

## Mr Josh Fletcher

CEO Address - AGM 12 May 2025 11 am

### Welcome

Thank you Chairman.

2024 presented extremely challenging market conditions for TasFoods after absorbing the significant transformation work through 2023 to deliver a more streamlined and agile business with a strengthened supply chain and significantly reduced corporate overheads.

Despite economic uncertainty continuing to impact household budgets and elevating cost of living pressures through 2024 along with an unprecedented oversupply of poultry impacting wholesale prices we have continued to work on all areas of our business to improve our position. This has included not only comprehensive revenue and efficiency measures in all areas of the business to mitigate rising input costs but also the strengthening of our supply chain with the integration of Nichols Hatchery (Redbank Poultry) and further inroads into the Pet Treats sector with our Isle and Sky product range leveraging our Nichols Poultry waste stream. We continue to see this as a significant growth opportunity for the business with attractive financial metrics.

Pyengana Dairy has continued to take steps to achieve export accreditation and expand ranging in the domestic market. The business division performed solidly through 2024 despite the difficult consumer environment driving consumers to everyday value offerings and the reduced tourism numbers through Tasmania lowering our Cafe and visitor centre attendance. Pleasingly, we are starting to see some more positive signs for foot traffic and consumer spending at the Café in recent periods and are in the process of a refresh program at the facility.

The key initiatives during 2024 were:

- Product portfolio rationalisation to improve earnings and reduce complexity;
- Continued refining our logistic network in each of our sales channels;
- Tightened our sales and supply availability ratio to reduce working capital and improve return.
- Fully converted our poultry feed Supplier from Inghams Group Ltd (ING.ASX) to Ridley Corporation Ltd (RIC.ASX);
- Completed the integration of Redbank Poultry hatchery and breeder business into Nichols Poultry;
- Advanced Isle and Sky Pet treat ranging in Australia's largest Pet retailer along with new product development; and
- Further reduction and right-sizing of the Corporate Office.

The above actions have been enabled by a leaner, simplified business focussed on poultry with the sales mix heavily weighted to core consumer consumption patterns. This is complemented by the premium positioning of Pyengana Dairy and Isle and Sky.

Despite the hard work through 2024 we are disappointed that the overall Company financial results have not met our expectations given the challenging market dynamics along with an unprecedented surplus chicken supply driving disruption across all sales channels.

We continue to pull all operational levers and settings to mitigate this impact as best we can and explore all avenues in the market to protect our earnings base whilst staying attuned to signs of recovery. The significant step we made

last year into a fast growing and highly profitable pet treat category with the launch of our Isle and Sky Pet Treats utilising the waste stream from Nichols Poultry that would previously have been surplus to requirements. We have already achieved ranging with Australia's largest Pet retailer and believe the opportunity presents as a very strong mid to long term bridge to our earnings targets.

We have continued to right shape and reduce our corporate office by approximately 60% over the last 18 months and seek further insource and outsource options to more efficiently manage costs.

Our focus is now on stabilising Nichols Poultry whilst the oversupply of chicken from mainland markets drives inconsistent volume and pricing behaviour. In conjunction we will continue to build Pyengana Dairy and Isle and Sky into sustainable businesses with strong core consumer propositions and improved financial positions going forward.

## **FY24 Financial Review**

- Total revenue declined for the total business (continued and discontinued operations) by 37% to \$47.1m in 2024 when compared to 2023, which included the divested business units of Betta Milk, Meander Valley Dairy and Shima Wasabi.
- Total revenue in the Poultry division reduced by 3.5% to \$44.4m compared to FY2023. Poultry sales volumes was 11% (715 tonnes) lower than 2023, equating to \$4.6m less sales revenue.
- Revenue decline was driven by an unprecedented oversupply of poultry in markets Nichols Poultry competes in Tasmania and in mainland markets. This has had the effect of increasing competition and lowering of wholesale prices in the respective markets and mainland wholesalers continue to ship poultry inventory at low cost. A challenging economic backdrop in 2024 together with cost-of-living pressures and consumers trading down by substitution within the grocery channel has had a flow-on impact to the food service channel.
- Total revenue for the dairy division reduced by 13% to \$2.1m predominantly due to the Pyengana Dairy farmhouse café revenue being 23% lower than prior comparable period (PCP). This has been driven by a reduction in tourist numbers at the café and visitor centre over the last 12 months.
- Operating EBITDA for 2024 for continued operations was \$2.3m loss, which was \$1.3m or 35% improvement on the previous year being \$3.5m loss.
- Total Consolidated (continued and discontinued operations) operating EBITDA for 2024 was a \$2m loss, this was a \$2.6m (56%) improvement on 2023 being \$4.6m loss, which included the divested business units of Betta Milk, Meander Valley Dairy and Shima Wasabi.
- Gross profit margin across the Group declined 2% compared to 2023, driven by reduced consumer spending and an unprecedented oversupply of poultry in the market. Despite these challenges and increased labour costs, the Poultry division's gross profit margin was down 1% compared to FY2023, which is a testament to the quality of the product produced at Nichols Poultry and the equity of the Nichols branded product in the segment it competes in.
- The Dairy division, comprising Pyengana Dairy, saw an 8% increase in gross profit margin. This was driven by expanded national distribution through our strong partnerships with key distributors, ranging in 182 Coles supermarkets across Tasmania, Victoria, New South Wales and Queensland in October 2024.
- Additionally, efforts to right-size the Shared Services (corporate) structure in 2024 resulted in \$3.8m in cost savings, representing a ~55% cost reduction compared to 2023. We remain focused on identifying further opportunities to optimise costs and drive a leaner, more efficient business.
- The Group is supported by a balance sheet with net assets at 31 December 2024 of \$7.1m (31 December 2023: \$17.6m), including fixed asset balances of \$9.1m (which excludes the Betta Milk land and buildings held for sale at reporting date, with a carrying amount of \$1.6m).

- Cash balances were \$0.5m (31 December 2023: \$3.4m).
- The reduction in group net assets is significantly impacted by the impairment of Nichols Poultry assets of \$6.0m, offset by additions of plant and equipment of \$0.5m in Nichols Poultry, Nichols Hatchery and Pyengana Dairy business units.
- Net cash outflows from operating activities were \$1.9m (2023: \$3.5m). This is reflective of selling price increases which have not offset increased input costs including increased direct labour processing costs, logistics costs and repairs and maintenance.
- Net cash outflows from investing activities were \$0.4m (2023: \$10.5m inflow). Which were for property, plant and equipment in continued and discontinued operations.
- Net cash outflows from financing activities were \$0.9m (2023: \$3.9m inflow). Which were for repayment of borrowings relating to term loans and operating lease payments relating to the poultry operations.

Management continues to focus on a disciplined approach to working capital management to ensure improved profitability and cash flows across the TasFoods Group.

### **Sales, Marketing & e-commerce initiatives**

Pyengana Dairy cheese received numerous industry awards throughout 2024, with its Traditional Cheddar and St Columba Blue Cheese winning Gold and Silver across four states (NSW, QLD, SA, and TAS), as well as national awards including the Australian Grand Dairy Awards.

Boxolove, the Company's online curated hamper business, offers a premium selection of food and beverages from Tasmania's finest producers, catering to both consumers and the corporate gift market. During 2024 sales declined by 21% compared to 2023, reflecting broader trends in online demand as consumers face continued economic pressures and reduced disposable income.

### **People, capability and OHS**

None of the above initiatives would have been able to be implemented without the support of the loyal and wonderful team in the Company.

Our LTIFR, measured as LTI per million hours worked of 23, which is higher than industry benchmark of 19.7 (serious injury frequency rate). Whilst our goal is always for zero in this area, this result is not acceptable given the nature of the industries we work in. Through 2024 there have been a number of one-off incidents that has inflated the overall result, of which some have been a result of staff turnover. The Company has implemented increased focus, training and senior management attention to ensure safety is the number one priority for all employees and teams in our working environments.

### **FY25 March Quarter trading update**

Major financial metrics for the Company continue to be significantly impacted by the unprecedented oversupply of mainland sourced Poultry in the Tasmanian market through Q1 2025.

In the March 2025 quarter, total revenue for the Poultry division declined by 16% compared to the PCP. This is represented by sales volumes 14% (216 tonnes) lower than PCP and the average price being 2% (\$0.13/kg) lower compared to PCP. We anticipate wholesale poultry prices and the oversupply from mainland processors and competitors to remain through 2025.

Gross margins in Nichols Poultry increased by 3% on the PCP, driven by input cost reductions of day-old chicks and feed efficiencies from the transition of feed suppliers in H2 2024 from Inghams to Ridley. This has been a

significant achievement by the Poultry division, particularly against a backdrop of oversupply of poultry volumes and heavily discounted pricing experienced in the local Tasmanian market. The Company has continued to strengthen the Poultry supply chain with the signing of a lease of growing shed facilities with our largest chicken contract grower in Q1 2025, being 37% of the external chicken contract growing for Nichols Poultry. This will provide greater certainty and control of our broader Nichols Poultry supply chain.

Isle and Sky pet treats delivered strong sales growth performance in Q1 2025 with an 83% increase in revenue and 90% increase in sales volumes to PCP. Isle and Sky has received strong customer feedback from customers and distributors. We intend to leverage this interest in the Isle and Sky brand to expand expansion domestically and, over time, through international markets.

Work on our Poultry waste stream began in late Q4 2024. This is expected to yield cost savings with feathers and blood waste for processing instead of deep burial, commencing late Q2 2025.

Pyengana Dairy sales for the quarter were down 37% on the PCP, primarily due to reduced discretionary spending. This was compounded by a reduction in tourist numbers at the farmgate café and visitor centre compared to PCP. We are confident in the growth potential of Pyengana Dairy as we increase our focus on growth opportunities commercially and operational efficiency strategies in cheese production together with a refresh of the café and visitor centre as a stand-alone business within TasFoods.

TasFoods is focused on strict working capital and operational management in the industries it operates within Poultry and Cheese. The Company remains driven on achieving incremental improvements and upholding a strong working capital framework to maintain sufficient cash levels and financial stability.

### **The future opportunity**

As previously mentioned by the Chairman, 2024 presented an extremely challenging economic backdrop for TasFoods where we saw the benefits of a simplified operating model, delivered a significantly reduced and reshaped corporate office, strengthened our supply chain position in Poultry and as recently announced have shifted our largest contract grower to a lease model delivering commercial benefits and security.

From a base business perspective, the unprecedented oversupply of chicken in the market is significantly impacting our business performance and we are doing all we can to rebase our operation for this period and enable flexing up when the market conditions rebalance. We also continue to seek growth opportunities as recently announced with the Sales and Distribution Agreement executed with Natures Best (Pet Solutions International) for our Isle and Sky Pet Treats significantly increasing our range and customer expansion. This has the additional benefit of a meaningful increase in our waste stream utilisation potential not just for Isle and Sky products but scaling up into broader Natures Best products.

We continue to progress our Pyengana Dairy cheese customer expansion domestically and are significantly down the track to achieving export accreditation for international markets.

We have a lot of work to do in this period navigating the market conditions. We are confident the new foundations for the business will improve our trajectory towards delivering a positive financial return whilst we continue to explore all strategic options available to deliver a superior outcome for shareholders.

I want to thank all our stakeholders for supporting us and staying with us on the journey.

Thank you.