



TFS Corporation Ltd

FY16

Full Year Results

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SECTION 1

Overview

A year of excellent progress

- ✓ Cash EBITDA¹ 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
- ✓ Strong development of end markets for sandalwood products, with multi-year contracts signed with wood buyers in China and India
- ✓ Refinance of Senior Secured Notes: new Notes mature in 2023 and deliver a 20% reduction to TFS's cost of debt
- ✓ Cash at 30 June 2016 of \$107m provides a strong platform for growth
- ✓ Credit rating upgrades from both Moody's and S&P

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

Solid financial and operational performance

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

- 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 Viroxis 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 Operational expansion (people and equipment) complete New production line installed at processing facility
Develop end markets and finalise supply agreements	✓	Majority of harvests through to 2021 now 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 3,631ha First two buyback offers completed
Progress pharmaceutical product development	✓	Four Phase 2 trials underway: <i>oral mucositis, eczema, psoriasis and molluscum contagiosum</i>
Introduce new plantation investors	✓	Total establishment fees in line with prior year at \$87m Average establishment fee per hectare increased by 29%
Review refinance of Senior Secured Notes	✓	Completed ahead of schedule with refinance in July 2016 Maturity extended to 2023 Cost of debt reduced by 20% with a coupon of 8.75%

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 is complete and on track to deliver more than 300 tonnes of heartwood, a tenfold increase on the 2015 harvest
- ✔ Contracts in place to deliver an additional AU\$40+m of cash revenue from Indian sandalwood product sales from the 2016 harvest
- ✔ Multi-year supply contracts now in place for the majority of supply from harvests through to 2021

Guidance for FY17:

Adjusted Cash EBITDA¹: increase of at least 25% on FY16

Establishment of c1,500ha of new plantations

Note 1: Cash EBITDA defined on Page 4. 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

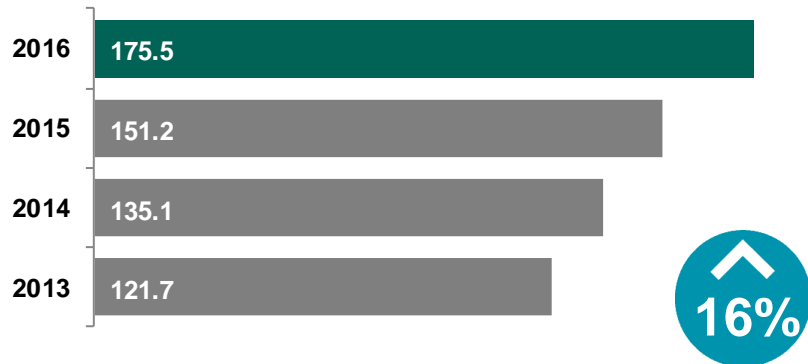


SECTION 2

Financial Results

Key financial results

Cash Revenue (\$m)



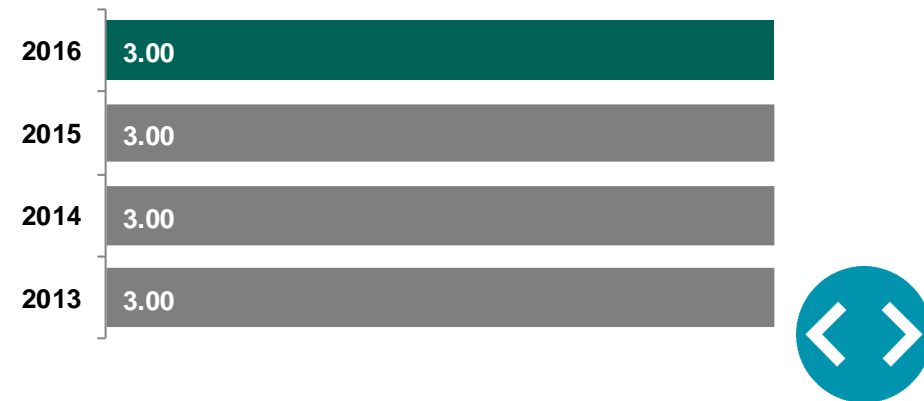
Cash EBITDA (\$m)



NTA (\$m)

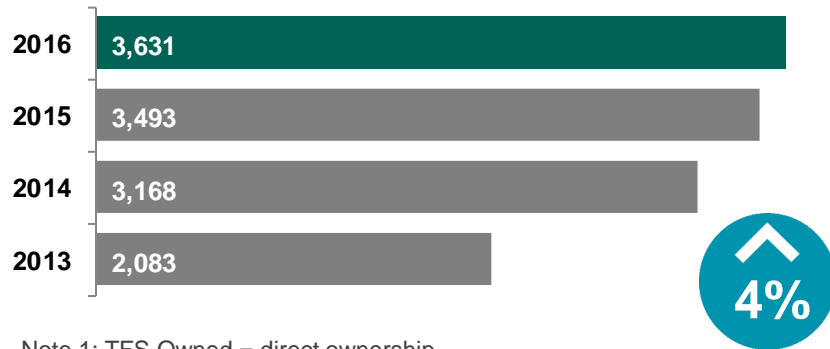


Dividend Per Share (¢)



Key operational results

TFS Owned Estate¹ at 30 June (Ha)

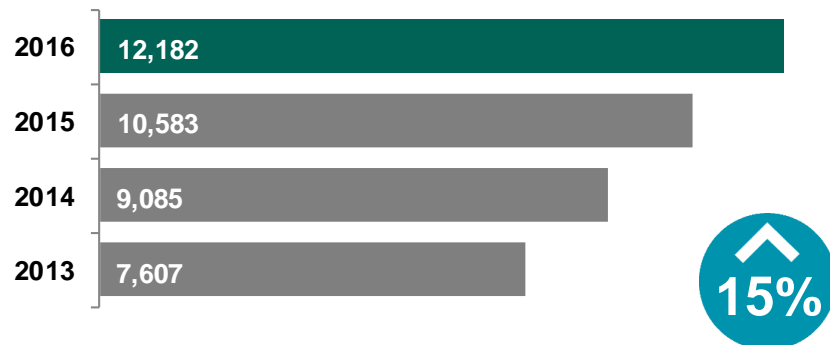


Note 1: TFS Owned = direct ownership plus effective indirect ownership

Total New Plantings (Ha)



Total Estate Size at 30 June (Ha)



Establishment fee per ha (000's)



Growth in TFS owned plantations



Owner (ha)	FY16	FY15	FY14
Institutional	4,221	3,475	3,031
Retail and Sophisticated Investor	4,330	3,615	2,886
TFS (direct & indirect ownership)	3,631	3,493	3,168
Total Estate	12,182	10,583	9,085

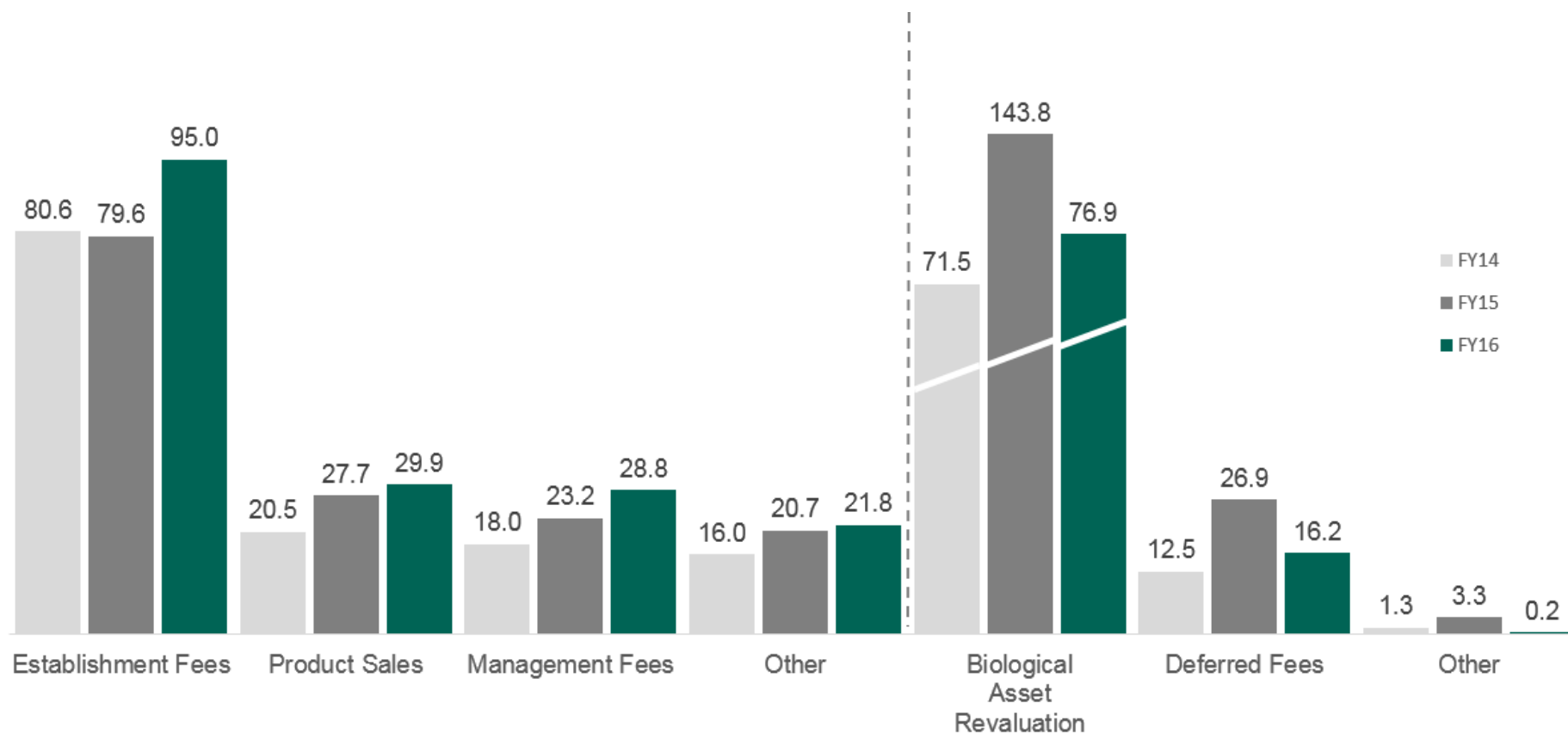
Broadly based revenue growth

CASH
REVENUE

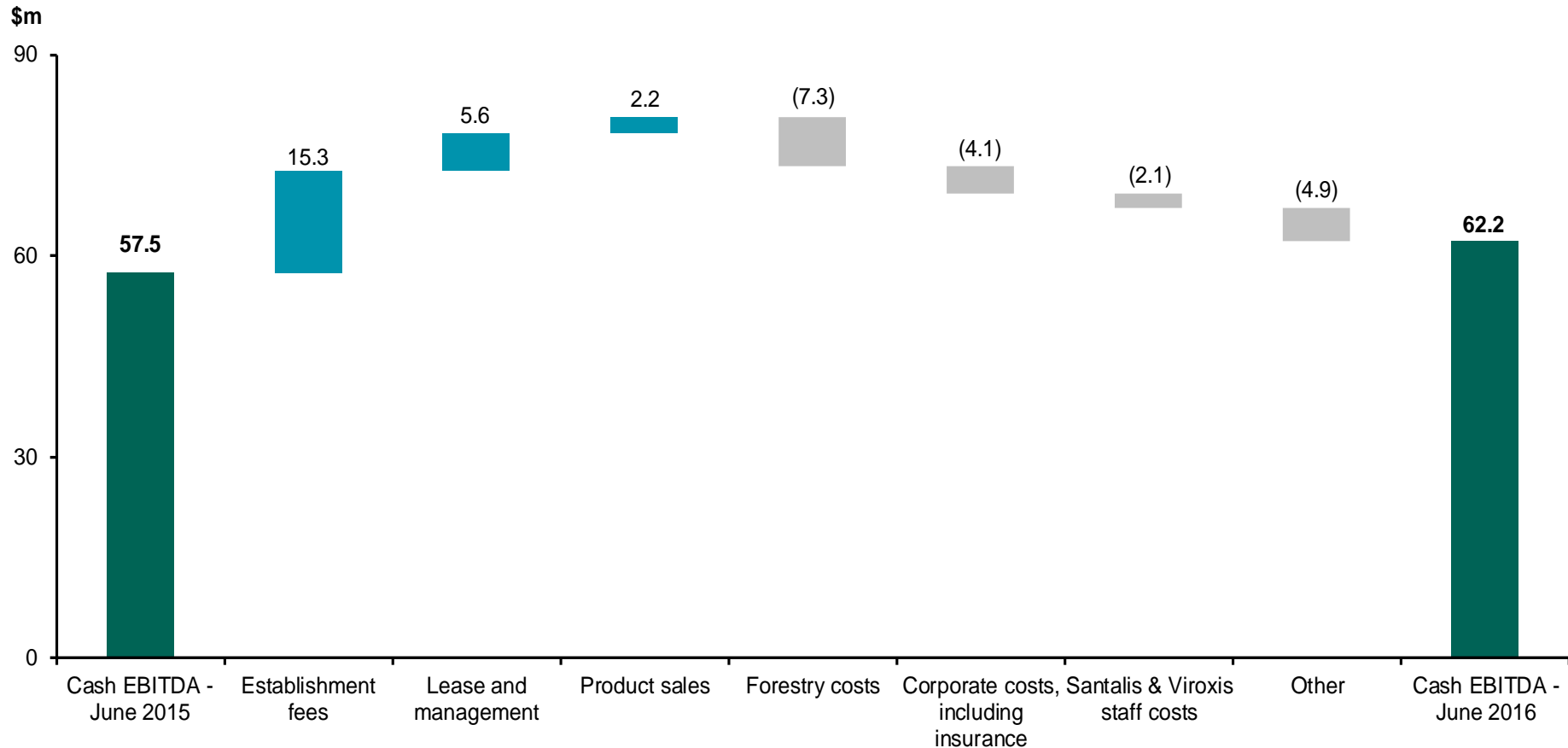
16% INCREASE
to \$175.5m

NON-CASH
REVENUE^{1,2}

46% DECREASE
to \$93.3m

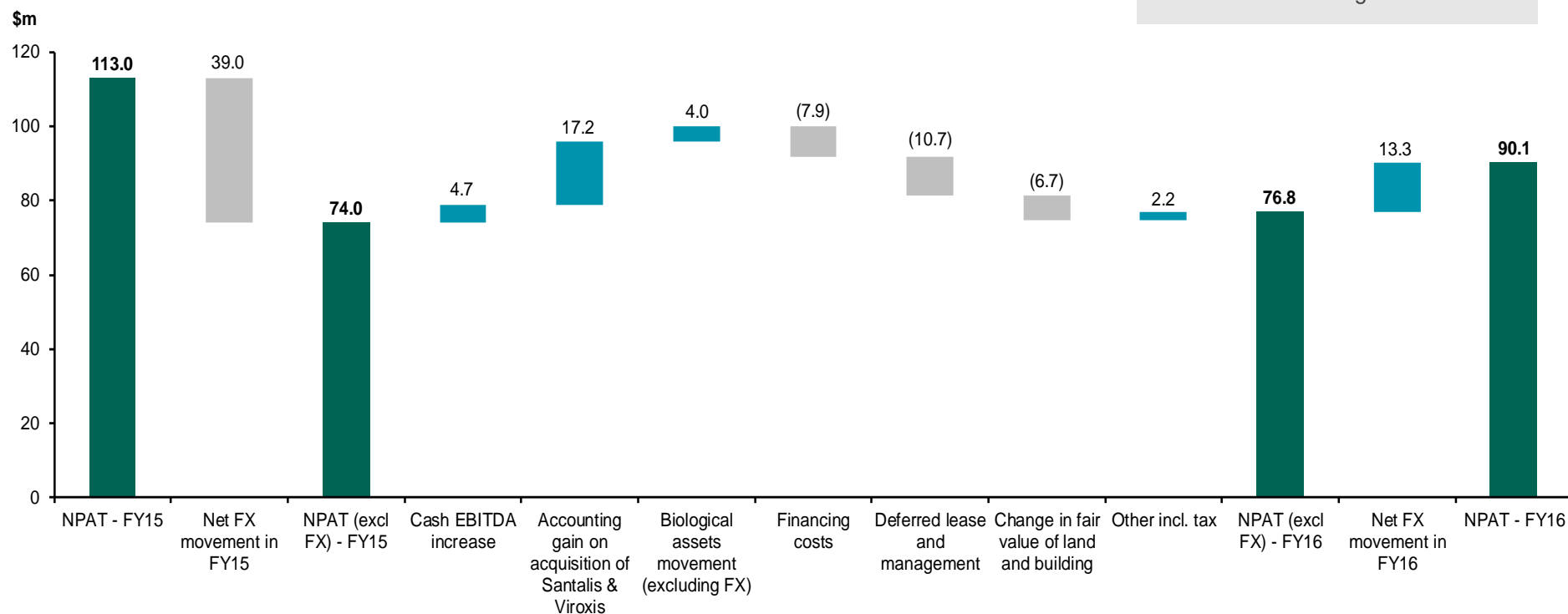


Cash EBITDA up by 8%, in line with guidance



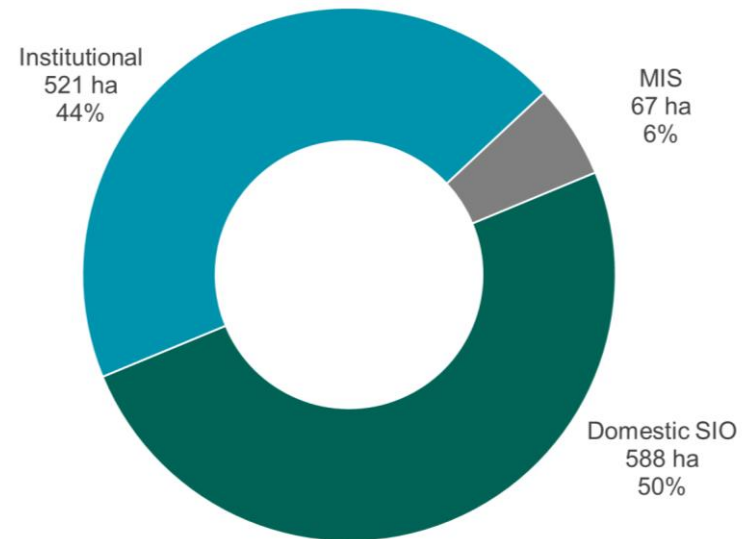
NPAT down by 20%, largely due to lower FX gain

4%
INCREASE TO NPAT
excluding FX

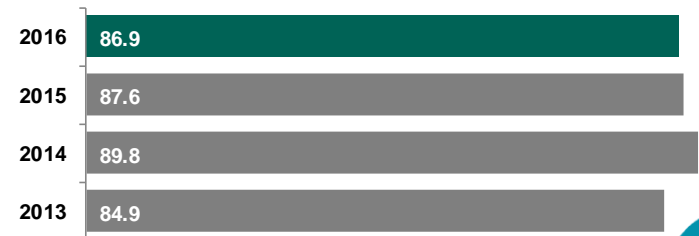


Increased margin on plantation sales

- Total plantation sales of \$87m were broadly in line with FY15
- Average establishment revenue per hectare increased by 29% to \$74k, as a result of:
 - Price rises > 10% on all three products, and
 - Expiry in 2015 of the options granted in 2010 to the original institutional investors
- Significant new institutional investor, a US based global investment management fund, acquired \$27m of land and trees in June
- Strong trend of repeat investments from institutional investors continued, with 213ha acquired by Church Commissioners for England
- Good demand from domestic sophisticated investors with a promising pipeline built for FY17; TFS's plantation investment products are (a) one of the few ATO approved products, and (b) now have a track record of attractive and realised returns



Financial Product Sales (\$m)



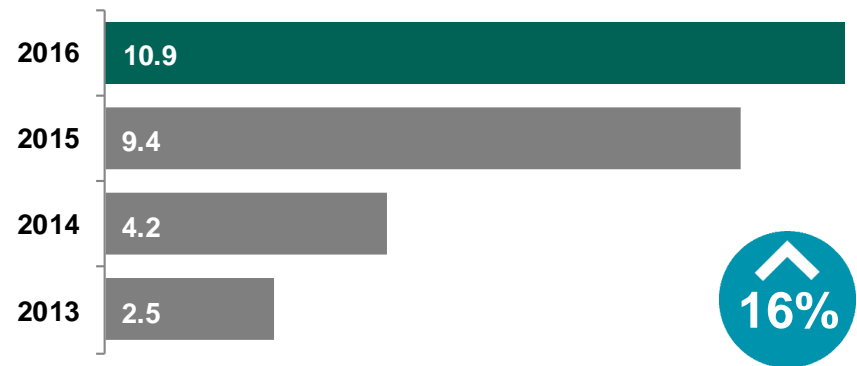
Positive momentum in sandalwood product sales

- Indian sandalwood sales were flat on FY15, in line with expectations, due to the comparable yield from the 2015 and 2014 harvests – the tenfold increase in the size of the 2016 harvest is expected to lead to over AU\$40m of extra revenue from product sales
- All Indian sandalwood harvested in 2015 was sold as oil in FY16 – with an average price of AU\$5,202 per kg (FY15: AU\$5,452), including 240kg to Lush under legacy contract pricing
- Positive contribution from the contract to sell WA state owned Australian sandalwood – the contract for a new ten-year term is expected to be finalised in CY16

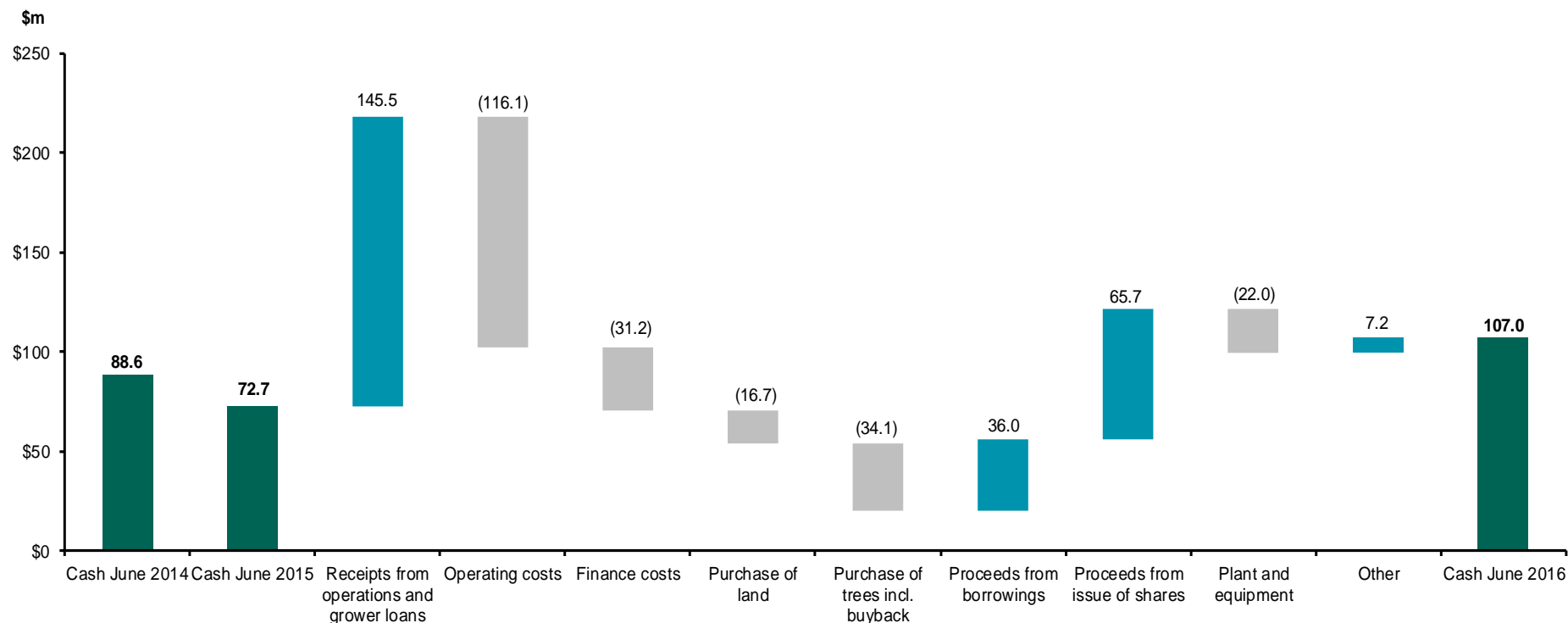
Revenue (\$m)



Contribution (\$m)



Closing cash balance of \$107m



- Operating cash-flows in FY16 of \$20m set to increase strongly in FY17 due to the sale of sandalwood products from the 2016 harvest and newly established funding programs which enable TFS to divest loans issued to plantation investors
- TFS's cash inflows in FY17 will continue to be heavily weighted to H2 as the vast majority of plantation sales will settle in Q4 (as in prior years)

Debt refinance provides a stable capital structure

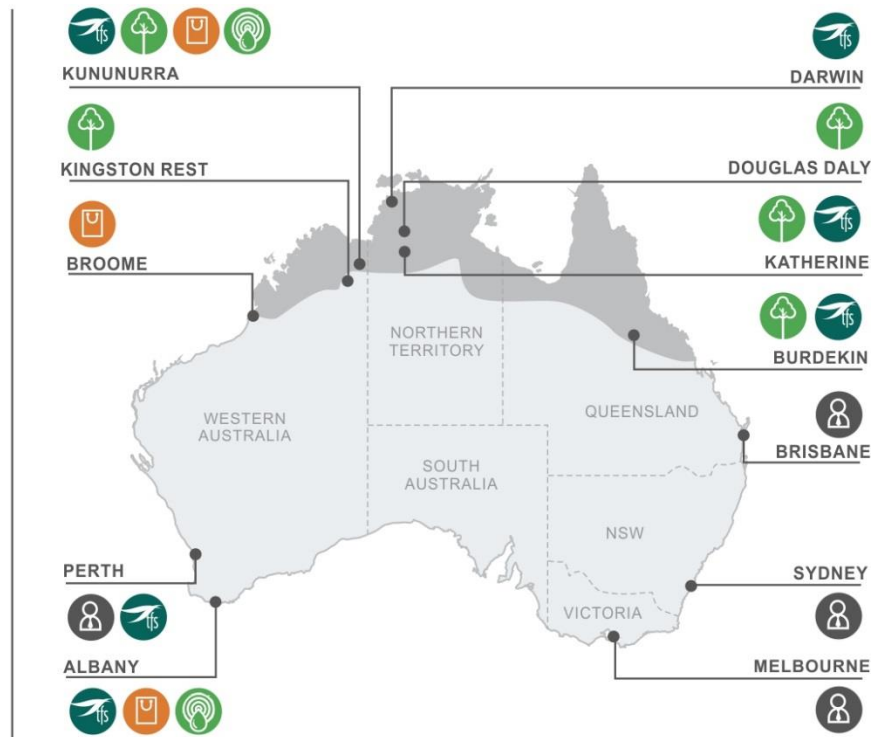
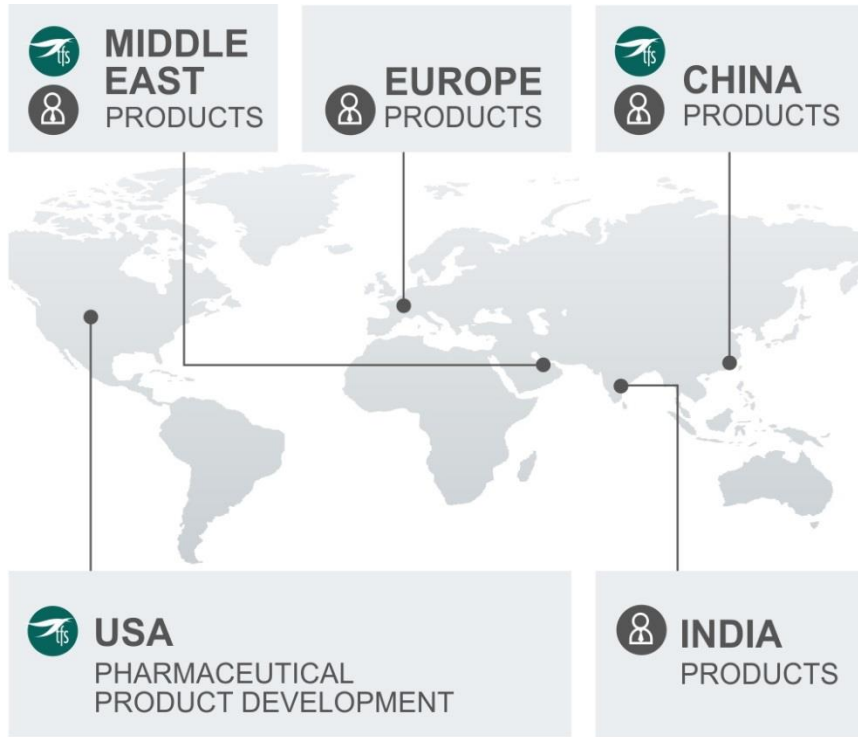
- Senior Secured Notes successfully refinanced in July 2016
 - Cost of debt reduced by 20%
 - Maturity extended to August 2023 aligned with the timing of our larger harvests, with a non-call period of 3 years
 - No maintenance covenants
 - Issuance was jointly managed by JP Morgan and NAB
- Strong support from existing debt holders who subscribed to 90% of the new issuance
- Total debt increased to US\$250m which, after the redemption of TFS's original notes and refinancing costs of US\$13m, provided \$49m of additional capital in July
- Ratings upgrade from Moody's in June 2016 and S&P in July 2016
 - Moody's: "Ratings upgrade to B2 reflects the transformation of TFS's business"
 - S&P: "Rating raised to B+ on increasing harvest yields"



SECTION 3

Business Update

A vertically integrated and global business



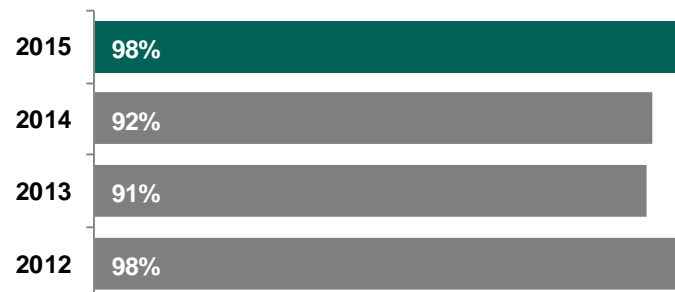
Excellent plantation health

- Annual independent inventory count and measurement was completed in June 2016 and has been included in FY16 results
- Total estate now has 5.4m Indian sandalwood trees, up 17% on 2015
- Consistent excellence of the annual planting process illustrated by the excellent first year survival rate of 98% (from the 2015 plantings)
- Continued low annualised average mortality of under 1% for trees aged between 2 and 15 years

Number of sandalwood trees in estate (m)



First year survival rate by vintage (%)



Forestry operations now have significant scale



12,182ha
OF PLANTATION
twice the size of Manhattan island



20,000km
OF IRRIGATION DRIP TAPE
would stretch from North to South Pole



63
PROPERTIES



over 50
OPERATING
BORES



39,000ha
OF MANAGED
LAND



over 500
WORKERS
including 100 full time staff

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%	84%
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

Harvest and processing are progressing to plan

- Harvest is 100% complete with over 32,000 sandalwood trees harvested
- Results expected to be in line with forecast of >300 tonnes of heartwood, up tenfold on 2015 and 2014
- Grower owned trees (c16%) will be marketed for sale in September, with the results of the tender expected in October
- Expansion of the Primary Processing Centre in Kununurra was completed in May 2016, with the installation of a new wood production line, custom built in Italy
- First shipment and payment of processed wood to China scheduled for September 2016



Note: Visit www.tfsltd.com.au/news for more images of the harvest and wood processing

Two major supply agreements signed in FY16

Territory	Market Segment	Product	2016 harvest (t of heartwood)
	Handicrafts, Furniture, TCM	Wood	150t
	Aromatherapy, Wellness, Pharmaceutical	Oil	>30t
	Traditional	Wood	30t
	Cosmetics	Oil	27t

c\$200m
REVENUE
from FY17 to FY21

Commencement of grower buyback program

- Equity capital raised in April to acquire up to 221 hectares of MIS grower interests in five projects due to be harvested between 2016 and 2022
- Two buyback offers completed – relating to the 2016 harvest and 2017 harvest – with 66% and 32% acceptances respectively
 - Good take-up of the first buyback with TFS now owning 84% of the 2016 harvest
 - Lower acceptance rate for the second buyback due to two large investors, holding c30% of the project, electing to hold their interests to harvest
 - Offers relating to the 2018 harvest likely to be issued in October, after the completion of the tender of the grower owned wood from the 2016 harvest



Good progress from pharmaceutical product division

- Successful acceleration of product development at Santalis Pharmaceuticals, with FDA approval for four on-going Phase 2 trials for RX products, results due in Q1 calendar 2017:
 - Eczema,
 - Molluscum Contagiosum,
 - Oral mucositis, and
 - Psoriasis
- Phase 3 trials for HPV warts likely to commence later in calendar 2017
- Solid sales of Benzac® with nearly 2.0 million units shipped within the US in FY16



Code	Indication	Formulation Development	Phase I	Phase II	Phase III
VIR 001-00	HPV (skin warts)	➔			CY2017
VIR 003-01	Molluscum (MSV)	➔		Q2 FY16	
VIR 005-01	Oral Mucositis	➔		Q2 FY16	
SAN 009-01	Eczema / AD	➔		Q2 FY16	
SAN 021-00	Psoriasis	➔		Q2 FY17	



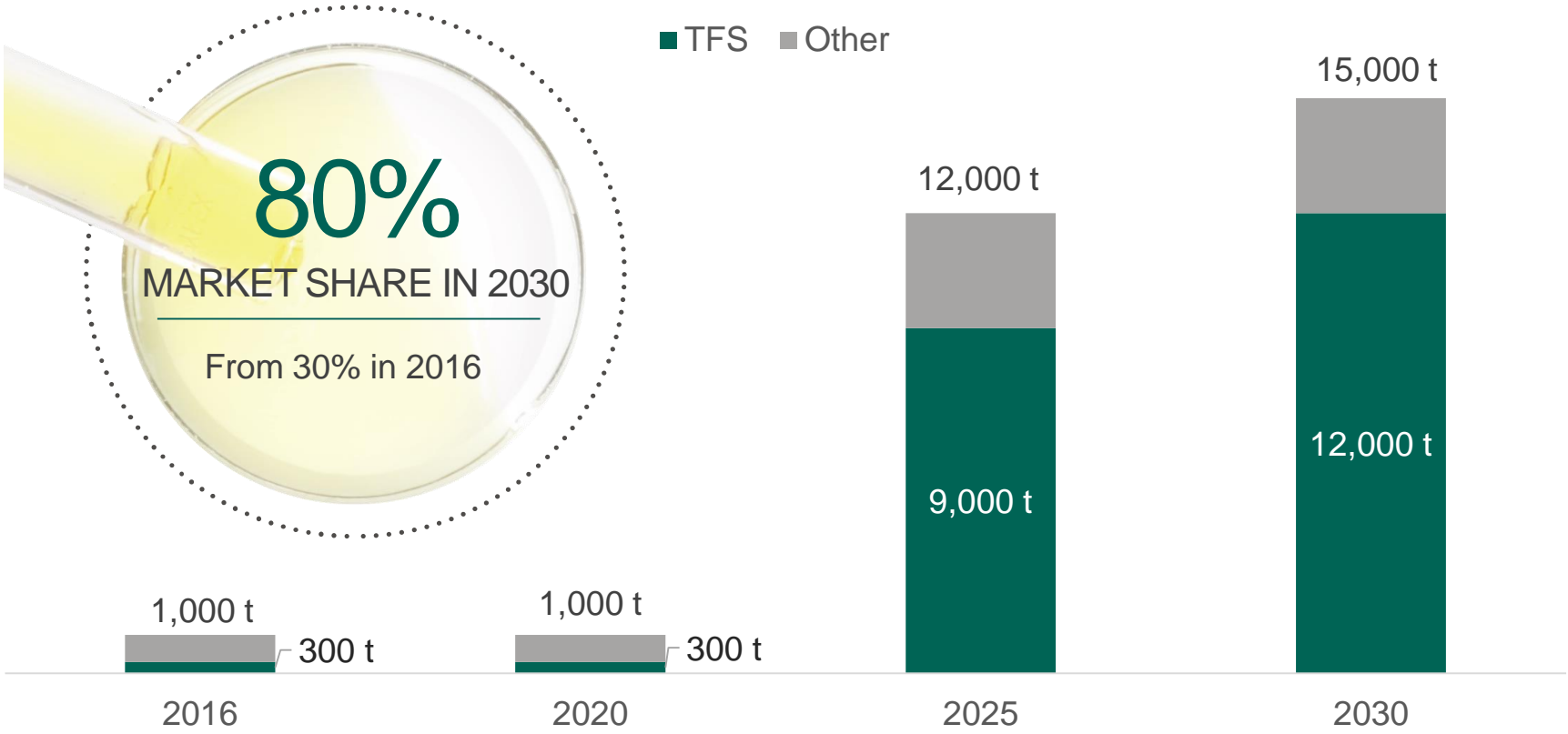
SECTION 4

End Market Development

Updated study of sandalwood supply and demand

- Top tier global management consulting firm engaged to provide an updated market study:
 - Assessment of current and future sandalwood demand by geography, product and market
 - Assessment of current and forecast plantations by size and age
- Qualitative and quantitative research conducted to form a view of the development of the global market
 - Over 1,000 B2C and B2B surveys, mainly in India and China
 - c30 interviews of value chain experts
 - Data mining from government estimates and other research publications
- Results provide a comprehensive and up-to-date understanding of the global sandalwood market

TFS positioned to be the major supplier of legal and authentic sandalwood

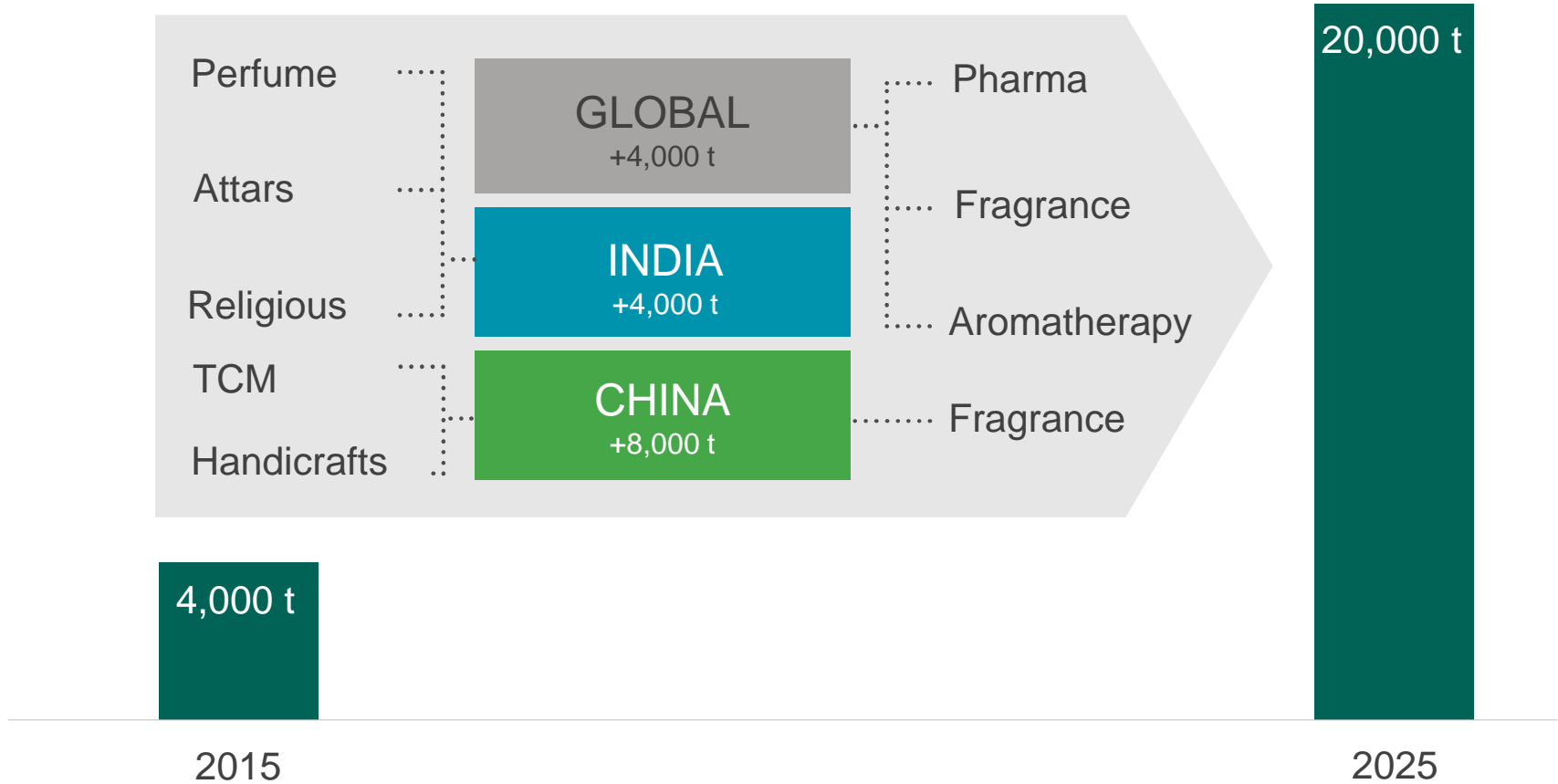


Title: Forecast Global Supply of Legal and Authentic Indian Sandalwood 2015 – 2030

Source: Top tier global management consultancy firm, August 2016

Time provides an effective barrier to entry as it takes c15 years to grow a mature tree

High levels of latent demand to drive consumption



Title: Global Demand for Legal Indian Sandalwood

Source: Top tier global management consultancy firm, August 2016

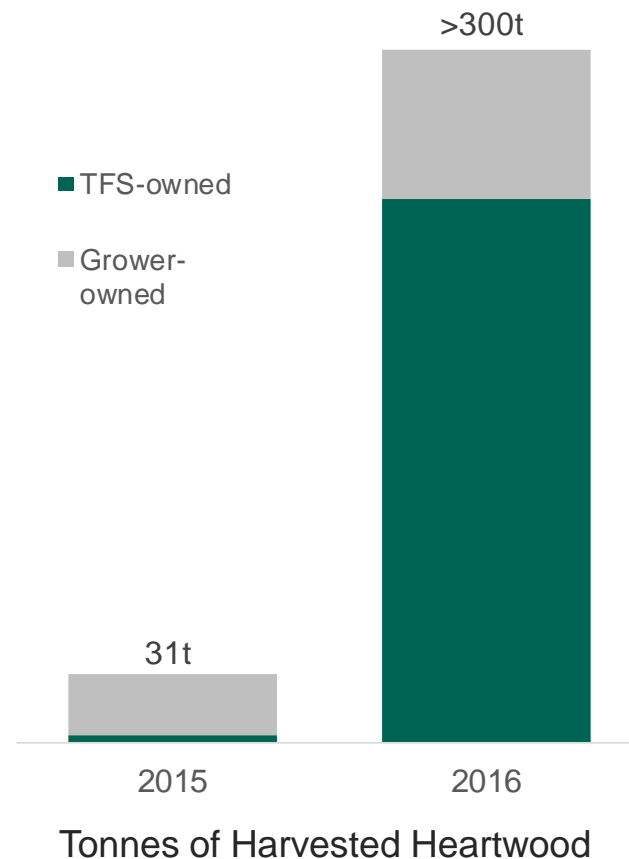


SECTION 5

Outlook & Guidance

Rapidly evolving business

- Clear and consistent strategy in place:
 - To build long term value by increasing direct ownership of the plantations, and
 - Leverage high value uses for our wood and oil products, for the benefit of all plantation owners
- Increased harvests have facilitated supply to a broader range of market segments
 - Focus on segments with high levels of latent demand
 - Starting to create a global sandalwood brand
- Focus in FY17 now shifts to:
 - Delivering to our supply partners
 - Achieving a significant increase to operating cash flows
 - Developing end markets to maximise returns from our increased harvest volumes from 2021



Clear priorities for FY17

- Consistent execution of our established strategy and targets
- Complete the supply of > 300 tonnes of processed wood and oil to our global customers
- Extend TFS's ownership of Indian sandalwood plantations by completing the buyback programme for the 2018 to 2022 harvests
- Develop long-term “go to market” strategies for key market segments, centred around our emerging brand
- Progress pharmaceutical product development by completing the four Phase 2 trials and gain FDA approval to commence at least one Phase 3 trial
- Introduce additional plantation investors, including new institutional investors and sophisticated investors
- Deliver strong growth in key financial metrics: Cash EBITDA and Cash from Operating Activities

Guidance for FY17:

Adjusted Cash EBITDA¹: increase of at least 25% on FY16

Establishment of c1,500ha of new plantations

Note 1: Cash EBITDA defined on Page 4. 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 6

Q&A



SECTION 7

Appendix

Reconciliation of PBT to Cash EBITDA

(\$m)	FY16	FY15
Profit before income tax expense ¹	122.8	159.4
Depreciation and amortisation	11.2	8.6
Finance costs and interest received	29.1	21.2
EBITDA	163.1	189.2
Biological asset fair value movement (including FX gain)	-76.9	-143.8
Revenue from deferred fees	-16.2	-26.9
Unrealised FX loss on senior secured notes	4.8	39.0
Gain on settlement of Trade debtor	-0.2	-
Gain on acquisition of controlling interest in Santalis and Viroxis	-17.2	-
Movement in contingent consideration	-1.9	-
Change in fair value of land and buildings	6.7	-
Cash EBITDA	62.2	57.5

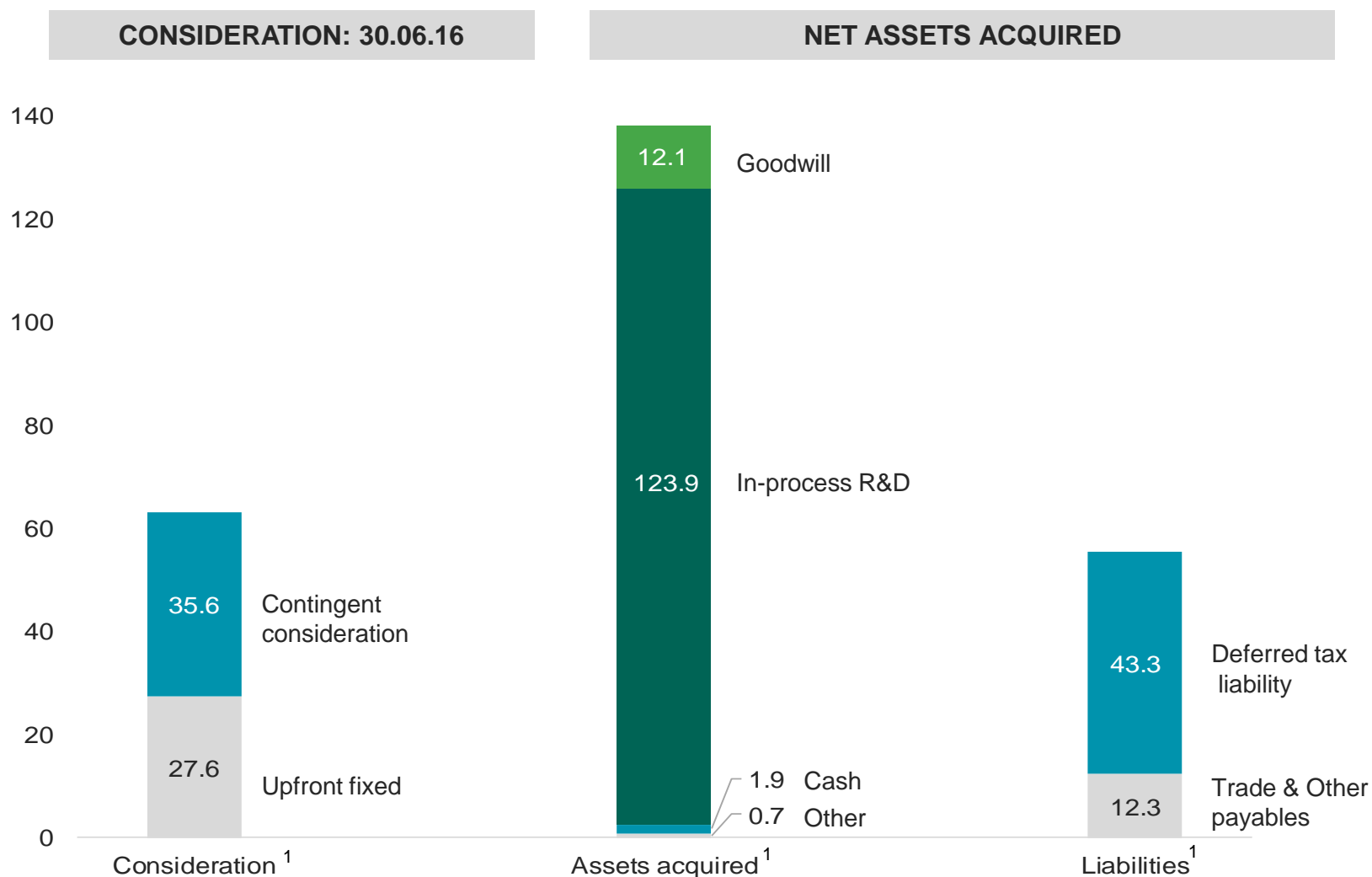
Note 1: Reduction in FY16 due to a net unrealised gain from FX of \$19.0m (FY15: \$55.7m) before tax

Biological asset valuation

- TFS's biological assets¹ increased to \$623m, up 20% on FY15, reflecting larger directly owned estate and increased tree maturity
- No changes to TFS's valuation methodology in FY16, audited by EY

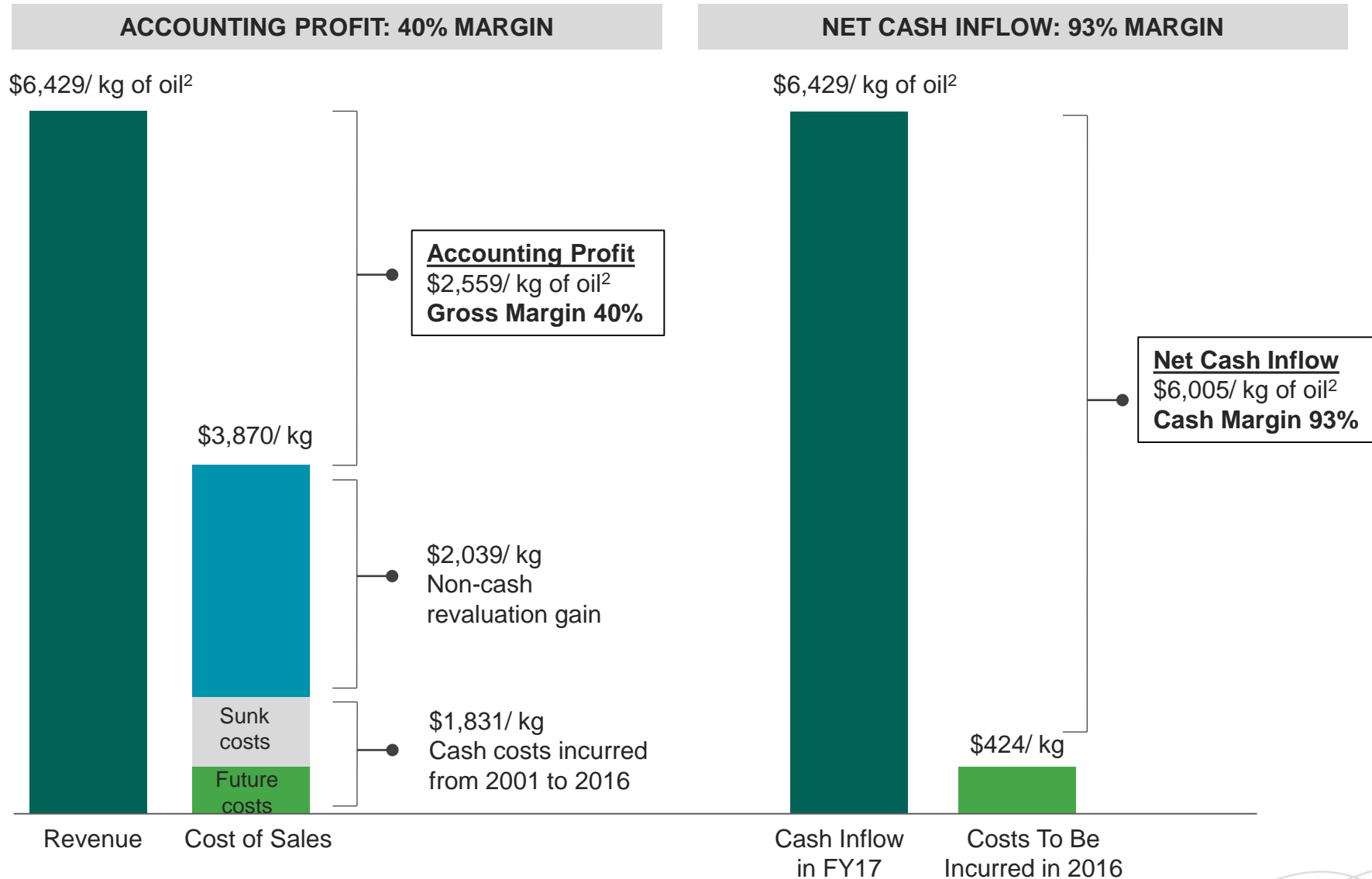
Key Assumptions	Assumption at 30 June 2016	Comments
Number of TFS owned trees ¹	1,146,656	From annual inventory count in Q4 FY16
Heartwood yield at harvest	TFS projections	Based on extensive TFS and industry research Assessed as part of inventory count in Q4 FY16
Oil content	3.7%	Based on research and actual results
Oil price per kg	US\$2,800	Director assessment – not inflated FY16 oil sales: average of US\$3,818
FX	US\$0.74c : AU\$1.00	Actual at 30 June 2016
Harvest and processing costs	\$16,000 per ha and \$207 per kg of oil	Expected costs inflated at 3.0% pa
Discount rate	12-14%	Rate applied is dependent on tree age

Accounting for acquisition of Santalis and Virox



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

TFS's 2016 harvest will transform cash generation





END