Tassal Group Limited

FY15 Results

Mark A Ryan, Managing Director & CEO
Andrew Creswell, CFO

20 August 2015

FY15 Overview

Tassal's strategy to grow domestic per capita consumption, with the majority of sales in retail, continues to deliver sustainable, growing returns

FY15 – another year of growth

Domestic market focus driving continued earnings growth…

- Sustainably generating more $ from domestic market sales through growing per capita consumption
- Excellent operational performance right across Tassal's supply value chain – from growing to processing to logistics/distribution – mitigated negative impact of lower wholesale and export prices

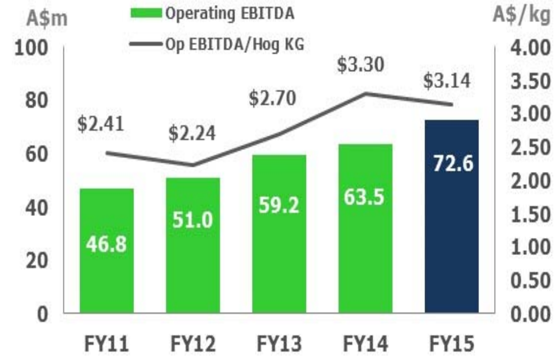
Strong balance sheet and asset performance, and growing dividend…

- Gearing maintained at low level
- Investment in fish growth and responsible capital spend underpins sustainable growing longer term returns – strong growth in underlying fish biomass (i.e. biological assets) ensures fish supply and future earnings growth
- Total dividend up 21.7% to 14.0cps (50% franked), with final dividend of 7.0cps (50% franked)

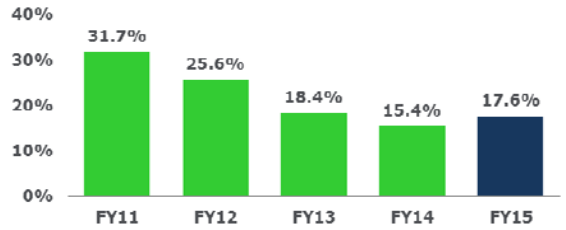
Broadening of growth strategy to Salmon and Seafood…

- Improves customer value and stronger strategic relationships:
  - o Optimising the supply value chain through scale and national co-ordination of procurement, processing & distribution = improved availability
  - o Insights led Seafood marketing, innovation and category management = increased domestic Salmon and Seafood consumption
- Acquisition of De Costi Seafoods

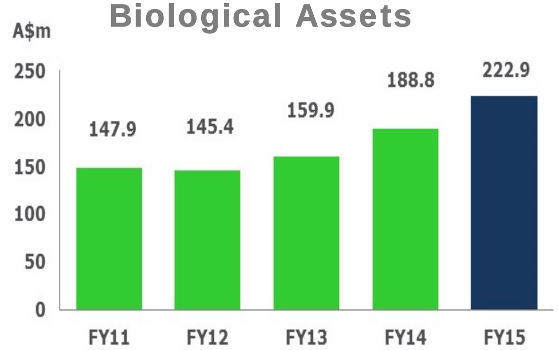
Operating EBITDA



Gearing (net debt / equity)



Biological Assets



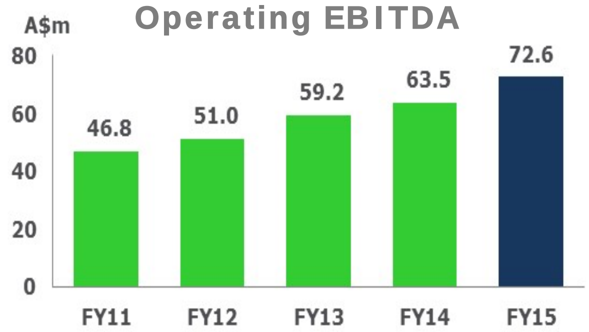
Strong financial performance

(A$m)	2015	2014	Change
Statutory results			
Revenue	309.79	266.33	16.3%
EBITDA	93.97	78.60	19.5%
EBIT	75.60	63.13	19.7%
NPAT	49.99	41.06	21.8%
Operating results			
Operating EBITDA	72.59	63.55	14.2%
Operating EBIT	54.22	48.08	12.8%
Operating NPAT	35.03	30.52	14.8%

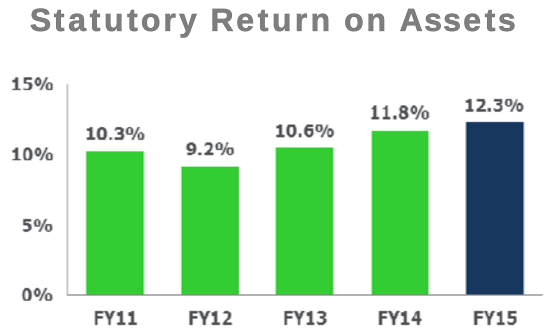
Operating cashflow	42.70	50.63	(15.7%)
Final dividend - cps	7.00	6.00	16.7%
Total dividend - cps	14.00	11.50	21.7%
Gearing Ratio	17.60%	15.41%	
Funding Ratio	34.89%	29.13%	

Gearing Ratio (net debt/equity)
Funding Ratio (net debt + RPF/equity)

- Operating earnings growing in line with revenue



- Generating sustainable operating cashflow together with appropriate use of funding facilities
- Continued growth in return on assets



Zero harm

No job is so important that it cannot be done safely

	FY 2014 Actual	FY 2015 Target	FY 2015 Actual	FY 2016 Target
LTIFR	1.4	<1.4	0.6	0.0
Incident rate	0.2	<0.2	0.1	0.0
ATLR	3.5	<3.0	1.0	0.0
MTIFR	38.2	35.0	29.6	20.0
Safety Scorecard	93%	93%	95%	95%

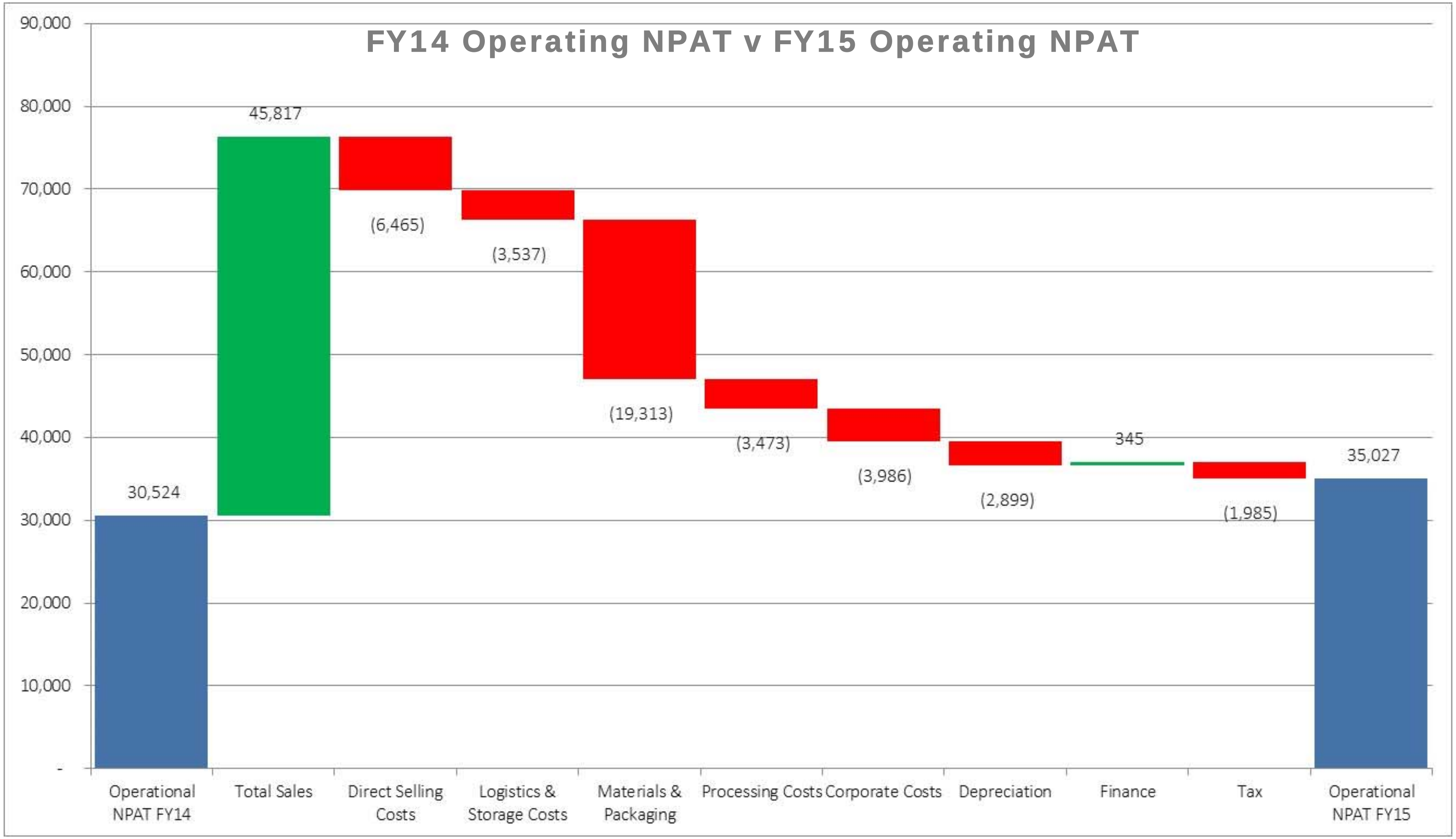
- Health and safety strategy has as its core value **"Zero Harm For Everyone, Everywhere"**
- Tassal's commitment to safety is consistent with focus on maximising shareholder value
- Safety performance still remains at an **unacceptable level** – any fatality or serious injury is unacceptable
- Results on all previously established lead and lag indicators are trending in right direction
- Cultural program progress supported via external survey – confirms journey to "interdependence" is on track … but not yet complete. Interdependence is about engendering an "I take care" and "I care for" approach
- AS 18001 & 4801 accreditation maintained

Financial performance

Continued growth in earnings, strong cashflows and balance sheet, and continued growth in dividend

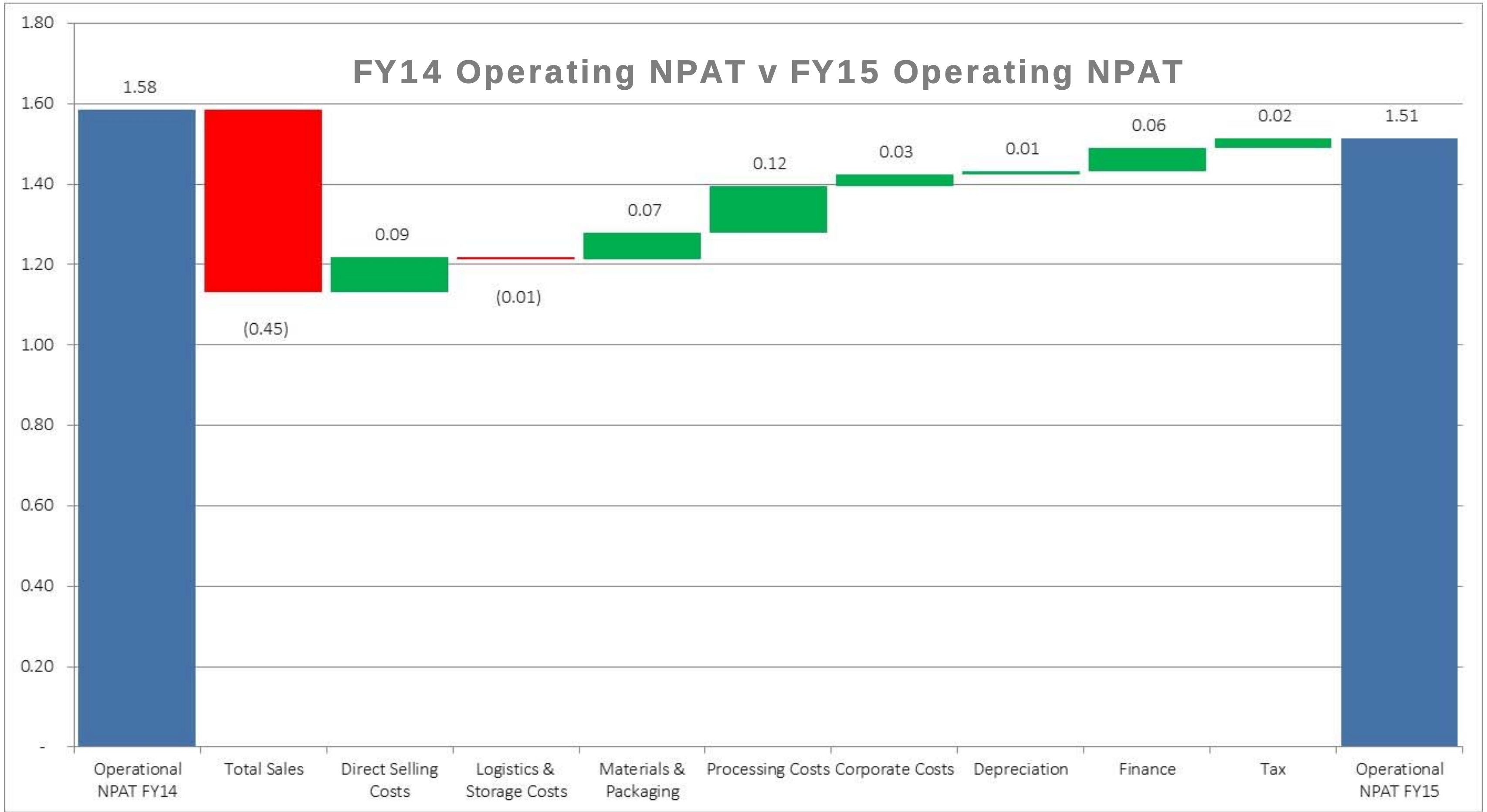
FY15 operating NPAT
Key drivers – $ variance

Sustainably generating more $



FY15 operating NPAT
Key drivers – $/TSV kg variance

Sustainably generating appropriate $/kg given market environment



Note
1. Total Sales Volume Hog Equivalent ("TSV") for FY15 is 23,144 hog tonnes (FY14: 19,268 hog tonnes)
2. $/TSV kg variance per revenue and expense item is calculated by dividing the specific revenue and expense item $ variance by TSV

Strong cash flows

(A$m)	2015	2014	Change
Operating cashflow	42.70	50.63	(15.7%)
Investing cashflow	(36.64)	(29.84)	(22.8%)
Financing cashflow	(0.39)	(28.13)	98.6%
Net increase/(decrease) in cash held	**5.67**	**(7.34)**	

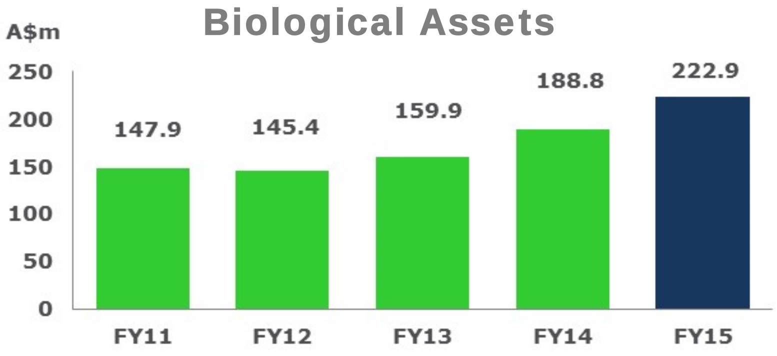
Operating cash flow

- **Operating cash flow** down 15.7% to $42.7m
  - sustainable contribution margins $/kg generated from domestic market sales
  - increased investment in both live fish and inventory to support future sales growth initiatives
  - increased investment in fish supply of $19.5m

	2015	2014	Change
Biological assets	222.91	188.78	34.12
Inventory	60.15	53.40	6.75
Less AASB141 Impact			(21.38)
Fish growth			19.49

- **Investing cash flow** increased to $36.7m to support Hatchery expansion, marine and processing infrastructure and rendering facility

Strong balance sheet

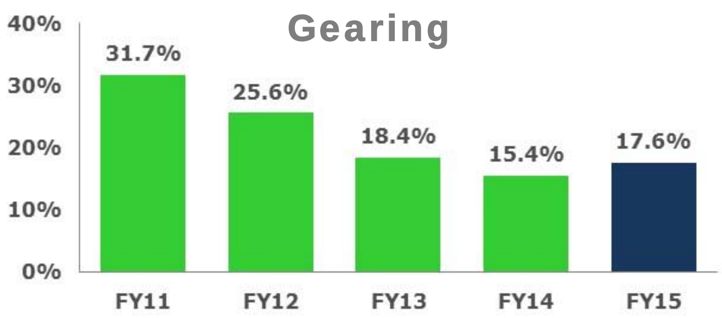


Biological Assets

- Value of live fish up 18.1% to $222.9m (FY14: $188.8m)
- Biological assets support future revenue and earnings growth

Inventory

- Appropriate inventory build with finished goods stock up 12.7% heading into FY16… reflective of anticipated sales growth



Gearing and funding ratios at sustainable levels

- Gearing up slightly to 17.6% (FY14: 15.4%) … appropriate bank funding arrangements in place – from a structure, headroom and tenor perspective
- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 34.9% (FY14: 29.1%)

Operational performance

Well positioned to drive continued sustainable growth in earnings and higher returns

Continued growth in revenue

Total Revenue up 16.7% - Domestic Revenue up 13.6%

Operating Revenue (A$m)	2015	2014	Change
Domestic	295.73	260.43	13.6%
Export	8.37	0.04	>>
Total Revenue	**304.09**	**260.47**	16.7%

Total Volume up 20.1% - Domestic Volume up 15.5%

Volume (Hog equiv tonnes)	2015	2014	Change
Domestic	22,258	19,265	15.5%
Export	886	3	>>
Total Volume	**23,144**	**19,268**	20.1%

Domestic market

- Domestic strategy is the right strategy – domestic per capita consumption continuing to grow
- Sales initiatives driving growth
  - Wholesale market sales were largest driver of revenue and volume, up 33.5% and 45.8% respectively vs FY14
  - Retail revenue and volume continued to sustainably grow at 7.7% and 6.5% respectively
- **Retail sales as a proportion of Tassal's overall domestic market accounted for 73% of revenue and 71% of volume**

Export market

- Tactical management of production volumes – particularly big fish
- Pricing conditions still volatile despite depreciating AUD

Overall

- **Requisite fish in water as volumes increase for FY16 and beyond**

Sales initiatives driving growth

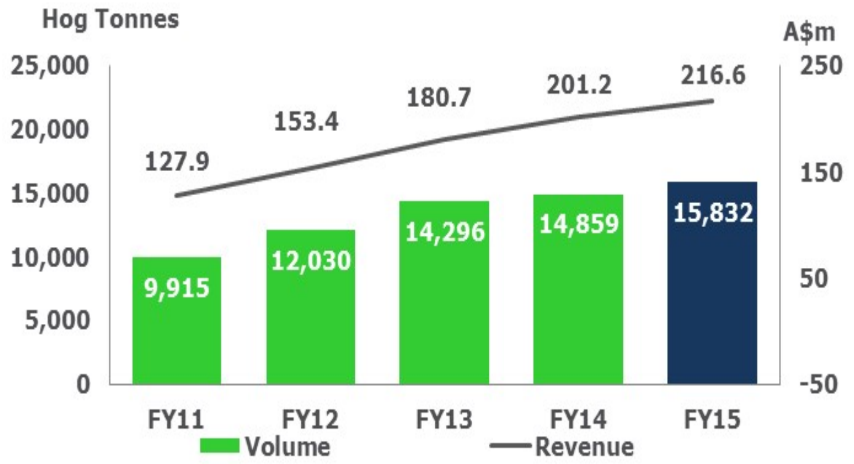
Retail volume up 6.5%; revenue up 7.7%

	2015	2014	Change
Volume (Hog equiv tonnes)	15,832	14,859	6.5%
Revenue ($m)	216.65	201.21	7.7%

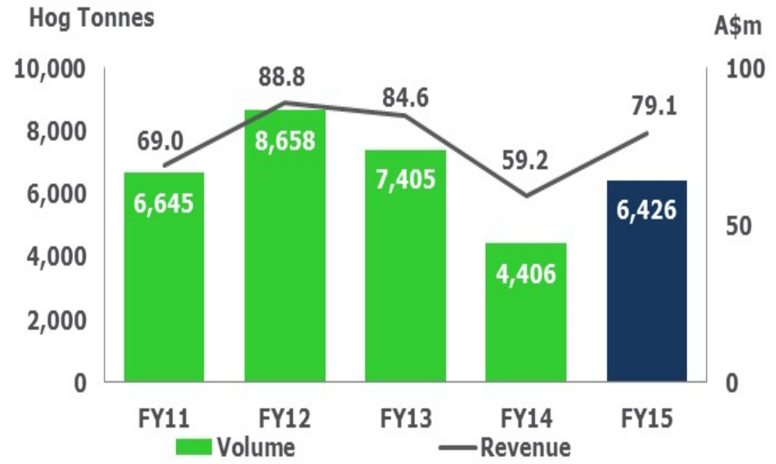
Wholesale volume up 45.8%; revenue up 33.5%

	2015	2014	Change
Volume (Hog equiv tonnes)	6,426	4,406	45.8%
Revenue ($m)	79.08	59.22	33.5%

Domestic retail sales



Domestic wholesale sales



Strong operational performance

Optimising supply value chain to support growing domestic market demand…

- Favourable marine performance:
  - Favourable growing conditions, improved feed conversion and survival – drove operating cost efficiencies that offset rising feed prices during FY15… feed prices have reduced from 1 July 2015
  - Selective Breeding Program continues to deliver a reduction in growing time and bathing for AGD
  - Primary harvest class fish for FY16 had 7.9% more biomass at sea vs FY15 harvest class at 30 June – despite supplying an additional 16.0% to the sales market for period May-June 2015 from the primary harvest class of fish destined for FY16 relative to same period a year earlier. Illustrates that we were able to sustainably pull forward fish harvesting.
- Favourable processing performance:
  - Efficiency projects implemented across all processing sites – focusing on yield and throughput initiatives… full benefits from these projects to flow through in FY16
- Optimising entire supply value chain
  - Significant work has been undertaken with respect to supply value chain efficiencies, culminating in acquisition of De Costi Seafoods
  - De Costi Seafoods will deliver
    - → improved Salmon efficiencies and synergies in FY16
    - → Seafood supply value chain efficiencies through the effective co-ordination and production of long run, sustainable aquaculture and wild fish supply

… and drive further economies of scale

Strategic priorities and outlook

Salmon and Seafood Strategy to drive next phase of earnings growth and maximise shareholder value

Strategic evolution to Seafood

Strategic evolution:

"To deliver sustainable long term returns to shareholders as the leader in Salmon **and Seafood** in Australia, selling highly recognised, ethical, valued brands and products to Australian consumers and retailers – while operating in a zero harm environment"

Acquisition rationale

De Costi Seafoods accelerates Tassal's Seafood strategy and delivers synergies…

Combining Market Leaders	• De Costi is already one of the largest seafood processors in Australia, enabling Tassal with an accelerated strategy evolution to Seafood • Leverage Tassal and De Costi relationships in all channels
Vertical Integration	• Tassal is vertically integrated – De Costi enhances this • De Costi is a supplier to Tassal major customers, and has been a significant Tassal customer for many years • Strategic alignment in retail capability, and similar overall channel mix
Leverage capabilities	• De Costi seafood procurement relationships & capabilities for Seafood – which is "IP" with significant value • De Costi location and processing diversification • Tassal category management, new product development, marketing & distribution capabilities
Low cost through scale	• Volume to deliver processing efficiencies in TAS & NSW • Seafood hub in NSW with Tassal Salmon scale & national distribution capabilities

… which is more valuable than a "greenfield" initiative

A compelling strategic acquisition

De Costi Seafoods provides Tassal with an attractive vehicle to deliver the company's Salmon & Seafood growth strategy

- Substantially increases Total Addressable Market to $4.3bn annually
- Further builds on Tassal's successful domestic market focus
- Increases extent of Tassal's vertical integration in Salmon
- Further drives scale and benefits that flow from scale
- Appropriate EBITDA multiple of 5x
- Substantial synergies – cost/efficiencies and revenue
- Immediately EPS accretive pre-synergies

"Further information on the De Costi Seafoods acquisition can be found in the information pack lodged with ASX on 31 July 2015"

Key priorities for FY16

Increasing domestic Seafood consumption…

- Sales initiatives… maximising the opportunities to grow Salmon and Seafood across domestic market – retail, wholesale and foodservice
  - Grow overall Seafood market (currently $4.3bn annually)
  - Improve market share

- Operational initiatives… further optimise the supply value chain
  - maximise Salmon growth efficiencies – utilising Selective Breeding Program to deliver on fish growth, lower feed conversion ratios, reduced bathing
  - Reduce operational costs – move even closer to global best practice re cost of growing, cost of processing, cost of supply and logistics
  - Continue to mitigate agricultural risk

- Ensure sales and operational initiatives contribute strongly to Tassal's objectives:
  - Deliver earnings growth
  - Optimise efficiencies in both Salmon & Seafood production
  - Use sustainable species
  - Strengthen the Tassal, Superior Gold, De Costi Seafoods and other proprietary brands

- Implement further sustainability and environmental initiatives

… and ensuring Salmon and Seafood returns are optimised

In summary…

- **FY15 – domestic market focus continued to drive sustainable growing returns**
  - More $ from sales (with an appropriate $/kg return given market conditions)
  - Improved operational efficiencies… provide a platform for further earnings growth in FY16 and beyond
  - Strong cash flows… allowed for increased investment in fish growth and a responsible capital spend to underpin longer term returns
  - Strong balance sheet
  - Growing dividend… up 21.7%
- **FY16 – growth strategy broadened from Salmon to Salmon and Seafood**
  - Continued growth in fish size and volume to underpin per capita consumption
  - Further optimising supply value chain to drive additional efficiencies
  - Integration of De Costi Seafoods increases Tassal's total addressable market to $4.3 billion annually – and provides Tassal with a platform to grow the actual total Seafood market
  - Continued growth in earnings

Questions?

Statutory, underlying & operating results

FY15 vs. FY14

Full Year ended 30 June 2015	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	$ 309,790	$ -	$ 309,790	$ -	$ 309,790
EBITDA	$ 93,965	$ -	$ 93,965	$ (21,378)	$ 72,587
EBIT	$ 75,597	$ -	$ 75,597	$ (21,378)	$ 54,219
Profit before income tax expense	$ 70,875	$ -	$ 70,875	$ (21,378)	$ 49,497
Income tax expense	$ (20,883)	$ -	$ (20,883)	$ 6,413	$ (14,470)
Net profit after income tax expense	$ 49,992	$ -	$ 49,992	$ (14,965)	$ 35,027

Full Year ended 30 June 2014	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	$ 266,331	$ -	$ 266,331	$ -	$ 266,331
EBITDA	$ 78,597	$ -	$ 78,597	$ (15,052)	$ 63,545
EBIT	$ 63,128	$ -	$ 63,128	$ (15,052)	$ 48,076
Profit before income tax expense	$ 58,061	$ -	$ 58,061	$ (15,052)	$ 43,009
Income tax expense	$ (17,000)	$ -	$ (17,000)	$ 4,516	$ (12,484)
Net profit after income tax expense	$ 41,061	$ -	$ 41,061	$ (10,536)	$ 30,525

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