



Tassal Group Limited

Prawn Acquisition

Responsible Aquaculture

Mark Ryan
CEO & Managing Director

24 August 2018



"Tassal's seafood and salmon growth strategy is the right strategy. De Costi Seafoods has been a very successful strategic acquisition, that continues to drive salmon and seafood growth. We see further potential strategic opportunities to deliver additional seafood supply chain efficiencies."



Strategic context

- Tassal continues to investigate strategic growth opportunities that support a sustainable seafood business and strong returns to shareholders
- Acquisition of De Costi Seafoods is a prime example of Tassal unlocking large synergies in the seafood supply market to support increased consumption per capita of salmon and seafood and grow shareholder value
- 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
- Aligned with this strategy, Tassal has agreed to acquire the land, assets and inventory of the Fortune Group, a long-term supplier of prawns to De Costi Seafoods
- Fortune Group owns prawn farms at Yamba (NSW), Proserpine and Mission Beach (Qld)
- Salmon and prawns comprise 70% of retail seafood sales in Australia – no material growth in Australian grown prawn supply for over 10 years, but high consumer demand and pricing
- We are also evaluating regions for possible expansion of salmon farming operations (e.g. further Offshore and Larger Smolt facilities)
- Combined with farmed prawns, Tassal will continue to drive seafood growth and consumption in Australia



Transaction overview

- Purchase price of \$30.3m – for land, assets and inventory - \$1m deferred consideration to support transition
- 3 farms geographically diversified for risk management:
 - Proserpine, Far North QLD
 - Mission Beach, Far North QLD
 - Yamba, NSW
- Circa \$33m development program to increase production from 450tn to 3,000tn over the next 3-5 years
- 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 seller 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
- The Proserpine farm site now needs some re-development and modernisation, but the back-bone infrastructure will make this significantly quicker and more economical than a greenfield development



Highly accretive acquisition

Fortune Group provides compelling upside under Tassal's ownership

- Purchase price: \$30.3m for land, assets and inventory (\$1m deferred to support transition)
- Development program: circa \$33 million over next 2-3 years
- Targeting supply growth: 450tn pa increasing to 3,000tn+ over 3-5 years
- Targeting EBITDA: \$15-25m annual EBITDA within 5 years, with existing licenses
- Working capital cycle: 1 year working capital cycle for prawns (3 years for salmon)
- EPS accretive: The acquisition will be funded by a newly arranged debt facility for \$75m
- Pro forma gearing: Peak gearing for Tassal Group anticipated at c40% net debt/equity (inclusive of salmon and prawns growth program)



Fortune Group overview

Proserpine Farm

- Largest current prawn farm base in Australia, with 192.5 ha of regulated pond capacity on 2,000ha of land. Significant growth potential with further expansion
- Enhanced processing and hatchery operations to be established, along with enhanced pond infrastructure to optimise existing license. Development spend of circa \$23m over 2-3 years
- Arguably the best farm capacity in Australia for biosecurity

Mission Beach and Yamba Farms

- Both have around 40 ha of operating ponds each and provide tiger prawns primarily for major retailers via De Costi Seafoods. Output presently 450tn, but capable of 800-900tn pa
- A new hatchery and enhanced pond infrastructure to be established to optimise existing license. Development spend of circa \$10m over 2 years

No employees are transferring as the permanent staff were predominately family members of the Vendors



Strategically compelling

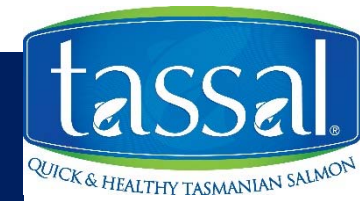
- Tassal's acquisition of De Costi Seafoods enhanced Tassal's total seafood offer in Australia and supported further growth in salmon and seafood consumption
- Acquisition of prawn farms provides Tassal with access to a larger addressable market – salmon and prawns comprise 70% of Australian retail seafood sales
- Prawn market in Australia is circa 60,000 tonnes annually (Australian aquaculture ~10%)
... salmon market in Australia is circa 60,000 tonnes annually (Australian aquaculture ~90%)
- De Costi Seafood's distribution capability to all Eastern seaboard seafood markets within 1 day, with market leading seafood value adding capability, and salmon providing the backbone of all seafood offers, puts Tassal in a position to execute a solid prawn sales growth program – adding value for our customers and shareholders
- Prawn farming is land based and provides Tassal with a footprint in high demand aquaculture beyond Tasmania – achieves geographic and species diversification
- Growing / working capital cycle for prawns is 1 year (3 years for salmon)
- Tassal can also apply and transfer technology and science to prawn farming, and Tassal aims to modernise the Australian prawn industry and increase yield and returns



"Tassal is well positioned to deliver responsible, sustainable growth in both salmon and prawns."



Salmon: Tassal advantage



Strong track record on all operational, financial, environmental and societal value metrics with the ability to capitalise on the forecast demand growth (domestic & international) with supply capability:

- Tassal with superior salmon biomass – striving for lowest cost, greatest volume
- Support from Government and Communities generally in the areas we operate in

Geographic diversification – risk mitigation

Vertical integration to ensure we are positioned to achieve 'balanced' responsible, sustainable growth across our operations

Sales & Marketing focus of optimising domestic per capita consumption has presented us with the opportunity that we either a primary or secondary provider to all

Australian Eastern Seaboard distribution – striving to be the 'freshest' to market on a national basis with a short-shelf life product

Aquaculture Stewardship Council (ASC) certification

Prawns: Tassal advantage



Strong track record on all operational, financial, environmental and societal value metrics in salmon and then with the ability to lever these to achieve:

- Tassal with superior prawn biomass – striving for lowest cost, best yields, greatest volume

Geographic and species diversification – risk mitigation and growth

Vertical integration to ensure we are positioned to achieve 'balanced' responsible, sustainable growth across our operations

Focus on optimising domestic per capita consumption – aiming to increase supply of Australian 'Aquaculture' grown prawns, with Tassal to have scalability from the prawn farms acquired and the ability to lever off its salmon sales with customers

Australian Eastern Seaboard distribution – striving to be the 'freshest' to market on a national basis with a short-shelf life product

Confident in our ability to lever water treatment and water management 'know-how' from salmon Industry

Transaction: key terms

- Purchase price of \$30.3m in cash (excl any GST for certain assets) – for land, assets and inventory free from all encumbrances - \$1m deferred consideration to support transition
- In addition to the condition precedent in respect of a development permit stated earlier, the acquisition is subject to certain additional conditions precedent, including (but not limited to):
 - completion of each of the land contracts and the asset sale and purchase agreements
 - the transfer and issue of certain authorisations, licences and permits
 - the surrender and termination of certain leases
- The conditions precedent need to be satisfied (or waived) by 1 October 2018 (or such other date agreed by the parties) - completion is expected in September 2018
- The land contracts and asset sale and purchase agreements may be terminated if any of the conditions precedent are not satisfied (or waived) by 1 October 2018 (or such other date agreed by the parties) or Completion does not occur by 15 October 2018 or there is a breach under an agreement and such breach is not remedied or an insolvency event occurs
- Fortune Group and certain parties associated with it have agreed to certain non-compete obligations and undertakings in favour of De Costi Seafoods and have also provided numerous warranties and representations in relation to the land, assets and inventory, together with a related indemnity



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