

Tassal Group Limited



Right to Operate ... Right to Grow

Curran & Co Aquaculture Conference

20 July 2017

Strategy



“Tassal has the right strategy in place to be a world leading seafood company”

Strategic focus



Tassal has the right strategy in place to be a world leading seafood company

Tassal farms the ocean to produce a high quality/healthy source of protein, leveraging its industry leading scientific know how, being both sustainable and efficient in its production, and respecting the resources of the earth and the wider society in which the company operates:

- Leveraging the scale of Tassal's vertically integrated supply chain to optimise value and ensure product quality and freshness
- Accessing the market via multiple channels (i.e., direct, retail, wholesale and export) to maximise penetration, optimise margins and deliver sustainable growing returns
- Expanding the consumer offer to continually meet more of their seafood requirements

Strategic focus



Tassal's strategy is underpinned by two clear strategic priorities

- **Right to Operate:**
 - Maintain world leading environmental accreditation that is independently validated
 - Increase investment and promotion of societal/community value credentials, with a society/community values program
 - Continue to invest in our people and drive towards zero harm
- **Right to Grow:**
 - Increase volume to position Tassal with the superior biomass in the market, optimal margins and greatest scale, to capture the increasing demand for sustainable protein in Australia and internationally
 - Enhance salmon growing performance on the back of Selective Breeding Program (SBP) to reduce costs and improve returns
 - Maintain existing channels to market and further enhance the Export strategy (i.e. Asia) as Tassal grows volume in front of the domestic market
 - Continue to improve traceability and freshness of products given consumer trends
 - Position now for the next wave of growth, given typical lead times – capital cycle 5 years

Right to Operate



“Successful aquaculture is about shared values around environment, operational, financial and societal/community value ... and for salmon, respecting the use of shared waterways

Environment



Tassal has excellent environmental credentials and compliance across its operations

- Tassal is independently assessed by both WWF-Australia and Aquaculture Stewardship Council (ASC)
- Maintaining ASC certification is a priority – it is very difficult to obtain and maintain
- Tassal was the first salmon producer globally to achieve ASC across its entire business – and remains as one of only two (Petuna) who globally have this across all harvest sites
 - It would be terrific if all three growers in Tasmania were able to attain ASC certification across their entire businesses, and it would be a global first
- Tassal has 100% 'out of lease' compliance on its leases outside of Macquarie Harbour ... and now has 100% 'out of lease' compliance at 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 approach to sustainability encompasses a balance of environmental, financial, operational and societal/community value principles and practices
- Tassal 'owns' its environmental outcomes. We continue to drive adaptive management and practices through science and innovation

Environment – Macquarie Harbour



Full compliance achieved for all leases ... Waste Capture System (WCS) has been approved by the EPA

- Middle Harbour lease 214 and Gordon lease 219 remain with 100% full compliance
- Our surveys of Franklin lease 266 indicate 100% 'out of lease compliance'... the lease is currently empty with no salmon on the lease
 - Expectation is that this lease will be stocked again in 2018
- Recent surveys (March, April and May) have 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
- 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. When Tassal stocked its 2016 salmon input year fish the tonnes allowed was 33.58 tonnes of fish per hectare
- Tassal is committed to maintaining a sustainable operation in Macquarie Harbour. Waste Capture Systems have been installed on cages with biomass in excess of 13 tonnes per hectare, and also on a number of the cages below this level of tonnage
- All waste will be disposed of at an approved facility, or at a beneficial re-use site, with EPA approval

Societal/Community Value



Tassal must continue to invest in communities

- Tassal operates within shared waterways and there has always been a natural tension between the economic and socio-economic benefit of fish farming vs. people's amenity and the environment
- Enormous 'trust' to operate responsibly is placed on Tassal by communities – we accept both the trust and the scrutiny it brings
- As a business and industry we have a lot to be proud of in terms of sustainability and health benefits of salmon as a global protein, Tassal's world standard accreditations, high level of economic contribution to Tasmania, high level of innovation and continued investment in farming and processing in Tasmania and Australia
- While Tassal strives for 100% compliance across its operations, sometimes this is not achieved – however, Tassal maintains a Tasmanian industry-leading 95%+ compliance level
- With ongoing growth, both Tassal, and the industry it operates in, will face more public scrutiny... this is welcomed, with learnings acknowledged, continuous improvement applied and adaptive management implemented
- For this reason, we set out 5 years ago to achieve ASC certification, and remain adamant that ASC is the standard with the most independent processes, the best international recognition and the greatest community and consumer acceptance

Societal/Community Value



Tassal must continue to invest in communities

- We have – and will continue to invest – in the communities we directly operate in and also communities we reach through our broader supply chain
- We have done this
 - externally through direct investment and partnerships with schools and other educational institutions, community environmental, sporting, health and other groups, etc
 - internally through staff training in safety, numeracy, literacy, drugs, alcohol and domestic violence
- Expanding the connections between economic and social value, enables both organic growth and social capital to progress, creating value for shareholders and communities
- A truly 'sustainable' operation – i.e. balancing environmental, operational, financial and societal value objectives and measures – and communicating these is critical
- We continue to integrate applicable United Nations' Sustainable Development Goals into our corporate strategy and implementation plans (**see Appendix 1 for the applicable Goals**)

People Safety



Can-do Safely culture is at our core – Zero Harm for Everyone, Everywhere

- Tassal's Workplace Health & Safety (WHS) Management System provides a fully integrated, functional and accredited (ISO audited) framework for our workers to carry out their obligations under the WHS Act 2012
- Driving this system is a robust compliance process that measures both WHS Compliance to the Law and to our internal driving safety culture scorecards (audited)
- In parallel to the compliance process is the driving the safety culture system – we continue to focus on a relentless drive to ensure a truly interdependent safety culture at Tassal

	Target FY17	FY17	Target FY18
Compliance Scorecard	95%	96%	95%
Driving Safety Culture Scorecard	90%	92%	94%
TRIFR	<15	11.44	<10
LTIFR	0	0.48	0
MTIFR	<15	10.96	<10

Right to Grow



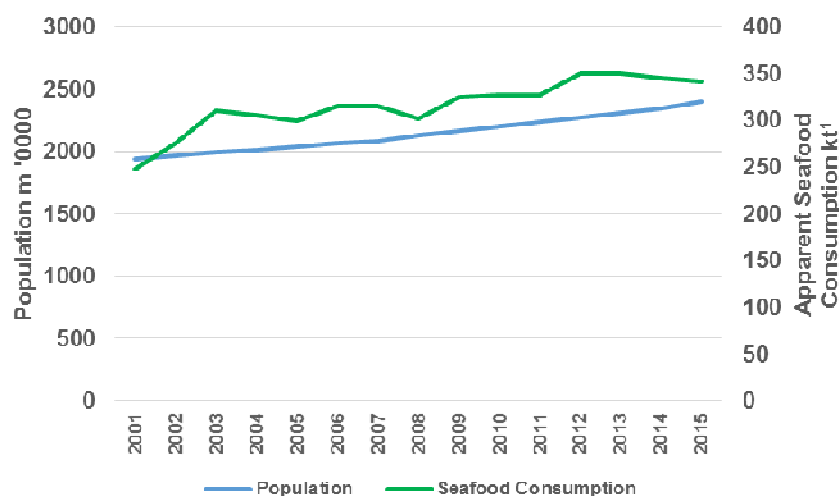
"Tassal seeks to deliver sustainable, competitive growing returns."

Demand/Supply



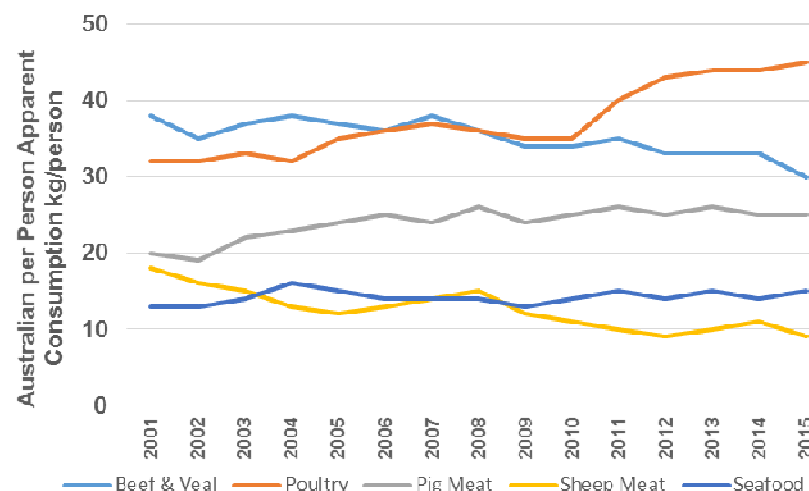
Underlying demand for seafood in Australia is driven by population growth and changing dietary habits

Apparent seafood consumption has increased at a slightly higher rate than the population growth in Australia...



- Over the last 14 years the Australian population has grown at an annual average rate of ~1.6% whilst apparent seafood consumption has grown at ~2%

...This doesn't appear to be attributable to an absolute increase in protein intake per person but rather to changing dietary habits – market share gain



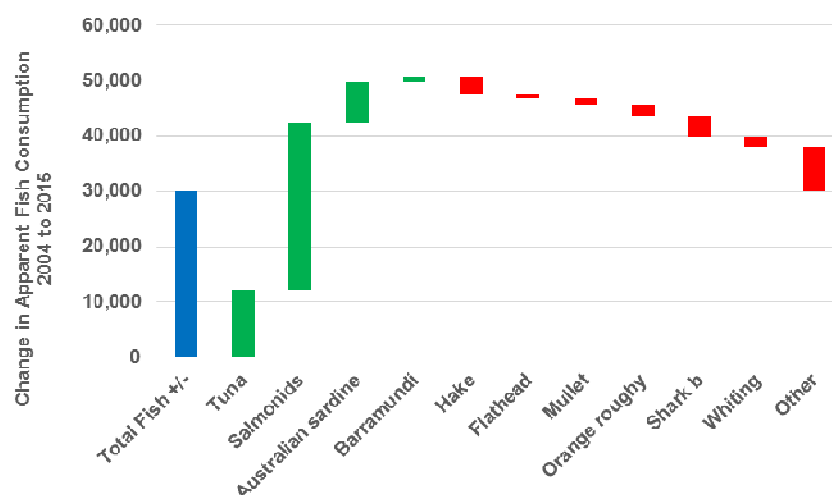
- Beef & veal and sheep meat have seen the biggest decline over the last 14 years, with a combined market share loss of ~6.5% – shift away from red meat
- Poultry has had the greatest market share gain of approximately ~2.5% over the last 14 years
- Market share of seafood has also increased by ~1% over this period of time, contributing to its overall growth rate

Demand/Supply



Consumption of salmon has grown at a rate faster than both the broader seafood and fish markets, with increasing demand being met by the aquaculture segment

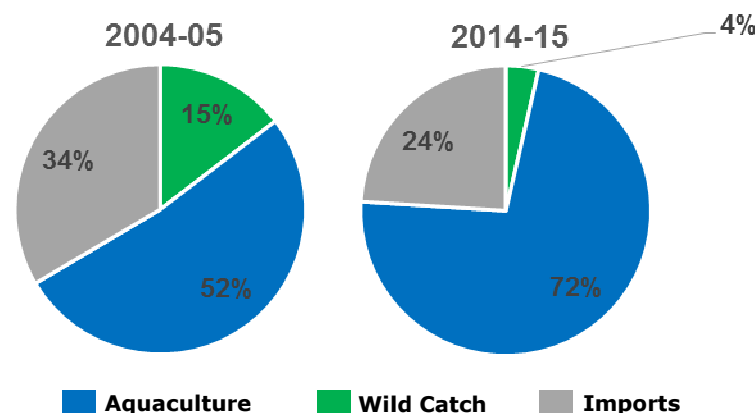
Fish consumption has increased by ~30k tonnes with salmon capturing much of this growth...



- Apparent fish consumption in Australia has increased by 30k tonnes from 290k tonnes to 320k tonnes
- Consumption of salmon has roughly doubled since 2004/05, growing at an annual rate of ~6.5%
- As a result, market share of salmon has increased materially by ~8% points to ~21% in 2014/15

...This increased demand for salmon has been met by supply from the aquaculture segment

Supply of Salmon Market Share in Australia



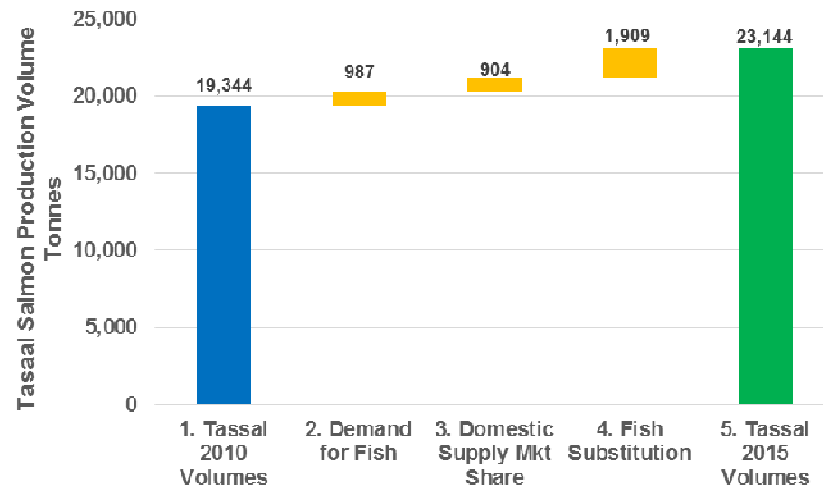
- Supply of salmon from the aquaculture segment has grown at ~10% since 2004/05
- Not only has aquaculture captured the increased demand for salmon but it has also captured market share, predominately from the wild catch segment

Performance



Tassal, as the industry leader, has driven and benefited from growing volumes

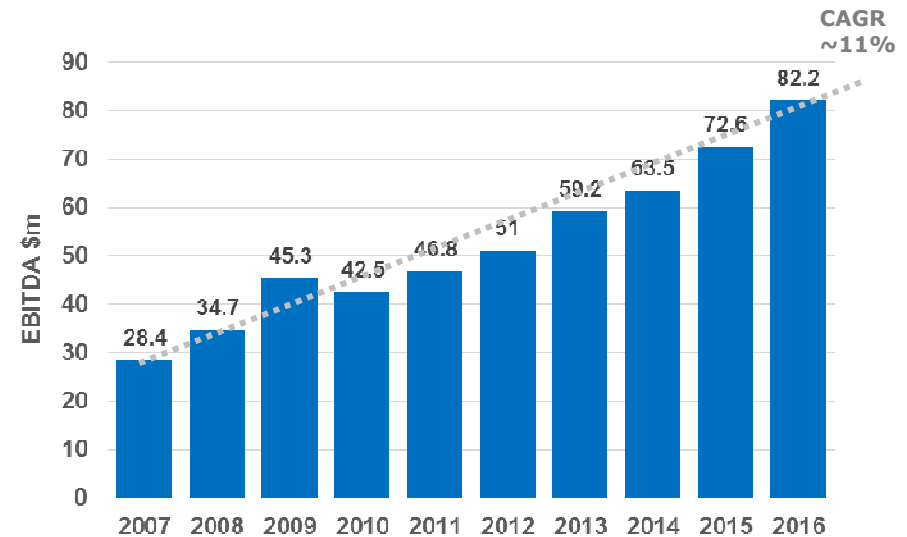
There is clear evidence of increasing per capita consumption of salmon which has contributed to Tassal's volume growth...



SOURCE: ABARES

- Tassal's growth in volume has come from a mix of market, share and substitution
- Approximately 50% of Tassal's volume growth has come from substitution of other fish species – increasing per capita consumption of salmon
- Note, Tassal volumes have grown at ~ 20% over the last 10 years

Tassal has delivered year on year earnings growth in 9 out of the last 10 years



SOURCE: Tassal Annual Reports

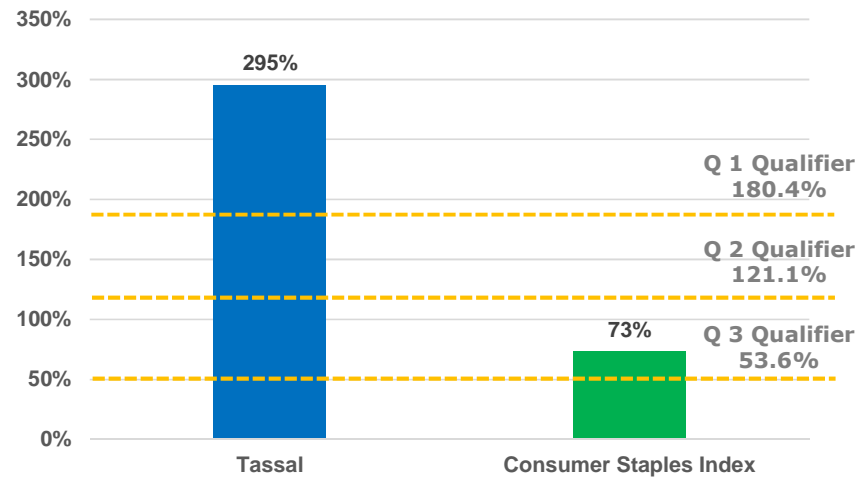
- Tassal has delivered consistent earnings growth:
 - 11% pa over the last 10 years
 - 12% pa over the last 5 years
- De Costi contributed +10% to EBITDA growth in 2016

Performance

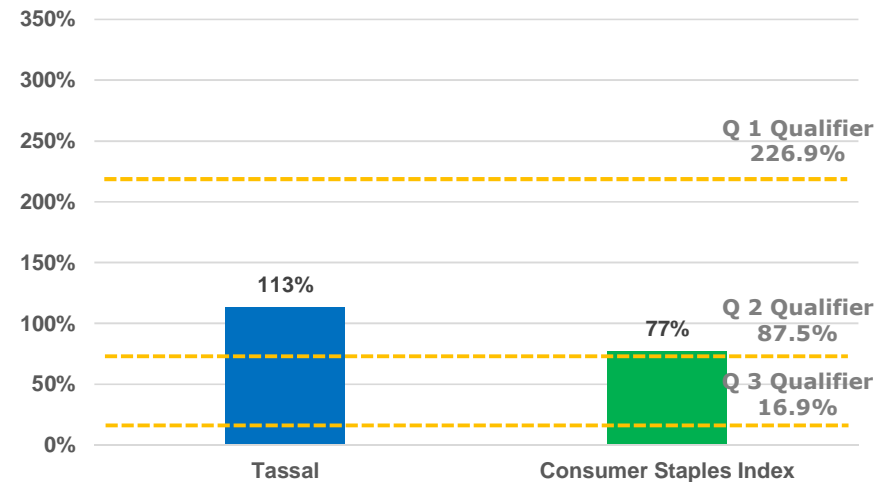


Tassal has delivered strong returns to its shareholders over the last 5 and 10 year periods

TSR Performance Last 5 Years



TSR Performance Last 10 Years



Notes: TSR includes capital gains and dividends for the full period and adjusts shares outstanding for stock splits, stock consolidations and buybacks. Consumer Staples includes A2 Milk, Asaleo, Australia Agricultural, Bega Cheese, Bellamy's, Blackmores, Coca-Cola Amatil, Costa Group, Graincorp, Metcash, Tassal, Treasury Wine Estates, Wesfarmers and Woolworths.

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 period from FY17 to FY21 of c. \$270 million with forecast return on this capital expected to exceed current levels

Overview of Key Initiatives		Investment
Increase Fish Size	<ul style="list-style-type: none"> • Improve fish harvest size to 5kg hog supported by increased working capital funding, primarily for feed • Fish size matched to sales market demand both domestically and internationally to support sales mix and to ultimately optimise margins (whether sales price or cost out) 	<ul style="list-style-type: none"> • Forecast additional working capital investment in feed of circa \$38 million over FY17 & FY18
Increase Fish Performance – Survival & Feed Conversion Ratio	<ul style="list-style-type: none"> • Accelerate 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 and survival is expected to deliver long term improved financial returns

- **Selective Breeding Program is delivering improved growth and reductions in Amoebic Gill Disease**
- **Current growing conditions are favourable – fish size being optimised to support sales mix and to ultimately optimise margins (whether sales price or cost out)**
- **With a step change in underlying biomass - Tassal is well positioned to support 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 and export markets (bigger fish size)
 - 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**

Appendix 1



Applicable United Nations' Sustainable Development Goals



- SDG8: Decent Work and Economic Growth (Promote inclusive and sustainable economic growth, employment and decent work for all)
- SDG9: Industry, Innovation and Infrastructure (Build resilient infrastructure, promote sustainable industrialisation and foster innovation)
- SDG11: Sustainable Cities and Communities (Make cities and human settlements inclusive, safe, resilient, and sustainable)
- SDG12: Responsible Consumption and Production (Ensure sustainable consumption and production habits)
- SDG13: Climate Action (Take urgent action to combat climate change and its impacts)
- SDG17: Partnerships for the Goals (Strengthen the means of implementation and revitalise the global partnership for sustainable development)

Any questions?



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