

ASX & Media Release

31 July 2019

Sales Revenue increases 16% on Prior Year, delivering Positive Cash Flow (net of investment in future Biomass Growth)

Highlights:

- **Strong growth in full year FY19 Sales Revenue to \$46.1 million, up 16% from FY18**
- **The Company achieved full year FY19 Sales Volume growth of 13% on FY18, excluding frozen clearance stock**
- **Total Sales Volume of 2,698 tonnes for FY19 was marginally down (1.9%) on guidance, due primarily to the timing of some export shipments falling into July 2019**
- **Q4 FY19 Sales Volume of 714 tonnes exceeded the same period in FY18 by 12%**
- **Clean Seas achieved Q4 cash receipts from customers of \$12.7 million, up 28% compared to Q4 FY18**
- **Sales Revenue in the core Australian market was up 27% in Q4 FY19 versus the same period last year**
- **The Company continues to pursue international expansion, and all regions recorded solid year-on-year growth in FY19. Full-year Sales Volume in the established Europe market was up 4% despite increased competition from land farms, and in the target growth markets of North America and Asia, Sales Volumes were up 30% and 50% respectively**
- **Growth in frozen product, including the innovative new *SensoryFresh* range, was up 38% in FY19 versus the same period in FY18**
- **In FY19, Clean Seas achieved positive Cash Flow from Operations (excluding investment in biomass growth) of \$1.8 million, despite significant additional investment in sales and marketing to support future growth (circa \$1 million) and pre-trial costs associated with feed litigation (circa \$0.75 million)**
- **The Company has completed its “Vision 2025” Strategic Plan which confirms that its investment in growth and pursuit of scale is on track to deliver sustainable profit growth**

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.

Continued growth delivers full year Sales Revenue and Volumes increases of 16% and 13% respectively

Sales Volume (by market, excluding frozen clearance sales)					
	Q1	Q2	Q3	Q4	Full Year
<i>Tonnes (WWE)</i>	FY19 v FY18	FY19 v FY18	FY19 v FY18	FY19 v FY18	FY19 v FY18
Australia	2%	19%	20%	27%	17%
Europe	(16%)	32%	19%	(5%)	4%
North America	13%	24%	30%	50%	30%
Asia/China	(8%)	64%	152%	41%	50%
Total	(6%)	24%	23%	12%	13%

Clean Seas' **Spencer Gulf Hiramasa Kingfish**, "*arguably the best raw fish in the world*", remains the pre-eminent Yellowtail Kingfish with clear market leadership positions in both Australia and Europe.

Global Sales Revenue and Volume (excluding frozen clearance) for FY19 exceeded FY18 by 16% and 13% respectively.

Sales Volume in the core Australian market was up 27% in Q4 FY19 versus the same period last year and up 17% for the full year. This reflects new customer growth from the Company's ongoing 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, discussion of which follows below.

The Company continues to pursue international expansion, with all regions recording significant volume growth in FY19. Europe is up 4%, North America is up 30% and Asia is up 50% versus FY18.

The Company has achieved growth in Europe despite increased competition from local European land-based farms with selling prices significantly below Clean Seas. The Company has driven this positive result through the superior quality of its Spencer Gulf Hiramasa product, its investment in the Spencer Gulf brand marketing campaign, the chef activation program and recent visits to the Clean Seas operations in the Spencer Gulf by major European distributors and leading chefs.

During FY19, competitors operating European land-based farms increased their Sales Volumes to approximately 800 tonnes per annum; encouragingly, this has not impeded the Company's ability to grow its Sales Volumes in this market. The Company is encouraged by the growth in the European Kingfish market as it demonstrates that investment in sales and marketing is building an increased awareness of the species and expanding the market opportunity for Clean Seas.

In FY19, the Company continued to achieve Farm Gate price increases in Australia, North America and Asia. Europe Farm Gate prices remained in line with FY18 despite the significant increase in competitive pressure from local land-based farms and the recently introduced EU-Japan Free Trade Agreement.

Clean Seas achieved strong growth in both North America and Asia while increasing Farm Gate selling prices. Over the course of FY19, Clean Seas' Large Fresh Farm Gate prices increased by 24% in North America and 16% in Asia.

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

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

Clean Seas delivered growth in premium frozen product Sales Volume (excluding frozen clearance sales) of 22% in Q4 FY19 compared to Q4 FY18. The launch of ***SensoryFresh*** has seen the premium frozen category increase by 38% on a volume basis for FY19 compared to FY18. This is particularly significant for North America and Asia where the frozen Kingfish category represents circa 75% of the total market, and validates the Company's strategic investment in its world's best practice freezing technology to achieve a clear competitive advantage in these key growth markets.

Fresh product sales in Q4 FY19 of 522 tonnes were up 9% versus the same period last year, at higher Farm Gate prices.

Achieved Aquaculture Stewardship Council (ASC) Certification

As previously announced, Clean Seas formally received ASC certification in July 2019.



The Aquaculture Stewardship Council is an independent, international non-profit organisation that manages the world's leading certification and labelling programme for responsible aquaculture.

Clean Seas is delighted to achieve this important certification and recognises that customers around the world are increasingly looking for sustainable and responsibly farmed seafood products.

According to Clean Seas' Managing Director & CEO, David J Head,

"This is an exciting and important step for our Company. We have long been the global leader in the full cycle breeding, production and sale of Yellow Tail Kingfish. Our Spencer Gulf Hiramasa Kingfish is widely recognised as arguably the best raw fish in the world, and now this ASC Accreditation, considered the Gold Standard in Aquaculture, is formal validation of our environmentally responsible and sustainable farming practices. As we embark on further expansion, particularly in Europe and North America, ASC Accreditation will open up opportunities for us to serve customers seeking high quality, premium seafood products with these verifiable environmental and sustainability credentials".

Fish Health Remains Excellent with Biomass up 15%

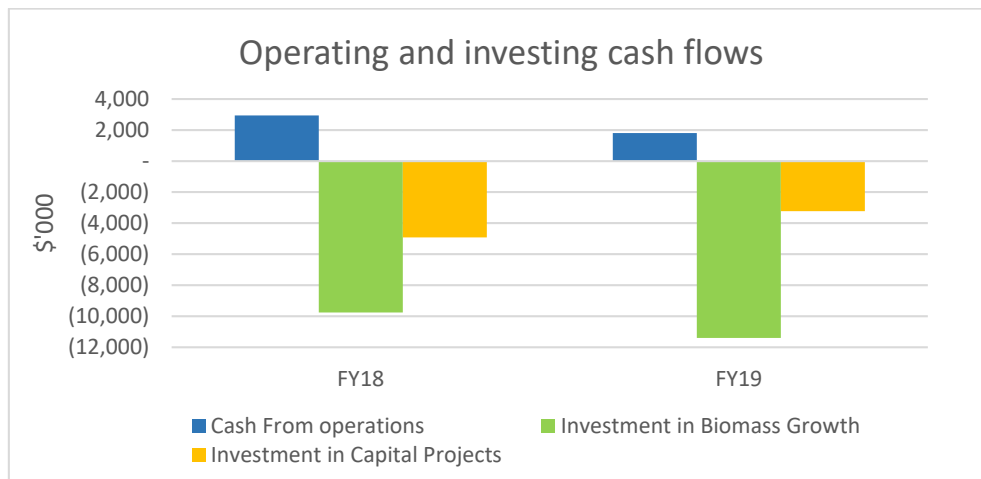
Net biomass growth of 3,513 tonnes in FY19 was 6% higher than FY18. Total biomass at 30 June 2019 of 4,136 is 15% higher than 12 months earlier, reflecting the investment required to support current and future sales growth.

The biomass growth positions the Company well for further sales growth in FY20 and beyond as Clean Seas continues to expand sales of Spencer Gulf Hiramasa Kingfish in global markets.

Positive Cash Flow from Operations and Investment in Future Growth

In FY19 the Company achieved positive cash from operations of \$1.8 million excluding investment in biomass to support growth in sales in future years.

Reflecting the growth in Sales Revenue, Q4 cash receipts from customers were \$12.7 million, which was up 28% compared to Q4 FY18. Full year FY19 cash receipts increased by \$4.9 million or 12% to \$45.7 million in comparison to FY18. Progress in the Company's key cash flow metrics is outlined in the chart below.



The Company has achieved this ongoing improvement in its cash flow dynamics, net of investment in biomass growth, despite significant additional investment in sales and marketing to support future growth that will emerge in coming periods (circa \$1 million) and pre-trial costs associated with feed litigation (circa \$0.75 million).

Total cash from operations was down on FY18 by \$1.1 million, primarily driven by:

- reduced receipts from frozen clearance sales of \$1.3 million
- incremental investment in sales and marketing of circa \$1.0 million
- additional \$0.3 million on feed litigation costs.

Investment in biomass increased by 17% year-on-year in FY19, which is essential to support future sales growth and achieve the scale required to efficiently leverage overheads and deliver sustainably growing profitability.

The Company retains flexibility to vary its cash commitment to biomass, and the source of its funding for this investment, as part of its growth planning to align biomass levels with sales objectives.

Feed Litigation Update

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia, in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. The interlocutory steps in the litigation have been completed with both parties having completed discovery and the exchange of initial and responding experts reports on liability and quantum. Gibson's Limited, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group.

On 28 February 2019, the Company announced that the mediation with Gibson's Ltd was unsuccessful. Unless the claim resolves beforehand, the matter will proceed to trial in the Supreme Court of South Australia commencing on 30 September 2019.

Outlook

The Company has completed its "Vision 2025" Strategic Plan, incorporating short and medium term financial targets. The plan confirms that Clean Seas' investment in growth and pursuit of scale is on track to deliver sustainability of funding and profitability.

The Company reiterates its confidence and positive outlook that it is on the right trajectory to achieve the scale required to deliver on its goals of profitability, cash flow sustainability and gains in shareholder value. The growth in Sales Revenues of 16% in FY19, with positive cash flow from operations net of biomass investment, was another important step in delivering on these goals.

The Company is preparing for a series of shareholder and investor updates in Australia, Europe and Asia in September during which it will provide greater detail of the "Vision 2025" Strategic Plan and expected returns at key Sales Revenue and Volume milestones.

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

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