

Tassal Group Limited



**Goldman Sachs Eighth Annual Small &
Mid-Cap Conference**

28 April 2017

Tassal's strategic focus and outlook



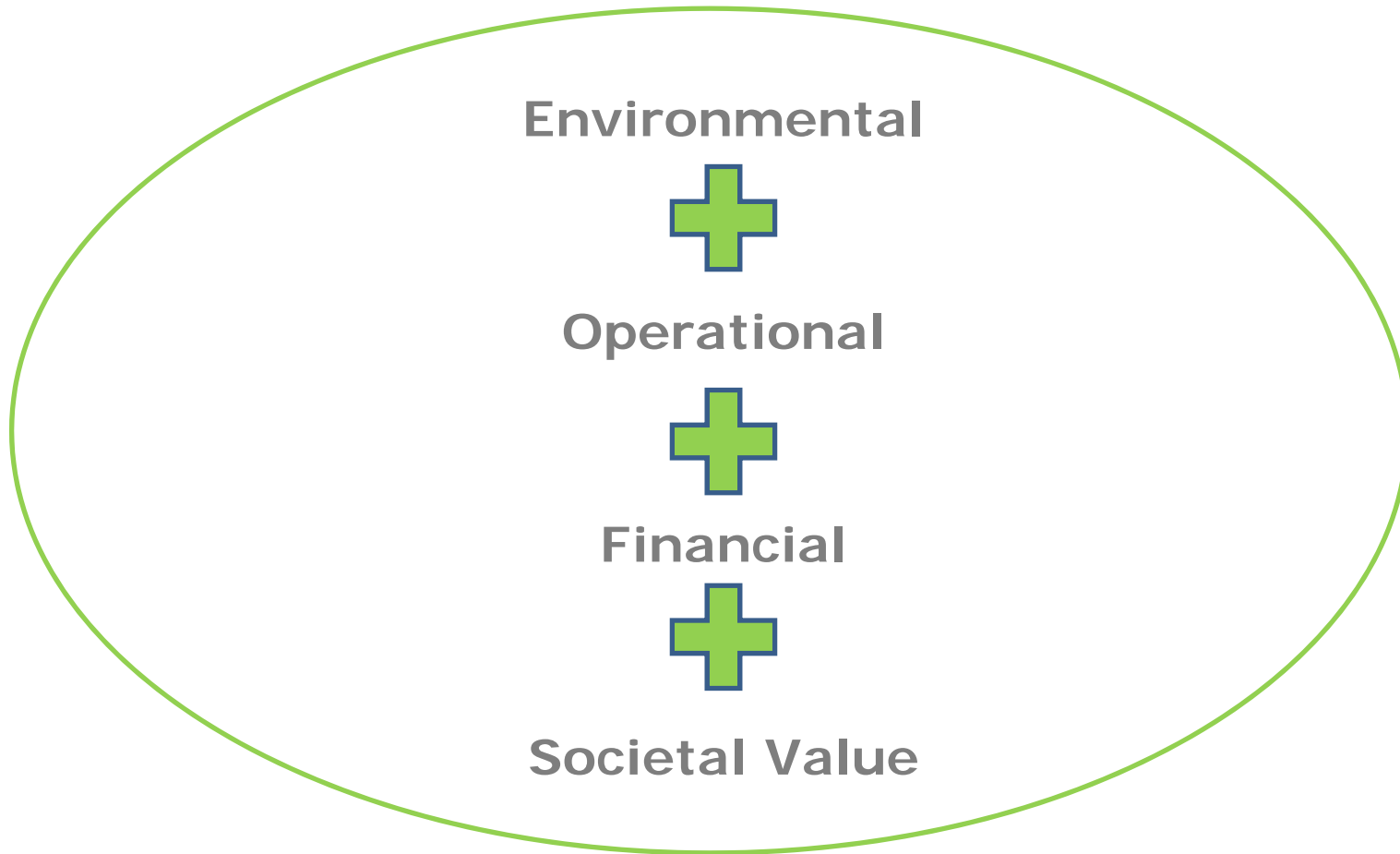
Tassal has the right strategy in place to be a world leading seafood company from an environmental, operational, financial and societal value perspective ... creating value in volatile markets

- **Tassal's strategic focus continues to be delivering sustainable growth and global best practice returns**
 - Maintain a healthy environment to ensure a sustainable aquaculture industry
 - Targeting a more favourable sales mix to optimise salmon pricing
 - Delivering strong gains in salmon growth, survival, biomass and feed conversion from salmon Selective Breeding Program
 - Increase salmon and seafood consumption across all domestic market segments
- **Tassal expects these initiatives to enhance its growth trajectory and generate increased revenues and operational earnings from FY18**
 - Current favourable salmon pricing in wholesale and export markets forecast to continue as a result of domestic and global supply constraints, supported by an ability to flex supply and sales mix to optimise returns
 - Favourable growing conditions driving a step change in fish size and biomass will flow through to salmon earnings with scale and cost of production efficiencies from fish to be harvested from FY18 onwards
 - Balance sheet to support ongoing investment in feeding and growing salmon to optimise biomass and size – 3 year working capital and 3 - 5 year capital cycle

Creating Value ... it's a balance



Sustainability



Shareholder & Stakeholder Value

Sustainability



For truly sustainable aquaculture, we need to maintain a healthy environment to raise healthy fish and make healthy operational and financial returns

- Tasmanian farmed salmon is a global leading, low carbon footprint product, with undisputed health and well-being characteristics
- Environmental leadership has its challenges, particularly where waterways are shared, farms and practices are highly visible, and farm areas are leased from the people of Tasmania
- Tassal has excellent environment credentials and very good compliance across its operations – independently assessed by the Aquaculture Stewardship Council (ASC) in partnership with WWF-Australia
- Macquarie Harbour (MH) has presented environmental challenges that were difficult to predict, even with the best science we had at the time. That does not mean that the Harbour is unsustainable. Our leases are showing clear signs of recovery. We are actively engaging with the independent scientific community to better understand how to farm Macquarie Harbour
- We own our part in the current position at MH – the site is recovering – it is reversible by nature – we are committed in getting Franklin lease back into compliance
- Integrating the United Nations (UN) 2030 Sustainable Development Goals into all aspects of our business

For Tassal and its stakeholders, our shared challenge is to reach a balance across environmental, social and economic dimensions

Macquarie Harbour Update



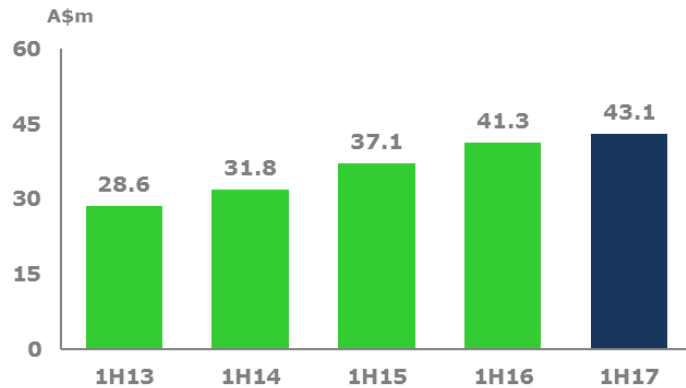
Our survey results show dramatic improvement in Macquarie Harbour

- Middle Harbour lease 214 and Gordon lease 219 are back to 100% full compliance
- Franklin lease 266 has made a significant recovery with the April 2017 survey results highlighting three potential non-compliances (down from 14 non-compliances) ... prediction that full out-of-lease compliance at May 2017 Compliance Survey (i.e. 100% compliance)
- Franklin lease 266 is now empty with no salmon on the lease as per EPA (Environmental Protection Authority) direction. This lease is closest to World Heritage Area (WHA)
- Extremely positive results have been received in the April survey data from the WHA in relation to *Beggiatoa* showing none detected in the WHA until close to the mouth of the Gordon River; over 11km from the centre of the farming region. This indicates that the *Beggiatoa* is caused by other external influences in the Harbour
- Surveys in March and April have also shown signs of biological recovery in the benthic communities demonstrating that Macquarie Harbour is not a dead zone and is responding well to the changing natural conditions

Continued growth in earnings

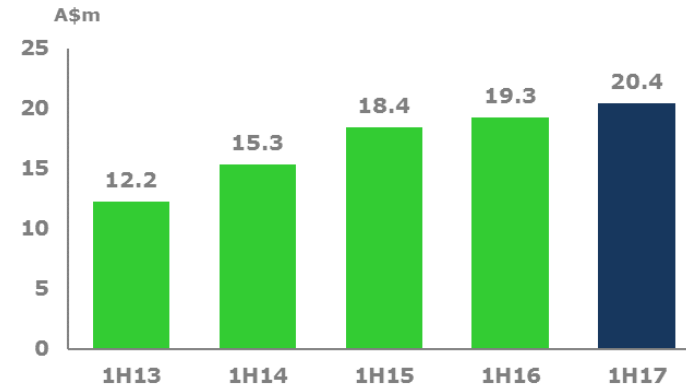


Operating EBITDA: \$43.1m



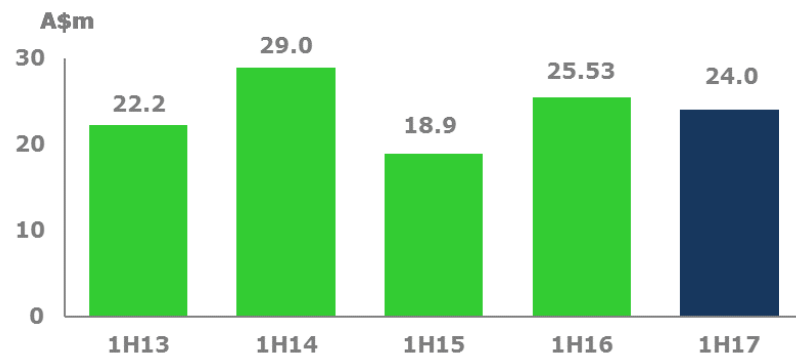
- Statutory EBITDA up 7.2% to \$53.5m

Operating NPAT: \$20.5m

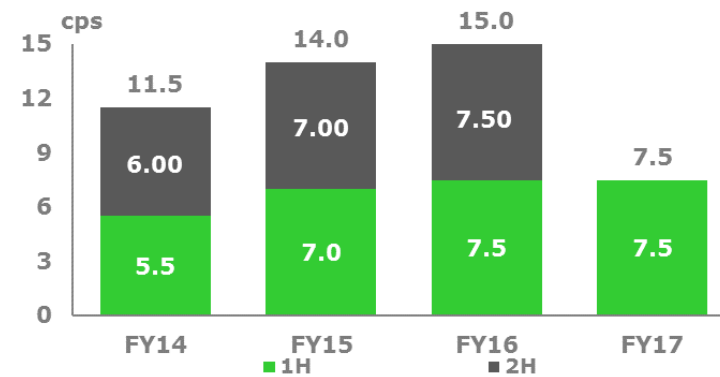


- Statutory NPAT up 9.6% to \$27.7m

Operating Cashflow: \$24.0m



Interim Dividend:
7.5 cps, fully franked



Growth initiatives



- Tassal is investing in a range of working capital and capital investment initiatives that are expected to deliver an additional 2,500 – 3,000 hog tonnes of harvested salmon each year to FY21
- Forecast capex over next 5 years of c. \$270 million with forecast return on this capital expected to exceed current levels

	Overview of Key Initiatives	Investment
Increased Fish Size	<ul style="list-style-type: none"> • Acceleration of improved fish harvest size to 5kg hog supported by increased working capital funding, primarily for feed • Expected to deliver improved sales profile, lower cost of salmon (per hog kg), lower cost of processing and improved sales margins in the short and medium term 	<ul style="list-style-type: none"> • Forecast additional working capital investment in feed of: <ul style="list-style-type: none"> ○ c. \$31 million in FY17 ○ c. \$7 million in FY18
Increased Fish Performance – Survival & Feed Conversion Ratio	<ul style="list-style-type: none"> • Accelerated rollout of improved net technology, reducing wildlife interactions and improving survival (target 90%) <ul style="list-style-type: none"> ○ New pens, grow-out nets and wildlife nets to provide salmon an appropriate sanctuary for the fish • Implementation of new state of the art fish feeding barges and technologies, to improve feed conversion rates and unit costs of feeding 	<ul style="list-style-type: none"> • Forecast c. \$70 million capex on net technology over 4 years • Forecast c. \$25 million capex on feeding barges and technologies over 5 years
Farming Expansion in Okehampton and Oceanic Sites in Storm Bay	<ul style="list-style-type: none"> • Okehampton (Triabunna) approved – fish to be stocked in FY18 • Final stages of EIS development for the West of Wedge Oceanic Farming Expansion, targeting approval in 2017 with stocking of Stage 1 in early 2018 • Port Arthur lease (current lease) to support initial salmon stocking for ultimate growout at West of Wedge • Supporting sustainable growth in harvest biomass – to fulfil demand growth in domestic per capita consumption and allow access to key export opportunities 	<ul style="list-style-type: none"> • Forecast c. \$53 million capex over 3 years
Processing Expansion	<ul style="list-style-type: none"> • Further investment in production automation and processing capacity across De Costi and Tassal’s Salmon operations to meet increased demand and to lower costs 	<ul style="list-style-type: none"> • Forecast c. \$16 million over 3 years

Flexibility to optimise biomass



Investing in both fish size (target 5kg hog) and survival (target 90%) is expected to deliver strong financial returns

- **Selective Breeding Program is delivering improved growth and reductions in Amoebic Gill Disease**
- **Current growing conditions are favourable – we just need to allow fish an increased time at sea**
 - Favourable water conditions have allowed Tassal to capture growth and the biomass gain of Tassal's 2016 Year Class is trending ahead of expectations
 - To fully benefit from these conditions, the optimal strategy is to allow the salmon more time at sea
- **With a step change in underlying biomass - Tassal now plans to accelerate its investment in feeding and growing salmon**
- **Investment in biomass is expected to drive future earnings growth**
 - Optimises sales channel mix (and revenue) between the domestic market (<5.0kg hog) and with the export market (>5.0kg hog)
 - Delivers scale and operational cost efficiencies – feed is circa 55%-60% of the cost of a fish with the balance of costs across the supply chain being predominantly fixed
- **Strong balance sheet provides Tassal with the operational and financial flexibility to support investment in biomass and lower Tassal's risk profile – 60% of the cost of a Year Class is spent before the first fish is harvested**

Any questions?



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