



FY10 Results Presentation

31 August 2010

FY10 – Highlights



- Cash NPAT adjusted for land sales achieved earnings growth of 14.7% to \$26.7m ahead of guidance of 10%+ - a strong performance in difficult trading conditions
- Successfully transitioned business model away from solely MIS with revenue from non-MIS sales accounting for 73% of cash operating revenue
- MRA production division rebounded strongly with EBITDA growth of 58% to \$5.4m v recently upgraded guidance of 20%, a record result despite a strong appreciation in A\$
- 2H10 DPS of 3.5 cps for total FY10 DPS of 4.75 cps fully franked, reflecting growth of 11.8% and a yield of 6.1%
- Increasing pay out ratio from 34.8% to 39.7% reflects increasing confidence in cash flows
- Proceeds of balance of non-MIS ha sold to wholesale investors in FY10 to be received in FY11
- Balance sheet is strong, gearing remains low at ~19% with interest cover at 10.5x and cash at bank is ~\$20m
- TFS improved MIS market share strengthening our position for when conditions eventually improve
- Forbes Asia Pacific top 200 list for “best under a \$1b”

FY10 Reported Result Highlights



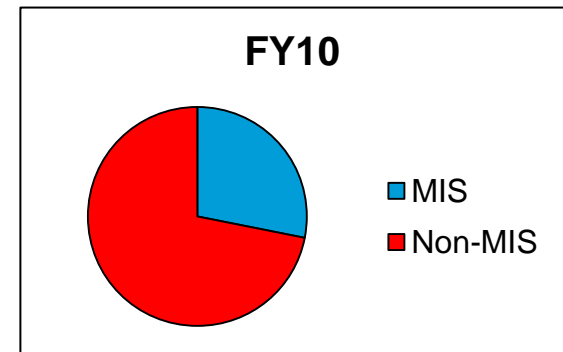
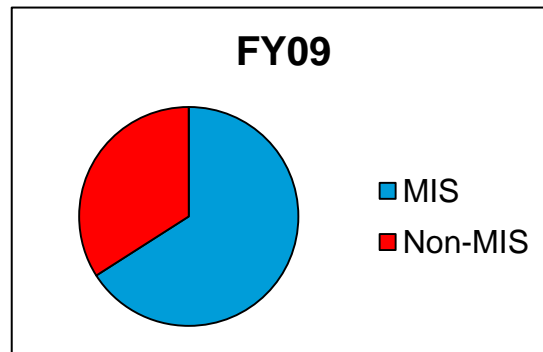
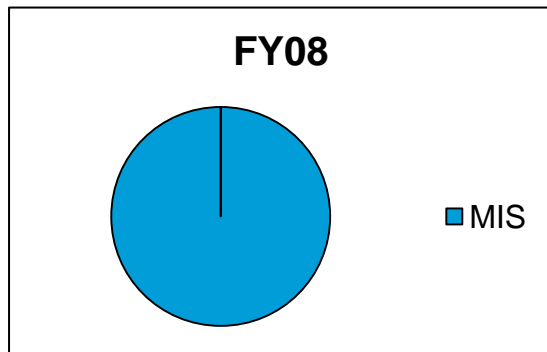
	FY09 \$m	FY10 \$m	Change %
Cash Revenue	78.3	97.4	24.3%
Statutory Revenue	94.8	116.4	22.8%
Cash EBITDA	37.0	41.5	12.2%
Statutory EBITDA	53.5	56.3	5.3%
Cash NPAT	23.3	26.7	14.7%
Statutory NPAT	34.8	37.0	6.2%
Comprehensive Income	34.8	41.4	18.8%
Cash EPS	12.2	12.1	-0.5%
Statutory EPS	18.3	18.8	3.0%
DPS	4.25	4.75	11.8%

- Total Comprehensive Income After Tax rises 18.8% to \$41.4m due to a relatively even distribution between cash and non cash items
- Comprehensive income (a new measure of profitability under AASB101) refers to two components –
 - the realisation of land revaluation reserve from actual sales of land
 - The realisation of land revaluation reserve due to reclassification of land as an inventory (held for resale) to bring in cash resources on actual sale
- Non-Cash Revenue up 15.7% to \$19.1m due to
 - Plantation valuation flat due to combined impact of exchange rate movement against rise in underlying sandalwood price
 - Deferred interest revenue up 31% to \$11.1m as revenue recognition from lease & management fees kicks in following several years of significant sales growth
- Statutory revenue includes land sales, although profit is recognised below the Stat NPAT line
- Cash NPAT includes cash component of sale of land to wholesale investors which is a recurring item

Investment Flows – Transforming Business Model



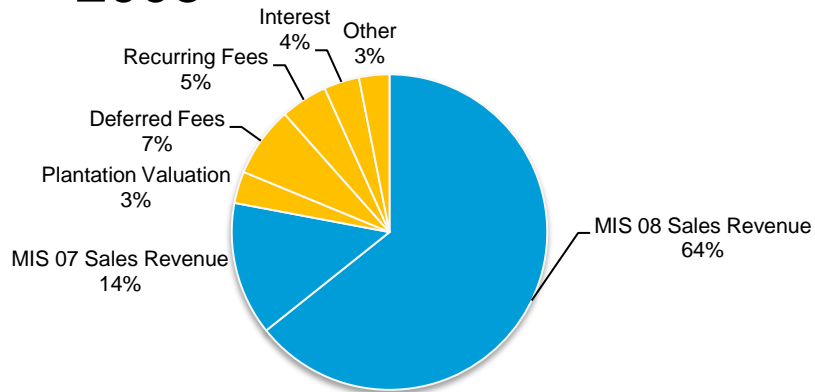
- TFS has moved from a business solely reliant on MIS sales to one with a diverse mix of plantation and production related sales
- Plantation project sales volume has evolved from 100% retail in FY08 to 28% in FY10. MIS sales revenue is down to ~27% of total cash revenue
- Production revenue from MRA now equates to ~19% of total cash revenue
- Wholesale investors and production revenues to continue to increase their prominence in the revenue profile of TFS over the short and long-term



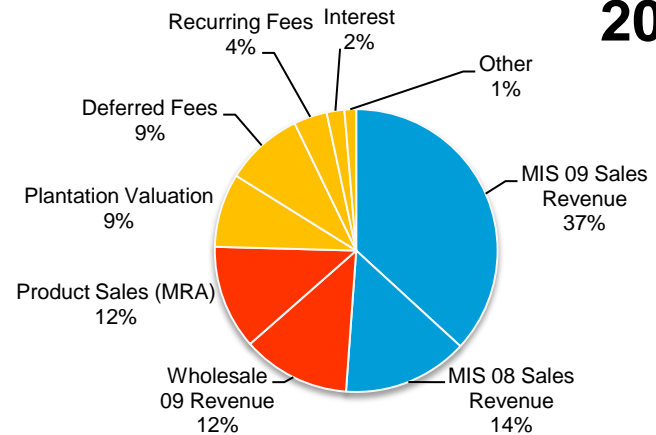
Business Model – Diversifying Revenue



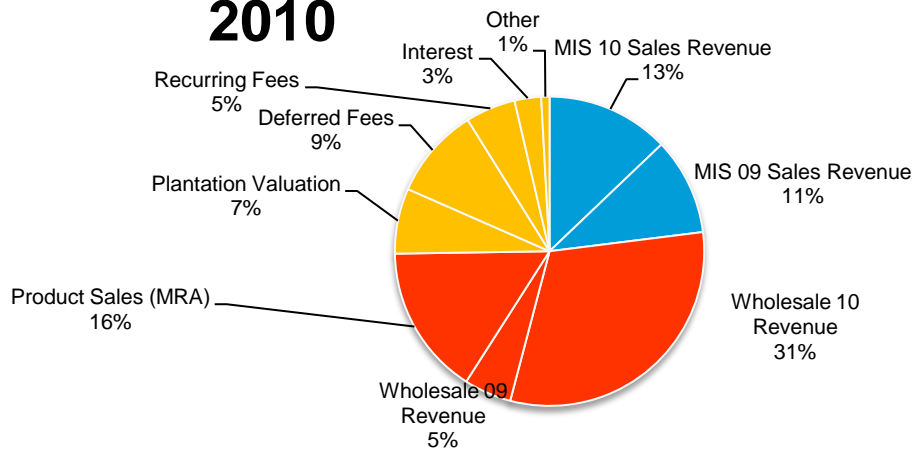
2008



2009

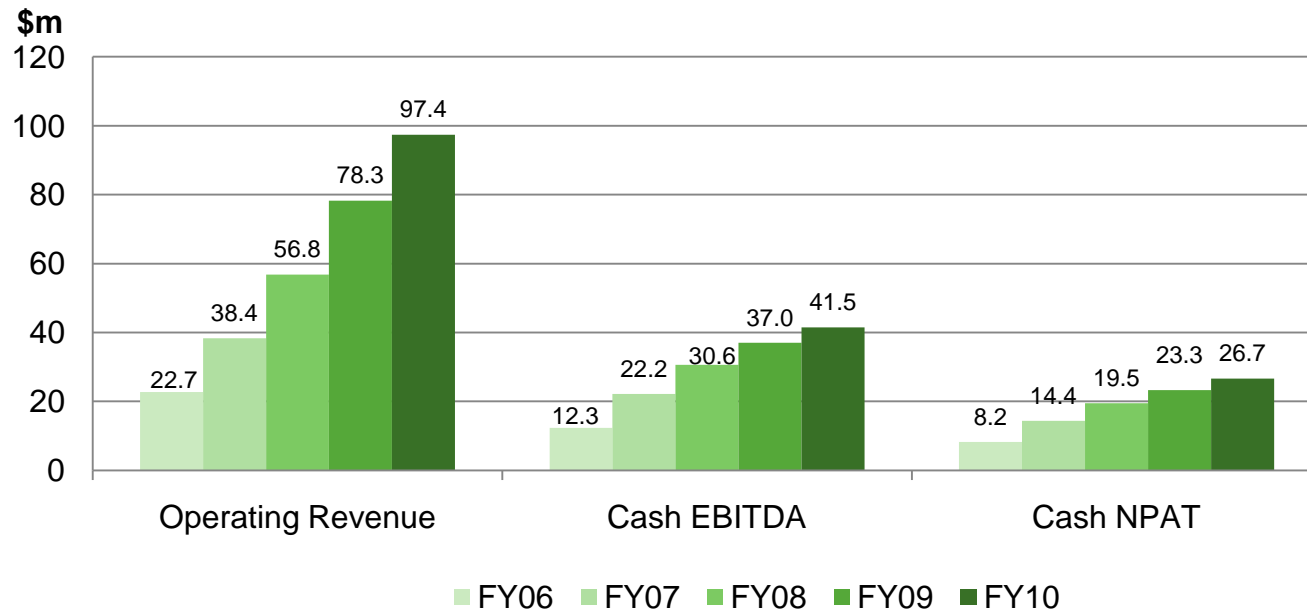


2010



NB: Proportions are based on total revenues

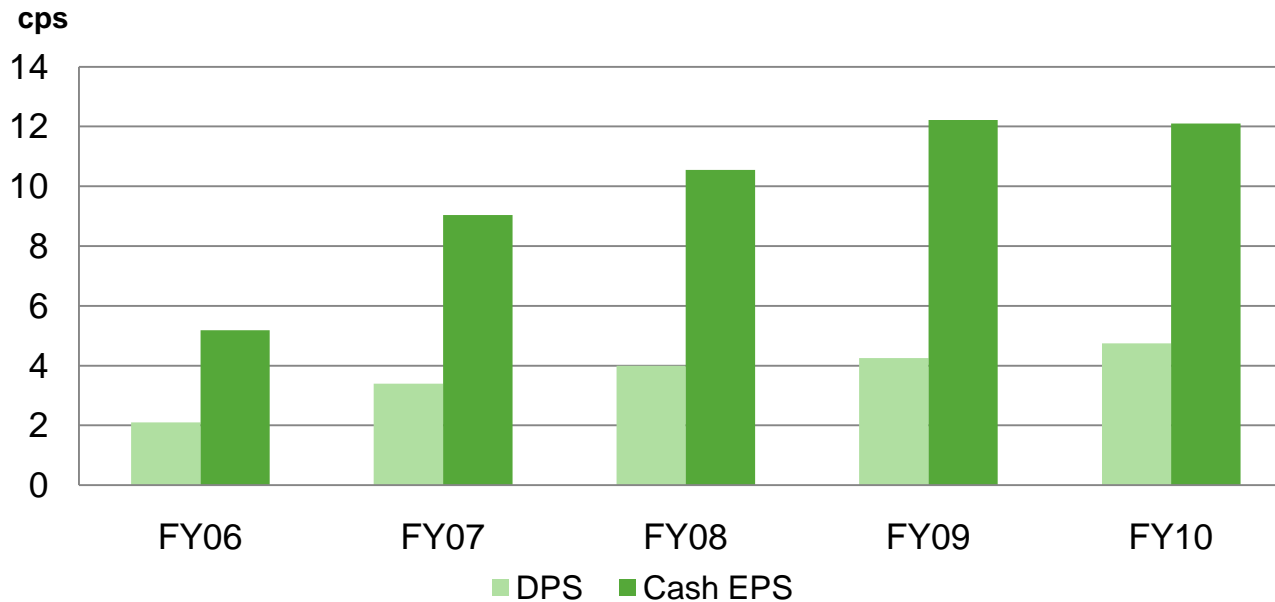
Financials – Historical Perspective



* FY10 Cash EBITDA & Cash NPAT have been adjusted for land sales

- TFS has proven to be a consistent growth business with continued strong growth expected over the long-term

Financials – Continued Dividend growth



- Continued and consistent dividend growth over 5 years, with aggregate growth of 138% and CAGR of 17.7%
- FY10 dividend growth of 11.8% with dividend fully franked
- Pay out ratio has increased to ~40% from ~35% as a clear sign of growing confidence in cash flows

FY10 Cash Earnings Summary



	FY08 \$m	FY09 (\$m)	FY10 (\$m)	Change %	Comment
-Establishment Fee (new)	54.6	60.2	55.5	-7.9%	Shows successful transition of business model from MIS to wholesale
- Recurring fees		3.6	6.1	68.7%	Reflective of greater hectares under management and recurring fee model
- Land Sales – Wholesale			13.3		New land sales are part of the Wholesale business model , recurring in nature
- MRA	0.1	11.3	18.3	61.9%	General rebound in sales volume and success in penetrating Indian market
- Interest income on loan book	2.1	1.4	2.6		
- Other		1.8	1.6		
Total Cash Operating Revenue	56.8	78.3	97.4	24.4%	Strong double digit growth reflects diversification of business model
Operating Expenses	26.2	41.3	55.9	35.4%	Opex growth reflects cost of land sold and variable cost growth at MRA
Cash EBITDA	30.6	37.0	41.5	12.2%	Maintaining double digit growth in difficult retail market and opening up of new wholesale product
EBITDA Margin (%)	53.9%	47.2%	42.6%		Margin reduction is temporary during establishment of wholesale business
D&A	0.8	1.4	1.7		
EBIT	29.8	35.6	39.8	11.8%	
Interest expense	2.4	3.1	3.8		Debt servicing remains strong at 10.5x and is a distinguishing feature of TFS' business model
NPBT	27.4	32.5	36.0	10.8%	
Tax	9.9	9.2	9.3		Lower effective tax rate results from R&D tax credit
Cash NPAT	17.5	23.3	26.7	14.7%	Performance reflects excellent result in period of global & sector downturn
Cash EPS	10.6	12.2	12.1		
DPS	4.0	4.25	4.75		Fully franked dividend growth ~12%and a rise in the pay out to ~40% - strong performance in this climate
Net Operating Cash Flow	27.1	16.2	-25.1		Temporary due to timing of KR land subdivision. Will be reversed in FY11

Manufacturing - Mount Romance (MRA)



	FY09 (\$m)	FY10 (\$m)	Change %
Oil volume (t)	10.6	19.2	81.1%
Revenue	11.3	18.3	61.9%
EBITDA	3.4	5.4	58.8%
EBITDA Margin (%)	29.8%	29.4%	

- Divisional earnings of \$5.4m beat previously upgraded guidance of 20% growth by significant margin
- Result is a record for MRA's history and reflects increasing global demand for sandalwood products
- 35% depreciation of INR v AUD impacted selling price and EBITDA margin
- Strong recovery in 2H10 continues with momentum into FY11
- General recovery occurring in traditional markets but developing market of India comprises significant portion of growth
- Planned expansion of production capacity by ~20%
- Entry into new oil & wood markets in the Middle East is building and is expected to grow quickly over the next two years

Plantation Management Earnings



	FY09 (\$m)	FY10 (\$m)	% change
Cash Revenue (excl. land)	65.5	63.1	-3.6%
Cash EBITDA (excl. land)	31.7	29.1	-8.2%
EBITDA Margin (%)	48.4%	46.1%	
Adjusted Cash Revenue (incl. land)	65.5	76.4	16.6%
Adjusted Cash EBITDA (incl. land)	31.7	33.3	5.1%
Adjusted EBITDA Margin (%)	48.4%	43.6%	

- Strong double-digit growth in revenue generated by new wholesale product including land sale, offsetting decline in MIS sales
- EBITDA growth was negative but maintained a solid outcome in view of lower wholesale pricing. Operating cost growth was flat highlighting management discipline
- Cost growth in Adjusted EBITDA result, reflects cost of land sold to wholesale investors (new item)
- Margins should improve in the wholesale product in future as demand builds, leading to improved pricing power
- In the context of turmoil in the MIS sector and managing the transition of the business model, the result reflects a very strong and satisfying performance

Wholesale Investment Projects



- TFC's new wholesale business performed exceptionally well reporting growth in sales volume of 123% to 782 ha
- Institutional investment flow was generated from the US, Europe and Asia
- Institutional sales involve land sales and transferring legal title to land which involves subdivision of TFC's Kingston Rest (KR) property of >2,000 plantable ha into lots for multiple clients. It also involves restructuring TFC's water rights to guarantee water entitlement to new land owners and Foreign Investment Review Board (FIRB) approval for foreign investors
- Settlements awaiting completion of land subdivision
- Land subdivision has taken longer than expected due to complexity but this has almost concluded
- Enables recycling of capital previously tied up in land and will establish a firm bid for the developing secondary market
- Very strong institutional demand across different regions generating positive signs about long-term appeal and pricing of product
- Institutional ownership of US timberland investments has increased from US\$5b in 1991 to US\$50b in 2010, providing some guide to the scale of potential deal flow to TFS' institutional investment project
- Institutional interest is generated from the demand to be exposed to long duration hard assets that are likely to generate superior returns with lower volatility than conventional asset classes

Wholesale Transaction Process



Generic Deal Process

Source client



Negotiate terms



Execute Investment Management Agreement (IMA)



Contract of Sale subject to Land of Subdivision



FIRB - Notification / Approval



Completion of Subdivision and Water Rights



Settlement with funds received

Retail Investment Projects



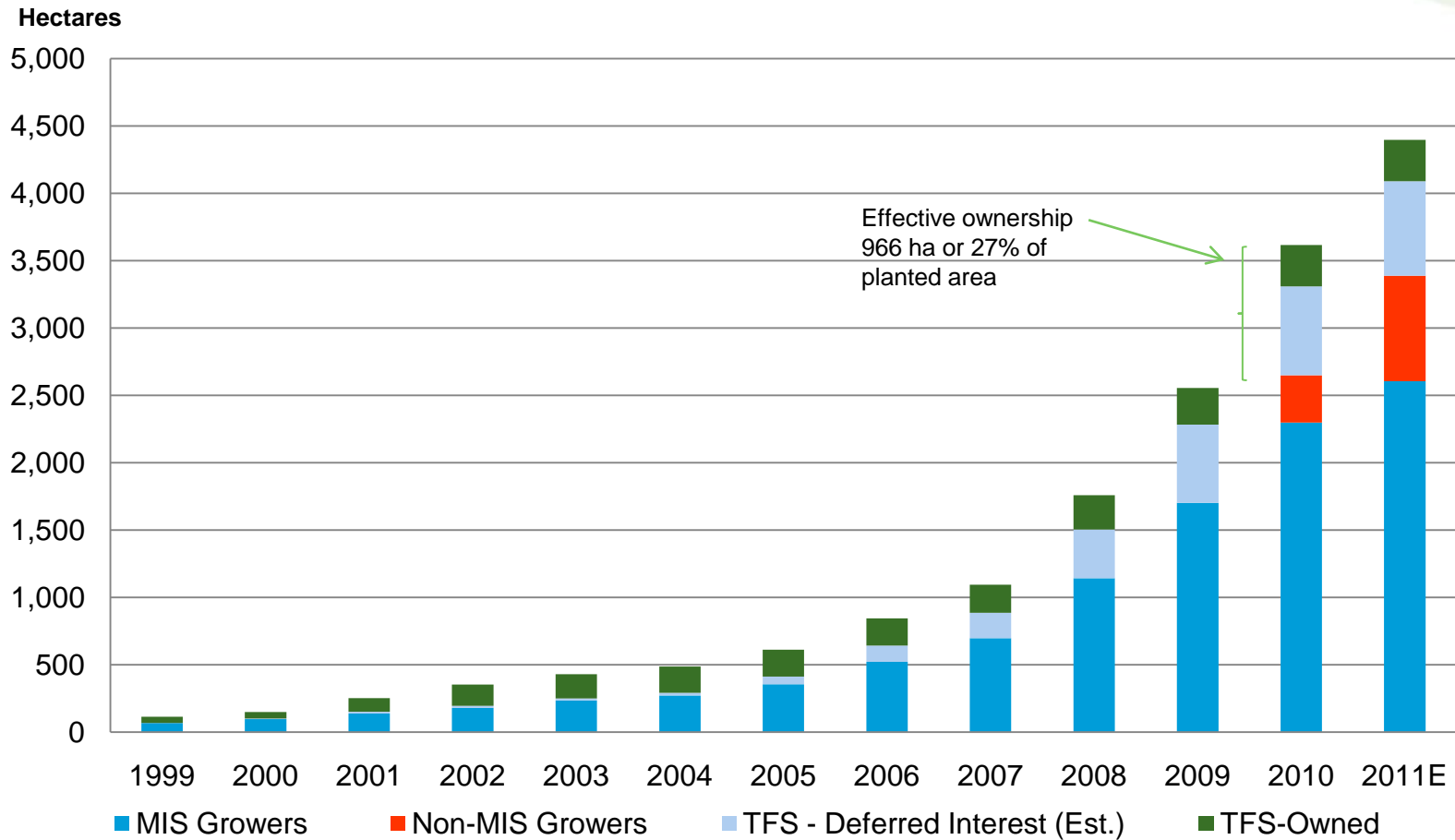
- MIS sales of 306 ha, down 55% yoy
- Market share increases to 20% up from 17% pcp
- Repeat investor rate at 30%, a five year high, and 2nd highest by number in TFS history
- Reduction in sales volume reflected extremely difficult trading conditions
- Negative investor sentiment due to 5 competitors in administration, one pulled out of the market and two severely underperformed
- TFS' result was positive in this context
- MIS remains relevant to overall business model for customer & fund flow diversification, but no longer reliant on retail investors
- TFS is in a strong position to benefit from forthcoming stabilisation in the sector and significantly reduced competition. National distribution provides flexibility in sourcing retail investment flows, with relatively even spread across the states

Balance Sheet Summary – solid foundations



	FY09 \$m	FY10 \$m	Comment
Cash	38.7	20.2	
Receivables	50.0	79.8	Wholesale establishment fees, land proceeds and general debtors to be received in FY11
Inventories - products	6.9	6.1	Includes consumer product business, oil inventory is minimal
Inventories - land	4.5	5.8	Land to be sold on completion of forthcoming wholesale deals
Current Assets	100.2	111.9	
Non-Current Receivables	33.3	51.6	Increase reflects balance sheet funding of MIS grower loans
PP&E	64.5	57.6	P&E rose \$7m but net reduction reflects sale of land to investors
Tree Assets	30.9	41.5	Function of accounting standard revaluation of TFS' own forest portfolio
Deferred Fee Assets	20.4	31.5	Accumulated fees from prior projects & 1 st inclusion of 2008 project fees
Non-Current Assets	185.6	221.9	
Total Assets	285.8	333.9	
Creditors	19.3	20.8	
Debt	0.4	0.5	
Current Liabilities	49.1	42.8	
Non-Current Debt	65.1	66.8	Bank debt stable
Non-Current Liabilities	101.7	95.8	
Total Liabilities	150.8	138.7	
Net Assets	135.1	195.2	
Net Debt	26.7	47.3	To be reduced upon receipt of wholesale investment proceeds
Gearing Ratio (ND / ND+E) (%)	16.5	19.4	Remain conservatively geared, a hall mark of management's discipline and business model
NTA per Share (cps)	60.0	76.9	Stock price is only trading around book value, neglecting business value

Plantations - Embedded Value



Plantations – Land Bank



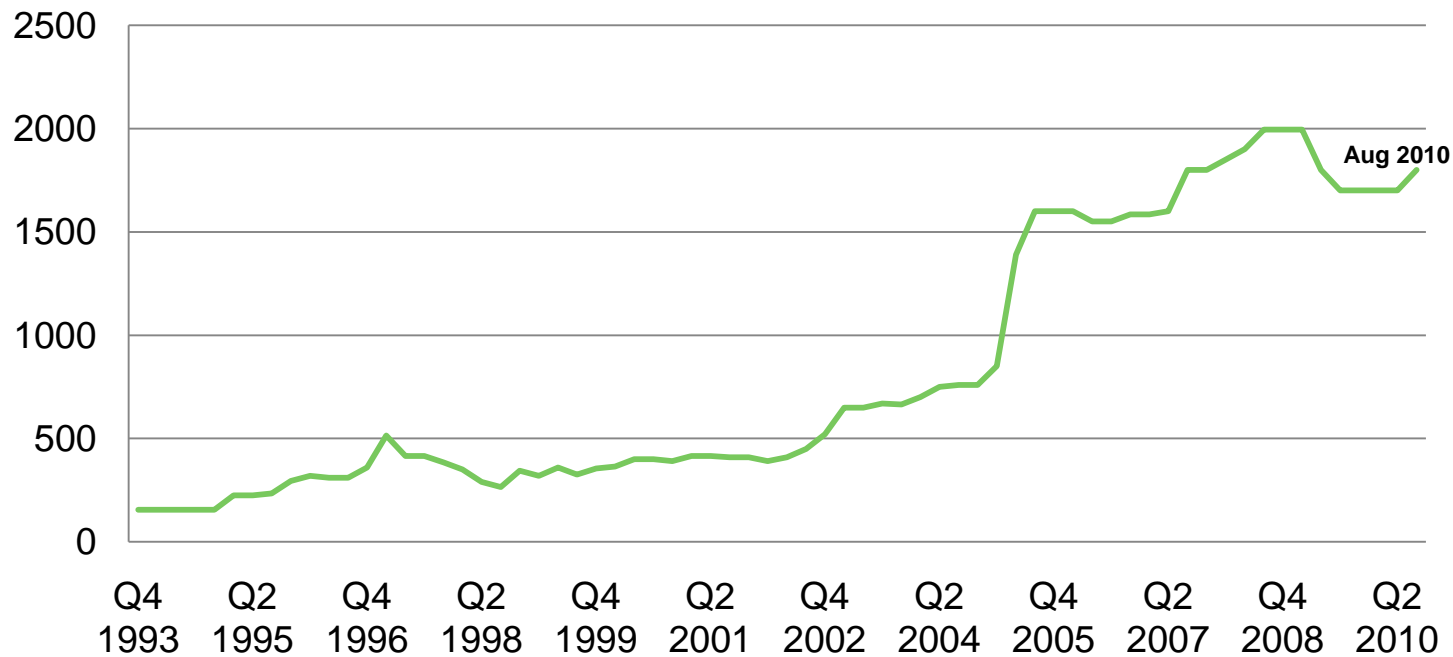
Category	Owned Ha	Leased Ha	Total Ha
Planted	1,884	1,889	3,773
Available	1,642	409	2,051
Unavailable	1,910	443	2,353
Total	5,436	2,741	8,177
Unavailable:			
1,500 ha relates to KR			
374 ha from Leucaena farm is being sub-leased to rice production			

- 339 ha of new leases in the period and approximately 400 ha of new land purchases
- Planted acreage includes 306 ha on TFS' own account
- TFS owns ~61% of plantable estate establishing solid foundations for security of land tenure and the balance sheet
- Due diligence on ~8,000 ha of CPC land suitable for Sandalwood is continuing.
- Ord Stage 2 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
- MOU has been signed with MG corporation (indigenous land owner) regarding leases for up to 1,000 ha in Ord Stage 2. MOU relates to a shareholding in a JV Co with MG Corporation. JV Co will own land and TFS will lease from the JV Co
- MOU with MG reflects recognition of TFS as a strong and sustainable business with strong CSR credentials and a long term horizon that is aligned with the Indigenous population

Sandalwood Market



Indian Sandalwood Spot Prices



Source: Datastream

- Price remains elevated
- Minimal price volatility during the worst of GFC and now resuming upward path

Indian Sandalwood – the future is robust



- Traded commodity for over 2,000 years and declared a royal tree in India in 1792. Government banned exports in 1996
- Illegal harvesting and unsustainable activities have depleted world supply to near the point of extinction, and currently recognised as a vulnerable species by the World Conservation Union (IUCN)
- Commodity price has risen by ~18% pa over the last 18 years
- Key ingredient for markets and product categories that exhibit superior growth rates driven by demand from two of the fastest growing economies in the world
 - **According to the McKinsey Global Institute survey on the rise of the Indian Middle Class, by 2025 ~43% of the population will have reached Middle Class levels in USD equivalent purchasing power terms, up from ~5% in 2005**
- Supply / Demand dynamics are strongly in favour of establishing large scale plantation supply
 - Consumption is diverse, deep and not controlled by any particular group or region – Europe, Asia, Nth America
 - Consumption is underpinned by Indian growth story (latest GDP growing >8% pa) and global trend to naturals
 - Supply competition is severely limited

ViroXis Update



- On track with US FDA human trial program
- Potential to have a high end retail product in the market with 18 months
- Price achieved by TFS for the supply of oil is significantly above other product segments
- If successful, this product segment alone, will materially increase the global demand, above the current and already positive long-term trajectory

Outlook – FY11



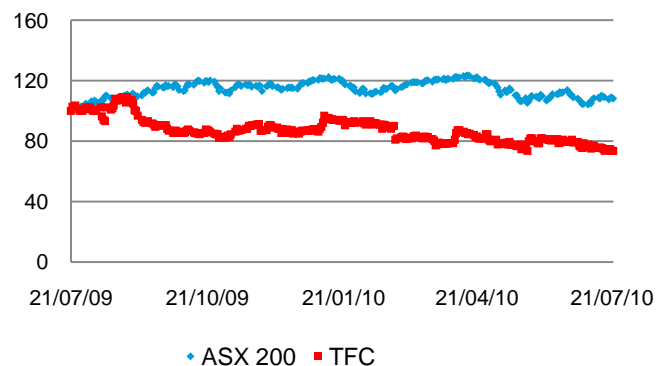
- Significant increase in positive operating cash flow as settlement of institutional sales occur throughout FY11
- Gearing to remain low
- Total Indian SW plantation sales in FY11 to be at least equal to FY10 (1,088ha) with further increase in non-MIS institutional sales
- Pricing increase in both non-MIS institutional sales and retail MIS sales due to TFS strong market position
- MRA earnings expected to grow on back of price increases, as demand tightens and marketing into China and Middle East gains momentum. Strategic value of MRA is clear despite cyclical downturn

Appendix A - Corporate Snapshot



TFS Ltd

ASX Code	TFC
Cash EBITDA FY10	\$41.5m
Net Debt FY10	\$47m
Total Shareholder Equity	\$195m
Employees - FTE	105
Shares on Issue	227.4m
Market Capitalisation	\$177m



Share Register Profile Aug 2010

Top 20	49%
Top 50	62%
Board / Employees	22%
Institutional	18%
Retail	60%

Board of Directors

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

Appendix B - TFS Background



- Owner and manager of the world's largest ethical, sustainable, environmental and socially responsible Indian sandalwood plantations
- Backed by 15 years of Government trials. TFS first started plantations in 1999 and now manages ~3,500 ha
- Dominant position in the Indian Sandalwood market, with critical global supply coming on line in 3 years, just as supply from Indian forests is rapidly diminishing
- Vertically integrated with end market customers including some of the world's largest fine fragrance, cosmetic and pan masala companies
- TFS has a strong and stable management team with interests aligned with investors through personal commitment to the Sandalwood industry
- TFS benefits from factors that are difficult to replicate, leading to exceptionally high barriers to entry
 - specialised forestry expertise, concentrated water supply, suitable soil and climatic conditions, access to land, processing expertise

CONTACT DETAILS

Frank Wilson
Executive Chairman
frank@tfsltd.com.au

Quentin Megson
Chief Financial Officer
quentin@tfsltd.com.au

Martyn Jacobs
General Manager – Corporate
Strategy
martyn@tfsltd.com.au

169 Broadway
Nedlands WA 6009

T: +61 8 9386 3299
F: +61 8 6389 1546

www.tfsltd.com.au

