



20 August 2019

ASX release

Tassal delivers another record full year result in FY19

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the full year ended 30 June 2019 (FY19) that saw the Company deliver on its salmon growth strategy, commence executing its prawn growth strategy, generate record results across all key metrics, and position itself for continued earnings growth in FY20.

Key FY19 highlights:

- **Record full year results** with Operating NPAT up 12.5% to \$56.6 million and operating cashflow up 104.9% to \$89.9 million **highlighting the strength of Tassal's platform to generate continued, sustainable growth in shareholder returns**
- **Continued strong growth in salmon biomass and sales**
 - Harvest up 7% to 33,036 hog tonnes; sales up 10.3% to 33,856 hog tonnes
 - Optimised salmon size (4.4kg hog)
 - Live salmon value up 9.4% to \$399.9 million
- **Positive salmon fundamentals** underpin expected strong growth. Demand again outpaced supply and this is expected to continue with a more gradual growth in supply over the short term, allowing Tassal to optimise pricing and increase salmon returns
- **Investment in prawns building on our success with salmon** delivering diversification and a new growth platform with a shorter working capital cycle and, once established, lower capex requirements
- **Financial summary**

Financial Performance (A\$m)	FY19	FY18	Change
Revenue	560.79	484.54	15.7% ▲
Operating results			
Operating EBITDA	112.31	99.78	12.6% ▲
Operating EBIT	88.55	76.76	15.4% ▲
Operating NPAT	56.62	50.31	12.5% ▲
Statutory results			
AASB 141 SGARA Impact ¹	4.61	10.81	(57.3%) ▼
Statutory EBITDA ¹	114.91	110.00	4.5% ▲
Statutory EBIT ¹	91.16	86.98	4.8% ▲
Statutory NPAT ¹	58.44	57.29	2.0% ▲
Operating cashflow	89.90	43.88	104.9% ▲
Final dividend - cps	9.00	8.00	12.5% ▲
Gearing Ratio ³	28.2%	18.7%	
Funding Ratio ⁴	38.8%	28.5%	

Note

1. Pre-tax SGARA adjustment benefit of \$4.6 million (FY18: increase \$10.8 million). Post-tax benefit \$3.3 million (FY18: \$7.6 million)
2. Total dividend is 25% franked (FY18: 100% franking)
3. Gearing ratio as represented by net debt / equity
4. Funding ratio as represented by net debt + receivables purchase facility / equity

Commenting on the Company's record full year result, Tassal Managing Director & CEO Mark Ryan said:

"FY19 delivered another record result across all financial metrics, delivering growth for our customers, suppliers, staff, communities in which we operate, and shareholders. Over the past 12 months Tassal has successfully executed its salmon and prawn growth strategies, with a strong management team, environmentally sound farming practices and attractive market conditions.

"Salmon market conditions continued to be favourable with strong growth domestically, while utilising the export market as a strategic lever to optimise sales. Positive pricing outcomes as well as growing volume in both the domestic and export salmon markets offset increased cost of goods sold. We also successfully implemented world-leading smart-farming systems through Tassal's centralised feed centre.

"Tassal's focus on sustainable salmon growth, together with our strategic investment into the De Costi Seafoods distribution operation, and now our diversification into the higher returning prawn business, is expected to underpin strong growth in earnings over the short to medium-term, with returns expected to be enhanced over the longer term."

Optimised sales mix, strong growth in salmon and diversification into prawns

Over FY19, Tassal experienced strong growth in salmon sales while continuing to focus on driving cost efficiencies and optimising its sales mix. Total salmon sales volume was up 10.3% to 33,856 Hog tonnes, and within this, Tassal's Australian domestic volume was up 11.0% to 26,860 Hog tonnes. This strong growth in volumes and further optimisation of sales mix underpinned a 19.9% growth in salmon revenue to over \$474 million.

Tassal's newly acquired prawn farms have performed well, and the Company's strategy to substantially increase production is now being implemented. Material earnings from the prawn operations are forecast to commence in the short to medium-term. With a 9-month working capital cycle (compared to 3 years for salmon) and an EBITDA margin greater than salmon, Tassal's new prawn business provides a very attractive new potential earnings growth runway. When combined, salmon and prawns comprise circa 70% of retail seafood sales in Australia.

Step change in operating cash flow supporting investment in growth initiatives and increasing dividend

Operating cashflow was up 104.9% to \$89.9 million, reflecting the strength of Tassal's underlying business and operational strategy. "The exceptional strength in our operating cashflow supports continued strategic investment in salmon and prawn biomass as well as capital infrastructure. At the same time, the Board has remained very focused on ensuring responsible capital spending to underpin sustainable growth in long-term returns and we are seeing the benefit from this now flowing," said Mr Ryan.

The Directors of Tassal have declared a total year dividend for FY19 of 18.0 cps franked at 25% (FY18: 16.0 cps, 100% franked), including a final dividend of 9.0 cps, 25% franked, up 12.5% on the final FY18 dividend. The record and payment dates for the FY19 final dividend are 11 and 30 September 2019, respectively.

Tassal is committed to providing Australians with responsibly produced and sourced seafood

Tassal's ongoing commitment is to continue to serve better: better quality salmon, prawns & seafood; better environmental outcomes; better community opportunities; better long-term sustainable returns to shareholders; and an overall better future for our people and communities.

Tassal is acknowledged as a leader in sustainability and environmental responsibility in the aquaculture industry globally and is building on its past successes and addressing present challenges.

"As a growing company in an expanding industry, we are 100 per cent committed to maintaining environmentally responsible and sustainable farming practices, and will ensure our focus remains on our salmon and prawn operations meeting the highest sustainability standards globally," said Mr Ryan.

Strategically positioned to deliver the next phase of growth

Commenting on Tassal's positive outlook for FY20, Mr Ryan said:

"The anticipated favourable market dynamics for FY19 [domestic and export] materialised, with significant increases in salmon biomass growth and sales, and positive pricing outcomes offsetting increased cost of

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De Costi Seafoods

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goods sold. These favourable market dynamics have continued into FY20. A more gradual growth curve for salmon is expected over the short-term, which should allow Tassal to further optimise pricing to underpin increasing salmon returns this financial year.

"With our salmon business, Tassal will continue to invest in state-of-the-art technology that supports a more efficient business, and infrastructure investment will allow Tassal to optimise existing leases, reduce costs and improve margins. We will also continue to invest in world leading research and development programs that will help identify potential for additional expansion areas including both onshore and offshore operations, while maintaining a sustainable approach to salmon production.

"We are quickly delivering on the potential we saw for prawns and the investment we have made to date in this new growth platform is leveraging our experience and success with salmon. The potential production from prawns with the aquaculture land acquired, once authorised by the relevant authorities and fully developed, provides the potential for a very attractive and rapid ramp up of production and earnings.

"The further potential development of Proserpine, together with our acquisition of Exmoor Station will strategically position Tassal to further drive growth in the prawns seafood category and solidify Tassal's position as Australia's leading seafood producer. The capital raising announced today will underpin our financial ability to support the growth initiatives from prawns and our long-term prawn production target of circa 20,000 tonnes per annum.

"Tassal has a well-balanced strategic growth program in place with species, geographic and earnings diversification that should allow us to continue to deliver strong returns for shareholders. The operational progress we have made over the past 12 months and the platform we have in place provides us with confidence in our ability to generate further sustainable growth into FY20 and beyond."

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Investor briefing

An investor call will be hosted by Mark Ryan (Managing Director & CEO) and Andrew Creswell (CFO) at 10.30am AEST today, Tuesday 20 August 2019. For those wishing to participate, please dial one of the numbers below and provide the conference ID to the operator:

Australia Toll Free: 1 800 870 643
Australia Local: +61 (0)2 9007 3187
Conference ID: 10001598

Media / analyst queries:

Mark A. Ryan
Managing Director & CEO
Phone: 0414 729 101 / Email: mark.ryan@tassal.com.au

About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon and prawn grower and salmon, prawn and seafood processor, seller and marketer. The Company produces and sells premium salmon, prawn and seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon and Tiger Prawns 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 1,400 people. Visit www.tassal.com.au for more information.

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