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Media Release

Tegel Foods FY2017 Interim Results Announcement

Tegel Reports Strong Revenue and Volume Growth

New Zealand's largest poultry producer, Tegel Group Holdings Limited (NZX/ASX: TGH), today reported net profit after tax of \$15.1 million for the 26 weeks ended 23 October 2016, an increase of \$9.1 million on the previous half year. Volume increased 6.9% to 48 million tonnes, and revenue increased 4.0% to \$296.3 million. Underlying earnings before interest and tax (EBITDA) declined 4.0% to \$35.1million.

Tegel CEO Phil Hand said the result demonstrates the company is growing and delivering on efficiency initiatives while continuing to invest in the business.

"We are continuing to see strong category consumption growth and we are working hard to ensure Tegel is well positioned to take advantage of this now and into the future. Poultry is the most consumed meat protein in New Zealand, and this is growing at around 5% per annum," he said.

Tegel increased market share by 2% over the period, with recent investment in the Tegel brand including new pack design, new corporate branding and media campaigns driving growth across both existing and new product ranges.

While volumes and revenue showed strong growth, gross profits declined by 3.9% over the period. CEO Phil Hand said this was due to an anticipated fall in margin in the first half of the year taking effect.

"We have seen a period of lower domestic pricing this year. This has been due to excess volume in the local market. We are however expecting some recovery of prices in the second half.

"In the meantime we are focusing on ensuring we have the right mix of product in the market, on-going new product innovation and increased production of value-added products, while continuing to successfully manage costs," he said.

Tegel will launch a total of 29 new products in FY17, including expansion of its free range products.

Tegel's export business continues to strengthen, with recent developments allowing a wider range of Tegel products to be exported to Australia, and continued growth from new channels and customers in the Middle East. The company is forecasting further growth in international markets through new products, existing customer growth, new customers and additional sales channels.

Underlining the company's strategic focus, Tegel has continued to invest in agriculture and processing assets to support sales growth and efficiency gains. During the period the company installed a breast deboner at its New Plymouth facility. This substantial investment has resulted in improved labour utilisation and efficiency and the same investment in the company's Henderson facility has now been brought forward to FY17. Total capital expenditure for the half year was \$15.9 million. This includes a new fully automated cut-up machine which is providing significant improvements in yield and efficiency, as well as expansion of the company's Tramway breeder farm in Christchurch.

Looking ahead, the company reiterated its continued growth over FY16, however based on the current market conditions Tegel anticipates that underlying EBITDA will be between \$75 million and \$85 million, while forecast volumes expect to be exceeded.

Tegel's Board of Directors declared an interim dividend of 3.45 cents per share, payable on the 27 January 2017.

ENDS

NB. Tegel's current financial year (FY17) runs for 53 weeks from 25 April 2016 to 30 April 2017.

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About Tegel

Tegel Group Holdings Limited (NZX/ASX: TGH) processes approximately 53 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.