



Vertically
Integrated
Sandalwood
Company



TFS Corporation Ltd

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Section 1:

OVERVIEW



What is Indian Sandalwood?

- Indian Sandalwood (*Santalum album*) is one of the world's most valuable hardwoods
- Traded commodity for over 2,000 years and declared a royal tree in India in 1792
- Value lies in the heartwood, the inner most layer of timber, which can also be distilled into a fragrant and medicinal oil
- Sandalwood has significant cultural importance throughout Asia and is used in many products, including for worship, fragrance and chewing
- Oil from the heartwood has proven efficacy for various skin conditions, TFS has a supply deal with global pharmaceutical company, Galderma
- Oil has a fragrant aroma and has long been used in perfumery products

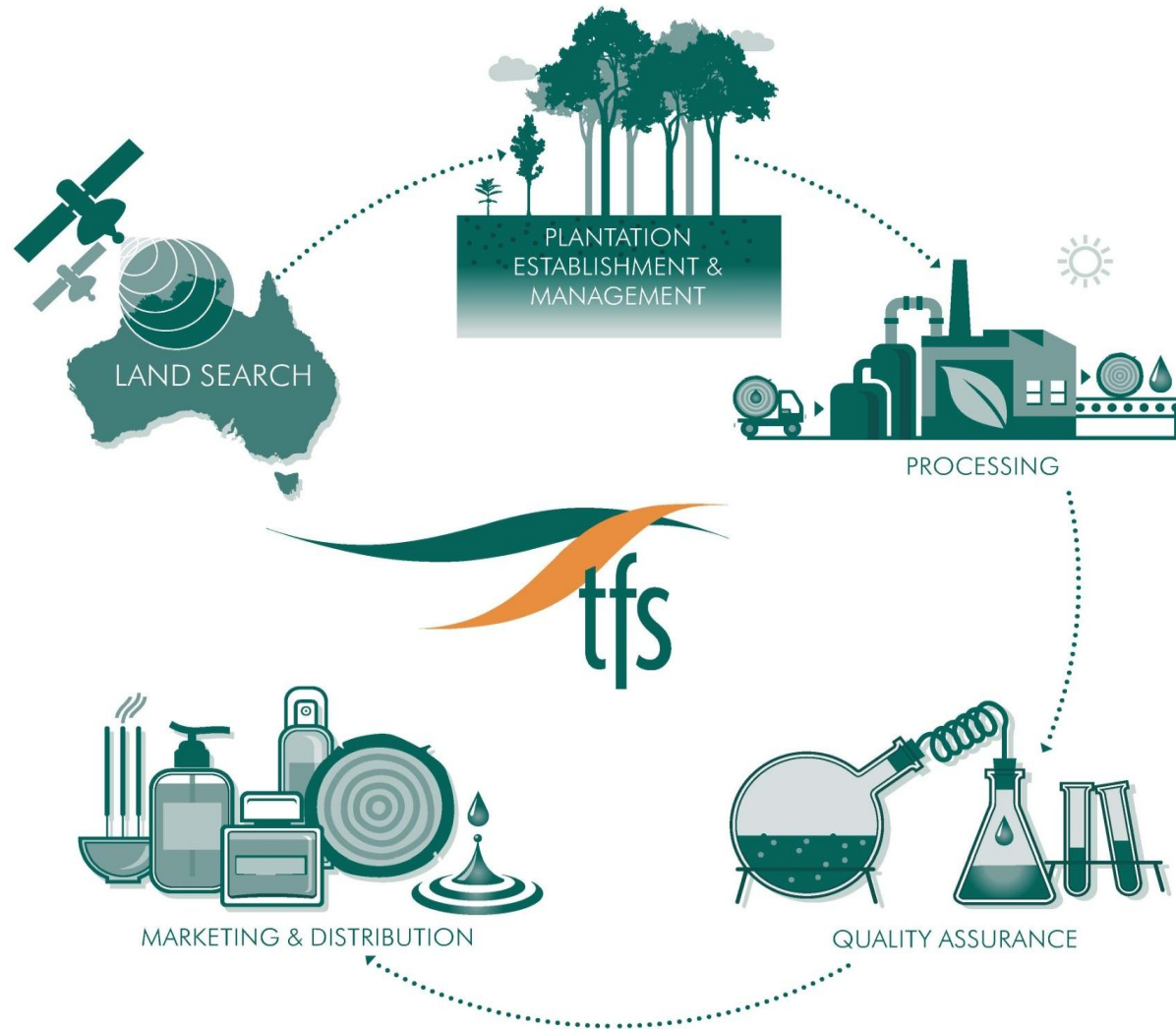
HEARTWOOD OF INDIAN SANDALWOOD



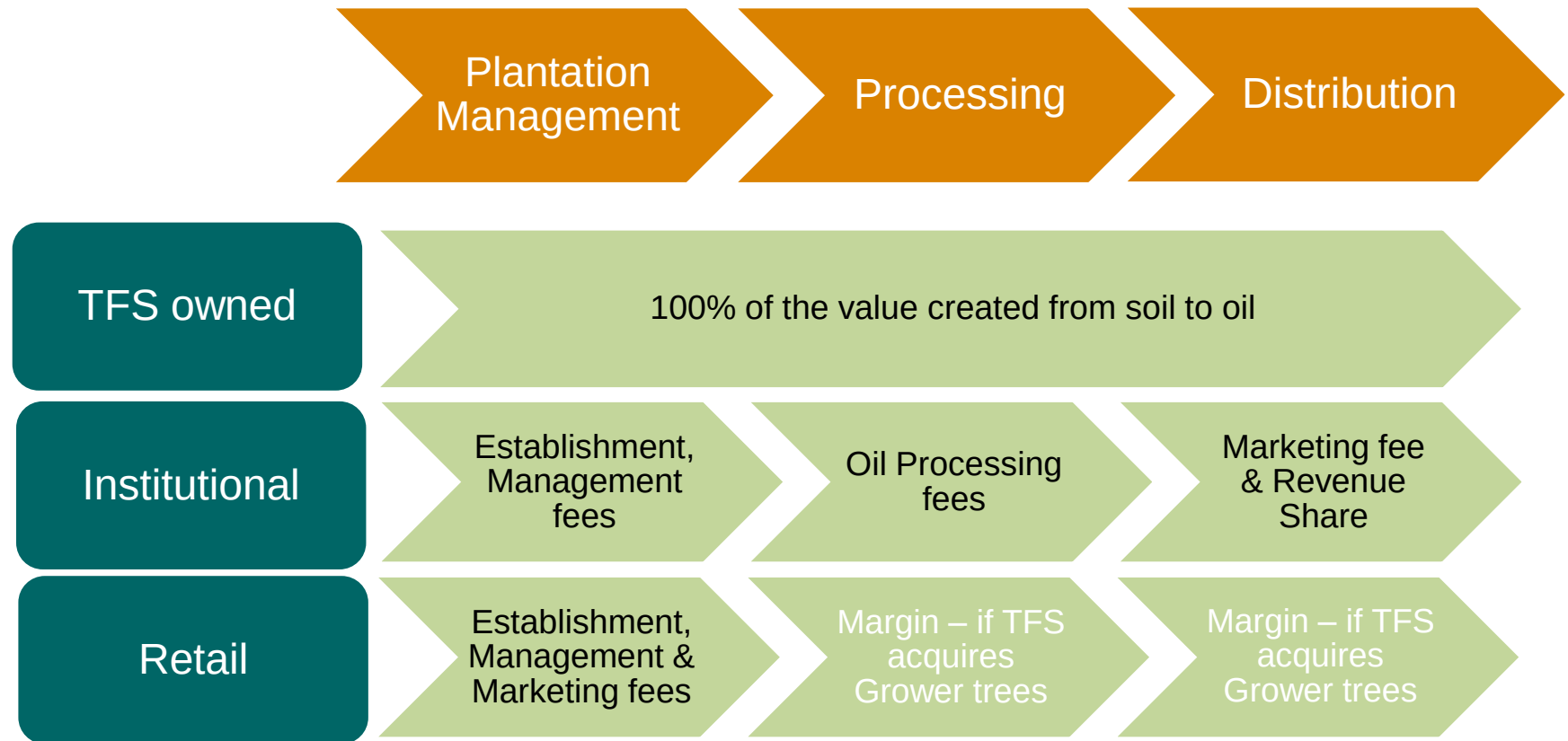
MATURE INDIAN SANDALWOOD TREES



Vertically Integrated Business Model



Capturing Value Through the Supply Chain



Strength of TFS Market Position

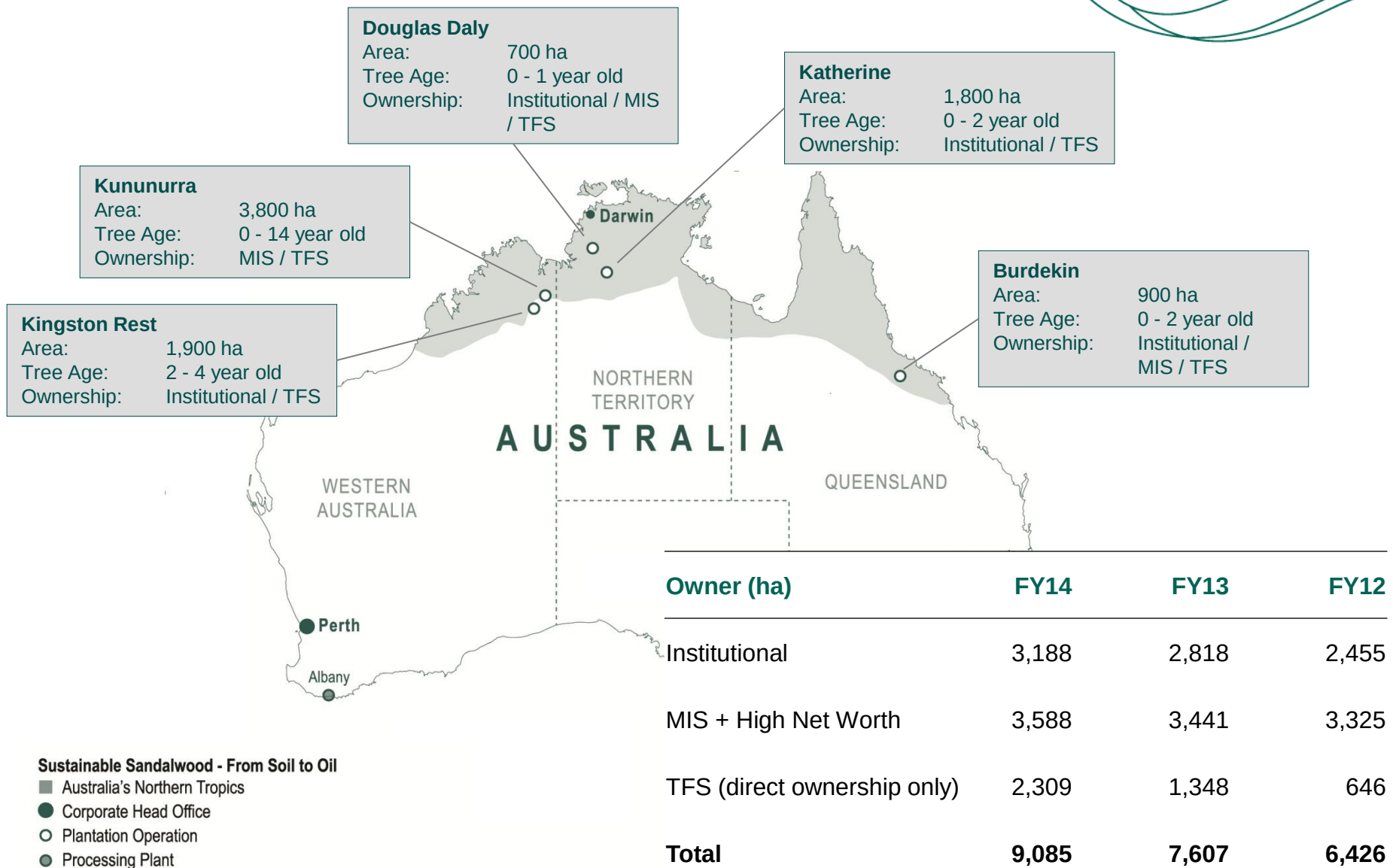
- Strong competitive position as there are limited alternative sources of supply
 - TFS is the world's only supplier of pharmaceutical grade sandalwood oil
 - Declining global supply sourced from natural forests, mainly in India
- High barriers to entry
 - Planting to harvest cycle of around 15 years
 - Operational expertise and intellectual property developed over 15 years
- TFS has Australia's largest Sandalwood oil distillery with capacity to convert c1.2k tonnes of heartwood to oil each year
- Diverse range of high value and high volume uses and markets
 - Demand likely to increase significantly as security of supply is proven
 - Demand from oil and value-added log markets likely to add pricing tension

Section 2:

PLANTATION ASSETS



Plantation Assets



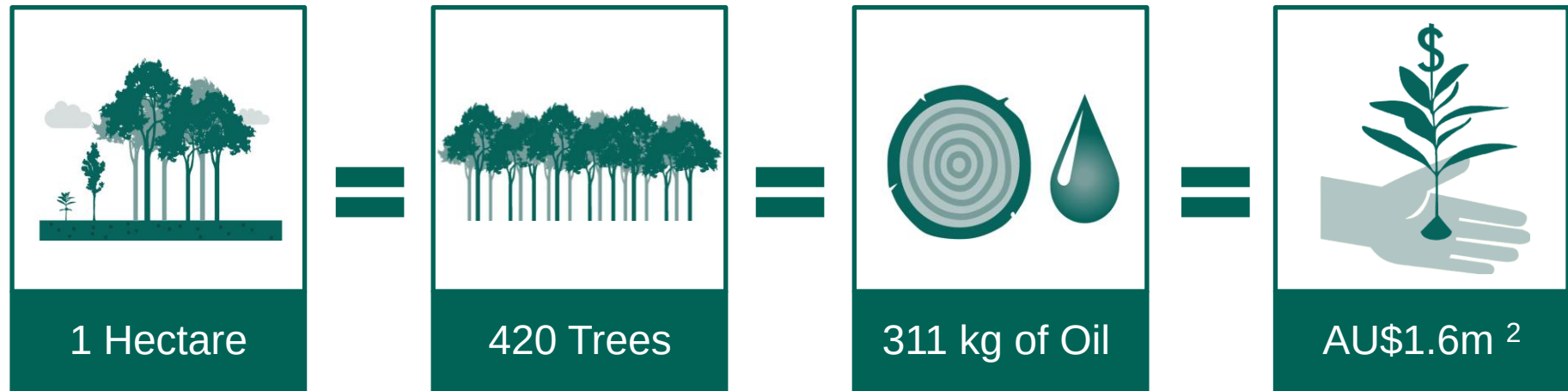
First Harvest Completed in June

- First harvest completed in June, with oil quality confirmed to be pharmaceutical grade
- TFS owned wood has already been harvested, processed into oil and sold. TFS has shipped a total of 470 kg of pharmaceutical grade sandalwood oil to the USA
- Grower wood sold by public tender - wood acquired by TFS after out-bidding five other bidders



Underlying Value of Plantation Assets

Illustrative value chain -



Note 1: Key assumptions include: (i) survival rate – 83%, (ii) heartwood yield – average yield estimated at 20 kg per tree, (iii) expected oil yield of 3.7%, (iv) oil price of US\$4,500, and (v) FX rate of AU\$1.12 to USD.

Note 2: Gross and undiscounted yield before maintenance, harvest, processing and distribution costs.

Note 3: Value of \$1.6m per hectare is generated from all parts of the “soil to oil” value chain.

Section 3:

END MARKETS



A Broad Range of End Markets

- Significant demand from India and China – Indian Sandalwood is culturally important, a “cradle to grave” product
- Continued development of over-the-counter and prescription drugs which utilise pharmaceutical grade oil
 - Significant long-term supply agreement finalised with Galderma
- On-going development of a broad range of end markets – this is expected to increase pricing tension for both heartwood and oil
 - Increasing demand for oil from Asia and the Middle East
 - European fragrance industry – first supply agreed in September 2014

Global demand for sandalwood in 2015

28,546t



Source: Incipient Capital report March 2014

Supply Agreement with Galderma

- In February, a landmark deal was finalised with global dermatology leader Galderma for the supply of pharmaceutical grade oil
- Galderma, wholly owned by Nestle, has an extensive product portfolio distributed in 80 countries
- Long-term supply agreement for pharmaceutical grade oil at a price of US\$4,500 per kg
- Galderma has the potential to consume a large proportion of TFS's future oil
 - Vast majority of TFS's oil in FY14 and FY15 will be shipped to Galderma
- TFS's 50% joint venture, Santalis, has licensed a number of products to Galderma
 - Products relate to two skin conditions – the acne products will launch in December
 - Santalis has secured a royalty stream from all products sold



Launch of Galderma's OTC products

- Galderma's acne products, featuring TFS's sandalwood oil, will launch in the US on 29 December
 - Initial launch in c1,700 stores
 - Online launch on 2 January 2015
- Products will be sold instore and online by US retail giants
- Wider national and possible international distribution is expected to follow through 2015



Clinical Examples of Potential Markets for Indian Sandalwood Oil

Before

Acne OTC



Eczema OTC



HPV OTC



After

8 weeks



8 weeks



4 weeks



Strong Core End Markets

- TFS has strong demand from the core end markets for sandalwood in China, India and Europe for its range of natural and sustainable wood and oil products
- From FY15 TFS will supply oil to European fine fragrance and Chinese body care markets
- Initial deal finalised in September with a European fine fragrance company at US\$4,750 per kg
- From FY16 TFS expects to commence supplying Chinese wood market with its superior wood manufacturing logs – none available from early harvests
- These markets are expected to bid for product at pricing equal to or in excess of pharmaceutical market



Section 4:
FY14 IN REVIEW



Financial Results – Record Results



NPAT

\$82.5m

Cash EBITDA

\$51.4m

NTA

\$363.3m

Dividend

3¢ p/s

YOY Change:
+48%

-1%

+61%

-

Operational Results – Strong Growth



Total Estate 9,085ha	TFS Owned ¹ 3,167ha	FY14 Planting 1,587ha
YOY change: +19%	+52%	+34%

Note 1: TFS Owned = direct ownership plus effective indirect ownership

Forestry Results

- Annual inventory count completed in June and included in FY14 results
- Total trees managed by TFS of 3.9m (FY13: 3.3m)
- Good survival rate of 92% for 2013 plantings
- Low annualised mortality of < 1%



A Year of Significant Progress



- ✓ Record profitability
- ✓ Strong increase in direct plantation ownership
- ✓ Landmark supply agreement with Galderma
- ✓ Completion of first harvest
- ✓ Record sales value of financial product, including new institutional investors
- ✓ Successful institutional placement
- ✓ Appointment of new independent Non-Executive Chairman, two new independent NEDs and new CFO

Strategic Priorities for FY15



- Continue to expand direct ownership of plantations
- Continue development of pharmaceutical products and partners
- Continue expansion of new markets, especially fine fragrance and Chinese wood market
- New institutional investors in Beyond Carbon
- Build land bank for establishment of medium and long term plantations
- Review refinancing of the bond – significant opportunity
- Continue Board refresh and expansion and appointment of new auditor (EY)

Guidance for FY15:

- NPAT: at least \$70m
- Cash EBITDA: improvement of 10% on FY14
- New planting of 1,500ha

Q&A



APPENDIX

Financial Results

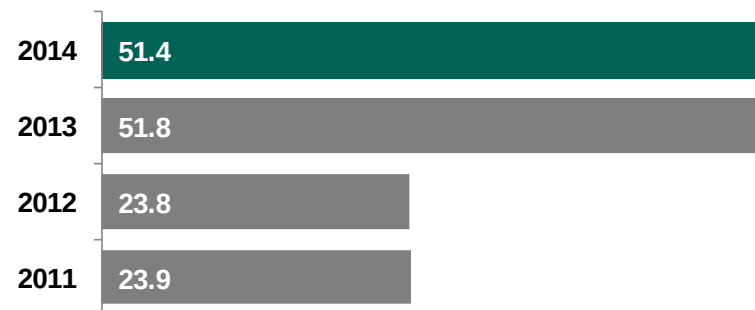
NPAT (\$m)

↑ + 48%
on FY13



Cash EBITDA (\$m)

↓ - 1%
on FY13



Dividend Per Share (¢)

✓ Dividend
of 3¢



NTA (\$m)

↑ + 61%
on FY13



Operational Results

Total Estate Size at 30 June (Ha)

 **+ 19%**
on FY13



TFS Owned Estate¹ at 30 June (Ha)

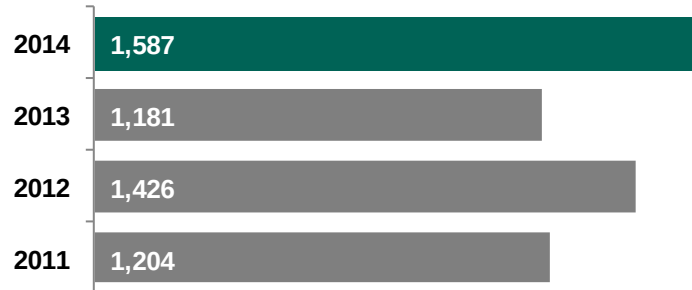
 **+ 52%**
on FY13



Note 1: TFS Owned = direct ownership plus effective indirect ownership

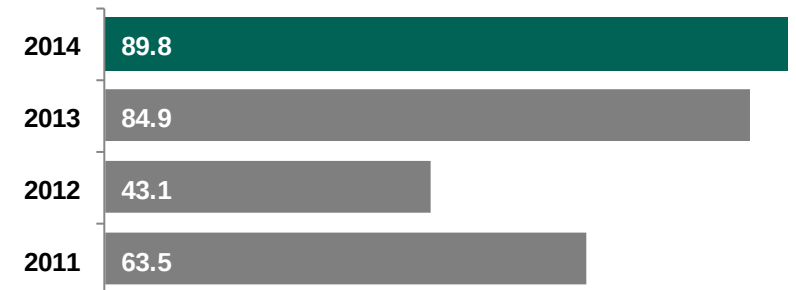
Total New Plantings (Ha)

 **+ 34%**
on FY13



Financial Product Sales (\$m)

 **+ 6%**
on FY13



Historical Financial Results

(\$m)	FY14	FY13	FY12	FY11
Total revenue	212.2	187.7	126.8	111.0
Net profit after tax	82.5	55.7	25.9	20.2
EBITDA	140.1	101.0	55.0	33.0
Earnings per share	28.9c	19.9c	9.3c	8.4c
Cash operating revenue	135.1	121.7	88.4	91.0
Cash net profit after tax	18.7	21.3	6.6	13.8
Cash EBITDA	51.4	51.8	23.8	23.9

Biological Asset Valuation

- Biological assets increased to \$348m, up 82% on FY13, reflecting increased investment in direct tree ownership and increased tree maturity
- Directly owned plantations increased by 71% to 2,309ha mainly due to the acquisitions of 354ha in July 13 from retail growers and 364ha in June 14 from an institutional grower
- No changes were made to TFS's valuation methodology in FY14

Key Assumptions	Assumption at 30 June 2014	Comments
Number of TFS owned trees	1,015,485	From annual inventory count
Expected heartwood at harvest	TFS projections	Based on extensive TFS and industry research
Oil content	3.7%	Based on research and actual results
Oil price	US\$2,500	Based on latest public ledger – not inflated FY14 oil sales: average of AU\$4,742
FX	US\$0.93c : AU\$1.00	Actual at 30 June 2014
Harvest and processing costs	\$16,000 per kg and \$207 per kg of oil	Expected costs inflated at 3.0% pa
Discount rate	12-14%	Rate applied is dependent on tree age

Significant Potential of Pharmaceutical Market

- Unique botanical substance with multiple clinically important dermatological attributes:
 - Anti-inflammatory (acne, eczema/dermatitis and actinic keratosis)
 - Anti-bacterial (acne, eczema, wound care)
 - Anti-fungal (toenails, athletes foot, dandruff, eczema)
 - Anti-proliferative (actinic keratosis, skin warts)
- Several products being developed by Santalis Pharmaceuticals Inc (TFS: 50% equity)
 - FDA Phase II clinical studies initiated for prescription uses for eczema (pediatric), actinic keratosis and acne
- US based ViroXis Corporation Inc is developing anti-viral products
 - TFS has options over 7% of ViroXis for US\$1.5m
 - First OTC product licensed to Galderma (targeting near term launch in USA)
 - FDA Phase II completed for prescription drug candidate for HPV/ warts
 - Initiating FDA pediatric Phase II study for molluscum contagiosum