

Clean Seas Seafood Limited
(ASX: CSS)

Investor Presentation

December 2020



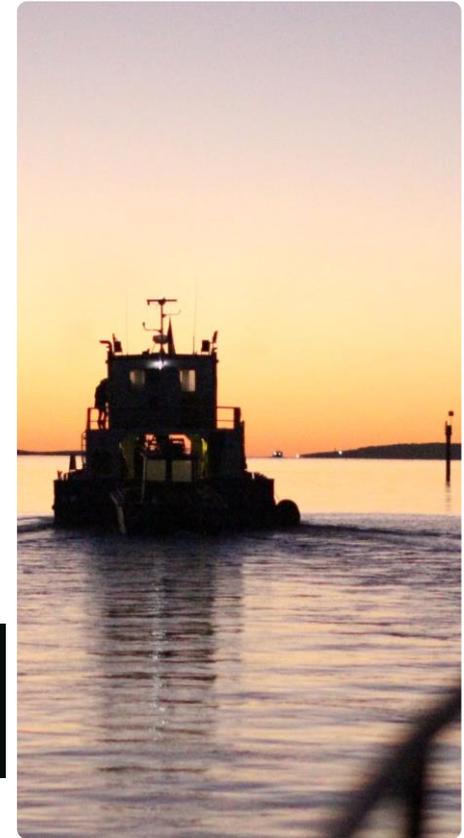
Company Overview

Integrated, sustainable, environmentally friendly and unrivalled quality

- **Breeding** - Clean Seas Seafood is the **world leader** in full lifecycle breeding and farming of Kingfish
- **Farming** - produce premium Yellowtail Kingfish (*Seriola Lalandi*) which is native to the **cold waters of the Spencer Gulf** – we say *the best raw fish in the world*
- **Sustainability** - **sustainable, environmentally** friendly practices, focus on animal welfare, Aquaculture Stewardship Council (ASC) certified
- **Unrivalled Quality** - internationally recognised for **quality** and has attracted many industry awards. On the menu in many Michelin starred restaurants around the world

HOW ARGUABLY THE BEST RAW FISH
IN THE WORLD IS PERFECTED.

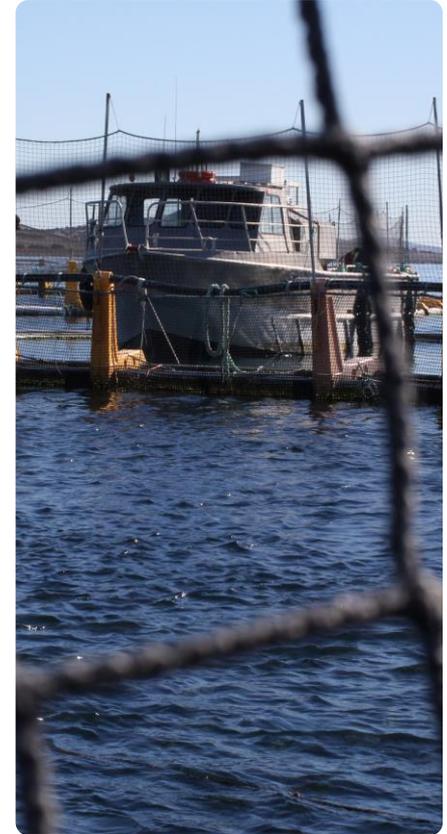
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Investment Highlights

Growth opportunity in established markets and channels as they reopen, and access to new high volume markets and channels through strategic partnerships

- **Diverse Markets** – multiple global channels and market leadership in Australia and Europe
- **Access to global network** – strategic partnership with #2 shareholder **Hofseth International**, one of the worlds largest salmon and seafood distributors, with market leading agreements in retail, food service and home meal kits
- **Growing consumer demand** – Kingfish has demonstrated strong and consistent growth over the last 5 years and Clean Seas can benefit as markets recover
- **Unique Scale** - produces 3,500 tonnes - the **largest** Kingfish producer outside Japan – with marine licences in place to support up to **10,000** tonnes of production
- **Cost of production opportunity** – optimise working capital and cost focus to drive reduced production and overhead costs



Highly Awarded and Sustainably Produced

Sustainable producer and exporter of premium quality product



Australian Food Awards

“Best Fish”

2016, 2017 & 2018



Business SA Export Awards

Overall Exporter of the Year 2019

Agribusiness Exporter of the Year 2019



SA Premier's Food & Beverage Industry Awards

Business Excellence Award – 2019

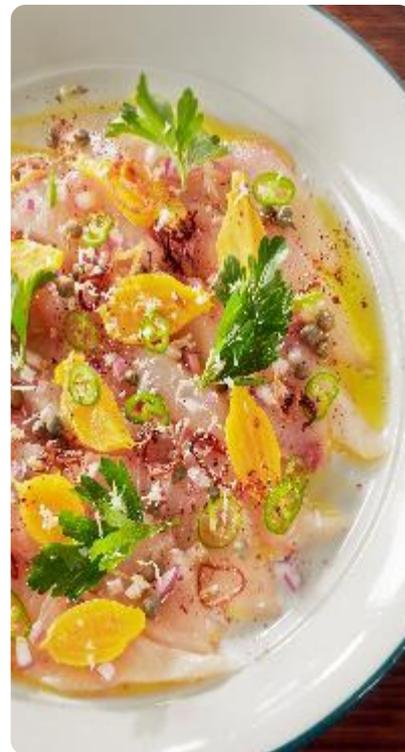
Export Award – 2019

Primary Producer of the Year – 2018



Aquaculture Stewardship Council

Gold Standard Accreditation in Sustainable Aquaculture



Global Opportunities

Strong market leadership in Australia and Europe, opportunity to accelerate North America and Asia through strategic partnerships

Global Kingfish markets excluding Japan

North America

69% of global market

CSS Market Share <1%

Europe

9% of global market

CSS Market Share 45%

Asia

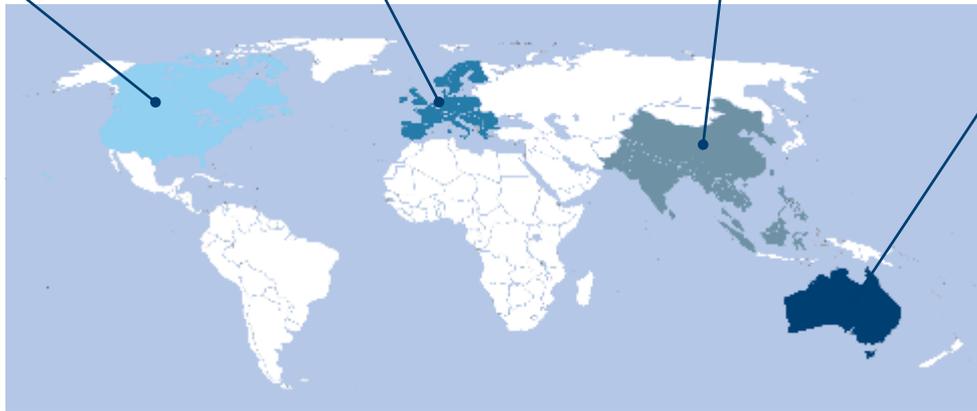
12% of global market

CSS Market Share 6%

Australia

10% of global market

CSS Market Share 88%



- **Market Leader** - Clear leader in **Australia** and **Europe**
- **Market Opportunity** - **North America** and **Asia** represent over 80% of the global Kingfish market (ex Japan) where Clean Seas currently has **very low penetration**



Scalable Capacity

Significant untapped production capacity in Clean Seas hatchery, farms, processing facility



Port Lincoln

- **4,000t** of production capacity
- Marine operations office
- Logistics & maintenance depot

Arno Bay

- **2,850t** of production capacity
- Broodstock and hatchery facility
- Net cleaning and maintenance depot

Whyalla

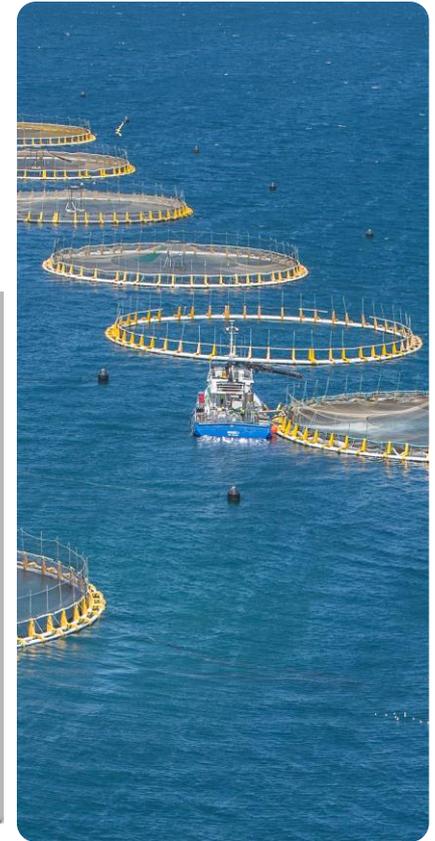
- **4,250t** of production capacity
- Logistics & maintenance depot

Wallaroo

- **2,250t** of production capacity

Adelaide

- Processing & cold storage facility
- Corporate Head Office



COVID Strategic Pivot

Strong growth trajectory when COVID hit, but the disruption from the pandemic has given Clean Seas a strategic opportunity



- Global demand for Kingfish has been **expanding** consistently due to its **quality** attributes and as a sustainable **alternative to salmon** encouraging warm water and land based new entrants into food service channels
- Pre-COVID, 50% of Clean Seas' distribution was domestic, mainly into **restaurants**, and 40% was into Europe, mostly by **airfreight**
- Clean Seas entered the crisis with a **strong balance sheet** including significant cash and funding facilities
- COVID has been highly **disruptive**, with the closure of restaurants impacting demand, however retail and home dining **opportunities** have accelerated
- Clean Seas entered into a **strategic partnership** with Hofseth International and diversified into new channels (retail, home meal kits) and markets (North America and Asia)
- COVID prompted a **fast tracking** of many initiatives, including a program of **cost reduction** and promoting efficiency



Hofseth Strategic Partnership

Broad partnership with #2 shareholder Hofseth to fast-track sales volume opportunities



- **Momentum** - strategic relationship continues to build with a distribution pipeline targeting new channels, and providing opportunities to diversify the business and grow volumes
- **Market Leadership** – Hofseth have market leadership in North America club stores and home meal kits, providing fast-track access for Clean Seas
- **New Launches** - through Hofseth North America, major retail and home meal kit customers in North America have been confirmed for launch
- **Initial Sales** - 157 tonnes Whole Weight Equivalent (WWE) of frozen product in support of these programs was shipped in September 2020
- **Asia Opportunity** - distribution agreement signed with Hofseth Asia to develop the market, leveraging the specialist seafood industry experience of their Shanghai based team
- **Knowledge and Experience** - 45 years of farming experience, innovative relationships with European breeding, production and processing specialists – cost and yield opportunity



Australian Retail Opportunity

Leverage partnerships to fast track domestic retail opportunities as a viable alternative to Salmon



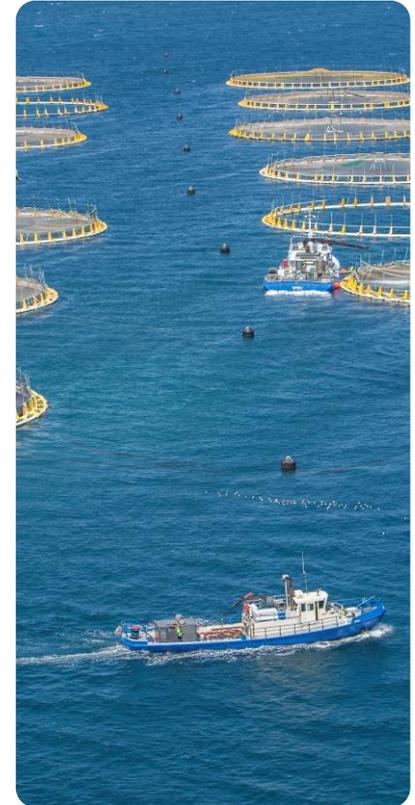
- **Successful Australian Product Launches** - many of Clean Seas Australian wholesale partners have successfully launched Clean Seas Kingfish products into their own retail channels
- **Supermarket Trials Underway** - with products being sold across two major Australian supermarket chains
- **New Product Development** - newly developed retail products will sit alongside established species in supermarkets
- **Green Shoots** - while this volume is not material in itself, it is an important first step in a broader rollout to develop the Australian retail channel
- **Drive Volume** – leverage overheads and deliver cost of production savings



Cost Focus and Diversification

Decisive response to the COVID disruptions to transform the business

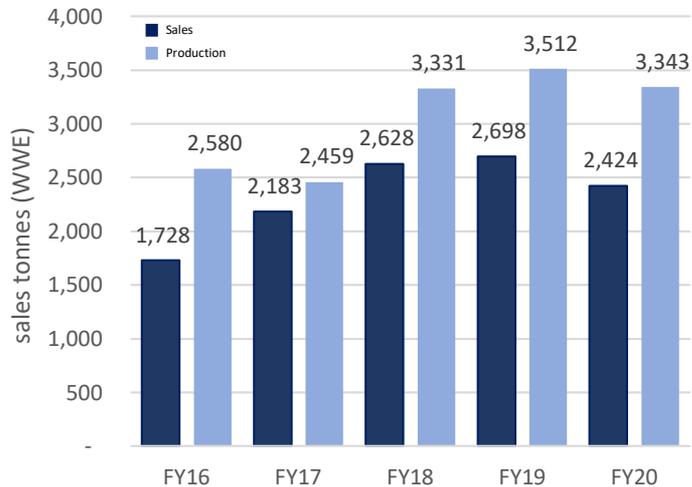
- **Cost Savings** – significant reduction in Corporate overheads, Executive reduced from 8 to 5, Board from 6 to 3, and reduced costs in other corporate functions
- **Production Efficiency** - targeting significantly lower cost of production – a reduction of \$3/kg – by optimizing working capital, and through capital investment in automation to be funded via headroom in existing debt facility
- **Diversification and De-risking** - diversify Australian and European businesses - into retail and home dining - while retaining and growing the premium restaurant business as markets recover
- **Distribution Step Change** - entered into new distribution partnerships including with Hofseth who have the established relationships to deliver sales volume increases



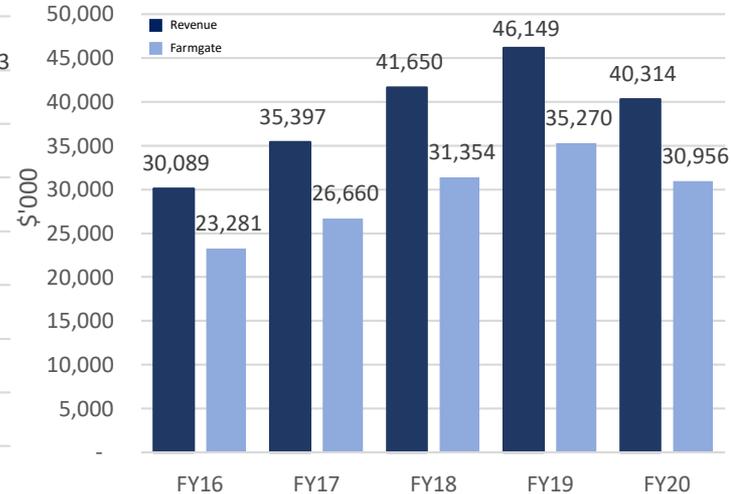
Volumes and Revenue

Volume and Revenue Growth over 5 years

Sales & Production volumes (tonnes)



Revenue & Farmgate (\$'000)



- **Growth** - over 5 years to FY20 sales volumes and revenue have experienced a CAGR of 7% p.a. & 6% p.a. respectively
- **Incremental volumes** - high volume channels and new markets to drive the rate of volume growth required to deliver lower cost of production



Conclusion

Refreshed Board and Management, new partnerships and distribution channels, cost and volume focus

- **Inventory Sell Down** - leveraging the sale of excess inventory will support working capital requirements and drive the diversification into new markets and channels
- **Profitability Impact** - lost sales from COVID will continue to impact the business in FY21 and FY22, with surplus live (biomass) and frozen inventory contributing to higher production costs while we work through this overhang
- **Cost focus** - will further support lower costs of production and profit recovery
- **Diversification** - broader distribution will complement the premium restaurant businesses as it recovers, and deliver lower costs of production as volumes increase
- **Leadership position** - uniquely positioned to be the quality and cost leader in sustainable and environmentally friendly Kingfish production globally



Contacts



Rob Gratton | CEO
rob.gratton@cleanseas.com.au
+61 434 148 979

David Brown | CFO
David.brown@cleanseas.com.au
+61 412 235 624

Andrew Angus | Investor Relations
andrewangus@overlandadvisers.com.au
+61 402 823 757

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Appendices



Key Board and Management Personnel



Travis Dillon - Chairman

Extensive agribusiness experience, with a strong commercial and strategic mindset. Formerly CEO & MD of Ruralco Holdings. Currently Chairman of Terragen Holdings Limited (ASX:TGH), Non-Executive Director of S&W Seed Company Australia, Non-Executive Director of Lifeline Australia and member of the CSIRO Agriculture and Food Advisory Committee.



Gilbert Vergères - Director

One of three Partners of Bonafide Wealth Management AG, who, through their Global Fish Fund is Clean Seas' largest shareholder. Bonafide is considered one of the pre-eminent global investors in aquaculture. Mr Vergères worked at several Swiss private banks and has been MD and member of the Board of Directors at an asset management company.



Marcus Stehr - Director

More than 25 years hands on experience in marine finfish aquaculture operations. Currently MD of Australian Tuna Fisheries Pty Ltd. Mr Stehr makes a strong contribution to the Australian fishing and aquaculture industries as a Board member of the Australian Southern Bluefin Tuna Industry Association and the Australian Maritime and Fisheries Academy.



Rob Gratton - Chief Executive Officer

CEO of Clean Seas since August 2020, having previously been CFO. Formerly at JP Morgan in London and New York, Mr Gratton then helped Jurlique grow through international expansion, and went on join kikki.K to assist them with a similar international expansion strategy. Strong understanding of capital markets and deep commercial and international experience.



David Brown - Chief Financial Officer

CFO of Clean Seas since August 2020, having previously been Group Financial Controller and Joint Company Secretary, Mr Brown has over 10 years experience in Corporate Finance and Accounting roles across a range of industries and is a Chartered Accountant. Prior to Clean Seas, David held senior Corporate Finance positions at KPMG and Grant Thornton.



Antoine Huon - Chief Commercial Officer

Seasoned FMCG professional in the field of sales and marketing across domestic and International markets, Mr Huon has over 10 years experience in the Aquaculture Industry. Before joining Clean Seas in 2019, Antoine worked as Group Export and Industrial Manager at Huon Aquaculture before taking up the role as National Sales Managers at FCI/Top Foods.



Dan Fisk - GM Operations

Before joining Clean Seas in early 2018, Dan held a number of Senior Leadership roles in Aquaculture in both Australia and overseas over the past 20 years, including with Tassal in Tasmania and Australis Aquaculture in Asia where he spent the past 10 years as the Company's General Manager founding and running a new hatchery, farm and processing facility in Vietnam.



Rebecca Rourke - Head of People & Safety

Experienced Human Performance Specialist with demonstrated experience working in multiple industries, nationally and internationally, Ms Rourke has a substantial background in Workplace Health & Safety, and extensive skills and passion in Change Implementation, Culture & Leadership, Coaching & Development. Rebecca has held senior HR roles at KPMG.

Our Hatchery

Global leader in full cycle breeding, with 20 years of experienced and selective breeding

- **Eggs** - Arno Bay hatchery, the cycle of life commences with eggs, spawned naturally from our selectively bred broodstock
- **Incubation** - Eggs are carefully transferred to an incubator, where they hatch 48 hours later
- **Counting** - Newly hatched larvae are gently counted before residing in custom designed larval rearing tanks
- **Larvae Rearing** - For the next 18-21 days, these larvae are hand nurtured and fed a highly nutritious diet of rotifers and artemia, until transfer to the nursery for weaning
- **Weaning** - Here our tiny hatchlings (weighing just one-tenth of a gram) are given a specially formulated feed that replicates the ideal diet they would naturally eat in the wild
- **Transfer to Sea Cage** - At 75 days old the fingerlings can be moved to our sea farm in the crystal clear waters of Spencer Gulf.



Our Farms



Our Yellowtail Kingfish reside in our sea farms across the Spencer Gulf of South Australia, with it's clean and clear cold water

- **From 75 days** - our Yellowtail Kingfish reside in our sea farms in the Spencer Gulf, one of the cleanest bodies of water in Australia.
- **Feed** - the fish are fed specially formulated feed - balanced for optimal nutrition and growth. Clean Seas considers research fundamental to product quality, sustainability and business success.
- **Nutrition** - Our team of experts collaborates extensively with world-leading institutions. Clean Seas' proprietary studies have advanced the scientific and industry knowledge in the farming of Kingfish globally
- **Innovation** - Clean Seas Seafood is committed to continual innovation and improvement through R&D to ensure the highest quality, while improving sustainability and reducing environmental impacts



Our Processing & Products

State of the art processing facility with world's best practice liquid nitrogen freezing technology *SensoryFresh*



- **New Processing Facility** - state of the art facility provides end to end quality control across the supply chain from hatchery to customer.
- **Latest Technology** - The Royal Park Processing Facility includes world's best practice, latest rapid freezing technology (liquid nitrogen) - Adelaide's first -40°C freezer facility

FY20 Financial Overview

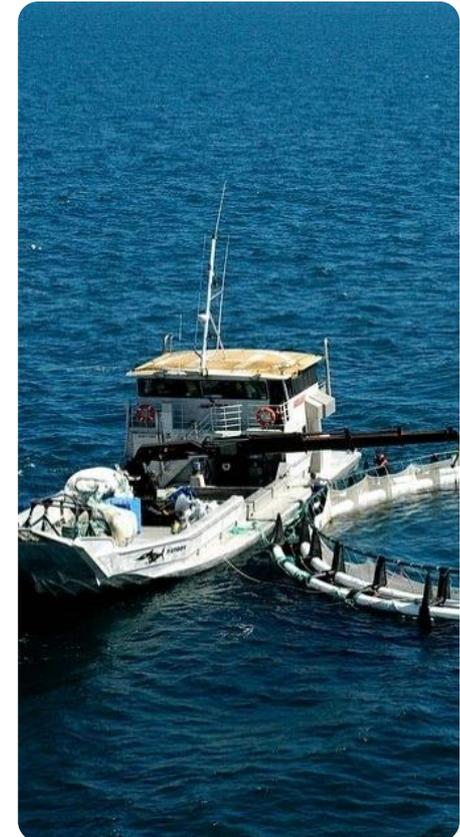
Financial Performance (\$'000)	FY20	FY19	Change
Revenue	40,313	46,149	-13%
Volume (t)	2,424	2,698	-10%
Revenue/kg	16.63	17.10	-0.47
Operating Results			
Underlying Operating EBITDA¹	(7,164)	(1,032)	-6,132
Operating EBITDA/kg	(2.96)	(0.38)	-2.57
Gross Profit	3,866	8,674	-4,808
Gross Profit %	10%	19%	-49%
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			
Cash Receipts	42,657	45,756	-3,099
Statutory cash used in operating activities	(26)	(9,342)	9,316
Less:			
Investment in Biomass Expansion	12,114	11,391	723
Cash flows from settlement (net of expenses)	(14,007)	1,142	-15,149
Operating Cash Flow¹	(1,919)	3,191	-5,110

1. Underlying Operating EBITDA and Operating cash flow 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.



Balance Sheet

Balance Sheet (\$'000)	Jun-20	Jun-19	Change
Cash and cash equivalents	22,169	1,004	21,165
Trade and other receivables	2,973	5,764	(2,791)
Inventories	10,891	9,465	1,426
Prepayments	1,072	1,047	25
Biological assets	49,783	56,585	(6,802)
Total current assets	86,888	73,865	13,023
Property, plant and equipment	16,092	16,869	(777)
Right to use asset	539	-	539
Biological assets	244	244	-
Intangible assets	2,957	2,957	-
Total non-current assets	19,832	20,070	(238)
Total assets	106,720	93,935	12,785
Trade and other payables	(6,423)	(6,982)	559
Borrowings	(10,925)	(1,585)	(9,340)
Bank overdraft	-	(7,275)	7,275
Provisions	(1,175)	(977)	(198)
Total current liabilities	(18,523)	(16,819)	(1,704)
Borrowings	(2,340)	(3,356)	1,016
Convertible note	(13,075)	-	(13,075)
Provisions	(324)	(218)	(106)
Total non-current liabilities	(15,739)	(3,574)	(12,165)
Total liabilities	(34,262)	(20,393)	(13,869)
Net assets	72,458	73,542	(1,084)



Cash and Available Funding

Despite COVID-19 Business disruption, Clean Seas is emerging in good shape

Current cash and available funding (\$m)	Sep-20	Jun-20	Change
Cash at bank	19.5	22.2	-2.7
Undrawn working capital facility	2.1	3.5	-1.4
Undrawn asset finance facility	3.0	2.7	0.3
Undrawn senior debt facility	14.0	14.0	-
Total cash and undrawn facilities	38.6	42.4	-3.8

- **Significant Cash & Working Capital** - total cash and undrawn facilities at the end of Q1 FY21 of **\$38.6 million**, of which \$21.6 million is available to fund investment in future biomass
- **Undrawn Debt Facilities for Productivity Enhancements** – an additional \$17.0 million of undrawn facilities available for capital investment projects, including those that will deliver increased production capacity and automation

