

AgFood Virtual Conference

Tassal Group

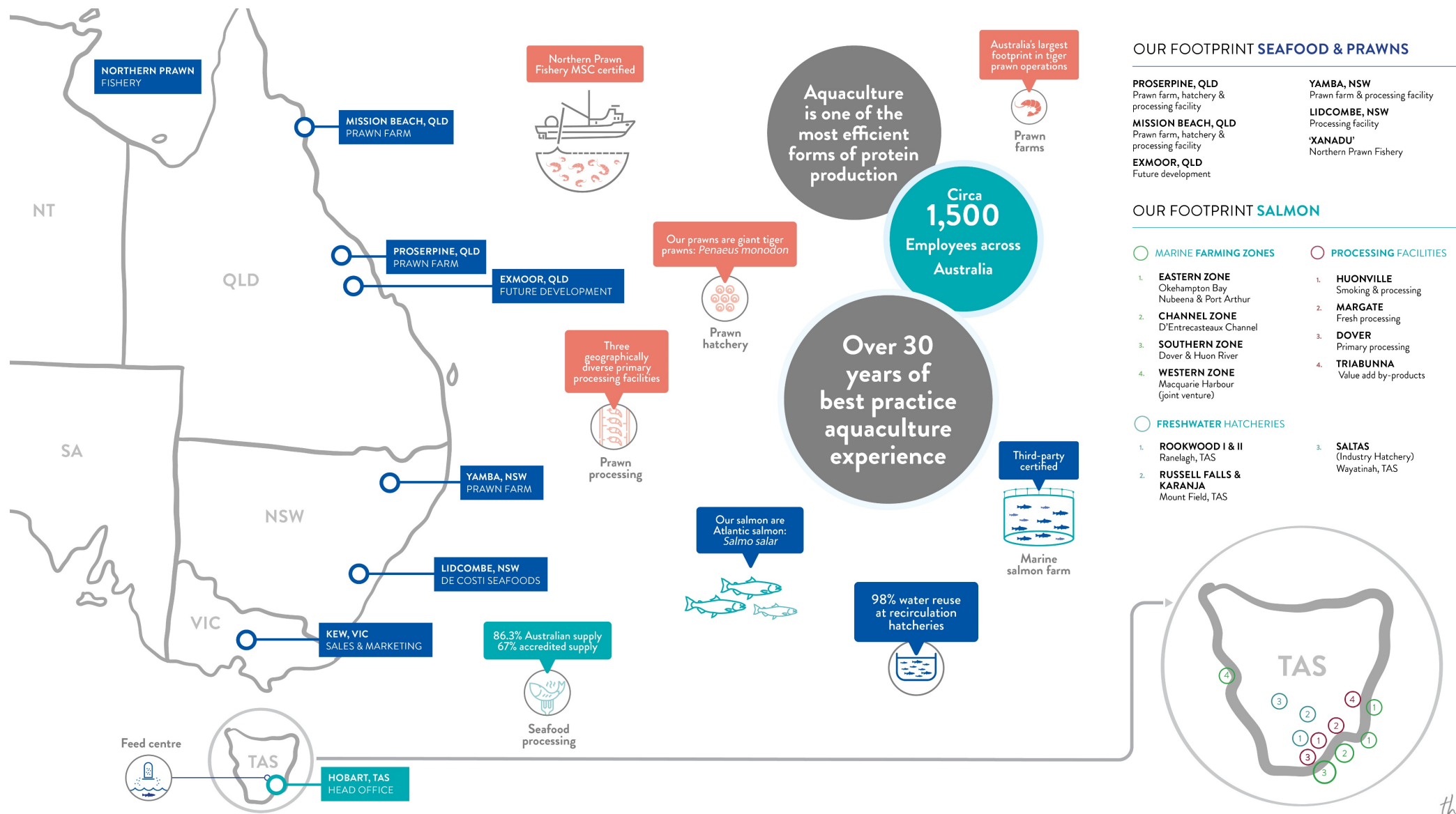
Presented for PAC Partners & Westpac

Presented by Mark Ryan – Managing Director & CEO

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Our footprint – land and sea



Our growth strategy

As an industry leader in Australia, Tassal is harnessing its strengths across the business to sustainably and strategically improve how we farm, process and bring our seafood to market

“Tassal farms the ocean and land to produce a high quality/healthy source of food, leveraging its industry leading scientific know how, that is both sustainable and efficient in its production, respecting the resources of the earth and the wider society in which it operates”

Our growth strategy is underpinned by 5 pillars – our competitive advantage:

- Being the market leader on all operational, financial, environmental and societal value metrics
- Ensuring geographic and species diversification
- Driving domestic per capita consumption growth
- Maintaining an Eastern Seaboard supply chain: ensuring Tassal is freshest to market on a national basis with short shelf life products
- Maintaining best practice aquaculture: being regarded as global leaders in fish farming and environmental stewardship

Our anticipated growing returns will come from innovating, value adding and capitalising on increased consumption of farmed salmon and prawns in the restaurants and homes of Australians

Position the business to drive growth in earnings & returns

Five key takeaways:

1. **Salmon 1H20:** the strategic focus for 1H20 was to increase operating EBITDA \$/kg through a period of investment in the growth of biomass and size. Reduction in sales in 1H20 was predominantly targeted at the lower value export market, with sales mix shift and cost efficiencies driving the increase in EBITDA \$/kg. Harvesting and selling less salmon in 1H20, supported greater biomass and size
2. **Salmon 2H20:** the strategic focus for 2H20 is to capitalise on the greater biomass and size in 1H20 through delivering increasing harvest and sales in 2H20 (vs 2H19) and FY21. Earnings and returns are forecast to grow for FY20 and beyond
3. **Salmon:** forecast live biomass for 30 June 2020 forecast to be materially up vs 30 June 2019. Growth is being achieved by management's focus on sustainable farming and fish health practices ... breeding, biosecurity, feed automation, feed diet formulation, stocking densities, optimising leases with fallowing, growth times and survival. Bigger salmon generate better margins
4. **Salmon:** continually optimising biomass growth and size (cost efficiencies) and sales mix (higher margin markets and products) is optimising salmon EBITDA \$/kg
5. **Prawns:** upgrade to forecast harvest tonnes for circa 2,500 tonnes for FY20 (previously 2,400 tonnes), with further growth expected in FY21 onwards through staged expansion of farming operations

Tassal's delivery of its salmon growth strategy, combined with its strategic investment in prawns, will help underpin expected long-term growth in earnings and returns in FY20 and beyond

2H20

Long-term impacts of COVID-19 on the global economy and on consumer behaviour are still unknown. However, early indications are showing some trends – trends which are positive to Tassal

Overall, market dynamics for salmon remain positive

- Domestic Retail: Agreements with retailers underpinning current domestic pricing and volume levels favourable
- Domestic Wholesale: Fish shops holding. Foodservice business (ie pubs, clubs, restaurants and cafes) disrupted and impacted
- Export: Continue to be strategically used to support growing and production efficiencies while not impacting domestic supply

Salmon biomass growth exceeding expectations which with optimised pricing, this should provide increasing overall operating EBITDA \$/kg returns

- Transitioning supply for the continuation of 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) and export market as a destination for surplus volume
- Focus on optimisation of existing leases as well as cost of growing reduction initiatives over short to medium-term
- Both initiatives should translate into increasing salmon returns for FY21+

Prawn biomass growth on track to deliver a harvest of circa 2,500 tonnes for FY20

- Export market potential better than domestic market at present – though foodservice globally disrupted and opportunities in retail (both domestically and export) albeit take a longer lead time for supply, customer commitment is more secure. Focus medium to long term still to grow domestic market, with export market offering risk mitigation from a sales perspective in the short term

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

Costumer trends in COVID-19 world

Early trends regarding customer behaviour are positive for Tassal

- **People want to trust what they are eating**
 - Rise in consumer demand on sustainable products that have open traceability
 - Supporting Australian made produce will be important to customers
- **Rise in at home meals over eating out**
 - Consumers are being forced to spend more time at home and cooking meals that they have normally enjoyed at restaurants
 - This will likely increase consumer confidence in the 'home MasterChef' through self-education (i.e. online learning, videos, experimentation etc)
- **Easy to prepare meals solutions will be in greater demand**
 - Consumers will look to retailers to provide more simple meal solutions (i.e. MAP, shelf to oven, meal combinations, easy recipes etc)
- **Online delivery will become the new 'norm'**
 - People that have been late to adopt to online shopping and online media (necessity now due to COVID-19) will reduce their anxiety and increase their confidence on incorporating online technology into their new lives going forward
 - eCommerce and home delivery meal services will benefit in the long term as it becomes the 'norm' for late adopters
- **Online media consumption will play a larger role in purchasing decisions and influencing purchase intent**
 - Consumer online traffic has increased during this period especially driven by news sites, online streaming and social media consumption
- **Consumer confidence index at an all time low**
 - People will be more careful on how they spend their money and what luxuries (if any) they will invest in (e.g. Will they cook at home vs go out to restaurants? Will they invest in more expensive protein choices or stick to more cost effective options to feed the family?)
 - 'Bustling Families' (our primary audience) have never felt more under pressure to provide for their family of 2 kids and elderly parents
 - 'Senior Couples' (our secondary audience) are being limited in their freedom to shop due to their high risk factors (i.e. vulnerable people)

Key Focus

The Tassal and Tropic Co brands are in a good position to continue to drive consumption per capita of salmon and prawns. Our marketing strategies are aligned to current consumer insights and needs

- The Tassal brand has strong brand awareness and positive sentiment with consumers. Our focus is to replicate this with Tropic Co
- Consumers continue to seek healthy and sustainable proteins as part of their diet ... salmon and prawns meets that needs as healthy and sustainable proteins and we have the opportunity to increase seafood's percentage share of plate
- **We will continue to focus on:**
 - Continuing to drive consumer awareness, purchase intent and consumption per capita for salmon through 'ATL' and 'BTL' communications and shopper activations
 - Positioning prawns with consumers as entertainment at home choice throughout the year, to drive Australian prawn consumption to new levels with increase awareness of Tropic Co prawn brand
 - Growing and developing key product categories – in particular growing our share of salmon and prawn value and volume in the retail segment with a focus on pre-packed to appeal to consumer convenience and trust drivers
 - Growing our share of salmon and prawn volume in the wholesale and foodservice market segments ensuring Tassal salmon and Tropic Co prawns are on the menu and are the brand of choice
 - Educating and communicating sustainability and traceability in seafood – appealing to consumers desire for transparency
 - Using influencers, ambassadors, sponsorship and brand alliances to increase reach and engagement across core demographic groups



Questions?

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