

TASFOODS LTD

AGM PRESENTATION

23 JULY 2020



ABOUT TASFOODS

TASFOODS LTD

- **TasFoods** is a diversified food business leveraging the natural attributes of Tasmania's agricultural and food production environment to create premium food products for sale to Australian and export customers.
- **TasFoods** has a strong and loyal customer base in Tasmania and continues to focus on its long-term vision to showcase the State's finest produce to the world.

The company owns a stable of high value food brands in **three key product categories**:

POULTRY



NICHOLS
POULTRY



NICHOLS
ETHICAL FREE RANGE
CHICKEN



NICHOLS
KITCHEN

DAIRY



MEANDER VALLEY
DAIRY



PYENGANA
DAIRY



ROBUR FARM
DAIRY

Betta
MILK

HORTICULTURE



SHIMA
WASABI

THE TASMANIAN ADVANTAGE

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A remote island located in the southern ocean, **Tasmania is ideally positioned** to support the creation of **premium branded food products**.

WATER SECURITY

Although only 1% of Australia's land mass, Tasmania is home to 12% of Australia's water resources. Investment in irrigation across the island supports production of lush green grass for dairy cows and high yielding grain and vegetable crops.

BIOSECURITY

Tasmania's isolated location off the bottom of Australia supports an environment with a lower risk of exposure to a range of pests and diseases for intensive livestock and cropping.

BRAND RECOGNITION

Surrounded by water Tasmania has a natural boundary. This combines with a pristine environment to define Tasmania as a trusted place of origin for premium food products.



2019 FINANCIAL RESULTS

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A year of strong organic sales growth and a strategic acquisition

	FY2019 \$'000	FY2018 \$'000	FY Change \$'000	FY Change %
Sales Revenue	50,693	38,397	12,296	32%
Gross Profit	12,827	10,798	2,029	19%
Gross Profit Margin	25%	28%		-3%
EBITDA	(1,155)	(1,125)	(30)	-3%
Acquisition Costs	(497)	(187)		
Operating EBITDA*	(658)	(924)	266	29%
NPAT	(3,459)	(1,358)	(2,101)	-155%

* Before acquisition and investment costs

- Sales revenue grew 32% to \$50.69 million through a combination of organic sales and the acquisition of Betta Milk
- Gross profit margin reduced by 3% due to drought influenced commodity input price increases.
- Acquisition and investment costs of \$0.497 million related to the acquisition of Betta Milk
- Operating EBITDA improved by 29%.
- Net profit declined to negative \$3.459 million predominantly as a result of a change in tax (\$1.17 million) and increased depreciation (\$0.451 million) from the acquisition of the Betta Milk assets and capital investment

BETTA MILK ACQUISITION



- The milk processing and distribution network assets of the Betta Milk Cooperative Society Pty Ltd were acquired on 31 July 2019
- At the time of acquisition annualised sales were assessed at \$16.7 million with a normalised EBITDA of \$0.8 million
- A new milk brand called Tassie Taste was launched into two Tasmanian independent retail chains in December 2019.
- Annualised sales growth for the Betta Milk operation to June 2020 is 20%
- Milk bottling operations for all brands have now been consolidated onto the Betta Milk site providing the processing and logistics synergies forecast at the time of acquisition.

2020 OUTLOOK

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A year of uncertainty

- Business operations of TasFoods had a strong start to the year for the first quarter with all business segments reporting sales growth and a positive operational EBITDA.
- Economic and social changes stemming from COVID-19 began impacting the business in a variety of ways from mid March, to which management began and continue to respond.
- Extensive management processes have been implemented and maintained across sites to support our people to continue to work safely and minimize the risk of interruption to operations or distribution from COVID-19. Whilst these measures have added cost and complexity to our operations, they are essential to maintain our ongoing business.
- We are working closely with our customers to ensure we continue to deliver quality products and meet distribution timeframes to maintain market supply. We anticipate that some level of volatility in market demand will continue in the short term.



2020 DAIRY

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Strengthening dairy to drive profitable growth

In 2020 TasFoods has restructured the dairy segment into centres of excellence to drive production and distribution efficiencies:

- Production facilities have been streamlined into focus areas to deliver labour and packaging efficiencies and reduce wastes;
 - ❖ Betta Milk in Burnie – milk bottling across all brands
 - ❖ Kings Meadows Dairy – specialty cream, butter and soft cheese
 - ❖ Pyengana Dairy – cheese
- Betta Milk distribution network now delivers products from across our dairy brands to 90% of all Tasmanian dairy customers. The volume of product moving through this network has grown by 50% since acquisition and provides increased frequency of delivery for smaller volume products which is helping to drive sales growth
- TasFoods' refrigerated distribution network provides a customer focused statewide service for short shelf-life goods requiring multiple deliveries per week to each customer.



DAIRY DIVISION – sales momentum maintained

**Betta
MILK**

PYENGANA
DAIRY

MEANDER VALLEY
DAIRY

ROBUR FARM
DAIRY



Overall dairy sales remain on budget. The flexibility of operations to react to changes in volume and product mix have been pivotal to management through this period of uncertainty

- Milk sales, representing 62% of dairy sales have remained strong and continue to grow with year to date growth of 19% across all milk brands
- Cream and butter sales, representing 26% of dairy sales slowed in April as a result of the closure of the food service sector but have rebounded through retail growth in May and June with year to date sales achieving 16% growth above 2019
- Cheese sales, representing 3% of dairy sales slowed as a result of the closure of the food service sector and people being unable to entertain at home. Sales for March to May were down 38% but have returned to pre COVID levels in June.
- The Pyengana Dairy Café remained closed for the whole of the second quarter but reopened on 4 July

POULTRY – COVID-19 influenced shift in poultry market



- Unprecedented shifts in poultry markets experienced since March have created significant uncertainty as the industry experienced rapid changes to demand mix and volume.
- Nichols Poultry sales revenue for the first half of 2020 were higher than the same period for the previous year, however changes to product mix and volumes have impacted gross margins.



POULTRY – responding to change



- The business responded quickly to demand changes by realigning chicken volumes in agricultural operations. Whilst this was enacted in April there is a 10 week lead time for changes to field inventory.
- Our processing operation implemented a range of physical and social distancing measures, banned non-essential site visitors and implemented COVID-safe hygiene practices
- We are actively working with key customers to support their changes in product demand and identifying new and emerging opportunities for the business

SHIMA WASABI – Pivoting to service a changing market



- Fresh wasabi products were historically sold across Australia, predominantly to high-end restaurants and food service catering for corporate events. These markets closed in March, at the start of the COVID-19 pandemic in Australia, and will remain constrained until indoor mass gatherings are permitted and international travel recommences.
- Since April, the business has redirected sales to retail and online markets with a strong focus on fresh stems and powdered product.
- In the second half of the year we are launching a unique, new, ready-to-use wasabi paste made from real wasabi. This convenient wasabi product will be sold through retail outlets and to the food service industry.



LONG-TERM OUTLOOK

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The business is well positioned for long-term growth

- The diverse nature of the TasFoods customer base and product mix ensures the core business has a strong future despite the ongoing uncertainty in current markets
- Demand for chicken meat is forecast to grow as consumers downgrade protein choices in a tougher economic climate
- Tasmanian consumers continue to seek local products across the fresh food retail market. With over 80% of sales revenue generated in Tasmania, the business is well positioned to provide reliable and frequent service to this market with a variety of products through its statewide refrigerated distribution network
- The Board and Management are developing a new strategic plan that addresses the risks and opportunities emerging for the business to set the future direction



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