



24 August 2018

## ASX release

### Tassal delivers more, larger fish to underpin continued growth in operating results

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the 12 months ended 30 June 2018 (FY18) that saw the company deliver record revenue and operating results, including a 12.1% increase in operating EBITDA to just under \$100 million.

#### Key operational highlights

- **Strong salmon position** across all growth metrics
  - Strong FY18 - average harvest size up 15.4% underpinned 21.4% growth in harvest tonnage
  - Well positioned for FY19 and beyond – live fish size at 30 June 2018 up 5.3% resulting in 5.5% growth in live biomass for harvest tonnage in FY19.
- **Fish size initiatives** enable delivery to Asian export markets at optimal price points, while supporting domestic retail and wholesale markets.
- **Favourable salmon market dynamics:** Strong consumer demand, particularly in the wholesale market, offsetting cost pressures. This demand has resulted in an optimisation of sales (including sales mix), which together with an improving salmon base selling price – both in wholesale and retail markets - has allowed Tassal to optimise and grow margins. Domestically and globally, salmon demand is outpacing supply.
- **Seafood and salmon growth strategy is the right strategy** – De Costi Seafoods continues to drive salmon and seafood growth, with strategic opportunities – like the acquisition of Fortune Group's prawn farms - to deliver further seafood supply chain efficiencies.
- **Strong results for FY18 with an Operational NPAT of \$50.3 million** and a solid platform to drive continued growth in FY19 and onwards – for our customers and shareholders.

#### Financial summary

Financial Performance (A\$m)	FY18	FY17	Change
<b>Revenue</b>	509.50	450.45	13.1%
<b>Operating results</b>			
Operating EBITDA	99.78	88.97	12.2%
Operating NPAT	50.31	42.19	19.2%
<b>Statutory results</b>			
Statutory EBITDA <sup>1</sup>	110.00	114.55	(4.0%)
Statutory NPAT <sup>1</sup>	57.29	58.08	(1.4%)
Operating cashflow	43.88	51.36	(14.6%)
Final dividend - cps <sup>2</sup>	8.00	7.50	6.7%
Total dividend - cps <sup>2</sup>	16.00	15.00	6.7%
Gearing Ratio <sup>3</sup>	18.7%	12.4%	
Funding Ratio <sup>4</sup>	28.5%	24.3%	

#### Note

1. FY18 Statutory EBITDA included \$10.8 million SGARA uplift, compared to \$32.3 million in FY17. Likewise, FY18 Statutory NPAT included \$7.6 million SGARA adjustment compared to \$22.6 million in FY17
2. Both final and total dividend for FY18 are fully franked
3. Gearing ratio as represented by net debt / equity
4. Funding ratio as represented by net debt + receivables purchase facility / equity

**Hobart**  
Level 9, 1 Franklin Wharf, Hobart, TAS 7000  
GPO Box 1645, Hobart, Tasmania 7001  
Telephone (03) 6244 9099  
Facsimile (03) 6244 9002

**Melbourne**  
Level 2, 1-9 Derrick St, Kew, VIC 3101  
Telephone 1300 66 4731  
Facsimile 1300 88 1429

**Huonville**  
20 Glen Rd, Huonville, TAS 7109  
Telephone 1300 66 4251  
Facsimile 1300 88 0239

**De Costi Seafoods**  
29 Bachell Ave, Lidcombe, NSW 2141  
PO Box 429, Lidcombe, NSW 1825  
Telephone (02) 9649 7699  
Facsimile (02) 9649 7655

Commenting on FY18's result, Tassal Managing Director & CEO Mark Ryan said: "The strength of Tassal's operating model is clearly seen in another record result for the company, with revenue up 13% to \$509.5 million, and operating NPAT up 19% to \$50.3 million. This result, and the growth in live salmon biomass which was up 1,200 tonnes, puts Tassal in the best position it's ever been in to deliver attractive long-term growth for our customers and shareholders.

"Over the past 12 months we have seen favourable salmon market dynamics. Tassal, like the industry both domestically and globally, has experienced cost pressures. However, this has been offset by strong consumer demand for Tassal's salmon, which has improved pricing conditions and allowed for further optimisation of our sales mix to maximise margins. While there are supply pressures in both domestic and global markets, Tassal has been able to increase its supply position. With strong growth in salmon across all metrics – fish size and overall biomass leading to an increase in harvest tonnage – we have been able to deliver to Asian export markets at optimal price points, while supporting growing domestic retail and wholesale markets.

"Tassal continued to be recognised for its leadership in environmental and sustainability initiatives. Over the past 12 months, Tassal retained the globally leading Aquaculture Stewardship Certification [ASC] across all of our harvest leases. Tassal was also ranked second in the world globally by seafoodintel.com for sustainability reporting, and received ACSI ASX200 industry leader for sustainability reporting. On the water, we established a joint venture with Petuna to deliver environmental and biosecurity outcomes, supporting a sustainable future for salmon farming in Macquarie Harbour," said Mr Ryan.

### **Tassal's strong salmon position – improving fish size, overall biomass and harvest tonnage – underpins future growth**

Tassal's continued focus on fish health, risk mitigation, research and development, and selective breeding underpinned strong fish performance and forecast supply to meet growing consumer demand.

Tassal harvested an average fish size of 4.5kg HOG (FY17: 3.9kg HOG) – an increase of 15.4%. Harvest tonnage was up 21.4% to 30,883 HOG tonnes (FY17: 25,432 HOG tonnes) and sales volume increased 20.5% to 30,702 HOG tonnes (FY17: 25,487 HOG tonnes). Standing biomass at 30 June 2018 was up 5.5% to 22,978 tonnes (FY17: 21,778 tonnes), with live fish size up 5.3%.

### **Tassal's fish size initiatives open Asian markets, while supporting domestic retail and wholesale**

Tassal's focus on fish health and welfare, selective breeding and remote feeding strategy has resulted in fish size being optimised to levels three to five years ahead of plan, supporting improved domestic yields and pricing, but also underpinning an Asian export program, requiring very large fish (at a premium price). The export salmon market was flexed to optimise salmon returns across markets, and while export pricing softened globally in 1H18, it recovered strongly in 2H18. The majority of sales occurred in 1H18 and Tassal finished FY18 with export sales volume up 98.4% year on year and sales revenue up 77.3%.

### **Favourable salmon market dynamics**

Strong consumer demand was evident in the domestic market, particularly the wholesale market. This strong demand has resulted in an improving salmon base selling price in both the wholesale and retail markets. Tassal's strategy of managing sales mix and optimising margins continued to allow the Company to take advantage of favourable salmon pricing and increase its contribution margin. Optimisation of domestic salmon sales mix saw wholesale volume at 42.4% vs. retail volume at 57.6% (FY17: 43.5% vs. 56.5%), with: wholesale sales volume up 6.1% - sales revenue up 6.2%; and retail sales volume up 11.2% - sales revenue up 4.5%.

Tassal also benefited from significant growth in retail fresh packaged products at 11.4% over FY17.

### **Tassal's seafood and salmon growth strategy is the right strategy**

De Costi Seafoods continues to drive salmon and seafood growth, with potential strategic opportunities – like prawn farms - to build further seafood supply chain efficiencies and reform. Not only delivering solid results, but unlocking large synergies in the seafood supply market significantly bolsters Tassal's ability to deliver on its sustainable seafood and salmon growth strategy through the ability to diversify earnings and risk mitigate.

Operational EBITDA from De Costi Seafoods (including salmon) was \$13.9 million (FY17: \$12.7 million), while the earnout for FY18 will see the issue of 1.85 million shares to the vendor.

Tassal believes a continued focus on other seafood species and geographic diversification (salmon and other seafood) remains the right thing to do to ensure increasing shareholder returns, particularly given the Company's solid balance sheet position, coupled with the ability to leverage and optimise the supply chain infrastructure that Tassal already has in place.

Opportunities in the seafood value chain need to diversify earnings and mitigate risk. They must present strong efficiencies, be acquired at an appropriate value and ensure that they are earnings per share accretive to be pursued.

### **Tassal's environmentally sustainable practices and operational excellence has created a strong platform to deliver continued growth**

Commenting on Tassal's positive outlook, Mr Ryan said: "Tassal's strong salmon position will see the Company deliver increased harvest production and sales in FY19. Continued domestic demand growth outstripping supply will underpin increased pricing in the domestic market, while we will continue to use the export market, particularly Asia, to optimise fish size and underpin production efficiencies. The combination of all of this, will see Tassal deliver another record result in FY19."

"Our focus on operational excellence, will see Tassal using a Well Boat for bathing operations for FY20. To ensure our fish remain healthy and active, Tassal bathes its fish in fresh water. The Well Boat will support more efficient (cheaper) and effective bathing than we currently do, support our strategy to use larger smolt in our salmon production, and allow further biomass facilitation through allowing better survival, growth and for us to implement farming further offshore.

"We believe a continued focus on salmon and seafood is the right strategy to ensure increasing and sustainable long-term shareholder returns. Our success with De Costi Seafoods reinforces this strategy, and we are actively investigating strategic growth opportunities to further enhance Tassal's seafood supply chain."

### **Tassal prawn acquisition**

Tassal is pleased to announce that its wholly-owned subsidiary, De Costi Seafoods Pty Ltd, has signed sale agreements to acquire the land, assets and inventory of the Fortune Group prawn aquaculture business. It comprises three prawn farms located at Yamba, New South Wales; Proserpine, Queensland; and Mission Beach, Queensland.

Please refer to Tassal's separate ASX Release dated 24 August 2018 for details on this acquisition.

-ends-

### **Media / analyst queries:**

Mark A. Ryan

Managing Director & CEO

Phone: 0414 729 101 / Email: [mark.ryan@tassal.com.au](mailto:mark.ryan@tassal.com.au)

### **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 1,300 people. Visit [www.tassal.com.au](http://www.tassal.com.au) for more information.

#### **Hobart**

Level 9, 1 Franklin Wharf, Hobart, TAS 7000  
GPO Box 1645, Hobart, Tasmania 7001  
Telephone (03) 6244 9099  
Facsimile (03) 6244 9002

#### **Melbourne**

Level 2, 1-9 Derrick St, Kew, VIC 3101  
Telephone 1300 66 4731  
Facsimile 1300 88 1429

#### **Huonville**

20 Glen Rd, Huonville, TAS 7109  
Telephone 1300 66 4251  
Facsimile 1300 88 0239

#### **De Costi Seafoods**

29 Bachel Ave, Lidcombe, NSW 2141  
PO Box 429, Lidcombe, NSW 1825  
Telephone (02) 9649 7699  
Facsimile (02) 9649 7655