



Vertically
Integrated
Sandalwood
Company



TFS Corporation Ltd FY15 Half Year Results

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Section 1: **OVERVIEW**



Financial Results



NPAT

\$55.0m ¹

Cash EBITDA

\$6.7m

NTA

\$391.8m

TFS owned
plantations ²

3,179

YOY Change:
+ 17x

+174%

+74%

+36%

Note 1: Includes unrealised foreign currency gain of \$33.2m (before tax), being the net impact of changes on the biological assets and senior secured notes

Note 2: TFS owned = direct ownership plus effective indirect ownership

Strong Start to FY15

- ✓ Record NPAT of \$55m
- ✓ Strong cash EBITDA of \$7m, up 174% year on year
- ✓ Good progress on institutional and retail plantation sales, both well ahead of prior year
- ✓ Galderma's Benzac® acne products launched across the US in December 2014 with oil orders running ahead of expectation
- ✓ Cash balance of \$30m after investment of over \$40m on land, plantations and capital items
- ✓ Appointment of four new experienced independent Non-Executive Directors
- ✓ NPAT guidance for FY15 increased to at least \$90 million and guidance for cash EBITDA reaffirmed of approximately \$56m (up 10% on prior year)

Section 2:

FINANCIAL RESULTS



Financial Results

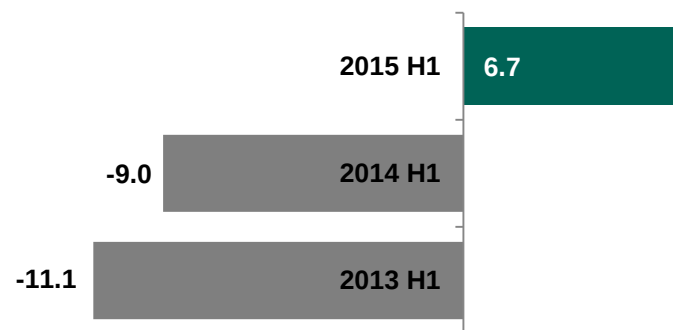
NPAT (\$m)

↑ + 17x
on H1 FY14



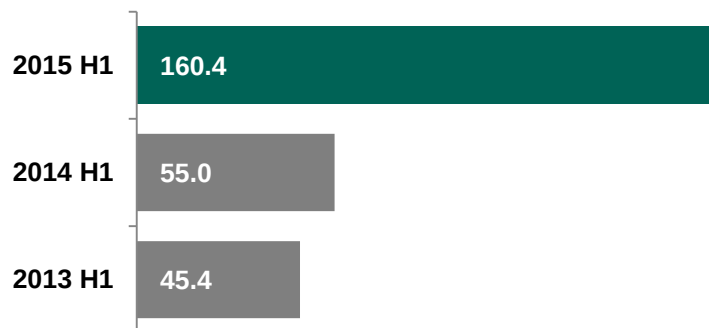
Cash EBITDA (\$m)

↑ + 174%
on H1 FY14



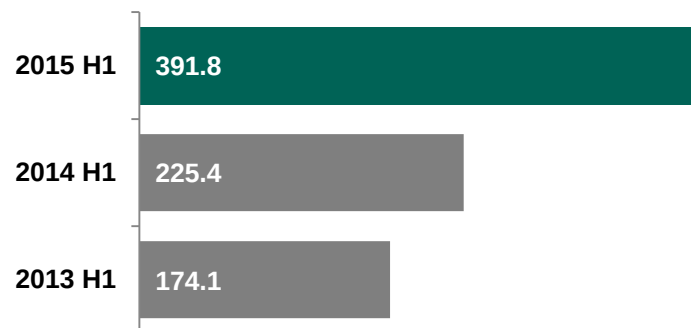
Total Revenue (\$m)

↑ + 192%
on H1 FY14

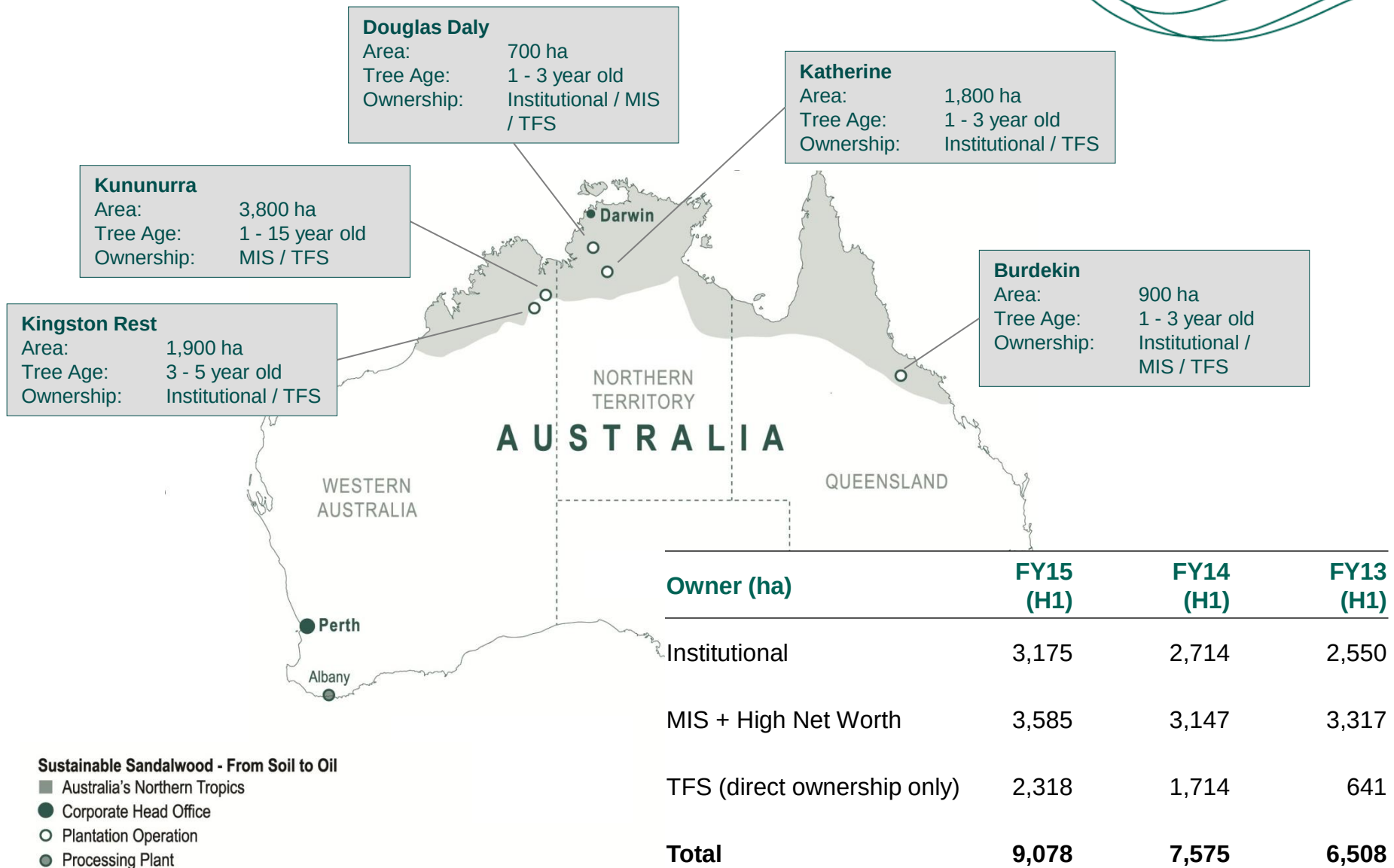


NTA (\$m)

↑ + 74%
on H1 FY14



Plantation Assets



Biological Asset Valuation

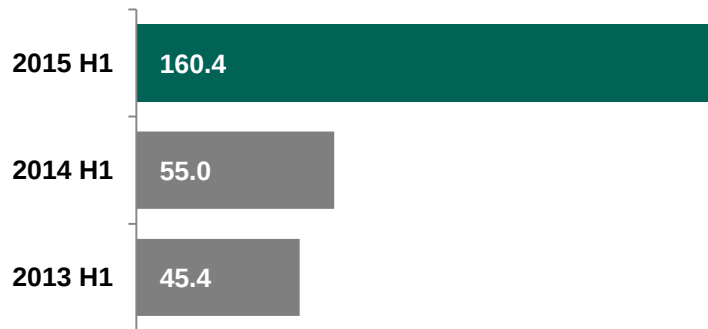
- Value of biological assets increased to \$444m, up 28% on June 2014 due to stronger USD, higher oil price and increased tree maturity
- Oil price (per kg) increased from US\$2,500 to US\$2,800, remaining conservative but beginning to reflect the appreciating value of sandalwood oil, as evidenced by actual sales achieved by TFS and price indications from Public Ledger
- Valuation assumptions and methodology reviewed by new auditors, EY

Key Assumptions	Assumption at 31 December 2014	Comments
Number of TFS-owned trees	1,001,611	Annual inventory count completed in Q4 FY14
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 per kg	US\$2,800 – up from US\$2,500	Based on latest public ledger – not inflated Majority of actual oil sales at US\$4,500 per kg
FX	US\$0.82c : AU\$1.00	Actual at 31 December 2014
Costs to complete	Maintenance, harvest and processing costs	Expected costs inflated at 3.0% pa
Discount rate	12-14%	Rate applied is dependent on tree age

Significant Increase in Revenue

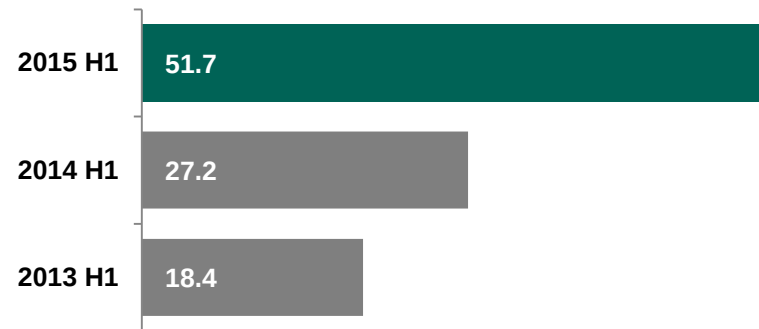
- Total revenue up 192% due to significant gain on the revaluation of biological assets and increased plantation sales (399ha sold compared to nil in H1 FY14)
- Efforts to bring forward institutional sales rewarded by exercise of option over 399ha by respected US institutional investor, which will be planted in Q4 FY15
- In February, Church Commissioners for England exercised an option over 119ha, with the sale subject to due diligence and to be recognised in H2 FY15

Total Revenue (\$m)



↑ **+ 192%**
on H1 FY14

Total Cash Revenue (\$m)



↑ **+ 90%**
on H1 FY14

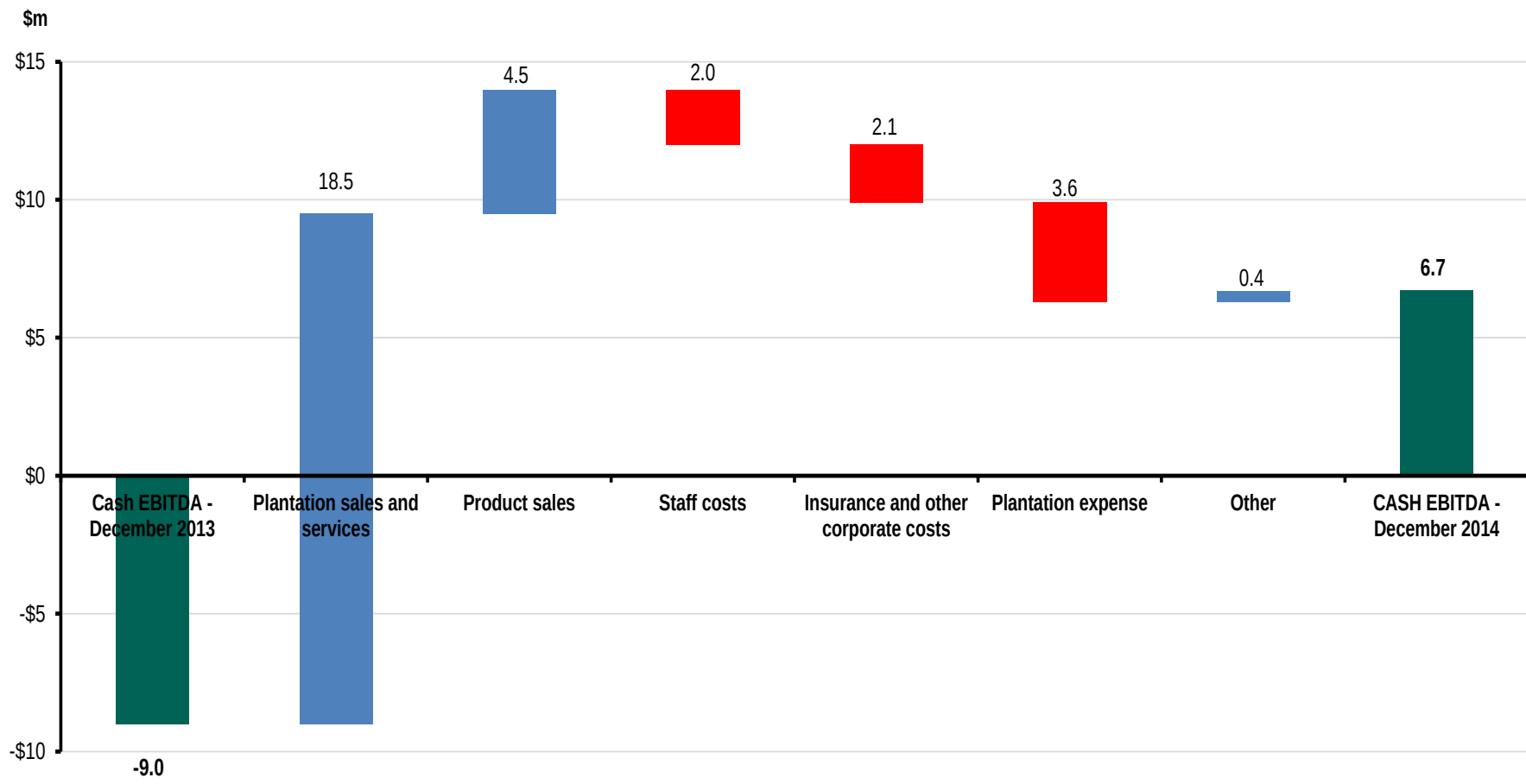
Positive Impact from Stronger USD

- A stronger USD is expected to provide a net positive cash impact in FY15 - USD denominated oil sales in FY15 are set to exceed USD interest costs (US\$16.5m)
- In the medium term, TFS is expected to significantly benefit from a stronger USD as oil sales are expected to build exponentially from FY15
- A stronger USD provides a net positive impact on the balance sheet – the gain on the biological assets far exceeds the loss on the revaluation of the senior secured notes

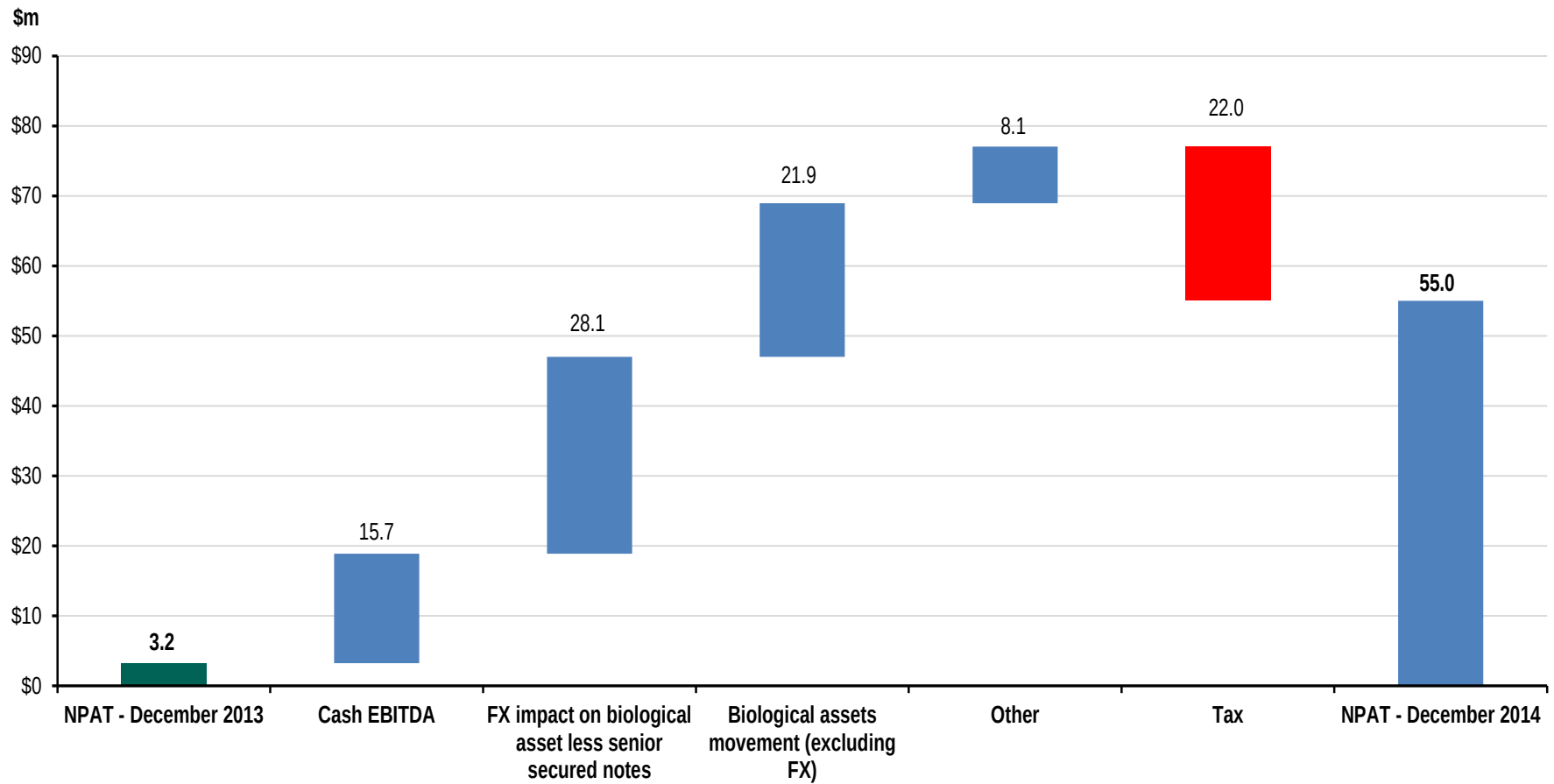


AUD to USD from 1 July 2014 to 31 December 2014

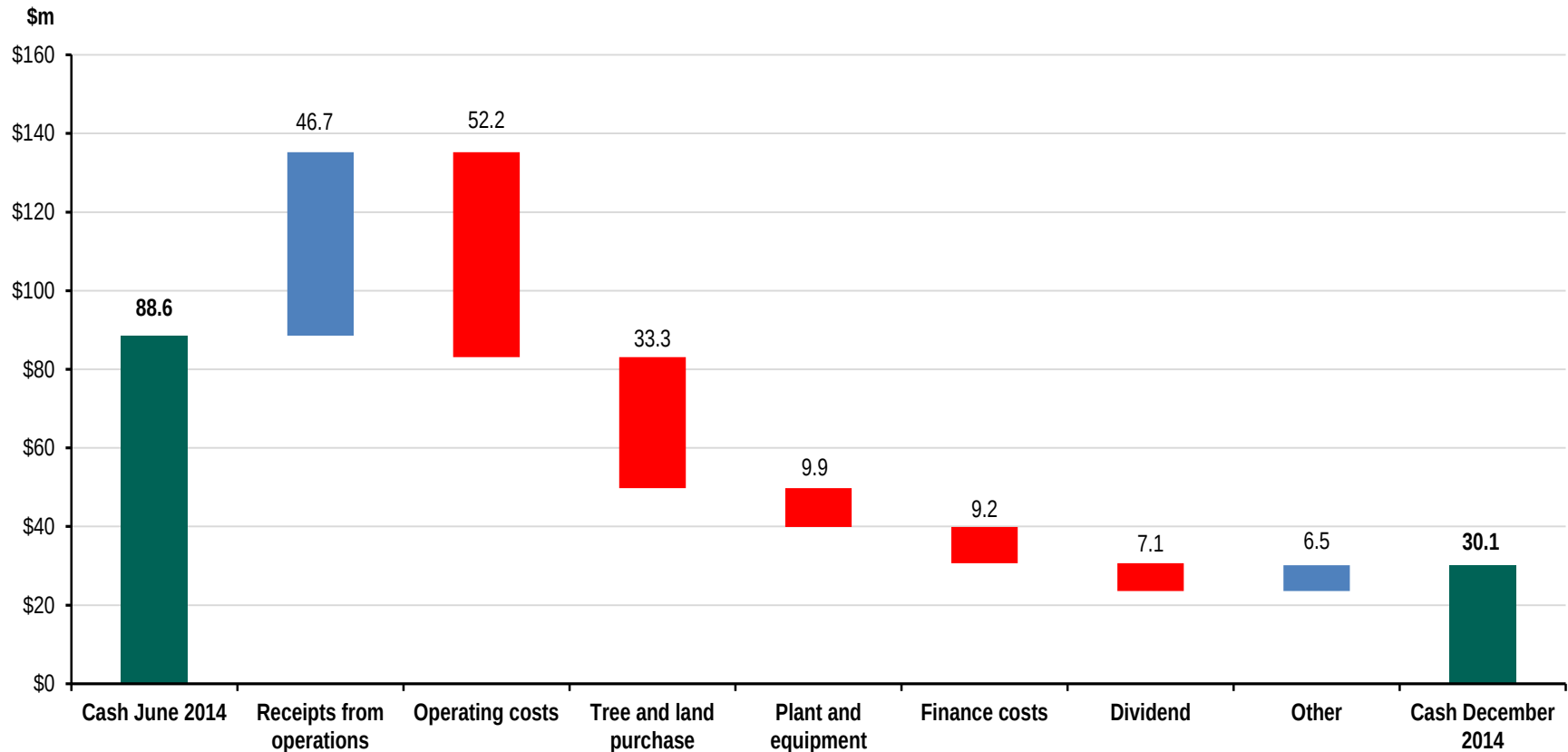
Cash EBITDA up by 174%



Net Profit After Tax up by over 17x



Cash-Flow - Investment in Trees, Land and PPE of over \$40m



- Strong cash inflows expected in H2, with inflows from both plantation sales and sandalwood products weighted to the second half of the fiscal year (as in prior years)
- In January 2015, \$24m was received from an institutional investor

Section 3:

BUSINESS UPDATE



Launch of Benzac[®] Acne Solutions

- Galderma, wholly owned by Nestle, launched Benzac[®] in December 2014, containing TFS's pharmaceutical Indian sandalwood oil
- Galderma describes Indian sandalwood as the “key ingredient” and a “breakthrough natural ingredient”

Source: Galderma Press Release, 5 January 2015

- Orders from Galderma now total more than one tonne of oil, with orders running ahead of expectations

East Indian Sandalwood is one of nature's rare and ancient healers. Now, sustainably grown in a rehabilitated forest, the oil is extracted using renewable energy, resulting in the world's only therapeutic grade of East Indian Sandalwood Oil.

This exceptional ingredient, which is reported to have gentle anti-bacterial and anti-inflammatory properties, is the secret to our clinically proven acne-fighting formulas, designed to help give you clear and healthy skin.

With calming and soothing East Indian Sandalwood Oil



Skin Balancing
Foaming Cleanser



Intensive Spot
Treatment



Blemish Clearing
Hydrator



Complete Acne
Regimen

Full Marketing Launch Imminent

- Galderma has secured wide distribution to major pharmacy chains in the US
- Full advertising and marketing campaign to commence shortly, after which distribution is expected to reach around 30,000 stores
- Up to 50 million Americans suffer from mild-to-moderate acne and create a market for acne products of more than US\$4billion



Benzac[®] Advertising Campaign

BENZAC[®]
Brings clear skin back.



Walgreens

CVS
pharmacy



Potential of Dermatology Market



- TFS's revenue from Benzac[®] derived from oil sales and a share of royalty revenues
 - Royalty stream is low single digit share of the net wholesale price
 - TFS expects to receive total revenue of approximately AU\$7.5m for every tonne of oil sold to Galderma for use in Benzac[®]
- Significant further potential in the short term:
 - Advertising and marketing campaign to commence shortly
 - Broadening of the Benzac[®] range with launch of additional product
 - International distribution of Benzac[®] products
 - Launch of further dermatology OTC products
 - On-going FDA trials for eczema, HPV skin warts and molluscum contagiosum (MCV)
- TFS's pharmaceutical product development partners, Santalis (50% owned) and Viroxis, are focussed on creating products for various highly prevalent skin conditions, such as eczema, HPV warts, psoriasis and MCV, for which sandalwood oil is demonstrated to be efficacious

Strong Institutional Sales Pipeline

- Significant efforts to expedite institutional sales
 - Sale to US institutional investor of 399ha (fourth investment in six years), signed in December 2014
 - Option exercised by Church Commissioners for England over 119 hectares with the sale subject to due diligence and for planting in Q4 FY15
- Strong interest from new institutional investors, attracted by the favourable supply and demand profile of sandalwood oil and TFS's proven forestry capability



Improved Cash Efficiency

- Focus on improving working capital efficiency to better align operating in-flows with operating costs
- Good progress already achieved in H1 FY15:
 - All institutional sales from FY14 have settled in full, with \$24m received in January
 - Cash settlement of sale to US institution will be aligned to planting in Q4 FY15
 - Cash settlement of expected sale to Church Commissioners for England will be aligned to planting in Q4 FY15
- Assessing options to secure third party financing for CY15's retail sales – this has the potential to transform the cash efficiency of TFS's business model

Second Harvest Planned for Q4 FY15

- Second harvest is on track for Q4 FY15, following the wet season
- Grower owned wood is expected to be sold at tender at the completion of the harvest



Board Renewal Process

- Appointment of four new independent Non-Executive Directors with significant corporate and commercial experience to reflect the ongoing transformation and maturity of TFS
 - Dalton Gooding, Chairman – Managing Partner of accounting and advisory firm Gooding Partners and Non-Executive Director at a number of public and private companies, including RAC Group, St Ives Group and Brierty
 - Gillian Franklin – founder and CEO of The Heat Group, the largest Australian-owned cosmetics company
 - John Groppoli – Managing Director of RGM Equity and Non-Executive Director of Automotive Holdings Group
 - Michael Kay – formerly CEO of AAMI and, most recently, McMillan Shakespeare

Focus for H2 FY15



- Continue development of pharmaceutical products and partners
- New institutional investors in Beyond Carbon
- Plant 1,500ha of high quality Indian sandalwood plantations
- Build land bank for establishment of medium and long term plantations
- Review refinancing of the corporate bond – opportunity to reduce on-going costs
- Improve cash efficiency of institutional and retail sales

Guidance for FY15:

- Upgrade – NPAT of at least \$90m
- Reaffirm - Cash EBITDA of approximately \$56m, up 10% on FY14
- Reaffirm - New planting of 1,500ha



Appendix



Historical Financial Results

(\$m)	FY15 H1	FY14 H1	FY13 H1
Total revenue	160.4	55.0	45.4
Net profit after tax	55.0 ¹	3.2	4.8
EBITDA	92.6	16.6	15.9
Earnings per share	16.9c	1.2c	1.7c
Cash operating revenue	51.7	27.2	18.4
Cash EBITDA	6.7	-9.0	-11.1

Note 1 – NPAT of \$55.0m includes unrealised FX gain of \$33.2m (before tax)

Half year vs Full year

(\$m)	FY15 H1	FY14	FY14 H1	FY13	FY13 H1
Total revenue	160.4	212.2	55.0	187.7	45.4
Net profit after tax	55.0	82.5	3.2	55.7	4.8
EBITDA	92.6	140.1	16.6	101.0	15.9
Earnings per share	16.9c	28.9c	1.2c	19.9c	1.7c
Cash operating revenue	51.7	135.1	27.2	121.7	18.4
Cash EBITDA	6.7	51.4	-9.0	51.8	-11.1