



# 1H10 Results Presentation

25 February 2010

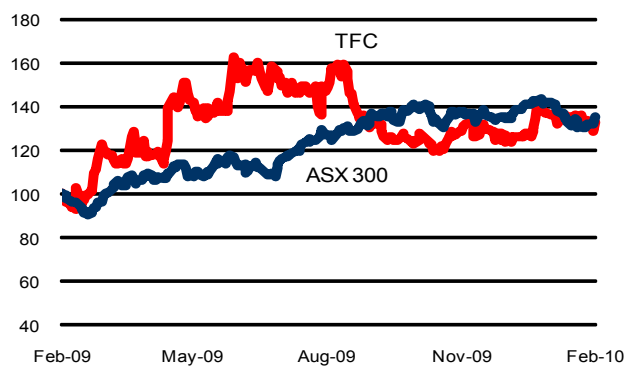
# Corporate Snapshot



## TFS Ltd

ASX Code	TFC
Cash EBITDA (FY09)	A\$37.0m
Net Debt (FY09)	A\$26.7m
Total Shareholder Equity (FY09)	A\$135.1m
Employees - FTE	105
Shares on Issue (Feb 10)	226.7
Market Capitalisation (Feb 10)	229.0

## Share Price Performance



## Shareholder Profile - Feb 2010

Register	
Top 20	49%
Top 50	58%
Board / Employees	22%
Institutional	18%
Retail	60%

## Board of Directors

Frank Wilson	Executive Chairman
Ian Thomson	Executive Director
Blake Myles	Non Executive Director
Tim Croot	Non Executive Director
Ian Murchison	Non Executive Director
Ron Eacott	Non Executive Director

# 1H10 – Highlights



- Reported NPAT reflects exchange rate appreciation and typical seasonal bias heavily skewed to 2H
- 1H10 dividend at 1.25 cps in line with pcp
- TFS is on track to collect on receivable from June 09 by April 2010, and to complete 2<sup>nd</sup> round of sales in Wholesale Investment Project – Beyond Carbon (BC) as per guidance
- Balance sheet strengthened via \$31.5m equity raising and gearing remains conservative
- MRA making positive progress in non-traditional markets and is expecting a strong 2H10 to generate full year earnings growth of 10%+
- MIS business is in a strong position to increase market share in the face of industry rationalisation
- Forbes Asia Pacific top 200 list for “best under a \$1b”
- On track for double digit earnings growth and no net debt in FY10

# 1H10 Result Highlights



	1H09	1H10	% Change
'Cash' Revenue (\$m)	13.4	14.7	+9.7%
Stat Revenue (\$m)	<b>29.3</b>	<b>22.4</b>	<b>-23.5%</b>
'Cash' EBITDA (\$m)	-1.7	-3.5	-105.8%
Stat EBITDA (\$m)	<b>14.2</b>	<b>4.2</b>	<b>-70.4%</b>
'Cash' NPAT (\$m)	-2.6	-4.4	-69.2%
Stat NPAT (\$m)	<b>8.5</b>	<b>1.0</b>	<b>large</b>

"Cash" EPS (¢)	-1.4¢	-2.3¢	-64.3%
EPS (¢)	4.5¢	0.5¢	<b>large</b>
DPS (¢)	1.25¢	1.25¢	

# 1H10 Results Highlights



- Cash revenue growth reflected revenue recognition of FY09 sale of BC project and loan book interest income
- Non-cash revenue decline reflected significant exchange rate fluctuation over the period
- 12 ha (MIS) sold (from 2009 project) for the period reflects typical off season environment with a heavy bias to 2H. Previous period – 1H09 recorded no sales due to delay in product ruling
- Operating cost increase of 22.6% associated with increased size of plantation estate, an additional 1,356 ha of leased land and raw material costs from MRA sourcing an increasing portion of private wood v FPC sourced material
- Operating Cash Flow decline reflects two elements –
  - Timing of externally financed sales from FY09 received pre-June 30, previous period fell into 1H09
  - Substantial land preparation and infrastructure costs associated with developing Kingston Rest property in readiness for future plantations.
- Based on expected full year sales, operating cash flow should be strongly positive

# Balance Sheet – Positioned for Growth

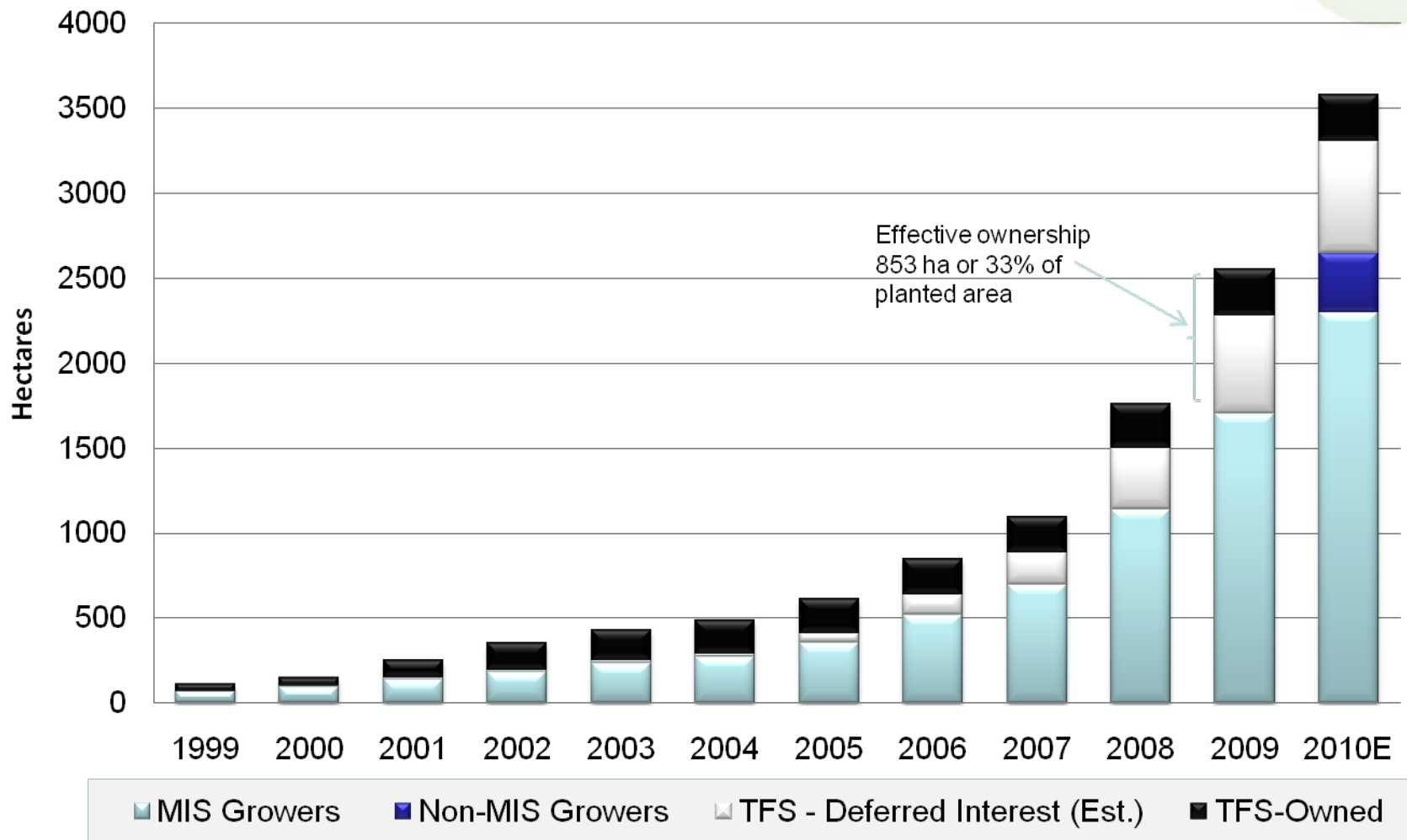


	FY09	1H10	% Change
<b>Net Assets (\$m)</b>	135.1	162.3	+20.1%
<b>Sandalwood Trees (\$m)</b>	30.9	32.6	+5.5%
<b>Deferred Fee Asset (\$m)</b>	20.4	27.9	+36.8%
<b>Net Debt (\$m) <sup>1</sup></b>	26.7	32.8	+22.9%
<b>Gearing Ratio (ND/D+E) (%)</b>	16.5	16.2	-
<b>NTA Per Share (¢)</b>	60.0	63.0	+4.9%

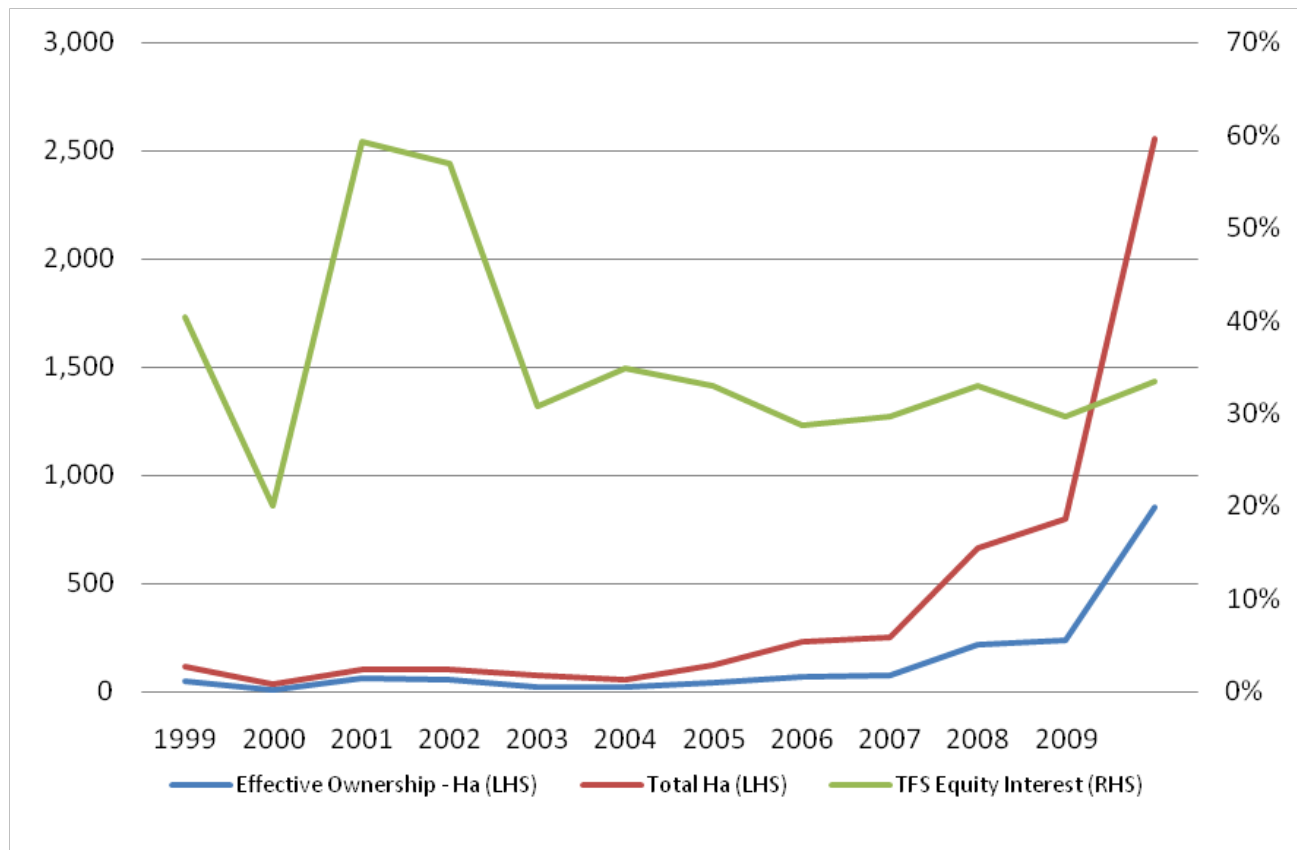
1. Excludes cash held as first loss deposit of \$6M

- Gearing remains conservative, with strong foundations across land holdings and ~300 ha of Sandalwood trees
- Loan book negotiations continue

# Plantations - Embedded Value



# Equity Interest leverage



# Wholesale Investment Projects



- TFC's Wholesale business is reflected in the BC plantation project for institutional investors globally on a non-MIS basis
- BC initiative benefits TFS through sales channel diversification, superior early cash flow, enables recycling of capital and established firm bid for developing secondary market
- First round sold 350 ha for a fee of \$29.8m, cash to be received by April 2010 – on track
- Second round of ~500+ ha is also on track for June, with sales to be on cash basis
- Wide range of institutional interest across different regions generating positive signs about long-term appeal of product

# Retail Investment Projects



- TFS' Retail business is represented by the MIS product
- ATO product ruling for 2010 Indian Sandalwood Project is expected shortly, and allows for sales up to 900 ha. Intention is to allocate ~500 ha to the retail offering
- Sector remains subdued in light of industry rationalisation, yet TFS believes it is in a strong position to improve its market position, demonstrate its solid financial position and superior product offering
- TFS has submitted an application to the ATO for a product ruling for a new project in 2010, being a Western Australian Sandalwood Project (*Santalum Spicatum*). Details of the project will be released upon the receipt of an ATO product ruling via a PDS
- Recent Joint Parliamentary Inquiry into the MIS industry was favourable for forestry based investment projects reflecting an understanding of the investment challenges around long lead times
- Strength of TFS business model reflected in the development of Kingston Rest property, completely paid for before client funds have been received, i.e. the TFS model does not rely on new sales to fund current commitments

# Manufacturing - Mount Romance (MRA)



- EBITDA of \$1.2m v \$2.1m pcp reflects continuing effects of economic downturn on European perfume industry
- Sales have a strong bias to June half and MRA is expected to generate earnings growth on a full year like for like basis.
- Recent orders from India, China and Europe as well as new product development programs and growing interest for Spicatum oil and bi-products indicate that earnings for full year will be up 10%+ on FY09
- Downturn has been a catalyst for structural change in inventory holdings and volatility of sales. Europe is recovering slowly and inventory gradually being run down
- Competitiveness impacted by significant exchange rate appreciation over CY09
- R&D program is making steady progress toward oil measurement techniques at the point of harvest, a key variable in delivering on TFS's MIS PDS assumptions
- GNS (EIG JV) making steady progress with feasibility study into Pan products and new oil markets for MENA & Pakistan

# Plantations – Land Bank



Category	TFS Owned	Leased	Total
Planted	1,265	1,290	2,556
Available	2,048	550	2,598
Unsuitable	572	553	1,125
	<b>3,886</b>	<b>2,393</b>	<b>6,279</b>

Unsuitable:

400ha relates to KR

449ha relates to Leucaena farm

- ~500 ha of unsuitable Sandalwood land being sub-leased for rice production, with other unsuitable land likely to be leased for chia & rice in 2010 – offsets holding costs and generates cash flow
- Due diligence on ~8,000 ha of CPC land suitable for Sandalwood is continuing. TFS has first right of refusal to purchase or lease at discretion of CPC, within 12 months of completion of due diligence
- Ord Stage II progressing with Federal & State funding of \$400m into infrastructure. Land release date expected to be 2011 with ~3,000 ha of suitable land for sandalwood
- Conducting due diligence on further 200+ha
- Other land opportunities are being examined by TFS

# Outlook – Positive Momentum into FY10



- FY10 Cash NPAT growth to be 10%+ over FY09, with significant positive operating cash flow
- No net debt by June 30
- Total Indian SW plantation sales in FY10 to be at least equal to FY09 (1,025ha) with an increase in non-MIS institutional sales through BC from 350 ha to 500+ ha
- The sale of 500+ ha of non-MIS plantations to offshore institutional investors in FY10 through BC is progressing well and will be achieved as expected
- The impact of the Wholesale product initiative is leading TFS away from reliance on MIS as a single sales channel
- Even so, TFS still expects to continue to increase market share in MIS market given reduction in competition
- As the Wholesale business rolls out, TFS will gain pricing advantage in both Retail & Wholesale markets
- MRA should grow earnings 10%+ in spite of trading conditions. Strategic value of MRA is clear despite cyclical downturn

# Appendix A – Revenue Recognition



NB - Under the new revenue recognition policy, which adopts a works completed approach, TFS will be recording ~\$18.0m in FY10 from sales of the 2009 project across the retail and wholesale products

	FY08	FY09	FY10
<b>Sales - Ha</b>			
Retail	814	678	TBA
Wholesale	0	350	TBA
<b>Reported Sales - \$m</b>			
Retail	54.9	46.6	TBA
Wholesale	0.0	17.5	TBA
	<b>54.9</b>	<b>64.1</b>	
<b>Revenue Recognition</b>			
<b>Retail</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>
FY08	75%	25%	
FY09		75%	25%
FY10			75%
<b>Wholesale</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>
FY08	67%	33%	
FY09		67%	33%
FY10			67%
<b>Up Front Fee Recognition</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Retail	49.5		
Wholesale			
<b>FY08</b>	<b>49.5</b>		
Retail		11.7	
Wholesale		46.6	
<b>FY09</b>		<b>58.3</b>	
Retail			12.3
Wholesale			5.8
<b>FY10</b>			<b>18.0</b>

FY10 represents revenue booked from prior year's sales + 75% of 1H10 sales

# CONTACT DETAILS

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