
TASFOODS LTD

Mr Shane Noble Chair's Address

AGM 23 May 2019 11 am

Firstly, I would like to say that I'm pleased with the progress TasFoods made in 2018 towards achieving our strategic goals for both revenue growth and operational efficiency. Jane and the team delivered a 25% increase in revenue and a 54% increase in gross profit through a disciplined approach to cost control and market expansion. This has positioned the business well for further gains in 2019.

Our key strategic objective is to develop a diversified food and beverage business leveraging the natural attributes of Tasmania's unique agricultural and food production environment.

With the recent announcement regarding our proposed acquisition of Betta Milk, we plan to have two key business pillars in Poultry and Dairy. Each will be a scale business with a strong and defendable market position in Tasmania and, more importantly, significant opportunities for growth into new markets, which we demonstrated in 2018 with a 106% increase in non-Tasmanian sales. Despite our focus on expanding distribution into new markets, we still delivered 18% growth in Tasmania from our existing dairy and chicken businesses; and it is important that we continue to look after our loyal Tasmanian customers and consumers as our relationship with them is a strong barrier to new entrants into our core markets.

The Betta Milk acquisition will be transformational for TasFoods; it will enable us to leverage our existing fixed cost base as well as opening up a range of distribution and operational synergies. We are still completing due diligence, but based on our initial findings we expect that our expanded business will have revenue of circa \$60 million in 2020.

Our aspirational goal is to be a \$100 million revenue business within the next three years, ideally with three strong earnings pillars, Chicken, Dairy and one other. We continue to look for complementary acquisitions which will help us achieve this goal.

Although business size is important so we can leverage our fixed cost base and attract a wider range of investors, we will also continue to focus on operational efficiency and strengthening our brand connection to customers and consumers. At this stage in our business evolution, our primary growth initiatives are broadening distribution, expanding into new markets and acquiring new customers. But as we start to improve our profitability, we will invest additional funds into brand development and marketing and we expect to embark on some of these activities during 2020.

We are a relatively young business, having started in 2016, but after three years we are already achieving strong growth and positive operating cash flow. We are also on track to deliver positive EBITDA from existing operations, without Betta Milk, in the financial year to

December 2019. But we still have a lot of work to do. Jane will talk more specifically about our key initiatives in her presentation, and your board and management team are absolutely committed to delivering further improvement in our business performance.