FY2019 RESULTS

Tassal Group

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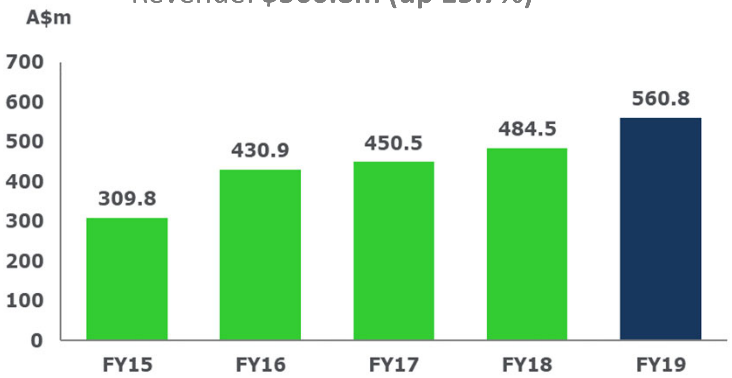
20 August 2019

Highlights

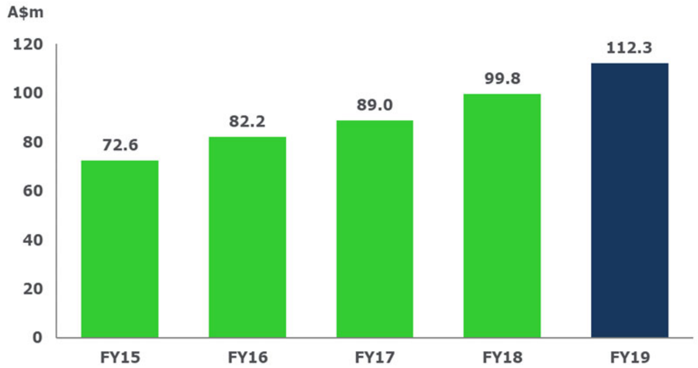
Tassal delivers another record full year result in FY19

Another record full year result across all financial metrics – delivering growth for our customers, suppliers, staff, communities in which we operate, and shareholders

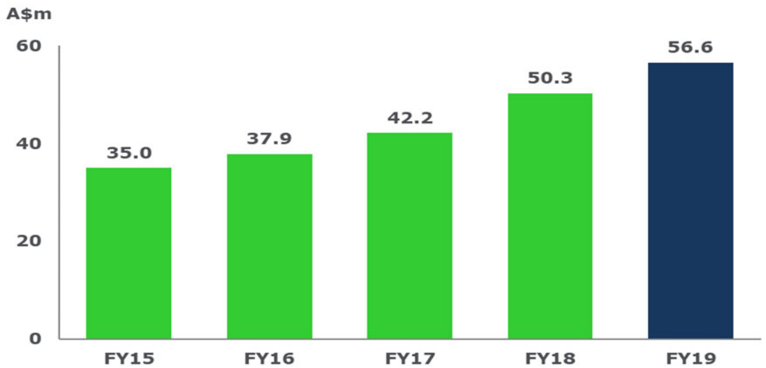
Revenue: **$560.8m (up 15.7%)**



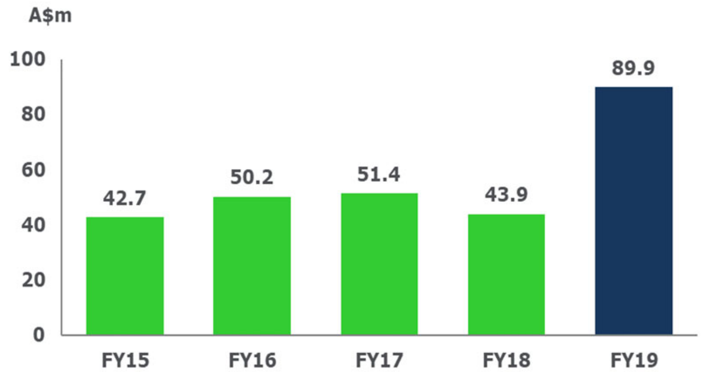
Operating EBITDA: **$112.3m (up 12.6%)**



Operating NPAT: **$56.6m (up 12.5%)**



Operating Cashflow: **$89.9m (up 104.9%)**



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Strong platform in place

Record full year results in FY19, including growth of 12.6% in operating EBITDA to $112.3m, demonstrating delivery of core salmon growth strategy

- Strong increases across operational, financial, environmental and social parameters
- Significant increases in salmon biomass and sales have driven strong growth in earnings
- Achieved at least 3,000 hog tonnes of growth for each of FY18 and FY19, with strong pricing returns and with the salmon size harvested optimising the sales mix. Achieved average 4.4kg hog in FY19

Leading salmon business

- Presently demand is outpacing supply, and this is expected to continue given consumer preference towards healthy nutrition options
- A more gradual growth in supply over the short-term is expected to allow us to optimise pricing to provide increasing salmon returns
- Focus on optimisation of existing leases as well as cost reduction initiatives over short to medium-term

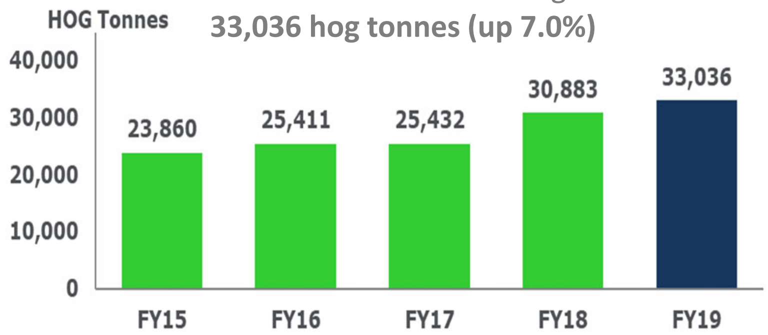
Tassal's investment in prawns, together with positive salmon fundamentals underpins expected long-term growth

- Well balanced program in place with species, geographic and earnings diversification is expected to allow us to continue to deliver strong returns
    - Salmon - through optimising sales mix and pricing, lease optimisation, cost reductions, and improvements in and adaption of new technologies
    - Prawns - through investing in a new growth platform that leverages our experience and builds on our success with salmon. Prawn business is expected to provide a shorter working capital cycle and the potential for better earnings / returns characteristics with lower capital intensity once established. Tassal's prawn operations with the Growth Initiatives and the Acquisition (once authorised by the relevant authorities and fully developed) have the potential to achieve a long-term production target of circa 20,000t p.a.

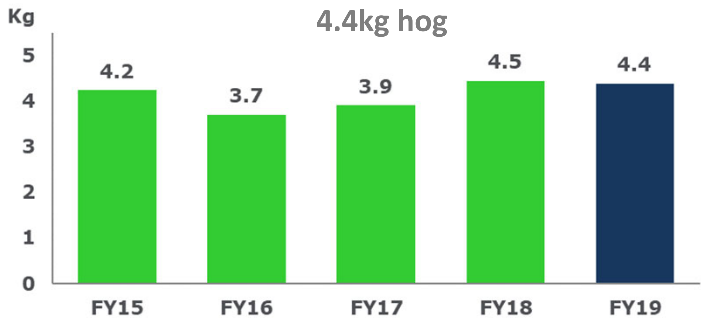
Sustainable salmon at our core

Strong growth in salmon biomass and sales driven by investments in capacity and supporting infrastructure

Increased Harvest Tonnage:
33,036 hog tonnes (up 7.0%)

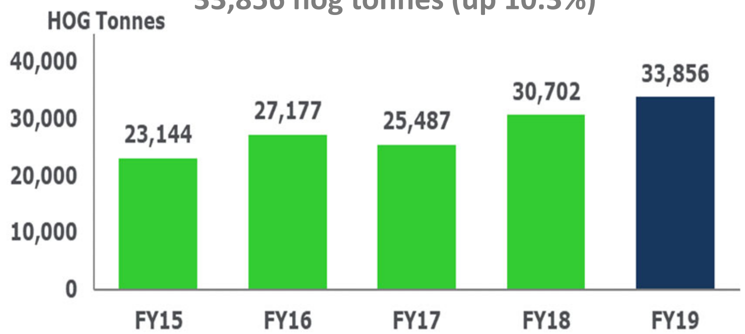


Optimised Salmon Size for Sales Mix:
4.4kg hog

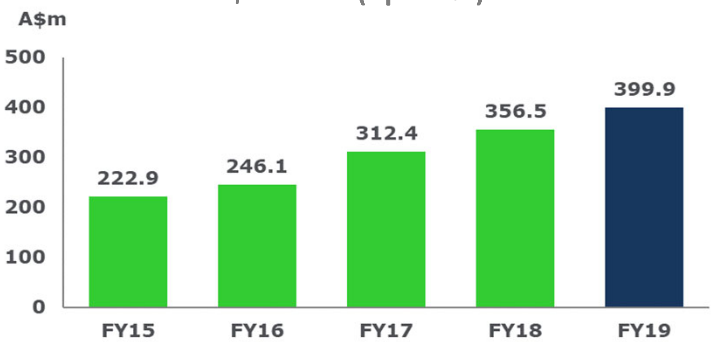


For the current sales mix, an average fish size of 4.5kg to 5.0kg hog allows us to optimise returns

Increased Sales Tonnage:
33,856 hog tonnes (up 10.3%)



Increased Live Salmon Value:
$399.9m (up 9.4%)



Prawns – next phase of growth directly building on salmon success

Unlocking large seafood supply chain synergies

We continue to invest in strategic growth opportunities that support sustainable seafood growth and strong shareholder returns

- Salmon and prawns comprise 70% of retail seafood sales in Australia
- No material growth in Australian-grown prawns supply for 10 years – total prawn consumption in Australia circa 60,000t p.a.
- Consumer preference for Australian tiger prawns with growing domestic per capita consumption providing opportunity to replicate salmon success
- Favourable prawn fundamentals, due to both shorter capital & working capital cycles, with the growth cycle for prawns at 1 year (vs. 3 years for salmon). Prawn EBITDA $/kg is also expected to exceed salmon EBITDA $/kg

We are committed to growing the prawn business with a focus on accelerating near-term earnings as well as securing the capacity necessary to support long-term growth in profitability

- Fortune Group assets (once authorised and fully developed Proserpine site) are expected to deliver strong earnings growth in the short to medium-term
- Exmoor Station (recently acquired greenfield site), once authorised by the relevant authorities and fully developed, is expected to deliver strong profitability and returns in the long-term

Today, we announced an acceleration of our prawn growth strategy

- Please refer to the ***"Acceleration of Prawn Growth Strategy"*** presentation for further details on the Equity Raising and use of proceeds

the Tassal way

People & Planet

Committed to safety

No job is so important that it cannot be done safely

KPI's	FY19	FY18
LTIFR	0	0.41
MTIFR	12.05	11.77
TRIFR	12.05	12.18
Scorecard	97.4%	96.9%
Driving the Safety culture scorecard	95.5%	94.1%

- Safety commitment is consistent with maximising shareholder value
- Our focus is to achieve the core value of "Zero Harm". Our goal from a TRIFR perspective is < 10
- Our training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents
- We are reducing the number of tasks performed by people through greater automation (e.g. Centralised Feed Centre and Well Boat)

Definitions:

- LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours
- MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours
- TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR

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Responsibly produced and sourced seafood

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

- Tassal is committed to providing Australians with responsibly produced and sourced seafood
- In 2014, Tassal proudly became the first salmon farming company in the world to be 100% certified by the Aquaculture Stewardship Council (ASC), the highest standard available for farmed seafood
- As a growing company in an expanding industry, we are building on our past successes and addressing present challenges, including:
    - Reducing marine debris from our operations
    - Fostering environmental stewardship among our employees, suppliers and contractors
    - Advocating for best practice Marine Spatial Planning and efficient regulations, which will help the salmon and prawn industry grow in a responsible manner with broad community acceptance
    - Ensuring our salmon and prawn operations meet the highest sustainability standards; and encourage our industry peers to adopt the same high standards
    - Extending our commitment to third party certification to identify and address improvements as required across our operations

Managing climate risk

A comprehensive risk management system is used to manage the long-term risks, issues and opportunities presented by climate change and respond accordingly

Climate plays an important role in Tassal's operations – particularly summer water temperatures for salmon farming

- Summer 2018/19 water temperatures were inline with Summer 2017/18
- 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
- We will increase the freezing of harvested fish before summer 2019/20 to ensure frozen salmon can be utilised in 2H20 without the requirement to further bring forward the harvest of the next year class of salmon

Tassal has developed considerable options for adapting to climate change:

- Selective breeding program for salmon, with prawns now a key focus too
- Modified farming technologies and practices
- Species diversification with our prawn operations
- Geographic diversification

Tassal has also engaged scientists to identify emerging climate trends and system responses, and to undertake comprehensive broad scale environmental monitoring

Financials

Another record year

Responsible investment in biomass and infrastructure has driven strong operational growth

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% ▲
Total dividend - cps [2]	18.00	16.00	12.5% ▲
Basic EPS (cents)	33.01	33.13	(0.4%) ▼
Diluted EPS (cents)	32.88	33.01	(0.4%) ▼
Net Debt	178.67	109.56	
Receivables Purchase Facility (RPF)	67.73	57.50	
Total Funding (Net Debt + RPF)	246.40	167.06	
Gearing Ratio [3]	28.2%	18.7%	
Funding Ratio [4]	38.8%	28.5%	
Funding Leverage [5]	2.19	1.67	

Strong growth in revenue

- Operational strategy of responsibly growing salmon harvest biomass and size to ensure we are able to meet domestic demand
- Strong growth in salmon domestic market per capita consumption with strong pricing
- Export market strategically targeted with bigger salmon

Operating earnings growth continues to please

- Favourable domestic salmon market growth, sales mix and pricing continues
- Efficiency benefits flowing from more optimal salmon harvest biomass and size

Exceptional growth in operating cashflow

- Cash receipts from revenue growth allowed appropriate cash spend in salmon biomass and capital infrastructure

Notes:

1. Pre-tax SGARA adjustment benefit of $4.6m (FY18: increase $10.8m). Post-tax benefit $3.3m (FY18: $7.6m)
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)
5. Funding Leverage as (Net debt + RPF)/Operating EBITDA

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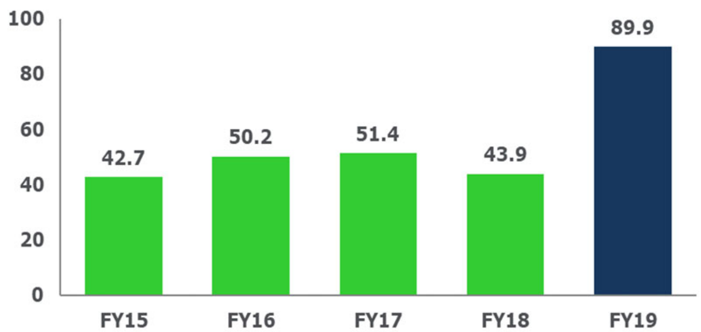
Step change in operating cashflow

Supporting salmon biomass generation and investment in long-term growth

Operating Cashflow (A$m)	FY19	FY18
Operating cashflow	89.90	43.88
Investing cashflow	(138.72)	(69.14)
Financing cashflow	49.56	18.53
Net increase/(decrease) in cash held	**0.75**	**(6.74)**

Operating Cashflow: **$89.9m (up 104.9%)**



Strong operating cashflow

- Operating cashflow up 104.9% to $89.9m reflects the strength of Tassal's underlying business and operational strategy
- Operating cashflow enabled continued strategic investment in salmon biomass and capital infrastructure
- Focus on responsible capital spend to underpin sustainable growth in long-term returns

Investing cashflow of $138.7m underpins long-term growth and entry into prawns with acquisition and redevelopment of Fortune Group ($33.9m made up of settlement of $31.9m + costs of $2.0m incidental to the acquisition)

Balance of investing cashflows of $104.8m (FY18: $69.1m) comprised:

- Salmon maintenance capex – $33.6m
- Salmon growth capex – $46.0m
- Prawn growth capex – $25.2m

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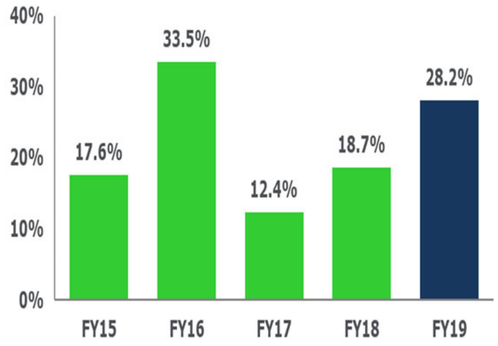
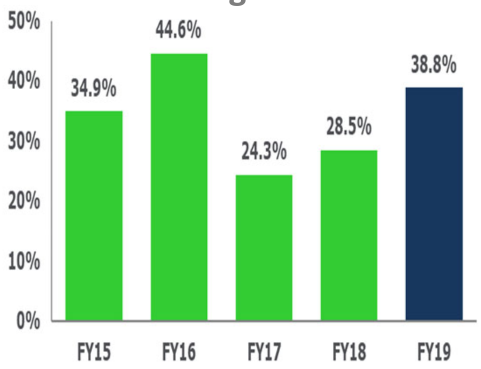
Balance sheet

Gearing Ratio



Funding Ratio



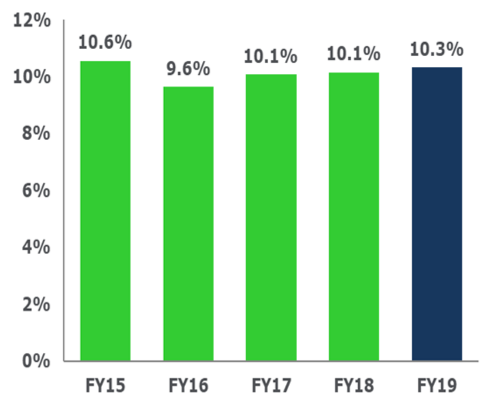
Gearing and Funding Ratios

- Gearing at 28.2% post Fortune Group acquisition
- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 38.8% (FY18: 28.5%)
- Announced capital raising to support further growth in prawn operations

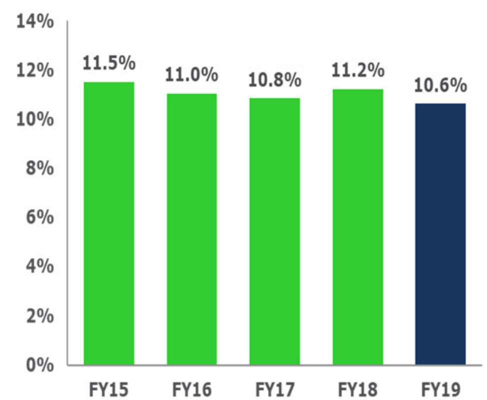
Operating Return on Assets (ROA) and Return on Invested Capital (ROIC)

- ROA increased slightly to 10.3%
- ROIC decreased slightly due to substantial capital investment – with earnings to flow in FY20
- Strategic investment is expected to deliver strong earnings over the short to medium-term, with returns to be enhanced over the long-term

ROA



ROIC

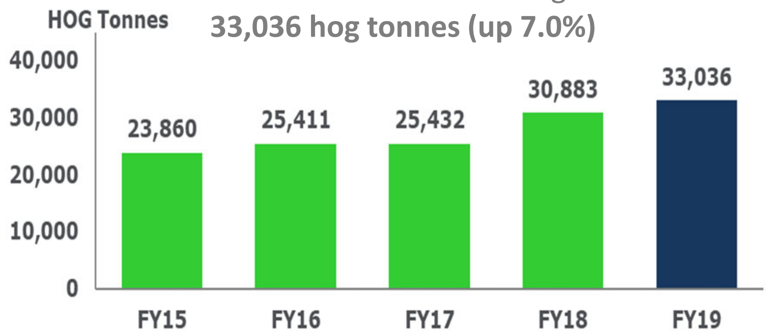


Salmon

Strong growth in salmon biomass and sales

Strong growth in salmon biomass and sales driven by investments in capacity and supporting infrastructure

Increased Harvest Tonnage:
33,036 hog tonnes (up 7.0%)



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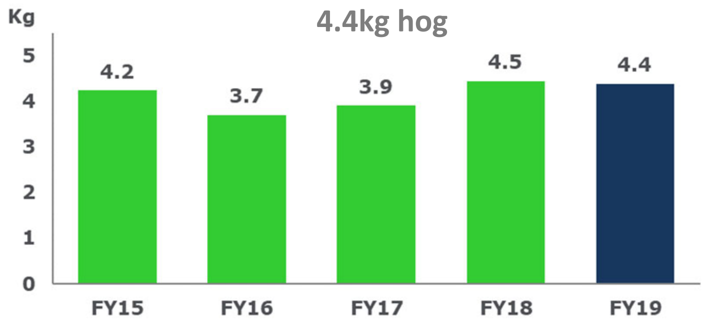

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Increased Sales Tonnage:
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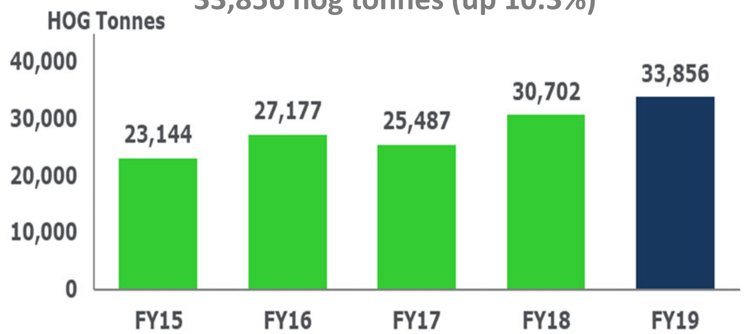

Increased Live Salmon Value:
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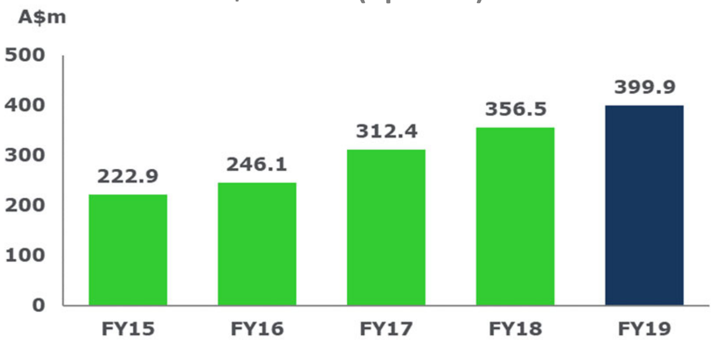

Strong salmon performance

Total Salmon Sales	FY19	FY18	Change
Salmon Volume (Hog equiv tonnes)	33,856	30,702	10.3%
Salmon Average Price ($/Hog kg equivalent)	14.00	12.88	8.7%
Salmon Revenue ($m)	474.03	395.47	19.9%
EBITDA ($m)	106.84	93.30	14.5%
EBITDA ($/kg)	**3.16**	**3.04**	**3.8%**

Domestic Salmon Market	FY19	FY18	Change
Salmon Volume (Hog equiv tonnes)	26,860	24,198	11.0%
Salmon Average Price ($/Hog kg equivalent)	14.48	13.34	8.5%
Salmon Revenue ($m)	388.95	322.91	20.5%

Export Salmon Market	FY19	FY18	Change
Salmon Volume (Hog equiv tonnes)	6,996	6,504	7.6%
Salmon Average Price ($/Hog kg equivalent)	12.16	11.16	9.0%
Salmon Revenue ($m)	85.09	72.56	17.3%

Strong growth in salmon

- Responsibly growing harvest biomass and size
- Focus on lease optimisation and cost reduction initiatives
- Focus on optimising EBITDA $/kg returns

Continued growth in salmon domestic market

- Domestic salmon consumption per capita (not including cans) has continued to grow over the past 10 years from 1.3kg per person to 2.6kg
- Further optimising sales mix between retail and wholesale to maximise margin

Export salmon market is a strategic lever to optimise sales

- Attractive market for our larger fish

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Prawns

Successful entry into prawn aquaculture

Prawn aquaculture is a strategically and financially compelling opportunity with a superior EBITDA $/kg margin to salmon, while also providing geographic and species diversification

Compelling strategic opportunity

- Tassal leveraged its experience and capabilities gained from its core salmon business and more recently the De Costi Seafoods business to successfully acquire the Fortune Group's prawn operations
- Prawns benefit from strong pricing and favourable competitive positioning in the domestic market relative to other seafoods. Domestic prawn market is circa 60,000t p.a.
- Following the same growth strategy for salmon, Tassal's focus will be on increasing prawn consumption per capita in the domestic market through the retail channel
  - Major retailers are currently under-trading in prawns due to a lack of product innovation and consistent supply
  - Make prawns an everyday protein choice through product innovation and consistent supply

Compelling financial opportunity

- Prawns presently provide a superior EBITDA $/kg margin to salmon
- Strong potential to optimise EBITDA $/kg both from biomass growth and more efficient production utilising our capabilities and learnings from salmon
  - e.g. best practice feeding, breeding program (domestification), fish health and 'in-pond' environment together with 'smart farm' concepts and technologies

Prawn earnings commenced in 2H19

In line with expectations, FY19 prawn earnings reflect initial pond stocking levels and infrastructure at acquisition

- Tassal sold $28.4m in prawns (from all suppliers) through De Costi Seafoods in FY19 (FY18: $28.1m), of which $9.1m (453t) related to its own prawn interests
- EBITDA $/kg from its prawn production interests was $6.12kg
- For prawn aquaculture, seasonality of prawn harvesting is skewed to 2H, due to the production cycle of broodstock catching, breeding for Post Larvae and then temperature profile of our current sites
- Tassal's FY19 prawn production reflected the pond infrastructure and stocking levels at the time of acquisition. Only the Mission Beach and Yamba ponds were stocked in FY19 – with only circa 45ha appropriately stocked (out of 270ha total)
- Redevelopment works commenced on the balance of the ponds

Tassal has taken a risk minimisation approach to the development of its prawn business since acquisition

- Acquired a prawn vessel and catch licence to allow catching of wild Northern Territory prawns for both fresh sale and supply of broodstock requirements for its hatcheries
- Entered into several agreements for supply of broodstock requirements for its hatcheries
- Recommissioned existing hatchery infrastructure at Mission Beach and Proserpine to provide cross-hatchery 'insurance' capacity
- Tassal has relocated some of its salmon staff, employed the 'best in the business' from prawn operations in Australia and is now supplementing with some global talent to ensure a 'best practice team' is in place
- Tassal has partially redeveloped circa 270ha of licenced ponds and this is expected to support a targeted production of circa 2,400t for FY20, delivering a strong uplift in prawn earnings for FY20

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Outlook

Strategic investments: Salmon

Tassal will continue to invest in state-of-the-art technology that supports a more efficient business

Infrastructure investment will allow Tassal to optimise existing leases, reduce costs and improve margins

- Well Boat (September / October 2019): Will allow fish to be bathed efficiently and effectively, leading to improved fish health and enhanced survival rates, while reducing the use of manual labour
- Centralised Feed Centre (February 2018): Will maximise feeding opportunities while minimising waste and improving Feed Conversion Ratio (FCR)
- Seal proof sanctuary pens: Protecting salmon stock from increasing seal numbers and improving survival rates
- Multi-purpose Recirculating Aquaculture System Facility (Multi-purpose RAS): Providing larger smolt (potentially up to 1kg) or more smolt as Tassal's existing or new lease requirements dictate. Expected to cost circa $46m with completion in FY21/22. Land has been acquired and the approval process has commenced

Continued investment in world leading research and development programs will help identify potential for additional expansion areas including both onshore and offshore operations, while maintaining a sustainable approach to seafood production

- Tassal's West of Wedge Island site at Storm Bay will be the testing site for the Blue Economy CRC, a project to assist the salmon industry responsibly transition to offshore farming
- West of Wedge is among the highest energy conditions in the world – salmon pen technology and design must be robust enough to handle the challenging conditions that Storm Bay has demonstrated to date
- Tassal is focused on being able to responsibly transition some salmon production to offshore farming at leases like West of Wedge
- Tassal will continue its integrated multi-trophic approach at its salmon farming sites, and is researching ways to reduce its environmental footprint through the production of kelp species adjacent to salmon farms

Strategic investments: Prawns

Tassal's investment in prawns is accelerating, directly building on salmon success

- Based on Fortune Group pond infrastructure in place at acquisition, Tassal targeted an annualised EBITDA of $25m p.a. within 3 years of acquisition (i.e. by FY21). Tassal based this on a total of crica 270ha of licenced ponds - including Proserpine with circa 190ha of licenced ponds

Tassal today announces the acquisition of a strategically located property, Exmoor Station, and the acceleration of a number of growth initiatives that are expected to support the long-term prawn production target of 20,000t p.a.

- Over the next 2 years, Tassal plans to invest circa $85m[1] to accelerate growth in prawn production, directed towards staged expansion at Proserpine, hatchery capacity and domestication program, processing facility and the deployment of Smart Farm technology at the 3 existing prawn farms ("**Growth Initiatives**")
  - Once authorised by the relevant authorities and developed, Proserpine is targeting production from circa 340ha of ponds by FY22 (with potential post FY22 to increase to 400ha of ponds via a separate approval and development process)
  - The Mission Beach, Yamba and Proserpine ponds and related infrastructure of circa 420ha is expected to support potential prawn production of 6,000t p.a. by FY22
- Tassal has acquired Exmoor Station for ~$25m[2] ("**Acquisition**"), a strategically located property which, subject to gaining the required approvals, licences and permits, provides the land required for the long-term growth of the prawn business
- Tassal's prawn operations, including the Growth Initiatives and Acquisition (once authorised by the relevant authorities and fully developed), are expected to support a long-term prawn production target of circa 20,000t p.a.

Tassal expects to generate a return on assets ("ROA") and return on invested capital ("ROIC") from its prawn farming assets (once authorised by the relevant authorities and developed) above historic Group levels

Tassal is well equipped to build and successfully operate its prawn farming business, leveraging the experience, capabilities and learnings gained over 30 years of salmon farming

Notes:

1. Includes circa $5m for Mission beach / Yamba and replacement / upgrade capex.
2. Comprising $28m purchase price, net of $2.7m from cattle sales. Acquisition was completed on 1 July 2019 with funding from a bank facility.

FY20 outlook

Positive market dynamics and prawn ramp-up expected to drive continued earnings growth

Positive market dynamics for both salmon and prawns expected to continue

- Domestic salmon market growing at circa 10% p.a. over the last 10 years
- Agreements with retailers underpinning current strong domestic pricing levels, which are expected to persist in the short to medium-term
- Strong pricing and favourable competitive positioning for prawns in the short to medium-term due to the fragmented market and lack of supply growth for past 10 years

A more gradual growth in salmon supply over the short-term should allow us to optimise pricing to provide increasing salmon returns

- Transition supply to more sales into the domestic market (i.e. better sales mix) with a focus also on more profitable product lines in domestic market (i.e. optimise pricing) – therefore expected to increase salmon returns
- Focus on optimisation of existing leases as well as cost reduction initiatives over short to medium-term
- Use of freezing capacity to balance sales mix between 1H and 2H

Ramp-up in prawn production volumes following redevelopment of existing pond infrastructure and appropriate stocking of Mission Beach, Yamba and Proserpine

- Targeting FY20 prawn production of circa 2,400t
- Seasonality of prawn harvesting and sales skewed to 2H, due to broodstock catching and temperature profile of current farming sites

Further investment in both salmon and prawn operations will continue to underpin long-term growth

- Total capital expenditure, including the acquisition of Exmoor Station, is expected to be $156m in FY20

Questions?

Appendices

SGARA Impact

Future value of salmon biomass at sea is still increasing

Profit Reconciliation	FY19	FY18	Change
Operating NPAT	56.62	50.31	12.5% ▲
Add AASB 141 SGARA Increment / (Decrement)	3.23	7.57	(57.3%) ▼
Less Non Recurring Items	1.41	0.59	(139.2%) ▼
Statutory NPAT	58.44	57.29	2.0% ▲

- The fair value adjustment of the salmon at sea and prawns in ponds (being fair value less estimated point of sale costs) is affected by changes in the following key inputs:
  - future harvest quantity
  - future net market value to be received
  - costs to grow the salmon to a harvestable size
  - freight costs to market
  - appropriately discounting cash flows from future sales of the salmon at sea and prawns in ponds, respectively

SGARA adjustment still increasing

- Biological assets (being salmon at sea and prawns in ponds) are accounted for in accordance with AASB 141 Agriculture (SGARA) which accounts for the fair value of the salmon at an estimated harvest tonnage and at an estimated future net market value

- Reported value of the salmon at sea and prawns in ponds at FY19 is compared to FY18 – any difference in value is then applied in the income statement as an increment (SGARA uplift) or decrement (SGARA reduction)

Uplift in SGARA in FY19 – but less than FY18

- There is an expectation that there will be an increase in pricing and net market value from the salmon at sea vs. estimated outcome at FY18. Estimated harvest tonnage is not expected to be materially different

- Expected fair value from salmon biological assets has increased by $4.6m (pre tax) in FY19 vs. FY18, reflecting continued growth in net market value

- The SGARA adjustment for prawns was $0 as all prawns had been harvested and sold

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