

ASX Announcement
9 September 2020

Investor Presentation:

PFT to acquire Daly Potato Company Pty Ltd (DPC) business and assets

HIGHLIGHTS

- Secures PFT move into \$1Billion Australian prepared meals market;
- DPC recorded \$2M sales revenue in FY20;
- National footprint through major retail chains, including opening the doors with Coles & Metcash which Pure Foods Tasmania currently does not trade with;
- Launch of several new products in FY21 expected to significantly increase revenue;
- Mayonnaise is produced in-house for all Daly products and potentially is the basis for a range of new premium mayonnaise-based products;
- Expands “meal solutions” and “vegan” product options;
- Synergistic benefits through combined distribution, IP sharing and substantial costs savings following consolidation;
- Family backs itself with ~78% of purchase price to be paid in PFT scrip, based on current share price;
- Potential to achieve the same operating margins as Tas Pate (25%+ EBITDA margin in FY20).

www.dalypotatoco.com.au



Pure Foods Tasmania Limited (PFT) is pleased to announce it has agreed to buy the Daly Potato Company Pty Ltd (DPC) business and assets for \$1.8M with a mixture of cash and shares (subject to working capital adjustments):

PFT and DPC signed a binding Heads of Agreement (HOA) on 8 September 2020, subject to a number of conditions including final due diligence, PFT entering into a potato supply agreement and other customary conditions;

Shares to the value of \$1.4M will be escrowed in three equal tranches – one third to be available for release in intervals of 12 months; 24 months and 36 months and based on 14-day VWAP from 19 August 2020;

PFT will take on ~\$300,000 of debt currently on DPC's balance sheet and relating in the main to plant and equipment and pay the Daly family \$100,000 in cash on settlement;

The acquisition meets a number of key metrics for PFT and merges two businesses that are both strategically and operationally aligned and service the same core retail customers;

In FY20, DPC recorded trading revenue of just over \$2M and achieved compound annual growth in revenue of 33% over the two years to 30 June 2020. It is expected revenue will be higher in FY21 with the launch of a number of new products.

ABOUT DAILY POTATO COMPANY

DPC was founded by Gerard and Susie Daly in 2016 and with the view to 'value add' to potatoes from their potato farm and also use potatoes that were not suitable for sale to consumers, due in the main to their shape or size.

The Daly's have been growing potatoes on the pristine South-East Coast of Tasmania for over 30 years. Overlooking Marion Bay, the farm enjoys perfect conditions – sandy soils, rain and sunshine. They were also named "Farmers of the Year" in 2019.

DPC produces a variety of premium potato salads which are sold to the major supermarket chains, including Woolworths, Coles and Metcash. In FY17, sales were \$211,000 and have since grown to \$2M, reflecting compound annual growth of 115%.



BENEFITS AND STRATEGY

There are many benefits both companies see that will be realised through this union:

- Greater purchasing power for core ingredients, as well as services such as distribution and marketing;
- Anticipated savings through centralised payroll, HR, quality control, new product development, accounting, legal, packaging and logistics;
- PFT and DPC have the same a similar retail customer base and both supply the major retails nationally;
- PFT will launch DPC brands throughout its export partners; PFT believes there is strong international demand for DPC's products, particularly in Asia;
- \$2M in sales in FY20 and growing rapidly, underpinned by a raft of new product launches planned in FY21;
- Increased product range and diversity for PFT as well as numerous new product development opportunities through complementary meal solutions using our full suite of products;
- Gives Daly ~4.44% of PFT (based on VWAP of 61.4c/share) and shows management's faith in PFT and in the future of DPC.



PFT is committed to growing the business and believes the current sales momentum will continue and potentially accelerate and to this end the Company is prepared to invest heavily in future years to maximise efficiencies and margins.

COSTS AND STRUCTURE OF THE ACQUISITION

The value of the deal is approximately \$1.8M and relates to the assets of the business, with working capital adjustments to be determined. It is made up as follows:

- \$1.4M in shares, based on a 14-day VWAP prior to the signing of the binding HOA;
- \$100,000 cash on settlement;
- Susie Daly has been offered a minimum three-year employment contract;
- Susie and Gerard or their related entity have agreed to a potato supply contract with an agreed price, for five years with a five-year option to extend.

"This is a great opportunity for PFT shareholders, and it cements our strategy of moving into new category's as stated in previous updates. Meal solutions is a \$1Billion market in Australia alone and we also see a large opportunity to support our Asian customers with unique 100% Tasmanian-based meal solutions and Daly's current products. This acquisition also brings many synergies, including customers, administration and supply chain benefits, along with adding Daly's products to our new online store for our loyal consumers to enjoy" said Michael Cooper, PFT's Managing Director.

TIMELINE

The "sunset" clause for settlement of the Contract is 30 October 2020 but we hope to have the acquisition completed before that time although will depend on the completion of PFT's final due diligence and working capital assessments.

ABOUT PFT

Pure Foods Tasmania Pty Ltd (PFT) was formed in 2015 with the aim to acquire, grow and develop premium food businesses in Tasmania. To date and in line with this strategy, PFT has acquired two businesses: Tas Pate and Woodbridge Smokehouse (smoked salmon and trout). The Company listed on the ASX on 30 April 2020.

[Ends]

This announcement has been authorised and approved by the Board of (PFT).

For investor, media or other enquiries please contact:

Michael Cooper

Managing Director – Pure Foods Tasmania

m.c@purefoodstas.com

+61 419 124433

FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pure Foods Tasmania Limited. These factors may cause actual results to differ materially from those expressed in this announcement.