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Lodgement of Market Briefing**

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Market Briefing

Tassal MD & CEO on 1H19 results and 2H19 growth outlook

Interview with Mark Ryan (Managing Director & CEO)

In this Market Briefing interview, Mark Ryan, Tassal's Managing Director & CEO, provides an overview of the Company's 1H19 result and 2H19 growth outlook, including:

- *Strong first half results achieved across all operational and financial metrics, underpinned by a significant increase in salmon growth and sales*
- *Favourable market dynamics – domestic and export – underpinned by an increasing demand for sustainable seafood*
- *Government initiatives supportive of sustainable expansion*
- *Focused investment in technology and infrastructure generating efficiencies*
- *Diversification strategy into prawns, via the acquisition of the Fortune Group, provides a new growth runway with step change in earnings expected from prawns in the short to medium term*
- *Positive outlook for 2H19 given favourable market dynamics and benefits from the prawn investment flowing through.*

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1H19 was a very strong period for the business, with the financial results made even more compelling given the continued investment in salmon technology and infrastructure. How has the business been able to achieve this result, and is it sustainable?

Mark Ryan

We are very pleased with the operational and financial performance of the business over 1H19. The strategy we set several years ago continues to drive business performance, with our 1H19 results reflecting a step change in salmon volumes as planned, underpinned by further growth in domestic per capita salmon consumption and significant growth in our fish. Meanwhile we have also delivered on significant environmental programs including eco-aquaculture and recycling and re-use, which is integral to our business model.

To put our performance in context, Operating EBITDA was up over 20% to \$64.3 million, and Operating NPAT was up over 22% to \$31.7 million. Operating cashflow was exceptional, nearly doubling to \$79.7 million. These financial results highlight the

strength of Tassal's platform to generate continued, sustainable growth in shareholder returns.

Our strong operating cashflows not only allow us to increase shareholder dividends, they also provide further funding to continue our strategic investment in growing our salmon biomass, enhancing the efficiency of our operations throughout our vertically integrated supply chain, and investing in our new growth runway for prawns. All these initiatives strongly underpin further growth opportunities.

Even after the acquisition of our prawn business, Tassal's balance sheet remains strong, with conservative gearing providing flexibility to invest in a range of growth and sustainability opportunities, which will build a stable, long term growth platform for our customers, suppliers, staff, communities we operate in, and shareholders.

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You have stated that your long term strategy is to increase returns, yet Tassal's return on assets only slightly increased in 1H19 even with the strong growth in earnings. Why is that?

Mark Ryan

The growth in earnings over 1H19 reflects growing returns from our salmon and seafood strategy, including further improved performance from De Costi Seafoods. At the same time, as earnings from our existing businesses have grown substantially, we have been investing in technology, infrastructure and prawns through the acquisition of the Fortune Group.

These investments have grown our asset base by a proportionately similar rate to earnings. As a result, the 1H19 return on assets was similar to the return achieved in 1H18. Importantly, the return on assets we are achieving continues to be greater than our weighted average cost of capital.

We expect a material earnings contribution to be generated from our prawn business to commence in the short to medium term, with a step change return on assets growth over the medium term.

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Can you talk more about the favourable dynamics that you see in the Salmon market?

Mark Ryan

The demand for salmon, particularly sustainably sourced, Australian grown, salmon continues to grow. The supply dynamics in both domestic and international markets simply cannot keep pace with the rate of demand growth.

According to statistics compiled by the Tasmanian Salmon Growers Association and the Australian Bureau of Statistics, over the 10 years to 2016, Australian market's salmon consumption per capita grew from 1.32kg annually per person to 2.57kg (excluding sales of canned salmon). This is forecast to continue to increase towards 3.0kg by 2022.

From a domestic market perspective, the growing demand for our salmon is being met by the growth we have been able to achieve in terms of fish size and volume. The Retail agreements we have in place with major retailers have also provided price support to offset increasing salmon cost of goods sold.

Demand growth is not just outstripping supply in Australia, but also occurring in global markets. Worldwide supply would need to increase by 6-10% per annum just to support price parity. Global markets continue to be under-supplied, with no evidence of major supply increases in the near term.

Tassal is strongly positioned to be a beneficiary of both domestic and global market dynamics.

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Tassal has implemented a diversification strategy, with the successful acquisition and integration of De Costi Seafoods and, more recently, the Fortune Group prawn business. Could you discuss the rationale behind the entry into prawns, and the results you expect from this new vertical in the short to medium term?

Mark Ryan

Unlocking synergies and related opportunities across the salmon and seafood supply chain has been a key strategic initiative supporting sustainable long term growth for Tassal. Not only has it underpinned growing earnings, but it has provided a form of risk mitigation to the broader business through product and geographic diversification, as we broadened Tassal's share of seafood growth along Australia's eastern seaboard.

In considering expansion and diversification opportunities to be pursued we focus on three key attributes. Any acquisition must provide strong operating efficiencies, be strategically compelling and lastly, be highly earnings accretive.

The Fortune Group prawn farms fit all three of our stringent criteria. With three prawn farms located at Yamba [New South Wales], Proserpine and Mission Beach [Queensland], the Fortune Group has one of the largest footprint prawn farming operations in Australia capable of producing ~3,000 tonnes in 2020 from 490 tonnes currently expected this year. Fully developed (subject to appropriate approvals), production capacity could reach 6,800 tonnes per annum, without expanding to new farms.

In the short term our key focus is implementing a selective breeding program for prawns, in line with our global best practice salmon selective breeding program, as well as implementing various process improvements across the existing prawn farms.

With prawns having a working capital cycle of 9 months, compared to salmon's 36 months, and an EBITDA \$/kg margin that is around 2.5 times greater than salmon, it's easy to see the compelling value proposition and Tassal's ability to drive the next step change of earnings growth for the Group.

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Is Government supportive of your growth ambitions?

Mark Ryan

Yes. Both the Tasmanian and Queensland Governments are supportive of the national aquaculture strategy and the salmon, prawn and seafood industry as a whole. They both have planning processes in place to actively facilitate responsible growth.

The Tasmanian Government's stated objective is aligned to the Tasmanian Salmon Growers target of \$2 billion in sales by 2030. The Tasmanian Government has a sustainable growth plan and has actively identified potential growth areas, with spatial planning principles in these specific areas to support the process. This would be a key step in furthering Tassal's and the industry's salmon growth ambitions in a sustainable way.

Even more favourably, the Queensland Government has stated its objective to "...make Queensland the aquaculture capital of the world", commissioning a detailed aquaculture spatial planning program to facilitate the expansion of aquaculture, by balancing economic development, with environmental, marine and land values. The Queensland Government has identified around 7,000 hectares of potential "Greenfield" land opportunities for growing prawns.

In line with the Tasmanian and Queensland Governments' spatial planning, we have identified certain prospective areas for Tassal to expand to new leases in both States, and further diversify its operations.

Both the Tasmanian and Queensland Governments have shown a clear interest in supporting and promoting sustainable development of the salmon and seafood industry. Tassal is eager to work with the respective Governments and their Agencies through a shared vision of sustainable growth.

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Tassal has generated exceptional growth in operating cashflows in 1H19, while flagging several capital investments. Could you explain the benefits these investments will bring?

Mark Ryan

Tassal continues to strategically invest in key technology initiatives, which align with and support our long term strategy to enhance production efficiency – through less manual handling – and increase both margins and people safety outcomes. Two recent initiatives include our Centralised Feeding Centre and a Well Boat [to be delivered in September 2019], supporting greater automation and centralisation and improved fish survival.

Our Centralised Feeding Centre roll-out commenced in February 2018, with a goal of all our pens being remotely fed by April 2019. We have very quickly seen the benefits from remote feeding with material benefits in fish growth and feed conversion compared to our previous manual-based feeding processes. Over time, this will lower growing costs and increase fish health and welfare, by allowing real time monitoring of fish 24/7 and improving environmental and safety outcomes.

In September 2019, Tassal will take delivery of its Well Boat, which will enable us to both bathe fish in a more efficient and effective manner, meaning less labour and operating costs, while improving the fish bathing process and fish survival. With a capacity approximately 3.5 times greater than our current bathing methods, we are excited by the possibilities this new technology will provide our operations. The Well Boat will also provide Tassal with the technology to support our future operations and expand into higher energy areas and rougher waters.

Further, we are actively considering the building of a Multi-Purpose Recirculating Aquaculture System [RAS] Facility, enabling us to provide an increase in smolt size or number, as our growth aspirations and lease optimisation requirements dictate.

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How have water temperatures tracked during Summer 2018/19?

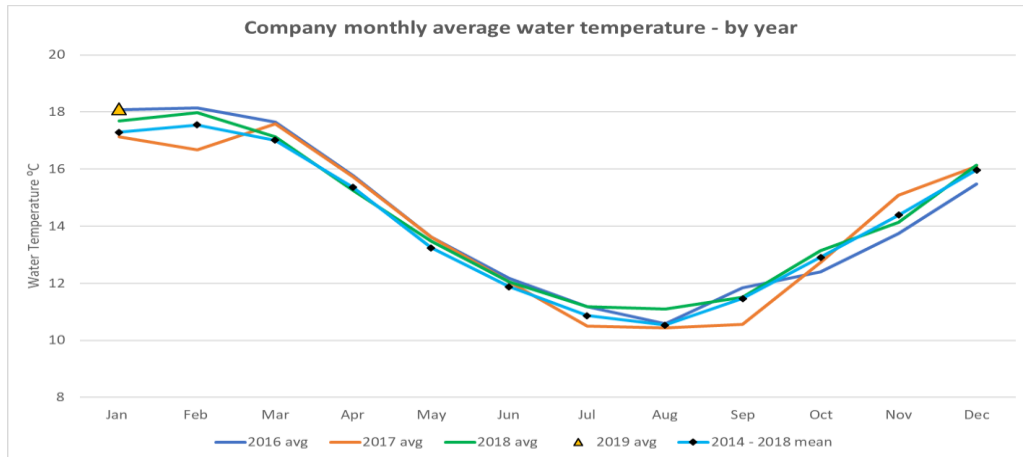
Mark Ryan

Firstly, it is important to acknowledge that we are first and foremost farmers, and with that, we are exposed to many natural risk factors across our business. We are incredibly focused on risk and risk mitigation when it comes to our people, fish [salmon and prawns], environment, communities and shareholders. We strategise, map out and implement risk mitigation plans across all facets of our business. We are renowned as the “Can Do – Safely” people.

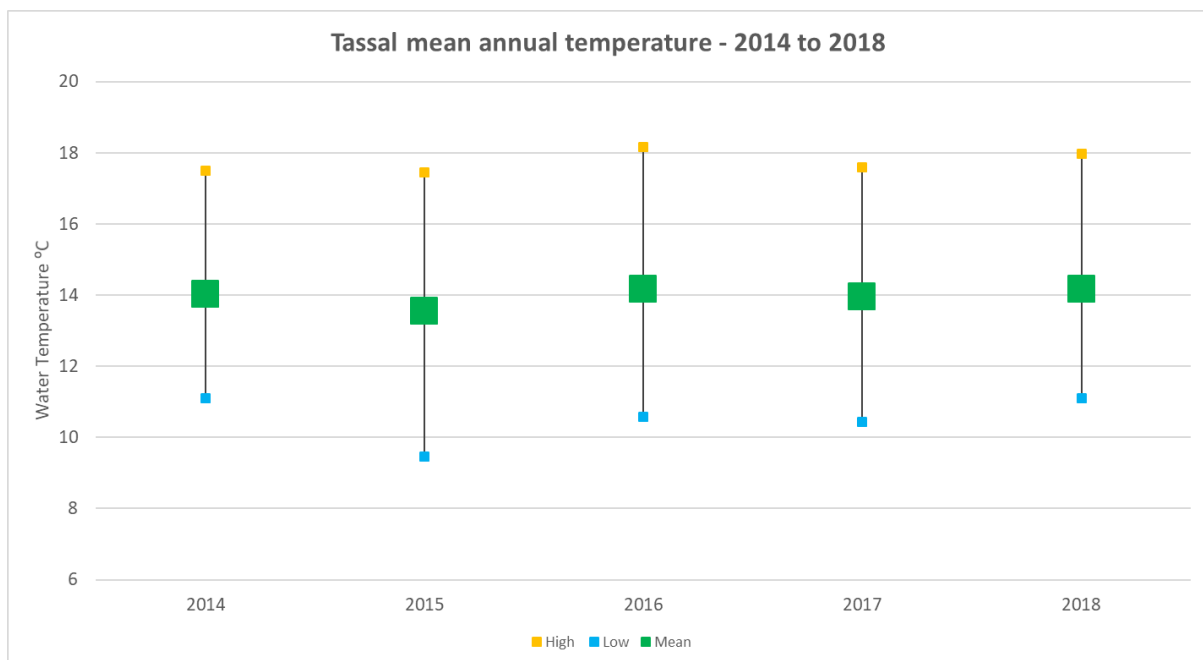
This summer is throwing many challenges up from a land perspective, from bushfires in Tasmania to floods in Queensland. Our people have adopted a safety-first mentality right across our business and this has enabled us to ensure that we have been able to practically deal with both these events without loss of life or property and infrastructure.

From a sea perspective, this summer has seen water temperatures similar to last summer. We were better prepared entering summer with proactive bathing, an increase in harvest for frozen hog [to use in 2H19] and isolating larger fish to cooler sites.

As you can see from this chart the average summer water temperature for December 2018 was the same as December 2017, with January 2019 the same as January 2016 and similar to January 2018:



The next chart shows that over the past four years, the mean temperature across all our sites has been remarkably similar ... with a relatively cooler winter of 2015 and then hotter summer of 2015/2016 compromising growing conditions:



The challenge this summer has not been temperature, rather it's been jellyfish and algal events in December that meant we needed to reduce feed opportunities to mitigate the impacts that otherwise may have resulted – and this continued somewhat in January 2019. This will translate into a more gradual growth and sales curve for salmon in the short term [2H19 and FY20].

Given the short working capital cycle of prawns, we expect revenue and earnings from our prawn business to exceed our business case from a timing perspective and therefore

risk mitigate a more gradual growth and sales curve for salmon. We expect material earnings from our prawn business to commence in the short to medium term and we are targeting annual prawn EBITDA of \$25 million within 3 years.

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Given the record performance during 1H19, do you expect another record-breaking full year result?

Mark Ryan

All the fundamentals are in place for Tassal to continue growing in 2H19.

The Company is in the most exciting position it has ever been in to deliver on its long term growth strategy, with a strong salmon business, strong De Costi business, and attractive nascent prawn business. As a result, Tassal expects to deliver another record result in FY19.

Growing consumer demand for nutritional food is underpinning continued strong salmon demand growth. This demand growth is outpacing supply growth in Australia and overseas, providing a strong pricing environment, offsetting associated salmon cost of goods sold.

Having delivered a step change in fish growth and volumes as we said we would do, Tassal is benefiting from its diversified operations in salmon and seafood, with material earnings to come from prawns in the short to medium term. We will be able to expediate the growing returns in our Salmon business, achieved through farming and technology initiatives done in an environmentally responsible and sustainable manner, into our prawn business.

With the support of our stakeholders, including the local communities we operate in and State Governments, we expect 2H19 to build upon the great work our team has achieved during the first half. I look forward to updating you on our continued progress at the FY19 result.

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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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