



NZX/ ASX Market Release

19 October 2016

## **Tegel Group Holdings Limited – 2016 Annual Shareholder Meeting**

The attached presentation will be given at Tegel Group Holdings Limited's Annual Shareholder Meeting starting at 9.30am today in the Pakuranga Hunt Room, Ellerslie Events Centre in Auckland, New Zealand.

1. 2016 Annual Shareholder Meeting Chair and CEO's Addresses
2. 2016 Annual Shareholder Meeting Presentation

Contained within the presentation is a trading update for FY17. Tegel remains on track to achieve its PFI forecast for FY17.

For those shareholders who are not able to attend in person, the meeting will be accessible via live webcast at: <http://webcast.openbriefing.com/3089/>

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### **About Tegel Group Holdings Limited**

Tegel Group Holdings Limited (NZX/ASX: TGH) processes approximately 50 million birds per year, across vertically integrated operations in Auckland, Christchurch and New Plymouth. It is New Zealand's leading poultry producer, processing approximately half of New Zealand's poultry, and also manufactures and markets a range of other processed meat products. Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked small-goods and frozen further processed products), which are sold through three key sales channels domestically (retail grocery, foodservice / industrial and quick-service restaurants), and in selected channels in international markets. Its brands are Tegel, Rangitikei and Top Hat.

For more information go to: [www.tegel.co.nz](http://www.tegel.co.nz)

## **Slide 1: Tegel Group Holdings Limited**

Good morning, my name is James Ogden. I am the Chairman of Tegel and it is my pleasure to welcome you all to this, our first Annual Meeting, since Tegel became a publicly listed company in May 2016.

Some housekeeping matters before we start:

- Shareholders and proxies who are entitled to vote should have received a Voting/Proxy Form when they registered upon arrival at the meeting. If you have not received a Voting / Proxy form, please go to the Computershare registration desk where their representatives will be able to assist you.
- Please be aware that the meeting is being audio webcast to shareholders who could not attend in person today.
- I would like to remind you, as a matter of courtesy, to turn your mobile phones to silent.
- If there is an emergency and we need to leave the venue, please do so through the marked exits and follow the instructions of the venue staff.

The company's constitution prescribes a quorum requirement of five shareholders. As you can see, this requirement has been met. Accordingly, I declare the 2016 Annual Meeting of Tegel Group Holdings Limited is formally open.

## **Slide 2: Disclaimer**

### **Slide 3: Agenda**

The items of business for this meeting and the resolutions to be considered by shareholders are contained in the Notice of Meeting. The Company Secretary has confirmed to me that the Notice of Meeting was sent to shareholders and other persons entitled to receive it on 27 September 2016.

The order of proceedings today is that I will briefly comment on the highlights of the last 12 months, followed by an address by Phil Hand, our CEO. We will then attend to the resolutions. Shareholders will have an opportunity to ask questions. You will also have an opportunity to raise any matters of a general nature at the end of the meeting.

Proxies have been appointed for the purposes of this meeting in respect of 275.0 million shares, representing 77.3% of the total number of shares.

At the close of the meeting, we hope you will join us for morning tea where we will showcase a number of our delicious products.

The financial statements for the financial year ended 24 April 2016, together with the Auditors' report, are set out in the Company's 2016 annual report. The annual report was made available on Tegel's website on 21 July 2016. Spare hard copies of the annual report are available in the registration area.

**Slide 4: Welcome And Introductions: James Ogden, Chairman**

**Slide 5: Welcome And Introductions**

I would now like to introduce my fellow Directors – seated here firstly to my right is George Adams, Independent non-executive director and Chair of Tegel's Governance and Remuneration Committee. Next to him is Brett Sutton, Non-executive director. Alongside Brett is KY Tang, also a Non-executive director then Phil Hand, Tegel's CEO and an executive director and finally David Jackson, Independent non-executive director and Chair of Tegel's Audit and Risk Committee.

Peter McHugh, Tegel's CFO, also joins us at the front here.

Biographies for each director can be found on the Tegel investor website.

I would also like to welcome the members of Tegel's management and staff in attendance, as well as our external auditors, PwC, and our lawyers, Minter Ellison Rudd Watts.

No apologies have been received to date. Do any shareholders have any apologies that they would like to have recorded?

**Slide 6: Chairman's Address, James Ogden**

**Slide 7: A Milestone Year for Tegel**

The financial year ended 24 April 2016 was a momentous year for Tegel, with a number of highlights. The largest of these was the successful listing in May on the NZX and ASX exchanges, which provided an increase in capital that has, and will, enable the company to undertake a number of strategic initiatives. However, before mentioning the initial public offering (or IPO) in more detail, it is worthwhile reflecting on the company's financial performance for the year under review.

During 2016, Tegel produced a record financial result that was materially up on previous results, and ahead of our Prospective Financial Information (or PFI) forecasts. This result was made possible by the tireless effort of the entire team, and I would like to take this opportunity to acknowledge the contribution from all Tegel team members in helping to deliver this outcome, particularly Phil, Peter and the executive team.

The record \$582.4 million sales for the year was a 3.5 percent increase on the 2015 year's result, and was achieved off our highest ever export sales of \$101.9 million. The underlying EBITDA was \$74.9 million, 22.6 percent ahead of last year's result, and \$0.2 million ahead of the PFI forecast.

Phil will cover off in more detail later the composition of the financial numbers achieved, along with other highlights for FY16.

The IPO raised \$283.9 million, of which \$130 million was used to pay down Tegel's debt. This now leaves Tegel with financial flexibility to accelerate domestic and export growth opportunities. The balance raised supported a sell-down of shares of the existing shareholders and they now hold just under 46% in total.

The IPO capital raising also enables the company to review and consider other opportunities in new territories that Tegel can now sell its products. This includes the Philippines, Bahrain and Japan. The recent change to poultry imports into Australia also presents an exciting opportunity for Tegel. This change saw the Australian market open up to allow the export of raw poultry products from New Zealand into the Australian market for the first time. Tegel management are working actively to accelerate export sales with both existing and new customers following this recent announcement.

Phil will provide you with a trading and outlook update later in the meeting. In summary, Tegel is on-track to deliver to the PFI included in the Product Disclosure Statement (or PDS).

#### **Slide 8: Strategic Objectives**

The ability for Tegel to continue to develop export markets, whilst maintaining a strong domestic business, is key to our success. Our key strategies for achieving growth are:

- Firstly, developing new product initiatives aimed at growing the overall volume and value of poultry consumption; such as our Tegel Free Range products and Boneless Roast, one of our new convenience products;
- Secondly, increasing the production of value added products by delivering solutions for evolving consumer preferences, for example chicken kebabs;
- Thirdly, expanding into new channels, growing volumes and expanding the product range to new and existing export customers; and
- Fourthly, identifying and entering new export markets.

Phil will address this further in his speech including the recent announcement that allows more of our products to be exported to Australia.

#### **Slide 9: Governance**

We take best-practice corporate governance very seriously at Tegel. As part of the listing process, we have developed robust governance, risk management and compliance practices and procedures; and we have established two standing Board committees to enhance the efficiency and effectiveness of the Board – the

Audit and Risk Committee, chaired by David Jackson, and the Governance and Remuneration Committee, chaired by George Adams.

In terms of Board composition, the directors on the Board bring extensive and varied experience in governance, finance and risk management and operations; both domestically and internationally. Notwithstanding, the recent appointment of the three non-executive directors prior to the IPO, we are already thinking about Board composition and succession planning, and we have finalised and agreed a Board skills matrix. As a company we embrace diversity, and in our search for another Non Executive Director we will have a gender bias, all other skills and attributes being equal.

Finally, as a Board, we are focused on providing comprehensive, transparent, and timely communications to our shareholders. We've listened to feedback provided by our institutional investors since listing and look forward to hearing later in the meeting from the shareholders here today.

### **Conclusion**

In conclusion, the Board is committed to maximising long-term shareholder value. We have in place robust governance, operational risk and compliance frameworks. We have a clear strategy, and proven business model, but know that we must respond quickly to domestic market pressures and international growth opportunities.

The Board is excited about the opportunities that lie ahead for Tegel. To each of you, thank you for your support and we look forward to sharing in the success of Tegel with you.

I'll now invite Phil Hand to address you. At the conclusion of Phil's presentation, we will move to the formal business of the meeting. While voting is taking place, you will have an opportunity to ask questions. We please ask that if you have a question not relating to the resolutions being considered today, you save it for this time.

**Slide 10: CEO's Address: Phil Hand**

**Slide 11: Tegel Executive Team**

Before I begin I'd like to introduce to you the management team who are seated in the front row. First off we have Christine Cash our GM Sales and Marketing, then we have John Russell, GM Agriculture and Supply and Austen Laurenson, GM Business Improvement. Over to our regional operations general managers, we have David Taylor for the Upper North Island, Martin Baker in the Lower North Island and finally Ed Campion in the South Island. Evelyn Davis who heads up our Human Resources function was not able to make the meeting. Together our Executive Team has extensive experience and is focused on delivering the strategic objectives.

## Slide 12: Highlights

2016 was a record revenue year for Tegel, and the business achieved a number of key milestones. I would like to thank my fellow Directors, Management, employees, growers, suppliers and customers for helping us achieve these results.

Our domestic business achieved 3.1% revenue growth in FY16, underpinned by two major supply contracts won during the fiscal year. The ground work for Brand Refresh commenced, and new innovations were being developed for launch in FY17.

Our export division exceeded expectation, with revenue breaking the \$100m barrier for the first time. Export revenue reached 17.5% of total company sales revenue.

Recently, we were pleased to notify the market of a significant change to market access conditions for export to Australia. Previously products were required to be fully cooked, but agreement has now been reached allowing the export of raw poultry products from New Zealand to Australia, within the agreed access framework.

This announcement, is the result of a significant body of work undertaken by Tegel with the Ministry for Primary Industries (MPI), to secure changed access conditions, based on New Zealand's high standard of bio security and low disease prevalence.

The total poultry market in Australia is approximately A\$7.1 billion. In FY16, Tegel exported A\$70 million of poultry to Australia, which represented a ~1% market share. The wider market access will allow for a significantly larger range of Tegel products to be exported into all segments of the Australian market.

When this change was announced in August, Tegel lodged new import permit applications, with the first new raw poultry permits granted in early September. We look forward to the significantly increased business opportunities this change will present.

We anticipate our first raw poultry sales into Australia sometime in the third quarter of this financial year

## Slide 13: FY16 Operational Highlights

The business is growing and growing more birds than ever before

Tegel processed approximately half of New Zealand's poultry in FY16, through three independent vertically integrated sites located in Auckland, New Plymouth and Christchurch.

These sites allow us to produce a variety of poultry products including fresh and frozen whole chickens, fillets and portions, value add convenience products and small-goods, such as Take Outs range of frozen processed

products, and Meal Maker cooked, sliced ready to eat chicken. You can see examples of Tegel's product range on the display table at the back of the room.

During FY16 the business continued to invest in agriculture and processing assets that are supporting sales growth, efficiency gains and savings.

In FY16 the key investments made by Tegel included:

- New equipment to automate parts of our processing plants including thigh and breast deboners
- Additional processing equipment to support significant new customer contracts
- Replacement and upgrade of freezing equipment in New Plymouth
- New breeding and hatching facilities to support our capacity expansion
- New technology to monitor and improve individual farm performance

#### **Slide 14: FY16 Financial Highlights: A Record Year**

In FY16 we achieved record financial performance for Tegel:

- Volume was 9.1% up on FY15, with 87,600 Tonnes of chicken sold.
- Revenue increased by 3.5% to a total company revenue of \$582.4 million.
- We recorded more than \$100 million in export revenue for the first time in Tegel's history.
- Gross Profit increased by 10.9% to \$147.4m.
- Underlying EBITDA was \$74.9 million, 22.7% ahead of prior year.
- We achieved NPAT of \$11.3 million, 29.5% ahead of NPAT in 2015.

#### **Balance Sheet**

Our Balance Sheet is in a very good position.

Following the IPO, Net Interest Bearing Debt was \$117.8 million. Our debt coverage and interest cover covenants have considerable headroom. This will allow Tegel to consider new opportunities and accelerate current strategies, in particular, export sales.

Tegel generated \$46.4 million of operating cash flow in FY16 and spent \$25.0 million on additional property plant and equipment.

#### **Slide 15: ESG: Tegel's People, Health & Safety**

Tegel now employs more than 2,300 permanent staff throughout its business. In this section, we touch briefly on some of the things that we do to acknowledge and develop our great people.

#### **People**

Tegel is very proud of our employees. Tegel is an organisation that strives for operational excellence in everything it does. Tegel's values: We Love Food, Do the Right Thing, Imagination with Action and Passionate People, Powerful Teams guide behaviour within the organisation and help to foster an environment that engenders loyalty and engagement.

Last year 169 employees were presented with awards at Tegel's annual Long Service Award dinners, celebrating over 2,600 years of service. All employees had served more than 10 years with the company, and 59 employees were recognised for 20 or more years of service.

Training is a key focus at Tegel. At the core of the company's training programme is the National Certificate Food and Related Products Processing Level 2 (FRPP) qualification. This essential and bespoke qualification is the foundation of our manufacturing induction and training programme. It ensures our people are fully trained to a recognised standard in health and safety, food safety, and the requirements of their manufacturing roles.

Further training across the business included many of our first line supervisors completing their National Certificate in Business (First Line Management) Level 3 qualification. Additionally, a number of Distribution Centre employees, Sales Team members and Agriculture team members successfully completed their respective National Certificates in Distribution, Sales and Poultry production.

Across the company over 1600 employees have been trained in SIMPLIFY! – which is how we talk about Lean manufacturing at Tegel. This training is embedding the principles required of this manufacturing management approach to ensure long term, sustainable change is achieved.

Tegel has provided the requisite safety training to our 109 health and safety representatives this year. Succession plans are in place for key management roles and are reviewed quarterly by the Executive team.

## **Health & Safety**

Safety is a primary focus at Tegel. Think Safe, Work Safe is our motto and our message is simple: think about the safety of yourself and others so that we all can go home safely at the end of every day. Our safety programmes have been independently audited under ACC's Workplace Safety Management Practices audit, meeting tertiary standard for the past 6 years.

Ahead of the new safety legislation being introduced in New Zealand, Tegel completed a further independent audit. Tegel is acutely aware that providing a safe workplace requires ongoing focus and the company continues to work through comprehensive plans to raise the bar in all areas of safety and risk management across the business.



### **Slide 16: ESG - Animal Welfare**

Tegel is committed to ensuring the highest standard of Animal Welfare and complies with all regulatory requirements. All birds can roam freely in their sheds and we currently have around 18% of our birds as free range. We are also constantly looking for new innovation and are currently planning our next phase of sheds that require less energy to operate and will over time develop into a fully sustainable operating model.

### **Slide 17: Strategic Update**

We continue to work towards achieving our key growth strategies, to deliver growth through FY17 and into future years.

The key strategies and underlying trends that will underpin Tegel's growth are:

- Tegel's leading market position as a trusted and iconic brand. For those of you who do the grocery shopping, you will already be starting to see the new branding and new products on your supermarket shelves.
- Shopper research and Insights lead us to product, category and market-relevant innovations, to deliver on the wants and needs of our shoppers throughout the world.
- Increasing sales of value added products to satisfy evolving consumer preferences, including growth of premium free range product offerings.
- Tegel will be supporting existing product ranges and new innovations with increased marketing investment in FY17, which I will touch on shortly.
- Favourable poultry consumption trends. World-wide poultry consumption has grown faster than other common forms of meat protein to now be the most consumed meat globally. Tegel is ideally placed to take advantage of this trend with high quality poultry product ranges throughout New Zealand and in selected international markets.
- Increased export sales growth to existing export markets through new products, existing customer growth, new customers and new sales channels. The recent change in Australian market access conditions will allow us to accelerate these opportunities.
- Entering new offshore markets with strategic partners, supported by New Zealand's global reputation for producing high quality poultry products. We were pleased to recently announce our first sales into the Philippines.

### **Slide 18: Tegel Branding and New Product Development**

Tegel is proudly New Zealand's number one poultry brand, with the highest brand awareness, and is the leading choice for New Zealand poultry shoppers.

Through FY16 and FY17 we have refocused on investment in the Tegel brand, with new pack designs, corporate branding and media campaigns to provide growth across our existing product and new product ranges. Increased investment in new product development will drive additional growth through sales of higher priced value added meal solutions such as chicken kebabs, free range products and ready to cook meals.

This new brand design, packaging and media support aims to increase consumer brand preference and poultry's share of domestic consumption. Early feedback from some of our customers is very encouraging. I'm sure many of you will have admired the display of new products and branding as you entered today's meeting.

We are now going to show a brief video giving an overview of Tegel which also introduces some of our new packaging and brands.

**Slide 19: About Tegel - [Video]**

**Slide 20: Trading Update and FY17 Outlook**

So now looking ahead at FY17. Volume and revenue continue to grow ahead of FY16, in both New Zealand and international markets.

First-half year sales to date are looking strong. We have experienced some soft pricing in the domestic market and whilst this was anticipated, the lower prices have continued longer due to excess volumes in the market.

Contributing to the anticipated strong H2 forecast are: the upside associated with summer seasonality; the new product launches; our re-designed packaging now on shelf in supermarkets and being promoted through a media campaign with television advertising; and additional volumes through contracts secured in the first half. Capital expenditure projects and operating efficiency initiatives will continue to show benefit in H2.

In addition, due to the successful installation of a breast deboner in New Plymouth we have approval from the Board to bring forward installing a similar line in Henderson. This will be ready and operational by the end of FY17.

The Company expects to announce its first dividend following the release of its interim results in December 2016. In line with the forecast provided in the Product Disclosure Statement, we expect this dividend to be paid in January 2017.

In summary, Tegel is on track to achieve its PFI forecast for the full FY17 and we will update the market on the first half of those results in mid December 2016.

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