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TasFoods Ltd (TFL.ASX) Annual General Meeting 30 May 2024



CHAIRMAN'S ADDRESS

CEO ADDRESS

ITEMS OF BUSINESS

Item 1: Consideration of Financial Statements

Resolutions:

- 1: Adoption of Remuneration Report
- 2: Re-election of Director – Mr John Murphy



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Chairman's Address



TasFoods Strategic Lens

Four key pillars to enable the business to build a strong foundation and realise its potential



Fortress Tasmania

Challenge all aspects of our brand, product portfolio and consumer proposition



Mainland/Customer Channels

Build a robust supply and demand network



Adjacent Expansion

Develop new product opportunities in growth categories



Shared Capability Platform

Leverage core capabilities, asset utilisation and reduce the cost base



Year in review – A transformative year in an extremely challenging market

- 2023 saw uncertain business conditions with a backdrop of macro economic factors, including rising inflation and interest rates that impacted household budgets.
- In TasFoods' categories it has been particularly challenging, with private label brands growing at the expense of premium positioned brands and channel switching from independent to national retailers.
- Against this backdrop we have completed a comprehensive review of our operational cost base, our brand and product portfolio and our core capabilities to improve our financial position.
- Our extensive review of our product portfolio highlighted structural and scale dynamics and limitations in key elements of the supply chain that were not aligned to deliver sustainable growth. We have taken decisive action, including:
 - Divestment of Shima Wasabi, Betta Milk and Meander Valley Dairy business
 - Acquisition of Redbank Poultry Broiler and Breeder business to secure supply chain
 - Launch into the Pet Category with the Isle and Sky brand and foundation national customer
 - Repayment of all term debt with ANZ
 - Reduction and reshaping of corporate support office by almost 50%



Year in review – A transformative year in an extremely challenging market

- Amidst the structural challenges we have targeted new growth streams leveraging core capabilities – achieved a successful launch of Isle and Sky Chicken Pet Treat range with 100% human grade produce and 100% waste neutral with Australia’s largest pet retailer.
- The significant multiple workstreams to right size and deliver a more sustainable financial performance were the culmination of over 18 months work and considerable effort to achieve robust valuations for divested businesses.
- The acquisition of Redbank Poultry is a very important element to control our supply chain and we continue to review both our Nichols Poultry and Pyengana Dairy businesses to deliver improved and sustainable performance going forward.



FY23 results

Removing Impact of Discontinued Operations Sales revenue up 15% on prior year

FY23 Profit & Loss

- Total Revenue of \$74.9m up 4.7% on prior year
- Group Operating EBITDA loss of \$4.6m compared with \$7.3m loss in prior year
- Net Loss After Tax of \$1.0m compared with \$16.5m in prior year

Balance Sheet at 31 December 2023

- Year end cash of \$3.4m up from \$0.3m in prior year
- Net Tangible Assets of \$17.6 m (4.03 cents per share)



Investor relations

Committed to being an accessible and transparent company

- **Investor relations activities will continue throughout the year**
 - Reporting against our strategy and key initiatives
 - Continuing to highlight the opportunities intrinsic to the TasFoods business
 - Updating on the evolving market conditions and business environment
 - Keeping shareholders informed on key strategic developments



Remuneration

Fit for purpose, aligned with strategy and stage of company lifecycle

- Remuneration approach considered annually to ensure it is fit for purpose
- FY23 STI weighted towards financial performance and an EBITDA performance hurdle – nil STI paid in FY23
- Linking of remuneration at-risk equity based on LTI indicators to shareholder return
- Aim to recruit and retain key talent in the business
- Appointment of new CEO and CFO from within the business



Outlook – Strengthening the foundations for improved performance

- Against a very challenging external environment in 2023 we have delivered a much simplified and focused business model aligned around the consumer and the right product portfolio.
- We are digesting the comprehensive changes we have made in FY23 and our focus is on building a more resilient business with an improved balance sheet, cash flow and returns.
- The integration of Redbank Poultry is a key element to strengthen our supply chain and responsiveness in a very dynamic category.
- Building our presence in the fast growing Pet Treat Category with the Isle and Sky brand as our foundation step leveraging our core capabilities is underway.
- We are driving efficiency and operational improvements and are cognisant of the need for more.
- We have made significant changes to the business foundations and continue to challenge all aspects to improve our performance trajectory.
- We continue to explore and assess all strategic alternatives to ensure we deliver improved return for shareholders.
- We will keep shareholders informed on these developments.



Thank you

For your continued support in a very challenging environment

In a very challenging market environment for Food and Beverage companies we thank everyone on the TasFoods journey with us:

- All of our employees led by Josh and the leadership team
- Our customers
- Our suppliers
- Our shareholders
- Our partners



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CEO Address



A New TasFoods – significant transformation

- 2023 has been a year of significant transformation for TasFoods with the most extensive corporate restructuring programme undertaken since its inception to reposition the business.
- In 2022 TasFoods announced its new Strategic Focus as the foundation to continuously assess the operational performance and asset base of the Company through its core capabilities and capital management framework. Since that time TasFoods has simplified its operations through the following activities:
 - Completed the sale & leaseback of non-core assets
 - Completed the sale of Shima Wasabi.
 - Launched Isle & Sky Pet treats.
 - Completed the sale of Betta Milk and Meander Valley Dairy, and licensing of Pyengana Dairy Milk brand to Bega Cheese Ltd.
 - Completed the acquisition of Redbank Poultry Pty Ltd (Redbank) – chicken broiler and breeder business.
 - Completed a significant corporate restructure to right size the Corporate office.
- The net proceeds of the above transactions have been used to retire all existing term debt with ANZ and payout suppliers of all discontinued operations.
- The divestment of business units has come amidst a backdrop of unprecedented macro challenges that have impacted supply and demand cycles. The timing of the divestments has ensured the Company's financial viability in the current economic climate.
- TasFoods refocused business model aligns with the strategic repositioning of the Company with the express aim to creating sustainable value for shareholders.
- TasFoods see's the potential within its core portfolio divisions **Nichols Poultry** and **Pyengana Dairy** with the acceleration of value enhancing initiatives, operational efficiencies, along with developing new growth channels in the Pet Food category with the **Isle & Sky** brand.
- Continuous evaluation of base business performance and a review of above initiatives will be done in conjunction with exploring all broader strategic options available.



Year of extensive restructure and simplification of the business

FY22 Profit or Loss (\$000's)	FY23	FY22	FY23	FY22	FY23	FY22
	Total Consolidated		Continued Operations		Discontinued Operations	
Income						
Revenue from operations	74,052	70,587	47,811	41,948	26,241	28,639
Other income	856	364	792	317	64	46
Total income	74,908	70,951	48,603	42,266	26,305	28,685
Expenses						
Fair value adjustment of biological assets	243	375	243	375	-	-
Impairment	-	(6,835)	-	(2,910)	-	(3,925)
Raw materials used	(42,965)	(41,863)	(26,724)	(24,648)	(16,241)	(17,215)
Employment and contractor expense	(21,602)	(22,296)	(15,354)	(15,008)	(6,249)	(7,288)
Freight	(6,011)	(5,472)	(3,458)	(2,943)	(2,553)	(2,529)
Occupancy costs	(1,338)	(1,520)	(890)	(989)	(448)	(531)
Depreciation and amortisation	(1,948)	(2,099)	(1,195)	(1,281)	(753)	(818)
Finance costs	(772)	(542)	(618)	(469)	(154)	(73)
Insurance	(935)	(796)	(741)	(589)	(195)	(207)
Legal and professional fees	(1,030)	(856)	(975)	(729)	(55)	(127)
Marketing and event expenses	(440)	(610)	(290)	(356)	(149)	(254)
Repairs and maintenance	(1,208)	(1,463)	(704)	(886)	(504)	(577)
Loss on sale of assets	5,964	-	(105)	25	6,069	-
Other expenses	(3,852)	(4,037)	(2,839)	(2,585)	(1,013)	(1,452)
Net Loss before income tax	(987)	(16,399)	(5,047)	(10,728)	4,060	(5,672)
Income tax benefit/(expense)	-	(79)	-	(79)	-	-
Net Loss after tax for the year	(987)	(16,478)	(5,047)	(10,807)	4,060	(5,672)

- Due to the extensive corporate restructuring activity in 2023, TasFoods profit/loss statement has been separated between continuing and discontinued operations.
- Discontinued operations include Shima Wasabi, Betta Milk and Meander Valley Dairy and represent the period of time under TasFoods ownership.
- At a total group level, TasFoods recorded a net loss after tax of \$1.0m.
- Continued operations includes a full year of Corporate office costs which will be significantly reduced in 2024 after the restructure that occurred in December 2023, circa 50%.
- There was no impairment recorded for the Group in 2023.



Improved financial performance driven by strong revenue result

	Continued operations 2023				Discontinued operations 2023				Consolidated 2023
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	TOTAL \$'000
Revenue	2,432	46,011	160	48,603	26,094	211	-	26,305	74,908
Operating Expenditure	(2,121)	(44,300)	(5,717)	(52,137)	(25,958)	(284)	(1,165)	(27,407)	(79,544)
Operating EBITDA	311	1,711	(5,556)	(3,534)	136	(73)	(1,165)	(1,102)	(4,636)
GP Margin	33%	24%	33%	25%	1%	39%	0%	1%	26%
Movement in Fair Value	-	243	-	243	-	-	-	0	243
Sale of Assets	-	(100)	(5)	(105)	7,112	(1,043)	-	6,069	5,964
Impairment Expense	-	-	-	-	-	-	-	-	-
EBITDA	311	1,854	(5,561)	(3,396)	7,248	(1,116)	(1,165)	4,967	1,571
NPAT	151	931	(6,129)	(5,047)	5,991	(182)	(1,749)	4,060	(987)

	Continued operations 2022				Discontinued operations 2022				Consolidated 2022
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	TOTAL \$'000
Revenue	2,312	39,816	120	42,248	28,901	423	-	29,324	71,572
Operating Expenditure	(2,115)	(41,325)	(5,679)	(49,118)	(27,623)	(518)	(1,659)	(29,800)	(78,918)
Operating EBITDA	198	(1,509)	(5,559)	(6,870)	1,278	(94)	(1,659)	(476)	(7,346)
GP Margin	32%	18%	0%	19%	29%	59%	0%	29%	22%
Movement in Fair Value	-	298	-	298	-	77	-	77	375
Sale of Assets	-	-	-	-	-	-	-	-	-
Impairment Expense	-	(2,910)	-	(2,910)	(3,925)	-	-	(3,925)	(6,835)
EBITDA	198	(4,122)	(5,559)	(9,483)	(2,647)	(17)	(1,659)	(4,323)	(13,806)
NPAT	65	(3,330)	(7,541)	(10,806)	(2,062)	(76)	(3,534)	(5,673)	(16,478)

- Operating EBITDA performance for continued operations is significantly improved from 2022 with the loss reducing by circa 50%.
- Net revenue for continued operations has increased by 15%.
- Both the Dairy (Pyengana) and Poultry segments are operating EBITDA positive as a result of turnaround strategies implemented over the past 18 months.
- Shared services costs are for the full year and will be significantly reduced in 2024 to be right sized with the scope and scale of the new TasFoods.
- With the addition of Redbank Poultry and the corporate restructure we are now better positioned to improve our trajectory towards delivering a positive financial return.



Balance sheet – extensive restructuring of core activities

\$'000's	Dec 23	Dec 22
Current Assets		
Cash & Cash Equivalents	3,432	351
Trade & Other Receivables	3,209	4,734
Biological Assets	3,487	2,557
Inventory	2,128	4,574
Prepayments	691	1,144
Total Current Assets	12,947	13,360
Non-Current Assets		
Property, Plant & Equipment	17,264	23,713
Right of Use Assets	4,422	1,541
Intangible Assets	572	556
Biological Assets	-	14
Total Non-Current Assets	22,258	25,824
Total Assets	35,205	39,184
Current Liabilities		
Trade & Other Payables	9,662	11,645
Borrowings	2,284	1,022
Lease Liabilities	332	373
Provisions	987	1,362
Total Current Liabilities	13,265	14,402
Non-Current Liabilities		
Borrowings	13	4,739
Lease Liabilities	4,241	1,494
Provisions	111	219
Total Non-Current Liabilities	4,365	6,452
Total Liabilities	17,630	20,854
Net Assets	17,575	18,330
Equity		
Contributed Equity	66,834	66,834
Reserves	1,353	1,121
Accumulated Losses	(50,612)	(49,625)
Total Equity	17,575	18,330

- The Group is supported by a balance sheet with a net asset position of \$17.6m (noting property, plant and equipment balances of \$17.3m post the divestment of Horticulture and Dairy assets).
- Closing cash as at 31 December 2023 was \$3.4m.
- Receivables, inventory and payables balances have all reduced in line with the sale of business units.
- Right of use assets and lease liabilities are primarily related to the hatchery and breeder business acquisition.
- Total non-current borrowings have decreased by \$4.7m due to the funds from sale of business units being used to repay all ANZ debt.



Cash flow –significant focus to improve cash position

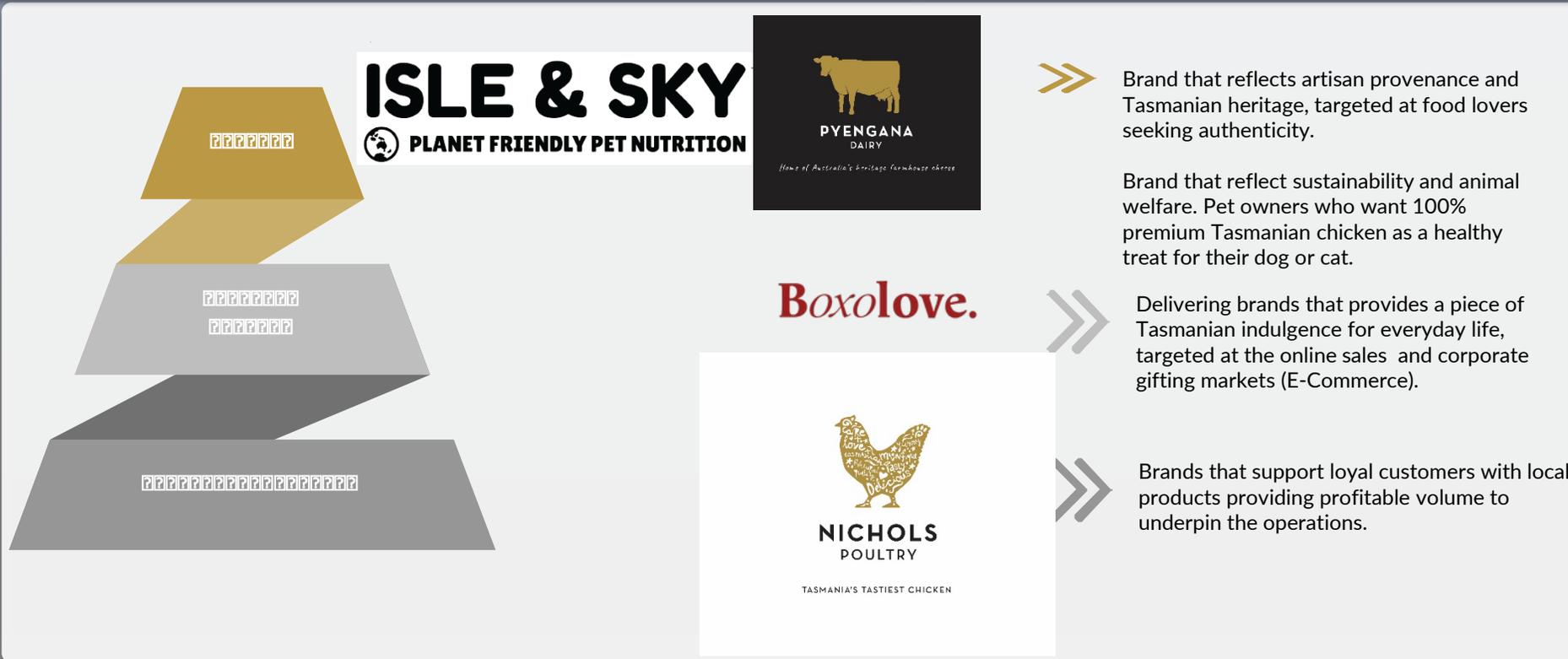
\$'000's	FY23	FY22
Cash flows from operating activities		
Receipts from customers	76,311	71,722
Payments to suppliers and employees	(80,026)	(76,987)
Interest received	182	1
Interest paid	(579)	(435)
Other	590	(111)
Net cash used in operating activities	(3,502)	(5,810)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	11,452	1,593
Payments for property, plant and equipment	(1,614)	(972)
Payments for other non-current assets	(3)	-
Net cash used in business combination	686	-
Net cash used in investing activities	10,521	621
Cash flows from financing activities		
Proceeds from issue of shares	-	5,964
Cost of issuing shares	-	(153)
Proceeds from borrowings	1,856	925
Principal elements of borrowing payments	(5,343)	(2,304)
Principal elements of lease payments	(305)	(320)
Transaction costs related to borrowings	(146)	(21)
Net cash provided by financing activities	(3,938)	4,090
Net (decrease)/increase in cash held	3,081	(1,098)
Cash and cash equivalents at the beginning of the year	351	1,450
Cash and cash equivalents at the end of the half year	3,432	351

- Cash flow statement reflects full year activities of continued and discontinued operations and represent the part year ownership of divested business units.
- Net cash outflows from operating activities were \$3.5m for the full year which is reflective of continued cost increases across the business (milk purchases, poultry feed, labour processing costs, freight and distribution costs).
- Cash receipts from customers were \$76.3m, 6.4% higher than 2022 which is a result of improved sales performance but includes only part year ownership for divested business units.
- Debt repayments of \$5.3m were from the proceeds of sale of business units.



We have simplified our brand hierarchy and implemented a more focused sales channel strategy

Brands & Product Strategy



Sales Channels



Retail



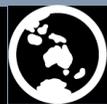
Distributors



Food Service



E-Commerce



- The Pet Food market in Australia is estimated to be worth over \$3bn with the treats segment accounting for ~10% of the total market demand.
- It is estimated that Pet & Pet Supplies retailers generated \$3.9bn in revenue for 2022 in Australia, of which pet food accounted for 56%.
- This growth is seen to be driven by Australia's growing pet ownership rate, being one of the largest in the world with owners seeking premium offerings for their pets.
- **Australia is at the forefront of the continued humanisation and premiumisation trend of pet products. 8 of Australia's 10 largest dog food brands are premium brands.**
- Tasfoods has developed a unique offering in this category, leveraging off the inherent product strengths of Nichols and capturing the key trends in this segment.
- TasFoods has already achieved ranging in Australia's largest pet retailer, Pet Barn, and in the largest pet food distributor covering Australia's east coast – Easter Distributer.
- Export opportunities.

Current Product Range



- Vet recommended nutrition
- 100% human grade produce



- All natural
- Chlorine free



- Social impact
- 100% waste neutral



69%

Of Australian households are estimated to own a pet, significantly above 2019 levels of 61%



2.7% CAGR

Expected until 2028 in Australian pet food products



\$33bn

Is spent annually on Australian pets with 51% made up by food products



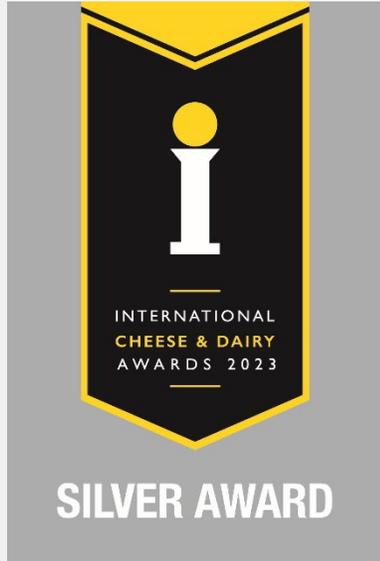
Humanisation of Pets

Creating demand for health and wellness products that are targeted and use high quality ingredients

Source: Ibis World, Mordor Intelligence



Our brands have won numerous awards showcasing the outstanding quality product we provide to consumers



FY24 April YTD trading result

Pleasing revenue performance whilst input cost and market challenges remain

- YTD sales from continued operations as at the end of April is significantly ahead of last year with the Poultry and cheese divisions showing growth on pcp.
- Poultry division sales increase (+7%) is particularly pleasing given the work undertaken to integrate Redbank Poultry hatchery business and improve business operations.
- Dairy division (Pyengana Dairy) sales increased on pcp with (+4%) together with increased GM%, showing positive momentum.
- Input costs remain high on pcp, particularly labour (+7%) and wheat (+10%).
- Gross profit margin's are stable to pcp, especially in the current economic conditions.
- This has resulted in a YTD EBITDA comparable to pcp.
- The Company continues to be laser focused on managing its cash flow tightly with continued focus on cost management and working capital optimisation across all business units.



Building sustainable business foundation and growth platform



- TasFoods immediate focus will be on the following initiatives;
 - Nichols hatchery integration to deliver operational and financial benefits
 - Operational efficiencies and labour utilisation at Nichols Poultry
 - Working capital management to improve cash conversion
 - Procurement benefits focusing particularly on input costs and project management
 - Growth and fast-tracking Pet Treats in 2024 to capitalise on initial ranging in Pet Barn
 - Pyengana Dairy drive export accreditation, with certification steps underway and broader ranging in the cheddar cheese category
 - Sale of Betta Milk Burnie site – discontinued operations site
- Continuous evaluation of base business performance and a review of above initiatives will be done in conjunction with exploring all broader strategic options available.



Building sustainable business foundation and growth platform

Accountability, Agile, Right sizing

- Safety first culture.
- Sales and Operational Planning process implemented across the Nichols Poultry and Pyengana Dairy business units.
- Vertical integration in Poultry to deliver operational and financial efficiencies with Nichols Hatchery and Nichols Poultry.
- Creating an Operating Model that is agile, responsive to market conditions and cash flow focused.
- Driving accountability across all business units through leadership and hands on management.



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Thank you



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