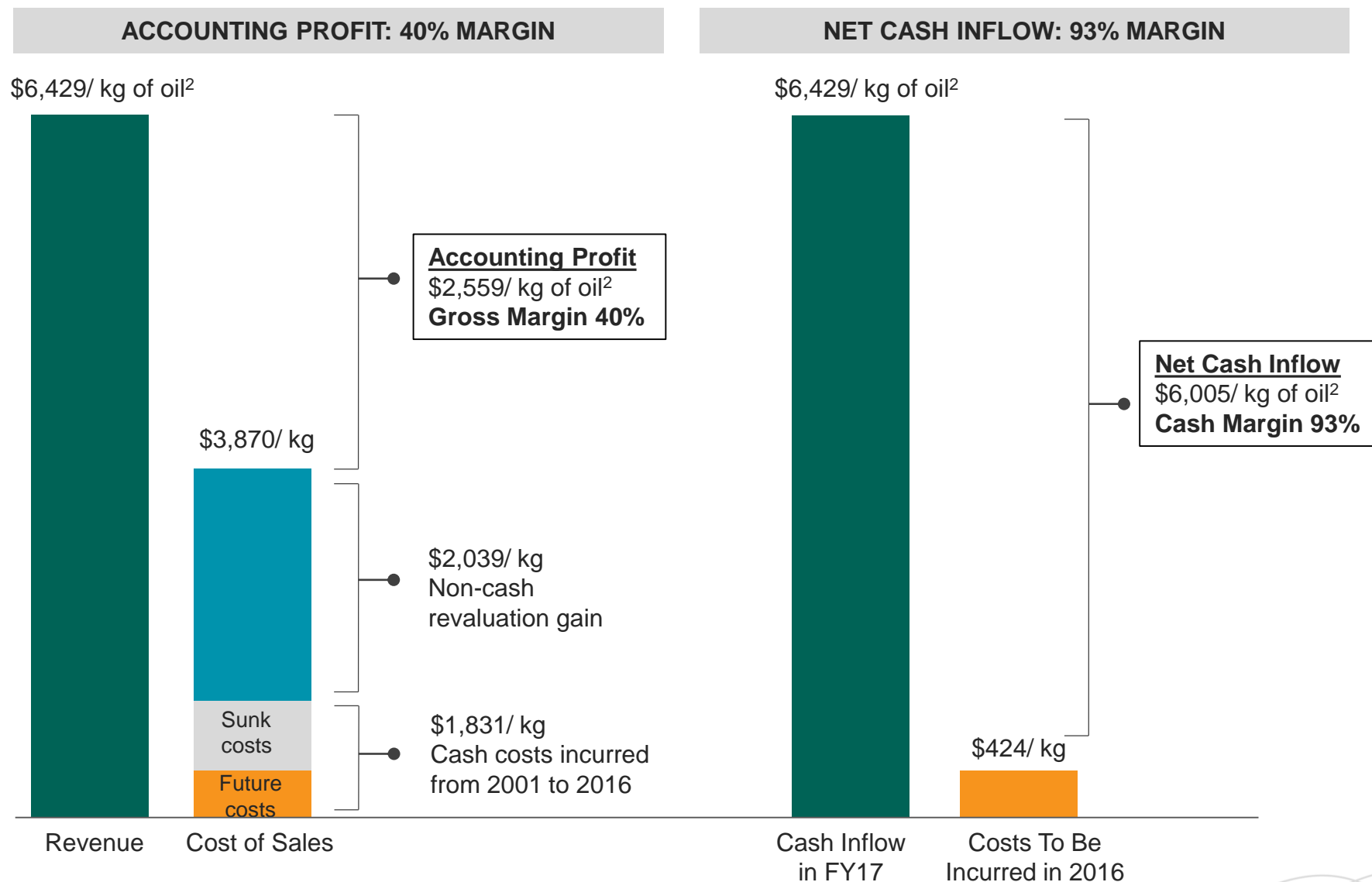
Harvest Yields to Increase Tenfold in 2016

Harvest Year	2014 Actual	2015 Actual	2016 Forecast
Area	100 ha	35 ha	104 ha
Average age of tree	14 yrs	14.5 yrs	15 yrs
Heartwood yield per tree (kg)	3.1 kg	4.9 kg	≈9.7 kg
Survival rate ¹ (%)	32%	38%	≈70%
Heartwood yield (tonnes)	46 t	31 t	>300 t
TFS ownership at harvest (Direct and indirect ownership)	38%	20%	60%
Oil yield	3.3%	3.5%	3.7%

Results of enhanced forestry practices, including improved host trees and site selection

Note 1 - Plantations were established with 463 seedlings per ha in establishment years 1999 to 2001

TFS's 2016 Harvest will Transform Cash Generation



Note 1 – All figures in AUD. Revenue (USD denominated) converted at USD0.70 to AUD1.00

Note 2 – Figures are broadly equivalent if harvest is sold in a wood form

Clear Priorities for 2016

- Manage operational expansion to successfully harvest > 300 tonnes of heartwood
- Extend TFS's ownership of Indian sandalwood plantations and acquire the grower owned wood from the 2016 harvest
- Continue to develop cosmetic, Chinese wood, Indian wood and fine fragrance markets and finalise further long-term supply agreements
- Progress pharmaceutical product development – finalise licence deals for further OTC products and advance trials for new products
- Introduce additional plantation investors, including new institutional investors and domestic high net worth and retail investors
- Consider refinance of the senior secured notes which mature in July 2018

Reaffirmation of guidance for FY16:

Cash EBITDA: increase of 5% to 10% on
FY15

New planting of around 1,500ha



SALICYLIC
ACID

EAST INDIAN
SANDALWOOD
OIL

USE BENZAC AS DIRECTED

SECTION 5

Q&A

An aerial photograph showing a vast landscape. In the foreground and middle ground, there are several large, rectangular blocks of dense, green trees, likely planted in rows. These blocks are separated by dirt roads or tracks. The background features rolling hills and mountains with a mix of green vegetation and exposed brown earth, suggesting a semi-arid or dry climate. The sky is clear and blue.

SECTION 6

Appendix

Historical Financial Results

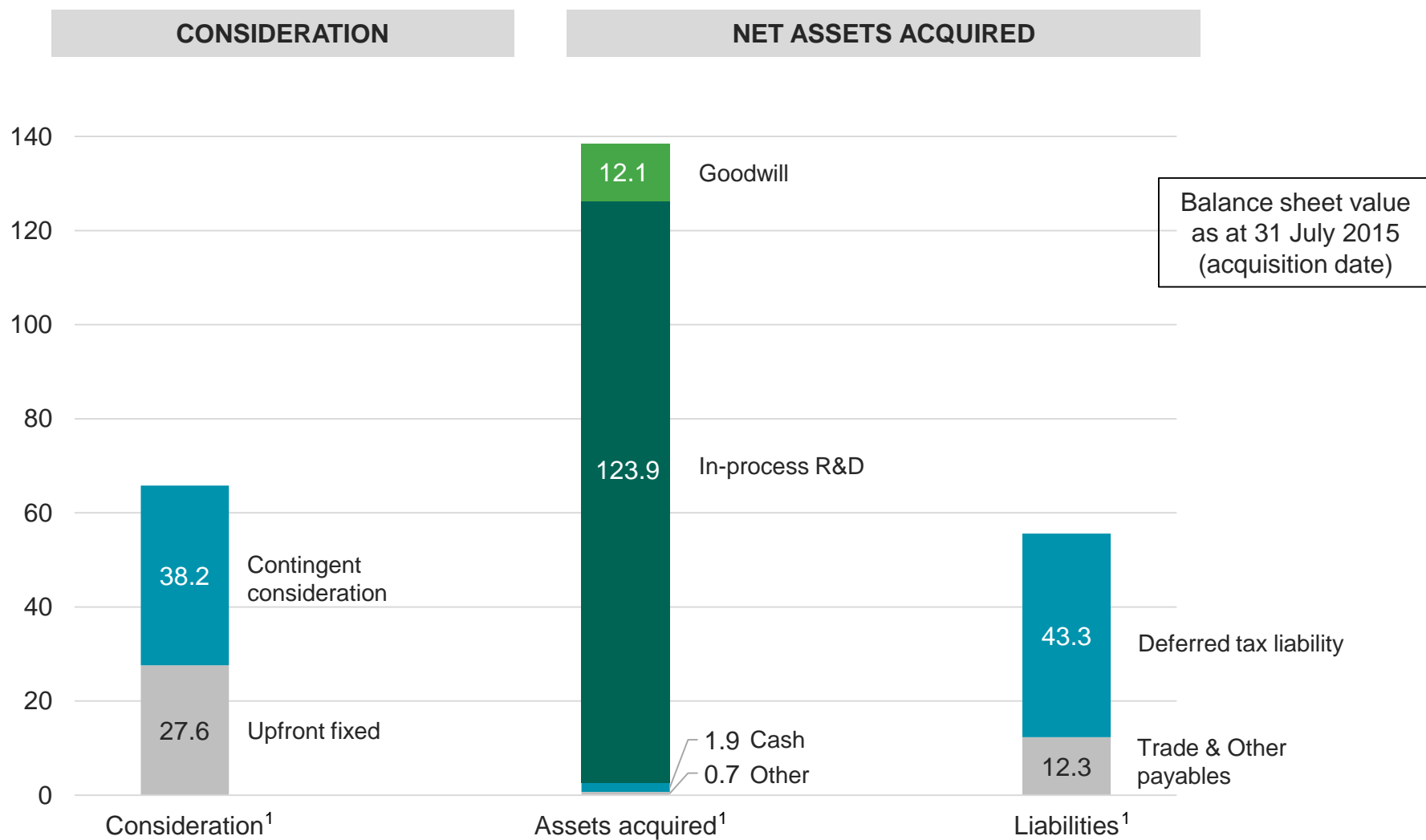
(\$m)	H1 2016	H1 2015	H1 2014	H1 2013
Total revenue ¹	150.6	160.3	55.0	45.4
Net profit after tax	67.4	55.0	3.2	4.8
EBITDA	107.0	92.6	16.6	15.9
Basic earnings per share	19.9c	16.9c	1.2c	1.7c
Cash operating revenue	60.7	51.7	27.2	18.4
Cash EBITDA	8.6	6.7	-9.0	-11.1

Note 1 - Excluding the gain on the revaluation of the external MIS growers' interests

Reconciliation of PBT to Cash EBITDA

(\$m)	H1 FY16	H1 FY15
Profit before income tax expense	88.4	78.3
Depreciation and amortisation	4.7	4.1
Finance costs and interest received	13.9	10.2
EBITDA	107.0	92.6
Biological asset fair value movement (including FX gain)	-74.5	-89.6
Revenue from deferred fees	-15.4	-19.0
Unrealised FX loss on senior secured notes	11.6	23.6
Share of net profit of associates	-6.6	-0.9
Gain on acquisition of controlling interest in Santalis and Viroxis	-17.2	-
Fair value movement in value of contingent consideration	3.7	-
Cash EBITDA	8.6	6.7

Accounting for Acquisition of Santalis and Viroxix



■ Profit of \$16.8m recorded in P&L arising from the deemed disposal of 50% in Santalis already owned at acquisition



Pictured - New nursery built at Florina Rd, Katherine

END