

TASFOODS LTD

INVESTOR PRESENTATION

MARCH 2020



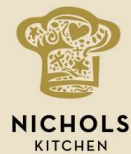
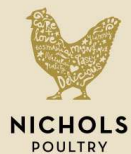
ABOUT TASFOODS

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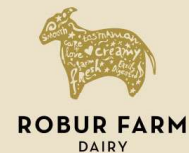
- **TasFoods** is a diversified food business leveraging the natural attributes of Tasmania's agricultural and food production environment to create premium food products for sale to Australian and export customers.
- **TasFoods** has a strong and loyal customer base in Tasmania and continues to focus 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



DAIRY



**Betta
MILK**

HORTICULTURE



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

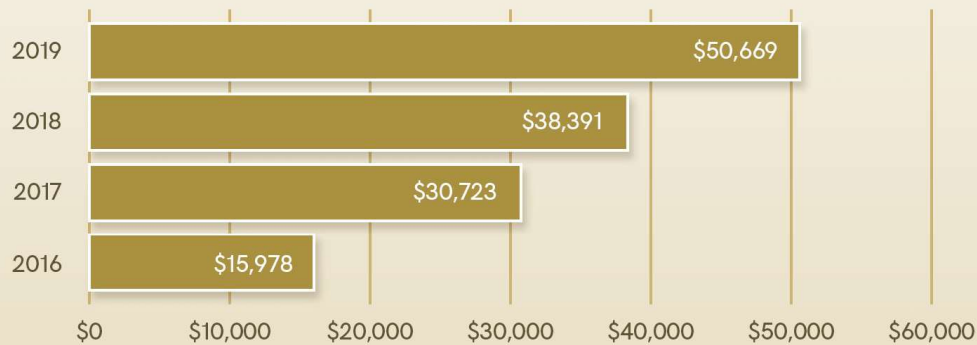
- Sales revenue grew 32% to \$50.69 million through a combination of organic sales and the acquisition of Betta Milk
- Gross profit margin reduced by 3% due to drought influenced commodity input price increases.
- Acquisition and investment costs of \$0.497 million related to the acquisition of Betta Milk
- Operating EBITDA improved by 29%. Positive EBITDA of \$0.046 million was achieved in H2
- 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

KEY SALES ACHIEVEMENTS OF 2019

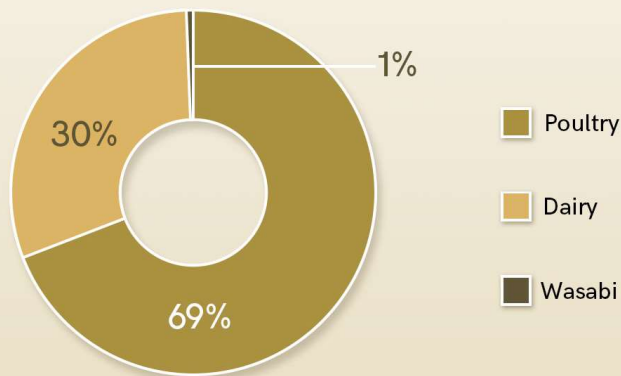
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32% growth in sales revenue

Total Sales Revenue (\$'000)



2019 Sales Revenue

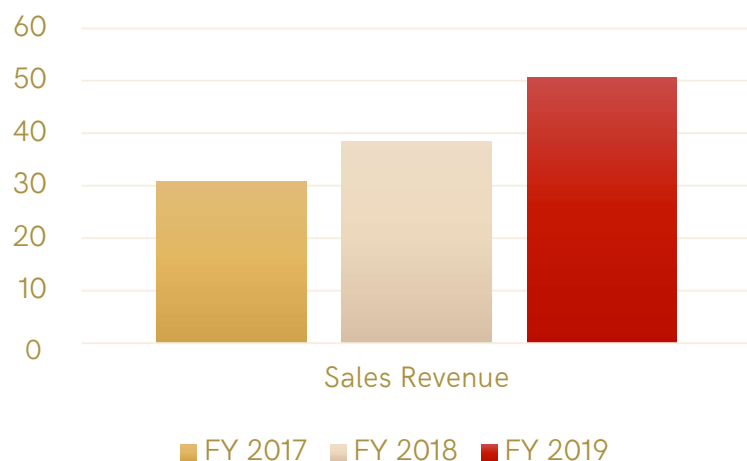


- Revenue growth was achieved in all segments of the business
- Poultry remains the largest segment of the business achieving 9% growth for 2019 to \$34.94 million of sales revenue
- Dairy revenue, inclusive of 5 months of revenue from Betta Milk, grew by 158% to \$15.38 million representing 30% of total sales, up from 15% in 2018. Organic dairy growth (excluding Betta Milk) was 29%
- Wasabi sales revenue grew by 8% to \$0.35 million

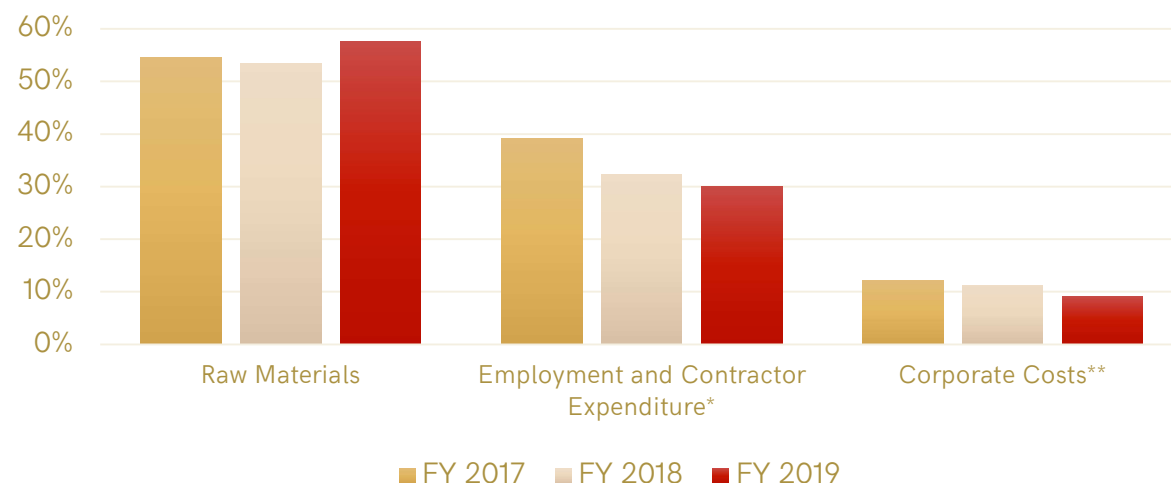
OPERATING COSTS 2019

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3 year Sales Revenue trend
(\$ millions)



% of Costs to Revenue



- Raw material costs increased from 53% of sales revenue in 2018 to 58% in 2019 as a result of commodity price increases for inputs of feed grain, milk and cream totalling \$2.62 million
- The impact of commodity price increases was reduced by manufacturing and labour efficiencies and the containment of corporate costs;
 - Employment and contractor expenses reduced from 32% in 2018 to 30% of sales revenue in 2019 as a result of manufacturing efficiencies
 - Corporate costs declined as a percentage of sales revenue from 11% in 2018 to 9% in 2019

* Inclusive of corporate employment costs

** Includes employment costs, excludes acquisition costs

POULTRY DIVISION 2019



- Nichols Poultry sales grew by 9% to \$34.94 million
- Higher margin Ethical Free Range Chicken sales grew by 85%
- Capital expenditure project delivered 2 additional chicken growing sheds to expand growing capacity
- Significant increases in commodity pricing for feed grain inputs impacted gross margin during 2019

DAIRY DIVISION

**Betta
MILK**

**PYENGANA
DAIRY**

**MEANDER VALLEY
DAIRY**

**ROBUR FARM
DAIRY**



- The **combined dairy division** (inclusive of 5 months of Betta Milk) achieved sale revenue growth of 158% to 15.38 million. Organic dairy growth net of Betta Milk was 32%
- **Meander Valley Dairy** achieved 31% growth in 2019
- **Pyengana Dairy** cheese and milk achieved 33% growth in 2019. Farm milk supply for Pyengana Dairy was increased by 30% per annum through an additional farm supplier
- **Robur Farm** goat dairy achieved 8% growth across cheese and milk products
- Dairy gross margins were negatively impacted by increases in input milk and cream pricing

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
- Sales revenue of Betta Milk during TasFoods first 5 months of ownership grew by 9% compared to same period 2018
- A new milk brand called Tassie Taste was launched into 2 Tasmanian independent retail chains in December 2019. Sales revenue from first 2 months has exceeded business case forecast

SHIMA WASABI 2019



- **SHIMA WASABI** achieved 8% sales growth to \$0.35 million
- Changes implemented in 2018 to interstate distribution channels delivered an increase in sales of fresh wasabi products and improved operational efficiencies
- Innovation grant funding received from Food Innovation Australia Ltd to further research in 2020 into the active components of wasabi that may be beneficial to health and wellbeing



2020 OUTLOOK

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A year of continued strong growth in revenue and profitability

Strong sales revenue growth is anticipated in 2020 through:

- Full year of trading for Betta Milk
- Full year of sales for Tassie Taste white milk brand launched in December 2019
- Full year of sales for additional chicken volume delivered in Q4 2019
- Expanded distribution for cream and goat cheese products launched in 2019
- Launch of a range of new dairy products in H2



2020 OUTLOOK

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A year of continued strong growth in revenue and profitability

Margin and profit improvement will be achieved through:

- Strategic price increases implemented across dairy and chicken brands
- Implementation of further manufacturing efficiencies
- The Betta Milk Tasmania wide distribution network will be leveraged to generate logistics efficiencies across the dairy segment
- Corporate and shared service costs will be contained and leveraged to deliver further reductions as a percentage of sales



2020 OUTLOOK (continued)

TASFOODS LTD

Full year positive operating EBITDA

TasFoods Board and Management are focused on **delivering continued improvement in profitability** in 2020 by leveraging its Tasmanian heritage and unlocking the full potential of the company's established brands and operations.



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