



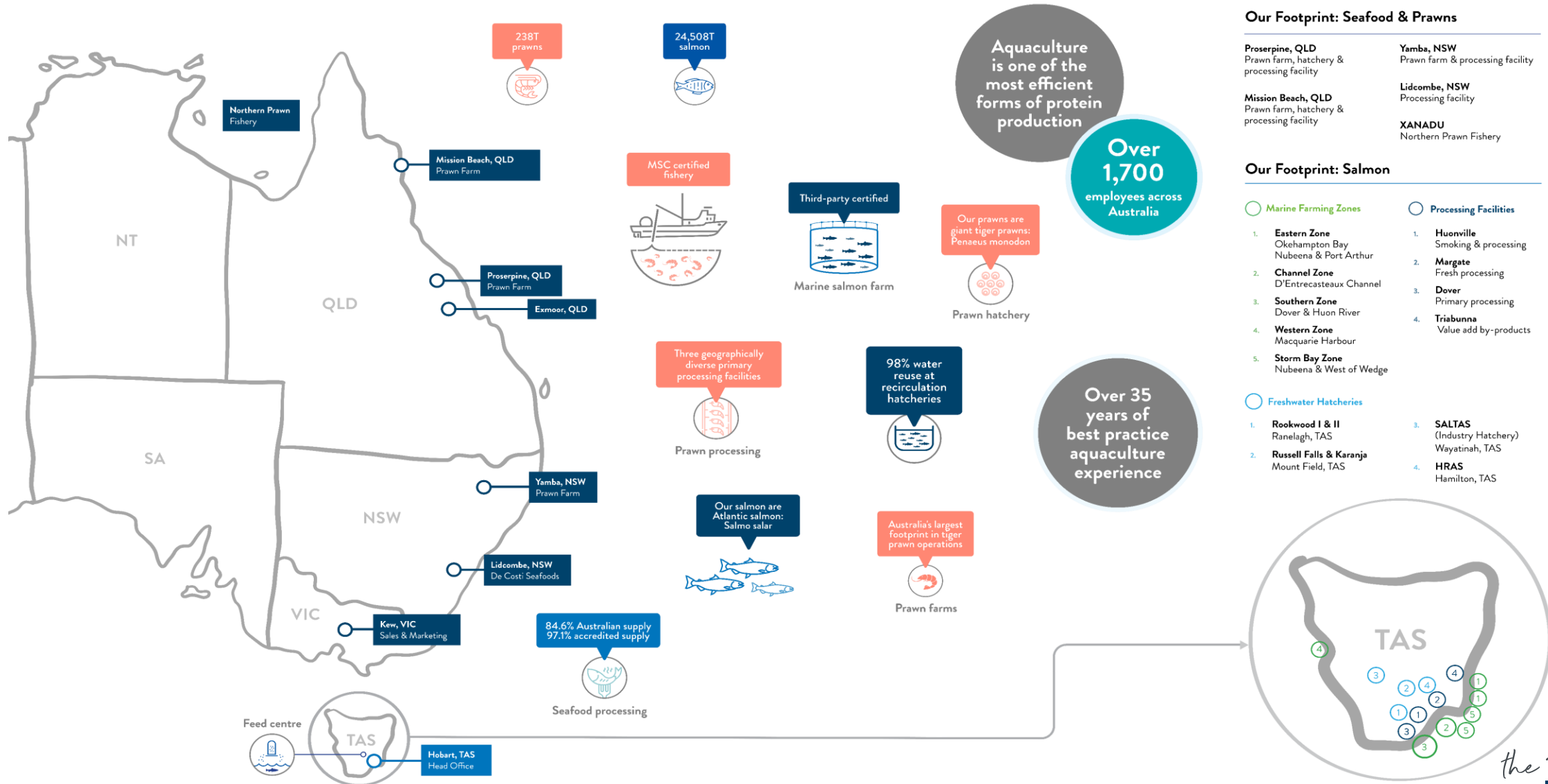
**Tassal Group Limited**

**Goldman Sachs  
Emerging Leaders  
Conference**

Presented by Mark Ryan,  
Managing Director & CEO

28 April 2021

# Tassal's East Coast footprint



the Tassal way

# Delivering on all long term strategic milestones

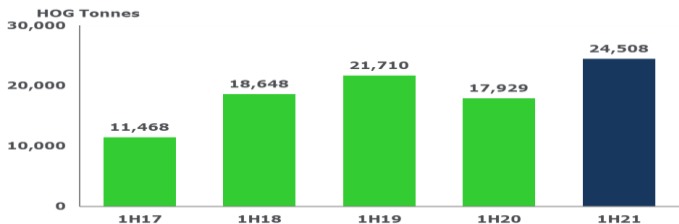
## We have the right strategy in place to drive long-term growth in sustainable earnings and returns; and have planned, executed and delivered on all factors in our control

1. **Safety & wellbeing:** Tassal's operations have been and are running close to normal despite COVID-19 restrictions – maintaining strict measures, and securing the health and safety of the Company's employees and quality of its seafood products
2. **Salmon production has outperformed:** Salmon harvest biomass well ahead of Strategic Plan (current biomass was expected in 5 years' time), underpinned by multi-faceted operational improvement programs: superior infrastructure, fish health (POMV vaccine), technology and innovation all combining to support a significant uplift in survival and growth
3. **Balanced channel strategies:** Tassal well positioned to capitalise on positive consumer trends - increasing demand for trusted, sustainable Australian brands; more in-home eating and cooking; increasing demand for easy to prepare meal solutions; greater health awareness; growing digital consumption and e-commerce
4. **Prawns harvest volume on target:** FY21 expected harvest volume of circa 4,000 tonnes, with a strategic goal to deliver 20,000 tonnes by 2030. Moving forward, Tassal is well placed to gain production efficiencies/cost-out and an optimised sales mix
5. **Strategic Proserpine farming footprint expansion supports delivery of Prawns' 20,000 tonne strategic goal:** Tassal has expanded the pond and building infrastructure at Proserpine, and delivered on the strategic expansion of the Proserpine farming footprint to include Billy Creek. Overall, these strategic efforts, combined with the planned divestment of surplus land at Exmoor Station, supports delivery of Tassal's strategic goal of 20,000 tonnes by 2030
6. **Exceptional strategy execution has reduced cost of operations \$/kg for both salmon and prawns and maintained a strong balance sheet:** Tassal's strong balance sheet has supported continued expansion, replacement and upgrading of infrastructure (keeping our people and fish safe) in 1H21, optimised operations and is responsibly seeing the Company through a significant period of uncertainty. **Salmon cost of growing and production efficiency benefits were circa \$0.50/kg**
7. **Overall:** Increasing salmon and prawn live and harvest biomass, continuing to drive domestic consumption growth, further optimising margins via sales mix and operating efficiencies/cost-out opportunities, and delivering a strong, sustainable diversified operating platform, position Tassal to navigate as best as possible through COVID-19, and importantly to deliver long-term growing earnings and returns in a "post-COVID-19 world"

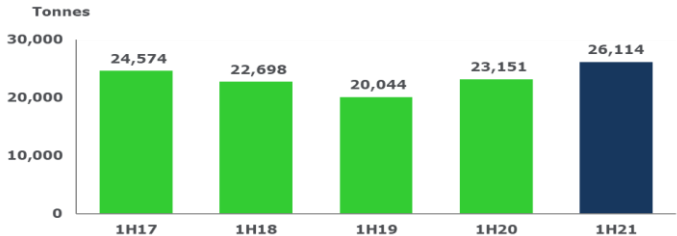


## Salmon production has outperformed with salmon biomass well ahead of Strategic Plan

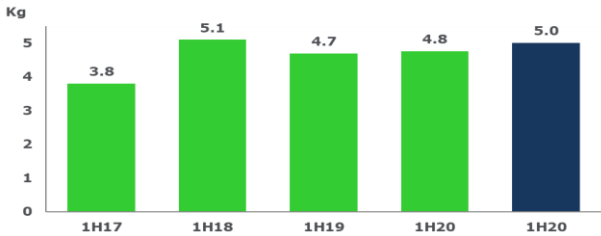
Salmon Harvested Tonnes at 31 December 2020:  
**24,508 tonnes (up 36.7%)**



Salmon Live Biomass at 31 December 2020:  
**26,114 tonnes (up 12.8%)**



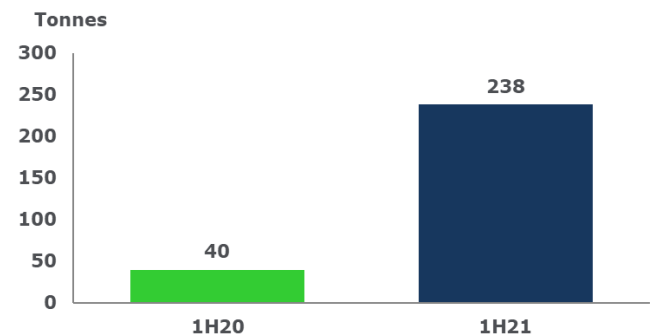
Optimised Salmon Size for Sales Mix  
**5.0kg hog**



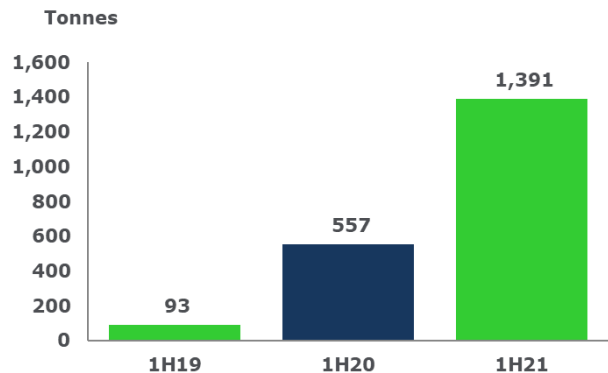
- **Smolt input** – has been materially the same in each of the last 3 years so salmon biomass outperformance is purely survival and growth related
- **Survival improvements** – combination of an efficacious POMV vaccine (POMV was the most significant cause of mortality in the previous year class) and the successful investment in Ocean Sanctuary Pens (Seal impacts continue to decrease), lead to circa 90% survival for the current harvest year class
- **Growth improvements** – Well Boat (facilitating better fish health) Feed Centre, improved diets and a cool summer for 2019/20 allowed fish to optimise size (both harvested and live)
- **Cost of growing \$/kg improvements** - combination of Wellboat, Feed Centre, improved fish diets and diet cost, and fish husbandry (including vaccine), led to improved survival, biomass and reduced cost of growing \$/kg
- **Processing \$/kg improvements** – salmon processing costs at all of Tassal's processing plants was materially better than 1H20 as both size and condition factor of the fish led to an increase in yield and throughput
- **Strategic increase in frozen hog volumes** – to risk mitigate summer water conditions and current low global pricing, this volume will be used for smoked salmon production in calendar year 2021, allowing Tassal to keep fish in the water longer to enable bigger size fish. Bigger size fish in the export market attract a premium price

## Prawn harvest volumes on target for a FY21 harvest of circa 4,000 tonnes

Prawn Harvested Biomass at 31 December 2020:  
238 tonnes



Prawn Live Biomass at 31 December 2020:  
1,391 tonnes (up 149.7%)

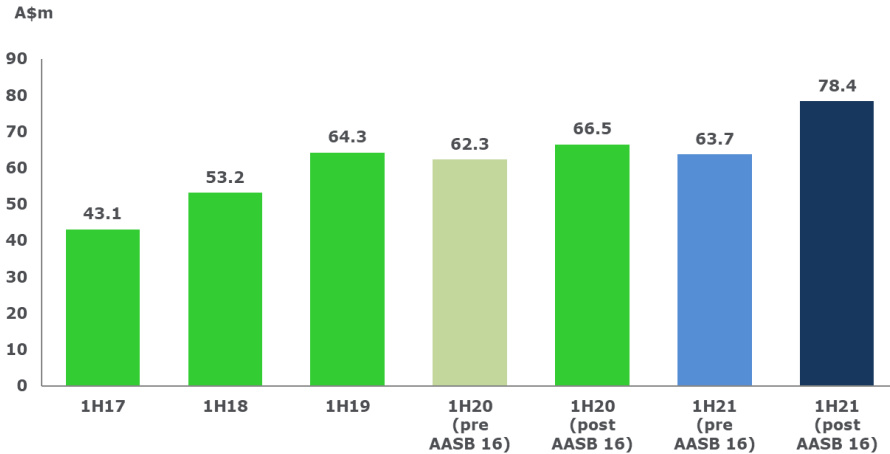


- **Operations** – Tassal's farming model is continuing to improve based on learnings to date – focus on data capture and insights will drive yield gains and improved utilisation of assets
- **Harvesting uplift** – Tassal commenced an earlier stocking program in 2020 that facilitated a significant uplift in harvest volumes for 1H21 with 238 tonnes harvested (1H20: 40 tonnes)
- **Growth improvement** - combination of SmartFarm, improved feed diets and fish husbandry, leading to improved sizes, survival and live biomass

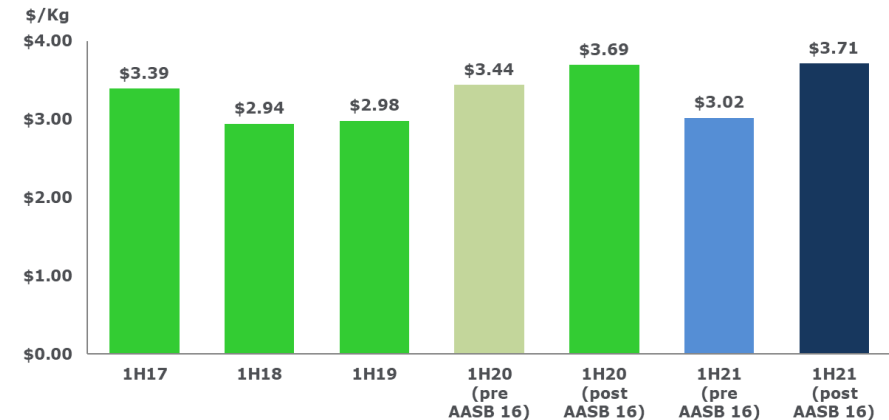
# Short term performance impacted by COVID-19

## Both salmon and prawns EBITDA \$/kg returns negatively impacted by COVID-19

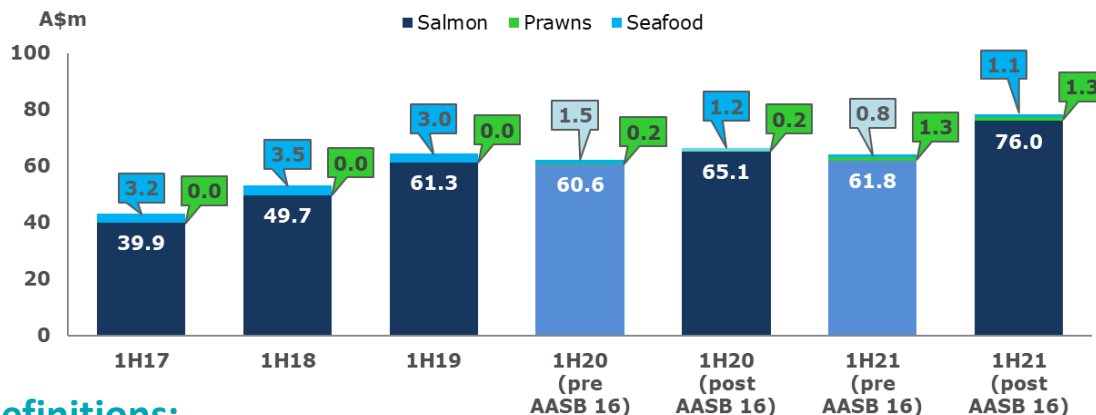
Operating EBITDA: **\$78.4m**;  
(Pre AASB 16 \$63.7m up 2.3%)



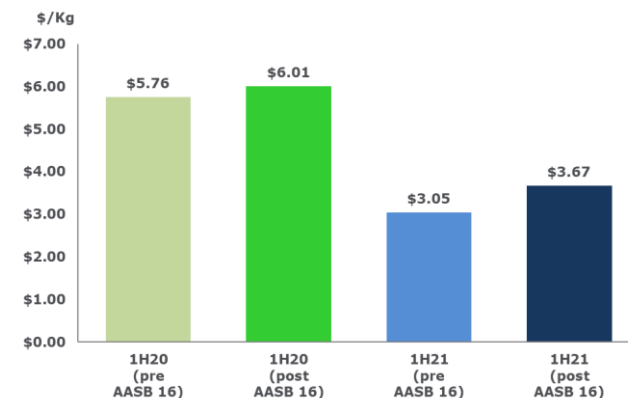
Salmon Operating EBITDA \$/kg: **\$3.71/kg**  
(Pre AASB 16 \$3.02/kg down 12.2%)



## Operating EBITDA: Split between salmon, prawns and seafood



Prawn Operating EBITDA \$/kg: **\$3.67/kg**  
(Pre AASB 16 \$3.05/kg down 47.0%)



## Definitions:

Statutory NPAT + Significant Items = Underlying Profit

Underlying Profit – AASB141 Impact = Operating Profit

*the Tassal way*

# Tassal's growth strategy

Our long-term growth strategy is underpinned by 5 pillars:

1. Being the market leader on all operational, financial, environmental and societal value metrics
2. Ensuring geographic and species diversification
3. Driving domestic per capita consumption growth
4. Maintaining an Eastern Seaboard supply chain: ensuring we are freshest to market on a national basis
5. Maintaining best practice aquaculture: being regarded as global leaders in aquaculture production and environmental stewardship

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



- Farming leases to support up to potentially 45,000 hog tonnes pa of salmon production
- West of Wedge sustainability and current leases remaining healthy is critical to supporting 45,000 hog tonnes



- Domestic per capita consumption growing at 10% in a post-COVID-19 world
- Domestic supply currently outstripping domestic demand



- Land suitable for up to 1,350ha of production ponds
- Land assets in place to support our strategic goal of 20,000 tonnes pa of prawn production (once fully authorised by the relevant authorities and fully developed)



- Digitisation and technology to underpin efficiency & sustainability of growth

# Strategy - Salmon "COVID-19 adjustment"

Given the current volatility caused by COVID-19, particularly with sales markets, we have adjusted our short-term strategic growth trajectory by consolidating operations and reducing operating and capital spend

## Salmon strategy – from “optimise” to “consolidate” operations

- Up to 1H21, Tassal's focus has been to optimise salmon operations - both from a lease and fish performance perspective. This has been successfully achieved – with the expected salmon **harvest volume of circa 41,000 hog tonnes for FY21** that is 5 years in advance of the Company's Strategic Plan target. Tassal will now consolidate its salmon operations until the domestic market evidences a better supply / demand balance and pricing conditions improve
- The Company's focus now is on maintaining salmon production at circa 41,000 hog tonnes pa harvested – subject to agriculture and environmental risks. Given this harvest tonnage has been brought forward by 5 years, Tassal will potentially have an additional circa 15,000 hog tonnes to sell in addition to the Strategic Plan – albeit it is likely to be sold in the export market. Pleasingly, the working capital build for that 15,000 hog tonnes has now occurred
- The higher biomass for salmon (from the same level of smolt inputs) is heavily supporting the reduction in cost of growing of and production efficiencies for salmon – and subject to maintaining this production level, this “cost out” theme is expected to continue
- Appropriate capex will be spent to enable the “housing” of the 41,000 hog tonnes. Maintaining replacement and upgrade **capital expenditure at circa \$45m to \$50m pa** is fundamental to ensure Tassal's production is adequately protected. Depending on agriculture and environmental risk (i.e. leases holding up) this should allow substantial savings in capital spend vs Strategic Plan over the next 5 years
- **Overall, Tassal is confident of growing operating earnings and returns from salmon in a post-COVID-19 world through to 2030, through focusing on optimising our sales mix and returns and from a reduction in salmon cost of growing and processing \$/kg**



# Strategy - Prawns “COVID-19 adjustment”

... (cont.)

## Prawns strategy – from “rapid expansion / growth” to “optimise” operations

- While prawns is in rapid growth, this market segment has also been impacted by similar market uncertainties that salmon has experienced. However, with a much shorter working capital cycle (6 months, not 3 years), the prawns growth program can be flexed much more quickly than salmon
- For 2H21, planned growth capex will be prudently reduced and the Company will enter a phase of optimising its operations – focussing on yield – before reassessing the growth strategy later in CY2021.
- Growth capex for prawns will be paused in 2H21 – noting that all the hatchery and processing infrastructure planned for FY21 has been built and of the 70ha of ponds planned for FY21 only 20ha will be completed – saving circa \$6m in capex in FY21
- **Forecast production is expected to increase in FY22, to 4,500 to 5,000 tonnes**, supported by the completion of the additional 20ha of ponds and associated infrastructure at Proserpine in FY21 (circa 370ha of ponds in total at Proserpine, Mission Beach and Yamba in FY22)
- Tassal is focussed on improving prawns' yield (survival and growth) via a similar path to salmon – fish husbandry (health), domestication (i.e. selective breeding), automated feeding systems, improving fish diets and diet cost
- **The goal of harvesting 20,000 tonnes by 2030 remains in place... and once we get to a “post-COVID-19 world” this path can be accelerated**

## **Tassal's global seafood leadership in digital technology – a key competitive advantage in FY21 - should be further enhanced in FY22**

- Investments in centralised feeding have contributed to a strong salmon biomass position through improved growth and performance, and reduced feed conversion rates (FCR). Tassal's feed centre provides the Company's salmon farming teams the agility to adapt to and better manage challenges than previously has been possible
- Many of Tassal's salmon and prawn farming operational processes have been digitised, helping drive improvements in operational efficiency and farm asset utilisation. The Company's Prawn SmartFarm systems are enabling real-time information about the status of ponds and prawn stocks, which is providing the business with the insight required to achieve our prawn production targets
- Going forward, Tassal will leverage the large amount of data it is now capturing with an increasingly advanced data analytics capability. This will allow the Company to continue to drive improvements in both salmon and prawn farming through growth optimisation, survival and FCR
- Expansion of Tassal's automated feed systems in prawns will also underpin improvements in yield compared to traditional feeding methods
- Implementation of advanced Integrated Business Planning systems and processes will better connect the systems and processes used to plan harvesting / sales mass-balance, improving visibility of the impact of changes in both demand or supply, and reducing the time it takes to make important supply planning decisions

# Outlook - short-term

## COVID-19 continues to create significant short-term uncertainty for 2H21

### Tassal does not provide earnings guidance

### COVID-19 related sales impacts are expected to continue through 2H21 for both salmon and prawns

- Continued lower export world prices, and a higher Australian dollar
- Continued air freight disruption, in terms of both availability and cost
- Tassal values its China based customers, however access may be disrupted by political events
- Some degree of price pressure in domestic channels as higher harvests are balanced with domestic demand profiles

### Salmon - significant pricing uncertainty in the near-term due to COVID-19

- Global salmon pricing is currently trading at historical lows, despite previously being expected to recover as evidenced through futures pricing indices and market analyst commentary. The negative impact from a global pricing perspective is on top of an already elevated AUD/USD exchange rate
- On the positive, Tassal has salmon volume to sell and both these factors can change quickly (as seen in CY2020)

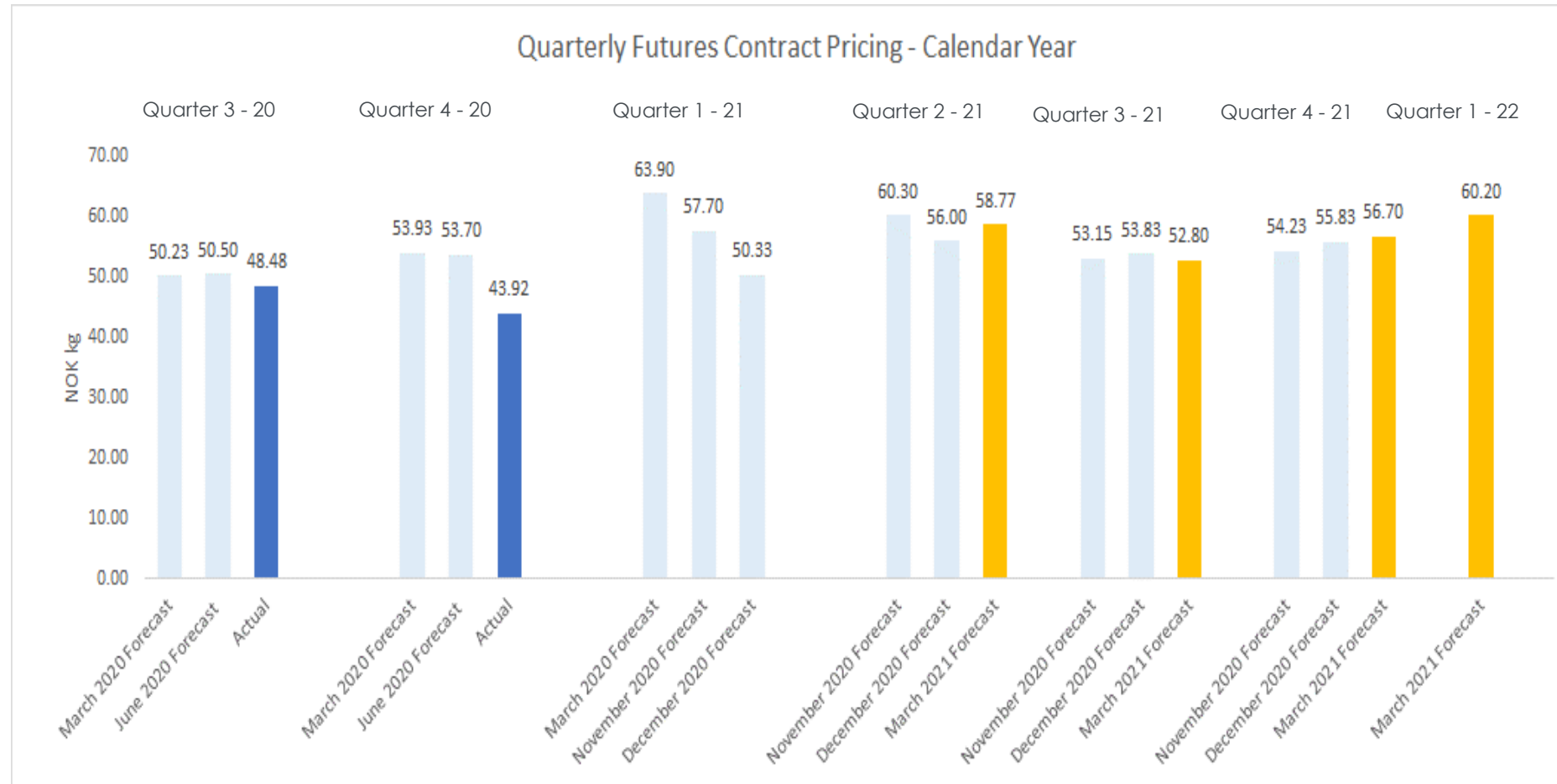
### Prawns - harvesting commences in earnest in February and ramps up significantly to May

- Domestic market sales are supported by the fresh prawn supply contract with Coles that commenced in December 2020
- Export markets, particularly foodservice remain significantly restricted due to the continuation of lockdowns / restrictions in the Northern Hemisphere leading to lower USD pricing. The negative impact on global pricing is on top of an already elevated AUD/USD exchange rate

# Outlook - short-term

... (cont.)

Tassal does not forecast global prices. However, current futures pricing is as follows:



## Note

- The short-term volatility of COVID-19 for FY21 (i.e. Q3 + Q4 for CY2020 + Q1 + Q2 for CY2021) is readily evident.
- Quarterly salmon futures pricing (which historically has been a reliable future indicator for pricing) has consistently reduced for FY21 ... which has meant for those trading in global markets a period of significant uncertainty.
- However, pleasingly futures pricing for 1H22 (i.e. Q3 + Q4 for 2021) and 2H22 (Q1 for 22) has been both more stable and at a higher price than salmon producers achieved for Q3 + Q4 for 2020 and Q1 for 2021

# Outlook - short-term

## ... (cont.)

### Strategic focus - expect to deliver more salmon volume, with prawn volume on track for FY21

- In light of the COVID-19 impacts on short term market dynamics, Tassal has reviewed its species mix for 2H21 and FY22, in view of working capital demands and market risk, with the following adjustments being made:
  - Produce circa 41,000 hog tonnes of salmon in FY21 (circa 5,000 hog tonnes ahead of Strategic Plan), and maintain 41,000 hog tonnes for FY22 as this biomass is already at sea
  - Continue to use frozen hog for summer risk mitigation and then through smoked salmon production – leaving fish in the water to grow during key growing times
  - On track for 4,000 tonnes of prawns in FY21, and then slow down prawn growth to 4,500 to 5,000 tonnes for FY22 (instead of the previously planned 6,000 tonnes) by reducing expansionary infrastructure program (20ha, not 70ha, of new ponds for FY22) and adjusting the stocking program (inputs for FY22 not due to commence until May/June 2021)
  - Market conditions will be reviewed during 2H21 for both species and the next growth steps then determined, i.e.:
    - Rapidly increase prawn growth back to plan, due to strong salmon conditions (i.e. improved working capital), and stability of prawn markets (i.e. 2H21 sales program executed to target); or
    - Adapt/further review our growth program as appropriate
  - This revised short term strategic plan supports prudent financial management in a more uncertain environment, providing the business and shareholders with a balance of growth for species, but the risk mitigation and flexibility to adapt/pivot as conditions evolve



# Outlook - short-term

... (cont.)

## Prudent balance sheet, capital and working capital management

- Tassal's already strong balance sheet was further strengthened with available committed debt facilities extended in 1H21 by \$100m to \$509.2m (including Receivable Purchase Facility "RPF"), secured to April 2023. This enables the Company to withstand and respond to a range of economic scenarios while supporting its salmon and prawn operating platforms
- Moving forward, Tassal can both reduce and better balance its capital spend profile for salmon and prawn business over the short-term while still maintaining an ability to accelerate growth in prawns should the opportunity arise
- FY21 operating cashflow is expected to grow, as FY20's working capital build, coupled with the increase in prawn biomass in 1H21 is converted into cash
- **Plan to reduce working capital spend for prawns in FY22 to support production of circa 4,500 to 5,000 tonnes (vs previously advised 6,000 tonnes) given COVID-19 impact on short term pricing. Tassal is still well positioned to maximise returns on longer term investment when market conditions improve**
- **Plan to reduce both salmon and prawn capital spend from \$125m to \$105m in FY21**
- **Plan to maintain dividend payout policy of at least 50% of operating NPAT**

# Outlook - medium to long-term

**Although it is difficult to predict when we might be in a “post-COVID-19 world”, the medium to long-term fundamentals of the global salmon and prawn industries are positive from both a supply and demand position**

## **COVID-19 is impacting the global salmon and prawn industries, but not equally**

- Suppliers to the EU benefited from a good supply / demand balance, with EU having a higher retail share
- Suppliers to the Americas are more impacted due to an oversupply with Americas having a higher foodservice share (i.e. North, Central + South America) ... and suppliers from the Americas had an inability to readily shift volume to EU (retail contracts already in place). From a salmon perspective, this meant Chile sought to move more volume (particularly in Asia) and pricing came under significant pressure
- Overall, salmon price down circa 31% yoy despite global volume growth of only circa 4%

## **Tight global salmon supply is forecast for 2021... some optimism on pricing for 2H CY2021 (from 1H22 for Tassal)**

- Chile salmon supply is expected to contract by circa 10%, starting in 2H CY2021... leading to tight supply (**Source: Rabobank 2020**)
- Salmon market analysts are hopeful that a recovering foodservice demand combined with tight supply in CY2021, will underpin a positive outlook for pricing commencing in that 2H

## **At home consumption drives salmon sales volumes**

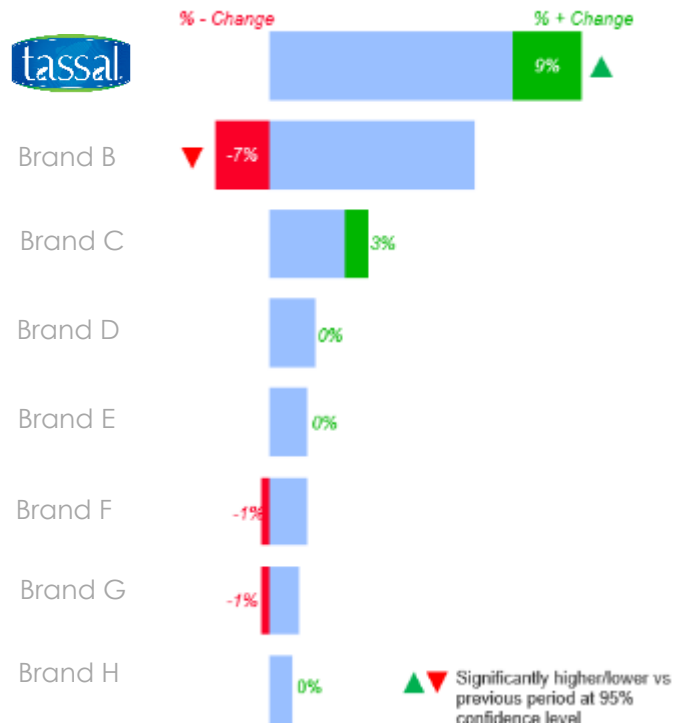
- At home consumption increased sharply during the pandemic in all regions, and it is especially relevant in the US and Australia
- Part of this increase of at home consumption increase will remain when foodservice begins to recover and could increase the overall medium to long-term demand function
- Market commentary suggests that periods of good availability on volume combined with low prices have historically prepared the ground for new and lasting demand, which in turn should support improving global pricing

# Outlook - medium to long-term

Tassal will continue to invest and accelerate in our brand, through innovation and communications. Tassal will continue to drive strong long-term positive consumer sentiment and brand trust to maximise growth, margin and category leadership

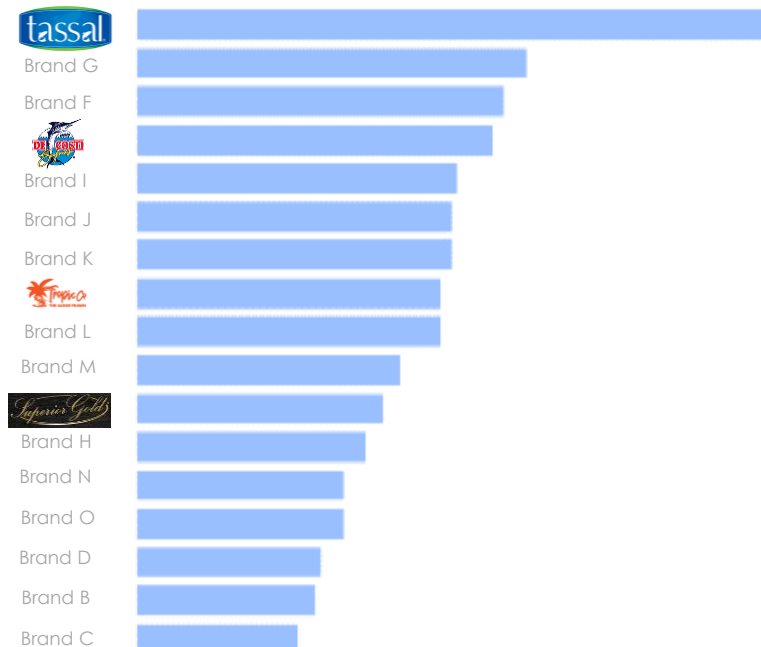
## Unprompted Salmon Brand Awareness

- Tassal continues to grow strong unprompted brand awareness and is consumer's #1 spontaneously recalled salmon brand



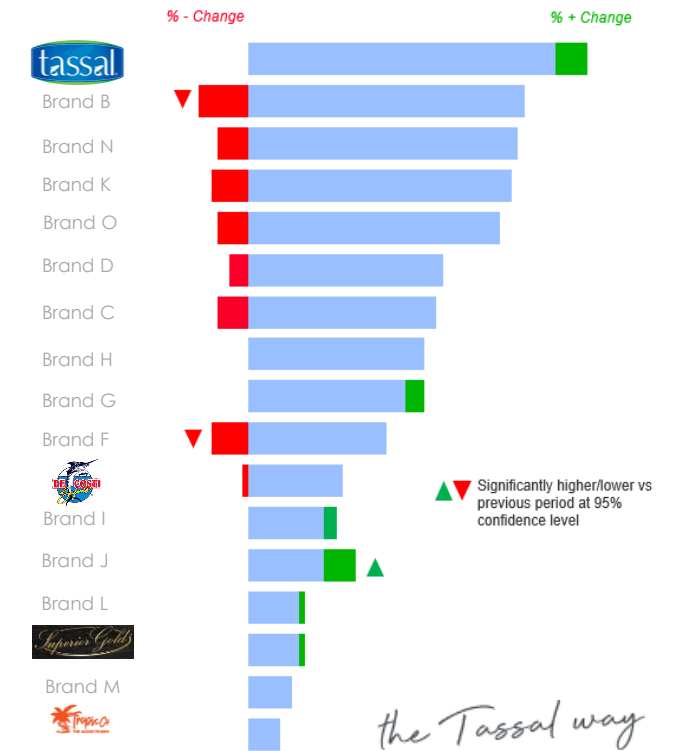
## Consideration for future purchase

- Consumers highlight Tassal as the protein brand that they would most consider purchasing in the future and is a clear leader compared to other fresh protein brands



## Brand Recommendation

- Tassal is the protein brand that consumers would most recommend to their friends and family, demonstrating strong growth in brand trust and advocacy





## Questions

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