

TasFoods (ASX:TFL)









August 2016

Refer to Appendix for important notice and disclaimer

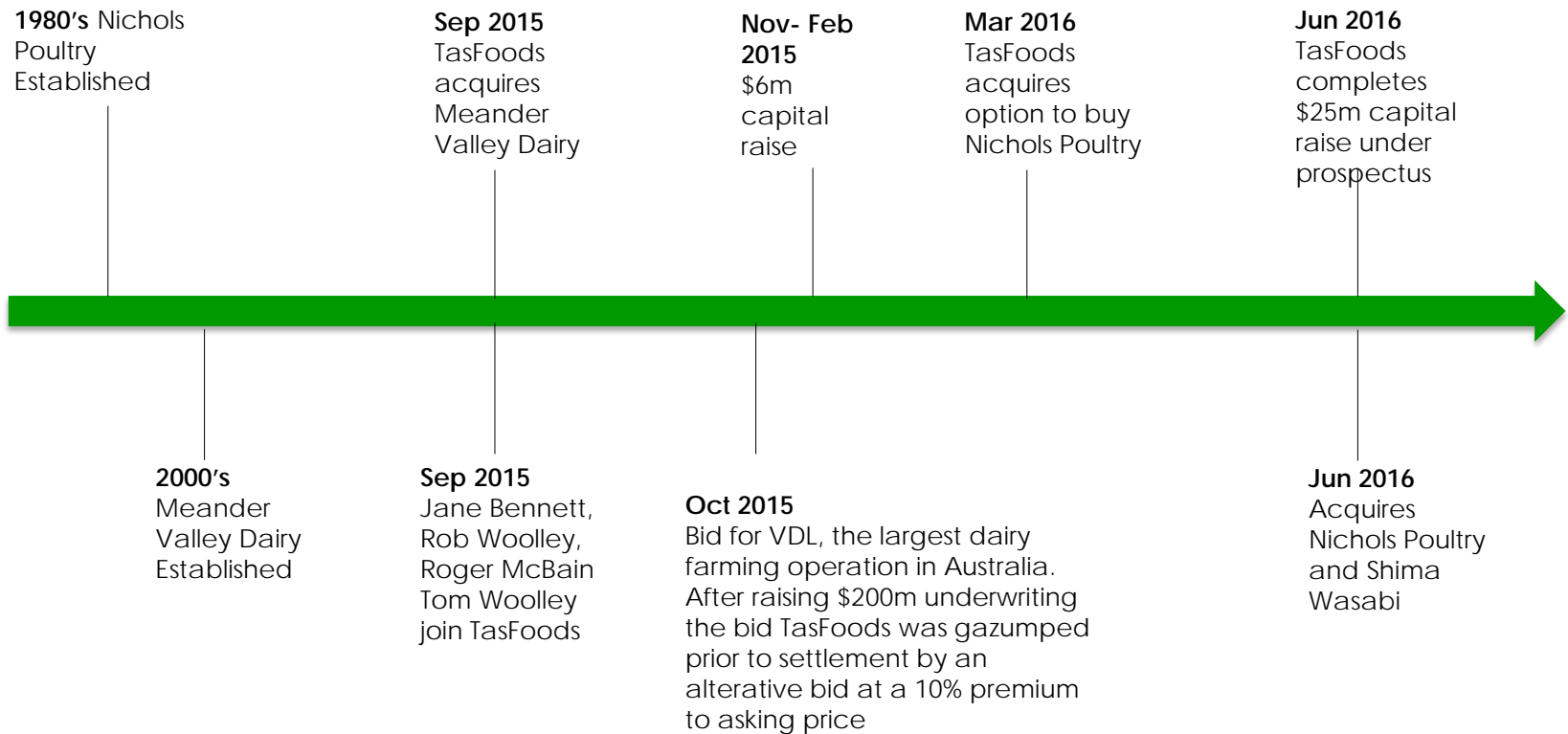


TasFoods Limited

TasFoods is an ASX listed entity with an experienced board and management team that is focused on acquiring and developing Tasmanian premium branded food businesses. Tasmania has proven to be a haven for the development of premium food businesses and brands trading on the Tasmanian provenance theme.

KEY CONSUMER BENEFITS	PRODUCTS
 Premium Quality	 Dairy
 Provenance	 Poultry
 Trace to the source	 Wasabi
 Sustainable	 Other

Timeline



TasFoods: People and today's presenters

The Directors and Senior Executives have a broad range of experience in the agribusiness and food sector



JANE BENNETT

MANAGING
DIRECTOR/CEO



ROB WOOLLEY

NON-EXECUTIVE
CHAIR

- Jane has 20 years experience as a senior executive in vertically integrated dairy operations in Tasmania and UK
- Jane lead the development of a successful branded hard cheese business in Tasmania. This family business is integrated with dairy farms owned by generations of the extended family
- Jane is a director of Food Innovation Australia Ltd. She has previously served on the boards of the Australian Broadcasting Corporation, Commonwealth Scientific & Industrial Research Organisation and the Brand Tasmania Council
- Jane was named 2010 Tasmanian Telstra Business Woman of the Year and 1997 Australian ABC Radio Rural Woman of the Year

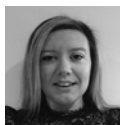
- Rob is the chairman of ASX-listed Bellamy's Australia Limited, a branded organic baby food company
- He is a former chairman of Tandou Ltd and a board member of Forestry Tasmania and the not-for-profit Tasmanian Leaders Inc
- Rob was previously managing director of Webster Limited following over 20 years as a partner of Deloitte
- Rob and his family are investors in food and food related businesses

TasFoods: People



TOM WOOLLEY
CHIEF OPERATING
OFFICER

- Tom is an experienced manager with over 11 years of private equity and investment banking experience. He has extensive experience in acquiring businesses and building successful Executive teams to drive them
- Tom worked at Credit Suisse for 3 years followed by 8 years as a Director at Ironbridge Capital, an Australian private equity company focussed on growth investments.
- In early 2015 engaged as an independent consultant to two ASX 300 listed companies assisting them with business development projects and acquisitions
- Reviewed 10+ food business opportunities in 2015



DONNA WILSON
CHIEF FINANCIAL
OFFICER

- Donna is a qualified finance executive with over 16 years of experience working within public practice at KPMG, an ASX listed company and statutory government authorities.
- Since December 2014 Donna worked at the executive level as the Director of Finance within a complex healthcare organisation.
- Donna holds a Masters of Business Administration and a Bachelor of Commerce and is a member of the Institute of Chartered Accountants Australia and New Zealand.



DAVID BENNETT
CHIEF SALES &
MARKETING OFFICER

- David is an experienced Sales and Marketing Manager with 6 years experience in FMCG including dairy products with key account responsibilities to major retail chains.
- David was instrumental in establishing North West Tasmanian Tourism Tasting Trail and served as inaugural Chairman.
- David has a Bachelor of Commerce and a Bachelor of Laws with Honours in Law



CHRIS SHERBON
MARKETING
CONSULTANT

- Chris is the owner and director of Synthesis Consulting providing branding, marketing, promotion and communication strategies for a number of food companies including Bellamy's Organic since 2009.
- Chris has an extensive background and over 40 years' experience in business development, brand management and advertising in the United Kingdom and Australia.
- Chris was Managing Director of SSB Advertising in Sydney for 4 years, is a graduate of the Stanford Executive Program on Strategic Marketing, a graduate of the International Management Development School (IMD), Lausanne, Switzerland on Competing Through Services and a graduate of the Australian Company Director's Course



ROGER MCBAIN
NON-EXECUTIVE
DIRECTOR

- Roger was a partner for 6 years with Deloitte and prior to this was a partner in a privately owned accounting firm for 25 years
- Roger holds a Bachelor of Business degree and is a member of the Institute of Chartered Accountants, the Australian Reconstruction, Insolvency & Turnaround Association and is a member of the Taxation Institute of Australia



TONY ROBINSON
NON-EXECUTIVE
DIRECTOR

- Tony has held a number of senior management positions in a variety of service industries, including stockbroking, financial services, telecommunications and transport
- He is currently a director of Bendigo & Adelaide Bank Limited and was previously managing director of Centrepont Alliance Limited.
- Tony was the Managing Director of Oncard International Limited from June 2014 to September 2015



HUGH ROBERTSON
NON-EXECUTIVE
DIRECTOR

- Hugh has worked in the stockbroking industry for 30 years with a variety of firms including Investor First, Wilson HTM and more latterly Bell Potter. Among his areas of interest is a concentration on small cap industrial stocks and he currently sits on the boards of Centrepont Alliance, Primary Opinion Ltd and AMA Group Ltd.

TasFoods Strategy

Develop a portfolio of category leading premium branded food products primarily sourced from Tasmania



Identify and build a portfolio of **PREMIUM BRANDED FOOD PRODUCTS**



Capitalise on the natural attributes of the **TASMANIA AGRICULTURAL ENVIRONMENT**



Expand into **TARGETTED PRODUCT CATEGORIES**



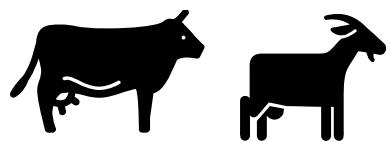
Grow into new **DOMESTIC AND INTERNATIONAL MARKETS**



Innovative **PRODUCTS, PACKAGING AND MARKETING**



Recruit and develop **HIGH QUALITY TEAM**



DAIRY



Dairy

Achievements since Meander Valley Dairy acquisition in October 2015



Hired a **HIGH QUALITY PROVEN TEAM** of dairy employees



Sales of \$0.94m in half year showing growth of 129% on 2015 half year



Expanded into **WOOLWORTHS** national



Cost review has identified **MARGIN OPPORTUNITIES**



NEW FACTORY to provide scope for new product development & volume growth



Aspirational target of revenue **5-10x revenue over next 3-5 years**



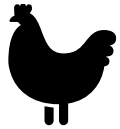
Products

- Meander Valley Dairy is the existing dairy brand
- Product range includes premium luxury creams in retail and food service packs;
 - Double Cream
 - Crème Fraiche
 - Clotted Cream
- Cultured butter is made using traditional batch churn methods;
 - Salted and unsalted
 - Buttermilk
- Ice cream



Dairy Outlook – 3 year short term

Where we are today	<ul style="list-style-type: none"> • Small production facility manufacturing a range of luxury cream and butter products. • Cream sourced from third party processors (a by product of their operation)
Where we sell	<ul style="list-style-type: none"> • Branded cream products sold into Woolworths nationally • Branded cream and butter products sold to Independent retail, food service nationally • Private label cream sold to Coles
Goat Dairy Development	<ul style="list-style-type: none"> • A herd of 400 milking goats has been purchased and moved to converted chicken sheds on company owned land at the Nichols site. The herd commenced kidding in mid July with over 50% of the kidding now completed. • Milk supply is scheduled to commence to the processing plant in September • This herd will enable the business to develop animal welfare standards and milk quality standards required for fresh product sales. This site will be the demonstration model to attract contract goat milk supply in the future • Trial Fetta cheese manufactured by the dairy processing team from this goat milk supply in May was awarded Reserve Champion Goat/Sheep Milk Product at the Hobart Fine Food Awards in early August 2016
New Production Facility	<ul style="list-style-type: none"> • Production is scheduled to move to a leased facility in October 2016 which will provide capacity for processing 5 times current volumes of cream • Project is on time and on budget • The facility will have separate rooms for cream packing, butter production and cheese production enabling multiple products to be manufactured in a single day • Facility has capacity for processing forecast volume of goat milk into bottled milk and cheese
Short Term Sales Growth	<ul style="list-style-type: none"> • Grow butter sales from second half 2016 • Review Coles private label cream sales to optimise sales opportunity in luxury cream category • Revise packaging and launch new look branding in second half 2016 • Commence sales of goat milk products in second half 2016 • Expand independent retail sales through direct distribution in second half 2016 • Launch range of flavoured butters first half 2017 • Launch retail ice cream range incorporating Tasmanian sourced fruit in second half 2017



NICHOLS POULTRY

Acquired by TasFoods June 2016



Nichols Poultry



Established brand with
a product that has
PREMIUM QUALITIES



Platform for
GROWTH



Opportunities for expansion in
RETAIL MARKETS



Aspirational revenue target
**3-5x revenue growth over next
5 years**



COMPETITIVE ADVANTAGES

- Premium quality product
- Operates in low biosecurity risk environment
- Room for expansion on existing site
- Well known and respected local brand with 25% of local sales



Australian Chicken Market

MARKET	<ul style="list-style-type: none"> • 2016-17 chicken meat production in Australia is forecast to be 1.20 million tonnes. Over the medium term this is forecast to increase by around 3% a year to 1.36 million tonnes in 2020-21 • There are two integrated national companies who supply more than 70% of Australia's broiler chickens – Baiada and Inghams Enterprises. • The balance of the market is supplied by six medium sized privately owned companies supplying between 3% and 9% of the national market and a number of other small processors
FREE RANGE	<ul style="list-style-type: none"> • Around 15% of the current meat chicken production is raised as free range (this includes all organic production). Conventional free range commands on average a 25% premium over barn raised meat. • Free range standards are set by the industry without any auditing oversight. Standards include a range area equal to the area of the shed (that may house 50,000 chickens resulting in a stocking density of up to 150,000 birds/ha) and pop holes open for 8 hours/day
RETAIL CHICKEN MEAT SALES	<ul style="list-style-type: none"> • Supermarkets represent 38% of all chicken meat sales, specialty retailers 8% and butchers shops 3%. The remainder is largely supplied to the food service sector including the fast food industry • Overall market share for the 3 major food retailers are Woolworths 37%, Coles 33%, Aldi 12% • 50% of chicken meat sales in Woolworths and Coles are private label, 100% private label sales in Aldi

Nichols Poultry

Where are we today

Sales

- 50% of sales are through Coles supermarket (RSPCA Coles branded, Nichols branded and deli).
- No sales through Woolworths and limited sales through largest independent grocer network in Tasmania
- Sales are entirely to the Tasmanian market

Processing

- Chickens are raised in a network of contract grower sheds
- All sheds are RSPCA accredited with no free range production currently
- Feed is processed in company owned feedmill
- Day old chicks are purchased from Redbank hatchery.

Where we want to go

- Migrate Nichols branded product to free range production system
- Develop branding to highlight attributes of Nichols products and points of difference (currently antibiotic free, chlorine free, free from added water)
- Improve processing efficiency and expand production capacity
- Build markets outside of Tasmania

TasFoods Free Range Chicken Plan Nichols – Ethical Free Range



PRODUCTION STANDARDS (in development)	<ul style="list-style-type: none"> • Small mobile sheds to house 500 -1,000 chickens each • Pop holes open 24 hours per day unless extreme weather is forecast • All natural lighting and ventilation • No antibiotics or hormones used in production (existing Nichols standard) • Develop standards for external audit capability
MARKET ADVANTAGE	<ul style="list-style-type: none"> • Higher animal welfare standard than existing industry standard that is better aligned with premium consumer expectations • Extension of the existing Nichols Chicken flavour and market point of difference – free from antibiotics, added hormones, added water and chlorine • New branding and packaging to reflect the natural and wholesome identity of the free range chicken product
TARGET MARKET	<ul style="list-style-type: none"> • 2017 transition existing Nichols branded market with new free range product • 2017 expand sales of branded free range into additional Tasmanian retail stores • 2018 expand sales of branded free range into retail in selected Australian markets

Advantages for Nichols Poultry Location



EXPORT CAPACITY

Nichols Poultry is free from Infectious Bursal Disease (IBD) which mainland Australian poultry businesses are not. Freedom from IBD enables export into markets with tight biosecurity regulations such as New Zealand and opens export opportunities across Asia



COST SAVING FROM VACCINATION REQUIREMENTS

Nichols Poultry is free from respiratory pathogens *Mycoplasma Gallisepticum* and *Mycoplasma Synoviae*. Mainland Australian poultry businesses are free from these diseases through the use of vaccines in the breeders which Nichols Poultry does not have to do.

There has never been an outbreak of Newcastle Disease in Tasmania so Nichols Poultry does not need to vaccinate against this disease.



FREEDOM FROM DISEASE

There has never been an outbreak of Avian Influenza in Tasmania.

The following diseases are found in mainland Australian poultry flocks but not in Tasmania. All of these diseases increase mortality rates and reduce weight for age and feed conversion rates;

- Infectious Laryngo Tracheitis is a disease that is endemic in mainland Australian poultry flocks
- Infectious Bronchitis variant that is a respiratory disease for which there is no vaccine
- Fowl Pox – there is a vaccine but lack of availability means many mainland Australian flocks are unprotected
- Inclusion Body Hepatitis has never been reported in Tasmania



PRODUCTION COST ADVANTAGE

The disease free advantages of a Tasmanian location result in Nichols Poultry achieving a reduction in cost of bird production.

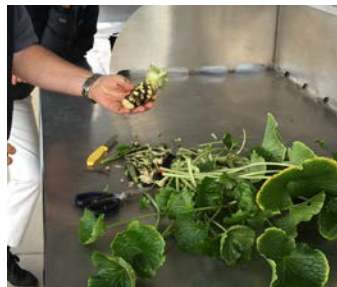
SHIMA WASABI

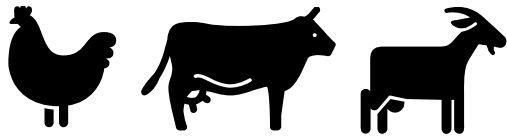
Acquired by TasFoods June 2016



Shima Wasabi

- Shima Wasabi is a food producing company located in northwest Tasmania.
- Shima grows and markets pure Japanese wasabi (*Wasabia japonica*) and currently supplies over 60 of Australia's leading restaurants with premium grade fresh wasabi products.
- Australia's only Wasabi operation of any scale.
- Shima Wasabi produces all its wasabi on in greenhouse and a hydroponic production system.
- Shima Wasabi also produces 100% pure wasabi spices for food manufacturers. These concentrated spices are used by customers in a range of food products.
- In 2013 Shima Wasabi launched a Pure Wasabi Powder for retail sale.
- The existing operations are located in 3000 square meter greenhouse.
- A Development Application has been submitted to Council for an additional 4000 square meter greenhouse. This will be built adjacent to existing site. Scheduled to be operational in mid 2017 with first full harvest in 2019.
- Each Wasabi plant can be harvested over a 3-5 year period.
- TasFoods believes that additional greenhouses could be constructed with the IP surrounding the hydroponic system providing a competitive advantage. We believe there is significant opportunity to growth revenue through opening up new distribution channels with the wasabi powder.








FUTURE DEVELOPMENTS

To be developed by TasFoods



New Product Development

		PRODUCT DEVELOPMENT		
		CURRENT	SHORT TERM	MEDIUM TERM
 Dairy - Cow		Cream Cultured Butter Ice cream Butter Milk	Flavoured Cultured Butter	Yoghurt Fresh milk Soft cheese Sour creams Hard Cheese
 Dairy - Goat		Soft Cheese	Fresh milk	Hard Cheese Yoghurt
 Poultry		Fresh RSPCA Chicken Packaged Chicken Value Add Chicken Products	Ethical Free Range Chicken Turkey	New Value Add Products



APPENDIX 1: Financial Information

TasFoods: Corporate Overview

MARKET METRICS 30 JUNE 2016

	Value
Last traded price (A\$)	\$0.28
Shares on issue (m)	164m
Market capitalisation (A\$m)	\$46m
Options on Issue (m) ⁽¹⁾	18.5

*Note: (1) 10.0m options exercise price \$0.21; 8.5m options exercise price \$0.42

BOARD OF DIRECTORS AND KEY EXECUTIVES

Rob Woolley	Non Executive Chair
Jane Bennett	Managing Director
Tony Robinson	Non Executive Director
Hugh Robertson	Non Executive Director
Roger McBain	Non Executive Director
Tom Woolley	COO
Donna Wilson	CFO
David Bennett	CSMO

SHARE PRICE AND VOLUME



Source: Comsec

CONFIDENTIAL

Income Statement 1H2016

(A\$m)	1H2016
Revenue	2.00
EBIT	(1.57)
Profit (Loss) before income tax expense	(1.55)
Net Profit (Loss) after income tax expense	(1.55)
Net Assets	35.87
Operating cash flow	(0.96)

- Revenue includes 15 days of Nichols Poultry (\$1.054m)
- Revenue for dairy is up 129% for same period under previous ownership
- Key drivers of the operating results were;
 - corporate costs associated with identification and completion of acquisition opportunities,
 - legal and professional fees incurred in relation to acquisitions,
 - development of an integrated brand and marketing strategy,
 - corporate support expenditure and salaries associated with key executive and management positions to support and implement the strategy.

Balance Sheet 1H2016

(A\$m)	1H2016
Cash	16.06
Borrowings	0.48
Net Assets	35.87
Net tangible assets	27.12
Net assets per share (cents)	21.86
Net tangible assets per share (cents)	16.53

- Cash represents 40% of the total assets of the group
- Net assets have increased from \$5.55m at Dec 15, a 546% increase which is reflective of the acquisitions made in June and the capital raising completed in June

Cash Flow 1H2016

(A\$m)	1H2016
Operating cash flow	(0.96)
Investing cash flow	(10.97)
Financing cash flow	25.20

- In June 2016 the company acquired Nichols Poultry for a cash consideration of \$7.374m and Shima Wasabi for a cash consideration of \$2.468m)
- During the half year the company raised \$29.62m net of cost through the issue of 125,009,000 ordinary shares at \$0.25 per share
- The company repaid \$4.43m in borrowings as part of the completion of the Nichols settlement



APPENDIX 2: Risks

Risks

RELIANCE ON CONTRACT GROWERS	The Nichols Poultry business relies on third party producers to grow the chickens it processes and sells. The termination of such arrangements could result in significant adverse financial consequences, as it may take some time to replace the lost supplies of chickens.
RELIANCE ON MAJOR CUSTOMERS	Nichols Poultry has major customers for its products, such as supermarkets. A reduction in product demand from such a customer (or a loss of the customer altogether) could result in significant adverse financial consequences, as it may take some time to replace the lost sales.
PRODUCT AND FOOD SAFETY RISK	As with other poultry processors, the Company will also be exposed to the risk of product contamination and product recalls in connection with chickens processed by the Nichols Poultry business.
ENVIRONMENTAL RISKS	As with other production and processing businesses, the operation of the Nichols Poultry business generates noise, odour, waste and air emissions in the course of chicken growing and processing. The Company will be subject to regulatory obligations regarding those emissions and failure to comply with those obligations may have an adverse impact on the Company, including its reputation.
REGULATORY RISK	A range of laws and regulations apply to the Nichols Poultry business, including laws and regulations specific to the chicken meat industry. Future changes to such laws and regulations may detrimentally effect the operations and performance of the Nichols Poultry business.
DEBT RISK	As the Company continues to expand its business, it may establish a loan facility with a bank to fund acquisitions or provide working capital. If it were to do so, the Company expects that, among other things, it would be required to give security for any such loan (e.g. a mortgage over the 91 hectare property) and to comply with covenants in relation to the financial position and performance of the Company. Any default by the Company under its loan obligations may have a materially adverse financial impact on the Company.
COMMERCIAL, OPERATIONAL AND PRODUCT RISK	The Company will be subject to general commercial and operational risks including changes to market competition, reductions in water entitlements (or variations to the conditions applicable to water entitlements) and events that interrupt or hinder production, such as a reduction in the availability of chickens due to infection or disease. Such events could adversely affect the Company's financial performance. The Company will also face inherent risks including failure of machinery, energy suppliers and computer equipment, and industrial action. Further, there will be increases from time to time in the costs of operating the Nichols Poultry business, which the business may be unable to pass on to customers through increased prices for its products, adversely affecting the profitability of Nichols Poultry.
AVAILABILITY OF APPROPRIATELY SKILLED LABOUR	The Company's ability to remain productive, profitable and competitive, and to implement any planned growth initiatives will depend on its ability to attract and retain workers. Tightening of the labour market in key regions such as north west Tasmania due to a shortage of suitably skilled workers may inhibit the Company's ability to hire and retain employees. The Company is also subject to occupational health and safety regulations. If it is not able to maintain its working conditions to meet those regulations, this may impact its operations and ability to attract and retain workers, and also result in contravention of those regulations, which may give rise to potential criminal and civil liability and also damage the Company's reputation.
GENERAL ECONOMIC CONDITIONS	The operating and financial performance of the Nichols Poultry business is influenced by a variety of general domestic and world economic and business conditions, inflation, interest rates, exchange rates, access to debt and equity capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in any of the above factors may have a material adverse effect on the financial performance, financial position, cash flows, distributions and growth prospects of the Company.
FORCE MAJEURE	Events such as natural disasters or chicken-related disease outbreaks may occur which may have an impact on the Nichols Poultry business. Any such force majeure events may have a negative impact on the value of an investment in the Company.

Risks

FEED COST RISK	The availability and price of raw ingredients (such as corn, wheat, soy bean meal and sorghum) that it uses at its feed mills to make the feed that is used by its breeder and grower operations for feed production is dependent on crop production, which is affected by weather conditions (especially rainfall) and pests, the global demand for raw ingredients (including in other industries), and TasFoods relationships with key suppliers. A sustained and substantial increase in the costs of these raw ingredients and other feed input costs could have a material adverse effect on TasFoods' financial performance
ANIMAL WELFARE RISK	If any of TasFoods birds are mistreated at any stage of their growth or if any of its policies and procedures are not followed at a breeder or grower farm there is risk that TasFoods birds could become susceptible to disease and other illness, and/or that the mortality rates would increase. This may have a material adverse effect on TasFoods financial performance as it may incur increased costs to address illness in its flock and decreased revenue due to a lower number of birds being processed. TasFoods has comprehensive animal welfare policies and procedures in place, which all TasFoods breeders, hatcheries and growers are required to comply with.
FLUCTUATIONS IN DOMESTIC CHICKEN SUPPLY AND PRICING	Any increases in the supply of chicken in the domestic market (for example as a result of increased production) that exceed the increases in demand in the market may result in an oversupply of chicken in the market, which may result in reduced prices and negatively affect TasFoods financial performance.



APPENDIX 4: Important Notice & Disclaimer

Important Notice & Disclaimer

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