



Mareterram

ASX ANNOUNCEMENT

FY2016 NPAT IN LINE WITH PROSPECTUS FORECAST

Sustainable Australian agribusiness, Mareterram Limited (Mareterram ASX : MTM) today announced its financial results for the full year ended 30 June 2016 and confirmed that it had achieved its Prospectus forecast NPAT for FY2016. Mareterram listed on the ASX on 6 January 2016.

Results Overview

- Sales revenue of \$16.30 million compared to Prospectus \$20.96 million, with the variance largely driven by delay for acquisition date for the Food Services Division;
- Statutory Reported NPAT of -\$1.71 million compared to Prospectus -\$2.97 million;
- Underlying NPAT of -\$0.42 million compared to Prospectus -\$0.59 million¹;
- Results achieved despite transaction costs associated with Sea Harvest's proportional takeover;
- First prawn harvest under Mareterram management progressing well at mid-point of season.

Financial Summary

	Actual \$'000's	Prospectus \$'000's	Variance \$'000's B/(W)	Variance % B/(W)
Revenue	16,300	20,958	(4,659)	-22.2%
Cost of goods sold	(13,447)	(16,025)	2,578	
Gross margin	2,853	4,933	(2,080)	-42.2%
GM%	17.5%	23.5%		
Statutory (reported) NPAT	(1,708)	(2,972)	1,264	42.5%
Adjustments for significant items				
<u>Add backs</u>				
Transaction costs - NorWest/FSD *	1,295	1,600	305	
Transaction costs - Sea Harvest *	470	-	(470)	
Interest on VFAS liabilities *	227	162	(65)	
Option Issued *	358	358	-	
Performance Rights (Fair Valued) *	945	-	(945)	
KMP sign on fee's	263	263	-	
Style net loss after tax (pre-MTM)	321	-	(321)	
Unrecognised current year tax losses (2)	529	-	(529)	
<u>Subtract</u>				
Gain on bargain purchase *	(3,119)	-	3,119	
Total adjustments for significant items	1,289	2,383	1,094	
Underlying NPAT	(419)	(590)	170	28.9%

*Non deductible/assessable for tax purposes

(2) The Group has not recognised a tax benefit in the income statement for the FY 16 tax losses due to the failure of the COT (Continuity of Ownership Test) and likely failure of SBT (Same Business Test) before the losses can be offset against future profits.

¹ Underlying NPAT excludes listing costs, transaction costs relating to Sea Harvest's proportional takeover offer, vested performance rights, key management sign on fees and options, pre-listing losses, unrecognised tax losses and a gain on bargain purchase. A detailed reconciliation is appended to this announcement.

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Results Commentary

The results for the year ended 30 June 2016 cover the transformative period where MTM established itself as a sustainable Australian agribusiness company. The acquisitions of NorWest Seafood and the Food Services Division of the Craig Mostyn Group were completed during this period, which has resulted in a new focus and direction for the Company.

Revenue impacted by timing measures

- Prospectus sales included \$3.5 million of sales in December 2015, however completion of the acquisition of Food Service Division did not occur until 18 December, which was after the majority of Christmas sales had occurred. The business sold only \$0.5 million in December, leaving a gap of \$3 million;
- Sales of \$1 million of Shark Bay prawns, crabs and scallops were delayed until July 2016, as a result of regulatory delaying of the opening of the fishing season (with a corresponding delay in the closing of the season);
- A poor European potato harvest impacted the availability of Mydibel chips that were available for sale, with an impact of \$0.3 million, and
- Sales of \$0.3 million relating to low-margin product lines such as Barramundi and Reef fish, were deleted from the products the Company elected to sell.

Gross margin impacted by lower sales

The Gross Margin was below Prospectus forecasts in both dollar and percentage terms. The majority of the dollar variance was due to the lower sales as outlined above. The major reasons for the percentage variance were:

- The reallocation of indirect selling & distribution costs from Overheads to Costs of Sales in the actual results, and
- The delayed sales of Shark Bay products, which are our highest margin sales.

Lower overheads offset lower revenue

Overheads were significantly below Prospectus forecasts, to the extent that they more than offset the reduced sales and margin. The key overhead savings were:

- Reduced salaries and wages costs by hiring fewer staff than were forecast in the Prospectus, in both the Fisheries and Foods businesses.

Statutory NPAT in line with forecasts

The Statutory Reported NPAT of -\$1.7 million exceeded Prospectus forecast of -\$2.97m. The better NPAT result was achieved despite revenue being \$4.6m (or 22%) lower than the forecast in the Prospectus.

Underlying NPAT impacted by transaction costs and gains on the value of the fishing fleet

The underlying NPAT of -\$0.4 million exceeded Prospectus forecast of -\$0.59 million. The underlying NPAT was impacted by transaction costs associated with the Sea Harvest proportional takeover, the value of performance rights as well as unrecognised tax losses due to the failure of the Continuity of Ownership Test and the likely failure of the Same Business Test. Countering this, there was a \$3.1 million gain, reflecting a revaluation of the NorWest fishing fleet.

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Market Outlook

The acquisition and integration of the NorWest Seafood and Food Services Division businesses has gone smoothly, as reflected in the reported results.

Looking forward, MTM continues to see opportunities for expansion in the protein sector. Pricing for seafood remains strong in both the domestic and export markets.

MTM will continue to carefully consider acquisition opportunities that provide the ability for scale and leverage of the other parts of the business.

Management Comment

Mareterram CEO, David Lock, said *“The results were encouraging, given the Company had the unexpected costs of dealing with a proportional takeover offer from Sea Harvest as well as it being the first prawn harvest under our management.*

“With the Sea Harvest offer now complete and committed as a supportive shareholder, we look forward to continuing our growth strategy as a leader in the sustainable protein sector.”

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About Mareterram

Sustainable Australian agribusiness, Mareterram Limited (formerly Style Limited), is an ASX-listed fishing and distribution company. The vertically integrated company has two operating divisions, Mareterram Fishing and Mareterram Foods.

Mareterram Fishing encompasses the Norwest Seafood business, which is the single largest owner operator within the pristine waters of the Shark Bay Prawn Managed Fishery. Norwest has a long and proud history of operating within the fishery for over 50 years. Mareterram acquired Norwest Seafood in 2015 and currently operates a fleet of 10 prawn trawlers.

Mareterram Foods is a food distribution and wholesaling business acquired from the Craig Mostyn Group in 2015. The Foods business manages the sales of the Norwest product from Shark Bay together with other premium, sustainably caught seafood that we source from our worldwide network of key suppliers. The Foods business also act as exclusive agents for other premium food brands, whose products complement our core seafood offering.

Mareterram’s aim and focus is the vertical integration of protein based products for the Australian and international markets. The control of the supply chain from catching through to distribution enables the Company to maximise the margins of the products it offers. Mareterram will continue to review and assess opportunities that allow it to leverage the vertically integrated nature of the business for the benefit of shareholders.