

## ASX & Media Release

20 March 2019

### January and February Sales up 40%

#### Highlights:

- **FY19 growth continues to accelerate, with January and February sales volume of 489 tonnes exceeding the same period in FY18 by 40%**
- **This continues the strong trend of Q2 FY19 which was up 23%**
- **Growth in the core Australian market was up 25% across January and February FY19 versus the same months last year**
- **The Company continues to pursue international expansion, and all regions recorded solid growth in January and February FY19 versus last year, with Europe up 49%, North America up 47% and Asia up 304%**
- **Growth in frozen product, including the innovative new *SensoryFresh* range was up 216% across January and February FY19 versus the same period in FY18**
- **Volumes for March are expected to be in line with the prior year due to the timing of Easter moving from March last year to April this year**
- **Overall, global Farm Gate prices improved with increases in Large Fresh, up \$0.55 to \$14.77**
- **Sales revenues increased 39% in January and February versus the prior year**

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to provide an update on business progress.

#### Sales Growth Accelerates into Q3 FY19

<b>Sales volume</b> (by market, excluding frozen clearance sales)			
<i>Tonnes (WWE)</i>	<b>Q1 FY19 v Q1 FY18</b>	<b>Q2 FY19 v Q2 FY18</b>	<b>Jan-Feb FY19 v Jan-Feb FY18</b>
Australia	2%	18%	25%
Europe	(16%)	32%	49%
North America	13%	22%	47%
Asia	(8%)	67%	304%
<b>Total</b>	<b>(6%)</b>	<b>23%</b>	<b>40%</b>

Clean Seas' *Spencer Gulf Hiramasa Kingfish* remains the pre-eminent Yellowtail Kingfish with clear market leadership positions in both Australia and Europe.

Global sales volume in Jan-Feb FY19 exceeded Jan-Feb FY18 by 40%.

Growth in the core Australian market was up 25% across January and February FY19 versus the same months last year reflecting new customer growth from the chef activation program, and recaptured market share from local competitors. This result is especially encouraging as this has been achieved while Farm Gate prices have also been increased.

The Company continues to pursue international expansion, and all regions recorded solid growth in January and February FY19 versus last year, with Europe up 49%, North America up 47% and Asia up 304%.

The growth in Europe has been achieved despite increased competition from local European land based farms with selling prices significantly below Clean Seas. The superior Spencer Gulf Hiramasa product, investment in the Spencer Gulf brand marketing campaign, the Chef Activation program and visits to the Clean Seas operations in the Spencer Gulf by major European distributors and leading chefs have all contributed to this positive result.

Both North America and Asia achieved strong growth whilst increasing Farm Gate selling prices. Large Fresh Farm Gate prices increased 35% in North America, and 23% in Asia. Frozen product Farm Gate prices in Asia increased 43% following the introduction of **SensoryFresh**. These markets have grown from 6% to 11% of the total Clean Seas business over the last 12 months.

Sales of **SensoryFresh** are due to commence in the North American market in April, with the first shipment of inventory already in transit.

### **SensoryFresh premium frozen product driving product category expansion**

<b>Sales volume (by product excluding frozen clearance sales)</b>			
<i>Tonnes (WWE)</i>	<b>Q1 FY19 v Q1 FY18</b>	<b>Q2 FY19 v Q2 FY18</b>	<b>Jan-Feb FY19 v Jan-Feb FY18</b>
Fresh	7%	6%	21%
Frozen/ <i>SensoryFresh</i>	(52%)	227%	216%
<b>Total</b>	<b>(6%)</b>	<b>23%</b>	<b>40%</b>

Fresh product sales in Jan-Feb (FY19) of 383 tonnes were up 21% versus the same period last year, at higher farm gate prices. Large fresh Farm Gate prices have increased by \$0.55 (4%) to \$14.77 per kg. The large fresh category continues to be the largest product segment, and represented 66% of volume in Jan-Feb FY19.

Premium frozen product sales (excluding frozen clearance sales) in Jan-Feb (FY19) of 106 tonnes were triple the sales of the same period in FY18. The launch of **SensoryFresh** has seen the premium frozen category increase from 19% to 34% of total sales over the last 12 months.

Farm Gate prices continue to increase in Australia, North America and Asia. Europe Farm Gate prices were softer, reflecting increased competitive pressure from land based farms and the recently introduced EU-Japan Free Trade Agreement.

The Company's farm gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials and is reported on a whole weight equivalent (WWE) basis.

### **Outlook**

Due to the timing of Easter moving from March to April in FY19, volumes for March are expected to be in line with the prior year, however April sales are expected to be significantly higher than the same period last year, with the rate of sales growth returning to the levels achieved in Q2 and Q3.

Despite the slow start to FY19, with Q1 sales 6% down on FY18, the continuing improvement in the rate of growth during Q2 and into Q3 indicates that the Company remains on track to deliver sales volumes of approximately 2,750 tonnes in FY19, which is consistent with the range of the

previous guidance. This represents a 17%+ increase from the 2,353 tonnes in FY18 (which excludes frozen clearance products).

The Company intends to continue to invest to develop its sales and marketing capabilities to support long term sales growth in Europe and to expand its presence in the US and Asian markets. This investment together with investment in increased biomass will support the planned sales growth.

The Board notes that the inherent operational risks in aquaculture may impact future results.

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