



1 July 2015

The Manager Listings
ASX Market Announcements
Australian Securities Exchange
Level 4
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Tassal Group Limited.
ABN 15 106 067 270
Tassal Operations Pty Ltd.
ABN 38 106 324 127
GPO Box, 1645, Hobart
Tasmania, Australia 7001
Email: tassal@tassal.com.au
www.tassal.com.au

Via e-lodgement

Tassal executes agreement to acquire De Costi Seafoods

Tassal Group Limited (ASX: TGR) is pleased to announce that it has agreed, through its wholly-owned subsidiary Tassal Operations Pty Ltd (**TOPL**), to effectively acquire the De Costi Seafoods Business (**Business**) pursuant to a Share Sale Agreement executed today (**Agreement**).

Tassal will pay a consideration based on a multiple of approximately 5x maintainable EBITDA of the Business and comprising two components:

- 1) an up-front payment of \$50 million paid in cash at completion of the proposed acquisition, based on current maintainable EBITDA of \$10 million for the Business
- 2) a growth based earn-out component (over each of the three financial years from 1 July 2015) payable in new Tassal shares where the earn-out payments will maintain the purchase consideration of approximately 5x maintainable EBITDA over that period but capped at a maximum of approximately 10 million new Tassal shares for that entire period¹.

The up-front cash component of the acquisition will be funded through debt and not require any capital raising. Both the up-front payment and any earn-out payment will be immediately earnings accretive pre-synergies for Tassal shareholders.

Commenting on the acquisition, Tassal's Chairman Mr Allan McCallum stated that there was compelling strategic rationale for Tassal's acquisition of De Costi Seafoods Business: "The De Costi Seafoods Business is one of the largest in Australia's seafood industry. It has access to the best seafood range, a strong capability to process a wide variety of seafood, market leading seafood expertise, and a central location that enables it to service retailers down the East Coast of Australia and South Australia.

¹ Any part of the earn-out component, which is outstanding and becomes payable, will be paid in cash (rather than new Tassal shares) should Tassal become delisted and its shares cease to be quoted by ASX (as a result of a takeover or Scheme of Arrangement) based on a product of the takeover or Scheme offer price per Tassal share and the number of earn-out Tassal shares payable.

#

"The De Costi Seafoods Business is extremely complementary to Tassal and consistent with our Salmon and Seafood strategy. Following completion of this acquisition, Tassal will be very well placed to access and grow in Australia's \$4.3 billion annual seafood market, and support significant market growth in seafood for retailers down the East Coast of Australia and South Australia.

Also commenting on the acquisition, Tassal's Managing Director & CEO Mark Ryan said: "Having last year completed the substantial \$200 million five year investment programme covering our hatching, growing and processing infrastructure, the benefits from that investment are now flowing through. This has allowed Tassal to successfully focus on the domestic market, to grow domestic market salmon sales and remove the company's previous reliance on export sales. With around three-quarters of Tassal's salmon sales now to domestic retail and the remainder to domestic wholesale, Tassal is well placed to continue sustainably growing in salmon.

"The proposed acquisition of De Costi Seafoods will further build on our domestic salmon capabilities, increase Tassal's vertical integration in salmon, drive increased scale and provide Tassal with access to the broader seafood market. This increased scale will drive further efficiencies and benefits to both Tassal's salmon offering as well as seafood, and uniquely position Tassal for its next phase of growth.

"Most importantly, the combination of Tassal with De Costi Seafoods will provide significant customer and consumer benefits. Tassal will be able to enhance De Costi Seafoods' focus on seafood category management, ranging and innovation. These are all areas that Tassal has led, and continues to lead the market with respect to salmon, and will now be able to expand across into the seafood category."

The acquisition is conditional upon certain conditions precedent including, but not limited to:

- 1) no Material Adverse Change occurring in respect of the Business
- 2) George Costi entering into an employment agreement for a minimum period of three years from completion of the acquisition
- 3) the implementation and completion of the agreed restructure of De Costi Seafoods to the reasonable satisfaction of TOPL.

While completion is yet to occur, the Agreement has been structured in a way to allow Tassal to acquire the Business and obtain the benefit of its earnings (less certain ordinary business liability payments and tax) from 1 July 2015, and for George Costi to obtain the benefits of the earn-out component from 1 July 2015. As such, the Business will be conducted in accordance with all the reasonable directions of Tassal from 1 July 2015 while progressing towards the satisfaction of the conditions precedent and completion of the acquisition.

For any media or analyst enquiries please contact Mark Ryan on +61-414 729 101 or email mark.ryan@tassal.com.au.