



Clean Seas Seafood
Limited (ASX: CSS)

General Meeting

25th MAY 2020



- Clean Seas (CSS) was on a strong growth trajectory when COVID-19 hit
- CSS entered the COVID-19 crisis with a strong balance sheet including significant cash and funding facilities
- The shutdown of restaurants and reduction in foodservice has had a material impact on revenues
- Kingfish farming is unaffected and nitrogen freezing is being used to manage inventory
- Initiated cost savings in excess of \$5million over balance of 2020
- Strategic pivot to develop retail product and sales channels with strategic partner Hofseth
- Some green shoots as restaurants are re-opening, but timing of recovery is uncertain
- Retail Pivot has capacity to deliver increased scale, lower costs of production and improved margins



- **FY20 H1 Results confirmed CSS positive momentum going into the COVID-19 crisis**
 - Sales Revenues up +13%
 - Gross Margin up+38%
 - Operating Cash Flow up +56%
 - Operating EBITDA of \$1.6 million (+\$1.1 million year-on-year)
- **Funding & Litigation decisions pre-COVID 19 created Balance Sheet strength**
 - \$22m Capital Raise
 - \$15m Litigation Settlement
 - \$14m new Senior Debt facility
- **March 2020 Cash and undrawn Facilities of \$47.6m and \$74.3m of Fish Assets**

March 2020 ¹ cash and undrawn facilities	\$'m
Cash at bank	19.2
Undrawn working capital facility	12.0
Undrawn senior debt facility	14.0
Undrawn asset finance facility	2.4
Total cash and undrawn facilities	47.6

¹unaudited

March 2020 ¹ Frozen and Biomass inventory		
	Tonnes	Value (\$m)
Frozen inventory	700	11.4
Live Fish Biomass	4,700	62.9
Total Fish Assets	5,400	\$74.3



- **Sales hit by World-wide government lockdowns**
 - In-restaurant dining closed in most markets globally
 - Hotels, Function Centres, Sporting Stadiums also shut down
 - Effective closure of over 85% of CSS traditional sales channels
 - Limited or no Air Freight services (Ex-Aust 90% normally via passenger aircraft)
- **Despite COVID-19 Farm and Hatchery operations unchanged**
 - Farm operating at close to peak biomass as we end the growing season
 - Husbandry activity continues to support circa 4,850t of Live Fish Biomass
 - Hatchery commenced YC21 Breeding and Fingerling supply program
- **In – House Processing Operations busier than ever**
 - Fish normally sold “fresh” now being processed and frozen
 - Liquid Nitrogen Freezing Technology key to responding to COVID-19
 - See ABC TV Catalyst www.cleanseas.com.au/gallery/videos review of technology



CSS has acted quickly over the past two months in response to COVID-19

1. Initiated Operating Cost savings in excess of \$5m (balance of 2020)
2. Established new Strategic Partnership with Norway's Hofseth Group
3. Raised \$5m in new equity from Hofseth at 13.5% premium to 10 day VWAP (\$3m of which is subject to Shareholder approval at today's General Meeting)
4. Developed a Business Transformation plan to support a strategic pivot to access new retail channels via Hofseth Strategic Partnership
5. Developed plan to establish Retail Product production capability by Q2/FY20 via investment in in-house production or 3rd party outsourced processors
6. Developed a new Brand to target new market channels including retail which will compliment and differentiate from existing Food Service Branding (*Spencer Gulf*)
7. Sold 115 tonnes in North America to Hofseth (entire US Frozen inventory)
8. Despite restaurant shutdown achieved sales in Australia via other channels
 - April (32% of 2019)
 - May MTD (49% of 2019)



- **“Green Shoots” but still too early to know specific timings of recovery**
 - Government shutdowns are starting to ease and restaurants are starting to open again
 - In Australia most states expected to allow restaurants to serve up to 50 diners by end of June
 - On-going Social Distancing restrictions coupled with an expected decline in economic activity in most markets makes it unclear when restaurants will fully return to normal
 - International Air Travel is expected to be limited for some time which is likely to impact Freight Services in terms of capacity and costs
- **CSS will manage the business to maximise cash and focus on long term strategic prospects**
 - Whilst there are many things CSS cannot control around COVID-19 we can and will manage the business to maximize cash flow and focus on opportunities to convert our significant Live-Fish Biomass and Frozen Fish inventory assets into cash
 - We will also invest in a Business Transformation Strategy that will pivot the business to Retail Products that compliment our existing Foodservice Business
- **Pivot to retail capable of delivering improved prospects post COVID-19**
 - Whilst the specific timing of the foodservice markets recovery post COVID-19 is not yet clear it is expected that markets will recover over time and when they do *Spencer Gulf* will still be *Arguably the Best Raw Fish in the World* and our Freezing Technology will still be best practice
 - CSS pivot to retail will compliment the existing Foodservice business and has the capacity to deliver a business with higher overall scale, lower costs of production and indirect costs (per kg) and therefore improved margins

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