

## Mr Scott Hadley

CEO Address - AGM 30 May 2022 11 am

### Welcome

Thank you Chairman. Firstly, as the new Chief Executive Officer of TasFoods I wanted to introduce myself to you all. I was Born in Tasmania and I grew up in Westbury, about 30 minutes from here. I did all my schooling here in Tasmania and I graduated Uni of Tas. After graduating I did what a lot of young Tasmanians do headed off and travelled the world.

I have worked for some major multi nationals like Cadbury, Fosters, GSK, Asahi plus an iconic local business, Spirit of Tasmania.

After 20+ years learning what good looks like, I saw the opportunity to turn TasFoods into a Tasmanian success story we can all be proud of. I have built National & Global brands and the opportunity here is to build our brands for long term success. With great products as our foundation (like my favourite MVD Double Cream!) we need to invest in the business to capitalise and win.

Whilst the challenge may be more than initially thought and the road ahead more windy than we want, I am confident we can turn the business around with time, hard work, passion and innovation. Doing more of the same won't deliver what we want, we will be bold, decisive and take some calculated risks.

### Leadership Team

To lead TasFoods into this exciting phase we have assembled a new Executive Leadership Team. All the ELT members are here today and I ask them to stand up. Shona and I started in October 2021 whilst the other 3 new members of the ELT (Aaron, Mike and Gregg) have only started in the last month. Our three operational managers on the Executive Leadership Team, Phil Stephenson, Chief Poultry Officer, Tristan Nichols , Agriculture Manger and Leigh Austin, Dairy Operations Manager have been with TasFoods for many years and they bring years of skill and expertise in their respective fields.

This new ELT will drive the future strategy and performance of TasFoods and we all relish the challenge ahead of us to turn TasFoods into the business all our stakeholders aspire it to be. The challenge ahead for the team is great but I am confident we have established the team to succeed.

### Overview

As the Chairman presented earlier, TasFoods has an updated strategic roadmap with the theme being to Reimagine Authentic Provenance. Each of these words were carefully chosen and reflects the ambition we have to re-set the direction of the business.

TasFoods has a great stable of brands as highlighted on the left side column. Each brand has different attributes and plays a different role within the categories it operates in and we aspire to have more of our sales come from the top of the hierarchy and that will require investment in our brands for sustained success. I want to thank our retail partners for supporting us as we make our brands available for more consumers to enjoy. There will be a sharper focus on direct to consumer from 2022 onwards as we build a platform to grow in this important channel.

## **FY21 Financial Review**

Sales revenue growth of 3.8% to \$69.4 million was achieved in FY 2021 when compared to FY 2020. This was achieved mainly through the continued support of our loyal Tasmanian customer base. Sales growth in poultry division of 5% was solid given the supply-chain challenges in the sector. Whilst the dairy division's sales were largely flat on last year, EBITDA was impacted by the limited ability to pass on input cost rises to customers. Pyengana dairy products (including Farm Gate and Café) were a highlight in this division with sales increasing by 37% compared to FY 2020. Shima Wasabi performed strongly with an increase in sales of 46% on FY 2020.

Gross margins for the year were significantly impacted by input cost increases associated with milk, poultry feed and labour which were not reflected in customer pricing.

The performance in FY 2021 coupled with subdued forward-looking industry forecasts for the categories TasFoods participates in, resulted in the Company recognising an impairment charge of \$3.9 million, comprising goodwill impairment of \$1.1 million in the poultry division and \$2.8 million in the dairy division. No goodwill remains on the balance sheet. No impairment to brand values were recognised.

The Company had cash holdings of \$1.5 million at the end of FY2021 and total available funds of \$4.0 million (including unused overdraft facilities of \$2.5 million).

The business managed very well through significant uncertainty resulting from COVID-19. Not only did we ensure supply was maintained, but we also effectively managed our COVID safe plans to ensure safety of our staff and maintained animal welfare standards.

## **FY22 April trading update**

Overall sales revenue at the end of April is in line with last year. Sales performance at Nichols Poultry, Pyengana and Shima is tracking ahead of last year, however this is being offset by sales performance at Betta Milk and Meander Valley Dairy.

COVID-19 disruptions impacted our business divisions, particularly during February, where labour shortages severely affected operations. Input costs rose sharply through the quarter particularly the key inputs of poultry feed, milk, fuel and energy.

Given these costs pressures from labour and other inputs as highlighted on slide 6, the Company has experienced a gross profit margin reduction of 4.1 percentage points on last year. We continue to actively review our supply chain to ensure best available pricing and continuity of supply through these challenging market conditions.

Pleasingly, the revenue enhancing strategies undertaken to improve gross margin have started to make an impact with the key revenue metrics improving over last year. These strategies will be fully implemented during Q2 and will be subject to continual review given the rapidly increasing nature of input costs. The Company has a number of fixed price contracts and we are also looking at negotiating a positive outcome on these given the extraordinary rise in input costs in 2022.

In the year to the end of April, our EBITDA loss is greater than planned and unfavourable to last year as a result of the factors I previously mentioned. The Company is managing its cash flow tightly and cash flows from operations are favourable to last year in the first 4 months of 2022.

## **Platform for change**

TasFoods has a fantastic portfolio of brands and our vision is to invest in them so they can reach their full potential. In order to invest and profitably grow, the business needs to embark on a journey to establish solid foundations and

set TasFoods up for sustained success. From the Board to the Executive Leadership and all layers of the organisation we are resetting our ambition and leveraging the strengths of TasFoods.

At present we are primarily run as separate stand alone businesses, with different systems, ways of working, route to markets etc but it is through our collective strength that will be prosper in the future. We have great opportunity in Tasmania and untapped potential on the mainland and we now need to establish the foundations for growth. Our new strategy specifically focuses on four key pillars to ensure the Company can leverage its competitive advantage. Opportunities lie in building our Sales and Marketing capabilities and capitalising on our strength in Tasmania with strong customer relations.

As announced this morning, our Chairman will be stepping down at the end of this meeting. The board composition and capabilities will continue to be reviewed to ensure that the skill set, industry experience and tenure of the directors remains appropriate for the business and continues to provide the necessary support and guidance to the new management team as it embarks on the implementation stage of the new business strategy.

### **TasFoods new strategic focus**

As a result of the reviews of the business led by the Board and management team, we have established a simple, four-pillar approach to growing TasFoods and making it a profitable business. The four pillars are;

- Fortress Tasmania
- Mainland markets
- Centre of excellence
- Adjacent expansion

Each one of these has its own plan and I look forward to sharing with you our progress on implementing these four pillars over the coming months.

### **Top 10 initiatives**

The first steps we have taken to enable our four-pillar strategy is to prioritise our immediate actions into a Top 10 list. You can see the progress we have already made on some of the initiatives and I won't reference each one individually but there are a few I want to specifically highlight.

The TasFoods capital management framework is a vital building block we have established in that it provides a disciplined approach to investment and evaluation of all strategic initiatives. The company will evaluate all opportunities against the criteria of strategic fit, financial profile, risk profile and resource profile. An example of the capital management framework in action is our decision made today to re-purpose our organic chicken infrastructure at Flowerdale to a more appropriate use at the Nichols Poultry site at Sassafras. We will be exiting the lease at Flowerdale but continuing to operate in the premium chicken market through a more cost effective and balanced risk profile operation from our owned site at Sassafras.

We have completed a review of our distribution and warehouse model for TasFoods and we will be moving into the implementation phase. This can be an enabler of our Fortress Tasmania pillar insofar that we can provide one stop, customer service to our direct customers in Tasmania.

Mainland and e-commerce expansion will be a key enabler of TasFoods in the medium term. We have just recently expanded our capability in sales and direct to consumer on the mainland. Having people with deep expertise in these areas will enable implementation of profitable growth.

## Marketing initiatives

It has been acknowledged that we do not invest enough into our brands. Our General Manager Marketing started with the business only recently but already we have initiated changes to our Shima Wasabi social media presence to enhance the premium nature of the brand and to show its premium credentials. This has been our test case in social media enhancement and we will now take these learnings to our other premium brands starting with Pyengana Dairy.

At the recent Australian Grand Dairy Awards, TasFoods took home nine gold and silver awards. Our flagship cheese brand Pyengana Traditional Cloth bound cheddar took home the Gold award for best in class Vintage consumer pack cheddar. This is outstanding recognition for all involved in making this cheese and now gives us a platform to amplify its credentials to all customers Australia wide.

Our two biggest brands, Nichols poultry and Betta milk, will both see enhanced consumer activity in the second half of 2022. I am particularly excited about our plans for Betta milk as we leverage our position of being a brand for all Tasmanians. Nichols is a unique poultry offering in Australia and in comparison to our competitors there is no chlorine or chemicals added, it is air chilled (not chlorinated water chilled) and they are grown and processed under the wind turbine in pristine conditions in north west Tasmania.

I am confident that by investing sensibly in our brands we will not only increase awareness and love for our brands but we will engage more positively with our customers.

## Capital raise

Craig mentioned previously our successful capital raise. We undertook a capital raise at this time to ensure we had the funds available to execute our strategy and start the turnaround of TasFoods as soon as possible.

The primary use of the capital raise funds will be to:

- Working capital. Support working capital as required to eliminate overdraft and provide stability.
- Connectivity. Develop the foundations in process and systems (ERP) to grow with confidence. Additional functionality such as CRM will be implemented later.
- Commercial acceleration through our brands. Focus on distribution and D2C.

## The opportunity

I wanted to finish by highlighting the tremendous opportunity that is in front of us. TasFoods has a premium portfolio of authentic brands, we have a great distribution network in Tasmania that we are going to improve on, our product quality is first class and we will embark on our promise of mainland expansion and a sophisticated direct to consumer platform.

The last six months has been one of immense change at TasFoods and I want to recognise all our staff who have supported the Board and myself as we embark on this journey. Everyone has great pride and passion for TasFoods and together we will make the necessary changes for success.

I want to thank all our shareholders for supporting us and whilst the road ahead may be challenging at times as we navigate through these unparalleled times, I am confident that we are heading in the right direction to reimagine authentic providence.

Thank you.