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ASX release

Tassal Group Limited
 ABN 15 106 067 270
 Tassal Operations Pty. Ltd.
 ABN 38 106 324 127
 De Costi Seafoods Pty Ltd
 ABN 81 606 307 804
 email: tassal@tassal.com.au
 website: www.tassal.com.au

Tassal delivers strong growth in FY20 earnings

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the full year ended 30 June 2020 (FY20) that saw the Company continue to deliver strong sustainable growth. Tassal’s diversification strategy, focus on driving operating efficiencies and lowering costs, risk management systems and business continuity planning supported the Company navigating through the current uncertain COVID-19 operating environment, and have positioned the business to further grow earnings and returns in FY21.

Key FY20 takeaways:

- Delivered sustainable growth:** Balancing strategic, operational, financial, environmental and societal value metrics
- Strong growth in operating EBITDA to \$138.6 million:** Reflecting the benefits of Tassal’s growth strategy
- Further growth investment:** Supported by operating cashflows, debt headroom, comfortable gearing levels and a strong balance sheet
- Salmon delivering on strategy:** Investment and subsequent 12.9% increase in live biomass, production efficiencies and further optimised sales mix, positions well for further growth in returns
- Prawns delivering on expectations:** Harvest of 2,460 tonnes as expected, with substantial uplift in planned FY21 harvest volume to circa 4,000 tonnes, with infrastructure in place
- Industry world best ESG initiatives:** Underpin sustainable growth for both salmon and prawns
- Overall:** Despite sales challenges imposed by COVID-19 market fractures, shareholder value was enhanced through optimising margins via sales mix and operating efficiencies. Salmon and prawn product and brand strategy aligns to consumer needs during and after COVID-19, and will continue driving domestic per capita consumption growth. Increasing harvest biomass, optimising margins via sales mix and operating efficiencies, and a strong sustainable diversified operating platform, best position Tassal to navigate through COVID-19 and further grow earnings and returns in FY21.

Financial Performance (A\$m)	FY20	FY19	Change
Revenue	562.54	560.79	0.3% ▲
Operating results			
Operating EBITDA	138.55	112.31	23.4% ▲
Salmon Operating EBITDA \$/Kg (Pre AASB 16)	3.29	3.16	4.3% ▲
Salmon Operating EBITDA \$/Kg (Post AASB 16)	3.60		
Prawn Operating EBITDA \$/Kg (Pre AASB 16)	6.11	6.12	(0.2%) ▼
Prawn Operating EBITDA \$/Kg (Post AASB 16)	6.42		
Operating EBIT	99.82	88.55	12.7% ▲
Operating NPAT	64.17	56.62	13.3% ▲
Statutory results			
AASB 141 SGARA Impact ¹	12.17	4.61	163.8% ▲
Statutory EBITDA ¹	145.61	114.91	26.7% ▲
Statutory EBIT ¹	106.87	91.16	17.2% ▲
Statutory NPAT ¹	69.11	58.44	18.3% ▲
Operating cashflow	49.85	89.90	(44.5%) ▼
Final dividend - cps	9.00	9.00	0.0% ▬
Total dividend - cps ²	18.00	18.00	0.0% ▬

Note:

- Pre-tax SGARA adjustment benefit of \$12.2 million (FY19: increase \$4.6 million). Post tax benefit \$8.5 million (FY19: increase \$3.2 million).
- Total dividend is 25% franked (FY19: 25% franked)

Hobart
 Level 9, 1 Franklin Wharf, Hobart, TAS 7000
 GPO Box 1645, Hobart, Tasmania 7001
 Telephone (03) 6244 9099
 Facsimile (03) 6244 9002

Melbourne
 Level 2, 1-9 Derrick St, Kew, VIC 3101
 Telephone 1300 66 4731
 Facsimile 1300 88 1429

Huonville
 20 Glen Rd, Huonville, TAS 7109
 Telephone 1300 66 4251
 Facsimile 1300 88 0239

De Costi Seafoods
 29 Bachell Ave, Lidcombe, NSW 2141
 PO Box 429, Lidcombe, NSW 1825
 Telephone (02) 9649 7699
 Facsimile (02) 9649 7655

Commenting on the Company's FY20 results, Tassal Managing Director & CEO Mark Ryan said: "Tassal's FY20 growth strategy was to increase operating efficiencies within salmon production, while diversifying operations by transferring our knowledge and skills to prawns. The continued growth achieved reflects the amazing work and dedication of all our team, and the investments made to optimise biomass growth, create cost efficiencies and optimise sales mix. Importantly, our operating cashflow, debt headroom, low gearing and strong balance sheet have supported investment to underpin Tassal's continued growth.

"All of this has been achieved while maintaining our focus on sustainability from a strategic, operational, financial, environmental and societal value perspective. I am very pleased that our 2019 salmon growth inputs that will be harvested in FY21 are progressing well with strong survival rates and no impact from Pilchard Orthomyxovirus.

"While Tassal is classed as an Essential Service with respect to COVID-19 and our operations have continued, we have worked hard to ensure the continued safety and wellbeing of our employees. Positively, consumer behaviour has shifted as people increasingly eat at home, and search for Australian-made trusted sustainable brands, further supporting demand for Tassal Salmon and Tropic Co Prawns.

"Investments into salmon biomass, technology to drive operational efficiencies, sustainability and a more optimal sales mix all delivered EBDITA \$/kg benefits. We invested heavily into our prawn expansion, where our long-term sustainable harvest target of circa 20,000 tonnes per annum remains on track. The investment and technological progress made has built a strong financial and operational platform to navigate through the uncertain COVID-19 environment and further grow earnings and returns."

Growth in salmon and prawn production

Tassal's FY20 focus was on leaving **salmon** in the water longer to grow and create a better balance of harvested biomass across each half – 16,466 hog tonnes of salmon were harvested in 2H FY20 (1H FY20: 17,929 hog tonnes) – to optimise sales mix by selling high value products to the right markets at the right time, and importantly deliver efficient operating and processing activities. As a result, EBITDA \$/kg was \$3.60kg, with pre AASB 16 Leases operating EBITDA \$/kg up 4.3% to \$3.29kg.

FY20 was a year of substantial investment in **prawn** production, building the infrastructure to support material earnings upside. \$82 million was invested to build civil and pond works at Proserpine, Mission Beach and Yamba, installing SmartFarm and new technologies, and expanding Proserpine for stocking in FY21. Reflecting the substantial uplift in harvest tonnage to 2,460 tonnes, with pre AASB 16 Leases Operating EBITDA \$/kg was stable at \$6.11.

Operating cashflows, debt headroom, comfortable gearing and a strong balance sheet support investment in infrastructure to underpin long-term growth

Strategically, operating cashflow was down 44.5% to \$49.9 million, reflecting the planned increase in working capital costs to grow incremental inventory for salmon (\$37.3 million) and prawns (\$30.9 million) stock for earnings in FY21. Cashflows, debt facilities, FY20 capital raising proceeds and a strong balance sheet, were responsibly utilised to underpin \$138.7 million of sustainable investment to grow long-term returns. In FY21, \$125.1 million of investment is planned to support further earnings growth, with a strong balance sheet and appropriate banking facilities in place to underpin this growth.

The Directors have declared a FY20 final dividend of 9 cps franked at 25% with a record and payment date of 15 and 29 September 2020, respectively. The total FY20 dividend is 18 cps franked at 25% (FY19: 18 cps, 25% franked). The Company's Dividend Reinvestment Plan (DRP) will apply to the FY20 final dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

Tassal's industry world-best ESG initiatives underpin sustainable growth

For Tassal, sustainability is more than the environment the Company operates in, it's the people we back and the communities we support. Tassal is not only a farmer, we are a steward of the oceans and coasts providing responsibly farmed Australian seafood to millions of Australians through whatever challenges the world faces. Across nearly every ESG measure the Company tracks, Tassal has further improved its performance, while producing circa 180 million meals over FY20.

A comprehensive risk management system and business continuity planning process is used to manage both short-term (including COVID-19) and long-term risks (including climate change). Tassal actively engages with experts to continue lowering its environmental impact, and the Company prides itself on being a leader in sustainability within the global aquaculture industry. Utilising the latest technology and data to monitor environmental impacts, Tassal has continuously innovated to reduce environmental impacts and provide high quality Australian grown sustainable products for consumers.

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Tassal's strategy is well positioned to align to consumer needs during and after COVID 19, and to continue driving domestic salmon and prawn per capita consumption

Commenting on Tassal's outlook for FY21, Mr Ryan said: "Tassal has transformed the salmon market in Australia and is now focused on replicating that success in prawns. Through our product and brand strategy, Tassal has an opportunity to drive awareness and growing consumption per capita of Australian grown Tassal Salmon and Tropic Co Tiger Prawns.

"Despite the impact of COVID-19 to Australian and global economies and markets in Q4 FY20, Tassal's risk management and business continuity planning processes supported salmon sales volume growth of 13.4% in Q4 [vs Q4 FY19], with retail sales particularly strong. While COVID-19 has impacted the operating environment and created much uncertainty, some positive consumer trends have emerged that should gain momentum in FY21 and support further growth in Tassal's salmon and prawn sales volumes.

"Tassal is a global seafood leader in digital technology, and we believe our competitive advantage should be further enhanced in FY21 and mitigate against risks from market disruptions caused by COVID-19. We are confident managing both known and controllable COVID-19 risks, and are as best prepared as possible for the unknown and uncontrollable risks that COVID-19 may present.

"Continued advancement in feed automation using data, digitising critical business processes like safety management, and using SmartFarm real-time data analytics to drive better farming behaviours and outcomes, are just some of the many ways we are using technology to drive operating efficiencies, reduce environmental impacts, create a better product, and ultimately underpin further growth.

"We will be operationally focused on salmon in FY21 to optimise Tassal branded sales and reduce cost \$/kg via the improvements we have been implementing in our farming operations. Our new marketing campaign focuses on the Tassal brand and branded retail product lines, and is expected to further improve domestic market sales mix. Our Well Boat, Feed Centre and further improvements in fish husbandry should allow us to grow fish more efficiently and effectively, improving their survival, increasing biomass and reducing growing costs. These initiatives are planned to translate into increasing salmon returns in FY21.

"The substantial lift in planned prawn harvest volumes in FY21 to circa 4,000 tonnes should underpin a material lift in prawn earnings. Like salmon, the marketing campaign for Tropic Co Tiger Prawns will focus on the brand's Australian provenance, high quality and value. The same approach to salmon – growing the domestic market, leveraging current relationships, and using the export market as risk mitigation – is planned to further underpin substantial growth for prawns in FY21.

"COVID-19 presents a volatile and challenging environment in a world of unknowns, a recessionary environment, and potentially new consumption rules. The Board believes Tassal is as best prepared as it can be. While the Company is not immune to global and local forces outside of its control, our key strengths that should assist us mitigate this environment – our diversification strategies across customers and consumers, growing and processing areas, and species and products – combined with our focus on sustainability and more efficient operations, position the Company to continue its growth trajectory."

Investor briefing:

An investor call will be hosted by Mark Ryan (Managing Director & CEO) and Andrew Creswell (CFO) at 2:30pm AEST today, Wednesday, 19 August 2020. Those wishing to dial into the briefing are encouraged to pre-register via the following link: <https://s1.c-conf.com/DiamondPass/10009164-invite.html>. Once registered, you will receive an individual passcode and PIN allowing for direct access to the briefing.

Alternatively, at the time of the results call, dial your respective local number below and provide the conference ID to the operator. Please be aware that there may be a short wait:

- Australia Toll Free: 1 800 558 698
- Australia Local: +61 (0)2 9007 3187
- Conference ID: 10009164

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Media / analyst queries:

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

Hobart

Level 9, 1 Franklin Wharf, Hobart, TAS 7000
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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 Australian Tiger Prawns, and 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 1,500 people. Visit www.tassal.com.au for more information.

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