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ASX release

Tassal's strategic execution delivers a record first-half result

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Tassal Group Limited (ASX: TGR) is pleased to announce its results for the six months ended 31 December 2017 (1H18) that saw the company deliver record first-half results across all key operational and financial metrics, including a 23.5% increase in operating EBITDA to \$53.2 million, and a platform from which to deliver sustainable growth in shareholder returns.

Record 1H result, with growth across all key metrics

(\$ million)	1H18	1H17	Change
Statutory results ¹			
Revenue	271.3	219.3	23.7%
EBITDA	56.7	53.5	6.1%
NPAT	28.4	27.7	2.5%
Operating results			
EBITDA	53.2	43.1	23.5%
NPAT	25.9	20.5	26.8%
Operating cashflow	40.6	24.0	68.9%
Gearing (net debt/equity)	13.0%	34.6%	
Interim fully franked dividend (cps)	8.0	7.5	6.7%

(1) Overall, the AASB 141 'Agriculture' (SGARA) was higher for the period to 31 December 2017 (1H18). EBITDA for 1H18 included \$3.5 million SGARA adjustment, compared to \$10.4 million for 1H17. Likewise, 1H18 NPAT included \$2.5 million SGARA adjustment compared to \$7.3 million in 1H17.

Commenting on the record 1H18 results, Tassal Managing Director & CEO Mark Ryan said: "Once again, our salmon business continues to thrive, supported by better than forecast growth in local demand and increasing domestic returns for high quality salmon, while De Costi Seafoods continues to leverage other seafood diversification to also generate increasing returns."

"We have delivered a step change in salmon volumes over the first-half. The benefits of growing larger fish flowed through to additional biomass and operational efficiencies, which generated superior domestic market returns. These results supported the operating earnings growing in line with revenue, clearly highlighting the success of our strategy of flexing salmon sales to optimise mix and grow returns.

"Our focus on responsible capital spend combined with a heightened ability to convert salmon biomass at the end of June last year into revenues over the first-half saw exceptional growth in operating cashflow. Operating cashflows was up 69.2% to \$40.6 million. This focus, together with the capital raising carried out in 2H17 has resulted in a substantial reduction in Tassal's gearing. Our balance sheet, which has been de-risked and strengthened, provides added flexibility for Tassal's next investment cycle," added Mr Ryan.

Increased salmon volumes and domestic market returns underpin record results

Over 1H18, Tassal's total salmon sales volumes were up 43.8% to 16,908 Hog tonnes (1H17: 11,761 Hog tonnes). Within this, Australian domestic volume was up 11.6% to 11,741 Hog tonnes (1H17: 10,516 Hog tonnes), reflecting continuing growth in domestic per capita consumption. The step change in sales volumes underpinned a 23.7% increase in revenue to \$271.3 million.

Operational EBITDA also grew strongly, up 23.5% to \$53.2 million. This result was due to a more optimal salmon sales mix and pricing returns, 'cost-out' initiatives, and supply chain efficiencies and productivity improvements. These factors were able to offset the softening of international prices in the export market.

In addition, progress continues on Tassal's seafood strategy, with continued growth in De Costi Seafoods' earnings.

Sustainability and environmental responsibility remain at our core

Tassal's recognition as a leader in sustainability and environmental responsibility continued in 1H18. Aquaculture Stewardship Council (**ASC**) certification was maintained across all of Tassal's operations for harvest fish, and the company strengthened its partnership with World Wildlife Fund-Australia. In addition, Tassal was again recognised in the top three companies globally by *Seafoodintel.com* for transparent corporate sustainability reporting.

"Tassal's continuous improvement in its environmental practices is evident from the improved biomass performance and environmental and biological outcomes over the first-half. We are extremely proud of the efforts of our team to engage more deeply within the community consultation process," said Mr Ryan.

Very strong growth in operating cashflows

Operating cashflow was up 69.2% to \$40.6 million, reflecting the strength of Tassal's underlying business and operational strategy. The company will continue to focus on positive cash generation from operations to enable investment in fish growth from both a number and weight perspective, while undertaking a responsible capital spend to underpin sustainable growth in long-term returns.

Balance sheet de-risked and strengthened... and dividend increased

Tassal's gearing, as measured by net debt to equity, decreased to 13.0% over 1H18 (1H17: 34.6%). This low gearing level was achieved through the capital raising which raised net proceeds of \$82.5 million in 2H17, together with the very strong growth in operating cashflow and responsible capital spend. The company's strong balance sheet provides the operational and financial flexibility to support investment in biomass and lower Tassal's risk profile.

Operational earnings per share (EPS) was up 10.0% to 15.09 cents per share.

Reflecting the Company's operational and financial performance, growth outlook and increased shares on issue, the Directors of Tassal increased the interim fully franked dividend for 1H18 by 6.7% to 8.0 cents per share (1H17: 7.50 cps fully franked). The record and payment dates for this dividend are 15 and 29 March 2018, respectively.

The Company's Dividend Reinvestment Plan (DRP) will apply to the 1H18 interim dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

Strategically positioned to continue growth trajectory

Commenting on Tassal's positive outlook for 2H18, Mr Ryan said:

"Tassal is in a strong position to deliver on the attractive growth opportunities the company sees across salmon and seafood. Our focus on sustainable growth, and our investment in both fish size and survival, will underpin further improved financial returns for salmon. In addition, De Costi Seafoods continues to grow as the company gains further traction with its seafood strategy.

"The operating platform we have built will allow Tassal to leverage the favourable market dynamics in Australia's domestic salmon market, while constantly optimising sales mix and returns across domestic wholesale and retail, as well as export markets. Tassal's Board expects to deliver another record result in FY18."

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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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