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ASX release

Tassal delivers a record result

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Tassal Group Limited (ASX: TGR) is pleased to announce its results for the 12 months ended 30 June 2017 (FY2017), delivering record earnings and strongly positioning the Company for even more growth in FY2018.

Operational excellence delivered a record result in FY2017

(\$ million)	FY2017	FY2016	Change
Statutory results ¹			
Revenue	450.5	430.9	4.5%
EBITDA	114.6	97.3	17.7%
NPAT	58.1	48.5	19.8%
Operating results			
EBITDA	89.0	82.2	8.3%
NPAT	42.2	37.9	11.3%
Operating cashflow	51.4	50.2	2.3%
Gearing (net debt/equity)	12.4%	33.5%	
Final dividend ²	7.5	7.5	
Total dividend ²	15.0	15.0	

Note:

- For FY2017 includes: 1) \$6.7 million expense for De Costi Seafoods Contingent Consideration reflecting the most recent assessment of the likelihood of the earnout being triggered for FY2018; and 2) \$32.3 million pre-tax / \$22.6 million post-tax AASB 141 SGARA impact
- Final and interim dividends were 100% franked in FY2017, compared to 100% franked final dividend and 75% franked interim dividend in FY2016

Commenting on FY2017's record result, Tassal Managing Director & CEO Mark Ryan said:

"The successful execution of our strategy to be a world leading, sustainable seafood company has delivered a great result for consumers and our shareholders. Both our core salmon business and the wider seafood component of De Costi Seafoods continue to generate increasing returns.

"In line with Tassal's strategic initiatives, we have successfully managed sales mix to maximise returns and deliver strong earnings growth. Fish were kept in the water for longer to optimise growth and deliver enhanced margins. Importantly, a 'step change' in underlying salmon biomass has been achieved that is expected to continue as we deliver on our 2025 Strategic Plan and its targets.

"With a strong balance sheet, increased biomass, and improved contribution margin, Tassal is well placed to continue its sustainable growth in FY2018 and achieve another record result."

Optimising sales mix and price drives record result

Tassal's strategy of managing sales mix and optimising margins rebalanced FY2017 away from retail to higher margin wholesale markets. This allowed Tassal to take advantage of current favourable salmon pricing and increase its contribution margin – despite cost of growing increases.

Further, Tassal has leveraged favourable growing conditions to leave fish in the water and increase biomass and size to drive future earnings. Tassal's biomass at 30 June 2017 was up 43% to 21,760 tonnes (compared to 15,164 tonnes at 30 June 2016).

FY2017 revenue was up 4.5% to \$450.5 million, even though harvesting and sales were held back to leave fish in the water for longer.

Operational EBITDA grew faster than revenue, up 8.3% to \$89.0 million, due to the increased contribution margin from shifting sales to higher margin channels, growth in De Costi Seafoods' earnings, and the benefits from operational efficiencies continuing to flow through.

Sustainability – underpins everything Tassal does

Tassal has world leading environmental credentials and compliance across its operations for harvest fish as independently certified by the Aquaculture Stewardship Council (ASC). Maintaining ASC certification and continuing to work with WWF-Australia is a priority.

"Farmed Salmon is a high-quality, low carbon footprint source of protein. Its popularity must be supported by sustainable processes that balance environmental, social and economic dimensions. Adaptive management is fundamental to our response to environmental challenges.

"As a business and industry, we have a lot to be proud of in terms of the sustainability and health benefits of salmon as a global protein, world standard accreditations, high level of innovation, continued investment in farming and processing in Australia, and the economic contribution we bring to Tasmania," said Mr Ryan.

Adaptive management & innovation – delivering a sustainable business

"Tassal has 100% 'out of lease' compliance on all of its leases, including now Macquarie Harbour. This is a significant achievement and one which every person at Tassal is very proud of. We own our environmental outcomes and use the latest science available to better understand the environment in which we operate.

"On 30 June 2017, the Environment Protection Authority (EPA) approved Tassal's waste capture system in Macquarie Harbour.

"In addition, recent scientific surveys conducted in March, April and May show 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," said Mr Ryan.

Strong cashflows support further investment

Tassal's operating cashflow in FY2017 was \$51.4 million (FY2016: \$50.2 million). The higher operating cashflow was achieved even though harvesting and sales were strategically held back to optimise fish biomass and to position Tassal for strong growth going forward. Pleasingly, Tassal produced free cashflow of \$2.3 million after all capital expenditure was completed for FY2017.

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Comfortable gearing and fully franked dividend

Tassal's gearing, as reflected by net debt to equity, decreased to 12.4% (FY2016: 33.5%) following the successful capital raising that further strengthened the Company's balance sheet and lowered its risk profile.

Reflecting the operating cashflows, growth outlook and increased shares on issue, the Directors of Tassal declared a fully franked final dividend for FY2017 of 7.50 cents per share (2H 2016: 7.50 cents per share, 100% franked). The record and payment dates for this dividend are 11 and 29 September 2017, respectively.

This brings the total FY2017 dividend to 15 cents per share, fully franked (FY2016: 15 cents per share, 87.5% franked).

Well positioned for further growth

Tassal's strategic priorities support its growth prospects:

- increasing volume to position Tassal with superior biomass in the market
- enhancing salmon growth performance as part of the selective breeding program
- maintaining existing channels and enhancing the export strategy
- continuing to improve traceability and freshness.

These initiatives will strongly position Tassal for its next growth phase.

Commenting on Tassal's positive outlook, Mr Ryan said: "We remain focused on sustainable growth, and our investment in both fish size and survival is expected to deliver improved financial returns over the long term. Our focus over the next 12 months is to grow fish biomass by 2,500 to 3,000 hog tonnes, while further increasing domestic Salmon and Seafood consumption.

"The favourable environmental conditions underpinning fish growth in FY2017 are expected to continue in FY2018. Combined with an optimised sales mix and the step change in biomass that Tassal has achieved, Tassal's board expects to deliver another record result in FY2018."

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated Salmon grower and Salmon and Seafood processor, seller and marketer. The Company produces and sells premium Salmon and Seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon in Tasmania's fresh waters and through its De Costi Seafood business sources and processes a wide range of Seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and Seafood sourcing. The company employs over 1,200 people. Visit www.tassal.com.au for more information.

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