



Media Release

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Tegel Foods FY2018 Full Year Results Announcement

Tegel delivers resilient financial performance with record volumes and revenues and significant agricultural investment

New Zealand's largest poultry producer, Tegel Group Holdings Limited (NZX/ASX: TGH), today reported its FY2018 results for the 52 weeks ended 29 April 2018. The company reported Net Profit After Tax (NPAT) of \$26.1 million, a decline from \$34.2 million, impacted by non-repeating costs. NPAT was 23.8% below the statutory 53 week comparative period and 17.7% below the 52 week comparative period. Underlying EBITDA was \$70.2 million, down \$1.8 million on the previous period reflecting a decline in contribution from exports. Both NPAT and underlying EBITDA were within the company's updated earnings guidance issued in March.

While the company delivered another year of record poultry volumes and revenue, the result was affected by non-repeating costs of approximately \$9.9 million in total before tax. These came mainly from industry compliance, ex-cyclone Gita and organisational restructuring. These costs were within the range previously indicated.

A qualified audit opinion has been issued with respect to the company's FY18 Financial Statements. Tegel's Directors have arrived at a different opinion from the company's auditors relating to the valuation of goodwill for the year. The Directors have formed the view that the Discounted Cash Flows model consistently used by Tegel arrives at a more accurate estimate of the value of the business, and therefore goodwill should not be impaired. In addition the independent adviser's report, commissioned to assess the takeover offer for Tegel, includes a wide range of valuation modelling, the upper values of which are consistent with the company's view of goodwill. The qualified audit opinion has no impact on the takeover offer for Tegel.

Tegel CEO Phil Hand acknowledged that while it had been a demanding year for the business, underlying performance remained strong and the company had made a number of investments for the long term benefit of the business.

"While it is pleasing to be able to deliver results within our updated forecast range, there is no doubt that it has been a demanding year on several fronts. We have stayed focused on delivering a strong operational performance, and our increased volumes and revenue reflect this. Tegel has a very strong domestic position, and we are determined to achieve strategic and sustainable export growth," he said.

During the 52 weeks the company achieved highest ever poultry volumes of 99,908 tonnes and revenue of \$615.4 million (2.0% ahead of the 52 week comparative period for FY2017 and \$1.4 million ahead of the 53 week comparative period), underlying a solid domestic performance. Domestic revenue growth continues, driven by strong and increasing demand for poultry as a meat protein in New Zealand. Domestic revenue grew 3.9% to \$467.1 million on a 52 week comparative basis and \$9.3 million ahead of the 53 week comparative period. Revenue increased at a higher percentage than volume growth mainly due to a higher proportion of free range and value added products. Growth in domestic sales was further bolstered by new product innovation and growth in convenient meal solutions, particularly in Tegel's Free Range products.

Tegel continues to strengthen its position in its established export markets, and CEO Phil Hand recognised the progress being made to establish a greater presence in Australia.

"In Australia, Tegel's strategy to diversify across channel and customer mix and reduce customer concentration is starting to deliver results. During the year we increased volumes in both retail and foodservice, adding customers across all channels including QSR. This year we introduced 41 new products to our Australian customers and we will continue to drive innovative new product development into this market," he said.

CEO Phil Hand said growth in free range products remained strong, and the company is aligning the business for further increased free range demand.

"Consumers are continuing to move toward free range product options, and the business is responding to this. Over the last 12 months we have increased free range capacity by 169%. This represents an additional 80,000 square metres of farm capacity. In future all new Tegel grower farms will be free range," he said.

On 28 May 2018, a full Takeover Offer for Tegel was made by Bounty Holdings New Zealand Limited, a wholly owned subsidiary of Bounty Fresh Food. The Offer period runs until 25 August 2018, unless extended under the Takeovers Code. The Offer remains subject to a number of conditions including Bounty receiving approval from the OIO.

Tegel's Board have approved a fully imputed final dividend of 4.10 cents per share, taking the total dividends for the year to 7.55 cents per share. The final dividend will be paid on 13 July 2018.

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About Tegel

Tegel Group Holdings Limited (NZX/ASX: TGH) processes approximately 58 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.

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