

# Tassal Group Limited

## UBS Emerging Companies Conference

### 27 November 2018



# Overview

## salmon in growth

- Almost half of all seafood eaten in Australia comes from aquaculture. Of this seafood, salmon and prawns continue to share the larger portion of Australian dinner plates, as people turn towards healthier, sustainable sources of nutrition.
- Wild fisheries catches are plateauing, and to protect stocks for the future, aquaculture is a priority solution to address increasing demand for protein today, and in coming years.
- Salmon farming is essential to our future. With increasing pressure on our planet, access to arable land restrictive, and the ocean 70% of the planet's footprint, our future food supply will depend more and more on the sea.
- This is why the salmon industry must maintain its growth phase - one which needs to be sustainable to meet future generations' needs. As the leading salmon producer in Australia, Tassal takes its responsibility to deliver on its business and sustainability objectives seriously.





# Overview

## Tassal

### *Tassal is the market leader in the Australian salmon Industry*

- Tassal is the market leader in the Australian salmon Industry.
- Tassal continues to execute on its strategy to be a world leading seafood company producing a high quality/healthy protein by leveraging:
  - industry leading scientific know how
  - sustainable and efficient production
  - respect for the earth's resources and the communities in which it operates
  - prudent commercial management
- Our unwavering focus in FY18 was the implementation of industry leading innovations and programs which enhanced our environmental and sustainability credentials.
- Tassal also implemented its Community Foundation and Charter, which saw in FY18 a greater level of engagement and investment in community programs in the environment, education, health & wellbeing and social inclusion areas.
- We seek to deliver sustainable, competitive growing returns and this year announced our acquisition of the Fortune Group – land, assets and inventory – cementing Tassal as one of the largest footprint tiger prawn farming operations in Australia.



# Overview

## prawns in growth

### *Tassal unlocks large synergies in the seafood supply market*

- Tassal continues to invest in strategic growth opportunities which support a sustainable seafood business and strong returns to shareholders:
  - salmon and prawns comprise 70% retail seafood sales in Australia
  - no material growth in Australian-grown prawns supply for 10 years +
  - high consumer demand and price
- Research demonstrates Australian grown tiger prawns are a clear consumer preference.
- Currently of the ~60,000 tonnes of prawns in the Australian market, Australian aquaculture accounts for less than 10% of this. In comparison, Australian salmon aquaculture accounts for ~90% of the ~60,000 market tonnes.
- Our \$31.9 million acquisition of the Fortune Group, includes three prawn farms, supported by a circa \$34 million development program, operational improvements are expected to increase supply growth from 450 tonnes pa to ~3000 tonnes pa within 3 – 5 years.
- Tassal targets an EBITDA range of \$15million - \$25 million within 5 years.





# Sustainability

*"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs."*





# Key Investments – Feed Centre

- Tassal has implemented a remote feeding strategy, which has commenced with a roll-out program with all pens to be remotely fed by 31 December 2018.
- The implementation commenced at the end of February 2018 and initial analysis is showing both improved growth against previous feeding program (10%+) and pleasingly at a reduced feed conversion ratio (11%+).
- Remote feeding will play a pivotal role for Tassal with it contributing to:
  - Lower fish growing costs
  - Improving environmental outcomes
  - Improving people safety outcomes
  - Improving fish health and welfare



# Key Investments – Seal proof pens

- Tassal continued the roll out of its seal proof infrastructure “sanctuary pens” targeting areas where seals are the greatest risk to people.
- Seal proof pens are proving effective, with minimal breaches, reducing risk to people, stock and wildlife through exclusion methodology.



# Key Investments – Well Boat

- Tassal will be taking possession of a Well Boat under a 10 year lease (with a 5 year option at Tassal's option) for delivery between September and December 2019. The Well Boat will have a 3,500m<sup>3</sup> water capacity – enough to completely bathe one of Tassal's largest pens circa 3X quicker than current methods.
- The Well Boat will also provide additional biomass benefits through improvements in survival, enabling further offshore / higher energy farming and facilitating further lease optimisation from existing leases:
  - Reduced mortality arising from improved bathing techniques and frequency
  - Enabling bathing in higher energy / rougher sites
  - Increased lease optimisation through allowing quicker and more efficient bathing process
  - Increased lease optimisation through allowing transport of larger smolt to grow-out sites
- The following operational improvements should also result in:
  - A material improvement in the safety risk of fish bathing on farms by a reduction in high risk tasks, manual handling, diving and towing
  - More efficient use of human resource allocation and overheads to operate farms
  - Improved biosecurity and fish health and welfare
  - Enabling grading fish during a bath, to better manage growth and sales optimisation



# Key Investments – Well Boat

## DESIGN HIGHLIGHTS

Routing of pipes given first priority, reducing number of bends and 3-way valves

Unique vacuum loading and sorting

Large sheltered deck, i.e. equipment sheltered from sea and waves

Flexibility for future equipment



Accommodation for 12 POB

2 x 1400 kW Azimuth thrusters

Installed power 3900 kW  
3 x 1300 kW

2 x 400kW tunnel thruster

### Main Part iculars

Length overall	84.40 m
Length btw PP	75.70 m
Breadth moulded	16.00 m
Depth moulded	8.30 m
Service speed	11.0 kn

### Capacities

Net well volume	3500 m <sup>3</sup>
FW buffer	770 m <sup>3</sup>
Fuel Oil	300 m <sup>3</sup>

### Class

BV + I AUT-UMS

10 June, 2018

3

# Strategy

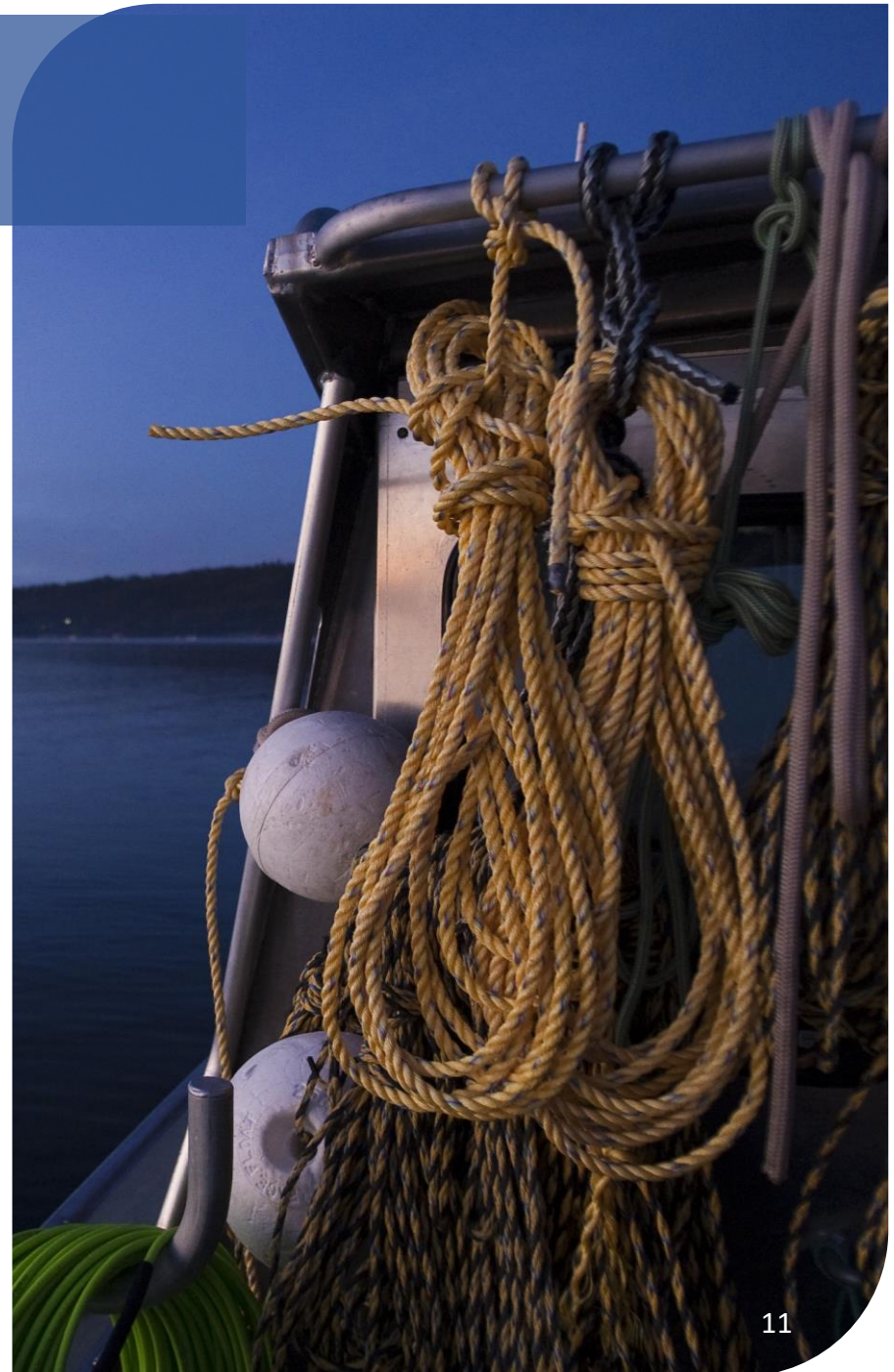
*"Tassal seeks to deliver sustainable, competitive growing returns. Successful aquaculture and its growth is about finding common ground on shared values around environment... and for salmon, respecting the use of shared waterways."*



# Delivering growing returns

Over the past 12 months we have seen favourable salmon market dynamics. Industry cost and supply pressures experienced domestically and globally have 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.

Albeit there are supply pressures in both domestic and global markets, pleasingly, Tassal has been able to increase its salmon supply position for FY19.



# Outlook for FY19

***Overall, salmon and prawn demand > supply, with pricing outcomes positive and supply growth occurring.***

- Tassal forecasts an increase in harvest production and sales in FY19, with analysis suggesting a supply shortage for domestic market fulfilment, leading to strong pricing returns and an improved domestic pricing outlook – which should allow improving margin returns.
- We have settled the acquisition of the Fortune Group prawn farms. The acquisition is strategically compelling as it allows us to expand our vertical integration and unlock further synergies in the supply chain with a highly earnings accretive acquisition.
- As an update to trading in FY19, as we had expected, salmon demand and pricing has been strong - both domestically and from an export perspective. Supporting this, our fish performance has also been strong.
- Pleasingly, the operating performance of our Prawn operations is ahead of our business case.





# Outlook for FY19 and onward

## *Shareholder returns forecast to continue to grow*

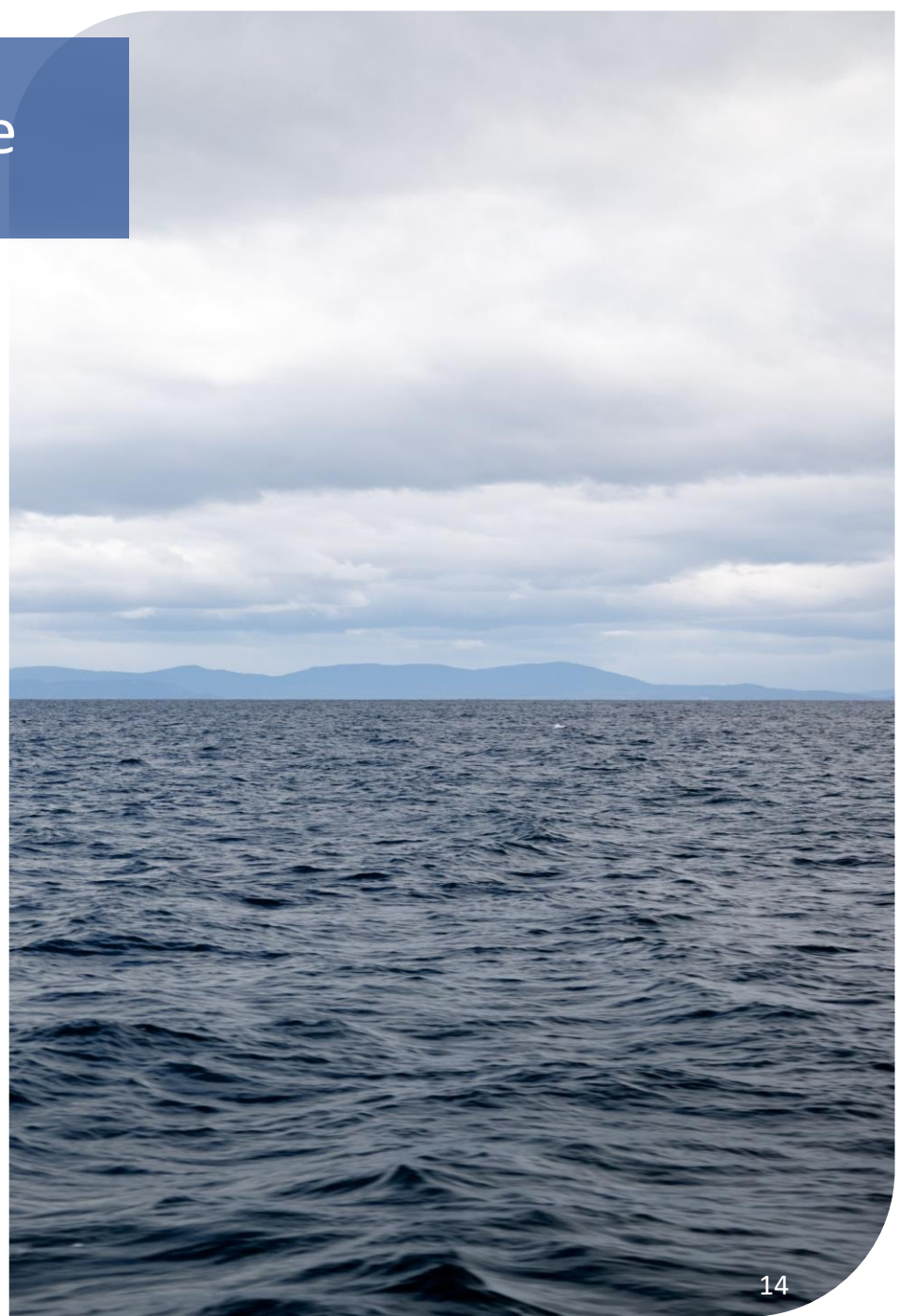
- In the short to medium term, salmon margin returns are forecast to increase. We believe that there should be more gradual growth curve for salmon biogain from Tasmanian salmon growers. We are well positioned in the short to medium term for responsibly increasing earnings from salmon production ... *selling more salmon biomass for more.*
- We believe 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 strong balance sheet position and to leverage / optimise the supply chain infrastructure that Tassal has in place.
- Overall, with the movements in the strategic environment, we remain well placed to achieve our fundamental return targets, with the Well Boat and Feed Centre likely to drive both cost and operational efficiencies in the medium term. We are currently seeing a high demand/low supply thematic across both salmon and other seafood, combined with an improving pricing return environment.
- Whether ultimately we achieve the fundamental targets through pricing, improvements and adaption of new technology or species diversification, management believes there is a well-balanced program in place to continue the shareholder return growth projectile.
- Importantly, we are well positioned from a capital and balance sheet perspective to manage this next wave of growth, thereby providing the enabling funding to direct the business to an adaptive future as it unfolds.



# Storm Bay – West of Wedge

## *We must develop in a responsible and safe manner*

- Storm Bay – West of Wedge lease area is made up of four, 45-hectare leases, in some of the most exposed, highest energy leases ever farmed in the world.
- Capacity to produce in total between 8,000 to 16,000 hog tonnes per annum.
- Phased approach to be adopted to confirm that the robustness of the infrastructure in this physical environment is capable of supporting the operations safely.
- Safety of people, fish, community and environment of paramount importance.
- Well Boat will be fundamental in supporting our operations at West of Wedge –both from a bathing of fish and also transportation of larger smolt to the leases.
- We are currently rolling out internally a marine debris benchmarking and action plan which we believe is another example of Tassal implementing a global best practice approach to its operations.





Any Questions?



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