



## Biological assets boost valuation for TFS

Indian sandalwood producer TFS Corp has increased its full-year guidance, after posting a record half-year profit, boosted by revaluations of its plantations and a stronger US dollar.

TFS founder chief executive Frank Wilson said the higher valuation of its biological assets to \$89.6 million in the first half of fiscal 2015 from \$18.1 million previously was due to increased size of plantations, greater tree maturity, and the higher value of the US dollar against the Australian dollar.

Mr Wilson declined to comment on the legal action launched this week against broker Taylor Collison, claiming a report by one of its analysts is misleading, deceptive and damaging to the company.

However, he said the first half has set the company up for a strong year, increasing full-year net profit guidance to at least \$90 million from \$70 million. He reaffirmed cash EBITDA of \$56 million, up 10 per cent on the prior year.

Net profit increased to \$55 million in the first half compared with \$3.2 million in the prior corresponding period. Cash EBITDA grew significantly to \$6.7 million from a prior \$9 million loss, driven mostly by increased plantation sales to a US institutional investor, and higher sandalwood oil sales. TFS said the gain on the biological assets far exceeds the loss on the revaluation of its senior secured notes.

The stock jumped 7 per cent, or 12¢ higher, to close at \$1.835 on Thursday, its highest close in five months.

"I think what people have looked at is the first half is normally a loss-making half, but it's the beginning of a turnaround for us where we won't be so heavily backended as our oil sales increase. This sets us up for a good year," Mr Wilson said.

One analyst was surprised by the market reaction given the most important period for TFS is the second half. However, he noted that orders from Galderma for its acne product totalled more than one tonne of sandalwood oil, which is a key driver of institutional investment.

Read more: <http://www.smh.com.au/business/biological-assets-boost-valuation-for-tfs-20150226-13pl00.html#ixzz3U5EZHi0d>

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