



TASFOODS LTD

AGM PRESENTATION
MAY 2018



TasFoods is the Tasmanian food specialist.

We are the trusted source for premium Tasmanian products fit for the world stage.

Our products are the essence of Tasmania.

We are the trusted source for premium Tasmanian products fit for the world stage.

A wooden cheese board featuring a wedge of Robur Farm Dairy Herb & Garlic cheese. The board is also topped with several slices of rustic bread, a bunch of green grapes, a sprig of fresh thyme, and a small bowl of soft cheese. A knife with a wooden handle is visible on the right side of the board. The Robur Farm Dairy logo, featuring a stylized animal head, is prominently displayed on the cheese packaging.

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The Tasmanian Advantage

Production Advantages

- Tasmania has a cool climate and fertile soils capable of producing a wide range of food products with a high level of water security.
- As an island located in the remote Southern Ocean Tasmania offers biosecurity advantages for high value products.

Branding Advantages

- Tasmania has a strong brand recognised internationally as a source of premium quality food.
- Tasmania's island status provides identifiable geographic boundaries that make the place of origin easy to identify and relate to.

How we leverage being Tasmanian

- We have strong defendable position for sales within Tasmania to a loyal local community and are able to introduce our brands to visitors through restaurants and cafes, providing a foundation for expansion into interstate and export markets.
- We underpin the premium branding of our food products through the positioning of the Tasmanian brand, enhancing access to new markets interstate.
- We understand and are connected to the Tasmanian agricultural, tourism and business environment



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Business Streams and Brands



Protein

Nichols Poultry
Nichols Ethical Free Range Chicken
Nichols Kitchen



Dairy

Meander Valley Dairy
Pyengana Dairy
Robur Farm Dairy



Horticulture

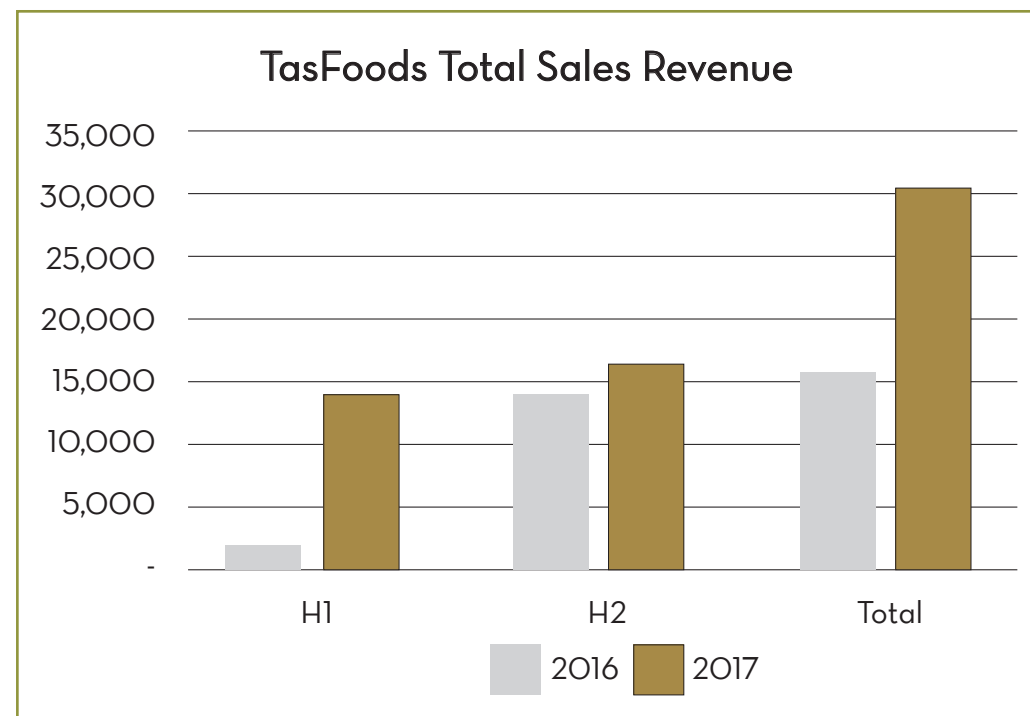
Shima Wasabi



Financial Results 2017

- Strong revenue growth of 92% was achieved in 2017 but the business delivered a trading loss of (\$4.71) million.
- 2017 revenue growth reflects the purchase of Nichols Poultry and Shima Wasabi in June 2016 and a full 12 months of trading for these business units in 2017. 2017 sales revenue includes 3 months of trading for Pyengana Dairy
- 2017 results include the impairment of Shima Wasabi Goodwill of \$2.116 million
- Comparative sales revenue for H2 2017 compared to H2 2016 (excluding Pyengana Dairy) reported a 13% growth from \$13.98 million to \$15.82 million

	2017 \$'000	2016 \$'000
Sales Revenue	30,743	15,980
Trading Net Loss	(4,710)	(2,982)
Profit/(Loss) before income tax expense	(6,639)	(2,206)
Loss after income tax expense	(6,808)	(2,577)



Balance Sheet

- Net assets declined during the year by \$3.4 million, however total assets grew by \$1 million as a result of the acquisition of Pyengana Dairy and the integration of the business operations.
- Intangible assets include the impairment of Shima Wasabi goodwill for \$2.1 million.
- Total borrowings grew by \$1.6 million as a result of financing production equipment purchased to improve processing efficiency.
- Other non-current liabilities of \$1 million represent deferred tax liabilities.

	2017 \$'000	2016 \$'000
Current Assets		
- Cash and cash equivalents	9,663	11,862
- Receivables	2,799	2,222
- Biological assets	1,932	1,814
- Other	2,363	1,569
Total Current Assets	16,757	17,467
Non-Current Assets		
- Property, plant and equipment	14,944	12,793
- Intangibles	8,673	8,989
- Other	328	423
Total Non-Current Assets	23,945	22,205
Total Assets	40,702	39,672
Current Liabilities		
- Payables	4,775	3,117
- Borrowings	1,255	690
- Provisions	524	373
Total Current Liabilities	6,554	4,180
Non-Current Liabilities		
- Borrowings	1,379	321
- Provisions	144	98
- Other	979	-
Total Non-Current Liabilities	2,502	419
Total Liabilities	9,056	4,599
Net Assets	31,646	35,073

2017 Highlights

- Rebranding of Nichols Poultry, Meander Valley Dairy and Shima Wasabi under the unifying endorser brand The Tasmanian Food Co + launched Robur Farm Dairy goat brand
- Integration of business operations into a common corporate structure with a comprehensive suite of systems and processes
- Optimisation of dairy and chicken operations through increased automation
- Export accreditation gained for Kings Meadows dairy factory
- Strategic Acquisition of Pyengana Dairy to enhance dairy offering



The **TASMANIAN FOOD CO**



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2017 Challenges

DAIRY

- Reduced gross margins resulting from a 43% increase in the purchase price of cream. In response cream products were reconfigured for retail markets and a private label contract was withdrawn from. Changes impacted revenue for several months mid year

CHICKEN

- Unanticipated drop in live weight during winter impacted revenue and gross margins. In response a number of activities were undertaken designed to improve liveweight and feed conversion ratio

WASABI

- Challenges with freight deliveries and lack of consumer awareness of the product contributed to anticipated sales growth not being realised.



Focus areas for 2018 - 19

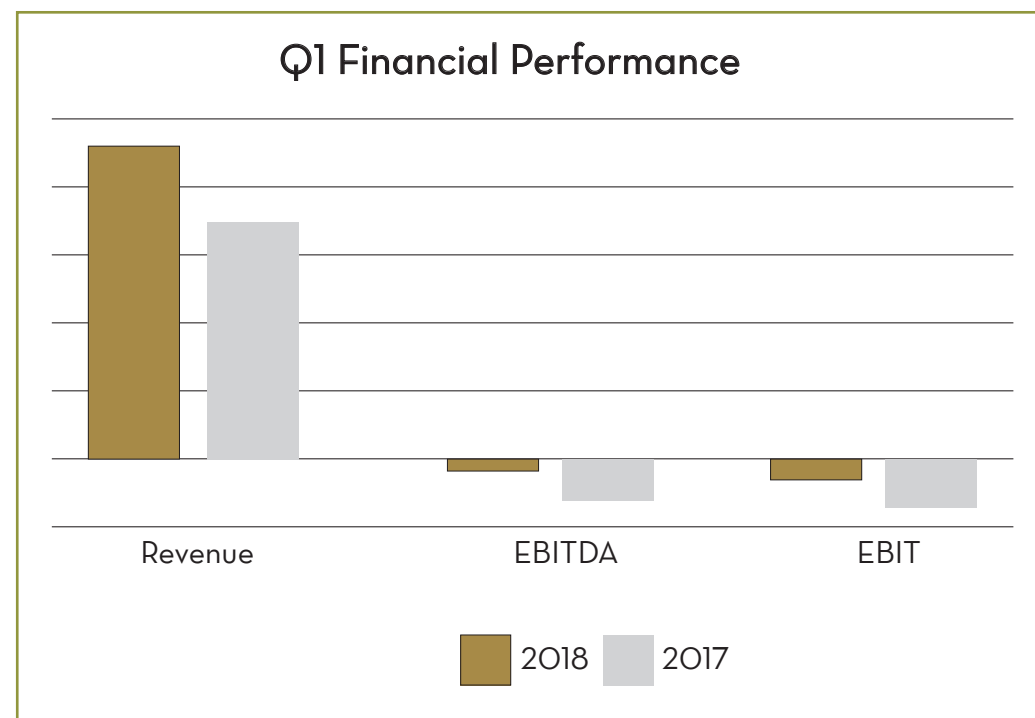
- Successful integration of Pyengana Dairy has enabled relocation of equipment between processing sites to improve efficiency and plant utilisation. 5 new milk lines have been released in Q2 with distribution in Coles and Woolworths in Tasmania.
- Establish strategic distribution partnerships to broaden ranging across the national independent retail network.
- Crystallise new opportunities in specialised food service market.
- Commence dairy exports through strategic distribution partnerships.
- Drive efficiency program throughout all operations.
- Expansion of chicken contract grower network to increase chicken growing capacity.
- Capital Investment initiated for Nichols Poultry to improve throughput and process efficiency.
- Refine and optimise the fixed cost base.



Q1 Financial Performance 2017 and 2018

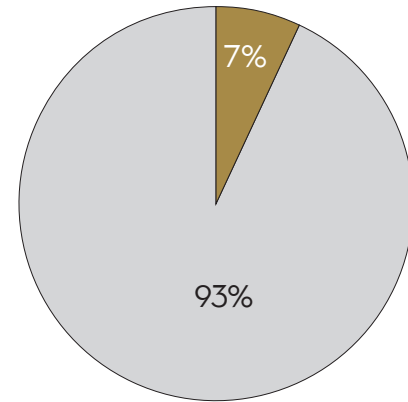
- Financial results for Q1 2018 have seen significant improvements in both revenue and gross margin.
- Gross margins have improved as a result of cost control and manufacturing efficiency.
- Leveraging fixed costs and containment of administrative costs have further contributed to improved EBITDA performance.

	2018	2017	% Growth
Revenue	\$9.287	\$7.177	29%
Gross Margin	27%	22%	5%
EBITDA	(\$0.236)	(\$1.172)	80%
EBIT	(\$0.496)	(\$1.350)	63%

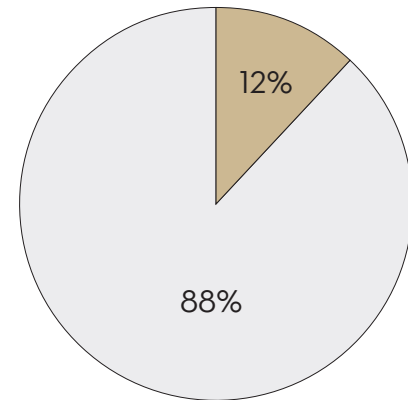
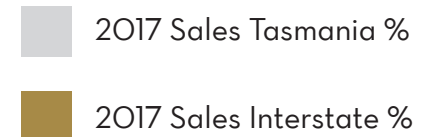


Growth in Interstate Sales

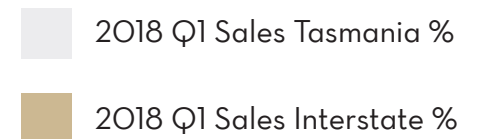
- 93% of all product sales revenue in 2017 was generated in Tasmania.
- Strategies to grow interstate sales have seen the percentage of interstate revenue grow overall from 7% to 12% in Q1 2018 on the back of a 29% growth in revenue. The largest area of growth from interstate sales has been in dairy products.



2017 % of Total Sales



Q1 2018 % of Total Sales



Summary

- 2017 delivered strong 92% year on year revenue growth for TFL but a disappointing \$4.7M trading loss
- The corporate foundations for a diversified premium food business are in place but at the end of calendar 2017 with full year annualised revenue of circa \$30M+ the business was still “sub-scale”
- Strong organic growth of 20% in Q1 2018 compared to Q1 2017 (excluding Pyengana Dairy Sales)
- Q2 2018 is anticipated to show similar strong growth against the prior year but revenue will be relatively flat compared to Q1 2018 as a result of stabilised chicken sales
- A number of ranging and distribution gains have been crystalised during the first half of 2018 which are anticipated to deliver strong growth in the second half of 2018 compared to the first half

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