

Clean Seas
Seafood
Limited (ASX: CSS)

FY19 Results & Vision 2025

SEPTEMBER 2019

Goals

**To maximise shareholder value
through sustainable profitable
growth, superior equity
returns and a positive social
license**

**And, to achieve best possible
outcome from the feed
litigation**

Key Drivers

- ✓ Superior product quality
 - ✓ Compelling brand proposition
 - ✓ Premium pricing
 - ✓ Maximise benefits of scale (sales/marketing overheads, cost of production)
 - ✓ Sustainable product & environmentally responsible practices (farming)
 - ✓ Efficient breeding, farming, processing & logistics
 - ✓ Motivated, high quality employees
 - ✓ Best practice research & development
 - ✓ Committed, aligned & capable market partners
 - ✓ Engaged & supportive local communities
 - ✓ Stakeholder engagement & support – access to capital
 - ✓ Government & regulator support
-
- ✓ Well resourced, highly capable litigation team
 - ✓ Resolute commitment to ensuring commercially optimum outcome

FY19 Results
& Vision 2025

Ocean to Plate



https://www.youtube.com/watch?v=-uEa_rlsEgo



To be a global leader
in aquaculture, **inspiring
culinary experiences** around the
world through our sustainable,
premium seafood.

FY19 Results & Vision 2025

20 Year Overview



IPO & Close Southern
Bluefin Tuna
Lifecycle



Feed crisis sales drop
from 2,800t to 600t as
biomass declines to 478t



Transformation &
foundation for growth



2010 – 2013

2016 – Present

2005 – 2009

2014 – 2016

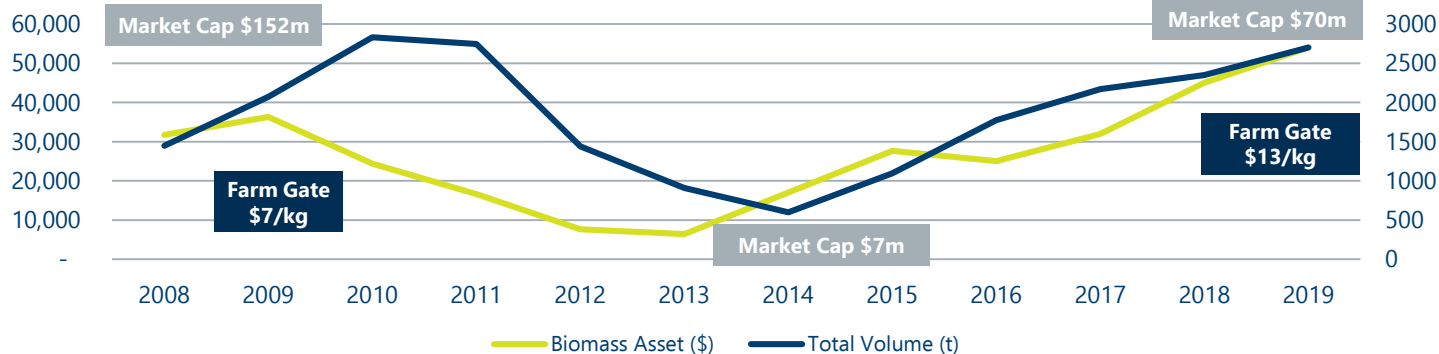
Strong growth
to 2,800t



Feed issues resolved and
market recovery



Equity raised since 2016
has funded biomass
growth and matched by
increase in market cap



Rebuilding the Fundamentals



Feed Crisis 2008 – 2012



- Loss of 4,000t of Biomass, mortalities increase from 15% to circa 80%
- Share price falls to 26 cents
- Sales drop from 2,800t to 600t
- Liquidation of assets and retrenchment of circa 50% of workforce to survive
- Withdrawal from international markets (Europe and USA)

Recovery 2012 – 2016



- New CEO (Dr Craig Foster) and dedicated operational team identify cause of mortalities
- Levels of critical sulphonic acid, Taurine, restored to Kingfish diet and diet reformulated to optimise nutrient balance
- 2 years to restock biomass and slowly re-enter international markets
- Mortalities return to pre-feed crisis levels of circa 15%
- Rapid recovery in fish health leads to lower than expected mortalities resulting in surplus inventory and \$10 million write-down

Transformation 2016 – 2019



- Focus on brands and product development
- Farm gate prices increased 25% over 3 years
- Establishment of in-house processing and logistics has secured end-to-end control of supply chain and reduced cost of production
- Investment in best practice freezing technology – **SensoryFresh**
- Investment in global Sales and Marketing teams
- Built entirely new Executive leadership team
- New Board (5 of 6) with deep industry experience
- Achieving best ever fish quality, multi-year industry awards, record farm gate prices
- Positive cash flow from operations
- Volumes up 56%, prices up 25%
- Today – ***“arguably the best raw fish in the world”***



FY19 Results
& Vision 2025

Global
Leader



- We are the Global Leader in the “Full Cycle” Breeding and Farming of Yellowtail Kingfish producing **3,500** tonnes in FY19
- The Japanese industry is producing around **140,000** tonnes pa but is mostly a “Wild Catch and Grow-Out” model with only a relatively small proportion using hatcheries for Full Cycle Breeding and farming



We won't say **absolutely** it's the **best raw fish** in the world, but after talking to chefs around the world, we don't believe there is a fish that matches Spencer Gulf Hiramasa Kingfish.



David J Head
Managing Director & CEO

FY19 Results
& Vision 2025

Best in Class



- Sensory Research in Australia by Colmar & Brunton showed Spencer Gulf Hiramasa as Best in Class
- Blind taste tests by leading chefs, food and wine writers and industry experts chose Spencer Gulf Hiramasa over five other products including:
 - Imported Japanese YTK
 - Wild Caught YTK from two different regions of Australia
 - Another Australian farmed YTK
 - Australian farmed Cobia



Australian Food Awards
"Best Fish"
2016, 2017 & 2018



Delicious Produce Awards
Gold Medal Winner
"From the Sea" 2018



Food SA Industry Awards
Primary Producer
of the Year – 2018



Gold Standard Accreditation
in Sustainable Aquaculture





On the menu of top restaurants



Australia

- Saké (Sydney/Melbourne)
- Pilu (Sydney)
- Lee Ho Fook (Melbourne)
- Momofuku Seiobo (Sydney)
- Supernormal (Melbourne)
- Bennelong (Sydney)
- Ormeaggio at The Spit (Sydney)
- French Saloon (Melbourne)
- Rockpool (Melbourne, Sydney, Perth)

United Kingdom

- Roka (London)
- Sexy Fish (London)
- Zuma (London)
- Gordon Ramsay (London)

Germany

- H&H (Hamburg)
- Funky Fish (Berlin)
- Lohninger (Frankfurt)
- Tim Raue (Berlin)

Italy

- Nobu (Milan)
- Cipriani (Venice)
- La Pergola (Rome)

Switzerland

- Eden au Lac (Zurich)
- Ecco (Zurich)

Austria

- Hangar 7 (Salzburg)
- Amador (Vienna)

France

- Hotel Costes (Paris)
- L'Atelier de Robuchon (Paris)
- Hotel Crillon (Paris)
- Kinugawa (Paris)

Spain

- Shunka (Barcelona)
- Pacha (Ibiza)

Portugal

- Vila Joya (Algarve)

Denmark

- Sticks N Sushi (Copenhagen)

Norway

- Alex Sushi (Oslo)





Provenance, Branding, uniqueness of Cold Water Farming



Distinct and sustainable competitive advantage



- Freezing high value, premium quality seafood is all about speed. The ice formation stage must be fast for optimum texture
- Clean Seas Rapid Freezing does this in around 22 minutes, 10 times faster than conventional freezing
- To capture the colour, aroma and flavour, -35°C must be reached quickly. Conventional freezing won't do this
- Our Rapid Freezing achieves surface temperature of -95°C and core temperature -50°C to -70°C
- We call it ***"SensoryFresh"***

FY19 Results
& Vision 2025

SensoryFresh



https://www.youtube.com/watch?v=MM_vEmTreRc

FY19 Results
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FY19 Results Overview



FY19 Results & Vision 2025

Sales Growth & Improved Pricing



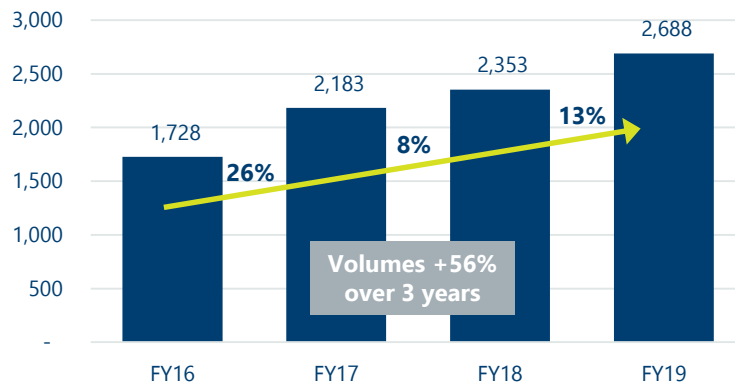
Sales Growth (by market, excluding frozen clearance sales)

Tonnes (WWE)	Q1	Q2	Q3	Q4	Full Year
	FY19 v FY18	FY19 v FY18	FY19 v FY18	FY19 v FY18	FY19 v FY18
Australia	2%	19%	20%	27%	17%
Europe	(16%)	32%	19%	(5%)	4%
North America	13%	24%	30%	50%	30%
Asia/China	(8%)	64%	152%	41%	50%
Total	(6%)	24%	23%	12%	13%

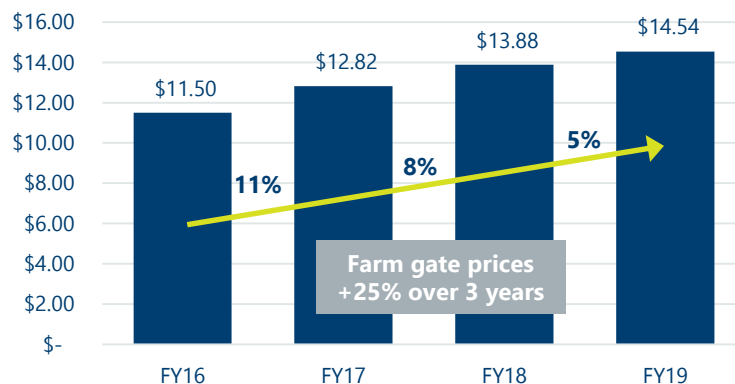
- Growth slowed in H2 FY18 due to competitor activity but returned from Q2 FY19 (+23%) and delivered full year FY19 volume growth of +13% to 2,698t
- Sales revenue increased to \$46.1 million in FY19, up 16%
- Despite losing short term volume, Clean Seas did not match competitive discounting, and within 6 months customers returned to Clean Seas due to its superior product quality and reliability of supply
- International expansion continues, with all regions recording significant growth



Sales volumes (tonnes) excluding frozen clearance



Large Fresh Farm Gate \$/k.g



- Volume growth of 56% over three years, farm gates improved 25% in the same period
- Sales revenue in FY19 grew 16% with premium frozen (**SensoryFresh**) sales volume increasing 38% in FY19 at 8% higher farm gate prices

FY19 Results & Vision 2025

Underlying Profits Up 23%



Underlying Earnings

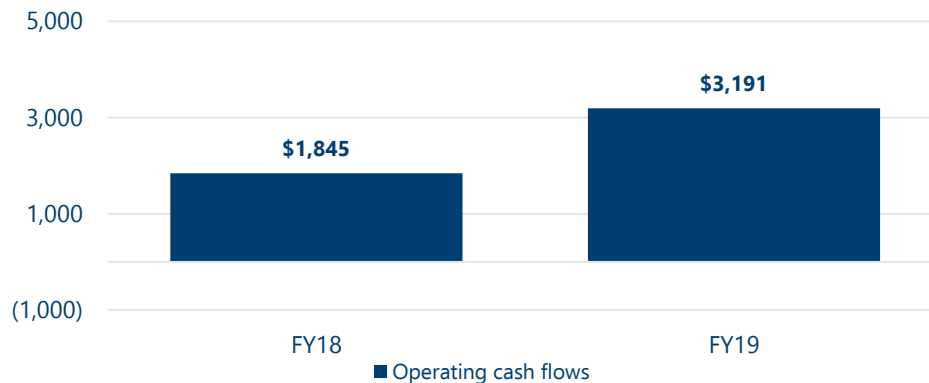
\$'000	FY19	FY18
Statutory Profit after tax	1,446	3,380
Add back: Net interest	256	11
Statutory EBIT	1,702	3,391
Add back: Depreciation & amortisation	3,079	2,539
Statutory EBITDA	4,781	5,930
Non-Recurring		
Deduct: Frozen clearance stock	(5)	(1,312)
Add back: Litigation	535	211
Add back: Whyalla establishment	612	-
Underlying EBITDA	5,923	4,829
Underlying Profit after tax	2,588	2,279

- Underlying EBITDA increased 23% from \$4.83 million in FY18 to \$5.92 million in FY19
- Underlying profit after tax for FY19 was \$2.59 million compared to \$2.28 million in FY18
- The increase in underlying EBITDA was driven by strong sales growth and operational efficiencies, and funded a substantial investment in sales and marketing in support of further growth anticipated in FY20 and beyond

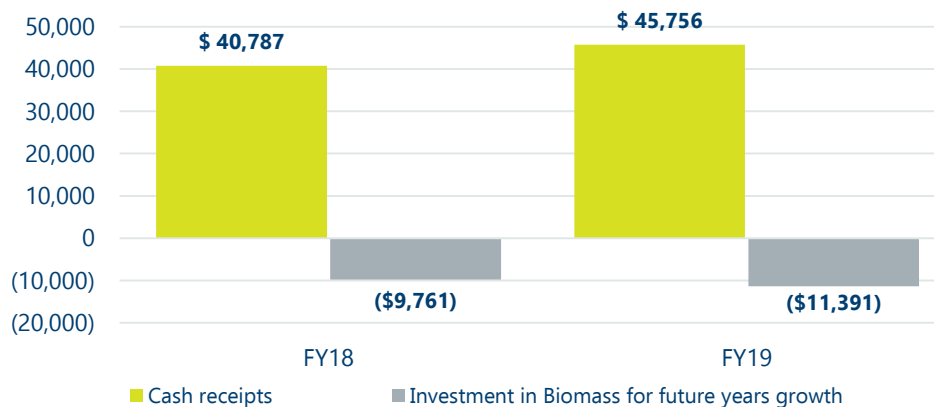
Underlying Cash Flow Up 73%



Underlying operating cash flows



Cash receipts & Biomass investment



- Underlying FY19 operating cash flow increased 73% to \$3.2 million reflecting further progress and demonstrate the advantages of scale despite significant additional investment in sales and marketing to support growth in future years

FY19 Results
& Vision 2025

Global
Kingfish
Market
Opportunity



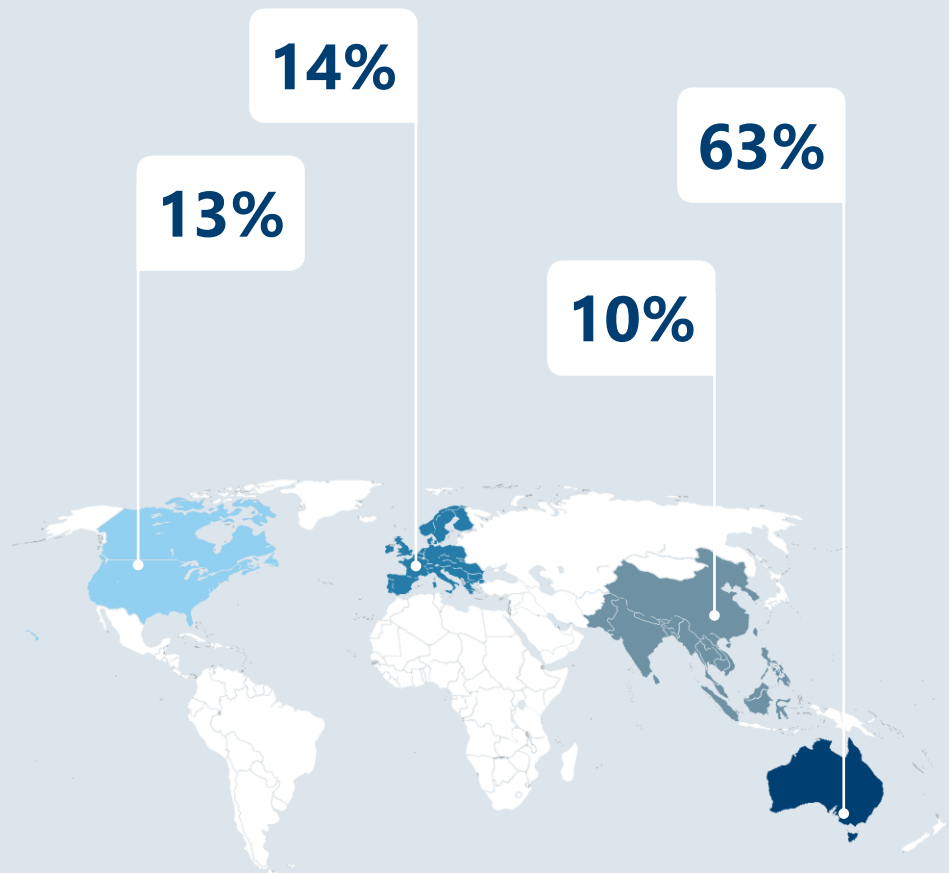
“
I was seriously
overwhelmed
with how good
this product is.
”

Chef Shaun Presland
Group Executive Chef
Sake Restaurants, Australia





Farmed Kingfish Production (excluding Japan)



Global Farmed Yellowtail Kingfish

- Japan is the largest producer supplying 96% of all farmed Kingfish and almost 80% of exports. The majority of farmed Kingfish in Japan is ranched using wild caught fingerlings. There is also a very large wild catch of mature Kingfish consumed exclusively in the domestic market
- Growth of the mature wild catch in Japan has driven exports over the last 10 years, most significantly to the USA
- Clean Seas is the largest farmed Kingfish producer outside of Japan, and the global leader in full cycle breeding and farming, and is currently the only producer outside of Japan with greater than 600 tonnes of annual production
- Clean Seas' experience is that scale is critical to long term sustainable viability, and the cost to Clean Seas of incremental production capacity is significantly less than its land farm competitors



Consumption of Farmed Yellow Tail Kingfish 2018 (excl. Japan)

Market	5 year CAGR	Total country population (millions)	Major metro population (millions)	Per Capita (total country) (grams)	Per capita (metro) (grams)	Per capita inc. wild catch (grams)
North America	7.1%	369	201	34.4	63.1	63.1
Europe	13.41%	693	203	2.4	8.3	34.0
Australia	17.85%	25	19	69.1	91.1	118
China	28.12%	1,451	431	0.9	3.1	3.1
Rest of Asia	13.00%	2,078	295	0.3	2.1	2.1
Middle East	4.89%	160	67	0.3	0.7	0.7
Total	13.9%	4,775	1,217	3.8	14.9	19.6

International Market-Consumption (excluding Japan)

- We have undertaken an extensive analysis of per capita consumption in metro regions with populations over 1 million and having established premium restaurant and food service sectors
- Per capita consumption of farmed Kingfish in Japan is circa 1,000g per annum, including wild catch it is over 1,800g.
- Australia has the next highest farmed per capita consumption at 91g, followed by North America and Europe
- North America per capita has quadrupled over the last 10 years reflecting the growth in Japanese exports and the emergence of the "sushi revolution"
- Europe has by far the lowest per capita consumption but the arrival of new market entrants over the past few years clearly demonstrates the opportunity for future growth with per capita consumption close to doubling in 2019

Significant
untapped
market
opportunity

Global Kingfish markets excluding Japan

Europe

9%

(CSS Market Share 45%)



Australia

10%

(CSS Market Share 88%)



North America

69%

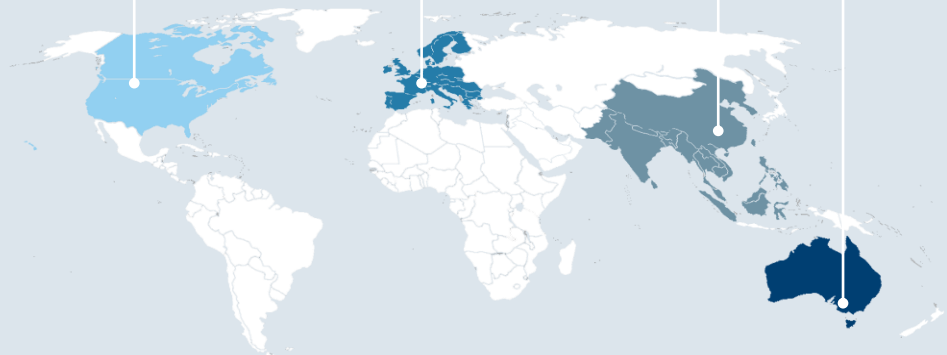
(CSS Market Share <1%)



Asia

12%

(CSS Market Share 6%)



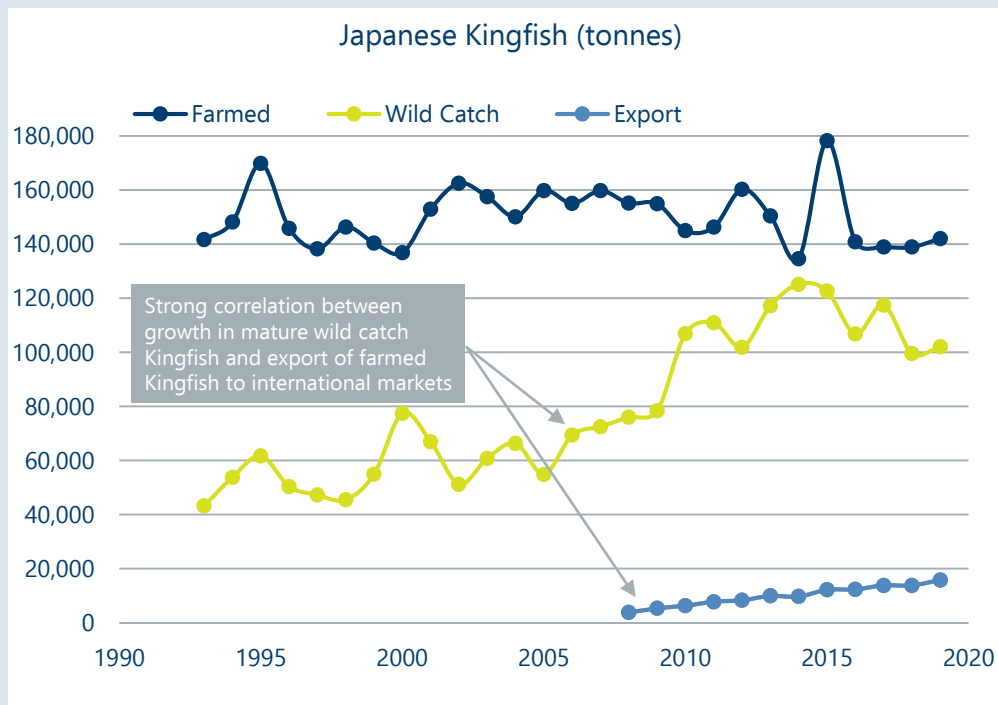
Yellowtail Kingfish Markets

- Clean Seas is the clear leader in Australia and Europe which are predominantly “fresh” markets
- North American and Asia represent over 80% of the global Kingfish market outside Japan
- Asia is the fastest growing market +41% in 201
- In North America (<1%) and Asia (6%) Clean Seas is yet to establish any material market presence
- Both these markets are dominated by traditional frozen products (>76%), entirely sourced from Japan
- Our **SensoryFresh** liquid nitrogen frozen product represents a significant competitive advantage against the Japanese traditional (-18°C) frozen offering



Yellowtail Kingfish Brands

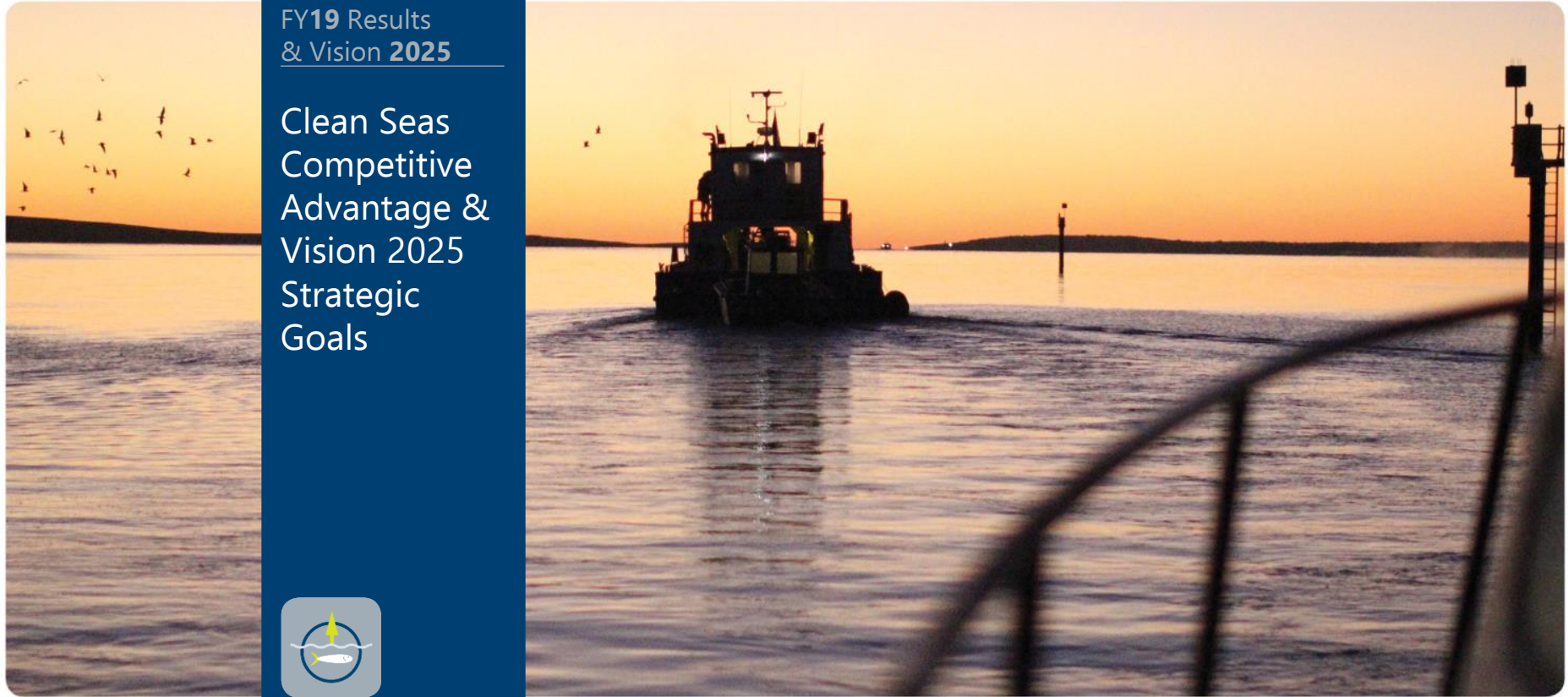
- Spencer Gulf Hiramasa brand is recognised globally as the highest quality farmed Kingfish and attracts premium pricing in every market
- Global competition has increased, however Clean Seas has grown its volumes in every market whilst maintaining its price premium
- In Europe, new land based farms focus on a faster, warm water growout but have been unable to match Clean Seas' premium positioning and pricing resulting in expansion of the European market including into new lower priced segments
- During 2019 Japanese (Hamachi) brands have been unable to maintain their share in Europe despite a 15% price advantage from the recent Free Trade Agreement and volumes have fallen 37%. By contrast, Clean Seas volumes have grown 4% despite a material price premium



- Japanese farmed production has been effectively flat since the 90's.
- Since 1998 the Japanese Government has imposed a limit on juvenile capture (25 million) used for Kingfish farmed production
- Wild catch of (mature) Kingfish in Japan rose significantly from 2008 which corresponds to the growth in Exports of farmed Kingfish over the past decade from 2% to around 10% of total Japanese farmed Kingfish production

FY19 Results
& Vision 2025

Clean Seas
Competitive
Advantage &
Vision 2025
Strategic
Goals



FY19 Results & Vision 2025

Competitive Advantage & Opportunities



Products

Farmed Kingfish is one of the few seafood species to sell at a premium to wild caught

Hiramasa considered the premium Kingfish species

Spencer Gulf Hiramasa

- only cold water farmed product outside Japan
- leading full cycle bred and farmed Kingfish brand
- sustainable proposition not available to ranch and wild caught production
- unique provenance story
- sensory research in Australia judged as Best in Class
- “arguably the best raw fish in the world”

SensoryFresh

- liquid nitrogen freezing technology provides strong product advantage over traditional frozen processing

Farmed finfish has the highest efficiency of any animal protein except eggs, which converts feed into body mass 7 times more efficiently than cattle and sheep



Markets

- Global (farmed) Kingfish market has grown at an average of over 10% per annum over the last 10 years, yet the species is still relatively unknown compared to other premium seafoods
- Clean Seas has market leadership in Australia and Europe with strong market growth potential in Europe where per capita consumption rates are less than 10% of Australia
- Clean Seas has very low share in the largest market (North America) and fastest growing market (Asia) and has recently established sales and marketing capability in both, particularly with **SensoryFresh** given 76% of these markets are frozen
- Clean Seas has a long established global distributor network



Breeding & Farming

- Clean Seas is the global leader in full life cycle breeding and farming
- 20 year breeding management program and associated intellectual property is a key competitive advantage and a significant barrier to entry
- The cold waters of Spencer Gulf represents a unique truly pristine environment for the ocean farming of Kingfish
- Clean Seas scale provides opportunity for automation not (economically) available to other smaller farmers
- Seriola Lalandi (Hiramasa) is native to the Spencer Gulf and thrives in this environment



Supply Chain

- In house processing of whole fresh and value added products provides end-to-end control from egg to customer
- Liquid nitrogen technology provides scope for further new product development
- **SensoryFresh** allows lower cost shipping options without impacting product quality



People & Culture

- Investment in entirely new executive team over the past 3 years has provided the leadership to profitably grow the business to achieve the “Vision 2025” objectives
- Recent capacity building in the sales, marketing and supply chain organisations will be key to future growth
- Highly experienced and deeply passionate farm and breeding teams represent a strong source of competitive advantage
- High calibre Board with strong experience in aquaculture, food industry and international business



Stakeholders & communities

- Long standing and positive social licence with local Spencer Gulf communities
- Supportive regulatory environment
- High level of engagement and support from local, state and national governments
- Aus-EU free trade agreement expected
- Deeply committed and loyal group of 7,000+ shareholders
- Supportive and engaged banking partner



Funding

- CSS anticipates to have sufficient funding after the current placement and entitlement issue to fully implement its “Vision 2025” objectives, and to be self funding including investment required to fund future biomass growth from FY22
- “Vision 2025” financial metrics at 4,000 and 6,000 tonnes expected to deliver sustainable and profitable growth
- At 5,000 to 6,000 tonnes the business anticipates to have the capacity to fund Working Capital including future Biomass growth and Capex projects
- Significant tax losses will maximise benefits of future profits



Scale Activation
2020 – 2022



Growth (Markets & Products)

- Expand annual sales of ocean farmed Kingfish by circa 50% to 4,000 tonnes by FY22, primarily via market share growth in North America and Asia leveraging *SensoryFresh*
- Continue Chef Activation Programs (CAP) in selected markets, and implement a Global Wholesaler Activation Program (WAP) to support market expansion and enhance customer understanding and best application of Spencer Gulf Hiramasa
- Adopt a “Whole of Fish” approach to new product development, and leverage SensoryFresh product capability to explore in-market reprocessing

Costs of Production

- Achieve a sustainable reduction in the cost of production through scale, investment in automation and selective breeding

Funding

- Minimise working capital to fund biomass growth, and the sales and marketing investment (cash) required to achieve the targeted levels of sales growth

Leveraging Scale Advantage
2022 – 2025



Growth

- Expand annual sales of ocean farmed Kingfish to 5,000 – 6,000 tonnes by 2025

Production Efficiencies

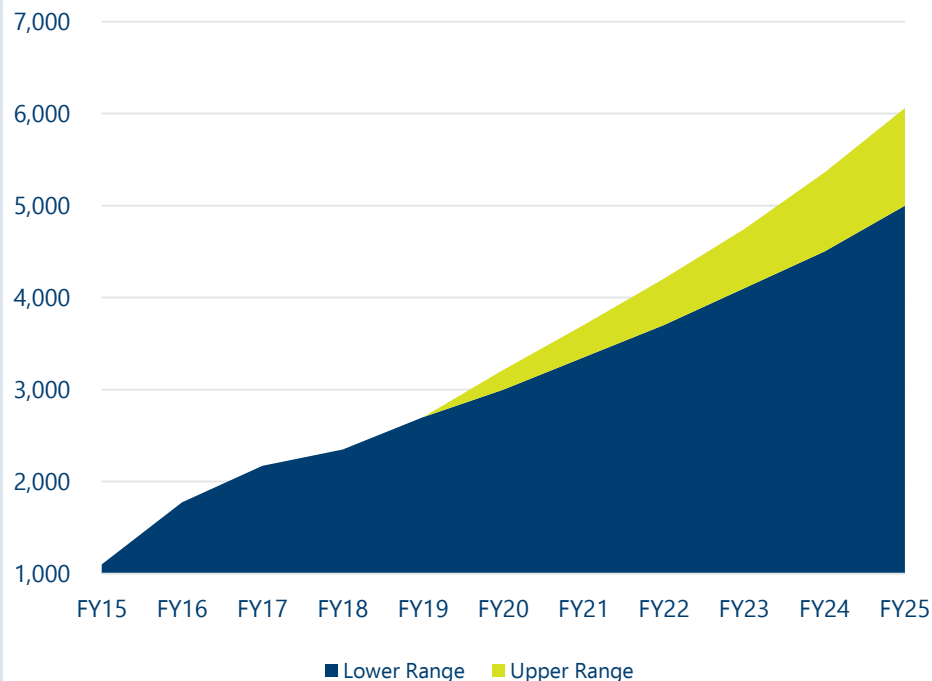
- Realise advantages of multiple large scale farms through automation and more efficient operating practices not available to smaller scale farms
- Establish new processing facilities capable of higher volumes through large scale automation

Shareholder Value

- Delivering growth in shareholder value, including sustainable dividend returns



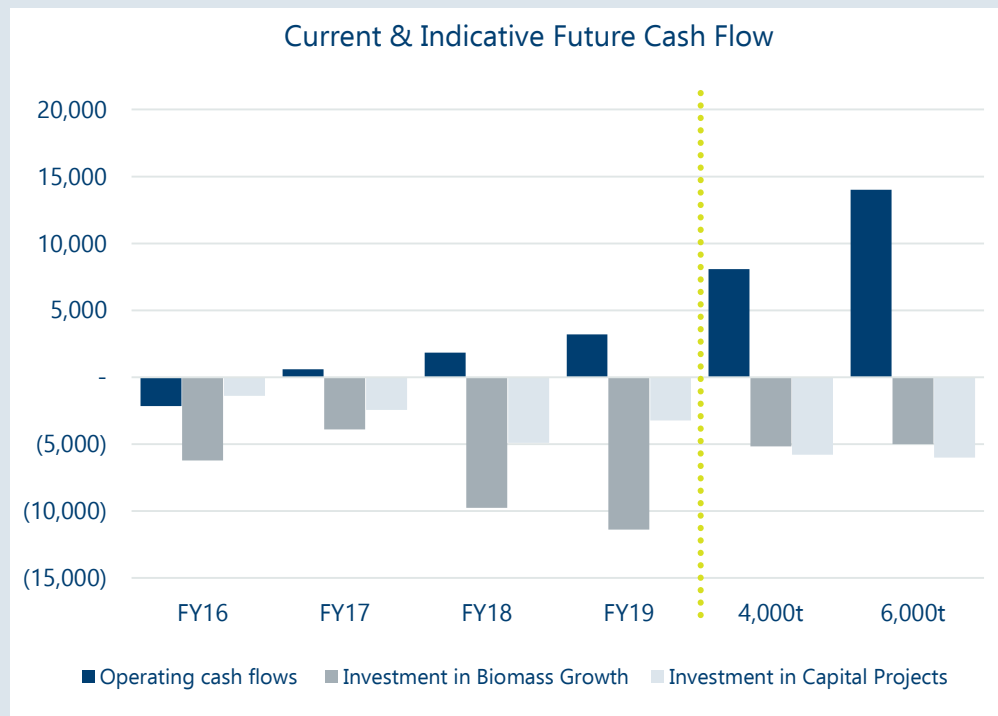
"Vision 2025" Sales Volumes



- The FY20 Budget and broader "Vision 2025" strategic plan has been prepared on the basis of minimising working capital to fund biomass growth, and the sales and marketing investment required to achieve the targeted levels of sales growth
- The Company has revised its production plan and its sales volume targets in order to reduce the need for additional capital to support expansion in Kingfish biomass. The Company anticipates that this will allow it to more quickly reach the point of being able fund ongoing expansion and sales growth from operating profits, and to commence dividend payments to shareholders
- Biomass cover is anticipated to be progressively reduced from the historical long term norm of 13.1 months to 10.8 months
- The Company anticipates this will result in a reduction in funding required over the next 2 years of circa \$10 million, but is still expected to deliver the critical 4,000 tonne sales threshold in FY22



The data represented in the table below is not a financial forecast, but an indication of operational outcomes assuming targeted sales volume levels can be achieved.



- At 4,000 and 6,000 tonnes it is anticipated the Company would achieve sustainable profitability
- A slower rate of biomass growth (fewer fingerlings) is anticipated to lower biomass cover and reduce funding requirements
- The planned mix of equity and debt funding is considered sufficient to fund the implementation of the strategic plan
- In FY17 Clean Seas reached 2,000 tonnes, the threshold required to be cash flow positive from operations, excluding the investment in future biomass
- The next significant threshold is at 4,000 tonnes, where cash flow from operations is expected to fund the investment in future biomass growth
- At 5,000 to 6,000 tonnes the business is expected to have the capacity to fund Working Capital, investment in future biomass and Capex projects
- Although the information presented is based on reasonable assumptions, it is conceptual in nature and there can be no guarantee that the operational outcomes will be achieved.



FY19 Actual

Sales Volume (tonnes WWE)	2,698
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<i>Sales Revenue / kg</i>	<i>\$17.65</i>
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Sales Revenue	\$46m
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eFCR	2.50
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<i>Indirect Costs (% sales)</i>	<i>22%</i>
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Indirect Costs	\$10m
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Underlying EBITDA	\$5.9m
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The data represented in the table below is not a financial forecast, but an indication of operational outcomes assuming targeted sales volume levels can be achieved.

Indicative Financial Metrics at Targeted Volumes

Sales Volume (tonnes WWE)	4,000	6,000
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<i>Assumed Sales Revenue / kg</i>	<i>\$17.65</i>	<i>\$17.65</i>
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Assumed Sales Revenue	\$71m	\$106m
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Assumed eFCR	2.40	2.00
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<i>Assumed Indirect Costs (% sales)</i>	<i>21%</i>	<i>19%</i>
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Assumed Indirect Costs	\$15m	\$20m
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Indicative EBITDA	\$7m+	\$18m+
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Assumptions Used

- Sales Revenue / kg at \$17.65 is consistent with FY19 actual
- Economic Feed Conversion Ratio (eFCR) was 2.13 in FY18 and reflected a more efficient biomass profile (younger cohort).
- eFCR is anticipated to improve through feed automation, a more efficient biomass profile (a younger cohort) and selective breeding
- From 4,000 tonnes to 6,000 tonnes (a 50% increase), indirect costs would be assumed to grow at a lower rate reflecting the benefits of scale
- Although the information presented is based on reasonable assumptions, it is conceptual in nature and there can be no guarantee that the operational outcomes will be achieved.



- In August 2019, Clean Seas completed a \$6.6m equity placement to major shareholder Bonafide, and announced a proposed convertible note entitlement offer to raise up to a further \$15.3m
- The convertible notes are proposed to be offered on a pro-rata basis to all qualifying shareholders, with key terms including interest payable at an annual rate of 8%, an 8% conversion discount and three-year term to maturity
- By offering convertible notes to existing shareholders, Clean Seas is seeking to provide a return to its loyal shareholder base, and is less-dilutive than alternative options
- On completion of the convertible note issue, the Company expects to be able to fund and implement its "Vision 2025" Strategic Plan
- Full details of the entitlement offer will be disclosed via a prospectus, targeting lodgement in September 2019 with offer closure expected by the end of October 2019



- **Strong sales momentum** taking an outstanding premium seafood species to the world, fuelled by the Spencer Gulf's unique and largely untold provenance story
- **Profitable sales** and positive underlying EBITDA with strong investment in future growth
- **Positive cash flow** from Operations (excluding investment in Biomass growth)
- **Clear pathway** to sustainable profitability and cash flows
- **Attractive supply and demand drivers** give Clean Seas strong pricing in a market with relatively high barriers to entry
- **Huge global growth potential** for Spencer Gulf Hiramasa Kingfish, with encouraging progress in new markets (North America and Asia), material scope for improvements in per capita consumption in Europe, North America and Asia, and attractive new products enabled by innovative technology
- Significant scope to **reduce cost of production and increase yields** through automation and selective breeding
- **Untapped capacity** to triple current farm production volumes
- **Positive social license** with engaged and supportive local stakeholders
- A **sustainable and eco-friendly growth** opportunity accredited by the world's leading aquaculture certifiers
- Outstanding product – **"Arguably the best raw fish in the world"**

Contact & Disclaimer

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