

# Tassal Group Limited

## FY2017 Results



Mark Ryan, Managing Director & CEO  
Andrew Creswell, CFO

23 August 2017

# A record result underpinned by Tassal's focus on sustainability



**"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs."**

# 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 – leading to lower harvests, smaller fish and increased costs of growing
  - More than offset by significantly higher salmon prices - historical highs for the domestic wholesale market and are anticipated to continue in FY2018
- **Favourable growing conditions allowed a focus on optimising biomass and size**
  - Salmon was kept in the water longer to optimise growth and deliver optimised margins
  - 'Step change' in underlying biomass achieved – 21,760 tonnes (30 June 2017) vs 15,164 tonnes (30 June 2016)
  - Increased fish size – fish size harvested by the end of FY2017 c4.8kg 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 selling (\$/hog kg) price up 10.4%
  - Operational EBITDA up 8.3% to \$89.0m (FY2016: \$82.2 million)
- **De Costi Seafoods driving seafood sales and category growth**
  - Successful integration now leading to increasing returns
  - EBITDA up 11.4% to \$12.7 million (FY2016: \$11.4 million). Acquired on a sustainable EBITDA of \$10 million

# FY2017 key highlights



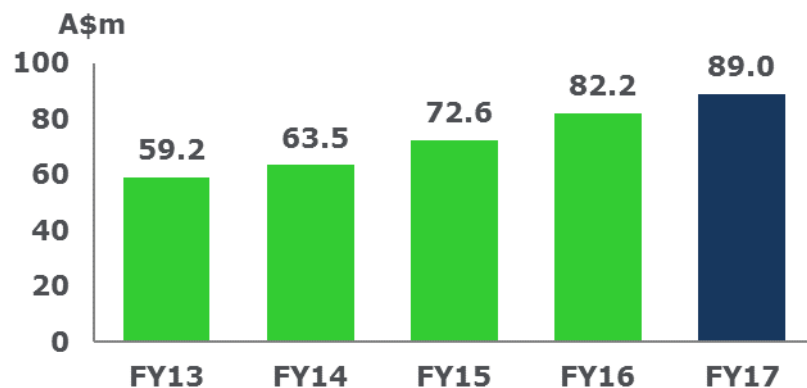
## A record result underpinned by a focus on sustainability

- **Increased scrutiny of Salmon farming in Tasmania**
  - Tassal welcomes increased scrutiny and constructive dialogue
- **Maintained Aquaculture Stewardship Council (ASC) certification for all harvest fish**
  - Also strengthened partnership with WWF-Australia
- **Macquarie Harbour is recovering**
  - Since May 2017 all leases in Macquarie Harbour returned to compliance and in-fauna abundance is returning
- **Tassal continues to evolve practices**
  - Lessons learned will improve future performance
- **Maintained commitment to sustainable reporting**
  - Reporting to Global Reporting Initiative (GRI) framework
- **Successful capital raising**
  - \$82.3 million (net of fees) raised in March 2017

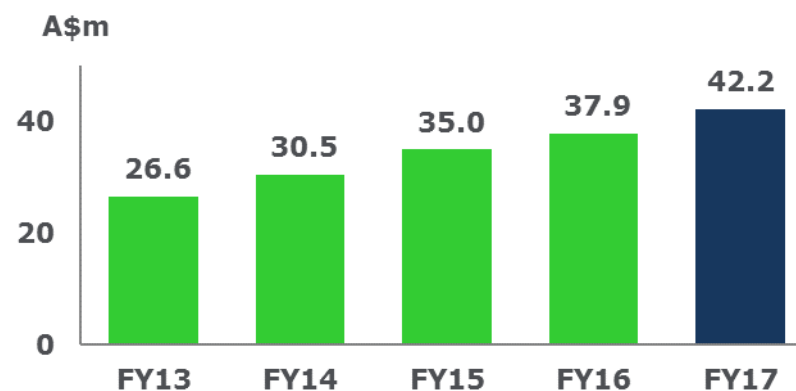
# Record earnings; sustainable growth



Operating EBITDA: \$89.0m



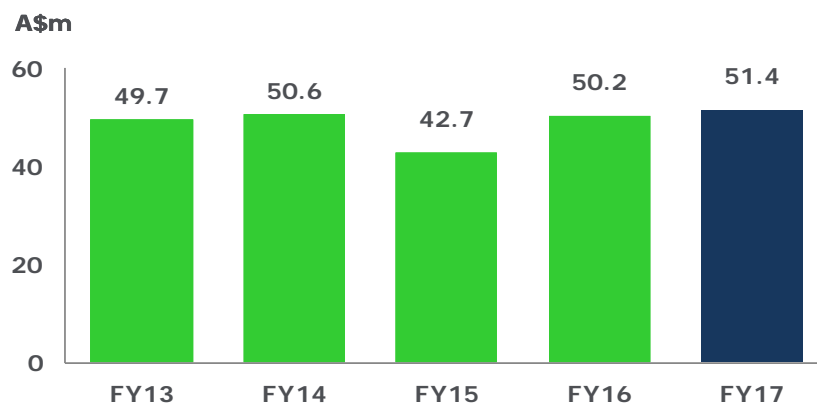
Operating NPAT: \$42.2m



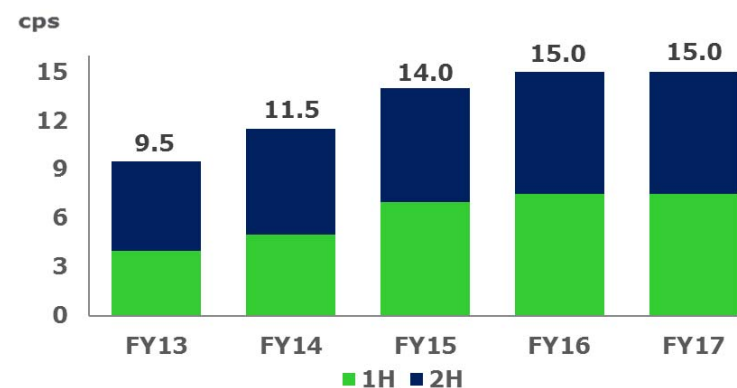
- Statutory EBITDA up 17.7% to \$114.6

- Statutory NPAT up 19.8% to \$58.1m

Operating Cashflow: \$51.4m



Full year Dividend:  
15.0 cps, fully franked



# Safety



## No job is so important that it cannot be done safely

### Overall:

- Tassal’s Board has endorsed a health & safety strategy which has a **can-do safely** culture at its core
- Tassal’s safety performance improved over FY2017 – externally, safety achievements would be considered excellent
- However, until Tassal delivers its core value of Zero Harm – we will rank ourselves as operating at an **unacceptable level**

KPIs	FY16	FY17
LTIFR	0.0	0.5
MTIFR	24.5	10.9
TRIFR	24.5	11.4
Compliance Scorecard	96%	96%
Driving Safety Culture Scorecard	N/A	92%

### Definitions:

LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours

MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours

TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR

# Right to Operate



**“Tassal has – and will continue to invest – in the communities we directly operate in and also communities we reach through our broader supply chain.”**

# Sustainability & Environment



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

- Tassal is independently assessed by both WWF-Australia and ASC
- Maintaining ASC certification for harvest fish is a priority – it is very difficult to obtain and then 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
- Tassal has 100% 'out of lease' compliance on all its leases ... including now Macquarie Harbour leases
- 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
- Franklin lease 266 is now also 100% 'out of lease compliant', and empty with no salmon on the lease as per EPA direction
  - Closest lease to a World Heritage Area, and cannot be stocked until an abundance of in-fauna (i.e. "critters") is evident ... 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

# FY2017 delivered a record result



“The combination of high pricing, favourable sales mix and keeping fish in the water for longer, allowed Tassal to optimise its contribution margin despite the increased cost of growing.”

# FY2017 delivered a record result



## High pricing and favourable sales mix optimised margins

Financial Performance				Operating Revenue			
Financial Performance (A\$m)	2017	2016	Change	Operating Revenue (A\$m)	2017	2016	Change
<b>Statutory results</b>							
Revenue	450.45	430.92	4.5% ▲	Domestic	400.58	412.14	(2.8%) ▼
EBITDA	114.55	97.29	17.7% ▲	Export	44.14	13.05	238.3% ▲
EBIT	93.62	76.28	22.7% ▲	<b>Total Revenue</b>	<b>444.72</b>	<b>425.19</b>	<b>4.6% ▲</b>
NPAT	58.08	48.49	19.8% ▲	<b>Operating Revenue – Salmon &amp; Seafood</b>			
<b>Operating results</b>							
Operating EBITDA	88.97	82.18	8.3% ▲	Operating Revenue (A\$m)	2017	2016	Change
Operating EBIT	68.03	61.17	11.2% ▲	Salmon	371.86	359.13	3.5% ▲
Operating NPAT	42.19	37.92	11.3% ▲	Seafood	72.86	66.05	10.3% ▲
Operating cashflow	51.36	50.22	2.3% ▲	<b>Total Revenue</b>	<b>444.72</b>	<b>425.19</b>	<b>4.6% ▲</b>
Final dividend - cps	7.50	7.50	0.0%				
Total dividend - cps	15.00	15.00	0.0%				
Gearing Ratio	12.4%	33.5%					
Funding Ratio	24.3%	44.6%					

- SGARA uplift was \$32.3m in FY2017 (FY2016: \$15.1m) ... pre tax
- De Costi Seafoods: Contingent Consideration increased by \$6.7 million based on the most recent assessment for forecast earnings for FY2018

# Optimising sales mix



## 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% ▲
<b>Total</b>	<b>400.58</b>	<b>412.14</b>	<b>(2.8%) ▼</b>

## 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% ▲
<b>Total</b>	<b>44.14</b>	<b>13.05</b>	<b>238.3% ▲</b>

- **Domestic market** – rebalanced domestic sales mix (retail 57.6%: wholesale 42.4%) and ensured appropriate pricing
- Harvesting and sales held back to optimise salmon biomass growth and fish size
- Long term focus remains on increasing domestic salmon & seafood per capita consumption and optimising margins
- **Export market** – attractive due to global supply constraints, increased pricing and favourable A\$
- Medium-term dynamics support current pricing
- Strategically important for bigger fish (which attract a premium price)

# Rebalancing mix towards wholesale



## 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%) ▼

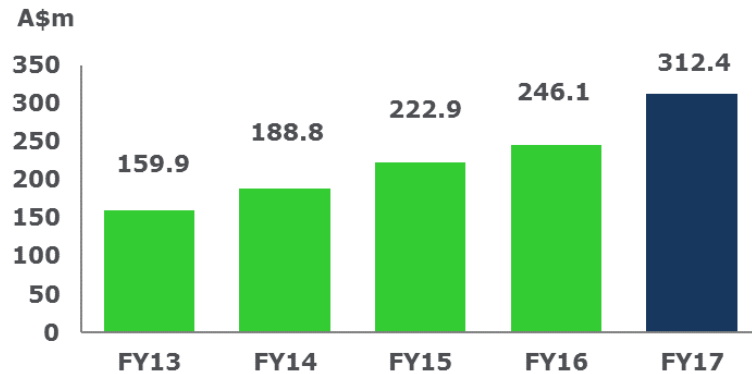
- **Retail market** – continues to be an important channel
- Required rebalancing as it is a high volume but lower margin market
- Moving forward, continue to manage sales mix to optimise long term returns

## 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% ▲

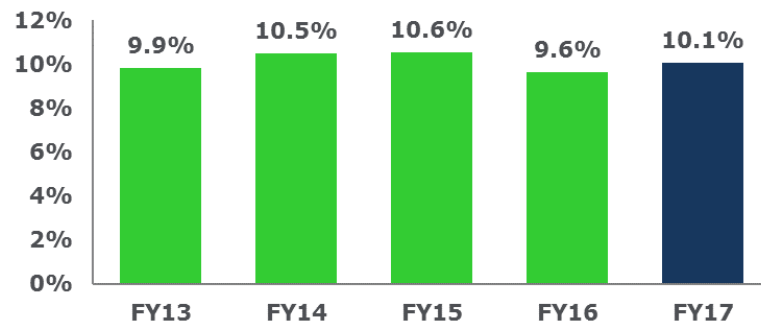
- **Wholesale market** – provides greater flexibility re pricing and timing of harvest / sales volume ... however more volatile
- Moving forward, this market will be important for extending the timing of harvest fundamentals in optimising salmon growing and scale & cost of growing efficiencies

# Strengthened balance sheet



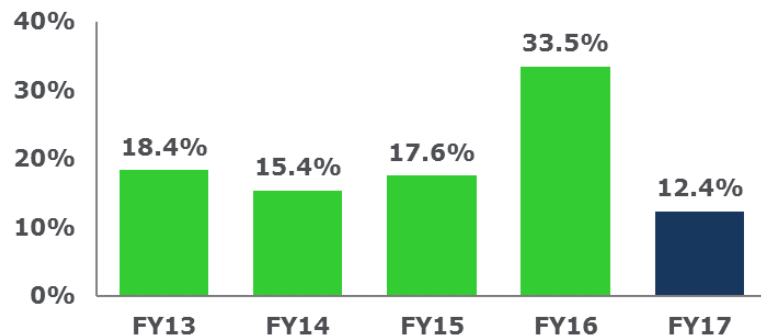
## Increased biological assets

- Value of live fish up 26.9% to \$312.4m
- Biological assets support future revenue and earnings growth



## Operational Return on Assets

- SGARA impact removed from calculation
- Operational Return on Assets sustainable moving forward
- Continuing to generate return > WACC



## Gearing and funding ratios

- Gearing decreased to 12.4% (FY2016: 33.5%) following successful capital raising
- Appropriate bank funding arrangements in place – from a structure, headroom and tenor perspective
- Funding ratio, i.e. including RPF (net debt + RPF / equity) decreased to 24.3% (FY2016: 44.6%)

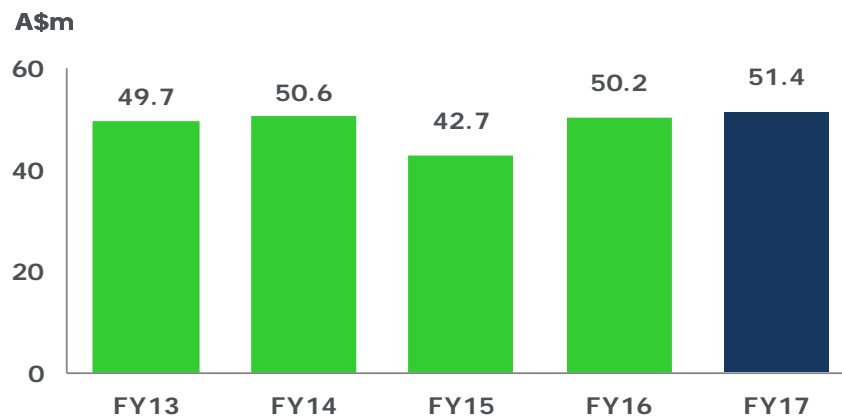
# Growing cash flows



## Supporting continued reinvestment to deliver sustainable growth

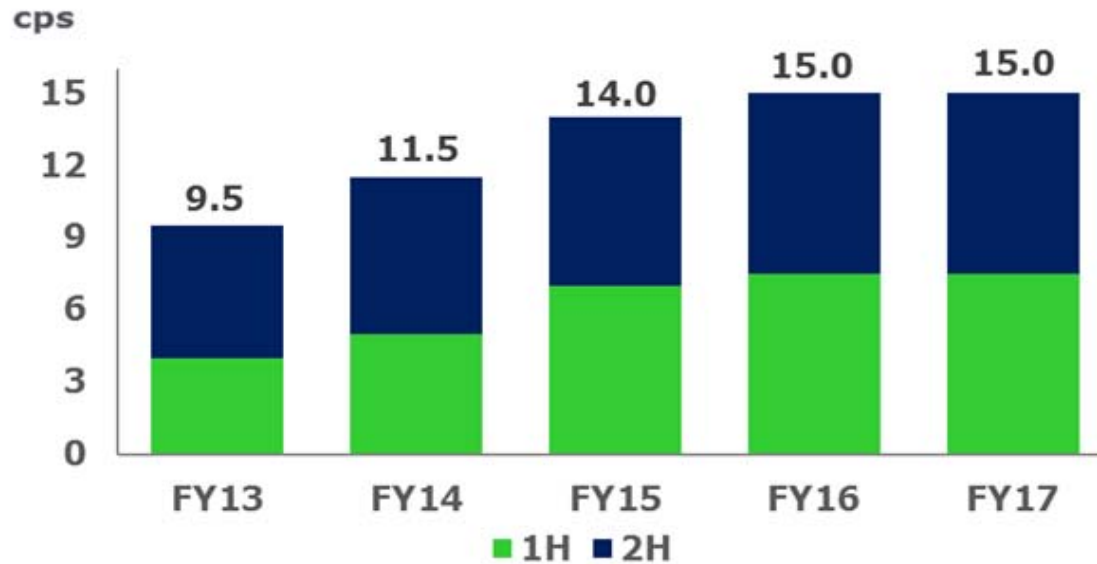
Operating Cashflow (A\$m)	2017	2016
Operating cashflow	51.36	50.22
Investing cashflow	(49.02)	(98.53)
Financing cashflow	15.70	47.51
<b>Net increase/(decrease) in cash held</b>	<b>18.04</b>	<b>(0.80)</b>

### Operational cash flow



- Free cashflow of \$2.35 million
- Investing in fish growth (number and weight) and risk mitigation (new leases) while undertaking a responsible capital spend to underpin sustainable growth in long-term returns
- Strong FY2017 operating cash flow despite a challenging operational environment, reflecting the strength of Tassal's underlying business and operational strategy:
  - Harvesting and sales held back to optimise fish biomass
  - Additional feed was used to take advantage of favourable growing conditions and increasing standing biomass
- Standing biomass (i.e. live biomass) at 30 June 2017 was up 43.5% to 21,760 tonnes (30 June 2016: 15,164 tonnes)

# Fully franked dividend and DRP



- Final FY2017 dividend declared of 7.5 cps fully franked (FY2016: 7.5cps, fully franked)
- The total dividend for FY2017 was steady at 15 cps fully franked (FY2016: 15.0 cps; 87.5% franked)
- The Company's Dividend Reinvestment Plan (DRP) will apply to the FY2017 final dividend, with a 2% discount. It will not be underwritten
- Record date 11 September 2017 and payment date 29 September 2017



# Right to Grow

**Positive outlook to drive continued sustainable growth**



**“Tassal seeks to deliver sustainable, competitive growing returns. Successful aquaculture and its growth is about finding common ground on shared values around environment... and for salmon, respecting the use of shared waterways”**

# 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

# Flexibility to optimise biomass



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

- Selective Breeding Program is delivering improved growth and reductions in Amoebic Gill Disease
- Current growing conditions are favourable – fish size is being optimised to support sales mix and ultimately optimise margins
- Tassal has delivered a step change in underlying biomass – now accelerating 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 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

# Positive outlook for FY2018



## Expect growing revenues and operational earnings

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

- Increasing volume to position Tassal with the superior biomass in the Australian market, optimal margins (whether through price and/or cost out) and greatest scale, to capture the increasing demand for sustainable protein in Australia and internationally
- Enhancing salmon growing performance on the back of Tassal's Selective Breeding Program (SBP) to reduce operating costs and improve returns
- Maintaining existing channels to market and further enhancing the Export strategy (i.e. Asia)
- Continuing to improve traceability and freshness of products given consumer trends
- Positioning now for the next wave of growth, given typical capital cycle lead times of up to 5 years

# Positive outlook for FY2018



## Expect growing revenues and operational earnings

- The favourable salmon pricing and growing conditions experienced in FY2017 are expected to continue in FY2018
  - Current growing conditions are favourable – fish size optimised to support sales mix and contribution margin
  - Not without risk... both domestic wholesale and global pricing are at historically high levels
- The key initiatives for FY2018 are:
  - Increase fish size - targeting average 5kg hog
  - Increase fish performance – survival (90%+) and feed conversion ratio (state of the art fish feeding barges and technologies)
  - Farming expansion - Okehampton, Port Arthur & Oceanic Sites in Storm Bay
  - Processing expansion – automation and processing capacity

# Any questions?



# Appendix



# Statutory, underlying & operating results



## FY2017 vs. FY2016

	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
<b>Full Year ended 30 June 2017</b>					
Revenue (from all sources)	\$ 450,453	\$ -	\$ 450,453	\$ -	\$ 450,453
EBITDA	\$ 114,553	\$ 6,727	\$ 121,280	\$ (32,312)	\$ 88,968
EBIT	\$ 93,618	\$ 6,727	\$ 100,345	\$ (32,312)	\$ 68,033
Profit before income tax expense	\$ 85,556	\$ 6,727	\$ 92,283	\$ (32,312)	\$ 59,971
Income tax expense	\$ (27,473)	\$ -	\$ (27,473)	\$ 9,694	\$ (17,779)
Net profit after income tax expense	\$ 58,083	\$ 6,727	\$ 64,810	\$ (22,618)	\$ 42,192

	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
<b>Full Year ended 30 June 2016</b>					
Revenue (from all sources)	\$ 430,924	\$ -	\$ 430,924	\$ -	\$ 430,924
EBITDA	\$ 97,294	\$ -	\$ 97,294	\$ (15,111)	\$ 82,183
EBIT	\$ 76,284	\$ -	\$ 76,284	\$ (15,111)	\$ 61,173
Profit before income tax expense	\$ 68,910	\$ -	\$ 68,910	\$ (15,111)	\$ 53,799
Income tax expense	\$ (20,417)	\$ -	\$ (20,417)	\$ 4,533	\$ (15,884)
Net profit after income tax expense	\$ 48,493	\$ -	\$ 48,493	\$ (10,578)	\$ 37,915



# Disclaimer



This presentation has been prepared by Tassal Group Limited for professional investors. The information contained in this presentation is for information purposes only and does not constitute an offer to issue, or arrange to issue, securities or other financial products. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. The presentation has been prepared without taking into account the investment objectives, financial situation or particular need of any particular person.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in the presentation. To the maximum extent permitted by law, none of Tassal Group Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this presentation nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies.

Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.

The distribution of this document in jurisdictions outside Australia may be restricted by law. Any recipient of this document outside Australia must seek advice on and observe such restrictions.

# Tassal Group Limited

## FY2017 Results



Mark Ryan, Managing Director & CEO  
Andrew Creswell, CFO

23 August 2017