

Tassal Group Limited

FY2017 Roadshow



**Mark Ryan, Managing Director & CEO
Andrew Creswell, CFO**

September 2017

FY2017 key highlights

A record result underpinned by a focus on sustainability

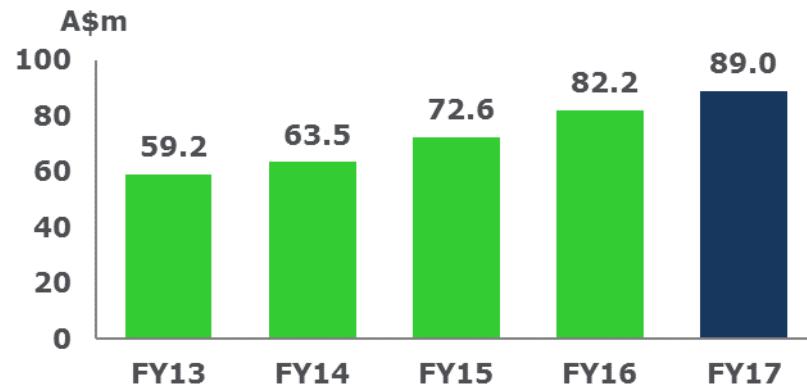


- **Favourable salmon pricing in wholesale and export markets**
 - Local and global salmon stocks adversely affected by environmental factors in CY2016
 - More than offset by significantly higher salmon prices which are anticipated to continue in FY2018
- **Favourable salmon growing conditions allowed a focus on optimising biomass and size**
 - Step change in biomass achieved - salmon was kept in the water longer
 - Increased fish size – by the end of FY2017 circa 4.8kg hog and forecast to improve in FY2018
- **Sales mix managed to optimise returns and deliver growing earnings**
 - Lowered retail sales to around 52% of total sales (FY2016: 68%)
 - Total salmon revenue up 3.5%, while volume down (6.2%). Average salmon selling (\$/hog kg) price up 10.4%
- **De Costi Seafoods driving seafood sales and category growth**
 - Successful integration; increasing returns

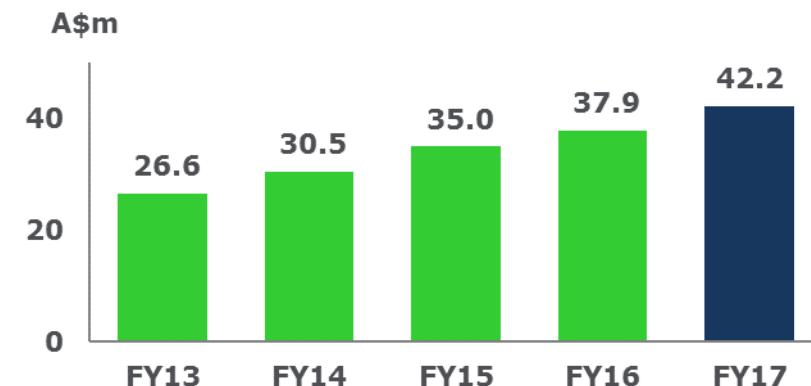
Record earnings; sustainable growth



Operating EBITDA: \$89.0m



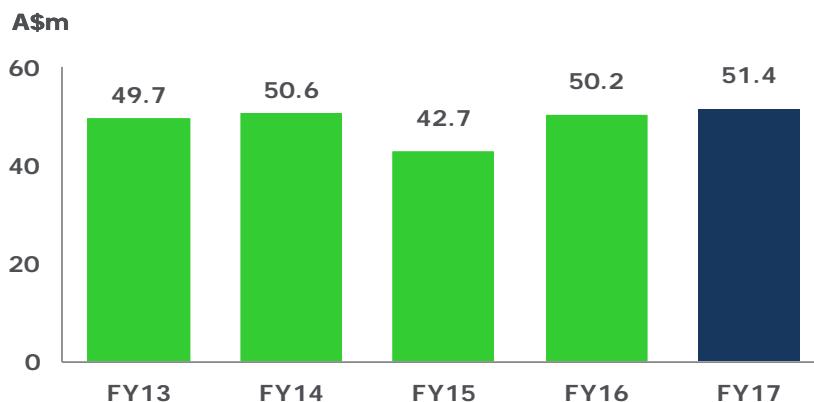
Operating NPAT: \$42.2m



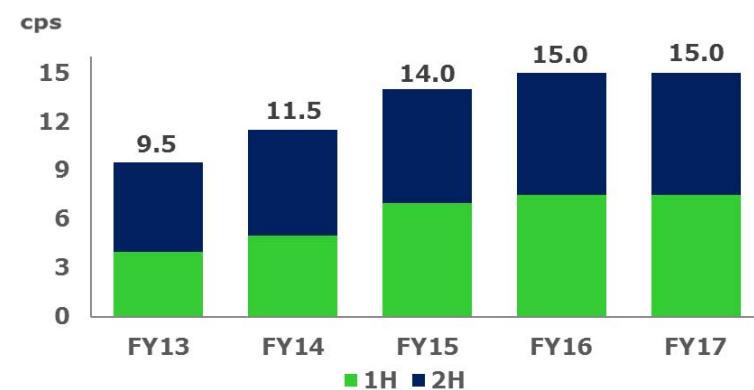
- Statutory EBITDA up 17.7% to \$114.6m

- Statutory NPAT up 19.8% to \$58.1m

Operating Cashflow: \$51.4m



Full year Dividend:
15.0 cps, fully franked



Optimising sales mix – domestic / export



FY2017: Domestic 90.1%: Export 9.9%

Domestic revenue down 2.8%

Domestic Sales (A\$m)	2017	2016	Change
Salmon	330.94	346.92	(4.6%) ▼
Seafood	69.64	65.22	6.8% ▲
Total	400.58	412.14	(2.8%) ▼

Export revenue up 238.3%

Export Sales (A\$m)	2017	2016	Change
Salmon	40.92	12.21	235.1% ▲
Seafood	3.22	0.84	284.8% ▲
Total	44.14	13.05	238.3% ▲

Domestic market

- Rebalanced domestic sales mix (retail 57.6%: wholesale 42.4%)
- Harvesting and sales held back to optimise growth, size and operating efficiencies

Export market

- Attractive due to global supply constraints, increased pricing and favourable A\$
- Medium-term dynamics support current pricing due to both supply and cost of growing outlook

Optimising sales mix – retail / wholesale



FY2017: Retail 57.6%: Wholesale 42.4%

Retail revenue down 20.6%

Domestic Retail Market	2017	2016	Change
Salmon Volume (Hog equiv tonnes)	12,541	18,330	(31.6%)
Salmon Average Price (\$/Hog kg equivalent)	14.90	13.65	9.2%
Salmon Revenue (\$m)	186.87	250.18	(25.3%)
Seafood Revenue (\$m)	43.85	40.35	8.7%
Total Revenue (\$m)	230.71	290.54	(20.6%)

Wholesale revenue up 39.7%

Domestic Wholesale Market	2017	2016	Change
Salmon Volume (Hog equiv tonnes)	9,669	7,674	26.0%
Salmon Average Price (\$/Hog kg equivalent)	14.90	12.61	18.2%
Salmon Revenue (\$m)	144.07	96.74	48.9%
Seafood Revenue (\$m)	25.80	24.86	3.8%
Total Revenue (\$m)	169.87	121.60	39.7%

Retail

- Required rebalancing as it is high volume but lower margin
- Continue to manage sales mix to optimise long term returns

Wholesale

- Greater flexibility re pricing and timing of harvest / sales volume but more volatile
- Important for extending the timing of harvest, scale & cost of growing efficiencies

Sustainability & Environment

Underpins everything we do



- Tassal is independently assessed by Aquaculture Stewardship Council (**ASC**) and in partnership with WWF-Australia
- Maintaining ASC certification for harvest fish is a priority – it is very difficult to obtain and then maintain. Gold standard of certification
- Tassal was the first salmon producer globally to achieve ASC across its entire business for harvest fish – and remains as one of only two (Petuna) who have this in Australia
- Tassal has 100% 'out of lease' compliance on all its leases ... including Macquarie Harbour
- The Waste Capture System, approved by the Environment Protection Authority (EPA), is an excellent solution for safeguarding environmental conditions in low energy sites
 - A clear example of industry innovation that seeks to consistently lower environmental footprint
- Tassal's intent is to balance environmental, financial, operational and societal/community value principles and practices

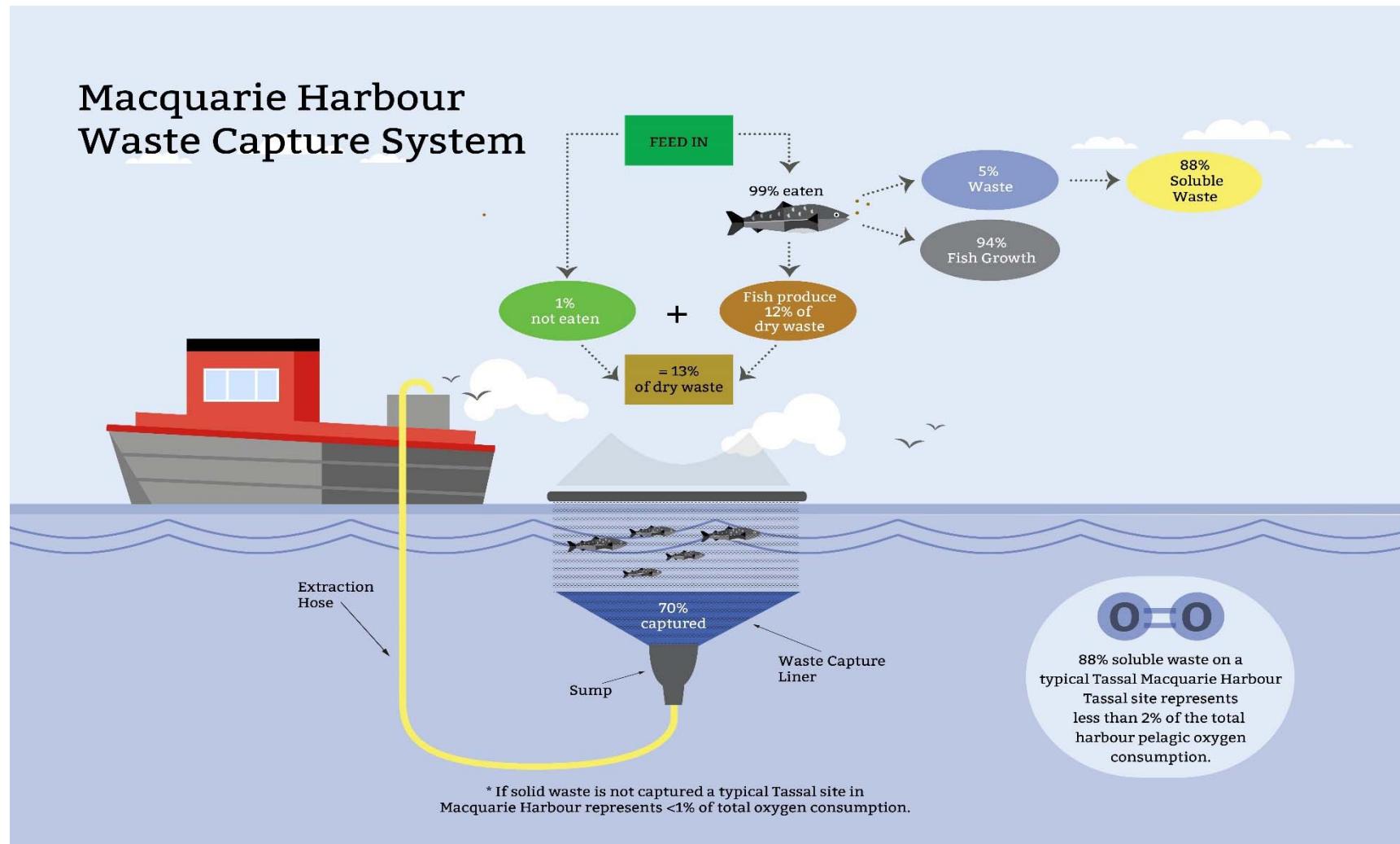
Macquarie Harbour



Full compliance confirmed by EPA for 'out of lease' compliance – i.e. there must be no significant visual impacts at, or extending beyond, 35-metres from the boundary of the lease area

- Middle Harbour lease #214 and Gordon lease #219 remain with 100% full compliance
- Franklin lease #266 is now also 100% 'out of lease compliant'
 - Expectation is that this lease will be stocked again in 2018
- Recent surveys have shown signs of biological recovery in the benthic communities at Franklin lease
- Any salmon grower in Macquarie Harbour can stock up to 28 tonnes of fish per hectare if it is using an EPA approved Waste Capture System
- Tassal has installed Waste Capture Systems on cages where biomass in excess of 13 tonnes per hectare, and also on a number of the cages below this level of tonnage
- Tassal is committed to maintaining a sustainable operation in Macquarie Harbour

Macquarie Harbour



Transparency



Tassal is recognised globally for its transparency and has a strong history of marine compliance

- Tassal's superior record of sustainability in the industry should provide comfort to investors
 - Tassal has consistently and proactively informed the market on its environmental initiatives and achievements
- ASC is considered the 'gold standard' global certification – independently audited
- Tassal was recently ranked #2 salmon business in the world for transparent corporate, social and environment reporting (seafoodintell.com) – top 3 since 2012
- EPA Tasmania has confirmed that Tassal has full 'out of lease' compliance across all three of its leases in Macquarie Harbour ... Tassal now has 100 per cent 'out of lease' compliance state-wide
- Tassal believes that the current proceedings brought on by Huon are misconceived and are being **vigorously defended by all parties**. We are yet to see any science upon which Huon's proceedings are based

Positive outlook for FY2018



Another record result expected

Tassal's **Right to Grow** strategic priorities are:

- Increasing salmon volume to position Tassal with the superior biomass in the Australian market, optimal margins and greatest scale
- Enhancing salmon growing performance on the back of Tassal's Selective Breeding Program (**SBP**)
- Farming expansion - Okehampton, Port Arthur & Oceanic Sites in Storm Bay
- Processing expansion – automation and processing capacity
- Maintaining existing channels to market and further enhancing the Export strategy (i.e. Asia... office opening in China towards end of 2017) – to benefit from strong salmon sizes and pricing which are expected to continue
- Continuing to improve traceability and freshness of products given consumer trends
- Tasmanian Government supporting growth of Industry through the proposed State Sustainable Industry Growth Plan

Contribution margin



Tassal is not overly reliant on Macquarie Harbour

- There has been some market concern regarding reducing salmon biomass out of Macquarie Harbour, with a particular focus on increased growing costs from FY2019
 - Tassal is not solely reliant on Macquarie Harbour... we have a network of leases and potential leases throughout Tasmania to provide a natural hedge / risk mitigation
 - Tassal has illustrated in 2017 that we can direct salmon numbers and biomass to other locations and materially reduce the number of fish grown in Macquarie Harbour for harvest in FY2019
- Tassal's cost of growing efficiency has improved and continues to get closer to global best practice as we move towards an average of 5kg hog
 - **Global cost of growing averaging circa \$6/kg hog vs Tassal which is circa \$6.50/kg hog**
- While Tassal manage costs tightly, our focus is on **optimising contribution margin**
 - **Favourable pricing dynamics, improved sales mix and further efficiency improvements**, are expected to more than offset potential increased growing costs

Contribution margin



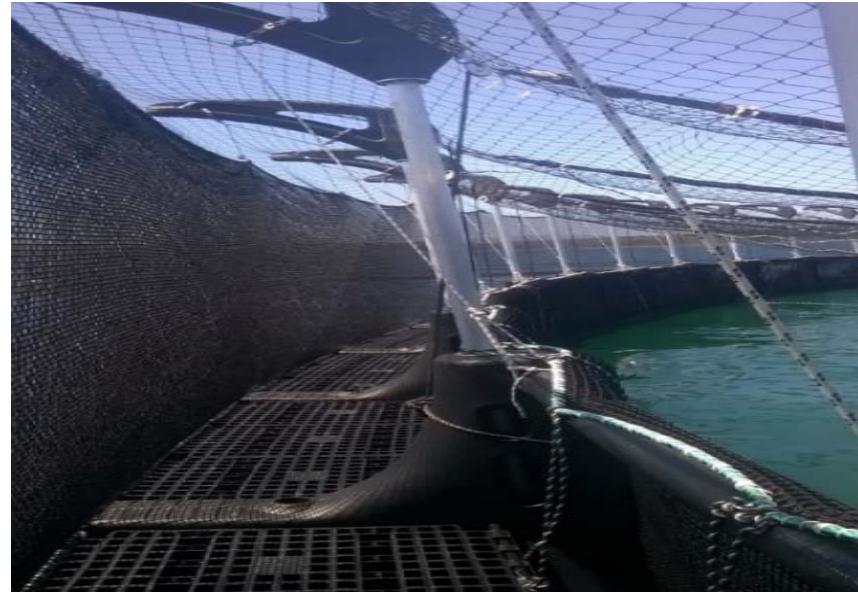
Tassal will continue to deliver efficiency improvements

- Tassal has commenced moving to centralised land based feeding ... ensures efficient and sustainable feeding to allow optimal growth while ensuring environmental and people safety outcomes
- Feed barges (including upgrades) and cameras rolling out to support land based feeding ... ensure we can feed appropriate number of pens at once and optimise feeding times (optimise growth and feed conversion) and reducing benthic and environmental risk
- Continued roll out of Tassal's 'Sanctuary' pens which to date have had 0 seal breaches. Sanctuary pen is a 168m circumference pen with a single underwater 25mm k-grid mesh net (stiff, strong and seal proof) with a 3m high external seal fence to prevent "over the top" seal incursions and upgraded bird-net and bird-net stand to ensure a fully enclosed pen (supports people and fish safety)
- Harvest and wet processing efficiency improvements with new 250 tonnes harvest vessel (2.5x more capacity vs current harvest boat)
- Reduced bathing and improved growth outcomes from continued benefits of Tassal's SBP
- Further automation at De Costi Seafoods to support the large demand growth in seafood and salmon MAP packaged ranges

Centralised land based feeding ... supported by feed barges and camera technology



Sanctuary Pens



Harvest Vessel



Salmon pricing



Expected to remain strong in FY2018

- Salmon pricing is at historic highs and is expected to remain elevated in both domestic and export markets
- Domestic market expected to grow at circa 10% pa
- Fundamental drivers underpinning current global price levels and the sustainability of current prices are:
 - Increased world demand for sustainable salmon – market analysts believe that global demand will grow between 5% to 7% pa (Chinese demand expected to grow at 25% pa)
 - Norwegian lice infestations – Due to lice issues in Norway, Norwegian production was reduced by some 70K tonnes, causing salmon to be harvested earlier and costs to increase
 - Chilean algal bloom - Over 100K tonnes of salmon were lost in Chile due to algae bloom – when measured at harvest weight
 - Australian consumers understand the health benefits of consuming salmon and rate it higher as a healthy product over other proteins e.g. Chicken#
 - Having a healthy diet is important to Australian consumers and over 70% want to serve more salmon to their families#