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**TASFOODS**  
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Contact  
Scott Hadley | CEO  
E: [scott.hadley@tasfoods.com.au](mailto:scott.hadley@tasfoods.com.au)

# FY 2023 Results

Scott Hadley – Chief Executive Officer  
Josh Fletcher – Chief Financial Officer



# A New TasFoods

- The first stage of the Company's transformation has been completed with the most extensive corporate restructure programme implemented since inception to reposition the business.
- In March 2022 TasFoods announced its new Strategic Focus as the foundation to continuously assess the operational performance and asset base of the Company through the lens of its core capabilities and capital management framework. Since that time TasFoods has simplified its operations through the following activities:
  - Sale & Leaseback of non-core assets.
  - Completed the sale of Shima Wasabi.
  - Launched Isle & Sky Pet treats.
  - Completed the sale of Betta Milk and Meander Valley Dairy, and licensing of Pyengana Dairy Milk brand to Bega Cheese Ltd.
  - Completed the acquisition of Redbank Poultry Pty Ltd (Redbank).
  - Completed a significant corporate restructure to right size the support office.
- The net proceeds of the above transactions have been used to retire all existing term debt with ANZ.
- The divestment of business units has come amidst a backdrop of unprecedented macro challenges that have impacted supply and demand cycles. The timing of the divestments has ensured the Company's financial viability in the current economic climate.
- TasFoods refocused business model aligns with the strategic repositioning of the Company with the express aim to creating sustainable value for shareholders.
- TasFoods sees the potential within its core portfolio divisions **Nichols Poultry** and **Pyengana Dairy** with the acceleration of value enhancing initiatives, operational efficiencies and geographic sales expansion along with developing new growth channels in the Pet Food category with **Isle & Sky**.
- Continuous evaluation of base business performance will be done in conjunction with exploring all broader strategic options available.



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# Financial Information

An aerial photograph of a large farm complex during a vibrant sunset. The sky is filled with orange, yellow, and pink clouds. In the foreground, there are several light blue and white farm buildings, including a large warehouse-like structure on the left and several smaller sheds. A red tractor is parked near one of the buildings. The middle ground features a large green field with some bare patches, a line of trees, and a small pond. In the background, rolling hills and mountains are visible under the colorful sky. The text "Financial Information" is overlaid in large white letters across the center of the image.



# Year of extensive restructure

FY22 Profit or Loss (\$'000's)	FY23	FY22	FY23	FY22	FY23	FY22
	Total Consolidated		Continued Operations		Discontinued Operations	
<b>Income</b>						
Revenue from operations	74,052	70,587	47,811	41,948	26,241	28,639
Other income	856	364	792	317	64	46
<b>Total income</b>	<b>74,908</b>	<b>70,951</b>	<b>48,603</b>	<b>42,266</b>	<b>26,305</b>	<b>28,685</b>
<b>Expenses</b>						
Fair value adjustment of biological assets	243	375	243	375	-	-
Impairment		(6,835)	-	(2,910)		(3,925)
Raw materials used	(42,965)	(41,863)	(26,724)	(24,648)	(16,241)	(17,215)
Employment and contractor expense	(21,602)	(22,296)	(15,354)	(15,008)	(6,249)	(7,288)
Freight	(6,011)	(5,472)	(3,458)	(2,943)	(2,553)	(2,529)
Occupancy costs	(1,338)	(1,520)	(890)	(989)	(448)	(531)
Depreciation and amortisation	(1,948)	(2,099)	(1,195)	(1,281)	(753)	(818)
Finance costs	(772)	(542)	(618)	(469)	(154)	(73)
Insurance	(935)	(796)	(741)	(589)	(195)	(207)
Legal and professional fees	(1,030)	(856)	(975)	(729)	(55)	(127)
Marketing and event expenses	(440)	(610)	(290)	(356)	(149)	(254)
Repairs and maintenance	(1,208)	(1,463)	(704)	(886)	(504)	(577)
Loss on sale of assets	5,964	-	(105)	25	6,069	-
Other expenses	(3,852)	(4,037)	(2,839)	(2,585)	(1,013)	(1,452)
<b>Net Loss before income tax</b>	<b>(987)</b>	<b>(16,399)</b>	<b>(5,047)</b>	<b>(10,728)</b>	<b>4,060</b>	<b>(5,672)</b>
Income tax benefit/(expense)	-	(79)	-	(79)	-	-
<b>Net Loss after tax for the year</b>	<b>(987)</b>	<b>(16,478)</b>	<b>(5,047)</b>	<b>(10,807)</b>	<b>4,060</b>	<b>(5,672)</b>

- Due to the extensive corporate restructuring activity in 2023, TasFoods profit/loss statement has been separated between continuing and discontinued operations.
- Discontinued operations include Shima Wasabi, Betta Milk and Meander Valley Dairy and represent the period of time under TasFoods ownership.
- At a total group level, TasFoods recorded a net loss after tax of \$1.0m.
- Continued operations includes a full year of support office costs which will be significantly reduced in 2024 after the restructure that occurred in December 2023.
- There was no impairment recorded for the Group in 2023.

# Improved financial performance driven by strong revenue

	Continued operations 2023				Discontinued operations 2023				Consolidated 2023
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	TOTAL \$'000
Revenue	2,432	46,011	160	48,603	26,094	211	-	26,305	74,908
Operating Expenditure	(2,121)	(44,300)	(5,717)	(52,137)	(25,958)	(284)	(1,165)	(27,407)	(79,544)
<b>Operating EBITDA</b>	<b>311</b>	<b>1,711</b>	<b>(5,556)</b>	<b>(3,534)</b>	<b>136</b>	<b>(73)</b>	<b>(1,165)</b>	<b>(1,102)</b>	<b>(4,636)</b>
GP Margin	33%	24%	33%	25%	1%	39%	0%	1%	26%
Movement in Fair Value	-	243	-	243	-	-	-	0	243
Sale of Assets	-	(100)	(5)	(105)	7,112	(1,043)	-	6,069	5,964
Impairment Expense	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>311</b>	<b>1,854</b>	<b>(5,561)</b>	<b>(3,396)</b>	<b>7,248</b>	<b>(1,116)</b>	<b>(1,165)</b>	<b>4,967</b>	<b>1,571</b>
<b>NPAT</b>	<b>151</b>	<b>931</b>	<b>(6,129)</b>	<b>(5,047)</b>	<b>5,991</b>	<b>(182)</b>	<b>(1,749)</b>	<b>4,060</b>	<b>(987)</b>

	Continued operations 2022				Discontinued operations 2022				Consolidated 2022
	Dairy \$'000	Poultry \$'000	Shared Services \$'000	Total \$'000	Dairy \$'000	Horticulture \$'000	Shared Services \$'000	Total \$'000	TOTAL \$'000
Revenue	2,312	39,816	120	42,248	28,901	423	-	29,324	71,572
Operating Expenditure	(2,115)	(41,325)	(5,679)	(49,118)	(27,623)	(518)	(1,659)	(29,800)	(78,918)
<b>Operating EBITDA</b>	<b>198</b>	<b>(1,509)</b>	<b>(5,559)</b>	<b>(6,870)</b>	<b>1,278</b>	<b>(94)</b>	<b>(1,659)</b>	<b>(476)</b>	<b>(7,346)</b>
GP Margin	32%	18%	0%	19%	29%	59%	0%	29%	22%
Movement in Fair Value	-	298	-	298	-	77	-	77	375
Sale of Assets	-	-	-	-	-	-	-	-	-
Impairment Expense	-	(2,910)	-	(2,910)	(3,925)	-	-	(3,925)	(6,835)
<b>EBITDA</b>	<b>198</b>	<b>(4,122)</b>	<b>(5,559)</b>	<b>(9,483)</b>	<b>(2,647)</b>	<b>(17)</b>	<b>(1,659)</b>	<b>(4,323)</b>	<b>(13,806)</b>
<b>NPAT</b>	<b>65</b>	<b>(3,330)</b>	<b>(7,541)</b>	<b>(10,806)</b>	<b>(2,062)</b>	<b>(76)</b>	<b>(3,534)</b>	<b>(5,673)</b>	<b>(16,478)</b>

- Operating EBITDA performance for continued operations is significantly improved from pcp with the loss reducing by circa 50%.
- Net revenue for continued operations has increased by 15%.
- Both the Dairy (Pyengana) and Poultry segments are operating EBITDA positive as a result of turnaround strategies implemented over the past 18 months.
- Shared services costs are for the full year and will be significantly reduced in 2024 to be right sized with the scope and scale of the new TasFoods.
- With the addition of Redbank Poultry and the corporate restructure we are now better positioned to improve our trajectory towards delivering a positive financial return.

# Balance sheet

\$'000's	Dec 23	Dec 22
<b>Current Assets</b>		
Cash & Cash Equivalents	3,432	351
Trade & Other Receivables	3,209	4,734
Biological Assets	3,487	2,557
Inventory	2,128	4,574
Prepayments	691	1,144
<b>Total Current Assets</b>	<b>12,947</b>	<b>13,360</b>
<b>Non-Current Assets</b>		
Property, Plant & Equipment	17,264	23,713
Right of Use Assets	4,422	1,541
Intangible Assets	572	556
Biological Assets	-	14
<b>Total Non-Current Assets</b>	<b>22,258</b>	<b>25,824</b>
<b>Total Assets</b>	<b>35,205</b>	<b>39,184</b>
<b>Current Liabilities</b>		
Trade & Other Payables	9,662	11,645
Borrowings	2,284	1,022
Lease Liabilities	332	373
Provisions	987	1,362
<b>Total Current Liabilities</b>	<b>13,265</b>	<b>14,402</b>
<b>Non-Current Liabilities</b>		
Borrowings	13	4,739
Lease Liabilities	4,241	1,494
Provisions	111	219
<b>Total Non-Current Liabilities</b>	<b>4,365</b>	<b>6,452</b>
<b>Total Liabilities</b>	<b>17,630</b>	<b>20,854</b>
<b>Net Assets</b>	<b>17,575</b>	<b>18,330</b>
<b>Equity</b>		
Contributed Equity	66,834	66,834
Reserves	1,353	1,121
Accumulated Losses	(50,612)	(49,625)
<b>Total Equity</b>	<b>17,575</b>	<b>18,330</b>

- The Group is supported by a balance sheet with a net asset position of \$17.6m (noting property, plant and equipment balances of \$17.3m post the divestment of Horticulture and Dairy assets).
- Closing cash as at 31 December 2023 was \$3.4m.
- Receivables, inventory and payables balances have all reduced in line with the sale of business units.
- Right of use assets and lease liabilities are primarily related to the hatchery and breeder business acquisition.
- Total non-current borrowings have decreased by \$4.7m due to the funds from sale of business units being used to repay all ANZ debt.

# Cash flow

\$'000's	FY23	FY22
<b>Cash flows from operating activities</b>		
Receipts from customers	76,311	71,722
Payments to suppliers and employees	(80,026)	(76,987)
Interest received	182	1
Interest paid	(579)	(435)
Other	590	(111)
<b>Net cash used in operating activities</b>	<b>(3,502)</b>	<b>(5,810)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	11,452	1,593
Payments for property, plant and equipment	(1,614)	(972)
Payments for other non-current assets	(3)	-
Net cash used in business combination	686	-
<b>Net cash used in investing activities</b>	<b>10,521</b>	<b>621</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	5,964
Cost of issuing shares	-	(153)
Proceeds from borrowings	1,856	925
Principal elements of borrowing payments	(5,343)	(2,304)
Principal elements of lease payments	(305)	(320)
Transaction costs related to borrowings	(146)	(21)
<b>Net cash provided by financing activities</b>	<b>(3,938)</b>	<b>4,090</b>
<b>Net (decrease)/increase in cash held</b>	<b>3,081</b>	<b>(1,098)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>351</b>	<b>1,450</b>
<b>Cash and cash equivalents at the end of the half year</b>	<b>3,432</b>	<b>351</b>

- Cash flow statement reflects full year activities of continued and discontinued operations and represent the part year ownership of divested business units.
- Net cash outflows from operating activities were \$3.5m for the full year which is reflective of continued cost increases across the business (milk purchases, poultry feed, labour processing costs, freight and distribution costs).
- Cash receipts from customers were \$76.3m, 6.4% higher than the pcg which is a result of improved sales performance but includes only part year ownership for divested business units.
- Debt repayments of \$5.3m were from the proceeds of sale of business units.



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Scott Hadley | CEO

E: [scott.hadley@tasfoods.com.au](mailto:scott.hadley@tasfoods.com.au)

# TasFoods Ltd

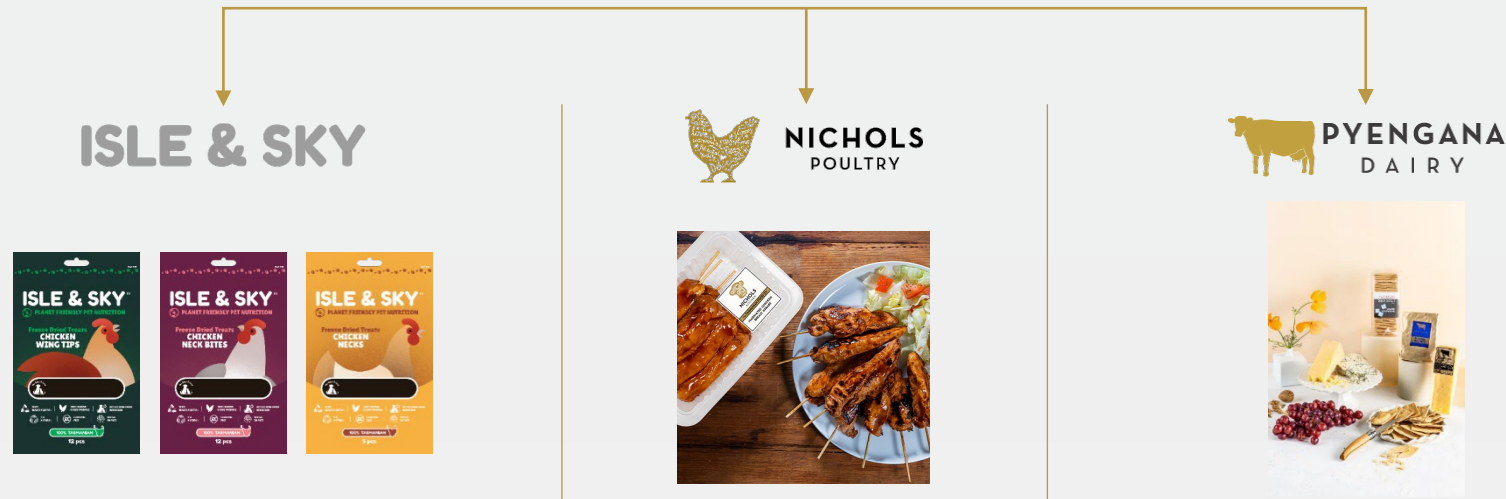
## A New Future





# New TasFoods Focus

- The sale of Shima Wasabi, Betta Milk and Meander Valley Dairy continued the strategic repositioning of the Company to ensure TasFoods is a leaner, focussed and profitable operation.
- Following the corporate activity in 2023, we estimate **Pro Forma Net Revenue of ~\$49m** from our Poultry Division (~\$46m) and Pyengana (~\$3m), **delivering positive EBITDA and cash flow from the base business** with growth optionality driven from new category expansion.
- Benefiting from a net cash position post sale of Betta Milk and Meander Valley Dairy the Company's strategic priorities will be:
  1. **Enhance earnings in Poultry division through Vertical Integration** – acquisition of Redbank Poultry to deliver further gross margin gains.
  2. **Drive revenue and brand growth in Pet Food division** – leverage our premium product position to drive Isle & Sky revenue growth.
  3. **Sweat existing assets harder for incremental Profit** – low CAPEX channel and NPD expansion for Pyengana Dairy brand.





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# Poultry – the Opportunity





# Australian Poultry Industry – The Competitive Landscape

- Australia's chicken market is largely controlled by two large vertically integrated producers, **Inghams Enterprises** and **Baiada Poultry (Steggles & Lilydale)**, estimated to supply approximately 70% of Australia's chicken meat.
- The current competitive landscape for Australian chicken meat production is heavily concentrated in offering affordable, private-label options to consumers via the grocery and food service channels.
- Concerns surrounding nutritional aspects of meat, production methods and sustainability has seen **consumers begin shifting towards high-quality, healthier premium products**.
- TasFoods sees a strong opportunity to continue to develop Nichols Poultry as an **affordable premium offering that strikes the balance between quality and volume**.

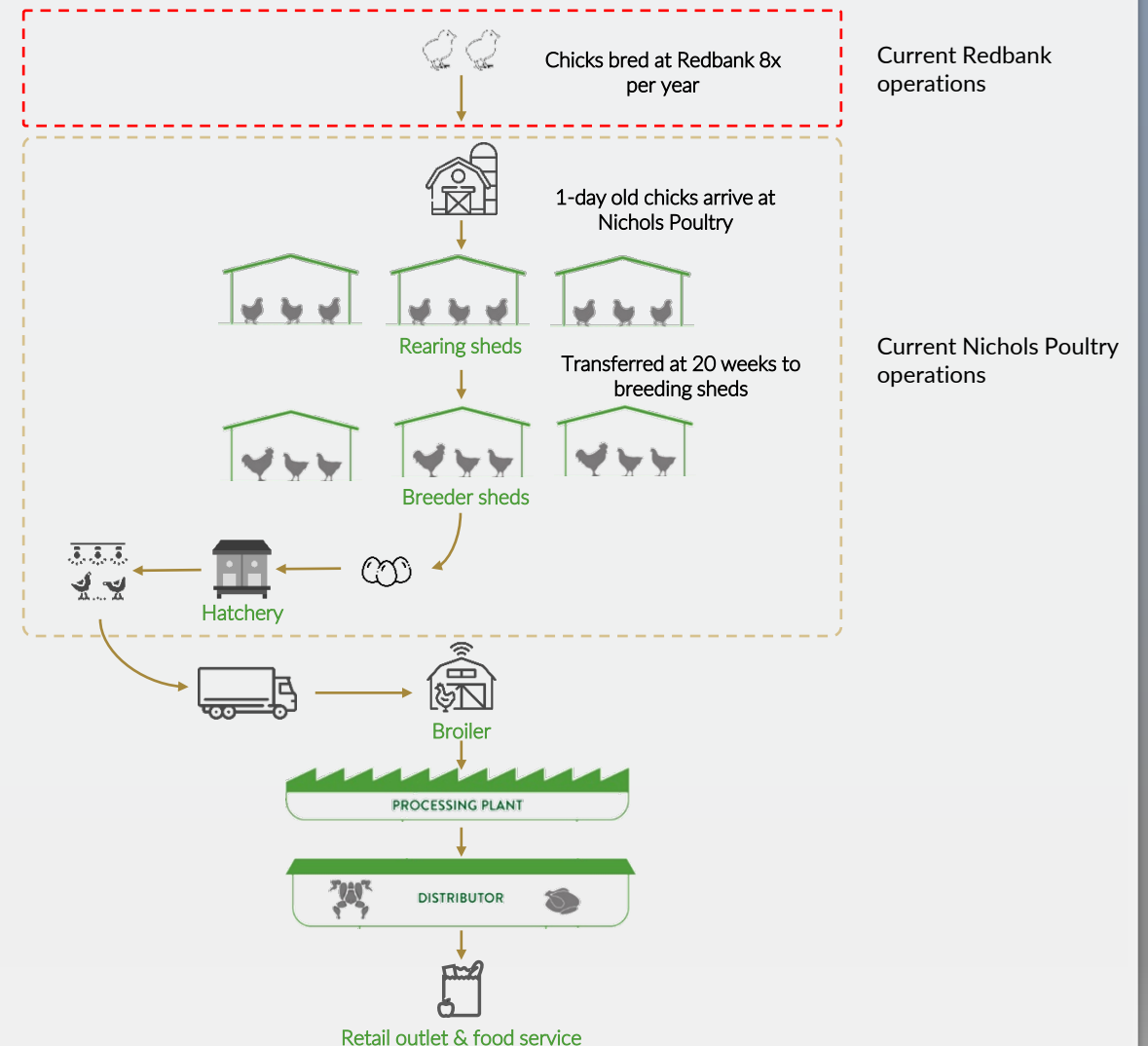


Source: Ibis World, Management Estimates



# Nichols Poultry & Nichols Hatchery (Redbank) – Strengthened Supply Chain

- Nichols Poultry is now profitable following the implementation of significant structural change, with Board and Management seeing profitable expansion through four avenues:
  - 1 Targeted investment in value enhancing capital
  - 2 Expansion into adjacent, fast growing category of pet snacks/treats, improving utilisation and profitability
  - 3 Commercialisation of processing by-products to support zero-waste initiatives
  - 4 Vertical integration via acquisition of Redbank Poultry, as announced on 18 December 2023
- Redbank was established at Sisters Creek in north-west Tasmania by Andrew Nichols in 1986, operating as a broiler/breeder farm where chickens are raised to lay eggs which hatch as Ross 308 birds, supplying all day-old broilers required by Nichols Poultry.
- Prior to the acquisition of Redbank, Nichols Poultry was the only poultry processor in Australia that did not own and operate its own breeder and hatchery operations** which places significant risk on the stability and security of the supply chain associated with the processing business.
- The acquisition of Redbank will provide multiple financial and operational benefits to Nichols Poultry, including:
  - Mitigation of supply chain risks through the management of supply and demand of breeder and hatchery operations;
  - Enable expansion into pet snacks/treats through Isle & Sky; and
  - Improved profitability and return on investment from poultry division.





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# Pet Food & Treats Opportunity



- The Pet Food market in Australia is estimated to be worth over \$3bn with the treats segment accounting for ~10% of the total market demand.
- It is estimated that Pet & Pet Supplies retailers generated \$3.9bn in revenue for 2022 in Australia, of which pet food accounted for 56%.
- This growth is seen to be driven by Australia's growing pet ownership rate, being one of the largest in the world with owners seeking premium offerings for their pets.
- **Australia is at the forefront of the continued humanisation and premiumisation trend of pet products. 8 of Australia's 10 largest dog food brands are premium brands.**
- Tasfoods has developed a unique offering in this category, leveraging off the inherent product strengths of Nichols and capturing the key trends in this segment.
- TasFoods has already achieved ranging in Australia's largest pet retailer, Pet Barn, and in the largest pet food distributor covering Australia's east coast.



**69%**

Of Australian households are estimated to own a pet, significantly above 2019 levels of 61%



**\$33bn**

Is spent annually on Australian pets with 51% made up by food products



**2.7% CAGR**

Expected until 2028 in Australian pet food products



**Humanisation of Pets**

Creating demand for health and wellness products that are targeted and use high quality ingredients

### Our Entry Product Range



Vet recommended nutrition



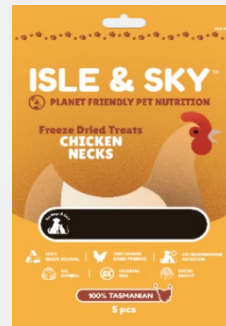
100% human grade produce



All natural



Chlorine free



Social impact



100% waste neutral

Source: Ibis World, Mordor Intelligence



A pastoral scene at sunrise or sunset. In the foreground, the back of a black and white cow is visible. In the middle ground, two more cows are grazing in a field of tall grass. To the left, a green hay wagon is parked. The background is filled with trees and a bright, hazy sky where the sun is low on the horizon, creating a warm, golden glow.

# Pyengana Dairy Update



# Opportunities for growth with channel expansion and export accreditation

	Channel Expansion	Varietal Expansion	Export Accreditation
Opportunity	<ul style="list-style-type: none"> <li>Currently only stocked with independent and specialty retail.</li> <li>Expand sales channel to national retailers (premium stores), food service and providores.</li> </ul>	<ul style="list-style-type: none"> <li>Currently focus on cheddar aged varietals and Blue.</li> <li>Expand into other cheddar based formats.</li> <li>Expand hard cheese types that capitalise on our core competency i.e. Gruyere.</li> </ul>	<ul style="list-style-type: none"> <li>The current production site at Pyengana is not accredited for export.</li> <li>Work has begun to gain regulatory approval.</li> <li>Export accreditation will drive key market growth.</li> </ul>
Timeframe	<ul style="list-style-type: none"> <li>Next 6 months (subject to range review).</li> </ul>	<ul style="list-style-type: none"> <li>NPD process likely to take 6 – 12 months before first sale.</li> </ul>	<ul style="list-style-type: none"> <li>6-9 months to complete the appropriate works and gain regulatory approval.</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>Increase of sales revenue.</li> <li>Capex relating to cutting / wrapping required to meet customer specs.</li> </ul>	<ul style="list-style-type: none"> <li>Sales revenue expansion.</li> <li>Gross margin expansion.</li> <li>Improve labour utilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Sales revenue expansion.</li> <li>Gross margin expansion.</li> <li>Improve labour utilisation.</li> <li>Capital expenditure required.</li> </ul>





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# Summary

An aerial photograph of a farm during a vibrant sunset. The sky is filled with orange, yellow, and pink clouds. In the foreground, there are several light blue and white farm buildings, including a large green-roofed structure on the left and several smaller sheds. A red tractor is parked near one of the buildings. The middle ground features a large green field with some bare patches, a line of trees, and a small pond. In the background, rolling hills and mountains are visible under the colorful sky.



# Transformation phase 2 now underway with focus on operational improvements

- The recent transactions will result in fundamental changes to our business foundations and we will continue to challenge all aspects of the business to improve our performance trajectory towards delivering a positive financial return.
- TasFoods immediate focus will be on the following immediate initiatives;
  - Nichols hatchery integration to deliver operational and financial benefits
  - Continuous improvement initiatives with particular focus on operational efficiencies and labour utilisation
  - Working capital management to improve cash conversion
  - Procurement benefits focusing particularly on input costs and project management
  - Growth of Isle & Sky Pet Treats to capitalise on initial ranging in Pet Barn
  - Pyengana Dairy export accreditation, with certification steps underway
- Continuous evaluation of base business performance and a review of above initiatives will be done in conjunction with exploring all broader strategic options available.



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