



# Product Disclosure Statement

For an Initial Public Offering of Ordinary Shares in Tegel Group Holdings Limited

31 MARCH 2016

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). Tegel Group Holdings Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

JOINT LEAD MANAGERS:



NEW ZEALAND LEAD MANAGER:



## Section

## 1

# Key information summary

## 1.1 What is this?

This is an offer of ordinary shares in Tegel Group Holdings Limited (Tegel). Ordinary shares in Tegel (Shares) give you a stake in the ownership of Tegel. You may receive a return if dividends are paid or Tegel increases in value and you are able to sell your ordinary shares at a higher price than you paid for them.

If Tegel runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

## 1.2 About Tegel

Tegel is New Zealand's leading poultry producer, processing approximately half of New Zealand's poultry,<sup>1</sup> and also manufactures and markets a range of other processed meat products. Tegel also has an established and growing export business, supplying a range of premium quality products to customers in Australia, the Pacific Islands, the UAE and Hong Kong.

Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked smallgoods and frozen further processed products), which are sold through three key sales channels domestically (Retail Grocery, Foodservice / Industrial and Quick Service Restaurants), and in selected channels in international markets.

 For more information, see Section 2 (Tegel and what it does)

## 1.3 Purpose of this Offer

The purpose of the Offer, in order of priority, is to:

- repay a portion of Tegel's existing debt to provide financial flexibility to accelerate Tegel's domestic and export growth strategies;
  - enable Tegel's existing shareholders to realise a portion of their investment in Tegel, including by Tegel redeeming existing redeemable shares;
  - provide Tegel with access to capital markets to give added financial flexibility; and
  - provide a liquid market for Shares
- The Offer comprises an offer by Tegel of between \$284.0 million and \$320.1 million of new Shares, and an offer by TGHLNZ Limited (TGHLNZ) of up to \$24.3 million of existing Shares. TGHLNZ has been established to acquire Shares from certain of Tegel's existing minority shareholders and offer them under the Offer. A minimum amount of \$154.4 million plus the face value of the Redeemable Shares on issue less the amount to be reinvested by existing shareholders (including the required reinvestment by Claris Investments Pte Limited to ensure it holds 45.0% shares in Tegel on completion of the Offer) must be raised before the Shares are issued or transferred. The Offer is not underwritten.

 For more information, see Section 3 (Purpose of the Offer)

<sup>1</sup> Calculated as total share of poultry processed in New Zealand (measured by dressed weight), as surveyed by Statistics New Zealand.

## 1.4

### Key Terms of the Offer

Description of securities	This is an initial public offering of ordinary shares in Tegel
PDS dated	31 March 2016
Broker Firm bids due	15 April 2016
Bookbuild, Pricing and Allocation	18 to 19 April 2016
Broker Firm Offer Opening Date	20 April 2016
Priority Offer Opening Date	20 April 2016
Priority Offer Closing Date	26 April 2016
Broker Firm Offer Closing Date	29 April 2016
Quotation and expected commencement of trading of Shares on the NZX Main Board (on a conditional settlement basis) and the ASX (on a conditional and deferred settlement basis) <sup>(1)</sup>	3 May 2016
Settlement and Allotment on NZX	4 May 2016
Settlement on ASX	4 May 2016
Expected commencement of trading of Shares on the NZX Main Board on a normal basis and expected mailing of holding statements for Shares to be traded on NZX	5 May 2016
Allotment and trading of Shares on ASX on an unconditional and deferred settlement basis commences <sup>(2)</sup> and expected mailing of holding statements for Shares to be traded on ASX	5 May 2016
Expected commencement of trading of Shares on the ASX on a normal basis	6 May 2016
Expected payment of first dividend	January 2017
Indicative Price Range <sup>(3)</sup>	\$1.55 – \$2.50 per Share
Number of new Shares offered by Tegel <sup>(4)</sup>	127.8m – 182.7m (being 50.3% – 51.4%)
Number of existing Shares offered by TGHLNZ	9.7m (being 2.7% – 3.8%)
Total number of Shares being offered under the Offer <sup>(5)</sup>	137.5m – 192.4m (being 54.1% – 54.2%) <sup>(8)</sup>
Gross proceeds from the Offer <sup>(6)</sup>	\$299.1m – \$344.4m
Number of Shares on issue on completion of the Offer	254.1m – 355.1m
Expected aggregate percentage shareholding of Claris Investments Pte Limited on completion of the Offer <sup>(7)</sup>	45.0%

The above dates are indicative only and may change. Tegel, with the agreement of the Joint Lead Managers, reserves the right to vary or extend these dates. Tegel may also withdraw the Offer at any time before the Allotment Date or accept late Applications (either generally or in individual cases).

#### Notes to table

- (1) See Section 5.3.3 (Conditional and deferred settlement trading) for more information on conditional and deferred settlement trading.
- (2) See Section 5.3.3 (Conditional and deferred settlement trading) for more information on unconditional and deferred settlement trading.
- (3) The Indicative Price Range is indicative only. The Final Price will be set after the conclusion of the Bookbuild process and may be within, above or below this range. The Indicative Price Range may be varied at any time by Tegel.
- (4) Range calculated based on Tegel issuing such number of Shares to raise the minimum amount under the Offer by Tegel at the lower end of the Indicative Price Range and the maximum amount under the Offer by Tegel at the upper end of the Indicative Price Range.
- (5) Equal to the total new Shares being offered by Tegel and the existing Shares offered by TGHLNZ.
- (6) Equal to the number of Shares being offered under the Offer at each end of the Indicative Price Range multiplied by the lower and upper end of the Indicative Price Range (as applicable).
- (7) Further details of any Shares that Claris Investments Pte Limited may need to subscribe for to reach this percentage are set out in Section 2.13.3.
- (8) This is the percentage that the number of Shares being offered will comprise of the total ordinary shares in Tegel on issue immediately after completion of the Offer.

**1.5**  
**How pricing of ordinary shares is fixed**

Tegel has set an Indicative Price Range of \$1.55 to \$2.50 per Share offered under the Offer. All Shares allotted under the Offer will be allotted at the Final Price

The Final Price will be set by way of a bookbuild managed by the Joint Lead Managers (Bookbuild)

The Bookbuild will take place on 18 to 19 April 2016. The Bookbuild is a process through which selected Institutional Investors, and selected NZX Firms and ASX Brokers, submit bids for the number of Shares they wish to purchase across a range of prices for the Shares. That information is then used to assist with the determination of the Final Price and allocation of the Shares

Tegel, with the agreement of the Joint Lead Managers, will set the Final Price following completion of the Bookbuild. Tegel reserves the right to set the Final Price within, above or below the Indicative Price Range

In setting the Final Price, Tegel will take account of several factors, including:

- the level of demand for Shares at various prices;
- the level of demand for Shares in the Institutional Offer, the Broker Firm Offer and the Priority Offer;
- pricing indications from Institutional Investors, NZX Firms and ASX Brokers;
- Tegel’s desire for an informed and active trading market for the Shares on the NZX Main Board and ASX; and
- any other factors that Tegel deems relevant

The Final Price is expected to be announced and posted on [www.shareoffer.co.nz/tegel](http://www.shareoffer.co.nz/tegel) on or about 19 April 2016.

 **For more information, see Section 5 (Terms of the Offer)**

**1.6**  
**How you can get your money out**

Tegel intends to quote these ordinary shares on the NZX Main Board and on the financial market operated by ASX. This means you may be able to sell them on the NZX Main Board and ASX if there are interested buyers. You may get less than you invested. The price will depend on the demand for the ordinary shares.

**1.7**  
**Key drivers of returns**

**Current and future aspects of Tegel’s business which drive financial performance**

**Key strategies and plans**

**Domestic poultry consumption and Tegel’s market share**  
Domestic poultry consumption and Tegel’s ability to maintain or grow its market share are key drivers of Tegel’s revenue.

As the market leader in New Zealand,<sup>2</sup> Tegel is well positioned to take advantage of market growth (population driven growth and increasing per capita consumption).

In addition, Tegel will seek to leverage its brand strength, marketing investment, and capabilities in new product development to maintain or grow its market share.

**Volume of poultry exports**  
Export sales are a key focus for Tegel to grow revenue outside of the domestic market. Tegel’s ability to grow export sales volumes with existing customers and win new customers and establish new territories will be key drivers of future revenue growth.

Tegel continues to leverage its established relationships with customers, driving growth through innovation and marketing programmes to deliver additional export sales growth in existing export markets.

In addition, Tegel continues to work with new potential customers and is seeking to diversify its sales channels in existing markets and enter new international markets.

**Product mix**  
Tegel’s value added products typically sell at a higher price than core fresh and frozen products, so product mix is an important driver of Tegel’s profitability.

Tegel continues to innovate in the value added space to increase revenue in this segment.

Tegel will continue to develop new, bespoke, products with its customers to grow value added product sales.

**Managing feed and other input costs**  
Feed costs are Tegel’s largest cost. Pricing of raw ingredients (such as corn, wheat, soya and barley) used to make feed is a key driver of Tegel’s profitability.

Tegel incurs other operating expenses, primarily in relation to processing costs, rent, chicks and breeder stock, staff wages, freight and marketing costs.

Tegel manages its feed costs through a combination of commodity and currency hedging and active raw material feed sourcing strategies.

Tegel seeks to be one of the lowest cost producers of poultry globally and continually implements initiatives to reduce costs and improve efficiency across its operations.


<sup>2</sup>. Based on share of total poultry production.

## 1.8

### Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about Tegel's future performance and returns is suitable for you. The price of these ordinary shares should reflect the potential returns and the particular risks of these ordinary shares. Tegel considers that the most significant risk factors that could affect the value of the ordinary shares are:

- One of Tegel's main costs is the cost of the raw ingredients (such as corn, wheat, soy bean meal and sorghum) that it uses at its feedmills to make the feed that is used by its breeder and grower operations. The prices of those raw ingredients are constantly changing and are influenced by global demand and supply factors that are outside Tegel's control. A sustained and substantial increase in the cost of these raw ingredients and other feed input costs could have a material adverse effect on Tegel's financial performance.
- Tegel is subject to foreign exchange risk as Tegel pays for the majority of the raw ingredients for feed in currencies other than NZD. The price Tegel receives for poultry products that it sells in markets outside New Zealand is also in currencies other than NZD. Fluctuations in foreign exchange rates (in particular the NZD:USD and NZD:AUD exchange rates) can be volatile and may have a material adverse effect on Tegel's financial performance.
- New Zealand is one of the few countries in the world that has never had an outbreak of the three major avian diseases.<sup>3</sup> If avian influenza or another exotic avian disease was introduced to New Zealand and it infected Tegel's flock, it could negatively affect both Tegel's domestic and export businesses.
- The safety of Tegel's products could be affected if they are subject to improper or poor handling or processing. If Tegel's products were to become unsafe (or perceived to be unsafe) for any reason this could negatively affect its brand and reputation with its suppliers, customers, the general public and regulators, which may result in the loss of key customers or reduced demand for its products.

 This summary does not cover all of the risks of investing in ordinary shares in Tegel. You should also read Section 8 (Risks to Tegel's business and plans)

## 1.9

### Tegel Group financial information

The financial position and performance of the Tegel Group are essential to an assessment of this offer. You should also read Section 7 (Tegel's Financial Information).

#### Capitalisation table

Number of Shares being offered under the Offer	137.5m – 192.4m
Implied market capitalisation of Tegel	\$552.1m – \$636.3m
Net debt on completion of the Offer	\$119.5m
Implied enterprise value of Tegel	\$671.6m – \$755.8m

Implied market capitalisation is the value of all of the issuer's equity securities, as implied by the price of the ordinary shares being offered. It tells you what Tegel is proposing that Tegel's equity is worth.


Implied enterprise value (EV) is a measure of the total value of the business of Tegel, as implied by the price of the ordinary shares being offered. Implied enterprise value is the amount that a person would need to pay to acquire all of Tegel's equity securities and to settle all of the Tegel Group's borrowings. It is a measure of what Tegel is proposing the business of the Tegel Group as a whole is worth.

The implied market capitalisation and implied enterprise value of Tegel are calculated on the assumption that 254.1 million to 355.1 million Shares will be on issue immediately following the Offer. The implied market capitalisation and implied enterprise value in this PDS may differ from the actual market capitalisation and enterprise value on listing, which will depend on the number of new Shares issued and the pricing of each Share.

Net debt on completion of the Offer is calculated as bank loans following the Offer, less reported cash and cash equivalents at 24 April 2016.

#### Key investment metrics for the Offer

<i>April year end</i>	<b>FY2016F</b>	<b>FY2017F</b>
Implied enterprise value / pro-forma EBITDA	9.0x – 10.1x	8.0x – 9.0x
Price / pro-forma earnings per Share	15.0x – 17.3x	12.7x – 14.7x
Pro-forma earnings per Share	\$0.10 – \$0.14	\$0.12 – \$0.17
Implied enterprise value / EBITDA	10.8x – 12.1x	7.7x – 8.6x
Price / earnings per Share	55.3x – 63.7x	12.6x – 14.5x
Earnings per Share	\$0.03 – \$0.04	\$0.12 – \$0.17
Dividends per security <sup>(1)</sup>		\$0.08 – \$0.11
Implied cash dividend yield (being the dividend per Share divided by its price)		4.4% – 5.1%
Implied gross dividend yield (being the implied dividend yield-cash adjusted for imputation credits, and other tax credits, expected to be attached to the dividend) <sup>(2)</sup>		6.2% – 7.1%

 Wherever prospective financial information appears in this PDS (including in the key investment metrics presented in this section) you should read that financial information together with the assumptions set out in Section 7 (Tegel's Financial Information) and also the risk factors set out in Section 8 (Risks to Tegel's business and plans). There is no guarantee that the results set out in the prospective financial information will be achieved.

#### Notes to table

(1) For more information, see Section 6.1 (Dividend Policy). Dividend per security is based on the "Number of Shares on issue on completion of the Offer" as shown in Section 1.4 (Key Terms of the Offer).

(2) Tegel anticipates dividends paid in respect of FY2017F will be fully imputed.

<sup>3</sup> Poultry Industry Association of New Zealand (PIANZ). The major avian diseases are Avian influenza (bird flu), Newcastle Disease and Infectious Bursal Disease.





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# Letter from the Chair

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**JAMES  
Ogden**  
CHAIRMAN

## Dear Investor,

On behalf of the Tegel board, I am delighted to invite you to become an investor in our company.

Tegel is New Zealand's largest poultry processor and has been bringing quality poultry products to the plates of New Zealanders since 1961. In addition to its leading domestic market position, Tegel has an established and growing export business, with premium quality exports to Australia, the Pacific Islands, the United Arab Emirates (UAE) and Hong Kong. By investing in Tegel, you will have the opportunity to share in Tegel's future as it continues to expand both in New Zealand and offshore.

Once listed, Tegel will be one of New Zealand's largest listed branded food companies, with an estimated market value of between \$552.1 million and \$636.3 million (based on the Indicative Price Range set for the Shares).

The Tegel brand is the most widely recognised poultry brand in the country, and is the leading brand across all poultry categories in New Zealand's major supermarkets. Over the last five years, Tegel's brand has been developed for the international market, to provide a premium message around great tasting, premium quality and safe New Zealand chicken – qualities which have resonated with customers who are increasingly conscious of food safety, and animal health and welfare.

Tegel processes approximately 50 million birds per year, across vertically integrated operations in

Auckland, Christchurch and New Plymouth. Tegel prides itself on its emphasis on animal health and welfare, its strong track record in health and safety, its ability to innovate and provide new products to the market and its longstanding customer relationships, which it has built through consistently delivering high quality poultry products.

Led by Phil Hand, Tegel has a highly regarded and experienced management team with a median tenure of 12 years. The directors are confident that Tegel management has the sector knowledge and expertise to continue to deliver for its shareholders.

Tegel is focused on strengthening its existing domestic business and continuing to grow its export business. Tegel aims to do this by:

- Focusing on new product development initiatives aimed at growing the overall volume and value of poultry consumption;
- Increasing the production of value added products by delivering solutions for evolving consumer preferences;
- Expanding into new channels, growing volumes and expanding the product range to new and existing export customers; and
- Identifying and entering new and growing export markets

Tegel is currently 87% owned by funds advised by Affinity Equity Partners Limited (Affinity), and 11% owned by members of, and funds advised by, the ICG Group, with the balance being held by current and former members of the

management team. In addition to the issue of new Shares to raise funds for Tegel, the Offer will allow Affinity, and the ICG Group and the funds it advises, to realise all or part of their investment in Tegel, allowing investors to participate in the future success of Tegel. Together, existing shareholders (Affinity and current senior management) will retain a 45.8% stake following the Offer, reflecting their ongoing support for Tegel and desire to remain invested in Tegel alongside new investors.

Tegel's board and management are excited about the opportunity for you to become a part of Tegel's future. This PDS contains important information about Tegel and the Offer. We encourage you to read this PDS carefully and consider in particular Section 8 (Risks to Tegel's business and plans) before making your investment decision.

We look forward to Tegel becoming a publicly listed company and, on behalf of my fellow directors, I welcome your participation in this Offer.

Yours sincerely,



.....  
**James Ogden**  
Chairman



.....  
“Tegel is  
New Zealand’s  
largest poultry  
processor and  
has been bringing  
quality poultry  
products to the  
plates of New  
Zealanders since  
1961”  
.....

Section

2

# Tegel and what it does

## 2.1 Who we are

### Overview of Tegel

Tegel is New Zealand's leading poultry processor, and has been a part of New Zealanders' lives since 1961.

Tegel processes approximately half of New Zealand's poultry and also manufactures and markets a range of other processed meat products. Tegel is the second largest sausage producer in New Zealand.

As well as a leading domestic market position, Tegel has an established and growing export business, supplying a range of premium quality products to customers in Australia, the Pacific Islands, the UAE and Hong Kong.

The Tegel brand is New Zealand's leading poultry brand, and is number one across all branded poultry product categories in New Zealand's major supermarkets.<sup>4</sup> In addition, Tegel has developed a premium international brand, "Pure New Zealand Premium Chicken", supporting and promoting New Zealand's clean, green image as a premium quality food producing nation.

One of Tegel's key competitive advantages domestically is its three fully vertically integrated, independent production operations located in Auckland, New Plymouth and Christchurch. These are located to service New Zealand's three major population centres<sup>5</sup> and enable Tegel to efficiently and effectively deliver product to its customers, as well as provide

**Key business milestones**

- 1960-1961** Tegel Foods Limited and the Tegel brand established – the beginning of a proud history of delivering high quality poultry products to New Zealanders
- 1968** Head Office is established in Auckland. The Tegel Table Chicken is created with the iconic "T" branding on pack and in advertising
- 1970** Established relationship with KFC that continues today
- 1973** Tegel Turkey with a Tender Timer hits the market, aimed at increasing consumers' awareness of Tegel's turkey products
- 1976** Tegel launches "Freshness you can Taste" TV campaign, aimed at promoting and reinforcing Tegel chicken's quality
- 1986** Tegel launches "Fresher than Fresh, with Freshness you can Taste" TV campaign, aimed at promoting and reinforcing Tegel chicken's quality
- 1990's** Investment in product development and innovation sees the launch of a range of new products and sub-brands, including Tender Basted™ and Ready to Roast™
- 2000's** Tegel's Chicken (bacon) Rashers (a world first) win two Golds at the prestigious SIAL d'OR food awards in Paris
- 2003** Acquired the Rangitikei Free Range chicken brand
- 2003** Tegel exports first products into the Pacific Islands

<sup>4</sup> Market data for branded product market share based on Aztec scan data using dollar value of sales for the 52 week period ending 13 December 2015. Aztec data includes only Foodstuffs and Progressive scan data. Branded market share excludes private label products which represent approximately 32% of the poultry grocery market channel.

<sup>5</sup> Auckland, Wellington and Christchurch.

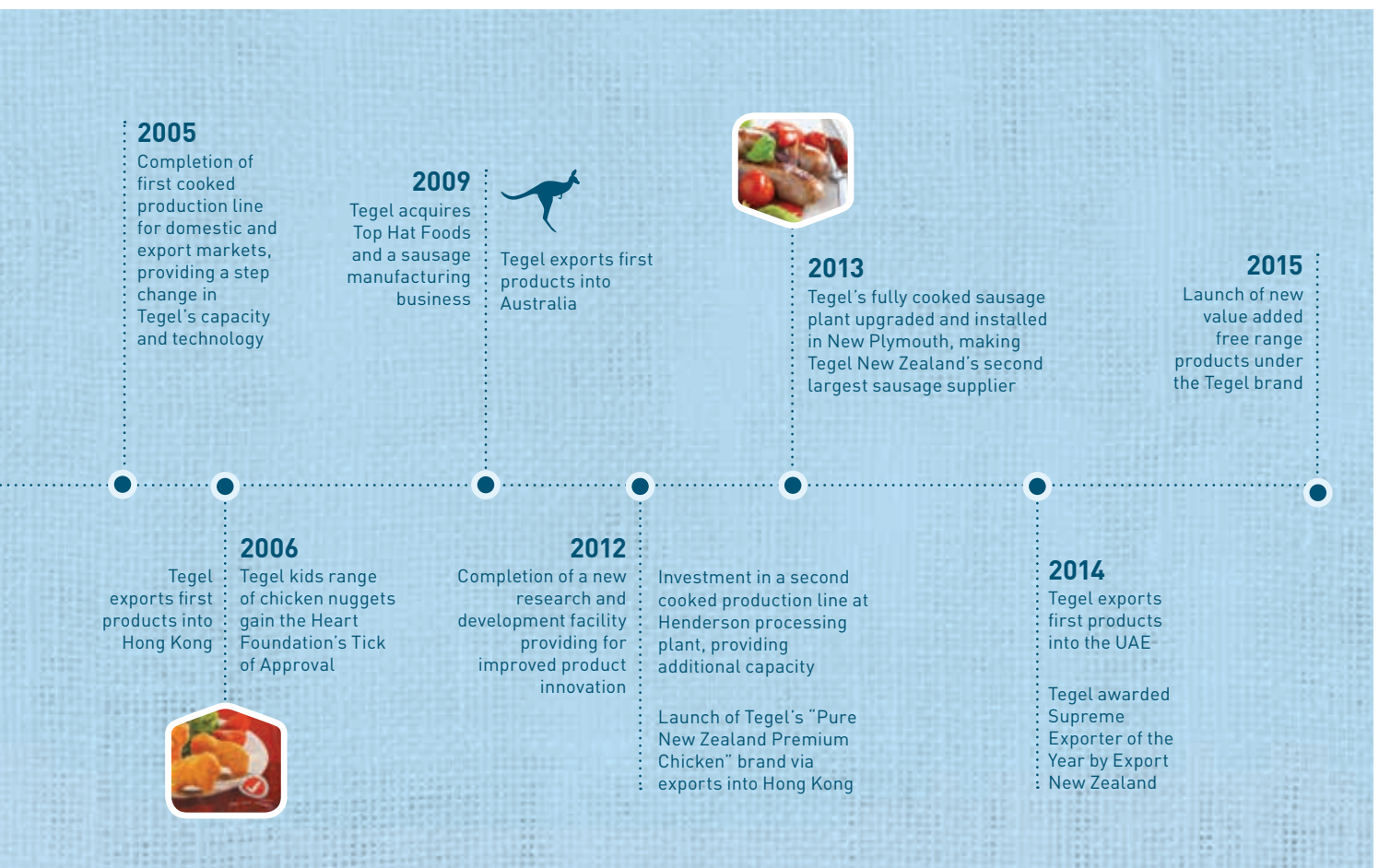
production flexibility in case of disruption in one of the regions. Together these operations process approximately 50 million birds a year, and are supported by other operational facilities in the lower North Island.

Tegel produces a range of products across its core business (e.g. fresh and frozen whole chickens, fillets and portions), and value added convenience products (e.g. fresh value added, cooked and smoked smallgoods and frozen further processed products). These products are sold through three key sales channels domestically, and in selected channels in international markets:

1. Retail Grocery (e.g. supermarkets, specialty retail, convenience stores and butchery chains);
2. Foodservice / Industrial (e.g. hotels, restaurants, caterers, processors and distributors, independent butchers and food manufacturers); and
3. Quick Service Restaurants (QSR) (e.g. fast food restaurants)

In addition, Tegel sells by-products of poultry processing to domestic customers such as pet food manufacturers. Tegel also sells day old chicks to other poultry businesses and feed to other animal feed customers.

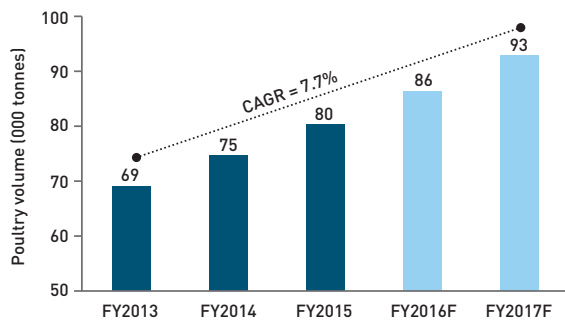
Tegel has built strong relationships with its customers by consistently providing them with high quality poultry products and investing in consumer research and category growth initiatives. Tegel has a nationwide chilled and frozen distribution network which enables intraday delivery to its customers across the North Island and South Island of New Zealand.



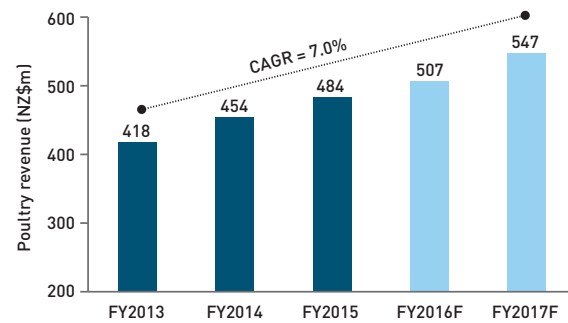
Tegel believes it is the market leader in innovation and new product development. Tegel's expertise in new product development has significantly expanded the range of poultry products available to consumers over the last three years.


Tegel's success in maintaining its strong domestic market position and establishing a growing export business is highlighted by its historical and forecast poultry sales volume and revenue growth.

**Tegel Poultry Volume**  
FY2013 - FY2017F



**Tegel Poultry Revenue**  
FY2013 - FY2017F



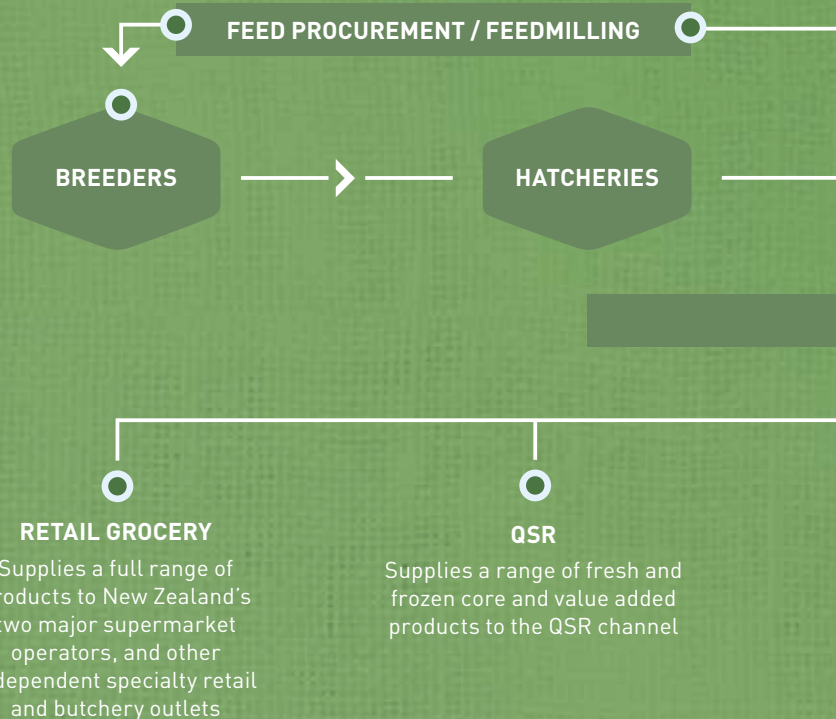
 For more information on Tegel's financial performance and assumptions underlying the forecasts, see Section 7 (Tegel's Financial Information)



## Overview of Tegel's business

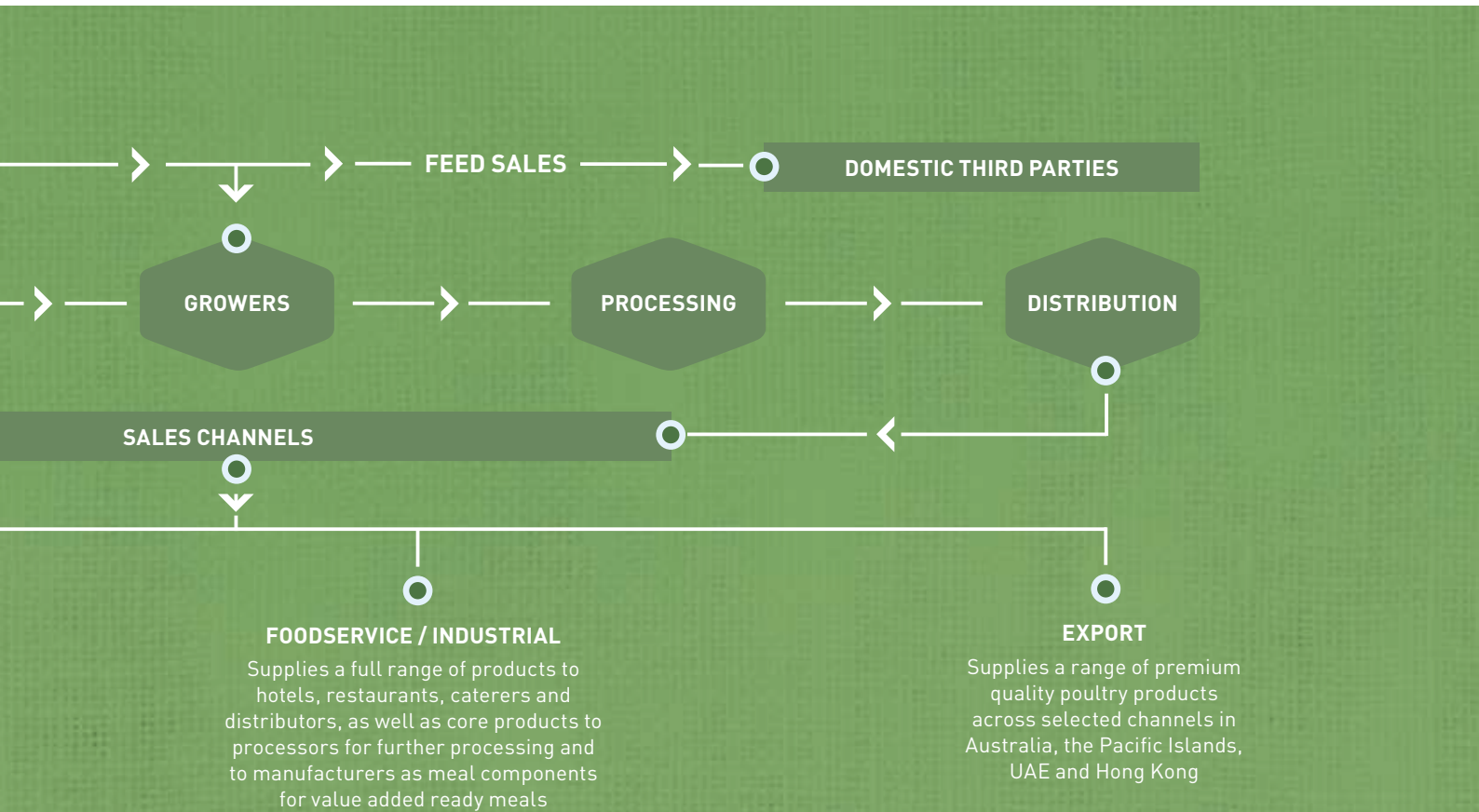
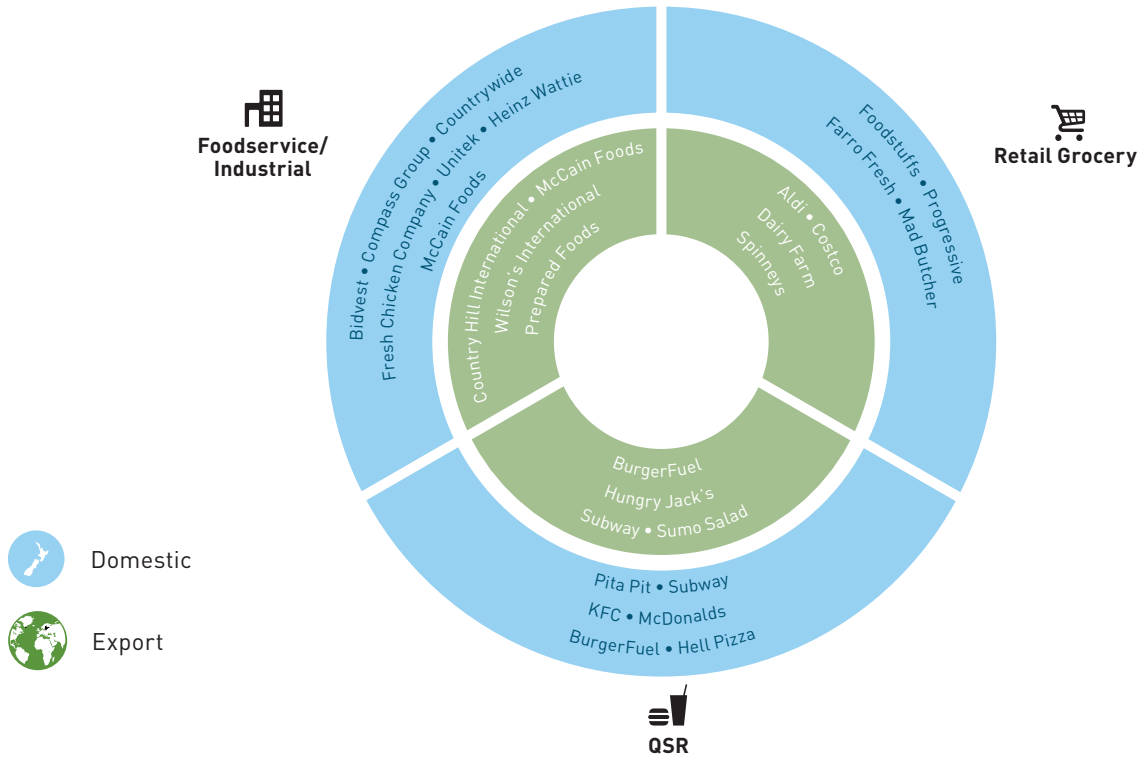
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Tegel's vertically integrated business model aims to ensure efficiency and control at all stages of production, as well as the delivery of high quality product to customers.



**Tegel's customers**

Tegel has longstanding relationships with its large customers in both domestic and international markets. A snapshot of Tegel's customers include:



**Tegel has a portfolio of established, well recognised products across a range of categories**

%FY2015 poultry and smallgoods revenue

**12%** •  
Frozen (Core Product)

Products include frozen whole chickens, frozen cut up portions (e.g. frozen chicken wings) and frozen whole turkeys.

In the Retail Grocery channel these products are primarily sold under the Tegel brand or private label and, along with fresh products, are Tegel's core traditional product.

**37%** •  
Value added

**Portfolio of value added products includes:**

Tegel's free range products, which include whole free range chickens and cut up free range chicken portions (e.g. chicken drumsticks and boneless chicken breasts).

Cooked chilled ready-to-eat deli style products including manuka smoked, shaved, sliced and shredded chicken; and ready to cook pre-prepared meal solutions including kebabs, crumbed fillets and wraps.

Frozen coated, cooked, steamed or grilled further processed products including Tempura Battered Breast Nuggets, Free Flow Sliced Roast Chicken Breast, Panko Crumbed Breast Fillets, Classic Crispy Chicken Tenders.

Value added products are sold into the Retail Grocery channels under the Tegel and Rangitikei Free Range brands.



Note: Poultry and smallgoods revenue excludes feed and offal sales, egg and day-old chick sales



● **42%**  
Fresh (Core Product)

Products include fresh whole chickens, chicken portions (e.g. chicken drumsticks and boneless chicken breasts), boneless chicken fillets and fresh whole turkeys.

In the Retail Grocery channel these products are primarily sold under the Tegel brand or private label and, along with frozen products, are Tegel's core traditional product.

● **5%**  
Smallgoods

Products include fresh, pre-cooked and frozen smallgoods such as sausages, frankfurters, cocktails and polonies, frozen beef burger patties, crumbed schnitzels, cordon bleu and lasagne toppers.

Smallgoods are sold through the Retail Grocery channel under the Tegel and Top Hat brands.

● **4%**  
Other poultry

Other poultry revenue includes poultry that is not utilised in Tegel's standard range of products (e.g. sales to pet food manufacturers or other processors).

## Key business strengths

### 1 Leading market positions underpinned by a trusted and iconic brand

- Trusted and iconic New Zealand brand, which is number one across all branded poultry product categories in the major New Zealand supermarkets<sup>6</sup>
- Tegel has a highly diversified customer base and is a leading supplier into all major food channels, including Retail Grocery, Foodservice / Industrial, and QSR
- Tegel is New Zealand’s second largest supplier of sausages
- Tegel is also a significant supplier of value added poultry into Australia
- Tegel has developed a premium international brand targeted at its export customers which promotes New Zealand’s image as a clean, green premium food producing nation

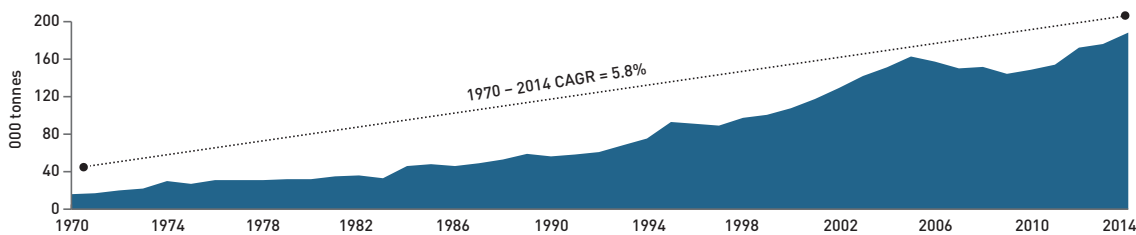
#### TEGEL BRAND NEW ZEALAND MARKET POSITION (EXCLUDING PRIVATE LABEL)<sup>7</sup>

Product categories	Fresh whole birds	Frozen whole birds	Frozen portions	Fresh value added	Frozen value added	Rotisserie chicken	Smoked chicken	Frozen turkey
Market position	#1	#1	#1	#1	#1	#1	#1	#1

### 2 Favourable domestic industry dynamics

- Poultry is the most consumed form of meat protein in New Zealand, with per capita meat consumption share of 50% in 2014<sup>8</sup>
- New Zealand’s poultry consumption has grown at a long term average annual rate of approximately 6% per annum,<sup>9</sup> faster than other forms of meat protein
- Key drivers of future domestic poultry consumption are expected to be population growth, the affordability of poultry relative to other proteins, consumer preference for ‘healthier’ white meat and consumer demand for poultry’s versatility and convenience
- New Zealand’s strict biosecurity controls significantly restrict the importation of poultry into New Zealand, meaning demand for core poultry is met by domestic producers

#### New Zealand annual poultry meat consumption 1970 – 2014



#### NZ CONSUMPTION: 1970 – 2014 CAGR

POULTRY	BEEF AND VEAL	PORK	SHEEP
5.8%	(0.8%)	2.1%	(3.1%)

Source: OECD-FAO Agricultural Outlook 2015

<sup>6</sup>. See footnote 4.

<sup>7</sup>. See footnote 4.

<sup>8</sup>. OECD-FAO Agricultural Outlook 2015.

<sup>9</sup>. OECD-FAO Agricultural Outlook 2015. Time period reflects available historical dataset provided in OECD database (1970 – 2014). Note OECD poultry consumption data for New Zealand is not adjusted for import and export volumes.

### 3 Vertically integrated operations in three separate locations to service New Zealand's largest population centres

- Three vertically integrated operations in New Zealand, each of which can operate independently to provide production flexibility
- Each region contains a hatchery, a feedmill, breeder farms, grower farms, a processing facility and a distribution centre
- The only fully integrated producer of poultry domestically with processing facilities in both the North Island and South Island of New Zealand. This provides an advantage to Tegel in providing surety of supply to its customers
- Integrated 'poultry to plate' model means Tegel controls every stage of the poultry lifecycle, allowing it to effectively manage quality and cost from the breeding of chickens through to the distribution of poultry products
- Differentiated growing techniques, the absence of the three major avian diseases in New Zealand, flexible feed production capabilities and tailored dietary management expertise have resulted in Tegel having materially lower feed conversion ratios (FCR)<sup>10</sup> than the global average for the Ross breed of chickens,<sup>11</sup> which leads to production efficiency

#### Overview of Tegel's operations & facilities

##### Upper North Island/Auckland

<b>Facilities</b>	Hatchery, feedmill, breeder farms, grower farms, processing and distribution
<b>Primary processing capacity</b>	Approximately 25m birds p.a.

##### Lower North Island/New Plymouth

<b>Facilities</b>	Hatchery, feedmill, breeder farms, grower farms, processing and distribution
<b>Primary processing capacity</b>	Approximately 25m birds p.a.

##### South Island/Christchurch

<b>Facilities</b>	Hatchery, feedmill, breeder farms, grower farms, processing and distribution
<b>Primary processing capacity</b>	Approximately 25m birds p.a.



\* Outside of its three main geographic regions, Tegel operates a small leased distribution facility in Feilding to further service the lower North Island, and operates a processing facility in Wellington which produces various poultry, turkey, beef and other smallgoods products

<sup>10</sup>. Feed conversion ratio (FCR) is the quantity of feed used to generate a kilogram of chicken liveweight.

<sup>11</sup>. Based on the global averages sourced from Aviagen New Zealand Limited, and Tegel data.

#### 4 Global reputation for producing high quality poultry products

- New Zealand’s strict food health and safety and animal welfare regulatory requirements underpin New Zealand’s reputation for producing high quality poultry products
- New Zealand has a unique status as being free of the three major avian diseases<sup>12</sup>
- This reputation for clean, green products and strict biosecurity controls increases Tegel’s ability to access international markets and achieve premium product positioning



Australia



Hong Kong



UAE



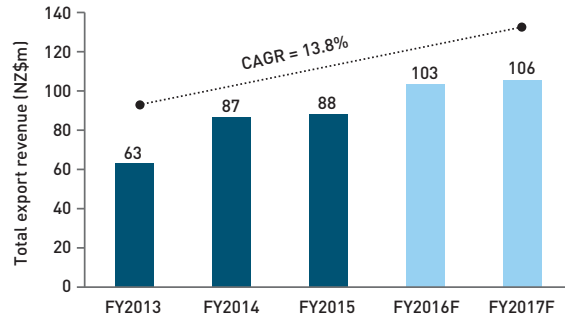
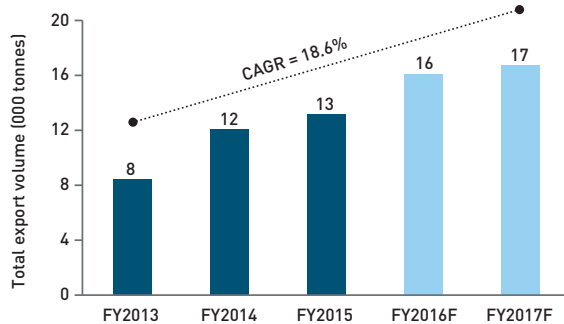
Pacific Islands

#### 5 Established and growing export business supported by strong biosecurity controls

- New Zealand’s strict biosecurity controls, major avian disease free status and reputation as a clean, green, premium quality food producing nation provide an ideal platform for Tegel’s premium international brand
- Well established export business into Australia and the Pacific Islands
- Recently entered into the UAE and Hong Kong, with significant growth in these markets since entry
- Revenue from exported products is forecast to grow at an annual average growth rate of 13.8% from \$63m in FY2013 to \$106m in FY2017F

##### Total export poultry volumes and revenue

FY2013 – FY2017F



For more information on Tegel’s financial performance and assumptions underlying the forecasts, see Section 7 (Tegel’s Financial Information)

<sup>12</sup> See footnote 3.

## 6 Multiple avenues for growth

Tegel is implementing a number of strategies to drive growth:

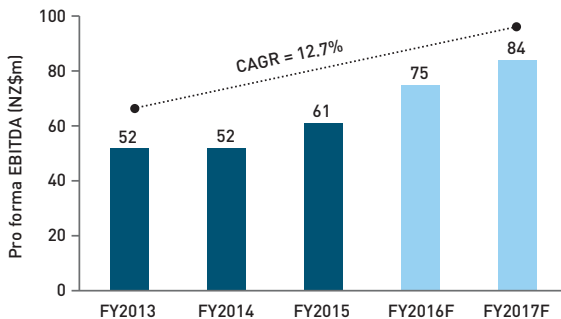
- new product development and initiatives aimed at growing the overall volume and value of poultry consumption;
- increased production of value added products to deliver solutions for evolving consumer preferences;
- expanding into new channels, growing volumes and expanding the product range to new and existing export customers; and
- identifying and entering new and growing export markets

## 7 Robust financial performance with strong forecast dividend yield

- From FY2013 to FY2015, Tegel delivered average annual revenue growth of 7.8% and average annual pro forma EBITDA growth of 8.3%
- Pro forma EBITDA is forecast to increase by 22.3% to \$75m in FY2016F and another 12.5% to \$84m in FY2017F
- Growth has been supported by ongoing capital investment into Tegel's manufacturing processes and systems with over \$70m of growth capital expenditure since the beginning of FY2013
- Forecast to pay a gross dividend yield of between 6.2% and 7.1% in FY2017F<sup>13</sup>

### Tegel pro forma EBITDA

FY2013 – FY2017F<sup>14</sup>



- For more information on Tegel's financial performance and assumptions underlying the forecasts, see Section 7 (Tegel's Financial Information)

## 8 Management team with deep industry experience

- Highly experienced senior management team which has a median tenure at Tegel of 12 years
- Extensive experience throughout the wider Tegel employee group - executive management and their direct reports have accumulated over 840 years of experience at Tegel
- Tegel's management team leads a motivated, highly skilled and knowledgeable workforce supported by robust health and safety standards and strong labour relationships

<sup>13</sup>. Based on the Indicative Price Range of \$1.55 to \$2.50. Assumes FY2017F dividends are fully imputed.

<sup>14</sup>. The information included in this table (being pro forma EBITDA) is non-GAAP information. An explanation of the non-GAAP measures employed by Tegel, and reconciliations to information prepared in accordance with GAAP, are available on the Offer Register in the Supplementary Financial Information.

## 2.2 Our brands

### 2.2.1. Leading domestic and international brand portfolio

#### DOMESTIC BRAND PORTFOLIO



The Tegel brand is the number one poultry brand in New Zealand with approximately 59% market share of branded poultry sales in New Zealand’s major supermarkets<sup>15</sup>

Tegel is a widely recognised New Zealand food brand, with the highest brand awareness of all poultry brands at 95%<sup>16</sup>

In addition, Tegel has the highest brand purchase consideration of all poultry brands in New Zealand at 75%<sup>17</sup>

The Tegel brand covers the full range of Tegel’s poultry products including fresh, frozen and value added products across both domestic and export sales channels



The Rangitikei brand is a premium free range poultry brand, targeted to consumers seeking the highest quality chicken products

Rangitikei chickens are corn fed and reared in a free range environment



The Top Hat brand portfolio includes a range of quality, convenience products including sausages, frankfurters, lasagne toppers and burger patties

Select domestic retail grocery customers also sell Tegel product under their own private label brands.

#### INTERNATIONAL BRAND PORTFOLIO



Over the last five years, Tegel has refined its brand message for the international market around great tasting, premium quality and safe New Zealand chicken

Tegel’s “Pure New Zealand Premium Chicken” brand messages include the fact its chickens are barn raised, cage free, and are free from vaccinations and added hormones

Products sold under the this brand include fresh skinless breast fillets, tenderloins and thigh fillets, frozen value added products, smoked chicken and chicken smallgoods



Following the success of the international Tegel branded products into the UAE and Hong Kong, Tegel has recently added Rangitikei branded products into these markets to meet its customers’ demand for Tegel’s premium free range product

<sup>15</sup> See footnote 4.

<sup>16</sup> Cammora Research Tegel Brand Equity June 2015. Brand awareness defined as % of respondents which have seen or heard of the Tegel brand.

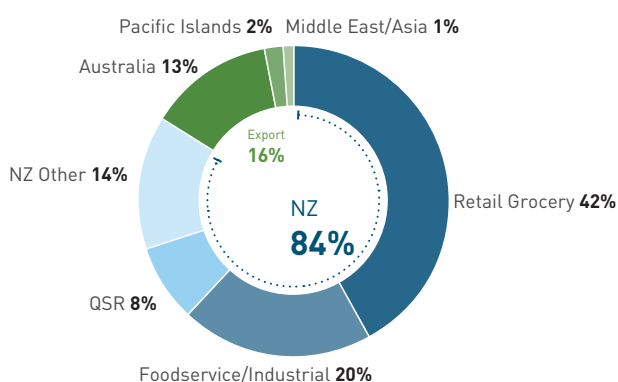
<sup>17</sup> See footnote 16. Brand consideration defined as % of respondents who identified the Tegel Brand as either being their first choice, or one of their first choices.

## 2.3 Who we sell our products to

A large volume of Tegel's domestic sales are made to customers who have been buying Tegel products for over 20 years.

Tegel's long term relationships with its customers are a key driver of its strong domestic market share, and Tegel is extending this strong customer focused strategy to its export customers. Tegel works closely with its major customers to develop innovative new products that cater for emerging consumer trends and preferences, focusing on mutually beneficial category growth.

### Total revenue mix<sup>18</sup>



### Tegel's domestic market

Tegel's major domestic customers are increasingly seeking providers who can consistently deliver large volumes of quality product, generally on a daily basis. Tegel believes that as New Zealand's largest poultry processor and only large scale operator with fully integrated operations in both the North Island and South Island, it is uniquely positioned to service these customers. In addition, Tegel considers that its customers continue to choose Tegel as their preferred supplier for the following reasons:

- an iconic New Zealand brand;
- long history as a quality poultry provider;
- ability to supply fresh product nationally and on time;
- strong focus on animal health and welfare; and
- strict compliance with food health and safety regimes

As with many consumer food businesses, Tegel sells its products through a combination of supply contracts with its customers (contracted supply) and supply based on purchase orders placed by customers as and when they require product (uncontracted supply). Approximately 40%-50% of Tegel's total domestic poultry and smallgoods revenue per annum is

generated from contracted supply, which includes exclusive supply arrangements, preferred supplier arrangements (where Tegel is the customer's preferred supplier but the customer is not required to purchase products exclusively from Tegel) and contracts where Tegel agrees to supply products that are ordered by the customer from time to time under the terms of that contract.

### Tegel's export markets


Tegel's export customers are looking for suppliers who can consistently deliver premium quality, safe poultry products. New Zealand's reputation as a high quality food producing nation, combined with its unique status as being free from the three major avian diseases, provides Tegel with an ideal platform to export premium products to international markets.

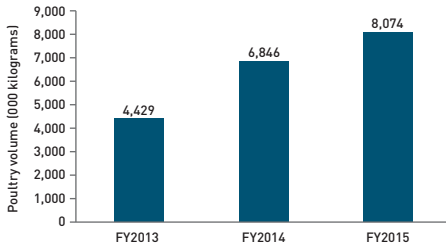
Continuing to grow export sales is a core part of Tegel's growth strategy, where both New Zealand and Tegel's reputations for high quality, safe produce have made it a preferred supplier to overseas consumers. Tegel has refined its export strategy to take advantage of this strong platform, and targets sales of premium branded products in geographies with strong market fundamentals.

<sup>18</sup>. % of FY2015 total revenue. NZ other includes smallgoods, feed and offal sales and egg and day-old chicks.

EXPORT MARKET

SUMMARY

 AUSTRALIA



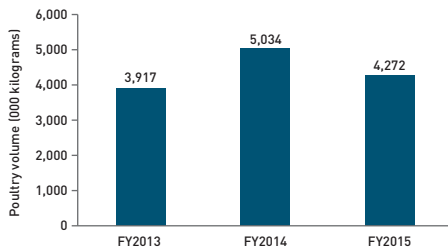
Tegel established its position in the Australian market in 2009 and is now a significant supplier of value added poultry products in this market

Entry into Australia provided Tegel with a substantial new market to sell value added product, with a population over five times larger than New Zealand and with greater poultry consumption per capita<sup>19</sup>

Customers include Subway, Hungry Jack’s and Sumo Salad in QSR, McCain Foods and Prepared Foods in Foodservice / Industrial and Aldi and Costco in Retail Grocery

New Zealand is the only country that can currently export chicken (other than retorted chicken product) into Australia. Under current trade agreements, only fully cooked chicken products can be exported to Australia from New Zealand

PACIFIC ISLANDS

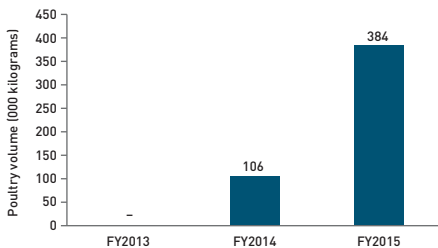


Tegel has exported a range of fresh, frozen and value added products to the Pacific Islands since 2003

Tegel now supplies poultry products into 13 countries in the Pacific Islands including Fiji, Vanuatu and Papua New Guinea

Under current trade arrangements with the various Pacific Islands it exports to, Tegel can sell fresh, frozen and cooked chicken and turkey products

 UAE




Tegel entered the UAE market in 2014, selling a range of fresh branded chicken products to Spinneys and Waitrose, two of the UAE’s leading Supermarket chains

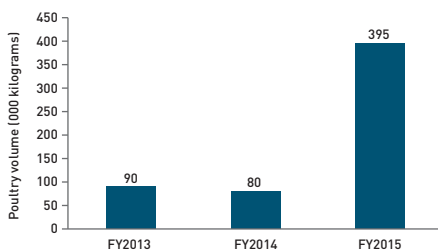
Tegel is focused on a premium market position in the UAE, providing consumers with great tasting, high quality and safe poultry products

Tegel has now commenced expansion into Foodservice / Industrial and QSR customers in the UAE to provide channel expansion and diversification

Tegel is now air freighting product into the UAE five days a week to meet strong and growing demand from consumers in the region

Under current trade arrangements, Tegel is able to sell fresh, frozen and cooked chicken and turkey products in the UAE

 HONG KONG



Tegel entered the Hong Kong market in 2006, selling a range of fresh and frozen branded chicken products

Tegel has developed strategic relationships with key retailers in the region, and now supplies fresh and frozen product into the Retail Grocery and Foodservice / Industrial channels. Tegel’s customers include three of Dairy Farm’s Retail Grocery chains (Wellcome, Jasons and Oliver’s) and Wilson’s International in the Foodservice channel

Tegel supplies both Tegel and Rangitikei branded products into this market

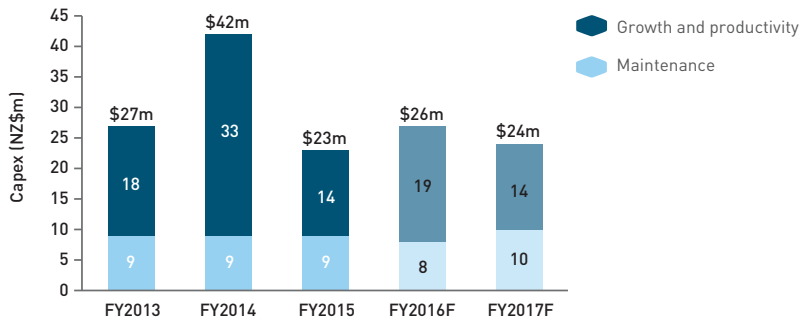
Under current trade arrangements, Tegel can sell fresh, frozen and cooked chicken and turkey products in Hong Kong

<sup>19</sup> OECD-FAO Agricultural Outlook 2015. Poultry consumption per capita in Australia estimated at 39.6kg/year in Australia versus 36.3kg/year in New Zealand in 2014.

### Growth has been supported by significant capital expenditure

Growth in Tegel's domestic and export business has been supported by capital expenditure in its manufacturing processes and systems. From FY2013 to FY2016 YTD, over \$70 million has been invested in growth capital expenditure across Tegel's integrated supply chain and processing facilities.

### Historical and forecast pro forma capital expenditure<sup>20</sup>



In each year from FY2013 to FY2015, total pro forma capital expenditure has been in excess of the pro forma depreciation and amortisation expense, and this is forecast to continue in FY2016F and FY2017F. For more information please refer to the Offer Register.

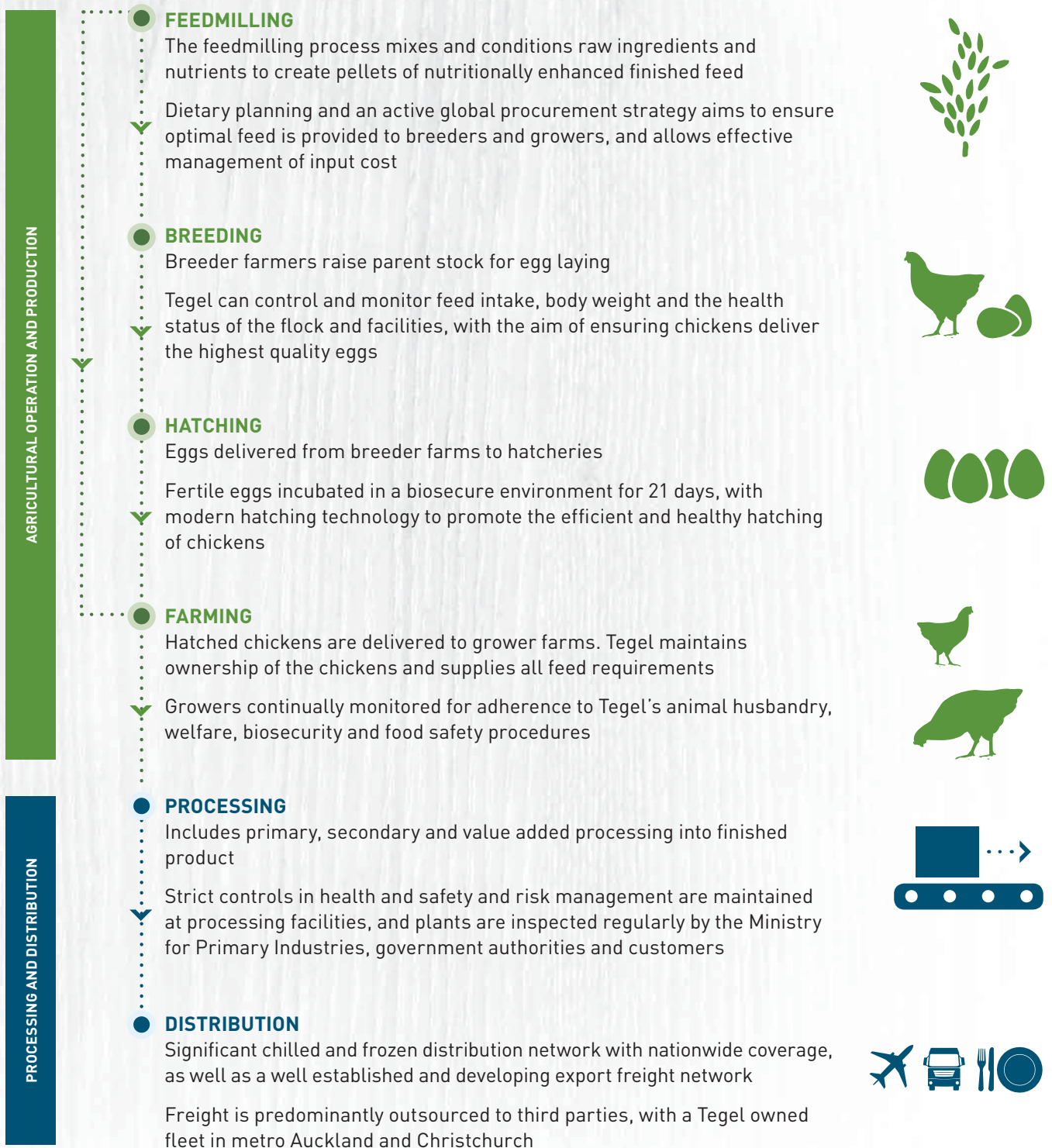


<sup>20</sup>. Growth capex includes \$20m in FY2014 and \$5m in FY2015 funded by a third party to rebuild and upgrade the Christchurch breeder farm and hatchery following a compulsory acquisition of the old facilities.

## 2.4 How we produce what we sell

Tegel has three separate vertically integrated poultry production locations, each comprising a hatchery, feedmill, breeder farms, grower farms, processing facility and distribution centre. Tegel’s integrated ‘poultry to plate’ model means it controls every stage of the poultry life cycle, allowing it to manage both quality and cost from the breeding of chickens through to the distribution of poultry products to its end customers.

### Vertically integrated ‘poultry to plate’ model



### 2.4.1. Agricultural operations and production

#### Animal health, welfare and nutrition

Animal health, welfare and nutrition are a primary focus of Tegel's agricultural operations, and have been fundamental to its success. Tegel farms both fully housed barn raised and free range barn poultry. All of Tegel's farmed chickens are able to move freely within their open barn environment and free range chickens can move between both indoor and outdoor environments, allowing them to live in open grassed areas. Due to New Zealand being free from the three major avian diseases, vaccinations are not required and chickens are grown with no added hormones.

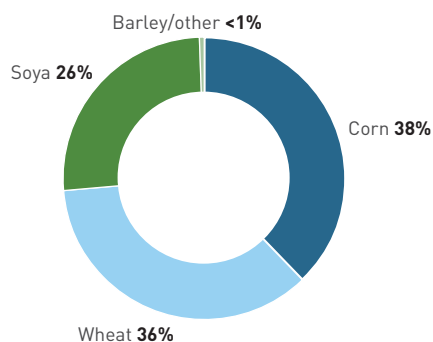
In order to maintain animal health and consistently provide its customers with high quality poultry products, veterinary services monitor flock health and liaise directly with on-farm managers and animal nutritionists. Tegel's own animal nutritionists utilise laboratory support, trial farms and veterinary services to continuously improve the nutrition of the chicken to ensure optimum flock health.

#### Feedmilling

Tegel's most significant input cost is the raw materials (e.g. corn, wheat, soya and barley) that make up chicken feed. Tegel has an active feed procurement strategy, whereby it sources its key feed inputs from both domestic and international markets to manage feed quality and cost. Over the past 12 months Tegel has sourced its raw materials from North and South America, Australia and New Zealand.



#### FY2015 feed composition



Tegel's feed procurement strategy means it is constantly monitoring the demand and supply dynamics of raw ingredients in key global markets, with the aim of mitigating the impact of feed price fluctuations through flexible sourcing decisions, hedging and storage. Tegel's feedmills have storage capacity for approximately four months worth of raw ingredient requirements at current feed production levels.

The feedmilling process mixes and conditions raw ingredients and other nutrients to create pellets of finished feed, tailored specifically to the requirements of the livestock and formulated to optimise nutrition, health and welfare. Tegel's quality assurance program for feedmilling is supported by its in-house analytical laboratory and online 'Near Infra Red' testing which allows Tegel to test the nutritional content of both raw ingredients and finished feed product. This ensures that shipments arriving at Tegel's feedmills are of specified quality and finished products meet Tegel's dietary plans prior to dispatch.

Tegel's three feedmills supply all feed requirements of the business, and excess feed manufacturing capacity is used to make feed for external customers. For more information on Tegel's historical and forecast feed costs, please refer to the Offer Register.

#### Breeding, hatching and growing

Tegel operates 35 breeder farms and outsources other breeding requirements to five farms. Tegel has a 20 year supply contract with Aviagen (the global market leader in poultry breeding) for the supply of parent breeding stock, which expires in 2027.

Tegel has invested heavily in its breeding and hatching facilities and processes, which employ environmental control technology and automatic egg collection systems, creating an ideal hatching and growing environment.

Tegel's growing requirements are spread across 93 farms, located in close proximity to each of its three processing facilities. Nearly all are operated under contract, whereby the property is managed by the land owner or by a third party. Tegel has exclusive long term contracts with its farmers, and throughout the growing period Tegel retains ownership of the chickens and supplies all feed requirements.

### 2.4.2. Processing

#### Overview of Tegel’s poultry processing operations

##### Primary processing

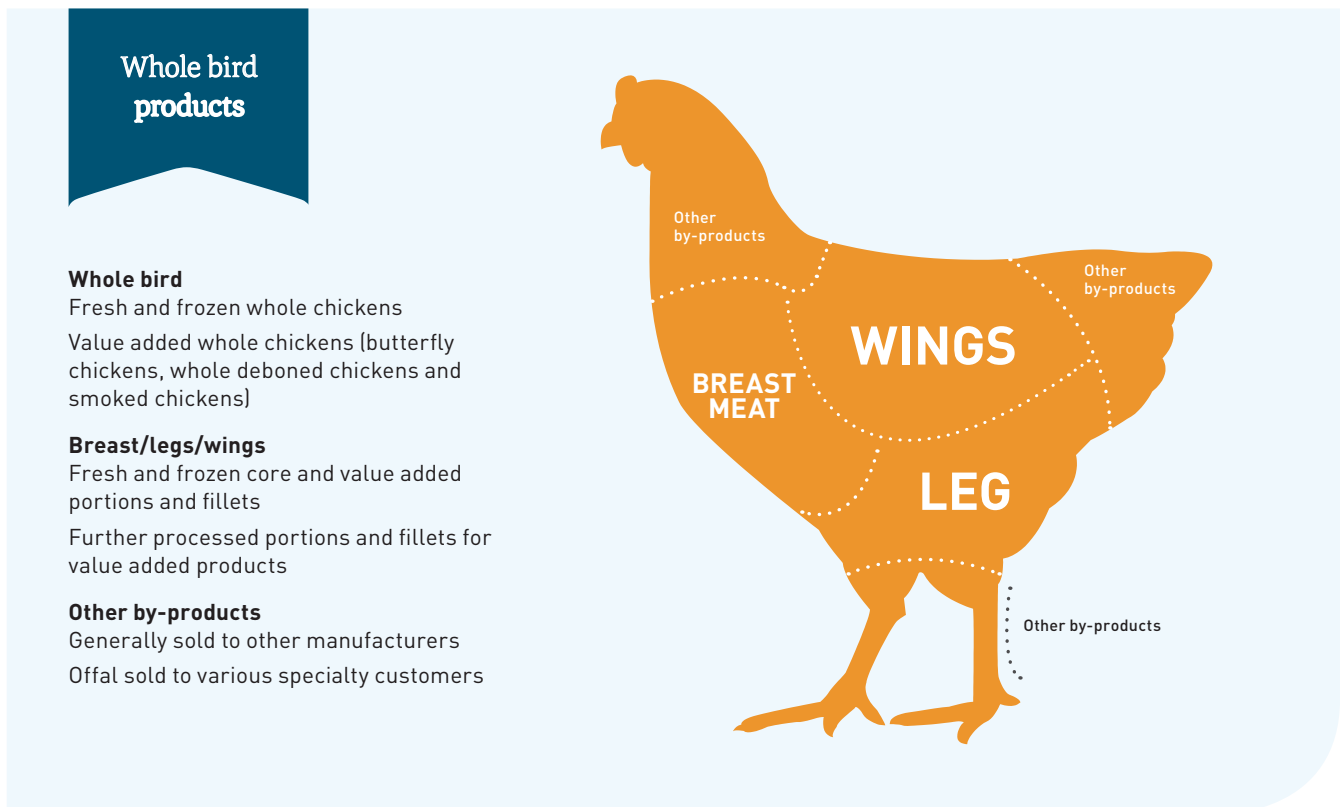
Primary processing comprises the conversion of live birds into carcasses. Primary processing of chicken is mostly automated and includes recovery of offal, ensuring that as much of the bird is utilised as possible.

##### Secondary processing

Secondary processing involves the conversion of birds from primary processing into meat cuts, whole birds ready for sale or for further value added production. Tegel operates automated machinery, in combination with its skilled

workforce, to efficiently cut-up, de-bone and package finished products. Food safety, employee safety, labour efficiency and yield are the key focus areas for secondary processing management. Tegel aims to optimise bird balance and utilisation to maximise yield and reduce waste streams.

To optimise sales, Tegel also focuses its new product development and marketing efforts to match customer demand with products derived from different meat cuts. For example, Tegel has balanced strong consumer preferences for white breast meat by developing a range of new products which utilise leg and wing meat, such as crumbed cooked products, kebabs and other convenience meal solutions.



#### Whole bird products

##### Whole bird

Fresh and frozen whole chickens  
Value added whole chickens (butterfly chickens, whole deboned chickens and smoked chickens)

##### Breast/legs/wings

Fresh and frozen core and value added portions and fillets  
Further processed portions and fillets for value added products

##### Other by-products

Generally sold to other manufacturers  
Offal sold to various specialty customers

#### Value added processing

Tegel operates value added poultry processing facilities in Auckland and Christchurch. The Auckland facility has one raw and two fully cooked production lines which produce a range of further processed products, including coated and uncoated frozen products such as nuggets, popcorn chicken and sliced breast strips. The Christchurch facility has a fully cooked batch

process, producing cooked and shredded chicken, smoked whole chicken and breast fillets, and a range of smallgoods including chicken bacon, sliced chicken and pre-cooked chicken sausages. Tegel also operates a sausage production line at its New Plymouth facility.

In addition to Tegel's three primary poultry processing facilities, Tegel operates a facility in Wellington which produces various poultry, turkey, beef and other smallgoods products.

### TEGEL'S PRIMARY PROCESSING PLANTS



AUCKLAND		NEW PLYMOUTH		CHRISTCHURCH	
Floor area	~15,550 sqm	Floor area	~14,600 sqm	Floor area	~17,050 sqm
Total Staff	~665	Total Staff	~625	Total Staff	~425

#### Leasing arrangements

In FY2014 Tegel sold five of its properties via sale and lease back agreements. These included the Auckland, New Plymouth and Christchurch processing facilities, the Christchurch feedmill and the Christchurch hatchery.

Each lease was for an initial term of at least 15 years, and provides Tegel with options for renewal of multiple 10 year terms.

All of the net proceeds from the sale and leaseback transactions were invested back into the business to repay debt and fund capital expenditure.

#### Regulatory compliance in poultry processing operations

New Zealand has strict food safety, employee health and safety and animal welfare regulations. Tegel has a proactive quality and compliance culture to support the reputation of its brand that aims to ensure the welfare of animals and customers. This includes adhering to all regulations that apply to its entire production process, in relation to products sold domestically and into export markets. A similar culture applies for health and safety to ensure safety of all Tegel employees. For an overview of the relevant legislative and regulatory framework, please refer to the Offer Register.

#### 2.4.3. Employees

Tegel has over 2,300 employees, approximately 90% of which are engaged in manufacturing, agricultural production and distribution. Approximately 73% of Tegel's employees are full-time, 26% are contracted part time and 1% of Tegel's workforce employed casually.

Tegel values experience and celebrates long service achievements annually at each site. Approximately 40% of full time and part time employees have five or more years of experience and approximately 20% have 10 or more years of experience. Tegel has adopted a proactive risk strategy and the "Think Safe, Work Safe" safety message is at the forefront of Tegel's risk management culture.

Tegel has a strong health and safety record, with a Lost-Time Injury Frequency Rate of 2.2 per 200,000 hours worked in 2015.

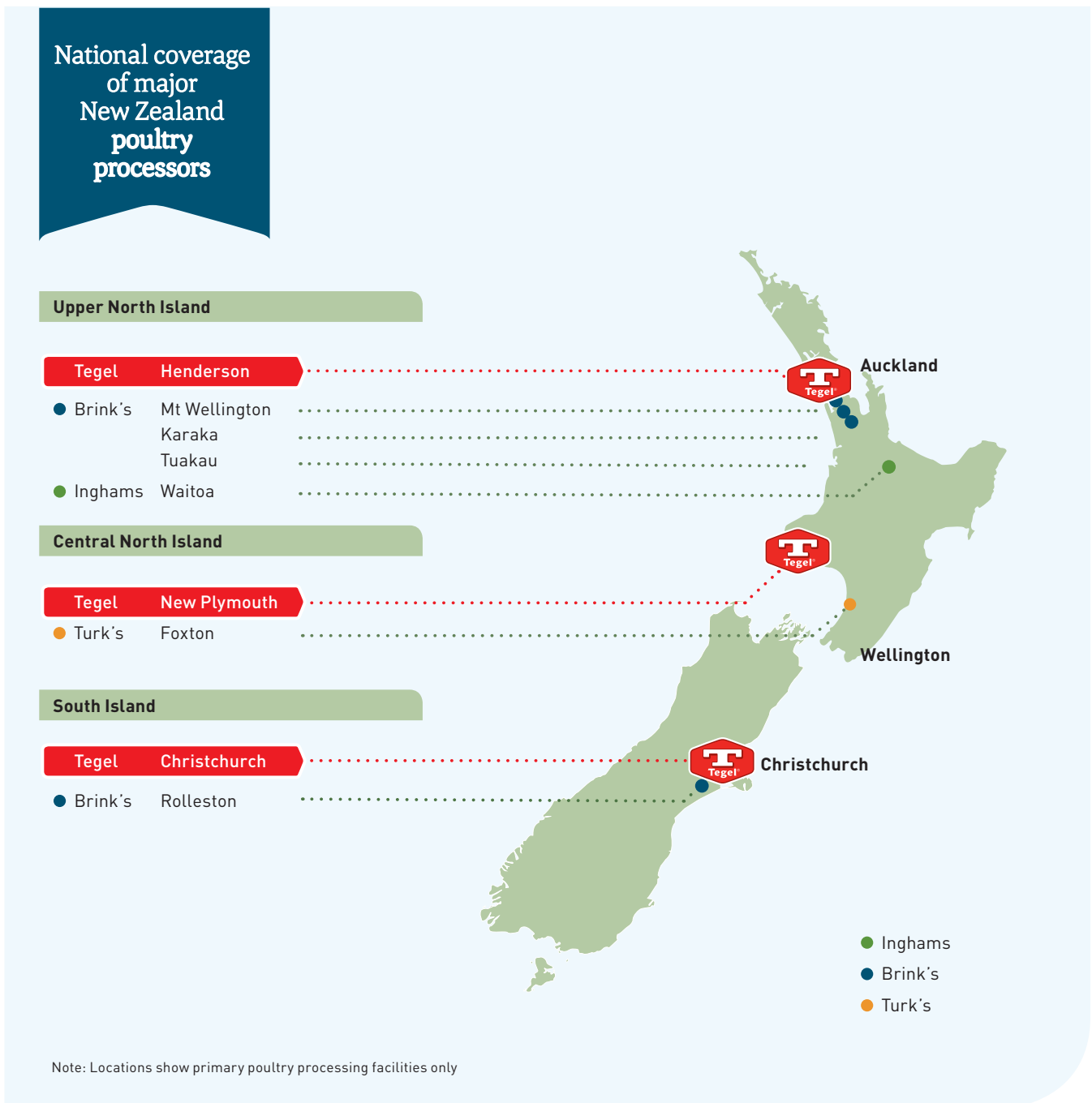


## 2.5 The industry we operate in

### 2.5.1. New Zealand poultry industry overview

New Zealand’s poultry industry has four major processors, with Tegel, Inghams, Brink’s and Turk’s collectively representing approximately 98% of total poultry processing in 2015.<sup>21</sup> Tegel is the market leader, processing of approximately half of New Zealand’s poultry.

Tegel’s core processing operations are located across three locations in New Zealand. Each of these locations is its own independent, fully integrated production system. The core operating centres are located to serve New Zealand’s three major population centres of Auckland, Wellington and Christchurch.



<sup>21</sup> Tegel estimate.

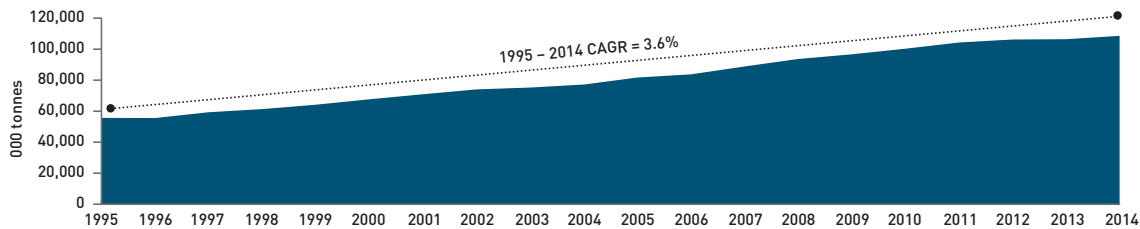
## 2.6 Drivers of demand for our product

### 2.6.1. Poultry consumption is growing faster than any other form of meat protein globally

Total poultry consumption globally has grown at approximately 4% per annum since 1995, faster than other common forms of meat protein. Poultry is now the most consumed form of meat protein globally, having increased its per capita meat consumption share from 31% in 1995 to 39% in 2014.<sup>22</sup>

#### Global poultry consumption volumes

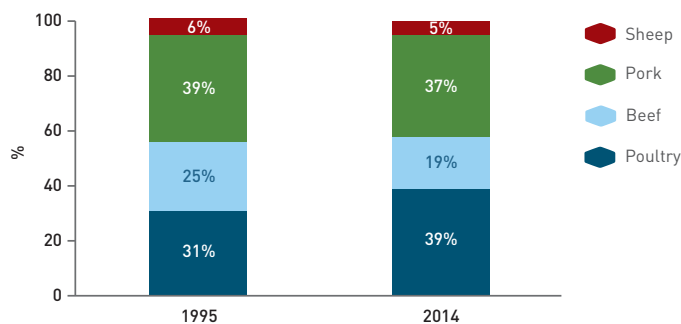
1995 - 2014



#### GLOBAL CONSUMPTION: 1995 - 2014 CAGR

POULTRY	BEEF AND VEAL	PORK	SHEEP
3.6%	1.0%	2.1%	1.6%

#### Global per capita meat consumption share



Source: OECD-FAO Agricultural Outlook 2015

### 2.6.2. Poultry is expected to play a primary role in satisfying a global surge in demand for meat

Rising household incomes and rapidly growing populations in developing countries are expected to create a global surge in demand for meat. According to United Nations projections, over the next 35 years meat production globally will need to increase by over 40%.<sup>23</sup>

Chicken is expected to play a primary role in satisfying the global surge in demand for meat. Chicken's acceptability and versatility for use in different cuisines across many consumption channels, and broad cultural and religious acceptance make it more universal than beef and pork. Chicken also generally requires less land to produce, has a lower environmental impact, lower cost of production and a significantly shorter growing cycle relative to other forms of meat protein.

Tegel believes consumer preferences for clean, healthy and high quality poultry products will drive demand for product sourced from countries with reputations for providing premium quality food such as New Zealand.

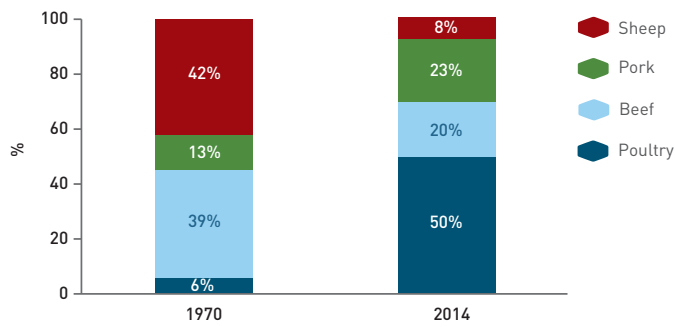
<sup>22</sup>. See footnote 8. Time period reflects available historical dataset provided on a consistent basis in OECD database (1995 - 2014).

<sup>23</sup>. United Nations World Agriculture Towards 2030/2050, United Nations Food Outlook 2015.

**2.6.3. Domestic consumption trends are similar to those being observed globally**

Total poultry consumption in New Zealand has grown at approximately 6% per annum since 1970, faster than other common forms of meat protein and faster than New Zealand’s population growth rate of 1.1%<sup>24</sup> over the same period. Poultry is currently the most consumed form of meat protein in New Zealand, having increased its per capita meat consumption share from 6% in 1970 to 50% in 2014.<sup>25</sup>

**New Zealand per capita meat consumption share**



Source: OECD-FAO Agricultural Outlook 2015

Tegel considers that there are a number of factors driving overall volume growth in New Zealand poultry consumption:

- population growth;
- poultry price attractiveness relative to red meat; and
- broader healthy living trends and an awareness of the nutritional values of poultry as being a leaner protein than other meat proteins

This growth in consumption is expected to drive the volume demand for poultry products from Tegel’s domestic customers.

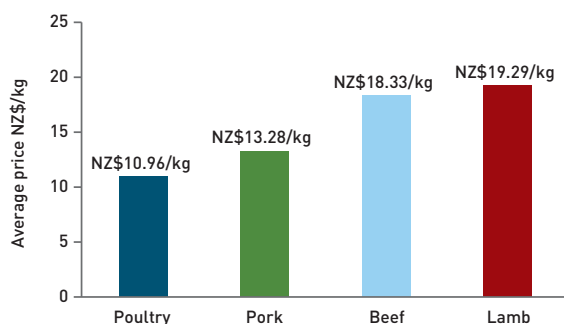
.....●.....  
**Total poultry consumption in New Zealand has grown at approximately 6% per annum since 1970**  
 .....■.....



<sup>24</sup> See footnote 9. NZ population data sourced from World Bank, World Development Indicators, July 2015.  
<sup>25</sup> See footnote 9.

Tegel conducts regular retail price surveys of supermarket butchery prices across a geographical cross section of New Zealand in order to observe relative pricing trends between poultry and other meat based on what Tegel considers for its own internal purposes to be comparable cuts of poultry compared to other meat.

#### Tegel average observed meat pricing at selected New World, PAK'nSAVE and Countdown retail outlets for 9 February 2015 to 11 January 2016



Note: Prices are shelf prices observed by Tegel at selected New World, PAK'nSAVE and Countdown retail outlets for 9 February 2015 to 11 January 2016, and are shown as an average of the equally weighted average of selected various cuts for each meat protein type. The average for each protein type is made up of the following cuts: **poultry** – chicken drums (\$7.32/kg), chicken bone-in thighs (\$8.06/kg), chicken breast skin on (\$12.72/kg) and chicken breast skin off (\$15.75/kg); **pork** – pork shoulder chop (\$13.28/kg); **beef** – beef mince (\$11.28/kg), beef schnitzel (\$19.23/kg), beef chuck steak (\$15.69/kg) and beef sirloin steak (\$27.11/kg); and **lamb** – lamb shoulder chop (\$14.18/kg) and lamb leg steak (\$24.41/kg).

#### 2.6.4. Tegel's export markets

Tegel currently exports to a number of offshore markets and intends to expand this footprint over time. Tegel is exploring new markets that will give it the ability to further increase sales of value added and premium products.

#### TEGEL EXPORT MARKETS – CURRENT AND TARGETED REGIONS

Market		Population (CY2014) <sup>26</sup>	Population growth (CY1990 to CY2014) <sup>27</sup>	Poultry consumption growth (CY1990 to CY2014) <sup>28</sup>	Poultry consumption per capita (CY2014) <sup>29</sup>
<b>Selected existing markets</b>	Australia	23.5m	1.3%	3.9%	39.6kg
	UAE	9.4m	7.1%	7.0%	22.2kg
	Hong Kong	7.2m	1.0%	2.9%	42.9kg
<b>Target markets</b>	Philippines	100.1m	2.0%	6.9%	10.5kg
	Japan	127.1m	0.1%	0.4%	13.6kg
	Singapore	5.5m	2.5%	4.2%	39.5kg
	South Korea	50.4m	0.7%	5.0%	15.4kg
	Taiwan <sup>30</sup>	23.4m	0.6%	2.2%	26.3kg
	Bahrain	1.3m	4.2%	na <sup>31</sup>	33.1kg

<sup>26</sup>. World Bank, World Development Indicators, July 2015.

<sup>27</sup>. See footnote 26.

<sup>28</sup>. OECD-FAO Agricultural Outlook 2015, USDA FAS PSD Online January 2016.

<sup>29</sup>. See footnote 28.

<sup>30</sup>. National Statistics, Republic of China (Taiwan). Taiwan population data is not available from World Bank. World Development Indicators.

<sup>31</sup>. No consumption data is available for Bahrain for 1990.

## 2.7 Growth strategy

Tegel has multiple avenues for growth built around two key areas:

- Domestic sales: including market growth, category growth, new product development, the Tegel brand refresh and increasing production of higher priced value added products to satisfy evolving consumer preferences for these products; and
- Export sales: including expanding existing markets and entering new offshore markets

### 2.7.1. Domestic growth avenues

Tegel has delivered steady domestic volume growth over the last two years and forecasts this to continue. This growth is expected to be driven by:

#### Volume growth

#### Market growth

- New Zealand’s poultry consumption has grown at approximately 6% per year since 1970. Tegel believes this has been driven by population growth and increasing consumption per capita as a result of a lower relative price to other proteins and underlying trends towards healthy eating and convenience type products

#### Category growth

- Tegel will seek to take advantage of strong domestic market fundamentals and continue to drive category growth through its extensive market experience, consumer and shopper insights and new product development capabilities

#### New product development

- Tegel has a track record of developing new products, growing the overall volume and value of poultry consumption in New Zealand. Tegel is particularly focused on innovation in value added meal solutions, providing increased convenience offerings for consumers. Tegel continues to drive both branded and private label innovation
- Tegel expects to bring to market approximately 29 new products in the next 18 months (including its new free range products)

#### Brand refresh

- Current investment in the Tegel brand refresh will provide a rejuvenated product portfolio and packaging design that will aim to result in increased consumer brand preference. New brand design and packaging aims to increase consumer brand preference and poultry’s share of domestic protein consumption. Sales of products featuring new designs and innovation will commence in 2016



#### Increasing sales of value added products to satisfy evolving consumer preferences

- Increasing sales of higher priced value added meal solutions such as chicken kebabs, free range products, and ready to cook meal components, to satisfy evolving consumer preferences towards these products
- Increased investment in new product development and marketing of premium brands will aim to drive additional growth in the value added category

## New product development aims to continue to deliver significant revenue growth

Tegel is continually innovating within its product range to meet evolving consumer trends, increasing relevancy to consumers and customers and strengthening Tegel's brand.

Tegel considers new product development to be an important driver of chicken consumption in the long term, as well as a source of competitive advantage. By making poultry products more convenient and appealing in taste, consumers are encouraged to increase their consumption across all eating occasions. For Tegel, this not only increases consumption of its products but also drives category growth in the domestic poultry market, creating a larger overall future revenue opportunity. An example of this is Tegel's Chicken (bacon) Rashers (a world first) developed in 2003, creating a new meal occasion for chicken through entry into the breakfast smallgoods category.

Tegel's investment in new product development and technology has delivered strong revenue growth, with approximately 14% of all poultry and small goods sales in FY2015 being from products that did not exist in FY2012. Since FY2013, Tegel has created:

- an entire new free-range product category; and
- a new premium branded ready-to-eat segment, delivering convenience solutions to consumers

Tegel's growth strategy has been supported by investment in new product development and technology over the last three years. This includes:

- hiring specialist new product development staff, with a total of nine staff now engaged in new product development;
- completion of an extensive category growth project with industry sales consultants; and
- investment in new technology and equipment, including the development of a new research and development facility

Examples of new product development by Tegel in the last three years include convenience poultry products such as Ready to Eat Meal Maker, Kebabs, filled breast fillets and frozen further processed snack and meal solutions.

Tegel's new product development capabilities have also been critical in building long-term strategic partnerships with its major customers across all sales channels. In addition to new Tegel branded products, Tegel has recently developed new products in partnership with its customers for sale under their own brands.

Tegel's investment in new product development has led to strong growth in the value added products category, with revenue from value added products having grown from 32% of total poultry and smallgoods product sales in FY2013 to 37% in FY2015.

### Recent examples of new product development

#### Ready to Eat Meal Maker

- Premium branded ready-to-eat meals
- Fully cooked sliced, shredded and diced chicken products which are used to prepare wholesome family meals in minutes



#### Convenience Meal Solutions

- Pre-marinated ready-to-cook range, including kebabs, crumbed filled breast fillets and glazed portions
- Released in both the retail and foodservice channels



#### Hong Kong Frozen Meal Solutions

- Convenient protein snacks that come in bite-sized portions targeted at busy people
- Full range includes chicken burgers, chicken steaks, chicken morsels and chicken schnitzel

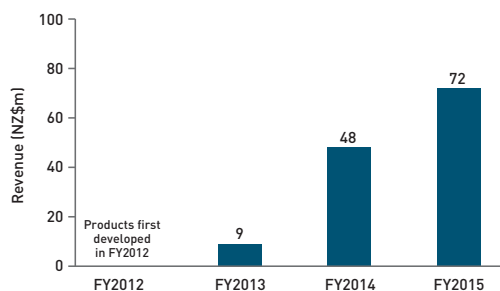


#### Southern Style Party Bites

- Tasty bite-sized portions of chicken fillet, shaped and coated in a crunchy southern style coating
- High quality product at good everyday prices



### Sales from products developed since FY2012



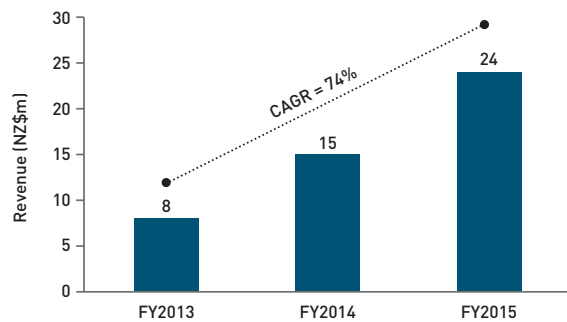
## Introduction of new free range Tegel branded products

Tegel believes there is a significant opportunity for growth in free range products both domestically and in export markets. In the Retail Grocery channel, Tegel currently:

- sells corn fed free range poultry under the Rangitikei brand;
- supplies free range poultry to New Zealand’s major supermarket chains, foodservice and QSR customers; and
- is in negotiations to supply products under license for another well known New Zealand free range brand

These products represent a high growth category for Tegel, having delivered average annual growth of 74% over the last two years.

Tegel free range product sales value



## Tegel branded free range products

Feedback from consumers suggests that the market is looking for additional mainstream free range products. In response to this demand, Tegel has developed a range of branded free range products with five products launched in 2015 and over 10 new products anticipated to be launched in 2016. These products will be marketed to provide ‘everyday accessibility’ to quality free range poultry products.

### Free range kebabs



### Free range butterfly chicken



### Free range nuggets






## 2.7.2. Export growth avenues

Tegel has delivered significant growth in export sales since commencing its staged export growth strategy in 2009 (refer to Tegel’s proven and refined export strategy below). Tegel is focused on growing sales in existing export markets and entering new export markets.

### Expanding existing markets

Tegel considers there are significant opportunities in existing export markets to grow revenue through:

- new products
- existing customer growth
- new customers; and
- new sales channels

EXPORT MARKET	SUMMARY
 AUSTRALIA	<p>Tegel considers there is significant scope to grow its sales presence across the Retail Grocery, Foodservice / Industrial and QSR sales channels, underscored by its superior product quality, customer service and capabilities in new product development</p> <p>In the Retail Grocery channel, Tegel supplies two growing supermarket chains, Aldi and Costco, which Tegel considers will provide growth for its existing product categories as they continue to expand</p> <p>In QSR, Tegel will seek to continue to drive growth with existing customers through new product development and is also targeting two new QSR customers</p> <p>In Foodservice / Industrial, Tegel is in negotiations with a number of potential new customers and will continue to drive customer portfolio growth</p>
 UAE	<p>Tegel’s growth strategy in the UAE is focused on leveraging its premium branded position based on Tegel’s superior quality, supported by New Zealand’s reputation as a clean, green premium food producing nation</p> <p>Tegel will seek to grow sales to its existing customers in the Retail Grocery channel by utilising marketing and consumer promotions to drive customer awareness, including media campaigns and in-store demonstrations and promotions</p> <p>Tegel also considers there are opportunities to develop new customer relationships across Foodservice / Industrial and QSR. Tegel has appointed an exclusive importer and distributor of Tegel product into the Foodservice / Industrial channel. Through this relationship, Tegel will seek to grow product volumes to high end restaurants and hospitality consumers</p>
 HONG KONG	<p>Tegel is seeking to expand its product range within existing supermarket customers, and to acquire new customers, with a focus on value added products</p> <p>Tegel is working alongside its distributor to secure customers in the Foodservice / Industrial channel. Tegel is also in discussions with a number of potential QSR customers (including a global QSR) which may provide opportunities for partnerships across the Asian region</p>

**Entering new offshore markets**

Over the last five years, Tegel has refined its brand for the international market, to provide a premium branded message around great tasting, high quality, and safe New Zealand chicken. Having successfully entered Australia, the UAE and Hong Kong, Tegel is now focused on the next stage of its export growth. The key to Tegel’s export strategy is identifying attractive new potential markets and strategic partners within those markets to assist Tegel in better understanding the needs of its customers and to expand its presence quickly.

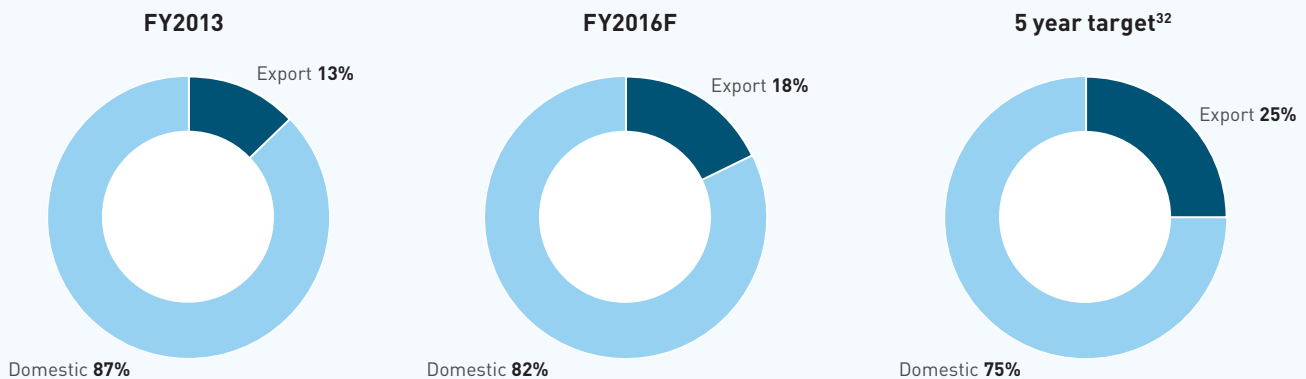
**NEW MARKETS TO BE TARGETED**

	Opportunity for Tegel	Existing customer relationships in market	Market access	Comments
 PHILIPPINES	✓	✗	✓	Tegel has recently received OMAR notification and is currently evaluating commercial business opportunities in this market
MIDDLE EAST	✓	✓	✓	Having proven its export strategy into the UAE, an opportunity exists for Tegel to export product to other markets in other Gulf States, across all channels
 JAPAN	✓	✓	✓	Tegel has market access and is seeking a suitable in-market partner
 SINGAPORE	✓	✓	Working to facilitate market access	Tegel has conducted detailed market research and site visits over the past 18 months, and has held discussions and negotiations with distributors and importers
 KOREA	✓	✗	Working to facilitate market access	Tegel has conducted detailed market research and is working to facilitate market access and engage with potential partners
 TAIWAN	✓	✗	Working to facilitate market access	Tegel has conducted detailed market research and is working to facilitate market access and engage with potential partners

Note: Market access is defined as markets where Tegel currently has approved poultry OMAR’s (negotiated Overseas Market Access Requirements). In the Middle East, Tegel has market access to the UAE and Bahrain.

**Export growth opportunity – Tegel revenue breakdown**

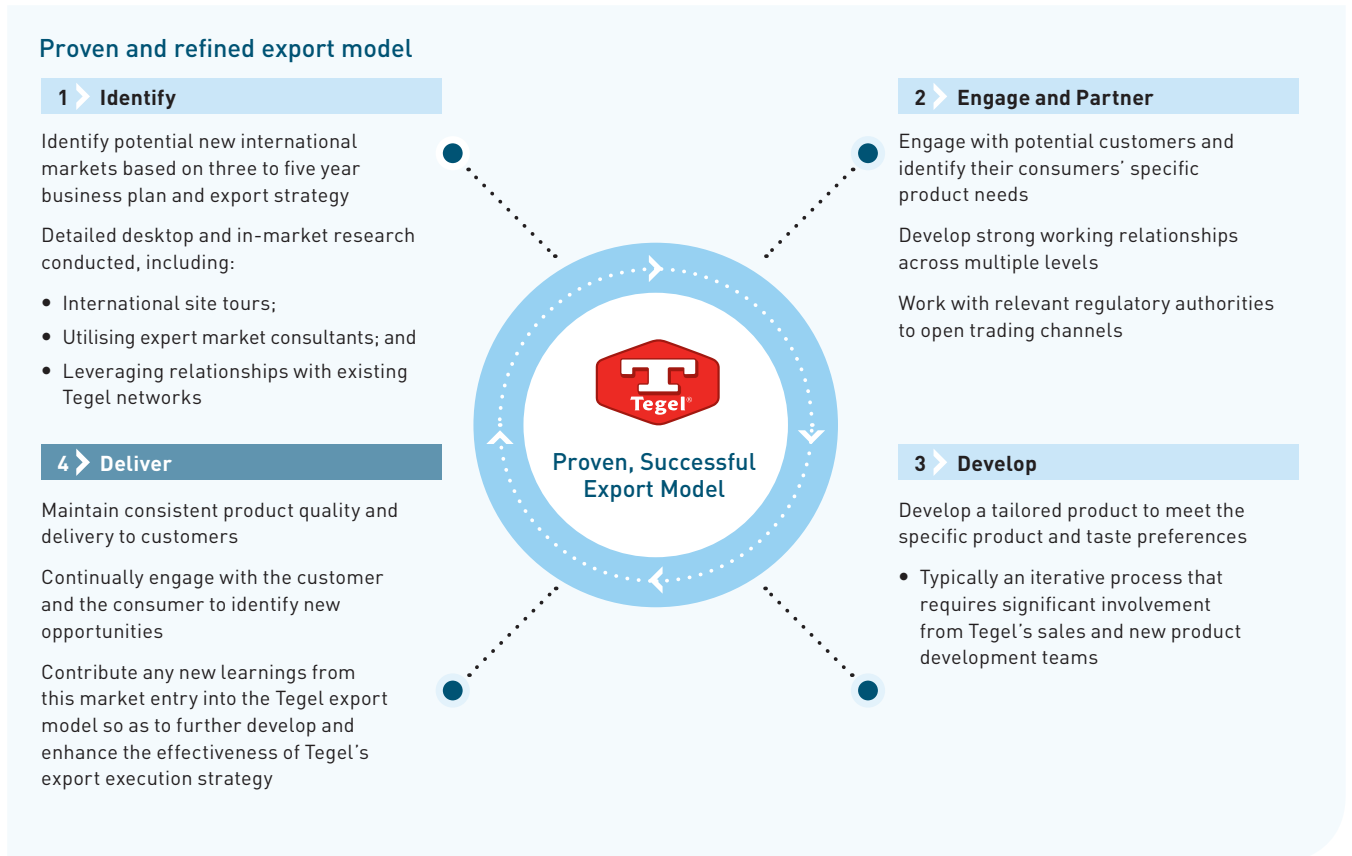
Based on opportunities currently identified in existing and new export markets, and new export opportunities expected to be identified in the medium term, Tegel’s target is for export revenues to represent approximately 25 percent of total revenue in five years.



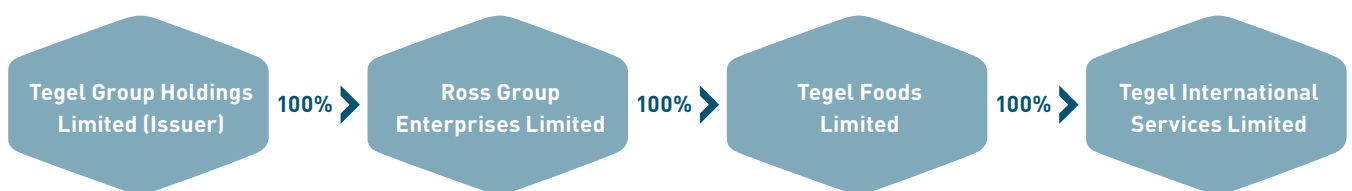
<sup>32</sup>. Tegel management internal target.

### How we execute our export strategy

Tegel has developed a proven and refined export model with a staged export growth strategy which it is seeking to execute in new markets.



### 2.8 Corporate structure chart



Tegel Group Holdings Limited is the issuer and holding company of the Group. Ross Group Enterprises Limited is the borrower under the Group's financing arrangements. Tegel Foods Limited is the operating entity. Tegel International Services Limited is a dormant subsidiary.



## 2.9 Tegel's directors and senior managers

### 2.9.1. Board of directors

Tegel's Board currently comprises an independent non-executive Chairman, two independent non-executive directors, two non-independent non-executive directors, and one executive director.

The Board intends to adopt, from listing, various board policies and charters as typical for a company listed on the NZX Main Board and the ASX.

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#### James Ogden

##### Chairman

James brings strong financial expertise to the Board and director experience across a broad range of industries. He has had a distinguished career as an investment banker for eleven years and has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years.

In addition to Tegel, James is also a director of The Warehouse Group Limited, Summerset Group Holdings Limited, Vista Group International Limited and Alliance Group Limited. James' previous directorships include New Zealand Post Limited, Kiwibank Limited, Motor Trade Association Limited and DEKRA New Zealand Limited.

James holds a BCA (Hons) with a major in accounting, and is a Fellow of the Chartered Accountants Australia and New Zealand, a Chartered Fellow of the Institute of Directors and Certified Member of the Institute of Finance Professionals of NZ.

James will be a member of the Governance and Remuneration Committee.

#### Phil Hand

##### Executive director

Phil was appointed CEO of Tegel Foods in February 2014 and a director of Tegel in March 2014, following over six years with the business in his previous role as General Manager of Operations (December 2007 – February 2014).

Prior to joining Tegel, Phil was Managing Director of Goodman Fielder Baking NZ, a market leader in bread and related products in New Zealand. Phil was previously Operations and Supply Chain Director for Goodman Fielder Fresh, and has held various other management and operational roles.

#### David Jackson

##### Independent non-executive director

David is a former New Zealand Chairman and Senior Audit Partner of Ernst & Young, having worked with the firm globally in various roles for over 30 years.

In addition to Tegel, David is currently a director of Fonterra Co-operative Group Limited, Mitre 10 (New Zealand) Limited and Nuplex Industries Limited. David's previous directorships include Mediaworks Limited, The New Zealand Refining Company Limited and Pumpkin Patch Limited.

David holds a MCom (Hons) and is a Fellow of the Chartered Accountants Australia and New Zealand.

David will be the Chairman of the Audit and Risk Committee.

#### George Adams

##### Independent non-executive director

George has over 25 years experience in the consumer goods and telecommunications industries, as well as a strong background in occupational health and safety. George was previously managing director of Coca-Cola Amatil New Zealand & Fiji, a role he held for 10 years. During this time George also chaired the NZ Food and Grocery Council. Prior to moving to New Zealand in 2003, George was Financial Controller of British Telecom Northern Ireland and Group Financial Director of Dublin-based bottling company Molino Beverages.

George is also currently Chairman of Bell Tea & Coffee Company Limited, Apollo Foods Limited, Insightful Mobility Limited and Nexus Foams Limited.

George is a Fellow of the Institute of Chartered Accountants in Ireland.

George will be the Chairman of the Governance and Remuneration Committee and a member of the Audit and Risk Committee.

#### Tang Kok Yew

##### Non-executive director

Mr. Tang is the Founding Chairman and Managing Partner of Affinity Equity Partners following its spin-off from UBS Capital in 2004. Affinity is a leading regional private equity firm in Asia Pacific. Prior to that, he was the Asia-Pacific Chairman of UBS Capital (the private equity arm of UBS) since 1999. Before he joined UBS Capital, he was the Chief Executive for Investment Banking, East Asia at Union Bank of Switzerland in 1995. Following the merger of Union Bank of Switzerland and Swiss Bank Corporation to form UBS, Mr. Tang became Chief Executive, Hong Kong, of UBS Group and Asia Regional Head of Investment Banking for UBS Investment Bank. Mr. Tang also served in a number of senior roles over 20 years in Banque Indosuez Group and Chase Manhattan Bank in Hong Kong and Malaysia. Mr. Tang holds a Bachelor of Economics (Accounting) degree with First Class Honors from the University of Malaya.

Mr. Tang was a director of First Engineering Limited (incorporated in Singapore) in 2009 when its shareholders agreed to a financial restructuring resulting in its lenders taking majority ownership of the company. Mr. Tang was also a director of Jaya Holdings Limited (also incorporated in Singapore) when it undertook a restructuring via a scheme of arrangement approved by creditors in 2010.

#### Brett Sutton

##### Non-executive director

Brett is a Partner at Affinity Equity Partners, which he joined in 2004. In addition to Tegel, Brett is a director of Live Entertainment Holdings Pty Ltd and Velocity Frequent Flyer Pty Ltd. Brett is a Qualified Chartered Accountant in Australia and holds a Bachelor of Commerce degree in Accounting and Finance.

Brett will be a member of the Audit and Risk Committee and the Governance and Remuneration Committee.

Brett was a director of ARH Investments (Australia) Pty Ltd, a holding company for the Colorado group of companies, when it became subject to an insolvency event.

## 2.9.2. Senior management

Tegel's senior management team currently comprises the following:

### Phil Hand

#### Chief Executive Officer

You can find Phil's biography in Section 2.9.1 under "Board of directors". All senior managers report directly to the Chief Executive Officer.

### Peter McHugh

#### Chief Financial Officer

Peter was appointed CFO of Tegel in December 2014 and is responsible for all of Tegel's financial and IT operations. Peter is an experienced financial and accounting professional, having had over 25 years of experience in accounting professional services, corporate finance and senior management roles. Prior to joining Tegel, Peter was CFO at Independent Liquor New Zealand and prior to that was a director within the Advisory/Transaction Services division of PricewaterhouseCoopers for over 10 years.

Peter is a Chartered Accountant and member of the Institute of Directors.

### Christine Cash

#### General Manager Sales and Marketing

Christine joined Tegel in 1995 and brings 20 years of experience across Tegel to her current role as General Manager Sales and Marketing, which she began in March 2014. Prior to that, she was General Manager Export (2011-2014).

Christine's current role involves providing leadership of the sales, marketing and product development functions, both domestically and internationally.

### Evelyn Davis

#### General Manager Human Resources

Evelyn joined Tegel in 2008 in her current role as General Manager of Human Resources, and has been responsible for the ongoing development, implementation and execution of Tegel's national safety and human resources strategy.

Evelyn is an experienced human resources professional with over 20 years of direct human resources experience, primarily in the food sector at McDonald's Restaurants New Zealand.

### David Taylor

#### General Manager Regional Operations (Upper North Island – Auckland)

David joined Tegel in 2003 as the New Plymouth Processing Manager, before transitioning into more senior management roles including his current role as General Manager Regional Operations (Upper North Island), which he has held since March 2014.

David is responsible for the overall budgetary and operational performance of the Upper North Island (excluding sales). As part of that, David is responsible for the management and development of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, and processing plants) and distribution of product in the Upper North Island. David is responsible for the majority of further processed products.

### Martin Baker

#### General Manager Regional Operations (Lower North Island – New Plymouth)

Martin joined Tegel in 2004 as the National Operational Risk Manager. He was promoted to the role of Site Manager (New Plymouth Processing) in 2006, and continues to hold this position in addition to his current role as General Manager Regional Operations (Lower North Island), which he has held since March 2014.

Martin is responsible for the overall budgetary and operational performance of the Lower North Island (excluding sales). As part of that, Martin is responsible for the management and development of all of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, and processing plants) and distribution of product in the Lower North Island. Martin is responsible for the majority of Tegel's sausage production.

### Edward Campion

#### General Manager Regional Operations (South Island – Christchurch)

Ed joined Tegel in 2002 as a Livestock Planner, before transitioning into management roles including his current role as General Manager Regional Operations (South Island – Christchurch) which he has held since March 2014.

Ed is responsible for the overall budgetary and operational performance of the South Island (excluding sales). As part of that, Ed is responsible for the management and development of all of Tegel's facilities (including the feedmill, broiler and breeder facilities, hatchery, rendering and processing plants and smokehouse) and distribution of product in the South Island. Ed is responsible for all of Tegel's turkey and smoked products.

### John Russell

#### General Manager Agriculture and Supply

John joined Tegel in 1995 and held a number of roles in food safety, logistics, and planning before taking on the challenge of Tegel's commodity procurement in 2016. John was promoted to Feeds Business Manager before moving to his current role in 2014.

John's current role is focussed on leading overall Agriculture performance and involves providing leadership and management of agriculture logistics, planning and procurement, planning and risk, commercial operations, livestock performance and animal nutrition.

### Austin Laurenson

#### General Manager Business Improvement

Austin joined Tegel as General Manager Business Improvement in April 2015 from New Zealand Steel, where he was Vice President of the Supply Chain.

Prior to New Zealand Steel, Austin worked at the Fonterra Co-operative Group first as the Group Customer Development Manager and later as the Customer Supply Chain Manager for its offshore regional operating companies and global food service.

At Tegel, Austin's role is focused on providing leadership across national projects, Group technical services, sales and operations planning, business planning and integration, Group procurement and Group logistics.

## 2.10 Substantial shareholdings in Tegel

### 2.10.1. Current substantial shareholdings in Tegel

Tegel currently has on issue 85,856,337 ordinary shares and 272,157,915 Redeemable Shares. Tegel is entitled to redeem the Redeemable Shares by paying the holder the relevant redemption amount, which in the case of the 268,670,849 Redeemable Shares held by Claris and the Selling Shareholders is \$0.970224 per Redeemable Share and \$1.00 per Redeemable Share for the remaining 3,487,066 Redeemable Shares on issue. All existing Redeemable Shares will be redeemed by Tegel before the allotment of Shares under the Offer, so that following completion of the IPO, the only shares on issue by Tegel will be ordinary shares. As at the date of this PDS, the following shareholders have a relevant interest in 5% or more of the shares in Tegel.

		CLARIS INVESTMENTS PTE. LTD (CLARIS)	ASIA INVESTMENT CAPITAL 1 LIMITED (AIC)	INTERMEDIATE CAPITAL HONG KONG LIMITED (ICHK)
Relevant interest held		Legal and beneficial owner	Legal and beneficial owner	Legal and beneficial owner
				Related body corporate of the ICAP '08 General Partner (as defined below)
Shares in which person has relevant interest as at the date of this PDS	Ordinary shares	75,056,877	7,922,173	1,777,244
	Redeemable Shares	237,924,207	25,112,873	5,633,769
	%	87.4%	9.2%	2.1%
Consideration and other terms of acquisition <sup>33</sup>		100 ordinary shares acquired on 23 February 2011 for an aggregate purchase price of \$100	1,056,637 ordinary shares and 23,446,403 Redeemable Shares issued on 2 May 2011 for an aggregate issue price of \$24,503,040	237,044 ordinary shares and 5,259,916 Redeemable Shares issued on 2 May 2011 for an aggregate issue price of \$5,496,960
		10,000,000 ordinary shares and 221,896,518 Redeemable Shares issued on 2 May 2011 for an aggregate issue price of \$231,896,518	75,102 ordinary shares and 1,666,470 Redeemable Shares issued on 7 August 2015 for an aggregate issue price of \$1,741,572	16,848 ordinary shares and 373,853 Redeemable Shares issued on 7 August 2015 for an aggregate issue price of \$390,701
		10,781 ordinary shares and 239,219 Redeemable Shares acquired on 14 May 2014 for an aggregate purchase price of \$250,000	1,131,739 ordinary shares subdivided on a 7:1 basis into 7,922,173 ordinary shares on 30 March 2016	253,892 ordinary shares subdivided on a 7:1 basis into 1,777,244 ordinary shares on 30 March 2016
		711,530 ordinary shares and 15,788,470 Redeemable Shares issued on 7 August 2015 for an aggregate issue price of \$16,500,000		
		10,722,411 ordinary shares subdivided on a 7:1 basis into 75,056,877 ordinary shares on 30 March 2016		

Claris is owned by funds, including Affinity Asia Pacific Fund III LP which has a relevant interest in the shares in Tegel held by Claris (as referred to below), that are advised by Affinity Equity Partners Limited.

AIC is owned by Intermediate Capital Asia Pacific 2008 GP Limited acting in its capacity as general partner of the Intermediate Capital Asia Pacific 2008 Limited Partnership (the ICAP '08 General Partner). As a result, the ICAP '08 General Partner has the same relevant interests as AIC (by virtue of section 237 of the FMC Act). The ICAP '08 General Partner is a wholly owned indirect subsidiary of Intermediate Capital Group plc.

ICHK is a wholly owned subsidiary of Intermediate Capital Group plc.<sup>34</sup>

<sup>33</sup>. All ordinary shares and Redeemable Shares were issued or acquired for \$1.00 per share.

<sup>34</sup>. Intermediate Capital Group plc and any of its subsidiaries may be deemed by the FMC Act to have the same relevant interests as the ICAP '08 General Partner and ICHK (but merely as a consequence of one or more of the matters described in section 284(b) of the FMC Act).

### 2.10.2. Substantial shareholdings in Tegel immediately after completion of the Offer

The following persons are likely to have a relevant interest in 5% or more of the ordinary shares in Tegel (being the only class of shares on issue following listing) immediately after completion of the Offer:

Name	Indicative relevant interest in Tegel following completion of the Offer		
	Relevant interest held	Ordinary shares	%
Claris Investments Pte. Ltd	Legal and beneficial owner	114,340,267 – 159,777,876	45.0%
Affinity Asia Pacific Fund III LP	The power to exercise, or control the exercise of, the right to vote attached to 20% or more of the voting products of Claris Investments Pte. Ltd, the power to acquire or dispose of, or to control the acquisition or disposal of, 20% or more of the voting products of Claris Investments Pte. Ltd, and a related body corporate of Claris Investments Pte. Ltd	114,340,267 – 159,777,876	45.0%

In addition, each senior manager will have a relevant interest in the performance rights specified in Section 2.11 by virtue of being the legal and beneficial owner of those performance rights. The performance rights held by each senior manager are a separate class of equity security in Tegel and as a result each senior manager will have a relevant interest in 100% of the securities of that class of equity security.

### 2.10.3. Shareholdings in Tegel held by directors and senior managers

The table below sets out the equity securities in Tegel that the directors and senior managers of Tegel have an interest in prior to the Offer (at the date of the PDS) and will likely have an interest in immediately after the Offer (following the allotment of Shares under the Offer). Sections 2.10.2 and 2.11 also set out the interests that the senior managers will have, immediately after the Offer, in the performance rights issued under Tegel's long term incentive plan.

Name	Relevant interest held in Ordinary shares and/or Redeemable Shares
James Ogden	Legal and beneficial owner
George Adams	Legal and beneficial owner
David Jackson	Beneficial interest in shares held by Tetley Brook Trustees Limited as trustee of the Tetley Brook Trust
Phil Hand	Legal and beneficial owner
David Taylor	Legal and beneficial owner
Edward Campion	Joint legal owner and beneficial interest in shares held jointly with Sandra Campion and Independent Trustees (Canterbury) Limited as trustees for the Campion Family Trust
Peter McHugh	Joint legal owner and beneficial interest in shares held jointly with Stephanie McHugh as trustees of the Hanene Trust
Evelyn Davis	Joint legal owner and beneficial interest in shares held jointly with Jacqueline Lynch as trustees of the ZES Family Trust
Christine Cash	Legal and beneficial owner
Martin Baker	Joint legal owner and beneficial interest in shares held jointly with Joanna Baker as trustees of the Bucket Trust
Austin Laurenson	Legal and beneficial owner
John Russell	Legal and beneficial owner of shares held jointly with Joanna Russell

#### Notes to table

(1) Based on the Final Price being the mid-point in the Indicative Price Range.



Shares in which person has relevant interest as at the date of this PDS

Indicative ownership of Tegel following completion of the Offer

Ordinary shares	Redeemable Shares	% of class	Ordinary shares	% of class <sup>(1)</sup>
Nil	Nil	Nil	123,440	0.0%
Nil	Nil	Nil	24,688	0.0%
Nil	Nil	Nil	24,688	0.0%
205,268	650,676	0.2%	526,547	0.2%
166,026	526,282	0.2%	425,884	0.1%
150,927	478,439	0.2%	387,162	0.1%
90,559	287,063	0.1%	232,300	0.1%
81,501	258,357	0.1%	209,068	0.1%
75,460	239,220	0.1%	193,578	0.1%
60,368	191,376	0.1%	154,862	0.1%
30,184	95,688	0.05%	77,431	0.0%
30,184	95,688	0.05%	77,431	0.0%

## 2.11 Options to acquire securities of Tegel

A new long-term incentive plan (the LTI Plan) is being implemented for the senior managers in conjunction with this Offer, to incentivise and retain those employees.

Under the LTI Plan, participants will be granted performance rights. Each performance right will give the participant the right to acquire one Share, subject to meeting vesting conditions set by the Board. The Board has an absolute discretion to invite employees or contractors of the Tegel Group to participate in the LTI Plan and to set the terms and conditions of the performance rights at the time they are granted, including the number of performance rights to be granted, consideration for the grant (if any), and the vesting conditions attached to those performance rights.

The Board has approved an initial grant of performance rights having a grant value set out in the following table, conditional on the allotment of Shares under the Offer. The number of performance rights will be determined by dividing the grant value by the fair value of the performance rights on completion of the Offer. Participants will not pay any consideration for the performance rights and once they vest, participants will not pay any issue price when they elect to acquire Shares in exchange for their vested performance rights.

Name of Participant	Grant value (NZ\$)	Summary of vesting conditions	Expiry date
Phil Hand	300,000	1 The Participant remaining employed by the Tegel Group	Six months after the end of the vesting period
Peter McHugh	102,500	2 A performance hurdle relating to Tegel's total shareholder return over the vesting period (ending after Tegel announces its financial results for the 2019 financial year) being positive and ranking above the 50th percentile of total shareholder returns for companies in the S&P / NZX50	
Christine Cash	80,951		
Evelyn Davis	55,833		
David Taylor	53,000		
Martin Baker	53,000		
Edward Champion	53,000		
John Russell	53,000		
Austin Laurenson	53,000		
<b>Total</b>	<b>804,284</b>		

## 2.12

### Other equity securities of Tegel

In addition to ordinary shares, there are currently 272,157,915 Redeemable Shares on issue in Tegel, which are held by existing shareholders. On a winding up of Tegel or on a return of capital by Tegel, each Redeemable Share has the right to receive, in priority to ordinary shares, an amount equal to the redemption amount, but no further right to participate in any further return of capital or surplus assets. The Redeemable Shares confer no rights to receive notice of or to attend and vote at meetings of Tegel and no rights to dividends.

As described further in Section 3 (Purpose of the Offer), all Redeemable Shares will be redeemed by Tegel in connection with the IPO.

Under the Constitution, any other class of equity securities of Tegel that ranks equally with, or in priority to, the Shares may be issued without a special resolution of the holders of the Shares. However, the issue of new equity securities in Tegel is governed by the NZX Listing Rules, which requires the approval by ordinary resolution of the holders of the Shares to the issue of new equity securities, except in certain circumstances set out in the NZX Listing Rules.

## 2.13 Interests of directors and senior managers

### 2.13.1. Directors' remuneration and other benefits

The table below sets out the total remuneration and value of other benefits each director of Tegel received in respect of FY2015.

Name of director	Directors' fees FY2015 <sup>35</sup>	Other remuneration FY2015
James Ogden <sup>36</sup>	Nil	Nil
George Adams <sup>36</sup>	Nil	Nil
David Jackson <sup>36</sup>	Nil	Nil
Kok Yew Tang <sup>36</sup>	Nil	Nil
Brett Sutton <sup>36</sup>	Nil	Nil
Phil Hand	Nil	\$821,000 <sup>37</sup>

The fees payable to the directors during FY2016F will differ from the above. Tegel has agreed to pay each of James Ogden, George Adams, and David Jackson fees for their services provided during the IPO process of an amount equal to the amount that they would have been paid in directors' fees had they been directors of Tegel during the period from the date they agreed to become a director of Tegel until listing. James Ogden agreed to become a director in October 2015. George Adams and David Jackson agreed to become directors in January 2016.

The fees for non-executive directors of Tegel (in their capacity as directors of Tegel or any of its subsidiaries) that apply from listing have been fixed as a total pool of \$600,000 per annum payable to all directors of Tegel taken together. James Ogden, as Chairman, will receive \$170,000 per annum and will not receive any additional fees for being a member of the Governance and Remuneration Committee. David Jackson, as an independent non-executive director, will receive \$90,000 per annum and a further \$15,000 per annum for being the chair of the Audit and Risk Committee. George Adams, as an independent non-executive director, will also receive \$90,000 per annum, a further \$10,000 per annum for being the chair of the Governance and Remuneration Committee and a further \$7,000 per annum for being a member of the Audit and Risk Committee. Neither Kok Yew Tang nor Brett Sutton, as non-independent non-executive directors, will receive any director fees. Phil Hand, as Chief Executive Officer, will not receive any additional remuneration in his capacity as a director. The total pool of director fees has been fixed at the amount specified above to allow for the appointment of new non-executive directors or replacement non-executive directors in the event that the existing non-independent non-executive directors were to resign at any time in the future. All directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board

or shareholder meetings, or otherwise in connection with Tegel's business.

### 2.13.2. Employees' remuneration and other benefits

Tegel did not employ people directly in FY2015 as all employees in the Tegel Group are employed by Tegel Foods Limited. The number of employees or former employees of the Tegel Group who, not being directors of Tegel, received remuneration and any other benefits in their capacity as employees in respect of FY2015 that in value was or exceeded \$100,000 per annum was as follows:<sup>38</sup>

Remuneration bracket	Number of employees
\$100,000 - \$109,999	18
\$110,000 - \$119,999	8
\$120,000 - \$129,999	9
\$130,000 - \$139,999	9
\$140,000 - \$149,999	13
\$150,000 - \$159,999	6
\$160,000 - \$169,999	8
\$170,000 - \$179,999	5
\$180,000 - \$189,999	2
\$190,000 - \$199,999	3
\$200,000 - \$209,999	2
\$210,000 - \$219,999	2
\$220,000 - \$229,999	1
\$230,000 - \$239,999	1
\$250,000 - \$259,999	2
\$260,000 - \$269,999	1
\$310,000 - \$319,999	2
\$330,000 - \$339,999	3
\$370,000 - \$379,999	1
\$480,000 - \$489,999	1
\$570,000 - \$579,999	1
<b>Total</b>	<b>98</b>

Tegel does not expect the remuneration or benefits of employees of the Tegel Group exceeding \$100,000 in respect of FY2016F to be materially different from those in the table above except for the bonus payable to senior managers referred to in Section 2.13.3 and a full year of remuneration for the Chief Financial Officer and General Manager Business Improvement (who both commenced employment during FY2015).

<sup>35</sup> Reimbursements for any expenses incurred by directors in their capacity as director are excluded from these amounts.

<sup>36</sup> James Ogden, George Adams and David Jackson were not directors of Tegel during FY2015 and therefore did not receive any director fees, nor did they receive any remuneration from the Tegel Group, during FY2015. Kok Yew Tang and Brett Sutton as appointees of Claris Investments Pte Limited did not receive any director fees in FY2015.

<sup>37</sup> Compensation received as CEO of Tegel Foods and includes remuneration received during, and received in respect of, FY2015. Except for the bonus payable to senior managers referred to in Section 2.13.3, Tegel does not expect Phil Hand's remuneration and other benefits in respect of FY2016F to be materially different from those in respect of FY2015.

<sup>38</sup> Figures include remuneration received during, and received in respect of, FY2015.

### 2.13.3. Material interests in the Tegel Group

All of the senior managers hold shares in Tegel (either alone or jointly), further details of which are set out in Section 2.10.3 (Shareholdings in Tegel held by directors and senior managers).

All of the senior managers have entered into employment agreements with Tegel Foods Limited.

Tegel has agreed to pay the senior managers a bonus in recognition of their past service to Tegel. The bonus is payable on completion of the IPO and the amount payable to all of the senior managers in aggregate is \$8.0 million. Claris and the Selling Shareholders have agreed to reduce the proceeds they will receive on redemption of their Redeemable Shares by this amount. If Tegel is obliged to deduct, pay or withhold any relevant amount of tax (including without limitation, PAYE), KiwiSaver contributions or any other statutory deduction ordinarily applying, then the payments will be made net of these costs.

Tegel, all of the senior managers and certain directors have entered into an Escrow Deed as further described in Section 5 (Terms of the Offer).

The senior managers have entered into a subscription agreement with Tegel whereby they have agreed to subscribe for such number of Shares at the Final Price as is equal to the redemption amount payable to them by Tegel on redemption of their Redeemable Shares (being \$2,822,789 in aggregate). Under the terms of that subscription agreement, the senior managers' obligation to pay the Final Price for the Shares subscribed for will be set off against Tegel's obligation to pay an equivalent amount to the senior managers on redemption of their Redeemable Shares.

Claris has entered into a subscription agreement with Tegel whereby it has agreed that it will subscribe for such number of new Shares at the Final Price as is necessary to ensure that on completion of the Offer and following the issue of such new Shares, its percentage shareholding in Tegel is 45.0%. Under the terms of that subscription agreement, Claris' obligation to pay the Final Price for any Shares subscribed for will be set off against Tegel's obligation to pay an equivalent amount to Claris on redemption of its Redeemable Shares.

Tegel and the Selling Shareholders have entered into a sale and purchase agreement with TGHLNZ as further described in Section 5 (Terms of the Offer).

Tegel and Claris have entered into an Escrow Deed as further described in Section 5 (Terms of the Offer).

Tegel has granted indemnities, as permitted by the Companies Act and FMC Act, in favour of each of its directors, former directors and officers. Tegel also maintains insurance for its directors and officers, and run off insurance for its former directors.

Tegel has agreed to pay each of James Ogden, George Adams and David Jackson fees for their services provided during the IPO.

Edward Champion is an indirect shareholder in Piikaokao Limited, which owns a breeder farm that is leased to Tegel.

Information regarding related party disclosures can also be found in section 26 of Tegel's 2015 financial statements, which are available on the Offer Register.

### 2.13.4. Other material governance disclosures

Tegel is or will be party to a listing agreement with NZX and the method by which directors may be appointed to or removed from, or otherwise vacate, office is the same as that contained in the NZX Listing Rules. No person (other than the shareholders of Tegel in a general meeting, any shareholder holding more than 15% of the Shares (as permitted by NZX Listing Rule 3.3.8, provided that if any such shareholder exercises its right to appoint a director it may not vote on the election of any other director) or the directors acting as a Board to fill a casual vacancy) has the right to appoint any director.

Each director has the power to appoint any person (other than another director) as an alternate director, who may be any person not disqualified under the Companies Act 1993 from holding the position of a director of a company and who is approved by a majority of the other directors. Such alternate directors may vote in the election of other directors of Tegel, but only in their capacity as a member of the Board, acting to fill a casual vacancy.

# Purpose of the Offer

The purpose of the Offer is primarily to raise capital to provide Tegel with financial flexibility to accelerate domestic and export growth opportunities and to enable Claris to realise a portion of its investment and the Selling Shareholders to realise all of their investment.

The Offer comprises an offer by Tegel and TGHLNZ of between 137.5 million and 192.4 million Shares with a value between \$299.1 million and \$344.4 million based on the Indicative Price Range. These Shares comprise:

- \$284.0 million to \$320.1 million of new Shares which are to be issued by Tegel (being 127.8 million to 182.7 million Shares based on the Indicative Price Range); and
- 9.7 million of existing Shares, which are to be transferred by the Selling Shareholders to TGHLNZ and offered for sale by TGHLNZ (with a value of up to \$24.3 million based on the Indicative Price Range). The Selling Shareholders will not hold any Shares after the Offer.

The \$284.0 million - \$320.1 million of gross proceeds from the offer of new Shares will be used as follows:

	Use of Proceeds by Tegel	Strategy
\$131.9 million	To repay \$131.9 million in debt owed by Tegel to its banks	Repaying \$131.9 million of Tegel's existing debt is expected to provide increased financial flexibility to accelerate domestic and export growth opportunities
\$129.6 - \$163.0 million	To provide the cash required by Tegel to pay the redemption amount on redemption of the 272,157,915 Redeemable Shares held by Tegel's existing shareholders <sup>39</sup>	Repaying Tegel's existing Redeemable Shares will allow certain existing shareholders to realise a portion of their investment in Tegel and provide additional liquidity for the shares
\$22.5 - \$25.3 million	Offer costs and management bonus	Payment for legal, accounting and financial advisory, management bonus plus any listing costs
<b>\$284.0 - \$320.1 million</b>	<b>Gross Proceeds</b>	

A minimum amount of \$154.4 million plus the face value of the Redeemable Shares on issue less the amount to be reinvested by existing shareholders (including the required reinvestment by Claris to ensure it holds 45.0% shares in Tegel on completion of the Offer) must be raised before the Shares are issued or transferred. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

<sup>39</sup> The amount to be raised by Tegel will be the face value of the Redeemable Shares (being \$264.2m) net of (i) the subscription amount in respect of any Shares (to be issued at the Final Price) that Claris is required to subscribe for in order to ensure that on completion of the Offer it holds 45.0% of the Shares on issue, and (ii) the redemption amount payable to each of the senior managers on redemption of their Redeemable Shares, on the basis that they will subscribe for Shares (to be issued at the Final Price) of an equivalent value.

## Section

## 4

# Key dates and Offer process

## 4.1 Key dates

PDS lodged	31 March 2016
Broker Firm Bids due	15 April 2016
Bookbuild, Pricing and Allocation	18 to 19 April 2016
Broker Firm Offer Opening Date	20 April 2016
Priority Offer Opening Date	20 April 2016
Priority Offer Closing Date	26 April 2016
Broker Firm Offer Closing Date	29 April 2016
Quotation and expected commencement of trading of Shares on the NZX Main Board (on a conditional settlement basis) and the ASX (on a conditional and deferred settlement basis) <sup>(1)</sup>	3 May 2016
Settlement and allotment on NZX	4 May 2016
Settlement on ASX	4 May 2016
Expected commencement of trading of Shares on the NZX Main Board on a normal basis and expected mailing of holding statements for Shares to be traded on NZX	5 May 2016
Allotment and trading of Shares on ASX on an unconditional and deferred settlement basis commences <sup>(1)</sup> and expected mailing of holding statements for Shares to be traded on ASX	5 May 2016
Expected commencement of trading of Shares on the ASX on a normal basis	6 May 2016
Expected payment of first dividend	January 2017

### Notes to table

(1) Trading on ASX (which will initially be on a conditional and deferred settlement basis) will not be on a normal ('T+2') settlement basis until after the dispatch of holding statements. See Section 5.3.3 (Conditional and deferred settlement trading) for more information.

This timetable is indicative only and the dates may change. Tegel, with the agreement of the Joint Lead Managers, reserves the right to vary or extend these dates.

**i** See Section 5 (Terms of the Offer) for further information about these dates

# Terms of the Offer

Section

5

## 5.1 Key terms

The table below sets out the terms of the Offer. Tegel's new Constitution that will be adopted from allotment of Shares under the Offer sets out the terms of the Shares. You can find a copy of the new Constitution on the Offer Register.

<b>What is the Offer?</b>	<p>See Section 1.1 (What is this?) for an overview of what the Offer involves.</p> <p>No person guarantees the Shares offered under this Offer, nor warrants or guarantees the future performance of Tegel, the Shares or any return on investment pursuant to this Offer.</p>
<b>Key dates</b>	See Section 4 (Key dates and Offer process) for information about the key dates of the Offer.
<b>Price</b>	See Section 1.5 (How pricing of ordinary shares is fixed) for information on the Indicative Price Range and how the Final Price will be fixed.
<b>Structure of the Offer</b>	<p>The Offer is an offer by:</p> <ul style="list-style-type: none"> <li>• Tegel of that number of new Shares which, when multiplied by the Final Price, equals between \$284.0 million and \$320.1 million; and</li> <li>• TGHLNZ of 9.7 million existing Shares transferred to it by the Selling Shareholders.</li> </ul> <p>TGHLNZ was established to acquire Shares from the Selling Shareholders. The board of directors of TGHLNZ is the same as the board of Tegel.</p> <p>Claris has entered into a subscription agreement with Tegel whereby it has agreed it will subscribe for such number of new Shares at the Final Price as is necessary to ensure that on completion of the Offer and following the issue of such new Shares, its percentage shareholding in Tegel is 45.0%.</p> <p>For the purposes of NZX Listing Rule 7.1.8, based on the Indicative Price Range, Tegel's existing shareholders are expected to hold between 116.6 million - 162.7 million Shares, representing 45.8% of the total Shares on issue following the Offer.</p> <p>The Offer includes the Broker Firm Offer, Priority Offer and Institutional Offer. See Section 5.2 for further detail.</p> <p>There is no general public offer. Members of the public wishing to subscribe for Shares must be allocated Shares by an NZX Firm or ASX Broker or must be offered Shares by Tegel as part of the Priority Offer. There is no public pool under which you may subscribe for Shares. No brokerage is payable on any of the Shares offered under the Offer.</p>
<b>Escrow arrangements</b>	<p>Claris, the senior managers, and the directors who purchase Shares under the Offer are subject to escrow arrangements with Tegel under which they have agreed not to sell, transfer or otherwise dispose of their existing Shares (and any Shares issued to Claris or the senior managers under the subscription agreements referred to in Section 2.13.3) until at least the first day after the date on which Tegel releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 30 April 2017. Claris is able to dispose of up to 50% of its Shares prior to this date if the volume weighted average price of Shares on any 10 consecutive NZX trading days following the date on which Tegel announces its results for the half year ending 23 October 2016 is at least 20% higher than the Final Price.</p> <p>These restrictions do not apply (and therefore Shares can be sold) in certain circumstances. You can find more information about the escrow arrangements on the Offer Register.</p> <p>The total percentage of Shares to be subject to the escrow arrangements post listing will be 45.8% of the total number of Shares in Tegel.</p>

## Refunds and scaling

The Offer may be withdrawn by Tegel at any time before the allotment of Shares, at Tegel's sole discretion. If admission to list on the NZX Main Board is denied, or the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed. However, the failure to achieve listing on ASX will not, of itself, prevent the issue or sale of the Shares under the Offer from proceeding whether in Australia or otherwise. However, it would mean that there will not be an active market on ASX on which to sell those Shares in Australia.

Money received in respect of Applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be paid to unsuccessful Applicants within five Business Days after allocation of Shares or after an Application has been declined (as applicable).

Refunds will be paid in the manner you elect any future dividend payments to be paid. Interest will not be paid on any Application Monies refunded to Applicants.

Oversubscriptions will not be accepted.

## Applications

An Application is an offer by you to subscribe for the number of Shares specified in the Application Form, at the Final Price, on the terms and conditions set out in this PDS (including any replacement of it), the Offer Register and the Application Form. By submitting an Application Form, you irrevocably agree to purchase the Shares on those terms, notwithstanding any variations or extensions to the Closing Date or other dates which Tegel and the JLMs are entitled to so vary or extend.

Tegel, TGHLNZ and the JLMs may, at their sole discretion, treat any Application Form as valid, notwithstanding that it does not comply with the requirements above or is irregular. Tegel, TGHLNZ and the JLMs may also, at their sole discretion, rectify any errors in, or omissions from, any Application Form to enable that form to constitute a valid acceptance of the Offer, including inserting or correcting details and filling in any blanks. An Application Form may be treated by Tegel, TGHLNZ and the JLMs as a valid Application whether or not it is received before the applicable Closing Date, and may be accepted in respect of the full number of Shares specified in the Application Form or a lesser amount. If the amount of your Application Monies is less than the amount required to purchase the number of Shares specified on your Application Form, you may be taken to have applied for such lesser number of Shares as for which your clear Application Monies will pay, or your Application Form may be rejected. Acceptance of your Application will give rise to a binding contract.

Tegel, TGHLNZ and the JLMs reserve the right to refuse all or any part of any Application without giving a reason.

Until the allotment of Shares, Application Monies received will be held in a separate account for the benefit of the Applicants according to their respective entitlements and for Tegel and TGHLNZ. Any interest on Application Monies will be paid to Tegel.

The banking of Application Monies does not constitute confirmation of allotment of any Shares or the acceptance of an Application.

 See Section 11 (How to apply) for further information about Applications and how to apply for Shares

## Allocation

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by Tegel with the agreement of the JLMs following completion of the Bookbuild.

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## Allotment

The allotment of Shares to successful Applicants is scheduled to take place on 4 May 2016 (on NZX) and 5 May 2016 (on ASX). Priority in allotment will be given to Applicants under the Priority Offer.

You should ascertain your allocation (if any) before trading in the Shares. If you applied under the Broker Firm Offer, you can do this by phoning the NZX Firm or ASX Broker from whom you received an allocation of Shares. If you applied under the Priority Offer, you can do this by contacting the Share Registrar.

If you wish to sell your Shares on the NZX Main Board after confirming your allocation you must have a Common Shareholder Number (CSN) and an Authorisation Code (FIN). New Zealand residents with a CSN will have their Shares allotted under their CSN, if the CSN was provided on the Application Form. If a CSN is not provided on the Application Form, or the Application details do not match the CSN details, a new CSN and Authorisation Code (FIN) will be allocated to the Applicant. Holding statements with your allotment details and CSN will be despatched within five Business Days after allotment. Where an email address is provided on the Application Form, the holding statement will be despatched electronically to you. The associated Authorisation Code (FIN) will be sent by the Share Registrar as a separate communication by mail.

If you have a CSN and Authorisation Code (FIN), you may access your holding information on the Share Registrar's website:

- New Zealand Registry: [www.computershare.co.nz](http://www.computershare.co.nz) (you will be required to enter your CSN and Authorisation Code (FIN)).
- Australian Registry: [www.computershare.co.nz](http://www.computershare.co.nz) (you will require your holder number and postcode for secure access).

If you sell Shares prior to receiving your holding statement you will do so at your own risk. None of Tegel, TGHLNZ, the JLMs, the Share Registrar, nor any of their respective officers, employees or advisers accepts any liability or responsibility should you or any person attempt to sell or otherwise deal with Shares before you receive a statement showing the number of Shares allocated to you (if any).

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## 5.2 Broker Firm Offer, Priority Offer and Institutional Offer

	Broker Firm Offer	Priority Offer	Institutional Offer
<b>Overview of Offer</b>	<p>The Broker Firm Offer is available to New Zealand resident clients of selected NZX Firms who have received a firm allocation from that NZX Firm and to Australian resident investors who have received an invitation to apply for an allocation of Shares from an ASX Broker that has received an allocation.</p> <p>You can contact an NZX Firm or ASX Broker to determine whether you may be offered Shares by them under the Broker Firm Offer.</p>	<p>The Priority Offer, which consists of an offer to employees of the Tegel Group, approved growers and other approved Priority Offer participants.</p> <p>Tegel will contact those persons who are offered Shares under the Priority Offer.</p>	<p>The Institutional Offer comprises an invitation to selected Institutional Investors in New Zealand, Australia and certain other jurisdictions to apply for Shares.</p> <p>Certain Institutional Investors, NZX Firms and ASX Brokers will be invited to bid for Shares in the Bookbuild.</p>
<b>How to apply</b>	See Section 11 (How to apply) and the Application Form for detailed instructions on how to apply.	See Section 11 (How to apply) and the Application Form for detailed instructions on how to apply.	Full details of how to participate, including bidding instructions, will be provided by the JLMs to invited participants in due course.
<b>Minimum and maximum Application amount</b>	Applications under the Broker Firm Offer must be for a minimum of 2,500 Shares.	<p>Applications under the Priority Offer must be for a minimum of 1,500 Shares.</p> <p>There is no maximum number of shares that can be applied for by investors applying under the Priority Offer. The number of Shares reserved for the Priority Offer will be set prior to the Bookbuild.</p> <p>Applicants will receive a guaranteed minimum allocation of 1,500 Shares at the Final Price. Tegel reserves the right to vary the guaranteed minimum allocation at any time.</p>	N/A.
<b>How to pay</b>	See the Application Form for payment details.	See the Application Form for payment details.	Full details will be provided by the JLMs to successful participants.
<b>Closing Date for receipt of Applications</b>	<p>The Broker Firm Offer opens at 9.00am on 20 April 2016 and will close at 5.00pm on 29 April 2016 (being the <b>Closing Date</b>).</p> <p>The Closing Date may be changed at the sole discretion of Tegel and TGHLNZ. Changes will be advised by NZX announcement.</p>	<p>The Priority Offer opens at 9.00am on 20 April 2016 and will close at 5.00pm on 26 April 2016.</p> <p>The closing date of the Priority Offer may be changed by Tegel and TGHLNZ with the agreement of the JLMs. Changes will be advised by NZX announcement.</p>	N/A.

	Broker Firm Offer	Priority Offer	Institutional Offer
<b>Allocation policy</b>	<p>Allocations by NZX Firms and ASX Brokers under the Broker Firm Offer to their clients will be determined by those NZX Firms and ASX Brokers. It will be a matter for the NZX Firms and ASX Brokers to ensure that their clients who have received an allocation from them receive the relevant Shares.</p>	<p>The number of Shares to be offered under the Priority Offer, and the allocation of Shares among participants in the Priority Offer, will be determined by Tegel and TGHLNZ with the agreement of the JLMs.</p> <p>Applicants should contact the Share Registrar by email at <a href="mailto:tegel@computershare.co.nz">tegel@computershare.co.nz</a> to find out if their Application was successful.</p>	<p>Tegel, with the agreement of the JLMs, will determine the allocation of Shares among Institutional Investors, NZX Firms and ASX Brokers that have bid for Shares in the Bookbuild.</p> <p>The number of Shares to be offered under the Institutional Offer, and the allocation of Shares among participants in the Institutional Offer, will be determined by Tegel with the agreement of the JLMs.</p> <p>There is no assurance that any participant in the Bookbuild will be allocated any Shares or the number of Shares for which it has bid. The allocation policy will be influenced by a number of factors that are set out in the Offer Register.</p>

## 5.3 Listing

### 5.3.1. Listing on the NZX Main Board

Application has been made to NZX for permission to list Tegel, and to quote the Shares on the NZX Main Board. All of NZX's requirements relating to that application that can be complied with on or before the date of this PDS have been duly complied with. However, NZX accepts no responsibility for any statement in this PDS.

NZX has authorised NZX Firms to act on the Offer. The NZX Main Board is a licensed market operated by NZX, which is a licensed exchange regulated under the FMC Act.

### 5.3.2. Listing on the ASX

Application will be made to ASX after this PDS (accompanied by the Additional Australian Information) is lodged with the Australian Securities and Investments Commission for Tegel to be admitted to the official list of ASX as an ASX foreign exempt listing and for the Shares to be granted official quotation on the financial market operated by ASX initially on a conditional and deferred settlement basis. ASX is not a registered market under the FMC Act.

If Tegel is admitted as an ASX foreign exempt listing, it will still need to comply with the NZX Listing Rules (other than as waived by NZX), but will not need to comply with the vast majority of the ASX Listing Rule obligations. Rather, Tegel will need to comply only with the rules specified in ASX Listing Rule 1.15 which are relatively procedural in nature. Tegel will not be subject to substantive ASX Listing Rule requirements such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions.

ASX takes no responsibility for the contents of this PDS (or the Additional Australian Information) or for the merits of the investment to which this PDS and the Additional Australian Information relate. Admission to the official list of ASX and quotation of the Shares on the ASX are not to be taken as an indication of the merits, or as an endorsement by ASX, of Tegel or the Shares.

### 5.3.3. Conditional and deferred settlement trading

#### NZX

Initial quotation of the Shares on the NZX Main Board (trading on a conditional settlement basis) is expected to occur on or about 3 May 2016 under the stock code "TGH". The NZX Main Board quotation will be initially on a conditional basis. If you wish to sell your Shares on the NZX Main Board after confirmation of your allocation you must contact an NZX Firm.

The contracts formed on acceptance of Applications in the Broker Firm Offer and Priority Offer and bids in the Institutional Offer will be conditional on NZX agreeing to quote Shares on the NZX Main Board and on completion occurring under an offer management agreement between Tegel, TGHLNZ and the JLMs (the Offer Management Agreement), including allotment of Shares to successful Applicants. If settlement of the Offer does not occur under the Offer Management Agreement and the allotment of Shares does not occur under the Offer, then all trades during the conditional trading period would be cancelled and be of no effect. Tegel

would then apply to NZX to delist and have the Shares cease to be quoted on the NZX Main Board.

The Offer Management Agreement is an agreement between Tegel and the JLMs that sets out the terms on which the JLMs will manage the offer process. You can find out more information about the Offer Management Agreement on the Offer Register in the document entitled "Offer Management Agreement".

#### ASX

It is expected that the Shares will be quoted on the ASX on 3 May 2016 under the stock code "TGH", initially on a conditional and deferred settlement basis. The contracts formed on the acceptance of Applications and confirmations of allocations will be conditional on the ASX agreeing to quote the Shares on the ASX and on settlement of the Offer under the Offer Management Agreement. Conditional trading will continue on the ASX until Tegel has advised the ASX that settlement of the Offer under the Offer Management Agreement has occurred, which is expected to be on 5 May 2016. Trading will then be on an unconditional but deferred settlement basis until Tegel has advised the ASX that holding statements have been dispatched to successful Applicants. Normal settlement trading is expected to commence on 6 May 2016.

If settlement of the Offer under the Offer Management Agreement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, all purchases and sales made through ASX-participating organisations during the conditional trading period will be cancelled and be of no effect.

It is the responsibility of each person who trades in Shares on the ASX to confirm their holding before trading. Persons who sell Shares on the ASX before receiving a holding statement confirming their holding of Shares do so at their own risk.

#### NZX and ASX

Tegel, TGHLNZ, the Share Registrar and the JLMs disclaim all liability, whether in negligence or otherwise, if a person sells Shares before receiving a holding statement.

### 5.3.4. Overseas Investors

This PDS is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been, or will be, taken to register the PDS in any jurisdictions other than New Zealand and Australia or otherwise permit an offering of the Shares outside of New Zealand.

No person may offer, sell (including resell), distribute or deliver any Shares or distribute any documents (including the PDS) to any person outside New Zealand and Australia except in accordance with all of the legal requirements of the relevant jurisdiction.

The PDS does not constitute, or form any part of, an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such an offer would be illegal. Securities may not be offered or sold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended, and any applicable U.S. state securities laws.

None of Tegel, TGHLNZ, the JLMs, the New Zealand Lead Manager nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

#### **5.4 Further information**

The following additional information can be found on the Offer Register in the document entitled "Other material information":

- Australian Securities and Investments Commission relief and the ASX confirmations obtained; and
- information relating to the Takeovers Code and the Overseas Investment Act 2005.

Tegel has been advised by NZX that it will be granted a waiver from NZX Listing Rule 3.1.1 to the extent that rule requires Tegel to have in place a constitution to contain the content requirements set out in that rule. Further information can be found on the Offer Register in the document entitled "Other material information".



Section

6

# Key features of ordinary shares in Tegel

All Shares issued or sold under the Offer will be fully paid ordinary shares in Tegel which rank equally with each other and all other ordinary shares in Tegel. The key features of ordinary shares in Tegel do not differ from those that apply to ordinary shares in a company generally.

## 6.1 Dividend policy

The payment of a dividend by Tegel is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of Tegel, future funding requirements, capital management initiatives, taxation considerations (including the level of imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Tegel, and any other factors the Board may consider relevant. Dividends will only be declared if Tegel meets appropriate solvency requirements.

Subject to business performance, market conditions and regulatory requirements, the Board's current intention is to declare a dividend in respect of earnings in the first half of FY2017F (Interim Dividend), and in respect of earnings in the second half of FY2017F (Final Dividend), in total, based on approximately 65% of pro forma NPAT in FY2017F of \$43.4 million.

The Board currently anticipates that the Interim Dividend to Shareholders will become payable following the release of Tegel's first half FY2017F results.

Tegel intends to impute dividends to the maximum extent possible and expects that sufficient imputation credits will be available to allow the Interim Dividend and Final Dividend to be fully imputed.

Beyond the Prospective Period, and having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 60% to 75% of annual NPAT excluding the expense relating to the non-cash amortisation of customer contracts.

No assurances or guarantees can be given by any person, including the Board, about payment of any dividend and the level of imputation on any such dividend.

# Tegel's financial information

Section

7

## 7.1 Introduction

The tables in this section provide key financial information about Tegel. Full financial statements are available on the Offer Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), offer number OFR10514. If you do not understand this financial information, you can seek advice from a financial adviser or accountant. This information is disclosed in New Zealand dollars and rounded to the nearest thousand.

This PDS contains Prospective Financial Information (PFI), which is based on the directors' assessment of events and conditions existing at the date of this PDS and the accounting policies and assumptions set out in the Prospective Financial Information on the Offer Register in the document entitled "Tegel's Prospective Financial Information, a reconciliation of non-GAAP to GAAP information, and supplementary financial information" (Supplementary Financial Information). You should read the Prospective Financial Information in this PDS in light of the assumptions, and in conjunction with the other information in this PDS (including in particular, the information in Section 8 (Risks to Tegel's business and plans)).

Prospective financial information by its nature is inherently uncertain. It is a prediction of future events which cannot be assured. It involves risks and uncertainties, many of which are beyond the control of Tegel. The Board believes that the PFI has been prepared with due care and attention, and considers the assumptions, when taken as a whole, to be reasonable at the time of preparing this PDS. Actual results are likely to vary from the information presented and variances may be material. Accordingly, neither the directors nor any other person can provide any assurance that the PFI will be achieved and investors are cautioned not to place undue reliance on the PFI.

Tegel adopts the retail method of accounting and reports financial information for a 52 or 53 week fiscal year that normally ends on the last Sunday in April of each year, with the next fiscal year beginning the following Monday.

### Financial Information Presented

There are four types of financial information presented in the Table of Selected Financial Information included in this PDS:

- **Statutory historical financial information** as reported in the Tegel financial statements.
- **Statutory prospective financial information** which presents the PFI on the same basis as that on which Tegel intends to report under NZ GAAP in the future.
- **Pro Forma historical financial information** has been derived from the statutory historical financial information, adjusted for structural changes and non-recurring adjustments.
  - Adjustments for structural changes in the business include: costs associated with closures of a processing plant and a petfood business; the impact of sale and leaseback transactions (including a full year's lease expense over the entire historical period and removing gains and losses associated with the transactions); and replacing costs associated with the pre IPO ownership structure with a public company cost structure.
  - Adjustments for non-recurring items include: removing incremental production and freight costs associated with a step change in export volumes; removing the sales and cost of sales and associated bad debt expense relating to a significant company; removing gains on sale recognised in connection with a compulsory acquisition of a breeder farm and hatchery; normalising a material stock provision which was subsequently reversed; and a number of other non-recurring items such as non-cash unrealised currency gains and losses, redundancy costs, a significant unscheduled plant shutdown and a fire at a supplier which impacted the supply chain.
  - An adjustment to remove the non-cash amortisation of intangible assets related to the accounting of the acquisition of the business by Claris Investments Pte Limited in FY2012.
- **Pro Forma prospective financial information** adjusts the statutory Prospective Financial Information to reflect certain pro forma adjustments such as the capital structure of Tegel following completion of the Offer, to remove the impact of the 53rd week in the period ended 30 April 2017 to provide consistency with the previous 52 week financial periods, transaction costs associated with the IPO, replacing costs associated with the pre IPO ownership structure with a public company cost structure, the removal of the non-cash amortisation of intangible assets, the write-off of prepaid facility fees resulting from the renegotiation of financing facility arrangements that will apply post IPO, and management bonuses that will be paid in recognition of past service by senior management. Claris and the Selling Shareholders have agreed to reduce the proceeds they will receive on redemption of their Redeemable Shares by the bonus amount.

The pro forma historical financial information and the pro forma Prospective Financial Information has been prepared solely for the purpose of inclusion in this PDS. More information on pro forma adjustments and the principal assumptions on which the pro forma financial information is based is available on the Offer Register in the Supplementary Financial Information.

The FY2016F information includes 30 weeks of actual results for the period ended 22 November 2015 and 22 weeks of forecast information for the period ended 24 April 2016. At the date of this PDS, the results for the period 23 November to 21 February 2016 are known and are materially consistent with the forecast information. On this basis, a significant proportion of the prospective financial performance for the FY2016F period has already been achieved.

The summary information presented in the table below is extracted from more detailed information which is available on the Offer Register. This document also provides further detail in relation to the assumptions underlying the prospective information discussed in Section 7.4. Reconciliations relating to the selected financial information are available on the Offer Register.

Certain information included in this section (being Pro Forma EBITDA and Pro Forma NPAT) is non-GAAP information. An explanation of the non-GAAP measures employed by Tegel, and reconciliations to information prepared in accordance with GAAP, are available on the Offer Register in the Supplementary Financial Information.

### Selected Financial Information

	FY2013 <sup>(1)</sup>	FY2014 <sup>(1)</sup>	FY2015 <sup>(1)</sup>	FY2016F	FY2017F	FY2017F	1H2015 <sup>(13)</sup>	1H2016 <sup>(13)</sup>
	52 weeks ended 28 April 2013	52 weeks ended 27 April 2014	52 weeks ended 26 April 2015	52 weeks ended 24 April 2016	52 weeks ended 23 April 2017	53 weeks ended 30 April 2017	26 weeks ended 26 October 2014	26 weeks ended 25 October 2015
NZ\$000s (unless indicated otherwise)	Historical Statutory	Historical Statutory	Historical Statutory	Forecast Statutory	Forecast Pro Forma	Forecast Statutory	Historical Statutory	Historical Statutory
Revenue	484,483 <sup>(2)</sup>	517,189	562,650	581,104	625,021	636,975	274,190	284,930
Revenue growth (%)		6.8%	8.8%	3.3%	7.6%			3.9%
Pro Forma EBITDA <sup>(3)</sup>	52,036	52,196	61,060	74,695	84,012	87,422	26,465	36,813
Pro Forma EBITDA growth (%) <sup>(3)</sup>		0.3%	17.0%	22.3%	12.5%			39.1%
Pro Forma EBITDA margin (%) <sup>(3)</sup>	10.7%	10.1%	10.9%	12.9%	13.4%	13.7%	9.7%	12.9%
Net Profit After Tax	(12,107) <sup>(4)</sup>	14,081	8,732	9,988		43,967	(455)	5,969
Pro Forma Net Profit After Tax <sup>(5)</sup>				36,790	43,377	45,606		18,019
Dividends on all equity securities of Tegel <sup>(6)</sup>	-	-	-	-	12,271	12,271	-	-
Total assets <sup>(7)</sup>	721,771	651,710	658,298	709,857		723,354		701,846
Cash and cash equivalents	3,395	2,040	11,964	500		23,038		19,742
Total liabilities <sup>(8)</sup>	463,312	375,406	369,831	394,173		231,836		388,155
Total debt <sup>(9)</sup>	361,211	267,721	268,476	251,900		120,013		281,341
Pro Forma total debt <sup>(10)</sup>				120,013				
Net cash flows from operating activities <sup>(11)</sup>	30,408	41,663	57,581	41,758		55,085		5,809
Pro Forma net cash flows from operating activities <sup>(12)</sup>				39,200	64,484	66,398		6,855

## Notes to table

- (1) Sourced from audited financial statements that are available on the Offer Register under the heading "Financial Statements".
- (2) FY2013 Revenue includes \$1.7 million that related to a petfood business, which was disposed in FY2013. The one-off costs of \$0.9 million associated with the closure of the business were removed through a pro forma adjustment. Refer to the Supplementary Financial Information on the Offer Register for further detail.
- (3) Pro Forma EBITDA refers to earnings before interest, tax, depreciation and amortisation, after allowing for pro forma adjustments as discussed under the heading "Financial Information Presented" above, with the exception of the 53rd week adjustment, which was only made in the pro forma FY2017F period. Pro Forma EBITDA is a non-GAAP profit measure and is not determined in accordance with GAAP. Tegel considers that Pro Forma EBITDA, which normalises performance for certain structural changes within the business and removes the impact of a number of non-recurring items, allows for a better comparison of operating performance over the historical and PFI period and for comparison with that of other companies. However, caution should be exercised as other companies may calculate Pro Forma EBITDA differently. The Offer Register contains reconciliations between Pro Forma EBITDA and GAAP profit measures as indicated under Section 7.1.
- (4) FY2013 Net Profit After Tax was impacted by the \$13.1 million write-down of assets as part of the sale and leaseback arrangements, which was non-cash in nature.
- (5) Pro Forma Net Profit After Tax in the FY2016F to FY2017F periods reflects pro forma adjustments reflected within Pro Forma EBITDA, with FY2016F presented on a basis as if the new capital structure had been in place for the entire FY2016F period and after adjusting for the write-off of prepaid facility fees resulting from the renegotiation of financing facility arrangements that will apply post IPO. Pro Forma Net Profit After Tax also reflects an adjustment to add back amortisation of customer contracts (Tegel's dividend policy will be based on Net Profit After Tax excluding the expense relating to the non-cash amortisation of customer contracts). The pro forma tax expense has been adjusted to reflect the tax implications of the pro forma adjustments. Pro Forma Net Profit After Tax is a non-GAAP profit measure and is not determined in accordance with GAAP. The Offer Register contains reconciliations between Pro Forma Net Profit After Tax and GAAP profit measures as indicated under Section 7.1. Pro Forma Net Profit After Tax is not presented for the FY2013 to FY2015 periods due to the number of assumptions which would need to be adopted, particularly with respect to the impact of the Pro Forma adjustments on finance expense and income tax expense.
- (6) Tegel did not declare any external dividends between FY2013 and FY2016F. The FY2017F dividend reflects the forecast expected payment of an interim dividend. Refer to Section 6.1 (Dividend policy) for further details of the expected dividend policy.
- (7) Intangible assets and property, plant and equipment represented approximately 72.5% of total assets as at 26 April 2015. Intangible assets consist of goodwill, customer relationships, trademarks and other intangible assets. The \$70.1 million reduction in total assets between 28 April 2013 and 27 April 2014 was primarily due to \$109.1 million of assets which were sold and leased back under long term leases, offset by asset additions in the period.
- (8) Tegel's total liabilities primarily comprise interest bearing debt, trade payables and other payables. The \$87.9 million reduction in liabilities between 28 April 2013 and 27 April 2014 was primarily due to a \$93.5 million reduction in interest bearing debt associated with the sale and leaseback transaction (see note 7). All of the sale and leaseback transaction net proceeds were invested in the business to repay debt and fund capital expenditure.
- (9) The \$131.9 million reduction in total debt between 24 April 2016 and 30 April 2017 is primarily the result of an expected reduction in interest bearing debt from the proceeds of the Offer. The existing debt facilities are expected to be reduced to a balance of \$120.0 million immediately following the Offer.
- (10) Pro Forma total debt represents total debt balance immediately following completion of the Offer.
- (11) Net cash flows from operating activities in FY2017F include IPO transaction costs. FY2013 net cash flows from operating activities include \$33.6 million of interest payments. Interest payments are not included within net cash flows from operating activities over the FY2014 to FY2017F periods and have been classified to financing cash flows. If FY2013 interest payments had been included within financing cash flows, operating cash flows would have been \$64.0 million. Tegel expects to report interest payments within financing cash flows in future periods.

(12) Pro Forma net cash flows from operating activities is a non-GAAP profit measure and is not determined in accordance with GAAP. Pro forma net cash flows from operating activities have been calculated as net cash flows from operating activities adjusted for the cash impact of the pro forma adjustments. The Offer Register contains reconciliations between Pro Forma net cash flows from operating activities and GAAP profit measures as indicated under Section 7.1.

(13) Sourced from the unaudited half year financial statements for the 26 weeks ended 25 October 2015. These statements have been subject to a limited assurance review engagement undertaken by PwC. A copy of the review report provided is included on the Offer Register.

The principal assumptions on which the above prospective financial information is based are set out on the following pages (under the heading 'Overview of pro forma prospective revenue and Pro Forma EBITDA' for each of FY2016F and FY2017F). A full description of assumptions and sensitivities relating to the PFI for FY2016F and FY2017F can be obtained on the Offer Register in the Supplementary Financial Information.

## 7.2 A summary of how Tegel generates revenue

Tegel generates revenue through the following key sources:

- Domestic poultry sales: Tegel generates the majority of its revenue from domestic poultry sales. Poultry consumption, as well as Tegel's ability to maintain or grow its market share are key drivers of domestic poultry sales. New Zealand's poultry market has grown at approximately 6% per year in volume terms since 1970 driven by a variety of factors as detailed in Section 2.6.3;
- Export poultry sales: Export sales are a key focus for Tegel to grow revenue outside of the domestic channel and diversify its customer base. Tegel has delivered significant growth in export sales since commencing its staged export growth strategy in 2009. Tegel's ability to grow export sales volumes with existing customers, win new customers, and establish new territories will be key drivers of future revenue growth.

Key drivers of Tegel's financial performance can be found in Section 1.7 (Key drivers of returns).

## 7.3 Overview of historical revenue and Pro Forma EBITDA

### Introduction

This section provides an overview of the pro forma historical financial performance of Tegel and should be read in conjunction with the table set out in Section 7.1.

The terminology "price / mix" is used in this PDS to refer to the average net sales price per kg of poultry sales volumes. The average net sales price per kg is impacted by each of: underlying sales price, the mix of product sales, and the mix of sales into the different customer channels.

**FY2014 financial performance relative to FY2013**

Between FY2013 and FY2014 Tegel's revenue grew by 6.8% to \$517 million, which was driven by increased sales volumes in both domestic and export channels. The key drivers of Tegel's revenue growth in FY2014 included:

- Domestic poultry sales revenue growth of 3.5% was primarily driven by higher sales volumes across all key customer channels and including the benefit of new products launched in both FY2013 and FY2014;
- Export poultry sales revenue growth of 37.4% was primarily driven by an increase in Australian export sales volumes, which benefited from a number of new product launches, as well as expansion into Asia and the Middle East (total export volume growth of 43.0%). The revenue impact of increased export sales volumes to Australia was partially offset by a decrease in the currency adjusted price / mix, as the Australian dollar depreciated relative to the New Zealand dollar over the period.

Pro Forma EBITDA was broadly constant over the period, with a \$0.2 million increase, as the growth in revenue was offset by continued investment in the cost base to support export growth, as well as an increase in New Zealand dollar feed costs.

**FY2015 financial performance relative to FY2014**

Between FY2014 and FY2015 Tegel's revenue grew by 8.8% to \$563 million. This was predominantly driven by increased sales volumes, which grew by 7.6% over the period. Key specific drivers of Tegel's revenue growth in FY2015 included:

- Domestic poultry sales revenue growth of 7.7%, as Tegel increased sales volumes across all key customer categories through a combination of increasing market share and broader market growth;
- Tegel continued to achieve growth in export revenue in the year, with an 8.8% increase in volumes. The benefit of these increased volumes was largely offset by a further appreciation in the New Zealand dollar to Australian dollar exchange rate; and
- Other revenue increased by 25.6%, predominately due to an increase in feed and offal sales.

Pro Forma EBITDA growth of 17.0% over the period to \$61.1 million was primarily driven by the \$45.5 million revenue increase described above.

**7.4 Overview of pro forma prospective revenue and Pro Forma EBITDA****FY2016F Forecast**

Between FY2015 and FY2016F Tegel's revenue is forecast to increase by 3.3% or \$18.5 million. This forecast growth is expected to be driven by both the domestic and the export channels primarily due to increased volumes. The key factors that Tegel believes will drive this forecast performance are summarised below:

- Domestic poultry sales are forecast to grow by 2.1% in FY2016F as a result of additional contracts with existing and new customers, the full year effect of a supply contract secured in FY2015, as well as continuing underlying market growth. This is forecast to be partly offset by the mix effect of increased volumes on major contracts and a supply / demand imbalance on certain products in the domestic channel during FY2016F which is forecast to rebalance in FY2017F.
- Export poultry sales revenue is forecast to increase by 17.4% in FY2016F, driven by forecast growth across all key export channels. In particular:
  - Growth in Australia relates to volume increases in existing supply contracts, which is partially offset by a further appreciation of the New Zealand dollar relative to the Australian dollar;
  - Growth in Middle East / Asia is driven by growth from existing and new customers; and
  - Significant growth in the Pacific Islands, driven in part by expansion of the Papua New Guinea customer base and a favourable price / mix as a result of a temporary ban on the importation of Australian poultry products into Papua New Guinea due to disease concerns with the Australian product.

Tegel expects Pro Forma EBITDA to increase by 22.3% or \$13.6 million over the period, primarily driven by the forecast revenue increase described above, the impact of a number of ongoing operational efficiency initiatives, and some costs incurred in FY2015 that are not expected to reoccur in FY2016F. During FY2016F, there will be continued investment in the cost base of the business such as initiatives relating to bird welfare and a Tegel brand refresh. In addition, volume increases are forecast to drive higher other growing and processing costs, staff, compliance, utility and property related costs.

### **FY2017F Forecast**

Between FY2016F and FY2017F Tegel's revenue is forecast to increase by 7.6% or \$43.9 million. This forecast growth is expected to be driven by both the domestic and export poultry channels, with a combination of increased volumes and a favourable price / mix effect. The key factors that Tegel believes will drive this forecast performance are summarised below:

- Domestic poultry revenue is forecast to increase by 9.2% in FY2017F, primarily as a result of increased volumes which relate to continuing market growth and the full year impact of two new contracts already secured with existing customers in FY2016F. There is one significant contract expiring during the Prospective Period, and Tegel expects that this contract will be renewed on similar terms. In addition, revenue is also forecast to increase from changes in sales mix and a pricing realignment to offset the increased costs described below.
- Export poultry sales revenue is forecast to increase 2.2% in FY2017F, as Tegel consolidates significant growth achieved during FY2016F. Tegel will continue to look to develop new products for export customers, secure new customers in existing export channels and open access to new countries, however this is not included in the forecasts.

Tegel expects Pro Forma EBITDA to increase by 12.5% or \$9.3 million over the period, driven by the revenue increase described above, the impact of capital expenditure investments and operating efficiency initiatives made part way through FY2016F, as well as the impact of investments and initiatives to be implemented in FY2017F. Tegel expects this to be partly offset by the following increases in the FY2017F cost base:

- an increase in New Zealand dollar feed costs, with fixed price contracts in place for over half of forecast FY2017F commodity purchases and derivative contracts in place for the majority of its forecast US dollar exposure; and
- an increase in processing costs due to the impact of higher volumes and higher direct marketing spend to support brand refresh and product innovation programs.

### **7.5 Net Profit After Tax**

Net Profit After Tax (NPAT) includes certain structural changes in the business, non-recurring items and the impact of the pre IPO capital structure which have been adjusted for in calculating Pro Forma EBITDA.

The key drivers of movements in NPAT over the FY2013 to FY2017F period include:

- FY2013 NPAT was impacted by a non-cash write-down of assets of \$13.1 million as part of the sale and leaseback arrangements.
- FY2014 NPAT increased by \$26.2 million, primarily due to the impact of the pro forma adjustments, in particular the sale and leaseback transactions (with write-down in assets in FY2013 as noted above and a \$15.9 million gain on sale recognised in FY2014) and the closure of a processing plant (\$8.0 million);
- Between FY2014 and FY2015, NPAT decreased by \$5.3 million, primarily due to Tegel moving from a tax benefit to a tax expense position and the impact of the pro forma adjustments;
  - The \$0.5 million NPAT loss position in 1HFY2015 compared to the \$8.7 million profit position for the full year FY2015 was due to the timing of non-recurring costs associated with the closure of the Mount Wellington, Auckland plant.
- Between FY2015 and FY2016F, NPAT is forecast to increase by \$1.3 million, primarily driven by a decrease in net financial expense due to the renegotiation of debt facilities in August 2015, the forecast increase in Pro Forma EBITDA as described above, partly offset by the impact of the pro forma adjustments, in particular the transaction costs of \$4.0 million, the write-off of \$2.2 million of prepaid facility fees resulting from the renegotiation of financing facility arrangements that will apply post IPO and management bonuses of \$8.0 million that will be paid in recognition of past service by senior management. Claris and the Selling Shareholders have agreed to reduce proceeds they will receive on redemption of their Redeemable Shares by the bonus amount; and
- Between FY2016F and FY2017F, NPAT is forecast to increase by \$34.0 million, primarily driven by the decrease in net financial expense associated with the forecast reduction in interest bearing debt from the proceeds of the Offer, the forecast increase in Pro Forma EBITDA as described above and the impact of the FY2016F pro forma adjustments.

## 7.6 Dividends

Tegel expects to declare an interim cash dividend of \$12.3 million in relation to the 1HFY2017F result, expected to be paid in 3QFY2017F. The dividends will be imputed to the extent possible. Tegel anticipates dividends will be fully imputed. Refer to the dividend policy in Section 6 (Key features of ordinary shares in Tegel).

## 7.7 Offer Register information

The following additional financial information is available on the Offer Register:

### Historical financial information

- Audited annual financial statements for the Tegel Group for the periods ended 28 April 2013, 27 April 2014 and 26 April 2015 and interim financial statements for the Tegel Group for the interim period ended 25 October 2015.

### Prospective financial information

- Prospective annual financial statements for the periods ending 24 April 2016 and 30 April 2017 prepared in accordance with FRS-42.

### Other items

- The principal assumptions on which the pro forma historical information and the pro forma prospective information in this Section 7 have been prepared; and
- Reconciliations between:
  - information prepared in accordance with GAAP and the pro forma information presented in Section 7.1; and
  - net profit after tax and EBITDA, the non-GAAP profit measure referred to in Section 7.1.



# Risks to Tegel's business and plans



Set out below is a description of the circumstances that Tegel is aware of that exist or are likely to arise that significantly increase the risk to Tegel's financial position, financial performance or stated plans. Tegel has included its assessment of the nature and potential magnitude of the impact of the circumstances, together with the strategies that exist or that Tegel has adopted to mitigate or reduce the likelihood of the risk arising or the impact of the risk on Tegel were it to arise. These strategies aim to manage or control the risk but will not eliminate the risk altogether. These risks are based on the knowledge and assessment of the directors as at the date of this PDS and it is possible that other risks may emerge over time.

## Feed cost risk

<b>Description of the risk</b>	One of Tegel's main costs is the cost of the raw ingredients (such as corn, wheat, soy bean meal and sorghum) that it uses at its feedmills to make the feed that is used by its breeder and grower operations. The prices of those raw ingredients are constantly changing and are influenced by global demand and supply factors that are outside Tegel's control.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	The availability and price of these raw ingredients for feed production is dependent on crop production, which is affected by weather conditions (especially rainfall) and pests, the global demand for raw ingredients (including in other industries), and Tegel's relationships with key suppliers. A sustained and substantial increase in the costs of these raw ingredients and other feed input costs could have a material adverse effect on Tegel's financial performance.  You can find a sensitivity analysis that shows the impact of a +/- 5% movement in grain and soya commodity prices on revenue and EBITDA, on the Offer Register in Section 5 of the Supplementary Financial Information.
<b>Mitigation strategies</b>	Tegel attempts to manage this risk in the following manner: <ul style="list-style-type: none"> <li>• Tegel has various strategies for managing feed costs. Tegel's current hedging policy in respect of its key raw ingredients allows Tegel to contract for the delivery of raw ingredients up to two years in advance at fixed prices. Tegel retains flexibility in how it manages feed costs so that it can seek to minimise the total cost.</li> <li>• Tegel procures raw ingredients from a variety of global and domestic sources that allows it to select the most cost effective raw ingredients.</li> <li>• Tegel is able to alter its feed formulations and substitute raw ingredients from time to time to reflect changes in the availability and pricing of different raw ingredients. This is also managed by holding raw ingredient reserves on-site at Tegel's feedmills to assist with this production flexibility.</li> <li>• Tegel would look to increase prices for its poultry products over the medium term if Tegel was subject to consistently higher raw ingredient costs that could not be managed in the manner noted above.</li> </ul>

## Foreign exchange risk

<b>Description of the risk</b>	<p>Tegel is subject to foreign exchange risk as Tegel pays for the majority of the raw ingredients for feed in currencies other than NZD. The price Tegel receives for poultry products that it sells in markets outside New Zealand is also in currencies other than NZD.</p> <p>Changes in the value of these currencies may impact the New Zealand dollar value of income received by Tegel or the New Zealand dollar value of the raw ingredients it purchases.</p>
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>Tegel acquires the majority of the raw materials for feedstock from the United States, Argentina and Australia and must generally pay these suppliers in USD. 18% of Tegel's revenue is expected to be generated from exporting products in FY2016F, for which it receives payment in foreign currencies. Given this, there is a risk of losses arising from unfavourable movements in the foreign exchange rates in the market.</p> <p>Fluctuations in foreign exchange rates (in particular the NZD:USD and NZD:AUD exchange rates) can be volatile and may have a material adverse effect on Tegel's financial performance.</p> <p>Further, as Tegel looks to expand its export operations, it is expected that Tegel will be exposed to additional currencies and foreign exchange rates. Any adverse exchange rate fluctuations or volatility in the currencies in which Tegel generates revenues and incurs costs may have a material adverse effect on Tegel's financial performance and its ability to deliver on its plans.</p> <p>You can find a sensitivity analysis that shows the impact of a +/- 1 cent movement in NZD:AUD and NZD:USD exchange rates on revenue and EBITDA, on the Offer Register in Section 5 of the Supplementary Financial Information.</p>
<b>Mitigation strategies</b>	<p>Tegel attempts to manage this risk in the following manner:</p> <ul style="list-style-type: none"> <li>• Tegel operates a hedging protocol in respect of its foreign exchange risk which helps to mitigate unfavourable movements in foreign exchange rates.</li> <li>• Tegel has the ability to reduce USD denominated feed purchases and increase NZD denominated feed purchases.</li> <li>• Tegel would look to increase prices for its poultry products over the medium term if it was subject to consistently unfavourable foreign exchange rates that could not be managed in the manner noted above.</li> </ul>

## Poultry import restriction risk

<b>Description of the risk</b>	<p>The New Zealand government imposes strict restrictions on the importation of poultry into New Zealand. Any alteration to these restrictions that would either allow the importation of fresh, frozen or value added chicken products into New Zealand and/or reduce the biosecurity requirements that need to be met in order to import chicken products, would likely have a material adverse effect on Tegel's financial performance.</p>
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>The purpose of the restrictions on the importation of poultry products is to prevent the introduction of exotic avian diseases into New Zealand. Currently the only poultry products that may be imported into New Zealand are turkey meat, retorted (heat treated) products in jars, cans and high density plastic, and cooked poultry products from Australia that in each case meet all relevant biosecurity requirements. Cooked poultry products from Australia must come from farms and processing facilities that are free from infectious bursal disease (which is prevalent in Australia). Tegel considers it unlikely that any Australian manufacturer can meet this requirement, therefore does not consider significant volumes of cooked poultry products would be imported.</p> <p>Though Tegel considers it is unlikely, if the New Zealand government was to allow the importation of fresh, frozen or value added chicken products into New Zealand and/or reduced the biosecurity requirements that need to be met in order to import chicken products, this would likely have a material adverse effect on Tegel's financial performance as overseas produced chicken products may be cheaper than New Zealand produced chicken. If this was to occur, the impact on Tegel's financial performance would depend on the types of chicken products that were allowed to be imported, the territories from which chicken products could be imported and the standards which overseas suppliers were required to comply with.</p>
<b>Mitigation strategies</b>	<p>Tegel considers it unlikely that the New Zealand government would significantly change its biosecurity restrictions on the importation of chicken as this would be likely to increase the risk of avian diseases entering New Zealand. If there was a change in position, it is likely this would include strict requirements that need to be met (as is currently the case for cooked chicken products from Australia) before chicken products could be imported, which would likely increase the cost of production for overseas suppliers. If overseas produced chicken products were imported, Tegel would focus its marketing strategy to inform consumers of the quality difference between its products and those being imported.</p>

## Biosecurity risk

<b>Description of the risk</b>	New Zealand is one of the few countries in the world that has never had an outbreak of avian influenza. If avian influenza or another exotic avian disease was introduced to New Zealand and it infected Tegel's flock, it could negatively affect both Tegel's domestic and export businesses.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>There are three major avian diseases, being Newcastle disease, highly pathogenic avian influenza (HPNAI) and infectious bursal disease. If an outbreak of any of these diseases or another disease that affects poultry occurred in New Zealand and infected any of Tegel's breeder or grower farms, the birds at those farms would need to be destroyed in an attempt to eradicate the disease.</p> <p>There is also a risk that domestic and overseas demand for Tegel's poultry products would drop significantly if avian influenza or another exotic avian disease was introduced to New Zealand, irrespective of whether it infected Tegel's flocks.</p> <p>This would likely have a material adverse effect on Tegel's financial performance, financial position and its ability to deliver on its plans, as it would be likely to both reduce the demand for Tegel's products domestically and overseas, and increase Tegel's production costs. The extent of any impact on Tegel would depend on the degree of any outbreak, whether the outbreak infected Tegel's flocks, whether the outbreak could be eradicated, and, if so, the time frame in which that could be achieved.</p>
<b>Mitigation strategies</b>	<p>The New Zealand government seeks to prevent the introduction of exotic avian diseases into New Zealand through strict import regulations.</p> <p>The Ministry for Primary Industries has comprehensive response plans and policies for exotic avian diseases, which they would implement if those diseases are detected in New Zealand.</p> <p>As a member of the World Organisation for Animal Health, New Zealand is expected to conduct surveillance to demonstrate its freedom from HPNAI. HPNAI and all subtypes of avian influenza are classed under the Biosecurity Act 1993 as a notifiable organism in New Zealand. This means that any suspect cases must be notified to the Ministry for Primary Industries immediately.</p> <p>If avian influenza or another exotic avian disease was detected in New Zealand, Tegel would increase the biosecurity procedures at its various facilities in an attempt to prevent that disease from infecting its flock.</p>

## Loss of key customer risk

<b>Description of the risk</b>	Tegel is subject to the potential loss of, or reduction in demand from, key customers in its domestic and export markets.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>Tegel could lose key customers or demand for Tegel's products from those customers could reduce, including during the Prospective Period, for a number of reasons. Some of Tegel's key customers require Tegel to tender all or part of their business on a regular basis (for example between six month and two year intervals) and there is a risk that Tegel may not be successful in retaining its existing business with them. Other factors that could lead to a loss of customers or reduced demand include failing to meet food safety and health and safety standards, failure to deliver products on time, damage to Tegel's brand, consolidation of customers, insolvency of customers or increased competition. Any loss of key customers may have a material adverse effect on Tegel's financial performance. Tegel has one significant contract that expires during the Prospective Period, however Tegel expects that this will be renewed on similar terms.</p>
<b>Mitigation strategies</b>	<p>Tegel has long term relationships with most of its key customers even though a number of them require Tegel to tender for their business on a regular basis. Tegel believes that these relationships and its ability to deliver products across the North and South Islands six days a week means that Tegel is in a strong position when it comes to winning tenders. Tegel also works with many of its customers on new product development so that it can offer a range of products that its customers (and their end consumers) want to purchase, increasing the likelihood that its customers will want to keep purchasing its products. When Tegel tenders for business it may lose some product lines that it has previously supplied to that customer, but Tegel usually also has the opportunity to gain other product lines for that customer.</p>

## Food handling and safety risk

<b>Description of the risk</b>	If Tegel's products are subject to improper or poor handling or processing this could affect the safety of its products. Further, poultry is at risk of contamination in the production, supply and storage processes.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	Poultry is susceptible to contamination throughout all stages of the production chain, including campylobacter, salmonella, listeria and E. coli. Certain bacteria can be destroyed by proper cooking and by the customer adopting appropriate food handling practices when dealing with poultry. The risk of Tegel's products becoming unsafe is more acute in respect of its export products, due to the complexity and length of the supply chains involved in exporting poultry. Tegel may also be subject to the threat of malicious tampering and product extortion. If Tegel's products were to become unsafe (or perceived to be unsafe) for any reason this could negatively affect its brand and reputation with its suppliers, customers, the general public and regulators, which may result in the loss of key customers or reduced demand for its products. Further, Tegel may incur significant product recall costs, other operational costs in order to address any issues, and compensation/penalty payments. These factors may have a material adverse effect on Tegel's financial performance and its ability to achieve its plans. In the past 3 years Tegel has had no product recalls.
<b>Mitigation strategies</b>	Tegel operates under strict adherence to Government and food safety process controls and has a comprehensive risk management programme and full traceability from finished product to production. Tegel is audited by the Ministry for Primary Industries, other independent regulatory bodies and multinational customers (to their standards). Tegel is subject to a range of laws and regulations in New Zealand and in the countries to which it exports. Tegel has a registered Risk Management Programme, which is independently audited by government recognised persons.

## Animal welfare risk

<b>Description of the risk</b>	The health and welfare of Tegel's flock is of paramount importance to its operations, especially from a disease perspective. Also, mortality can become an issue if birds are not treated in accordance with Tegel's policies and procedures.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	If any of Tegel's birds are mistreated at any stage of their growth or if any of its policies and procedures are not followed at a breeder or grower farm there is risk that Tegel's birds could become susceptible to disease and other illness, and/or that the mortality rates would increase. This may have a material adverse effect on Tegel's financial performance as it may incur increased costs to address illness in its flock and decreased revenue due to a lower number of birds being processed. In addition, any treatment of Tegel's birds that is not in line with animal welfare standards, or the development of a public perception that Tegel mistreats its birds, could negatively affect its brand and reputation, which could decrease demand for its products and negatively affect its financial performance.
<b>Mitigation strategies</b>	Tegel has comprehensive animal welfare policies and procedures in place, which all Tegel's breeders, hatcheries and growers are required to comply with. Tegel is required to, and aims to, comply with the Animal Welfare Act 1999 (AWA) and applicable Codes of Welfare issued by the Ministry for Primary Industries. Tegel has recently engaged an independent third party to audit all of its production facilities with respect to compliance with the AWA.

## Operational supply chain interruption risk

<b>Description of the risk</b>	<p>Tegel's supply chain is complex and involves various components. If there was an issue with one part of Tegel's supply chain this could have a flow on effect to other parts, which may ultimately disrupt its operations and have a negative effect on its financial performance.</p>
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>Tegel's supply chain is complex and involves a number of interlinked components. These include its feedmills, breeder farms, hatcheries, grower farms, processing plants and distribution arrangements, many of which involve transporting and caring for live birds. In many cases the components of the supply chain are time critical, such that a disruption to any part of the operations could have a direct or indirect impact on the health and welfare of the birds. Some of these components, such as grower farms and distribution arrangements are also provided by third parties that Tegel contracts with.</p> <p>Issues can arise, for example, if feed is not provided to the breeder and grower farms, or if delays in the growing and processing operations lead to delays in the delivery of products to customers (which, in the case of export operations, can mean that distributing products to customers on time can be more costly if pre-arranged delivery times to the transport operators are not met). It may take time to address disruptions to Tegel's supply chain, including arranging alternative arrangements, if necessary.</p> <p>A disruption to Tegel's supply chain may have a material adverse effect on its financial performance as there may be costs associated with rectifying the default, short term costs involved in establishing alternative arrangements, loss of revenue where products are not supplied, and loss of business and market share due to its reputation with customers being negatively affected.</p>
<b>Mitigation strategies</b>	<p>Tegel has vertically integrated operations with processing plants in three locations, and network coverage with capabilities to provide intraday delivery service. Tegel's distribution centres are large and have surplus capacity. These attributes mean that Tegel has more control over its supply chain, and is able to shift various components to different locations if there is a disruption in one location.</p> <p>Tegel's supply chain model is well established and includes a disciplined approach to inventory levels, and an established export freight network covering many regions including Australia, the UAE, the Pacific Islands and Hong Kong. Tegel has clear processes and procedures in place with third party contractors involved in its supply chain to reduce the risk of issues in the services they provide.</p>

## Fluctuations in domestic chicken supply and pricing

<b>Description of the risk</b>	<p>Any increases in the supply of chicken in the domestic market (for example as a result of increased production) that exceed the increases in demand in the market may result in an oversupply of chicken in the market, which may result in reduced prices and negatively affect Tegel's financial performance.</p>
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>There are a number of other suppliers in the market in which Tegel operates. If another supplier (or suppliers) increase the number of birds they process, and there is insufficient demand in the market to meet this supply, this can lead to an oversupply of chicken in the market and a reduction in prices. This may occur in circumstances where that supply needs to be sold immediately (for example in relation to fresh chicken which the supplier is unable or unwilling to freeze or further process). In these circumstances prices may be affected in respect of particular products or in particular regions, or may be affected more broadly across the market, in each case until such time as demand increases or the supply reduces.</p>
<b>Mitigation strategies</b>	<p>Tegel has cold storage facilities at its three processing plants and has multiple third party contracts with other facilities. This provides surplus capacity that can accommodate increases in frozen inventory levels during oversupply of chicken into the market.</p>

## Capital expenditure

<b>Description of the risk</b>	Delays in the procurement or commissioning of capital equipment or delays in the implementation of planned operational efficiency projects may have a material adverse effect on Tegel's financial performance during the Prospective Period.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	<p>Tegel has budgeted capital expenditure for a number of items during the Prospective Period, including the development of a new hatchery, the replacement of a spiral freezer, the acquisition of a breast deboning machine, the development of a new breeder farm in Christchurch, information system upgrades and a number of other maintenance, growth, health and safety, and regulatory projects. If there are any delays in the procurement or commissioning of this capital equipment or in the implementation of these projects, or any other delays that mean the equipment is not utilised or efficiency gains not realised on the dates expected then this may have an impact on Tegel's financial performance during the Prospective Period.</p> <p>You can find more information on the budgeted capital expenditure projects on the Offer Register in the Supplementary Financial Information.</p>
<b>Mitigation strategies</b>	Tegel's plans for the acquisition and implementation of capital expenditure and the implementation of operational efficiency projects include reasonable assessments of the time it takes to procure and commission capital equipment, and implement projects, in order to reduce the likelihood of the risk arising. Tegel has various processes and strategies that it would look to implement if there was a delay, including strategies to reduce the length of delay and minimise the impact of any delays. What action Tegel takes will depend on the particular circumstances, including the nature of the capital equipment or project and the cause of the delay.

## Regulatory risk

<b>Description of the risk</b>	Tegel is subject to the law and regulations of each country in which it sells its products. Non-compliance in relation to Tegel's operations could have a restrictive and adverse impact on its farming, processing or sales operations. The introduction of new laws or regulations or a change to the laws or regulations in a country in which Tegel sells products that restricts or prevents it selling products in that country, increases the costs of sale, allows competitors to sell in that country or otherwise impacts Tegel's business, could likely have a material adverse effect on Tegel's financial performance and position.
<b>Tegel's assessment of nature and potential magnitude of the risk</b>	Tegel is subject to the risk that changes to laws and regulations (both in New Zealand and overseas) may adversely affect its sales, costs, relative position and other aspects of its financial or operational performance, or force other undesired changes to its business model or the business model of its suppliers, distributors or customers. Tegel believes this risk is more prevalent in the poultry industry due to food safety and biosecurity concerns. Changes in regulations relating to poultry in New Zealand, Australian and other overseas markets could create significant risk that Tegel may produce products which could not be sold to the intended market or customer, or adversely affect Tegel's competitive position, for example by allowing competitors to enter a market in which it sells product.
<b>Mitigation strategies</b>	Tegel monitors regulatory requirements in New Zealand and in the offshore markets to which it exports goods with the aim of ensuring that it complies with applicable requirements. New Zealand poultry is considered healthy and safe by world standards as there is no need to vaccinate broiler birds in New Zealand. Given this, Tegel considers that it is unlikely that there will be changes to regulatory regimes in offshore markets to restrict the importation of poultry from New Zealand. Internal audits of Tegel's operations check that it complies with these requirements. Further, a number of areas of its business are regularly audited by external auditors.

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# Tax

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In this section, 'you/your' refers to the person who acquires the Shares (including but not limited to an individual, trust or company).

Tax can have significant consequences for investments and can affect your return from the Shares.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.





## Where you can find more information

Further information relating to Tegel and the Shares is available on the Offer Register (for example, Tegel's Constitution and financial statements). A copy of information on the Offer Register is available on request to the Registrar. The Offer Register can be accessed at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), offer number OFR10514.

Further information relating to Tegel is also available on the public register at the Companies Office of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

Once Tegel is listed, it will be required to make half-yearly and annual announcements to NZX and ASX and such other announcements as required by the NZX Listing Rules and ASX Listing Rules from time to time. You will be able to obtain this information free of charge by searching under Tegel's stock code "TGH" on NZX's website [www.nzx.com](http://www.nzx.com) and ASX's website [www.asx.com.au](http://www.asx.com.au).

# How to apply

## **11.1 How to apply**

You should read this PDS and other available information carefully before applying for Shares.

You can apply for Shares as follows:

- **Broker Firm Offer:** Once you have received confirmation of a firm allocation from an NZX Firm (for New Zealand resident investors) or ASX Broker (for Australian resident investors), you can apply for Shares under the Broker Firm Offer by completing the Broker Firm Application Form at the back of this PDS.  
If you wish to apply under the Broker Firm Offer you should contact your NZX Firm (for New Zealand resident investors) or ASX Broker (for Australian resident investors) if you require further instructions.
- **Priority Offer:** If you have been invited by Tegel to participate in the Priority Offer, you can apply for Shares by completing the Priority Offer Application Form at the back of this PDS or by completing the online application form at [www.shareoffer.co.nz/tegel](http://www.shareoffer.co.nz/tegel) by following the on screen instructions.
- **Institutional Offer:** Full details of how to participate, including bidding instructions, will be provided by the JLMs to invited participants in due course.

## **11.2 Privacy Policy**

If you apply for Shares, you will be asked to provide personal information to Tegel, TGHLNZ, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application. Details of how your personal information will be used (including to whom it may be disclosed) and your rights to access and seek correction to such information can be found on the Offer Register, in the document entitled "Other material information".

You can access your information on the Share Registrar's website:

### **11.2.1. New Zealand Registry:**

[www.computershare.co.nz](http://www.computershare.co.nz) (you will be required to enter your CSN and Authorisation Code (FIN)).

### **11.2.2. Australian Registry:**

[www.computershare.co.nz](http://www.computershare.co.nz) (you will need your SRN (Shareholder Reference Number) and postcode for secure access).

Section  
**12**

# Contact information

## Tegel and TGHLNZ

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## Share Registrar

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# Glossary

<b>Additional Australian Information</b>	Additional information containing disclosure relevant to Australian investors in the Institutional Offer and Broker Firm Offer and to comply with requirements for a recognised offer under Chapter 8 of the Australian Corporations Act 2001 (Cth) and the Australian Corporations Regulations 2001 (Cth)
<b>Allotment Date</b>	4 May 2016 (on NZX) and 5 May 2016 (on ASX), unless brought forward or extended by Tegel
<b>Applicant</b>	An investor whose application for Shares has been received by the Registrar prior to the Closing Date
<b>Application</b>	An application to subscribe for Shares under the Offer
<b>Application Form</b>	The Application Form attached to this PDS to subscribe for Shares under the Broker Firm Offer or the Priority Offer (as applicable)
<b>Application Monies</b>	The monies payable on Application
<b>ASX</b>	ASX Limited ABN 98 008 624 691, or the financial market operated by ASX Limited, as the context requires
<b>ASX Listing Rules</b>	The listing rules of ASX as amended or waived from time to time
<b>ASX Broker</b>	Any company, firm, organisation or corporation designated as a market participant by ASX
<b>AUD</b>	Australian Dollar
<b>Board</b>	The board of directors of Tegel
<b>Broker Firm Offer</b>	The offer available to New Zealand resident clients of selected NZX Firms who have received an allocation from that NZX Firm and to Australian resident investors who have received an invitation to apply for an allocation of Shares from an ASX Broker that has received an allocation
<b>Business Day</b>	A day on which the NZX Main Board is open for trading
<b>CAGR</b>	Compound Annual Growth Rate. The average year-over-year growth rate of an investment over a specified period of time
<b>Claris</b>	Claris Investments Pte Limited
<b>Constitution</b>	The new constitution of Tegel which will be adopted on allotment of Shares under the Offer
<b>EBIT</b>	Earnings before interest and income tax (Operating Profit)
<b>EBITDA</b>	Earnings before interest, income tax, depreciation and amortisation
<b>F</b>	The inclusion of "F" after a reference to a financial period is an indication that it is a forecast period
<b>FCR</b>	Feed conversion ratio calculated as the quantity of feed used to generate a kilogram of chicken liveweight
<b>Final Price</b>	The price per share at which the Shares will be allotted, to be determined after the conclusion of the Bookbuild process and expected to be announced and posted on <a href="http://www.shareoffer.co.nz/tegel">www.shareoffer.co.nz/tegel</a> on or about 19 April 2016

<b>FMC Act</b>	Financial Markets Conduct Act 2013
<b>FMC Regulations</b>	Financial Markets Conduct Regulations 2014
<b>FY</b>	A financial year
<b>GAAP</b>	Generally Accepted Accounting Practice
<b>ICG Group</b>	Intermediate Capital Group plc and its wholly owned subsidiaries as at the date of this PDS
<b>Indicative Price Range</b>	\$1.55 to \$2.50 per Share
<b>Institutional Investors</b>	Investors who the JLMs determine are persons to whom an offer or invitation in respect of ordinary shares may be made without the need for a registered PDS under the FMC Act
<b>Institutional Offer</b>	The offer available to selected Institutional Investors in New Zealand, Australia and certain other jurisdictions
<b>IPO</b>	The initial public offer of Shares in Tegel pursuant to this PDS
<b>Joint Lead Managers (JLM)</b>	Deutsche Bank AG, Sydney Branch, together with Deutsche Craigs Limited and Goldman Sachs New Zealand Limited
<b>New Zealand Lead Manager (NZLM)</b>	First NZ Capital Securities Limited
<b>NZD or NZ\$ or \$</b>	New Zealand Dollar
<b>NZX</b>	NZX Limited
<b>NZX Firms</b>	A sharebroking firm authorised to trade shares on the NZX Main Board
<b>NZX Listing Rules</b>	The Listing Rules of the NZX Main Board in force from time to time and "NZX Listing Rule" means a rule contained in the NZX Listing Rules
<b>NZX Main Board</b>	The main board equity securities market operated by NZX
<b>Offer</b>	The offer of ordinary shares under this PDS
<b>Offer Register</b>	The Offer Register for the Offer which can be found at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> , offer number OFR10514
<b>PDS</b>	This Product Disclosure Statement
<b>Priority Offer</b>	The offer available to employees of the Tegel Group, approved growers and other approved Priority Offer participants
<b>Prospective Financial Information or PFI</b>	Financial information for Tegel for the Prospective Period
<b>Prospective Period</b>	The financial years ending 24 April 2016 and 30 April 2017
<b>QSR</b>	Quick Service Restaurant
<b>Redeemable Shares</b>	Redeemable shares in Tegel
<b>Selling Shareholders</b>	Asia Investment Capital 1 Limited and Intermediate Capital Hong Kong Limited who have agreed to sell Shares into the Offer via TGHLNZ
<b>Share Registrar</b>	Computershare
<b>Tegel</b>	As the context requires, either Tegel Group Holdings Limited or the business carried on by the Tegel Group
<b>Tegel Group or Group</b>	Tegel Group Holdings Limited and its wholly owned subsidiaries as at the date of this PDS, being Ross Group Enterprises Limited, Tegel Foods Limited and Tegel International Services Limited
<b>TGHLNZ</b>	TGHLNZ Limited
<b>USD or US dollar</b>	United States Dollar
<b>We, our, us</b>	As the context requires, either Tegel or the Tegel Group