

# Angel Seafood Holdings Ltd

## ASX: AS1



Annual General Meeting  
*27 November 2020*



## Chairman's Address

*Tim Goldsmith*



ANGEL  
SEAFOOD

# CEO Presentation

*Zac Halman*



ANGEL  
SEAFOOD

# Angel Seafood – Australia's largest producer of Pacific Oysters

- Angel Seafood is the Southern Hemisphere's largest sustainable and organic certified pacific oyster producer, based in South Australia
- World leading farming practices optimising utilisation of available assets while maintaining premium product quality
- Selling oysters both domestically and into premium export markets
- Listed on the ASX in February 2018
- Completed initial phase of growth with available funds, now benefiting from economies of scale and entering the next phase of growth
- Profitable and generating positive operating cash flow



**ANGEL**  
SEAFOOD



# HOW FAR WE'VE COME

Today we supply over 10% of Australia's pacific oysters.



2010

2020

One bag represents approximately 0.4 million units of finishing capacity

# Significant progress in positioning Angel for the long-term

FY20 result demonstrates the underlying quality & resilience of the business

- **Record full year sales result delivered despite challenges posed by COVID-19**
  - › Key trading channels shut down in Q4
  - › Adverse impact of restaurant closures partly offset by strong growth in retail
- **Lower sales vs original FY20 guidance an opportunity to further focus on improving stock profile**
  - › Haslam facility commissioned to accommodate increased biomass
  - › Strongly positioned for peak demand period
- **Strong momentum continuing into FY20-S<sup>1</sup>**
  - › Record sales with 2.7m oysters sold, up 78% on pc<sup>2</sup>
  - › Continued strong demand from the retail channel

✓  
**6.5m**  
**Oysters sold**  
25% increase

✓  
**22m**  
**stock on hand<sup>2</sup>**

✓  
**Biomass**  
**growth**

✓  
**Profit**  
**of \$252k**

✓  
**Positive**  
**operating cash flow**

✓  
**0.19c**  
**Earnings per Share**

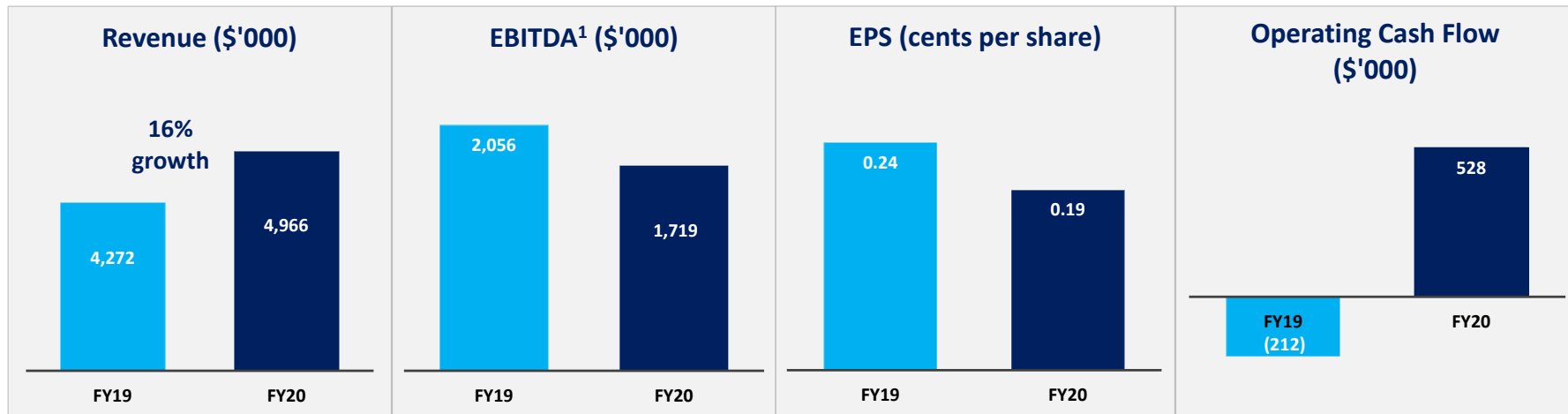
**ANGEL**  
SEAFOOD

<sup>1</sup> Angel will change its year end to 31 December. FY20-S is a transitional 6-month financial period from 1 July 2020 to 31 December 2020

<sup>2</sup> Graded oysters in stock as at 30 September 2020

# FY20 Financial Highlights

Record results achieved in unprecedented trading environment



- Steady underlying oyster prices over the year
- Lower earnings reflects the sales impact of COVID-19 restrictions and investment in spat/farming aligned to the company's earlier guidance of 8-10 million oysters

# What makes Angel unique

## Premium oyster production without compromising the environment

- **Angel is one of only two sustainable and organic oyster growers in the world**
  - › Growing customer preference for organic and sustainably sourced food
  - › Organic oysters are 100% traced from spat throughout their life cycle
  - › Angel oysters are produced with ecologically sound, innovative and industry leading farming practices
- **Globally recognised ‘Coffin Bay’ and Eyre Peninsula provenance**
  - › Grown in the nutrient rich cold water from the Antarctica
  - › Clean and undisturbed Eyre Peninsula – Australia’s seafood frontier
  - › Australian seafood highly regarded in Asia and around the world
- **High barriers to entry with very limited high-quality water available in Coffin Bay**
  - › Angel currently holds 14Ha of the highly productive water in Coffin Bay
  - › No “new water” being made available



Cert No 5411

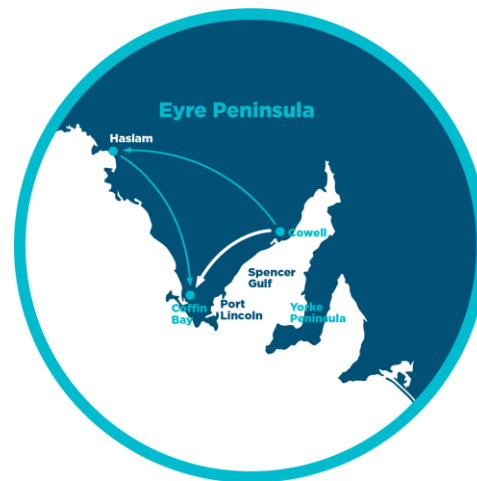
**ANGEL**  
SEAFOOD



# What makes Angel unique

## Industry leading multi-bay strategy and innovation

- **Multi-bay strategy underpinned by unique intellectual property provides significant competitive advantages**
  - Each bay location has unique growth characteristics (water flow rates, nutrition, rainfall history, water temperature)
  - IP in harnessing the attributes of each bay to produce a premium product with a unique taste without compromising the environment
- **Economies of scale derived from a substantial investment program**
  - Holding capacity of over 20 million oysters, finishing capacity increased to 12 million per year
  - Angel's scale presents unique opportunities to extend into new markets (retail, export, health and nutrition)
  - Angel continues to improve productivity and reduce cost of production through continuous improvement and innovation, paired with governance and discipline
- **Multi-bay strategy achieves geographic diversification**
  - Capacity to move stock within bays as need arises (disease risk mitigation)
  - Enables greater flexibility in sales and distribution, as witnessed during the COVID-19 pandemic



Location: Cowell	Location: Haslam	Location: Coffin Bay
Nursery & grow-out ground for spat and juvenile oysters	Grow-out extension and warehousing	Maturing ground for finishing oysters
Area <sup>1</sup> : 15Ha	Area <sup>1</sup> : 9Ha	Area <sup>1</sup> : 14Ha
Holding Volume: 20 million spat and growing oysters	Holding volume: ~2.5 million oysters	Holding volume: 3 million mature oysters
12-18 month cycle	As required	10-12 week cycle

<sup>1</sup> Developed/deployed water leases only. Angel holds a total of 61Ha across the bays.

# Strong sales growth in the retail market

Increasing exposure to large retailers a key part of Angel's long-term strategy

- **Slowdown in restaurant sales during COVID-19 pandemic fast-tracked Angel's strategy to build its retail sales program**
  - › Strong growth in sales to the retail channel has continued into FY20-S
  - › Strengthening relationships with large retailers
  - › Growing recognition that Angel can guarantee continuous supply of good quality stock to retailers
  - › Angel's oysters featured in the latest Costco's Christmas catalogue and Drakes weekly catalogue
- **Significant opportunity to further increase penetration within retailers**
  - › Currently less than 20% of major retail stores sell oysters
- **Mainly bistro size oysters sold through retailers**
  - › Creates better balance by complementing demand for larger size oysters by restaurant channel and export markets
- **Large opportunity to build brand equity and increase selling price over time**



Costco Christmas catalogue

**ANGEL**  
SEAFOOD

## Next phase of growth for Angel Seafood

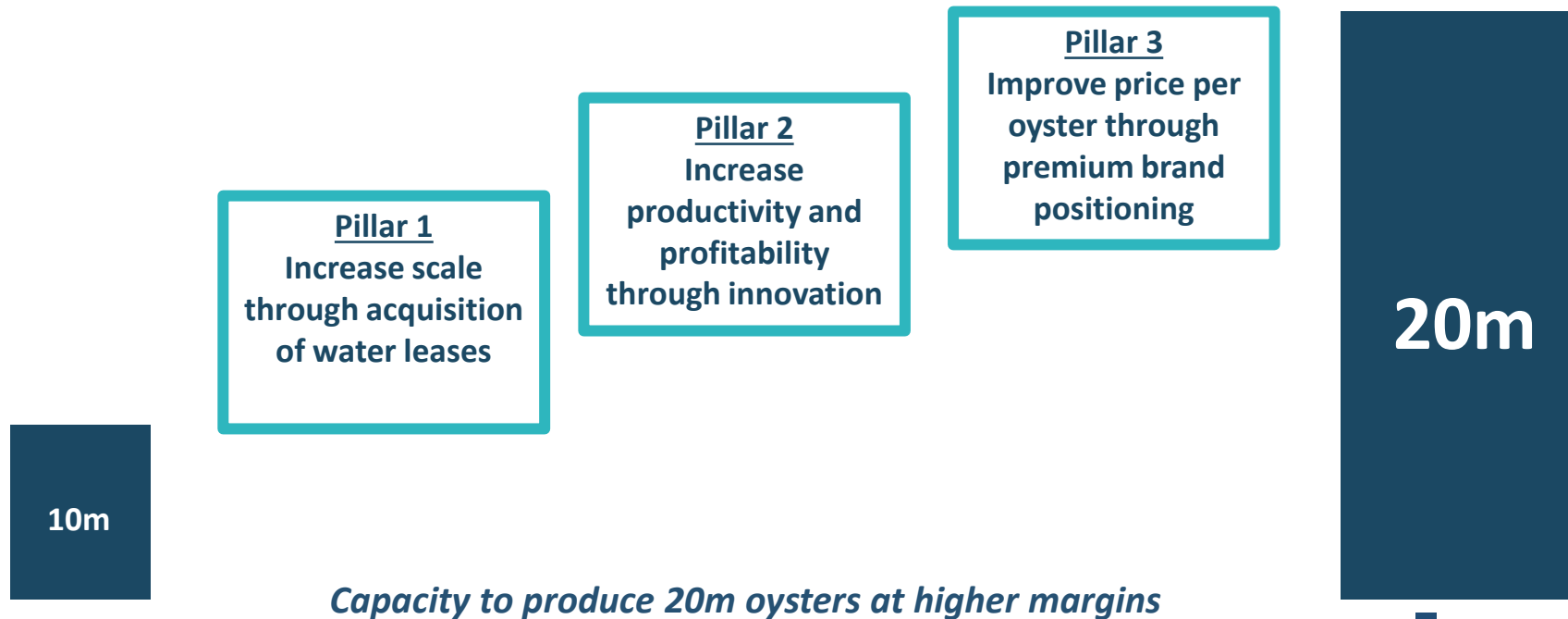
*‘Demand for oysters outstrips supply’*



ANGEL  
SEAFOOD

# 3-pillar strategy to double production capacity & improve profitability

Low-capital plan to support next phase of growth

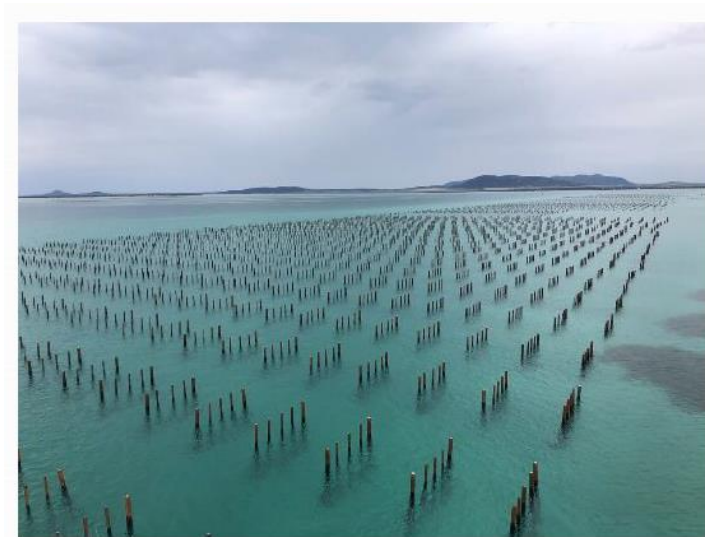




# Pillar 1: Increasing scale through acquisitions

## Acquiring more water to farm more oysters

- **Additional water to increase the multi-bay footprint; maximizing economies of scale**
  - › Every additional Ha of water is more profitable than the last, leveraging on existing assets in the multi-bay strategy
  - › 6.25Ha of additional water leases secured in November 2020
  - › New leases include 2.0Ha of developed water in Coffin Bay; immediately increasing annual production capacity from 10m to 12m oysters
- **Vision to increase production capacity to 20m per year**
- **Highly productive water available**
  - › Angel will continue to lease with option to buy, where the option is available
  - › Angel's undeveloped leases provides optionality for further growth



# Pillar 2: Increasing productivity through innovation

## Continuing to lower the cost of production

- **Additional growth to be delivered through productivity increases**
  - › Angel has achieved 47% increase in productivity since listing in 2018
  - › Average investment per Ha has decreased during the same time, increasing ROA
- **FlipFarm<sup>1</sup> trials on 3.0Ha of deep-water leases in Coffin Bay to commence**
  - › Innovative biodynamic farming method aligns with Angel's values of organic and sustainable oyster farming
  - › Lower operating costs, less labour
  - › Expected to generate an attractive internal rate of return and short capital payback period driven by
- **Focus on innovation and R&D to increase productivity and lower operating costs**
  - › Data collections and analysis – continue to build Multi-Bay IP



**ANGEL**  
SEAFOOD

<sup>1</sup>FlipFarm is a registered trademark of FlipFarm Systems Limited

# Pillar 3: Building the Angel brand to improve pricing

## Angel well positioned to leverage its credentials

- Underlying prices have remained relatively steady, however Angel's average price over the last few years has declined, driven by product mix
- Additional scale to position Angel as price setter in the market
- Improving the sales mix towards larger sizes by using Haslam to store additional biomass
- Marketing activities and branding
  - › Leveraging Angel's provenance and organic and sustainable credentials
  - › Launch of online sales to attract younger market
- Growing recognition around quality and supply positions Angel to leverage its credentials in building retail relationships
- Increasing export volumes into premium export markets
  - › South East Asia represents a lucrative export market where a significant price premium for imported oysters exists



# Well positioned for long term growth

## 3 pillar strategy to increase capacity and sales

### Initial phase of growth completed

- Holding capacity of over 20m oysters; finishing capacity of 12m oysters each year
- 38Ha of developed water holdings
- Proven multi-bay strategy
- Increasing recognition to guarantee continuous supply of high-quality produce
- Strong stock profile positions Angel strongly for demand recovery
- Accredited export processing facility



### Embarking on the next phase of growth

- Further consolidation within Eyre Peninsula, increasing finishing capacity to 20m per annum
- Focus on productivity and low-cost production driven by flip-farms and automation
- Marketing and product differentiation – evolve from ‘price taker’
- Significant opportunity to expand retail channel sales
- Increase premium export sales