

40° — S
TASFOODS
50° — S

Contact
Scott Hadley | CEO
E: scott.hadley@tasfoods.com.au

1H 2023 Results

40° — S
TASFOODS
50° — S

A pastoral scene at sunrise or sunset. In the foreground, the backs of two black and white cows are visible. In the middle ground, two more cows are grazing in a field of tall grass. To the left, a green hay wagon is filled with hay. The background is a line of trees silhouetted against a bright, hazy sky. The overall mood is peaceful and rural.

Sale of Betta Milk & Meander Valley Dairy

Asset Sales to Reposition TasFoods

- TasFoods has entered a binding business sale contract with Bega Cheese Limited (ASX: BGA, Bega) subject to a number of conditions for the sale of Betta Milk and Meander Valley Dairy for the cash consideration of AUD \$11.0 million (less employee entitlements), plus inventory adjustment (together the “Transaction”).
- As part of the Transaction:
 - Bega will acquire the Betta Milk and Meander Valley Dairy brands, Betta Milk plant and equipment (P&E) and the staff in both divisions;
 - The Acquisition includes a perpetual, royalty free licence to use the Pyengana Dairy brand for milk and cream products in Australia;
 - TasFoods will retain the land and buildings associated with Betta Milk at Burnie site, as well as the lease associated with Meander Valley Dairy at Launceston; and
 - TasFoods will enter into a lease agreement for Bega to lease the Burnie site and TasFoods will sublease the Launceston site to Bega until the end of the lease (30 June 2024).
- The sale is subject to the satisfaction of certain conditions, including competition and regulatory approvals.
- Net proceeds of the Transaction will be used to retire all TasFoods existing term debt and fund future growth capital requirements in accordance with the Company’s capital allocation framework to determine the appropriate manner to maximise shareholder value.
- Following the completion of the Transaction, TasFoods will be well-capitalised to continue to grow its poultry operation, Nichols Poultry and premium cheese producer Pyengana Dairy.

40° — S
TASFOODS
50° — S

Highlights



1H 2023 Financial Highlights

- Revenue of \$38.2 million, up 11.8% on pcp (prior comparable period), primarily driven by the successful implementation of increased pricing;
- Gross margin for the Group improved 2% points for the period. Poultry experienced an 8% gross margin improvement driven by the implementation of efficiency measures whilst Dairy gross margin reduced 6% points compared to pcp as a result of increased input prices;
- EBITDA performance significantly improved compared to pcp driven by the Poultry division's return to profitability;
- Continued focus on cost management initiatives have seen indirect costs reduce by 2% against the pcp;
- In line with the Company's strategy to proactively assess our business divisions and the asset profile within divisions using the Board-approved Capital Management framework, TasFoods completed the sale and lease back of non-core real estate assets associated with Betta Milk in Smithton and Hobart and the sale of Shima Wasabi; and
- Sale of Betta Milk and Meander Valley Dairy post-30 June 2023 progresses the strategic repositioning of the Company and establishes a foundation, both strategically and commercially, from which to drive strong returns for shareholders.

Transformation progressing

Our 3-phase horizon model remains our ambition over the medium term.

Some elements have been completed and there is continued work to do on financial stability which remains the priority.

The divestment of Betta Milk, Meander Valley Dairy and Shima Wasabi progresses the strategic repositioning of the company.



A Clear Investment Proposition TasFoods Strategic Focus

TasFoods focus continues to be on four key pillars to ensure the Company can leverage our competitive advantage and realise our potential



Fortress Tasmania

Capitalise on our home-grown advantage



Mainland & International Markets

Expand strategically with the right products, in the right markets



Adjacent Expansion

Expand into new products, markets and partnerships



Shared Capability Platform

Superior service and capability at the lowest cost

40° — S
TASFOODS
50° — S

Financial Information

An aerial photograph of a large farm complex during a vibrant sunset. The sky is filled with orange, yellow, and pink clouds. In the foreground, several light blue and white farm buildings are visible, including a large multi-unit building on the left and several smaller sheds. A red tractor is parked near one of the buildings. The middle ground features a large green field with some bare patches, a line of trees, and a small pond. In the background, rolling hills and mountains are visible under the colorful sky.

Price and cost management delivering improved revenue and profitability metrics for 1H 2023

FY22 Profit or Loss (\$'000's)	HY23	HY22
Income		
Revenue from operations	38,158	34,131
Other income	1,000	181
Total income	39,158	34,312
Expenses		
Fair value adjustment of biological assets	249	116
Raw materials used	(22,539)	(20,011)
Employment and contractor expense	(11,115)	(11,336)
Freight	(2,946)	(2,696)
Occupancy costs	(729)	(757)
Depreciation and amortisation	(953)	(1,038)
Finance costs	(287)	(199)
Insurance	(485)	(324)
Legal and professional fees	(387)	(504)
Marketing and event expenses	(213)	(311)
Repairs and maintenance	(657)	(663)
Loss on sale of assets	(1,145)	-
Other expenses	(1,760)	(1,995)
Net Loss before income tax	(3,810)	(5,406)
Income tax benefit/(expense)	-	-
Net Loss after tax for the year from continuing operations	(3,810)	(5,406)

- Sales revenue increased by 12% which was driven by an excellent performance from Nichols, where revenue grew by 17%
- Raw material costs continue to remain stubbornly high driven by raw milk and poultry feed significantly up on pcp.
- Employment and contractor costs are reduced on pcp which is due to efficiency measures implemented across the group.
- Costs relating to distribution & warehousing have increased by 9% which is a direct result of input costs pressures associated with fuel, insurance etc that have been felt in this part of the supply chain both directly by us and by our distribution partners.
- Repairs & maintenance and other indirect costs are largely in line with pcp. Insurance costs have increased substantially by 50% on the pcp.
- The financial results include profit on sale of cool rooms associated with Betta Milk and the sale of Shima Wasabi which resulted in a loss on sale.

Balance sheet

\$'000's	Jun 23	Dec 22
Current Assets		
Cash & Cash Equivalents	999	351
Trade & Other Receivables	4,698	4,734
Biological Assets	2,631	2,557
Inventory	4,818	4,574
Prepayments	408	1,144
Total Current Assets	13,554	13,360
Non-Current Assets		
Property, Plant & Equipment	20,838	23,713
Right of Use Assets	1,876	1,541
Intangible Assets	636	556
Biological Assets	-	14
Total Non-Current Assets	23,350	25,824
Total Assets	36,904	39,184
Current Liabilities		
Trade & Other Payables	11,801	11,645
Borrowings	3,180	1,022
Lease Liabilities	472	373
Provisions	1,262	1,362
Total Current Liabilities	16,715	14,402
Non-Current Liabilities		
Borrowings	3,366	4,739
Lease Liabilities	1,966	1,494
Provisions	201	219
Total Non-Current Liabilities	5,533	6,452
Total Liabilities	22,248	20,854
Net Assets	14,657	18,330
Equity		
Contributed Equity	66,834	66,834
Reserves	1,258	1,121
Accumulated Losses	(53,435)	(49,625)
Total Equity	14,657	18,330

- The Group is supported by a balance sheet with a net asset position of \$14.6m (noting property, plant and equipment balances of \$20.8m)
- Closing cash as at 30 June 2023 was \$1.0m.
- Inventory values have increased in line with rising input costs.
- Intangible assets solely relate to ERP development costs in Shared Services and water licenses in the Poultry business unit.
- Total non-current borrowings have decreased by \$1.4m due to the funds from sale and leaseback of cool rooms being predominately used to repay debt.

Cash flow

\$'000's	HY23	HY22
Cash flows from operating activities		
Receipts from customers	38,563	34,963
Payments to suppliers and employees	(40,619)	(37,447)
Interest paid	(217)	(170)
Other	-	(91)
Net cash used in operating activities	(2,273)	(2,745)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	2,673	8
Payments for property, plant and equipment	(241)	(320)
Payments for other non-current assets	(97)	(60)
Net cash used in investing activities	2,336	(373)
Cash flows from financing activities		
Proceeds from issue of shares	-	5,964
Cost of issuing shares	-	(231)
Proceeds from borrowings	111	41
Principal elements of borrowing payments	(2,005)	(770)
Principal elements of lease payments	(108)	(215)
Transaction costs related to borrowings	(192)	-
Net cash provided by financing activities	(2,194)	4,789
Net (decrease)/increase in cash held	(2,131)	1,672
Cash and cash equivalents at the beginning of the year	351	1,451
Cash and cash equivalents at the end of the half year	(1,780)	3,122

- Net cash outflows from operating activities were \$2.3m for the half year which is reflective of:
 - Operational cost increases across the business - substantial increases in milk purchases, poultry feed, labour processing costs, freight and distribution costs;
- Cash receipts from customers were \$38.6m, 10.3% higher than the pcg which is a result of improved sales performance.
- Debt repayments of \$2m were from the proceeds of sale of the cool rooms associated with Betta Milk.

40° — S
TASFOODS
50° — S

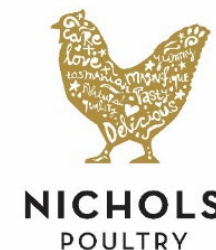
Segment Performance

An aerial photograph of a large farm complex during a vibrant sunset. The sky is filled with orange, yellow, and pink clouds. In the foreground, several large, light blue metal-roofed buildings are visible, some with white walls. A dirt road runs through the middle of the farm. To the left, there's a large pond surrounded by trees. In the background, rolling green hills and distant mountains are visible under the colorful sky. The overall scene depicts a peaceful rural setting at dusk.

Poultry Division

Strong performance by Nichols highlighted by a return to profitability

- Sales revenue for the poultry division grew by 17% on the pcp to \$22.4 million. This is an exceptional result taking into account SKU rationalisation and the exiting of the Organic business.
- Sales volume in kg was up 5% on pcp driven by operational improvements made in the agriculture part of the business.
- Revenue per kg sold increased by 11% as a result of the changes implemented as part of our operational review and revenue enhancing initiatives.
- Gross margin was significantly improved in this division growing from 15% to 23%. Although feed and labour continue to increase, operational efficiencies and revenue enhancing strategies have positively impacted margin.
- Operating EBITDA of \$1.1m is a major turnaround from an EBITDA loss of \$1m in pcp which provides confidence that strategic initiatives implemented have had the desired impact.
- The foundations have now been re-established to successfully grow the Poultry division in the areas of pet treats/food, commercialisation of waste and vertical integration.



Dairy Division

Revenue growth strong, offset by input cost rises impacted profitability

- Sales revenue for the dairy division grew by 5% to \$15.5 million. The sales growth was driven by increases in Pyengana Cheese (9%), Betta Milk (4%) and Meander Valley Dairy (4%).
- Input costs in the dairy division increased significantly during the year, predominately on the back of rises in farm gate milk prices and cream.
- The Pyengana business unit continues to perform strongly with sales (including Farm Gate Café) increased by 9% which contributed to a positive EBITDA performance.
- The Meander Valley Dairy business unit has stabilised after the SKU rationalisation programme in 2022 with an increased focus on our core categories of cream & butter. Cream volumes were up by 5%.
- Milk volumes declined by 7% from 2022 levels, however value increased by 4% as our revenue strategy continued to have positive impact on revenue / litre. Cream volumes reduced significantly (23%) as we prioritised category profitability over volume.
- Significant value chain changes have been made to this division over the past 12 months specifically in the areas of logistics, SKU rationalisation and price rises as we look for ways to limit the impact of significant rising input costs.
- Dairy division EBITDA result of \$0.2m is a reduction on pcp of \$0.3m. The Pyengana Cheese and Café business is the majority of this segment EBITDA in 2023.



Shared Services

Shared services improved capability at the lowest cost

- The Shared Services function continues to be right sized as we reposition it as a smaller unit of core functions in 2023. Business unit specific functions have been re-positioned to ensure full end to end business accountability.
- The focus of the shared services business unit is the streamlining of central activities, adding value and creating efficiencies across the business.
- During H1 2023, the shared services function focused on sales and marketing, logistics, procurement, finance and IT in order to implement our strategic focus.
- A new outsourced business model for our e-commerce gifting platform, Boxolove, was implemented in H1 2023. Revenue for this initiative is flat to pcg as consumer shopping patterns continue to evolve.
- Implementation of the new ERP was paused after implementation in Meander Valley Dairy, Pyengana Dairy, Shima Wasabi and Shared Services (including e-commerce).



40° — S

TASFOODS

50° — S

Summary

An aerial photograph of a large farm complex during a vibrant sunset. The sky is filled with orange, yellow, and pink clouds. In the foreground, several light blue and white farm buildings are scattered across a green field. A dirt road runs through the middle ground, with a tractor and a car visible. In the background, there are rolling hills, a large pond, and a dense line of trees. The overall scene is peaceful and picturesque.

Summary

- The sale of the Betta Milk and Meander Valley Dairy businesses, together with the prior disposal of Shima Wasabi, further progresses the strategic repositioning of TasFoods.
- Tasfoods will establish a strong foundation, both operationally and financially, from which to drive sustainable growth and value creation opportunities.
- TasFoods will be debt free post completion of the Transaction with Bega.
- TasFoods see's great potential to grow Nichols Chicken and Pyengana Dairy and to identify and evaluate strategic and financially compelling opportunities in adjacent, high-growth food and beverage sectors to create sustainable value for shareholders.
- Within Nichols, there will be and acceleration of the value enhancing initiatives focused on Pet Treats/Food, commercialisation waste product and vertical integration where appropriate to improve financial returns and de-risk the supply chain.
- Pyengana Cheese has untapped potential in product diversification and geographical expansion of sales, particularly export opportunities.
- Recent transactions will result in fundamental changes to our business foundations. We will continue to challenge all aspects of the business to improve our performance trajectory in the shortest possible time frame.

Disclaimer

This presentation is provided by TasFoods Ltd ACN 084 800 902 (**TasFoods**) to provide summary information about TasFoods and its subsidiaries and their activities as at the date of this presentation. The information in this presentation is of a general nature and does not purport to be complete and may change without notice. Undue reliance should not be placed on the information contained within this presentation for investment purposes as it does not take into account personal investment objectives, financial position, circumstances or needs. These factors should be considered, with professional advice, when deciding if an investment is appropriate.

The financial information includes non-IFRS information which has not been specifically audited in accordance with Australia Accounting Standards but has been extracted from the 30 June 2023 half year financial report and other available financial information.

This presentation contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. No representation, warranty or assurance (express or implied) is given or made by TasFoods that the forward looking statements contained within this presentation are accurate, complete, reliable or adequate, or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, TasFoods and its respective officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered from any person as a consequence of any information in this presentation or any error or omission from it.

Subject to any continuing obligation under applicable law or any relevant listing rules of the ASX, TasFoods disclaims any obligation or undertaking to disclose any updates or revisions to any forward looking statements in this presentation to reflect any changes in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in this presentation shall under any circumstances create an implication that there has been no change in the affairs of TasFoods since the date of this presentation

40° — S
TASFOODS
50° — S

Contact
Scott Hadley | CEO
E: scott.hadley@tasfoods.com.au

