fresh food industries

FFI HOLDINGS LIMITED

Annual General Meeting 2016
Chairman's Presentation

Presentation Outline

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Highlights FY2016

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FY 2016 – Flat growth but sound results

- $2.1 million net profit after tax attributable to members (earnings per share 21.4 cents)
- Although down 1.7% on the previous year – a sound result
- Sales up 3.2% to $30.9 million
- Rental income up 14.3% to $0.85 million
- Strong balance sheet:
  - Equity attributable to members up 4.9% to $31.9 million
  - Debt to equity gearing – 9.1% (Net Debt - $2.9 million)
- Dividends – Total ordinary dividends 19.0 cps (fully franked)
- Net tangible assets per share improved to $3.14

Review of Financial Performance

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Key financial metrics

Year ended 30 June	2016 $'000	2015 $'000	% change
Sales	30,902	29,948	Up 3%
Earnings before tax:			
- food operations	2,930	2,892	Up 1%
- property income	852	746	Up 14%
- interest expense	(151)	(132)	Up 14%
- unallocated items	(677)	(534)	Up 27%
Total earnings before tax	2,954	2,972	Down 1%
Summary of equity:			
- invested in food operations	17,130	16,559	
- invested in land investments	17,719	14,375	
- net cash (debt)	(2,910)	(489)	
Total equity attributable to members	31,939	30,445	Up 5%
Return on equity invested in food operations - pre tax	17.1%	17.5%	

Factors Affecting Financial Performance

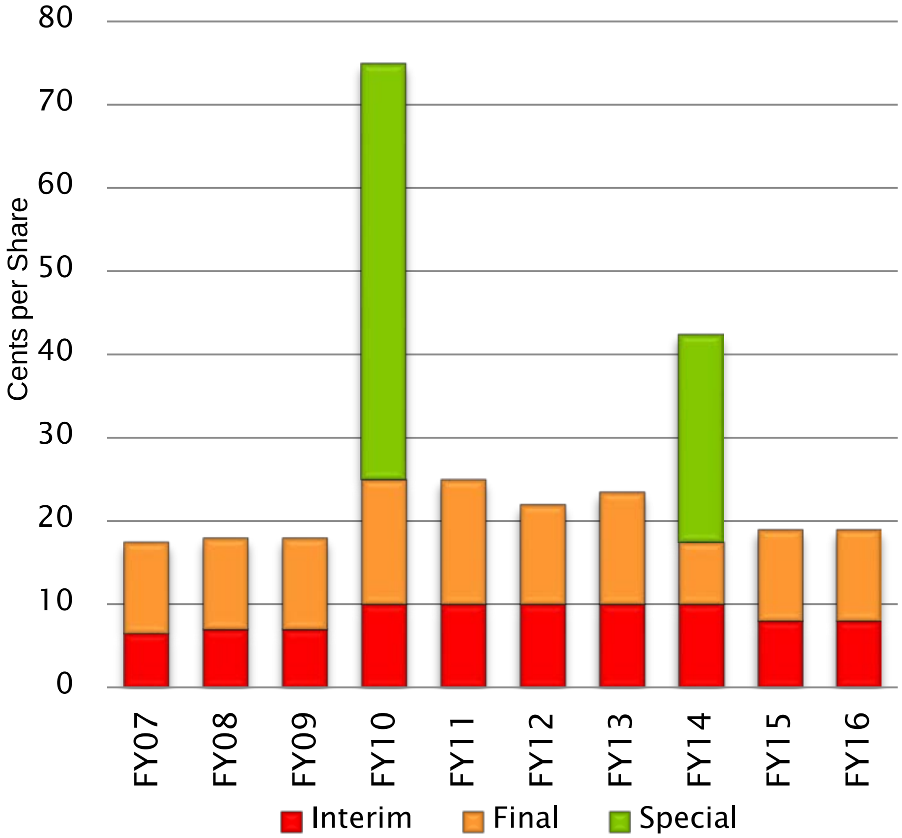
FY 2016 – Sound results despite challenges

- Sound results were achieved despite a number of major challenges:
  - Significant changes in market dynamics
  - Discontinuation of product lines by major customers
  - Continuing rationalization of retail lines by supermarket chains
- Structural changes in key markets were well managed
- Indirect overhead costs up 27% (Land Tax & Government charges)
- Rental income from investment properties up 14%
- All food divisions remain profitable with good growth opportunities

Dividends

Maximising long term shareholder return is a key FFI objective and is a driver of strategies, performance goals and management processes

- Final ordinary dividend of 11.0 cps fully franked - full year ordinary dividends of 19.0 cps fully franked (2015:19.0 cps)
- Total dividends paid $1.90 million (2015: $1.83 million) – up 4%
- A disciplined and conservative approach to capital management
- Dividend reinvestment plan (DRP) in operation
- Maintains solid dividend record over 10 years
- High level of importance placed on maintaining dividend growth



Manufacturing Capabilities

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A diverse range of manufacturing & packing capabilities

- **Wet cooking process** – bakery jams and fillings, caramels, ice cream variegates/ribbons etc
- **Chocolate panning** – nuts, fruits, candy etc
- **Sugar panning** – non pareils, candy coating of chocolate drops and nuts etc
- **Extrusion** – choc vermicelli, rainbow sprinkles, decorations, inclusions etc
- **Chocolate manufacture** – buttons, chips, flake, batons, blocks and specialty lines
- **Candy manufacture/inclusions** – hokey pokey, crème brulee, peppermint, nut brittles etc

Manufacturing Capabilities (cont.)

A diverse range of manufacturing & packing capabilities

- **Barrier coating** – for ice cream inclusions
- **Dry roasting / toasting** – nuts/muesli etc
- **Dry blending** – customer specification
- **Popcorn manufacture**

- **Sausages bacon and smallgoods**
- **Extensive range of packing options** – bags, jars, cartons etc.

Review of Food Operations

Products and markets

Chocolate Products of Australia

Products: chocolate – cake toppings – confectionery – fudge – candy inclusions and decorations

Markets: food service – wholesale – private label – retail – industrial

Fresh Foods Industries – Bakery Products

Products: bakers jams – fruit fillings

Markets: food service - wholesale - industrial

Prepact

Products: home cooking needs – blending and packing

Markets: industrial – private label – retail

Tradition Smallgoods

Products: sausages – bacon – ham – manufactured meat products

Markets: retail – food service - industrial

Review of Food Operations (cont.)

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Key business fundamentals

- **Diverse manufacturing capabilities**
  - in terms of both equipment and technical expertise
- **Quality products**
  - supported by innovation and new product development
- **Extensive distribution network**
  - Australia wide, industrial, food service, retail
- **Extensive industry experience**
  - anticipating customer requirements and satisfying their needs
- **Quality customers**
  - all major operators in the Australian food industry

Review of Property Investments

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Property investment – an important driver of shareholder value

- **Investment property value June 2016:**
  - At current value = $22.0m
  - Less deferred tax = ($ 4.3m)
  - Equity invested = $17.7m

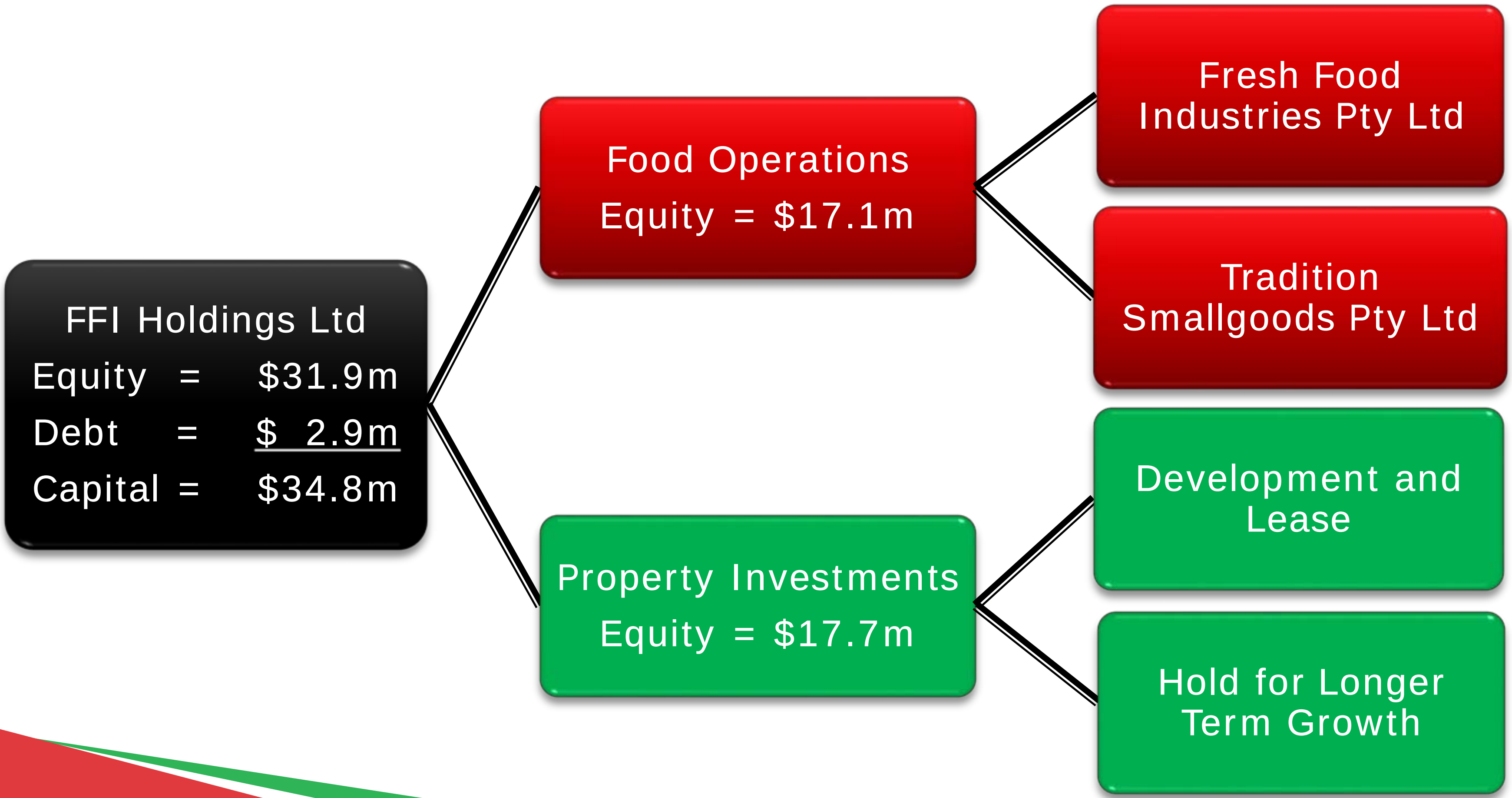
- **Property investments held June 2016:**
  - Developed and leased (27,000 m2 approx.)
  - Vacant land – serviced and subdivided (22,000 m2 approx.)
  - Vacant land – serviced but not subdivided (10,000 m2 approx.)

Investment Property

The key priority is to maximize long term capital value and increase cash flow from this valuable asset

Growth Strategy

Ongoing organic growth opportunities



Growth Strategy – Food Operations

Organic growth builds shareholder value

- Continue to focus on niche markets
- Increase market penetration across all business units:
  - category expansion – leveraging off manufacturing capabilities
  - leveraging off existing supply channels
- Maintain profit margins by a disciplined approach to pricing and cost control
- Re-investing in the business units to:
  - upgrade production and remove costs
  - develop new products and processes

Growth Strategy – Property Investments

The key priority is to maximize long term capital value and increase cash flow from this valuable asset

FFI has a three tiered growth strategy depending on the position and potential development value of the land:

- Hold fully developed and leased property for rental income and long term capital gain
- Pursue opportunities for further development and lease income
- Hold land for long term value increases from structural changes, road access etc. and/or further subdivision

Conclusion

FFI is well positioned in its key market segments

- Diverse manufacturing capabilities across well established business units provides both protection and opportunities
- Strong financial position with low debt, quality assets and strong cash flow
- Significant property investments that will contribute to group profitability and generate an increase in recurring cash flow
- Experienced and proven management team
- Highly disciplined and targeted approach to growth focused on both organic growth and acquisition opportunities to deliver maximum long term shareholder returns

Your Board and management look to the future with confidence and enthusiasm

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