

# Tassal Group Limited

## Site visit



**Delivering acceptable returns**

Hobart, 10 November 2014

# Delivering acceptable returns



- Targeting statutory ROA of 15% in FY15
- Ability to achieve target ROA underpinned by
  - maintaining price (increasing where possible)
  - domestic market strategy (investment in marketing & promotions, NPD, support of major customers)
  - reducing production costs (Macquarie Harbour & SBP)



# Achieving 15% ROA

## 2H15 expected to be stronger than 1H15:

### Increased fish biomass

- Primary harvest class fish for FY15 currently has 37% more biomass at sea ... biomass to support sales strategy

### Operational excellence

- Improved cost of fish for the 2014 Year Class to be harvested in Q4 FY15 ... Macquarie Harbour focus

### Product optimisation

- A new and innovative way to merchandise and price the fresh portion range for Coles
- New & improved Superior Gold smoked salmon range and premium pricing at both major retailers
- Improved pricing for the Tassal smoked salmon range

### Marketing

- Timing and focus of our marketing campaign and promotional programme



**“Capital investment  
programme over past 5  
years is driving operating  
efficiencies”**



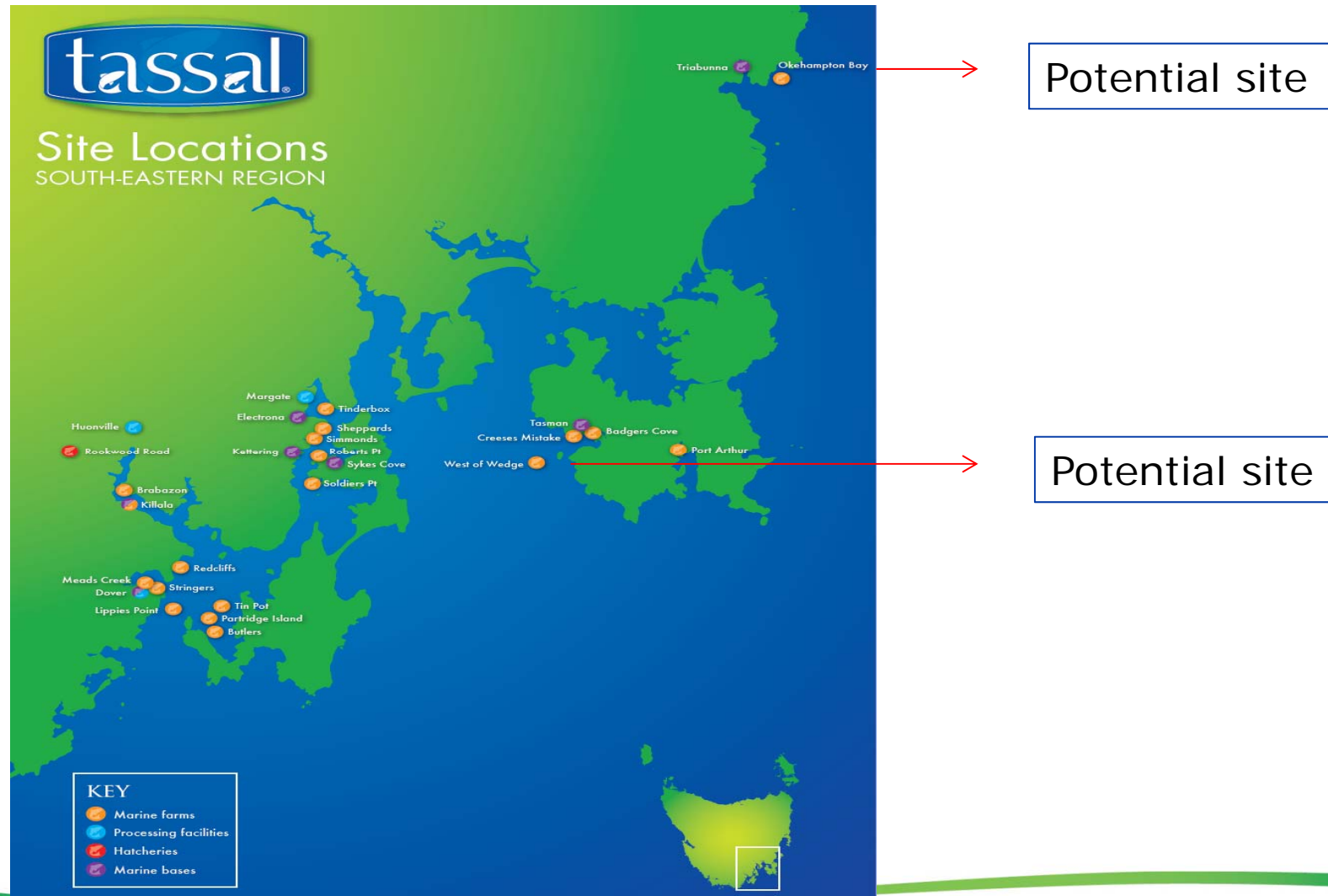
# Operating efficiencies

Increased fish biomass ... supported by New Harvest Strategy, Smolt Inputs (Project Sweetspot) & SBP



# Operating efficiencies

Increased fish biomass ... supported by New Harvest Strategy, Smolt Inputs (Project Sweetspot) & SBP

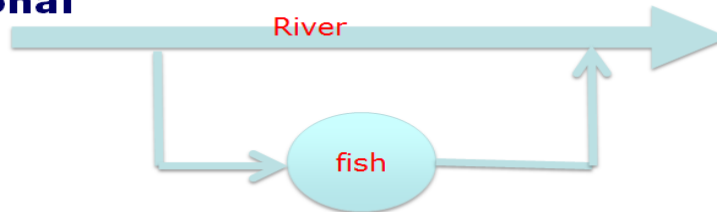


# Operating efficiencies

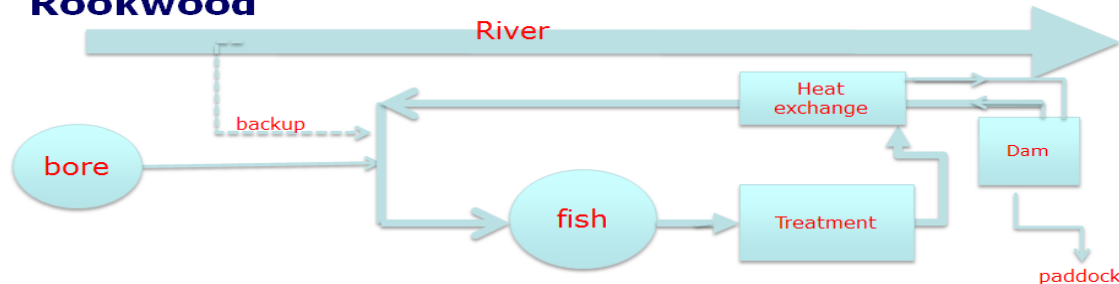


## Hatchery operating at global best practice

### Traditional



### Rookwood



- Fully Recirculated Hatchery – 98% water re-use
- Allows total control of water quality (e.g. temp, pH, CO2, Ammonia, suspended solids) giving optimal and predictable growth
- Main water source is ground water (bore supply) which means that we don't have to rely on surface water (river) which is dependent on rainfall. Surface water quality and quantity can vary depending on the vagaries of the weather
- All effluent is treated. Solids removed to licensed agricultural land as fertiliser. Liquid stored in dam for local irrigation of pasture land

# Operating efficiencies

## Rookwood 1 - Hatchery operating at global best practice

- Design specification of 4m to 5m Atlantic Salmon smolts pa  
(Note. Rookwood 2 will also be 4m to 5m smolts pa)
- 7m eggs used in 2 batches
- 176 egg incubators
- 16 Start Feed tanks @ 70m<sup>3</sup>
- 18 Smolt tanks @ 300m<sup>3</sup>
- Total system water volume 8,000m<sup>3</sup>
- Max water flow through system 2,000litres/sec
- Make up water is 2% total water volume per day (about 160m<sup>3</sup>) equating to about 2 litres/sec
- Max fish feed per day 5 tonnes



# Operating efficiencies



## Farming operations



Tassal 1 – Meads Creek



Roberts Point – Bruny Island



Net cleaning vessel Dynamic 5 Macquarie Harbour



Redcliffs Lease – Dover

# Operating efficiencies



## Macquarie Harbour

- Tassal increased its stocking of Macquarie Harbour to a level that allows us to balance the economic, social and environmental impacts
- Macquarie Harbour is an important area for growing fish for Tassal – **we have relied on independent scientific analysis, input and evidence which was run through an extensive and robust external process to support our growth initiatives in Macquarie Harbour**
- Tassal has an impeccable record for achieving many successful sustainable and environmental projects
- In April this year Tassal became the first Australian aquaculture company of any species, and one of the first salmon farming companies in the world, to achieve “Gold Standard” ASC accreditation for its Macquarie Harbour farm
- **We are clearly able to demonstrate through this accreditation process that our practices and procedures are not just sustainable – but global best practice**

# Operating efficiencies



## Macquarie Harbour

- Our stakeholders can rest assured with our growth in Macquarie Harbour and in any other area that we grow, process and sell fish that **we will not place at risk** our valuable brand and reputation, our WWF – Australia endorsement and our ASC certification by **causing unacceptable harm to lease areas or our fish**
- We understand that where we farm fish in Macquarie Harbour is unique and comes with many challenges ... but through our policies, procedures and practices, together with our partnership with WWF –Australia and our ASC certification, **we continue to see improving fish performance in Macquarie Harbour**

# Operating efficiencies



## Nets

- Traditional “antifouled” nets were absorbing un-sustainable losses due to seal attacks and “leakage” due to lack of net integrity (holes) caused by seal interaction
- Our monofilament net’s proved their purpose as a “stop gap” in allowing Tassal to effectively exit the use of copper “antifouled” nets from the business
- Due to the nature of the monofilament net – two major disadvantages became clear – seal breaches and an overall increase in biofouling
- Kikko first trialed in 2012 – results were positive – an overall reduction in biofouling was evident - this is a 12 month “added bonus” on top of the reduced seal breaches
- An overall improvement to “net husbandry” has multiple benefits – which tie in to our overall strategic plan to optimize fish size, increase survival and lower FCR for Tassal moving forward

# Operating efficiencies



## Nets

- Additional WHS benefits have been realized through a Tassal designed anchoring set up
- Overall cost per net in line with expectations ... with operational efficiencies through extended life expectancy of the kikko material, and forecasted biomass savings due to significantly reduced seal interaction with stock
- An effective single net allows us the advantages of:
  1. Reduces net washing requirements by 50% over double net scenario – more fish are lost and daily performance hindered by lack of water flow, decreased O2 than by seal attacks
  2. Single net – needs support – so soft nets at time of transactions required – effectively giving us the double netting advantage only when required at a transaction - bath, split, grade, harvest
  3. Simpler use of rigging – and eliminates out of pen diving
  4. 95% reduction in rope required to ring pens – social license advantages here as less risk of scrap rope washing up on surrounding beaches
  5. Movement of pens from one location to another is still achievable – additional rigging and weighting would significantly increase the risk of failure during tows (still a major part of our operation)



# Operating efficiencies



## Lease space

- To continue to grow Tassal in a sustainable and profitable manner under the company's Strategic Plan 2025, it is important that we continue to maximise our social and environmental licence and mitigate our agricultural risk
- We clearly understand our position as custodians of the environment, and our achievements with this is clearly and transparently **independently** demonstrated through our strategic partnership with WWF – Australia and ASC accreditation
- Tassal has a proven track record of obtaining and maintaining our marine lease space. **We currently have in place or in train enough lease space to grow out to FY20**
- The future post FY20 will no doubt include more exposed sites which become a viable option as technology improves, aided also by improvements in AGD thanks to our selective breeding program
- Our stakeholder consultation, partnership with WWF and the transparency and credibility that comes from our sustainability reports and ASC accreditation underpins our position as the global industry leader in sustainability
- The Tasmanian Government is well aware of our consultation efforts, compromises made and our effort in seeking balance and not detracting from any other Tasmanian industries or the environment

# Operational efficiencies

## Production facilities gearing to growth

- Hatchery ... moving from 8m to 13m fish per annum
- Leases ... enough lease space until FY20
- Pens ... moving from 120m to a combination of 120m & 168m
- Fish ... SBP delivering significant results from a AGD, growth and survival perspective
- Sales ... domestic retail strategy is underpinning sustainable growth
- Marketing ... driving domestic per capita consumption

# Operational efficiencies



## SBP to underpin growth

- SBP commenced in 2006 – with the parties to the arrangement CSIRO, Saltas & Tassal
- Set out below are the expected gains of the SBP

**Predicted percentage gains in the commercial population (relative to the previous year class).**

Traits	2010 spawning 2011 smolt input	2011 spawning 2012 smolt input	2012 spawning 2013 smolt input	2013 spawning 2014 smolt input
HOG weight	0%	4%	8%	3%
No. AGD baths	0%	3%	8%	2%
Early maturation	0%	1%	2%	0%
Fillet fat content	0%	1%	1%	2%
Fillet colour	0%	2%	5%	-2%

- 100% of Tassal 13YC input from SBP – FY15 Harvest

# Operational efficiencies



## SBP to underpin growth

### PRIMARY GOALS

Increased AGD bathe interval  
Increased HOG weight

SBP Genetic change

(+3% per year)

(+4% per year)

### SECONDARY GOALS

Reduced early maturation  
Maintain current flesh fat content  
Increase fillet colour

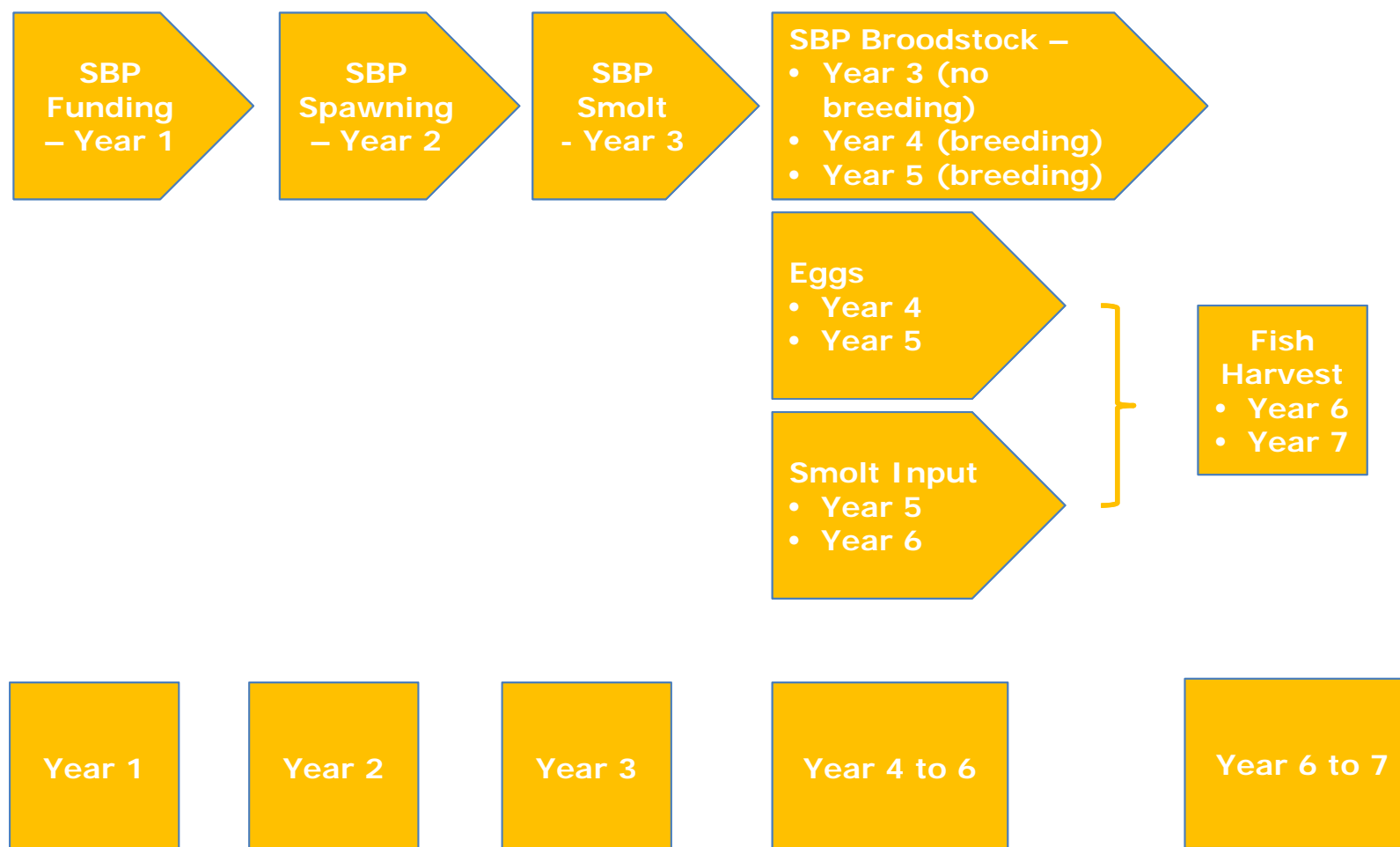
(-1% per year)

(0% per year)

(+1% per year)

# Operational efficiencies

## SBP to underpin growth ... SBP Timeline

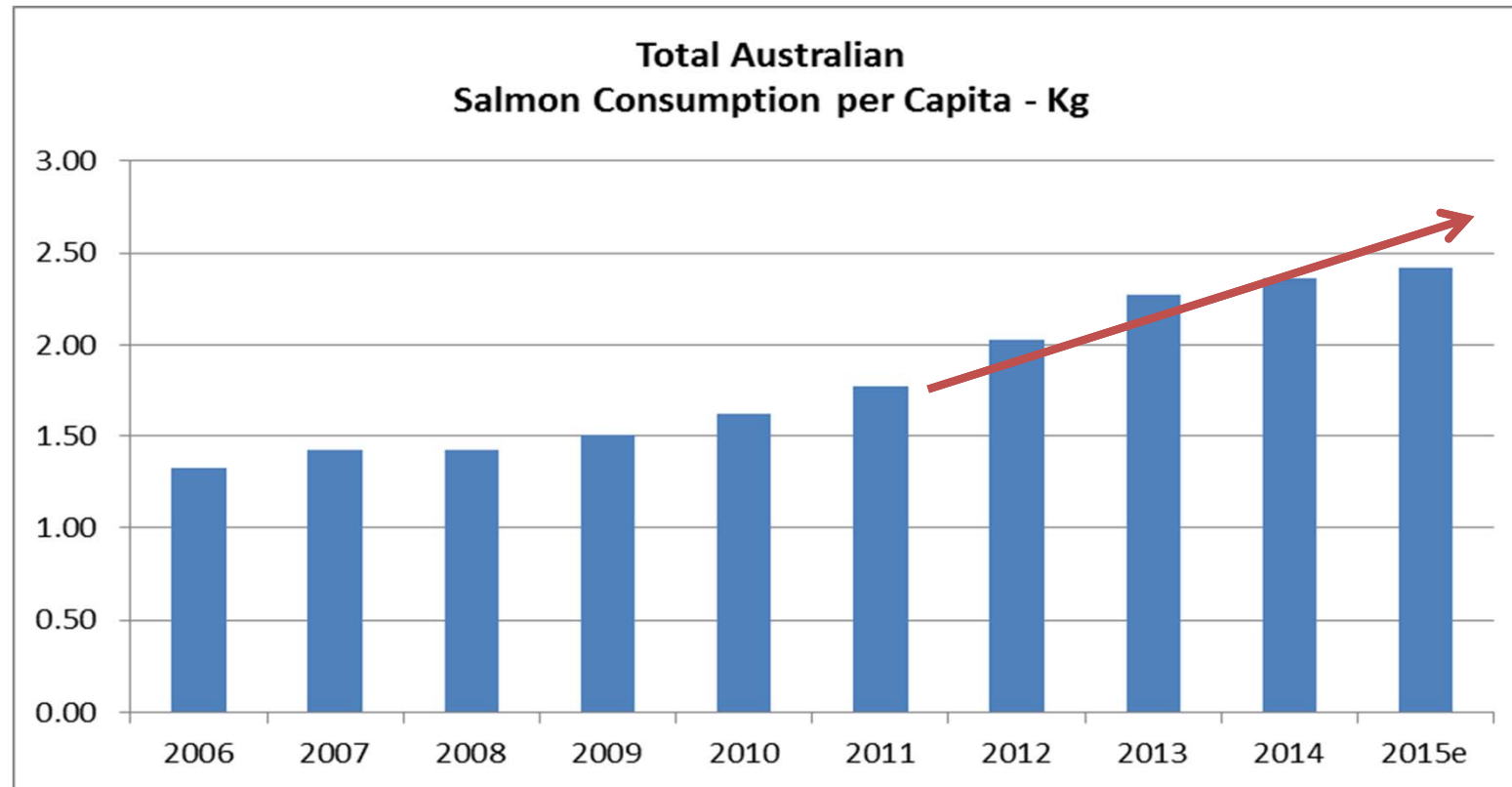




# “Driving salmon *consumption* & consumer *behaviour*”



# Salmon per capita consumption



Source: ABS, TSGA & Aztec data

- Volumes are based on calendar years
- Volumes are sourced from TSGA for domestic and imported frozen and fresh. This is total Australian Salmon consumption (not just Tasmanian volumes)
- Volumes include canned imported (sourced from Aztec scan canned salmon)
- From 2011 onwards volumes include TSGA projections for imported frozen and fresh sales
- From 2013 onwards volumes are estimates based on TSGA projected volumes

# Domestic market strategy

Underpinned by new product development





# Domestic market strategy

## Brand differentiation creating premium products



# Tailored marketing campaign



- Domestic marketing campaign continues to build brand and drive sales
- Tassal marketing campaign objective:
  - *To drive Australian salmon per capita **consumption**, building on our communications campaign and targeting light salmon consumers*
- Superior Gold marketing objective
  - *To drive the **premium segment** of the smoked salmon category, providing consumers with a point of difference to encourage to not only trade up but to drive overall category growth*



# Objective ... Tassal



- Drive Australian salmon per capita **consumption**, building on our communications campaign targeting light salmon consumers

## Strategy

Bring salmon top-of-mind when meal planning and grocery shopping



Communicate salmon versatility in different meal types and occasions



Communicate a range of recipes to increase repertoire



Build Tassal brand awareness and purchase intent

# Tactics ... Tassal



- An **integrated campaign** utilising traditional and non-traditional marketing channels, supplemented with promotional programs, to normalise the behaviour of making salmon part of a consumers' everyday meal repertoire
- Advertising
  - Television, Print Magazines & Digital
  - Drives awareness, showcases versatility, brand driver
- Engagement
  - Public Relations, Website & Social Media
  - Gain consideration, improve confidence, overcome barriers
- Activation
  - Retail Magazine, Path-to-purchase & In-store POS
  - Call-to-action, disrupt behaviour, incentivise purchase



# Objective ... SG



Drive the premium segment of the smoked salmon category, providing consumers with a point difference to encourage trade up and drive overall category growth

## Strategy



Position Superior Gold as **THE connoisseurs choice** in the category



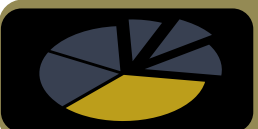
All elements of the consumer **sensory experience** reflect our premium positioning



Drive news and excitement to the category with **innovative NPD**



Develop a strong, **impactful and engaging communications** program



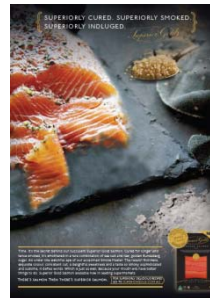
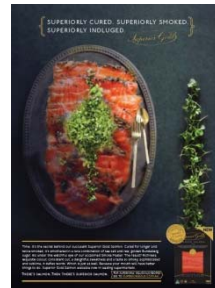
Drive **category segmentation** understanding by consumers

# Tactics ... SG

*Superior Golds™*

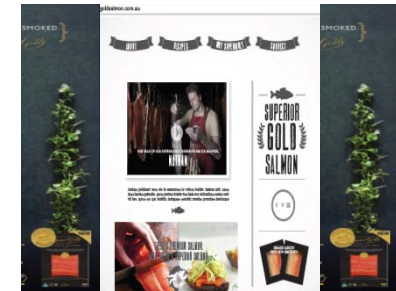
## Print

- Premium magazine titles
- Target key entertaining occasions
- Editorial profiling of the Superior Gold Smoke Master



## Digital

- News & lifestyle site page takeovers
- Video pre-rolls
- Website, Facebook & Instagram site launch



## Path to Purchase

- Reminder at store via shopperlites
- POS (New) at shelf within smoked salmon category
- Coles Magazine feature and recipe inspiration



## PR / Events

- Entertaining tips & inspiration
- Food blogger & key influencer engagement event
- Magazine product reviews, features & recipes





**“Sustainability is not just a buzz word for us”**





# Sustainability is at our core



- Tassal's sustainability achievements put us as the global leader
- Tassal has been benchmarked as the world's leading salmon farmer for Corporate, Social & Environmental Reporting by *Seafood Intelligence* for 2014. This benchmark underlines the commitment from all our employees and the tremendous work that has been done across the company in moving not only Tassal, but the entire Tasmanian salmon industry towards world's best practice in sustainability
- Tassal's partnership with WWF - Australia and our commitment to responsible farming gives our customers and consumers **the** sustainable choice in seafood
- Tassal has been working towards reaching Aquaculture Stewardship Council (ASC) accreditation since 2012, and has been operating in partnership with WWF-Australia since then to further develop its responsible aquaculture practices
- WWF recognises the ASC certification as the highest standard available internationally for responsibly farmed seafood – this covers practices to reduce impacts on the marine environment, protecting the local surroundings and wildlife, as well as supporting local communities
- ASC sets the bar high and not everyone will achieve certification, but **it is a relentless pursuit of Tassal to be the global leader in aquaculture from an economic, social and environmental perspective**

# Sustainability – ASC accreditation



- Tassal is the first salmon company in the world to achieve full ASC accreditation across all of its marine farms
- In-line with the ASC's sustainable aquaculture standards, Tassal has updated its sustainability practices, including:
  - Reducing reliance of fish meal and fish oil in feed; resulting in reduced pressure on wild fish stocks and less pressure on the environment through improved feed formulations – Tassal are world leading in this area with one of the lowest Fish Feed Dependency Ratio (FFDR) in the world
  - Removing the last copper treated nets from the water in June this year, replacing them with Kikko nets made from semi-rigid polyester monofilament
  - Creation of a full ASC dashboard that reports in real time any antibiotic use, wildlife interactions or unexplained fish loss across all of Tassal's marine sites. All reports are available publically online and are fully audited
  - Development of a new fish health department – including onsite lab, two vets, a fish health field officer and lab technician – as well as the development of a zero harm fish welfare program
- The Australian aquaculture industry generally does well in setting and implementing environmental regulations, but where we believe it falls down is in its transparency
- Transparency is a key focus for Tassal and why we created our annual sustainability report, our ASC dashboard, and why we ensure our data is fully audited before being put into the public domain. **This level of transparency is one which we feel genuinely sets us apart from others in the industry**

**“Balancing the economic,  
social and environmental  
outcomes”**



# A balanced approach to growth



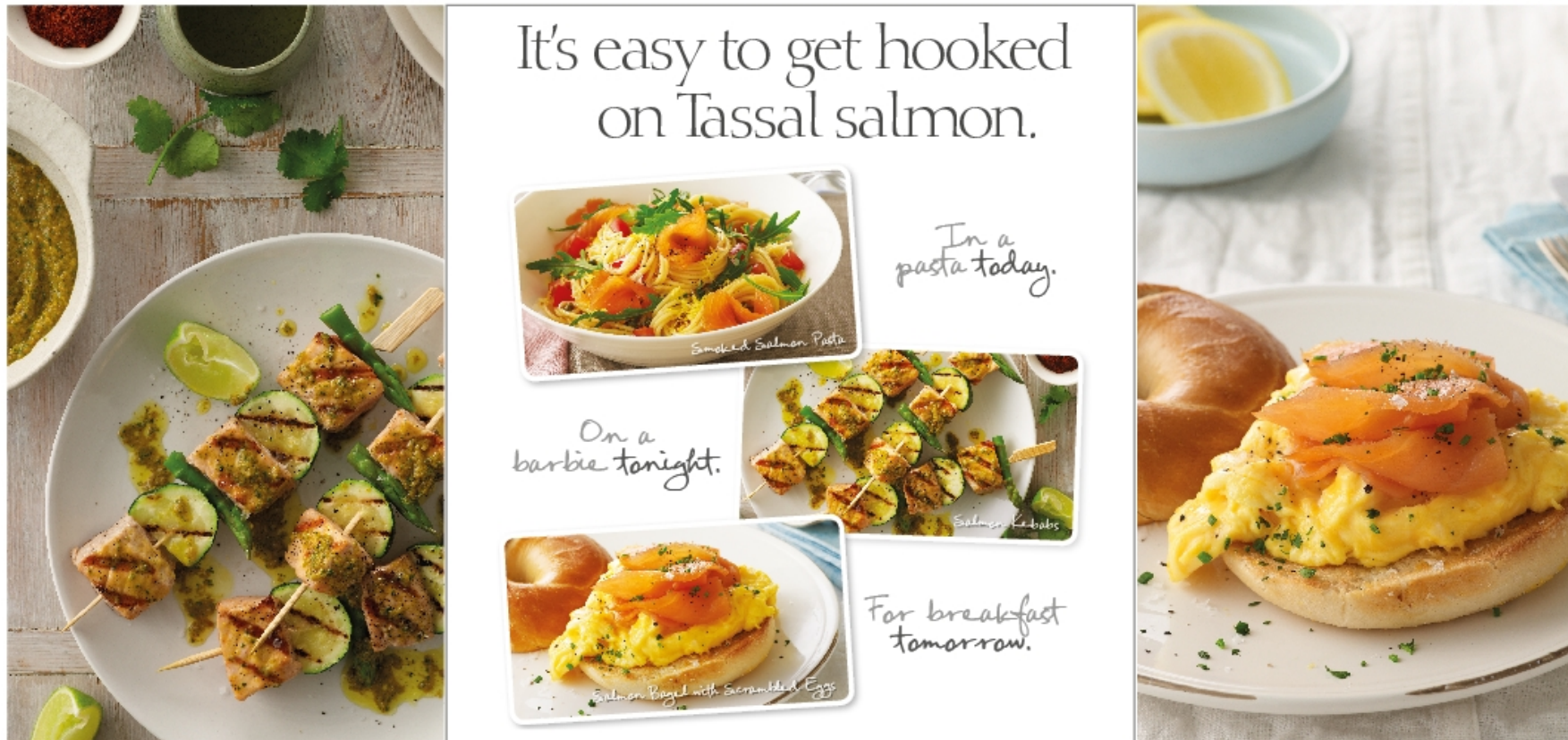
- Tassal has been on the sustainability journey for many years and has worked in partnership with WWF-Australia since 2012 to achieve the best possible responsible aquaculture outcomes
- WWF recognises the ASC certification as the highest standard available internationally for responsibly farmed seafood
- Tassal's growth plans have been well articulated to all stakeholders – with our focus to continue to maximise domestic per capita consumption
- **Our growth must be undertaken in a way that balances the economic, social and environmental outcomes**
- We take community and stakeholder consultation very seriously. We listen to stakeholders and modify plans where possible to address concerns. We will continue to be proactive in ensuring collaboration is ongoing. We understand that not everyone will understand or support our endeavours
- As a result of our listening, ongoing consultation and commitment to working with the local community, Tassal has modified proposals, sought compromises where possible and transparently communicated about its operations and plans. We will continue to deeply engage with the communities in which we operate

# Thank you





# Any questions?



That's the beauty of Tassal salmon.



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