



# **Tegel Group Holdings Limited**

2016 Annual Shareholder Meeting  
19 October 2016



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In this presentation underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure. Tegel uses underlying EBITDA as a measure of operating performance. Underlying EBITDA excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature. It has been calculated on a consistent basis with the "Pro forma EBITDA" presented in the PFI. Pro Forma EBIT refers to earnings before interest and tax prepared on a pro forma and consistent basis with the Pro Forma EBIT presented in the PFI. A reconciliation of underlying EBITDA to net profit after income tax is provided in note 2.1 of the financial statements.

# Agenda

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1. Welcome and introductions (James Ogden, Chairman)
2. Chairman's Address (James Ogden, Chairman)
3. Chief Executive Officer's Address (Phil Hand, CEO)
4. Business of the Annual Shareholder Meeting (James Ogden, Chairman)





# Welcome And Introductions

James Ogden, Chairman

# Welcome And Introductions

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- Phil Hand, CEO and executive director
- Tang Kok Yew, Non-executive director
- Brett Sutton, Non-executive director
- David Jackson, Independent non-executive director, Chair of Audit and Risk Committee
- George Adams, Independent non-executive director, Chair of Governance and Remuneration Committee



# Chairman's Address

James Ogden



# A Milestone Year For Tegel

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- Successful listings on NZX and ASX
- FY16 Review:
  - Record financial results, ahead of PFI
  - Record sales of \$582m, up 3.5% on FY15
  - Underlying EBITDA of \$74.9m, up 22.6% on FY15
- IPO: \$284m raised, \$130m used to pay down debt
- Recent developments:
  - New territories opened up including Philippines, Bahrain and Japan
  - Australian market opened up to allow raw poultry products from NZ
- On track to deliver PFI for FY17

# Strategic Objectives



## Domestic

1

Volume growth

Market growth

Category  
growth

New product  
development

Brand refresh

2

Increase sales  
of value added  
products to  
satisfy evolving  
consumer  
preferences

## Export

3

Expand existing  
markets

4

Enter new  
export markets



# Governance

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- Corporate Governance
  - Robust governance, risk management and compliance practices and procedures in place
  - Focused on providing comprehensive, transparent and timely communication to our shareholders
- Committed to maximising long-term shareholder value
- Clear strategy and proven business model





# Chief Executive Officer's Address

Phil Hand

# Tegel Executive Team

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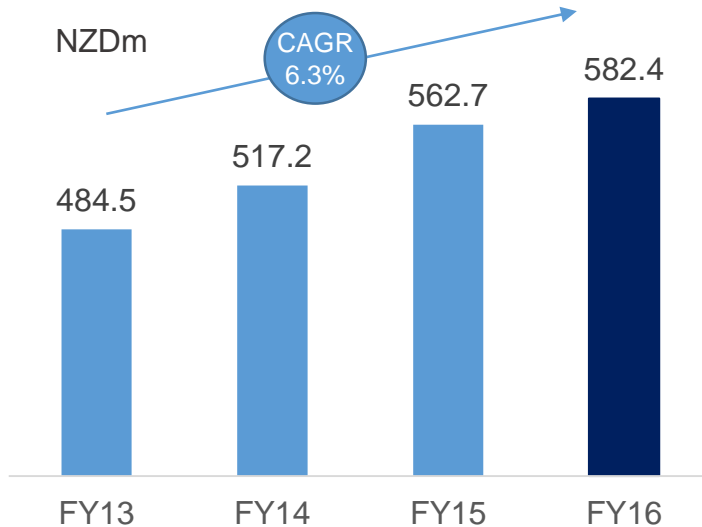


- Peter McHugh, CFO
- Christine Cash, GM, Sales and Marketing
- John Russell, GM, Agriculture and Supply
- Austin Laurenson, GM, Business Improvement
- David Taylor, GM, Regional Operations, Upper North Island
- Martin Baker, GM, Regional Operations, Lower North island
- Ed Campion, GM, Regional Operations, South Island
- Evelyn Davis, GM, Human Resources

# Highlights



- Record revenues:



- Domestic:
  - 3.1% revenue growth in FY16
  - Brand Refresh commenced
  - New innovations developed for launch in FY17
- Export:
  - Revenue >\$100m barrier for the first time
  - Export revenue reached 17.5% of total revenue

## Raw poultry exports to Australia

**New Zealand has a high standard of bio security and low disease prevalence**

Total poultry market approximately A\$7.1bn,  
Tegel exported A\$70m of poultry to Australia in FY16, ~1% market share

First raw poultry sales anticipated into Australia in Q3 FY17

**Significantly increased business opportunities**



# FY16 Operational Highlights








- Growing more birds than ever before
- Approximately half of New Zealand's poultry processed by Tegel in FY16
- Increased variety of poultry products
- Continued investment in agriculture and processing assets to support sales growth, efficiency gains and savings:
  - New automation equipment including thigh and breast deboners
  - Additional processing equipment to support significant new customer contracts
  - Replacement and upgrade of freezing equipment in New Plymouth
  - New breeding and hatching facilities to support our capacity expansion
  - New technology to monitor and improve individual farm performance



# FY16 Financial Highlights: A Record Year



## Vs FY15:

- Volume  9.1% to 87,600T chicken sold
- Revenue  3.5% to \$582.4m
- Gross Profit  10.9% to \$147.4m
- Underlying EBITDA  22.7% to \$74.9m
- NPAT  29.5% to \$11.3m
- Balance sheet strength: considerable headroom on debt and interest cover
- \$46.4m operating cash flows generated

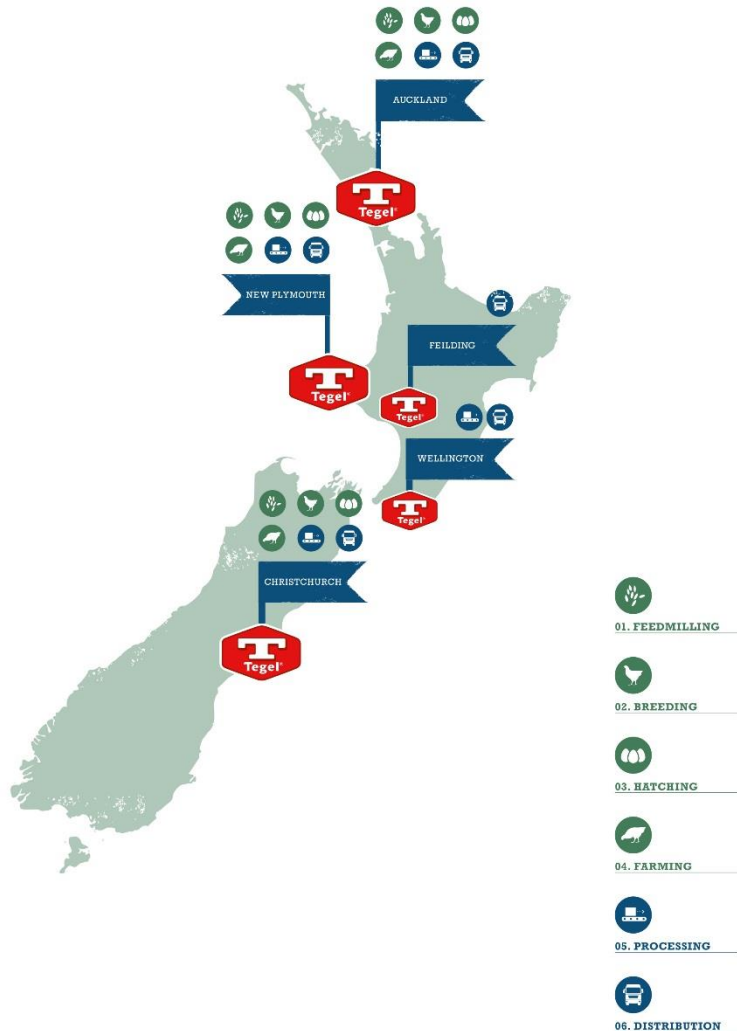
## Vs FY16 PFI:

NZ\$m	FY16 Actual	FY16 PFI	Actual vs PFI
Revenue	582.4	581.1	1.3
Underlying EBITDA <sup>1</sup>	74.9	74.7	0.2
Pro-Forma EBIT	58.8	58.6	0.2
Pro-Forma NPAT	37.2	36.8	0.4
EBITDA margin	12.9%	12.9%	-

\$100 million export revenue exceeded for the first time

<sup>1</sup> Underlying EBITDA is a like for like comparison to Pro forma EBITDA in the PFI

# ESG - Tegel's People, Health & Safety



- People
  - 2,300 employees (FTE)
  - Values: We Love Food, Do the Right Thing, Imagination with Action and Passionate People, Powerful Teams
  - Ongoing training
- Health & Safety
  - Motto: Think Safe, Work Safe
  - Safety programmes independently audited under ACC's Workplace Safety Management Practices audit, tertiary standard met for the past 6 years
  - Independent audit completed for the new safety legislation

# ESG - Animal Welfare



- Tegel is committed to ensuring the highest standard of animal welfare and complies with all regulatory requirements
- All birds roam freely in sheds
- ~18% of our birds are free range
- Constant focus on new innovation, eg lower energy sheds





# Strategic Update



- Leading market position as a trusted and iconic brand
- Product, category and market-relevant innovations for our shoppers internationally
- Increasing sales of value added products to satisfy evolving consumer preferences, including growth of premium free range product offerings
- Supporting existing product ranges and new innovations with increased marketing investment in FY17

## **Favourable poultry consumption trends:**

- World-wide poultry consumption grown faster than other common forms of meat protein
- Most consumed meat globally
- Tegel is ideally placed to take advantage of this trend with high quality poultry product ranges throughout New Zealand and in selected international markets

## **Offshore growth:**

- Increased export sales growth to existing export markets through new products
- Existing customer growth
- New customers
- New sales channels, eg Australian market acceleration opportunities

Entering new offshore markets with strategic partners, supported by New Zealand's global reputation for producing high quality poultry products

# Tegel Branding and New Product Development

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- Proudly New Zealand's number one poultry brand
- Highest brand awareness
- Leading choice for New Zealand poultry shoppers
- Investment in the Tegel brand to drive growth
- Investment to drive growth in sales of higher priced value added meal solutions

Aim: to increase consumer brand preference and poultry's share of domestic consumption

# About Tegel



- Video (webcast viewers, please click on button at lower right hand corner of your screen)



# Trading Update And FY17 Outlook

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- Volume and revenue continue to grow ahead of FY16
- First-half year sales looking strong, some soft pricing in the domestic market
- Second-half anticipated strong forecast through:
  - Summer seasonality upside
  - New product launches
  - Re-designed packaging now on shelf in supermarkets and being promoted
  - Additional volumes secured in the first-half
  - Capital expenditure projects and operating efficiency initiatives will continue to show benefit
- Board approval to bring forward installing proven successful equipment in Henderson, operational and driving cost savings by the end of FY17
- Inaugural interim dividend expected for payment in January 2017 in-line with the forecast provided in the Product Disclosure Statement
- Tegel is on track to achieve its PFI forecast for FY17





## Appendix 1

### Overview of Tegel



# Tegel At A Glance



## Established, well recognised products across a range of categories



## Vertically integrated operations

Three vertically integrated and regionally separated operations in New Zealand, each of which contains:


 Hatchery  
 Feedmill  
 Breeder farms  
 Grower farms  
 Processing facility  
 Distribution centre

**Surety of supply to customers**

**Integrated 'poultry to plate' model**

**Materially lower feed conversion ratios<sup>1</sup>**

## Leading market positions

**Processes approximately 50% of New Zealand poultry<sup>2</sup>**

**#1 across all branded poultry product categories<sup>3</sup> in New Zealand**

## Established and growing export business

Key current export markets include:

**Australia**  
**Hong Kong**  
**UAE**

**Strong biosecurity controls supporting Tegel's premium international brand**

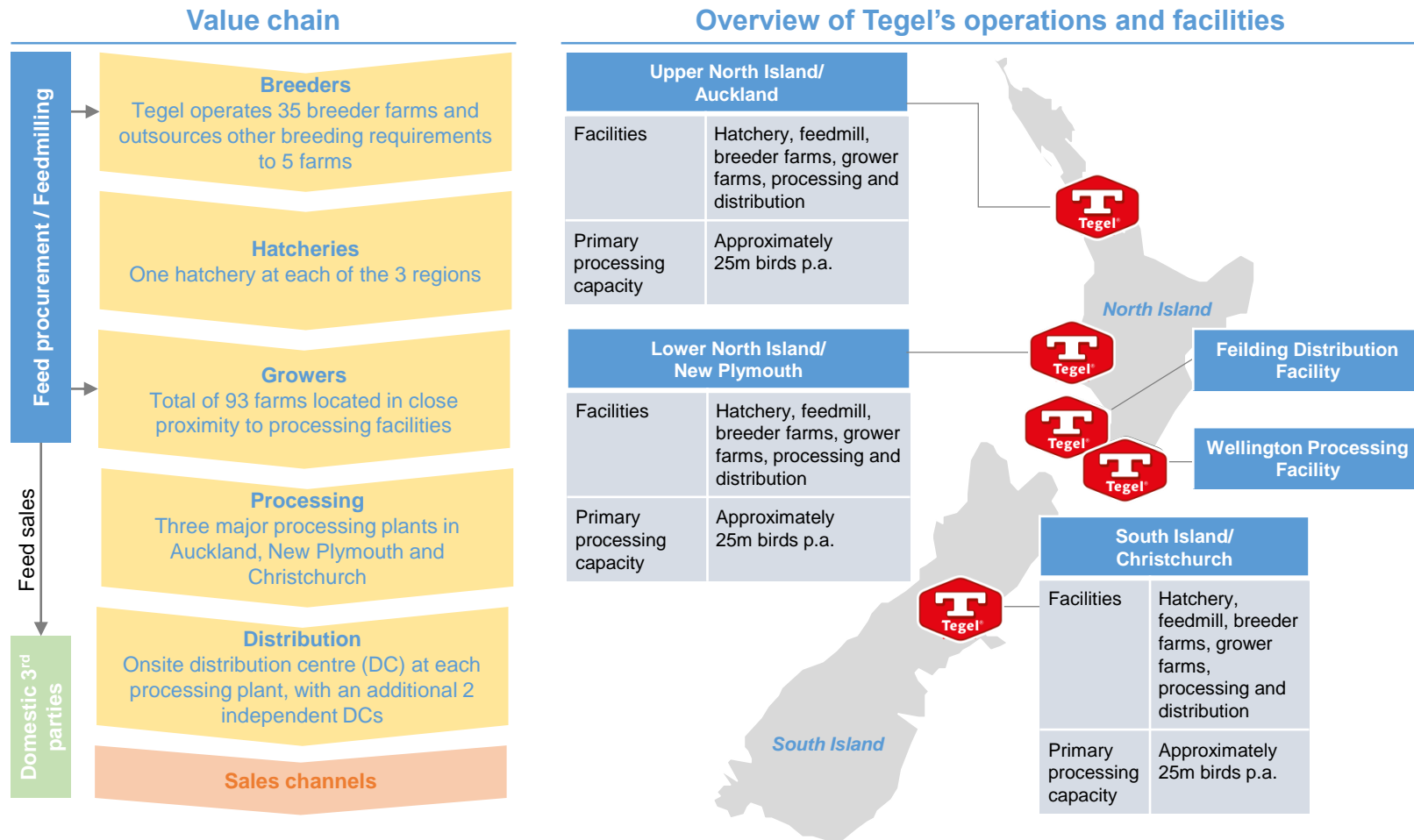


1. Relative to the global average for the Ross breed of chickens
2. Calculated as a total share of poultry processed in New Zealand (measured by dress weight), as surveyed by Statistics New Zealand
3. New Zealand market data for branded product market share based on Aztec scan data using dollar value of sales for the 52 week period ending April 2016. Aztec data includes only Foodstuffs and Progressive scan data. Branded market share excludes private label products which represent approximately 32% of the poultry grocery market channel

# Vertically Integrated Operations In Three Separate Locations



**INTEGRATED 'POULTRY TO PLATE' MODEL ENABLES TEGEL TO EFFECTIVELY MANAGE QUALITY AND COST**



# Reconciliation To GAAP



NZ\$m	FY16 Actual	FY15 Actual
<b>Underlying EBITDA</b>	<b>74.9</b>	61.1
Listing costs	(4.0)	-
Management bonus	(8.0)	-
Gains/(loss) on disposal of property, plant and equipment	-	4.6
Unrealised foreign exchange revaluations	-	1.1
Fair value adjustment to Biological Assets	0.5	(0.3)
Costs related to plant closure	-	(1.4)
Settlement of historical legal claim	(0.4)	-
Depreciation and amortisation	(18.3)	(19.4)
Net finance costs	(28.0)	(34.9)
<b>Net profit before income tax</b>	<b>16.7</b>	10.8
Income tax	(5.4)	(2.1)
<b>Net profit after income tax</b>	<b>11.3</b>	8.7

Underlying EBITDA is a profit measure used by Tegel to manage the business and differs from NZ IFRS net profit after tax. Underlying EBITDA is used by management in conjunction with other measures to monitor operating performance and make investment decisions. Underlying EBITDA refers to earnings before interest, tax, depreciation and amortisation. Underlying EBITDA is a non-GAAP profit measure and excludes the effects of certain IFRS fair value adjustments and items that are of a non-recurring nature.