ASX & Media Release

28 August 2020

Clean Seas FY20 Results

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to announce its full year annual results.

Financial Performance ($'000)	FY20	FY19	Change
Revenue	**40,313**	**46,149**	**-13%**
Volume (t)	**2,424**	**2,698**	**-10%**
Revenue/kg	16.63	17.10	-0.47
Operating Results[1]			
Underlying Operating EBITDA	**(7,164)**	**(1,032)**	**-6,132**
Operating EBITDA/kg	(2.96)	(0.38)	-2.57
Gross Profit	3,866	8,674	-4,808
Gross Profit %	10%	19%	-49%
Statutory Results			
Underlying Operating Adjustments			
Impairment	(15,813)	-	
Litigation Settlement & Expense	14,007	(535)	
Whyalla establishment	-	(607)	
AASB 141 SGARA and cost allocation	(665)	6,955	
Statutory EBITDA	**(9,635)**	**4,781**	**-14,416**
Statutory NPAT	**(14,454)**	**1,446**	**-15,900**
Cash Flow			
Receipts	42,657	45,756	-7%
Investment in Future Biomass	12,114	11,391	+6%
Operating Cash Flow[1]	**(1,919)**	**3,191**	**-5,110**

1. Operating earnings in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Highlights:

- **The Company reports full year FY20 After Tax Statutory Loss of $14.5m, and confirms the previously announced Non Cash Inventory impairment of $15.8m to reflect expected clearance of inventory not sold during COVID shutdown**
- **FY20 sales were materially impacted by COVID lockdown measures and restrictions globally, however global sales volumes in July recovered to circa 92% of prior year, up from 77% in June and despite the Victorian lockdown underlying sales are tracking strongly under current circumstances**
- **The Feed Litigation settlement of $15m in December, $5m in fresh equity from Hofseth, initiatives taken to reduce costs and conserve cash, combined with better than expected sales during the lock down, have positioned the Company's cash reserves well during ongoing COVID-19 uncertainty**
- **Cash and Undrawn Facilities of $42.4m (including $22.2m in cash) at 30 June 2020**
- **Clean Seas focus for the next 12-24 months (while export markets recover from the impacts of COVID) will be to leverage the sale of excess inventory to support working capital requirements whilst working with new partners to develop products and supply chains for its strategic pivot into new retail and meal kit channels**

Clean Seas has a strategic opportunity to use the sale of surplus inventory to drive trials and target long-term growth via new channels and under developed foodservice markets, particularly in North America and Asia. A key focus will be establishing market entry into the circa 13,000t per annum North American frozen Kingfish market which is currently exclusively supplied by traditionally frozen Japanese imports. The impairment of inventory will provide a unique opportunity to target this market at a very competitive price point.

Clean Seas has made significant structural changes to reduce cost and promote efficiency, including the restructure of the Executive team, a reduction in the number Board members and a consolidation of activities into its South Australian base. The Company has identified a number of projects to reduce farm and processing costs of production, and these projects, combined with increased scale from planned sales growth are expected to reduce costs of production and improve Clean Seas competitiveness in new and existing markets.

Clean Seas continues to progress the development of new retail products, which it aims to launch in Q2 FY21. Also, discussions with the Hofseth Group progressed over the last quarter of FY20 and remain ongoing. Clean Seas is confident that Hofseth can assist the Company in identifying new sales opportunities although potential distribution arrangements are yet to be finalised.

It is the Company's view that whilst the ongoing COVID-19 disruptions may reshape the timing of achieving its growth strategy, the planned entry into retail product distribution is expected to deliver long-term growth from new channels that will complement Clean Seas' existing restaurant and premium food service business.

The Company has the advantage of an exceptional product and importantly enters FY21 with balance sheet strength and the capacity to leverage inventory for both strategic growth and as a source of funding during this period of uncertainty.

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

Terry O'Brien
Chairman

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