NZX/ASX Market Release

8 March 2018

Tegel Group Holdings Limited FY18 Earnings Guidance Update

Tegel Group Holdings Limited (NZX/ASX: TGH) wishes to update the market in relation to the effect of previously advised costs that have impacted the business in FY18 and also provide an update on FY18 trading performance.

Update on non-recurring costs impacting FY18

Tegel provides the following update in relation to unexpected costs in FY18 which are of a non-recurring nature:

- As notified to the market on 22 February 2018, Tegel's New Plymouth processing plant was affected by Ex-cyclone Gita due to water supply issues. The plant ceased production for three days in total (six shifts) and returned to production on Monday 26 February 2018. The production team are still working through the last of the issues caused by the water outage. In a separate incident, there was an ammonia leak at the New Plymouth plant which resulted in inventory losses. The team in New Plymouth have been working extremely hard to get the plant back to full production and to minimise the impact on customers.

- As noted in the FY18 Interim Results in December 2017, the company reported additional compliance and agriculture costs relating to a temporary change in catching procedures on poultry farms. It was expected that the industry and regulators would arrive at an agreement to align catching procedures in January this year and, while good progress is being made in these discussions, the new procedures may not be in place until June 2018. The resulting impact on costs in the second half of Tegel's financial year will be higher as the temporary catching procedures have continued to impact negatively on agriculture performance.

- As noted in the FY18 Interim Results, an internal restructure of the business was completed in February 2018 resulting in roles being consolidated. Although there will be a short term cost impact in the FY18 year, there will be ongoing benefit from the improved organisational structure.

Tegel expects that total pre-tax non-recurring costs in FY18, including those identified above, will be approximately $8 million to $10 million.

Update on FY18 trading performance

Domestic trading continues to benefit from growth in the Free Range and value added meal solutions categories. With both innovation and advertising campaigns supporting the growth, Free Range products have delivered 18% volume growth over the summer months compared to the same period in the prior year. Tegel is also achieving pleasing growth in the retail fresh value added segment. As a result, overall domestic volume and revenue for FY18 is expected to exceed the prior year on a 52 week basis (see Appendix 1).

Tegel is pleased to advise that it contracted a further three Free Range farms in January to allow for the continued growth of this market segment. The operational cost of these farms and associated services were not included in the FY18 forecast. These farms will start supplying free range birds for processing in mid-March. These farms will increase Tegel's free range capacity by 34% in FY19.

As previously communicated, Tegel continues in its strategy to diversify Tegel's customer base in Australia, from a strong position in the QSR channel, to include a larger presence in the Retail and Foodservice channels. This transition is progressing well, though slower than forecast, resulting in export trading performance over the January and February period being weaker than expected as a result of this transitional timing.

As a consequence of this timing, FY18 Underlying EBITDA[1] and FY18 Net Profit After Tax (NPAT) (52 weeks) are expected to be in the range of $70 million to $72 million (excluding the non-recurring costs discussed earlier) and $25 million to $27 million respectively.

On a 52 week basis[2], FY17 Underlying EBITDA and FY17 NPAT were $72.0 million and $31.7 million respectively.

Phil Hand, CEO commented, "The recent one-off events have proved challenging for the business, however, despite these challenges, the impact on our customers has been minimised as a result of our business strategy of running three independent fully integrated sites.

"Our domestic business is solid, our new product development programme continues to deliver and our value added sales are generating better margins. Tegel continues to maintain its leading domestic position with a focus on expanding existing export markets through new channels, products and customers," Mr Hand said.

-ENDS-

For investor queries please contact:

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[1] 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.

[2] Unaudited

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About Tegel Group Holdings Limited

Tegel Group Holdings Limited (NZX/ASX: TGH) processes approximately 55 million birds per year, across vertically integrated operations in Auckland, Christchurch and New Plymouth. It is New Zealand's leading poultry producer, processing approximately half of New Zealand's poultry, and also manufactures and markets a range of other processed meat products. Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked small-goods and frozen further processed products), which are sold through three key sales channels domestically (retail grocery, foodservice / industrial and quick-service restaurants), and in selected channels in international markets. Its brands are Tegel, Rangitikei and Top Hat.

For more information go to: www.tegel.co.nz

Appendix 1 FY17 Poultry Volume, Revenue, NPAT and Underlying EBITDA (52 and 53 weeks)

The Statutory Accounts for the FY17 year reported information on a 53 week basis reflecting the retail accounting method. In order to allow for a like-for-like comparison in the FY18 year, the extra trading week has been removed as noted below:

Poultry Volume (tonnes)	FY2017 52 weeks Unaudited	FY2017 53 weeks Statutory Accounts Audited
Domestic Poultry	81,293	82,777
Export Poultry	16,743	17,029
Total Poultry Volume	**98,036**	**99,806**
Revenue (NZD million)		
Domestic Poultry	449.5	457.8
Export Poultry	101.4	103.0
Other Revenue[3]	52.3	53.2
Total Revenue	**603.2**	**614.0**
Net Profit After Tax (NPAT)	31.7	34.2
Underlying EBITDA	72.0	75.6

[3] *Other revenue includes sales of eggs, day-old chicks, feed and offal.*