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TasFoods Ltd (TFL.ASX) FY2024 Results Presentation



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Highlights



Significant actions delivered on our path forward in Extremely Challenging Market

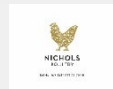
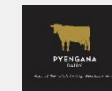
Following the significant restructure in 2023 TasFoods has become a streamlined and simplified business

- This has aided the company to best navigate the challenging market dynamics in FY2024, particularly in the Tasmanian poultry market.
- Key initiatives undertaken to strengthen TasFoods business position in FY2024 included:
 - **Redbank Poultry Integration:** Completed the full integration of Redbank poultry, securing our supply chain and enhancing our commercial position;
 - **Optimised Feed Supply:** Transitioned feed supply from Inghams to Ridley, achieving a ~6% improvement in feed conversion ratio (FCR) and ongoing deeper engagement to further benefits;
 - **Cost Reduction:** Reduced corporate overhead costs by \$3.8m despite market volatility. Further efforts are in play to improve service, flexibility and drive additional savings;
 - **Pet Treats Expansion:** Continued rollout of the Isle & Sky Pet Treats strategy, supported by new product development, expanded distribution, and strong retailer feedback supporting our ambition; and
 - **Pyengana Dairy Growth:** Completed a strategic external review of our Pyengana Dairy business, with steps underway to accelerate growth in both domestic and international markets.
- Our refocused business model has enabled us to navigate market challenges and reduce the impact of revenue declines whilst best protecting margins in our key market segments.
- We are focused on delivering a more stable core business performance, reducing our overhead cost base and building on our growth streams in Pet Treats and Pyengana Dairy to improve business performance.



FY2024 Financial Results

- Total Group operating EBITDA loss of \$2m, a \$2.6m (56%) improvement on previous year (FY2023: \$4.6m loss).
- Statutory Group Net Profit After Tax (NPAT) loss of \$10.5m which includes a non-cash impairment of \$6m of Poultry property, plant and equipment (PP&E), including organic assets no longer used.
- Gross margin for the Consolidated Group (continued operations) was 23%, which was 2% lower on prior year (FY2023: 25%), a result of reduced consumer spending and an unprecedented oversupply of poultry in the Tasmanian and mainland markets.
- FY2024 poultry sales volume was 11% (715mt) lower than FY2023 driven by oversupply of poultry.
- Non-cash impairment charge of \$6 million for the year against Nichols Poultry PP&E, including organic assets no longer used, was recorded following a review of the value of cash generating units and assets across the Company.
- Significant corporate restructure program that occurred in 2023 to streamline and simplify the business, delivered a cost reduction in 2024 of \$3.8 million (55%) compared to prior year.
- Cash position of \$0.5 million at 31 December 2024 was \$2.9 million lower than prior year (FY2023: \$3.4m), a result of the oversupply of poultry in Tasmanian and mainland markets, increased competition and subsequent lower wholesale prices, and significant direct labour cost increases.



FY2024 Financial Highlights: Operating EBITDA – Continued operations

KEY FINANCIAL RESULTS - Continued Operations	FY2024				FY2023				Variance to FY2023	
	Dairy	Poultry	Shared Services	Total	Dairy	Poultry	Shared Services	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Revenue	2,125	44,416	280	46,821	2,432	46,011	160	48,603	(1,782)	(4%)
Expenditure	(2,010)	(44,012)	(3,079)	(49,101)	(2,121)	(44,300)	(5,717)	(52,137)	3,036	6%
OPERATING EBITDA	115	404	(2,799)	(2,280)	311	1,711	(5,556)	(3,534)	1,254	35%
GP Margin	41%	23%	84%	23%	33%	24%	33%	25%	(2%)	(8%)
FV: Biological Assets (AASB 141)	-	(359)	-	(359)	-	243	-	243	(602)	(248%)
Profit/(Loss) Sale of Assets	-	29	(16)	14	-	(100)	(5)	(105)	118	(113%)
Impairment (Non-Cash)	-	(5,960)	-	(5,960)	-	-	-	-	(5,960)	-
Statutory EBITDA	115	(5,886)	(2,815)	(8,586)	311	1,854	(5,561)	(3,396)	(5,190)	153%
NPAT				(10,654)				(5,047)	(5,606)	111%

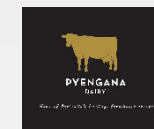
- Operating EBITDA loss of \$2.3m for the consolidated operations was a 35% improvement on prior corresponding period (pcp) \$3.5m loss.
- Statutory EBITDA loss of \$8.6m was \$5.2m higher compared to pcp (FY2023: \$3.4m loss). This includes a \$6m non-cash impairment of Nichols Poultry assets.
- Non-cash impairment of \$6m for Nichols Poultry (organic assets and reset of the carrying value due to macro-economic environment and current unprecedented oversupply of poultry in markets).
- Sales revenue from continued operations reduced by 4% over pcp to \$46.8 million (2023: \$48.6 million).
- Poultry sales volume was 11% (715mt) lower than pcp driven by oversupply.
- Gross margin of 23% (2023: 25%) was down 2% driven by consumer spending reduction and an unprecedented oversupply of poultry in the Tasmanian and mainland markets, which increased competition and lowered wholesale prices.



FY2024 Financial Highlights: Consolidated (Continued and discontinued operations)

KEY FINANCIAL RESULTS	FY 2024	FY2023	Consolidated	
	Consolidated	Consolidated	Variance to FY2023	
	\$'000	\$'000	\$'000	%
Revenue	47,059	74,908	(27,849)	(37%)
Expenditure	(49,087)	(79,544)	30,457	38%
OPERATING EBITDA	(2,028)	(4,636)	2,608	56%
GP Margin	24%	26%	(2%)	(8%)
FV: Biological Assets (AASB 141)	(359)	243	(602)	(248%)
Profit/(Loss) Sale of Assets	14	5,964	(5,950)	(100%)
Impairment (Non-Cash)	(5,960)	-	(5,960)	-
Statutory EBITDA	(8,333)	1,571	(9,904)	(630%)
NPAT	(10,454)	(987)	(9,467)	959%

- Consolidated Group operating EBITDA loss of \$2m was a 56% improvement on pcp of \$4.6m loss (pcp included the divested business units of Betta Milk, Meander Valley Dairy and Shima Wasabi).
- NPAT loss of \$10.5m was \$9.5m higher compared to pcp (FY2023: \$1m loss, including profit on sale of divested business units). Inclusive of \$6m non-cash impairment of Nichols Poultry assets.
- Non-cash impairment of \$6m for Nichols Poultry (organic assets and reset of the carrying value due to macro-economic environment and current poultry markets).
- Sales revenue reduced by 37% over pcp to \$47.1m (2023: \$74.9m which included divested business units).



Pyengana Dairy – Significant opportunity to scale the business in domestic and international markets,



- Scale up of product range by building out the range of premium and everyday premium offering in the domestic market.
- Portfolio brand strategy focused on building brand awareness, showcasing Pyengana Dairy cheddar and blue cheese quality, winning numerous awards nationally over the last 12 months.
- Reposition and launch of rebadged Pyengana Dairy farmhouse café and cellar door to promote and build brand profile.
- Build partnerships to increase distribution and strengthen capability;
- Pyengana Dairy export accreditation nearing completion (90% achieved).



ISLE & SKY

- Tasfoods has developed a unique offering in this category, leveraging off the inherent product strengths of Nichols Poultry and capturing the key trends in this segment.
- Isle and Sky Pet Treats sales volume grew 209% in FY2024 across all channels.
- Sales volume through Petbarn increased 198% in FY2024 and is ranged nationally in all 220 Petbarn stores.**
- TasFoods has already achieved ranging in Australia's largest pet retailer – Petbarn.
- Prioritise partnerships to increase distribution and reach;
- New product development with new Pet Treats range.

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%



\$33bn

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



2.7% CAGR

Expected until 2028 in Australian pet 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



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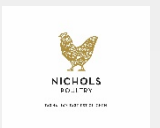
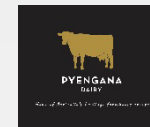
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Outlook



We are razor focused on building a more robust and stable business with consistent results

- Our immediate priorities are:
 - **Strengthening the Poultry Supply Chain:** Progressing initiatives to strengthen our poultry grower network, improving supply reliability and building on our relationships to improve results;
 - **Optimising Poultry Processing Solutions:** Leveraging newly implemented analytics and technology to refine decision-making, streamline workflows and enhance efficiency;
 - **Expand Isle & Sky Pet Treats Range:** Accelerating growth in pet treats segment, utilising our available poultry waste stream to access a significant growing market;
 - **Advance Pyengana Dairy's Export Potential:** Completing export accreditation (90% achieved) at Pyengana Dairy while expanding our product range and distribution in both domestic and international markets, leveraging our café and visitor centre; and
 - **Continued Reduction in Overhead Costs:** Further reduce our overhead cost base looking at all inhouse and outsource service provisions to enhance our earnings position.
- Continuous evaluation of our cost base and operating platform in conjunction with targeted capital expenditure and cashflow analysis whilst also remaining tuned to other broader strategic options available to improve our results.



Building a path to robust sustainable earnings

Strength & Consolidate

- Poultry remains an affordable, healthy, and widely favored protein of choice, with Nichols Poultry standing out as a unique and trusted brand in Tasmania;
- Nichols Poultry has a long-term strong relationship with major customers in grocery and independents who prioritises our RSPCA Poultry for the Tasmanian market.

Growth & Expansion

- National relationship with largest pet retailer in Australia for Isle & Sky Pet Treat presents a compelling growth opportunity to build a unique product range and utilise the waste stream of Nichols Poultry to derisk volatility in Poultry earnings;
- We have a very strong brand with Pyengana Dairy cheese delivering category leading margins and opportunity to extend portfolio in Australia and International markets;
- We have an opportunity to scale both Pyengana and Isle & Sky by establishing retail partners to add the expertise and capability at the front end and become much larger revenue contributors.

Optimise

- We have installed advanced manufacturing performance analytic systems in our poultry processing to drive costs down in conjunction with further measures to reduce corporate costs;

Portfolio

- The combination of these ingredients over time will provide the opportunity for a far more resilient and robust growth-based business.



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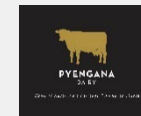
Financial Information



Profit and loss – Consolidated Group

Profit or Loss (\$000's)	FY2024	FY2023
Income	Total Consolidated	
Revenue from operations	46,054	74,052
Other income	1,005	856
Profit/(loss) on sale of fixed assets	14	5,964
Total income	47,073	80,872
Expenses		
Fair value adjustment of biological assets	(359)	243
Impairment	(5,960)	-
Raw materials used	(24,867)	(42,965)
Employment and contractor expense	(14,904)	(21,602)
Freight	(3,637)	(6,011)
Occupancy costs	(1,004)	(1,338)
Depreciation and amortisation	(1,521)	(1,948)
Finance costs	(699)	(772)
Insurance	(751)	(935)
Legal and professional fees	(896)	(1,030)
Marketing and event expenses	(173)	(440)
Repairs and maintenance	(712)	(1,208)
Loss on sale of assets		
Other expenses	(2,044)	(3,853)
Net Loss before income tax	(10,454)	(987)
Income tax benefit/(expense)	-	-
Net Loss after tax for the year	(10,454)	(987)

- Consolidated NPAT loss of \$10.5m (continued and discontinued operations), inclusive of a \$6m non-cash impairment of Nichols Poultry assets, was \$9.5m higher compared to pcp (2023: \$1m loss).
- Non- cash impairment of \$6m was recorded for Nichols Poultry assets including organic assets no longer in use. This follows a review of the value of cash generating units and assets in the Company. This is reflective of the macro-economic environment and the unprecedented oversupply of poultry in markets Nichols Poultry competes in.
- Total consolidated revenue declined by 37% over pcp to \$47.1m (2023: \$74.9m, inclusive of divested business units).



Balance sheet

\$000's	FY2024	FY2023
Current Assets		
Cash & Cash Equivalents	485	3,432
Trade & Other Receivables	2,005	3,209
Biological Assets	2,805	3,487
Inventory	2,232	2,128
Assets classified as held for sale	1,597	-
Prepayments	934	691
Total Current Assets	10,058	12,947
Non-Current Assets		
Property, Plant & Equipment	9,135	17,264
Right of Use Assets	4,228	4,422
Intangible Assets	413	572
Total Non-Current Assets	13,776	22,258
Total Assets	23,834	35,205
Current Liabilities		
Trade & Other Payables	7,514	9,662
Borrowings	948	2,284
Lease Liabilities	305	332
Provisions	893	987
Total Current Liabilities	9,660	13,265
Non-Current Liabilities		
Borrowings	2,773	13
Lease Liabilities	4,188	4,241
Provisions	92	111
Total Non-Current Liabilities	7,053	4,365
Total Liabilities	16,713	17,630
Net Assets	7,121	17,575
Equity		
Contributed Equity	66,834	66,834
Reserves	1,353	1353
Accumulated Losses	(61,066)	(50,612)
Total Equity	7,121	17,575

- The Group is supported by a balance sheet with a net asset position of \$7.1m (noting PP&E balances of \$10.7m).
- Closing cash as at 31 December 2024 was \$0.5m. This excludes available overdraft facilities of \$2m with the NAB.
- Biological assets, relating to birds and eggs at Nichols Poultry and Nichols Hatchery declined in value by \$0.7m due to fair value valuation under AASB 141 (Agriculture).
- Assets classified as held for sale relate to the Betta Milk Burnie site carry value amount \$1.6m.
- Intangible assets solely relate to ERP development costs in Shared Services and water licenses in the Poultry business unit.
- Trade and other payables reduced by \$2.1m due to supplier payments relating to divested business units (Betta Milk and Meander Valley Dairy) that were outstanding as at 31 December 2023.
- Total borrowings (current and non-current) have increased by \$1.4m for term debt with NAB, which replaced the loan facility with Roadnight Capital (31 Dec 2023) and an equipment finance facility with NAB of \$0.5m, of which \$0.4m remains available.



Cash flow

\$000's	FY2024	FY2023
Cash flows from operating activities		
Receipts from customers	47,188	48,586
Payments to suppliers and employees	(48,796)	(51,355)
Interest received	4	182
Interest paid	(312)	(415)
Other	-	(766)
Net cash used in operating activities relating to continued operations	(1,916)	(3,768)
Operating cash flows relating to discontinued operations	(495)	266
Net cash used in operating activities relating to continued and discontinued operations	(2,411)	(3,502)
Cash flows from investing activities		
Proceeds/(payments) from disposal of property, plant and equipment	179	(17)
Payments for property, plant and equipment	(526)	(1,558)
Payments for other non-current assets	-	(27)
Net cash flows (used in)/ provided by investing activities relating to continued operations	(347)	(1,602)
Investing cash flows relating to discontinued operations	(68)	12,123
Net cash (used in)/ provided by investing activities relating to continued and discontinued operations	(415)	10,521
Cash flows from financing activities		
Proceeds from borrowings	1,997	1,743
Principal elements of borrowing payments	(1,527)	5,639
Principal elements of lease payments	(202)	(238)
Transaction costs related to borrowings	(335)	(146)
Net cash used in financing activities relating to continued operations	(67)	6,998
Financing cash flows relating to discontinued operations	(54)	(10,936)
Net cash (used in)/provided by financing activities relating to continued and discontinued operations	(121)	(3,938)
Net (decrease)/increase in cash held	(2,947)	3,081
Cash and cash equivalents at the beginning of the year	3,432	351
Cash and cash equivalents/ (bank overdraft) at the end of the half year	485	3,432

- Net cash outflows from operating activities were \$2.4m (continued and discontinued operations) for the year (2023: \$3.5m) which is reflective of:
 - Unprecedented oversupply of Poultry in markets;
 - Current challenges of household spending and economic climate; and
 - Operational cost increases in the poultry business for direct labour, logistics, and repairs and maintenance.
- Cash receipts from customers were \$47.2m, from continued operations, a decrease of 3% on pcpc.
- Net cash outflow from investing activities of \$0.4m (2023: \$10.5m inflow, including divested business units) relates to PP&E in continued and discontinued operations;
- Net cash outflows from financing activities were \$0.1m, an improvement of 97% on pcpc, largely due to the reduction of external borrowings associated with discontinued operations and transition of financial institutions from Roadnight Capital, AMAL Security Services Pty Ltd to NAB.



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