



Level 9, Marine Board Building
1 Franklin Wharf
Hobart, Tasmania 7000

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Lodgement of Market Briefing**

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Market Briefing

Tassal MD & CEO on FY18 results and FY19 growth outlook

Interview with Mark Ryan (Managing Director & CEO)

In this Market Briefing interview, Mark Ryan, Tassal's Managing Director & CEO, gives an update on the company's FY18 result and FY19 growth outlook, including:

- *Solid results achieved across all key metrics in FY18 underpinned by improving fish size, increased overall biomass and harvest tonnage*
- *Successful execution of the Company's sustainable long-term growth strategy and strategic growth opportunities*
- *Favourable market dynamics*
- *Further unlocking synergies across the seafood value chain with De Costi Seafoods' acquisition of Fortune Group's prawn aquaculture business*
- *Technology and capex initiatives*
- *Positive outlook for FY19 given the favourable market dynamics and growth platform in place.*

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FY18 was yet another record result for Tassal, in the face of a range of challenges, highlighting the resilience and sustainability of the Company's business model. How has the business been able to achieve this?

Mark Ryan

It was a strong performance with Operating EBITDA up 12.1% to \$99.8 million and operating NPAT up 19.2% to \$50.3 million. While operating cashflow was down 14.6% to \$43.9 million, operating cashflow and finance facilities were invested in responsibly increasing fish biomass and enhancing our capital infrastructure to underpin growth in FY19 and beyond. Operational EPS was up 7.5% to 29.1 cents per share.

De Costi Seafoods continues to drive salmon and seafood growth, with operational EBITDA from De Costi Seafoods (including salmon) up 9.4% to \$13.9 million.

Our record FY18 result reflected our pursuit of environmentally responsible practices combined with strong operational growth through targeted investment in biomass and quality infrastructure. Our balance sheet remains very strong, providing flexibility to assess a range of growth opportunities as they arise, including the recent signing of an

agreement to acquire the land, assets and inventory of the Fortune Group prawn aquaculture business [Fortune Group].

Our operational strategy for salmon is focussed on both optimising the growth of the domestic market and increasing the size of our salmon to a target of 5kg HOG. It is fundamental that we meet the growing demands of our domestic consumer base who are increasingly asking for more high quality, sustainably sourced salmon on their plates. This has led to strong growth in salmon domestic market per capita consumption.

Another factor driving our record results is our ability to optimise sales mix and domestic sales channels. We can flex sales to respond to changes in salmon pricing and international demand for our salmon. This allows the business to optimise margins, creating a sustainable long-term growth strategy.

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How is Tassal pursuing the successful execution of its sustainable long-term growth strategy?

Mark Ryan

We aim to deliver continued sustainable growth. We prioritise sustainability, safety and the environment, and this focus supports our long-term growth strategy.

With sustainability at our core, we continually invest in our people, our waterways and the communities we operate in, our product and our performance. Proactively managing these aspects of our business is key to achieving a balance that meets the needs of all our stakeholders, and not just our shareholders.

Our “Right to Grow” is achieved from finding and maintaining this balance and we have successfully done so as can be seen from our Aquaculture Stewardship Council [ASC] certification, Macquarie Harbour environmental response, as well as most recently through our joint venture with Petuna as we sustainably restock the Franklin lease and Macquarie Harbour in general.

Further, we have invested in state-of-the-art infrastructure, from our sanctuary pens and now to a new Well Boat and remote feeding initiatives. By pursuing and successfully executing on these initiatives we are able to organically grow the business and optimise revenue and cost structures throughout the supply chain, all in an environmentally and operationally responsible way.

More broadly, we will continue to explore the possibility of diversifying our exposure to wider geographies and other seafood species in line with our long-term salmon and seafood strategy. Opportunities must present strong efficiencies, be acquired at an appropriate value and be earning per share accretive to be pursued.

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Global salmon export pricing was more favourable over the second half. Why did this occur and how do you see this playing out in the future?

Mark Ryan

Tassal has benefited from favourable dynamics in the export market, as well as the trend we are seeing globally towards more sustainable efficient sources of protein driving an increase in demand, combined with a global supply shortage.

Demand in Australia and offshore continues to outpace supply growth, with salmon sharing a larger portion of the Australian dinner plate. International demand from China as well as North and South America has buoyed pricing.

The supply dynamics in international markets simply cannot keep pace with the rate of demand growth. As a result, the outlook for salmon prices in the domestic and export markets is very positive. We believe price increases of 20% or more over 2017 levels are possible in export markets as demand growth continues to outpace supply.

To fulfil this increase in demand, Tassal has strategically and successfully invested in growing the size of our fish through our selective breeding program, remote feeding strategy and through optimising the input and harvest timing of our salmon. Fish size initiatives, that is growing larger salmon, enable delivery to Asian export markets, while supporting domestic retail and wholesale markets. Tassal is very well positioned to take full advantage of this highly attractive market opportunity to further enhance margins and profitability of our operations given our improving fish size and increased overall biomass and harvest tonnage.

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Tassal's strong performance involves unlocking synergies across the salmon and seafood value chain. How are you doing this?

Mark Ryan

Unlocking synergies and related opportunities across the salmon and seafood supply chain is a key strategic plank that we are constantly assessing and refining. A recent example is our joint venture with Petuna, established in Macquarie Harbour, that will enable the sharing of leases and increase fish biosecurity and welfare by separating big and small fish to optimise fish health and welfare.

De Costi Seafoods continues to provide deep synergistic and strategic value to the business as Tassal broadens its share of seafood growth along the eastern seaboard. De Costi Seafoods provides a platform to assess further opportunities to build upon our already strong and sustainable supply chain efficiencies. The overarching principle in assessing all seafood opportunities is that they must be supported by a strong competitive advantage which would enable growth in margin, profitability and market share.

In line with this, Tassal has signed an agreement to acquire the land, assets and inventory of the Fortune Group. It comprises three prawn farms located at Yamba, New South Wales; Proserpine, Queensland; and Mission Beach, Queensland. Fortune Group

is one of the largest footprint prawn farming operations in Australia. As a long-term supplier to De Costi Seafoods, Fortune Group is well known to Tassal.

The acquisition is subject to conditions precedent, with completion expected in September 2018. The key condition precedent for the acquisition of the 3 prawn farms is for the vendor to obtain orders from the relevant authority for the Proserpine farm (on terms and conditions satisfactory to Tassal) that the development permit remains in place, and confirming that there has been no abandonment of the land that is subject to the development permit.

We are also evaluating new regions for possible expansion of salmon farming operations, with higher energy leases further offshore.

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Following on from the above, what are your capital management initiatives?

Mark Ryan

Tassal's capital management initiatives are based on prudence and align with our long-term growth strategy supported by conservative gearing. This has provided the Company with the opportunity to raise further capital, invest in strategic assets and support a sustainable aquaculture farming operation.

Tassal continues to investigate strategic growth opportunities that support a sustainable seafood business and strong returns to shareholders.

The opportunities that would make sense for us are those that improve our market share, diversify our product mix by increasing participation in the value chain, diversify the regions we operate in, or enhance our efficiency.

Opportunities must present strong efficiencies, be acquired at an appropriate value and be earnings per share accretive to be pursued.

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How is Tassal balancing its operations with environmental responsibility?

Mark Ryan

Tassal's enduring competitive advantage is based on a real dedication to sustainable salmon and seafood operations and environmental stewardship. We take our environmental and social responsibilities seriously while balancing the needs of our shareholders in driving profitability and margins.

Tassal has maintained its ASC certification across all operations for harvest fish, an achievement not easily attained. Tassal was the first salmon producer globally to achieve ASC certification across its entire business and our commitment remains to pursue ASC standards across our harvest sites. Further, Tassal was also ranked second in the world globally by seafoodintel.com for sustainability reporting and the ACSI ASX200 industry leader for sustainability reporting.

Macquarie Harbour has recovered and is now operating under a sustainable, environmentally responsible joint venture model with Petuna, which is expected to

deliver enhanced fish welfare and biosecurity. These operations will support our environmental responsibility initiatives in the long term, through our stocking plans and separation of different sized fish.

As part of our approach in balancing operations and maintaining environmental responsibility, we are actively engaging in pursuing opportunities to farm further offshore with higher energy operations. At the same time, we will continue to farm salmon on leases that demonstrate a balanced environmental, commercial and socially accepted position.

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How is Tassal exploring further technological initiatives?

Mark Ryan

A key competitive advantage is our strategic investment in technology and infrastructure to enhance production efficiency and risk mitigation. Two recent initiatives include remote centralised feeding and our new Well Boat.

The major technological initiative implemented during FY18 was our remote feeding strategy that will allow all our pens to be remotely and centrally fed by 31 December 2018. This initiative is progressing very well and already showing benefits of not only improved fish growth, but at a reduced feed conversion ratio. This will translate into lower fish growing costs. An additional benefit is that it allows us to monitor the fish 24/7 and ensure their well-being and that of the environment in real time every minute of every day.

During the latter part of the 2019 calendar year, Tassal will lease a Well Boat for a minimum period of 10 years, which is designed to efficiently bathe our pens three times faster than current methods. The Well Boat will also allow more efficient use of human resource allocation and overheads providing a net annual saving to the business compared to current methods.

Not only does the Well Boat support efficiency gains in our current leases and generate further salmon biomass, it also aligns strategically to our ambitions to farm salmon further offshore in higher energy areas and enables higher fish survival rate, improved biosecurity and fish health and welfare.

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Given the solid performance during FY18, can we expect more of the same in FY19?

Mark Ryan

It's about generating sustainable growth in earnings and dividends, and not just growth merely for growth's sake.

We continue to experience a domestic supply shortage that will underpin a strong pricing environment in Australia, and enhanced margin outcomes overall as we look to manage



growing and production costs. Tassal has additional salmon biomass available for sale in FY19.

Further supporting our positive outlook for FY19 is the increasing international demand for salmon driven by China and North and South America.

More broadly, we will continue to explore the possibility of diversifying our exposure to wider geographies and other seafood species in line with our long-term salmon and seafood strategy.

The combination of an optimised sales mix and pricing returns, while delivering scale and operational cost efficiencies, should underpin strong growth in earnings. Taking all of this into account, the Board expects Tassal to continue its strong operational performance in FY19 as we enter our next wave of growth.

Tassal has never been in such a solid position across salmon and seafood. We have the platform in place, both in terms of salmon biomass and growing and production infrastructure, to deliver sustainable long-term growth for our customers and our shareholders.

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Thank you, Mark.

For further information, please contact Tassal on 1300 880 179, or visit www.tassal.com.au

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