

Tassal Group Limited

**UBS Emerging Companies Conference
Food & Agribusiness**



**Mark A Ryan, Managing Director &
CEO**

30 November 2016

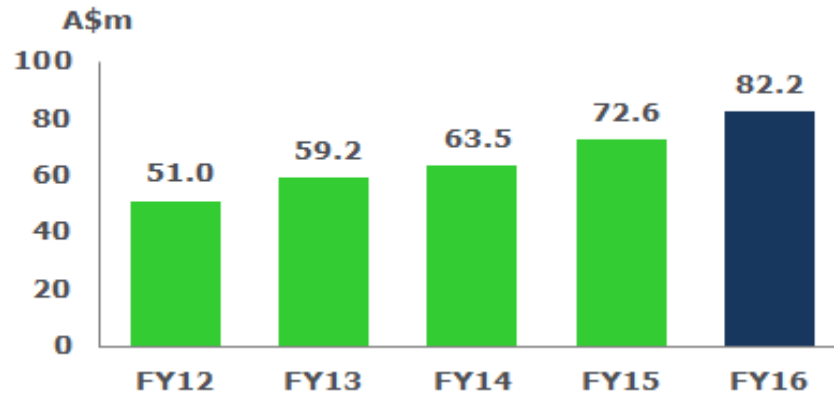
“Tassal has consistently delivered growing returns over the past 4 years due to focused execution of the right strategy.”



Growing key earnings metrics

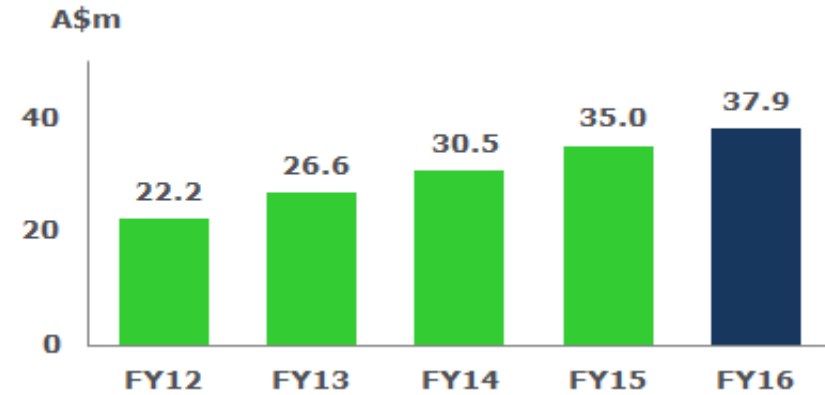


Operating EBITDA: \$82.2m



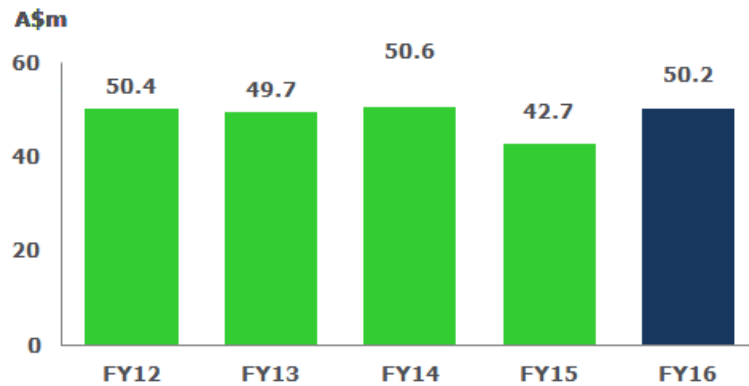
- Statutory EBITDA up 3.5% to \$97.3m

Operating NPAT: \$37.9m

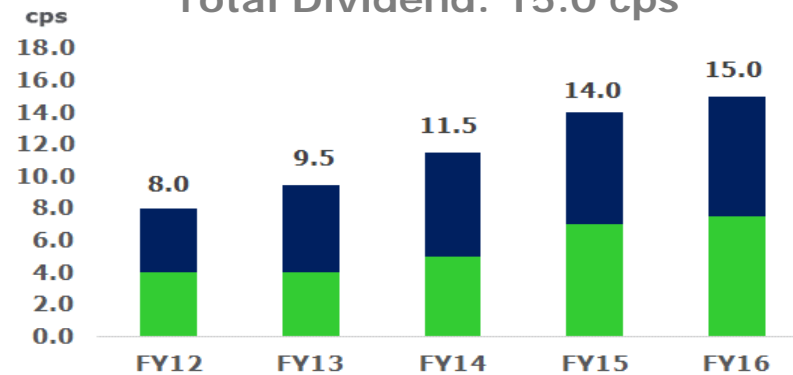


- Statutory NPAT down 3.0% to \$48.5m

Operating Cashflow: \$50.2m

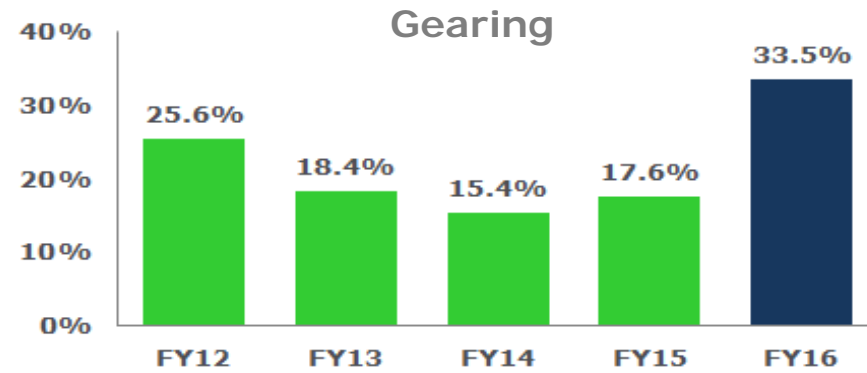
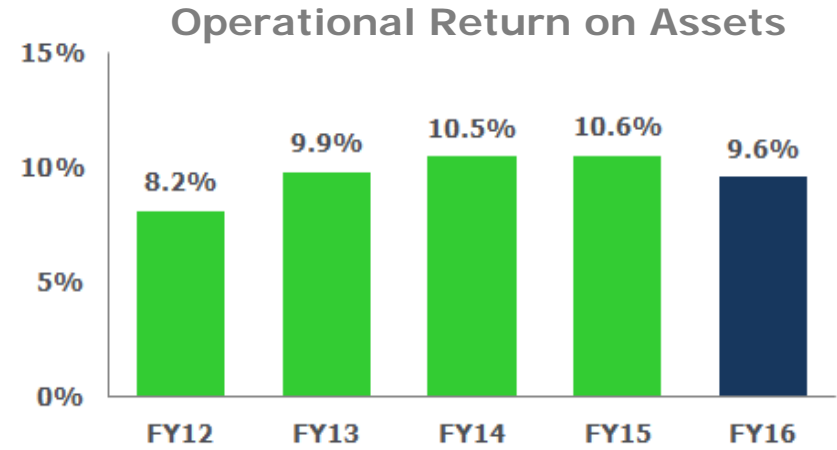
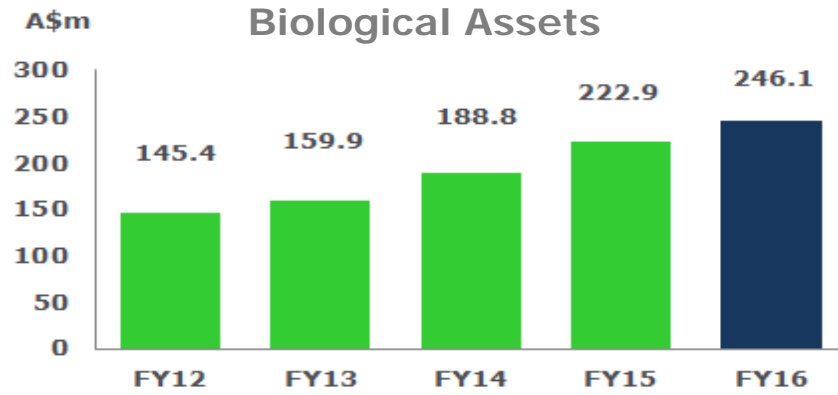


Total Dividend: 15.0 cps



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Growing balance sheet



Environmental leadership



Global best practice environmental returns continue to be delivered

- ASC certification underpins all current Salmon marine leases ... first Salmon company globally to achieve this
- Global number 1 ranking for sustainability reporting for Seafood companies ... global number 1 ranking for Salmon companies as per the independent *Seafoodintelligence.com*
- Tassal awarded Coles Sustainable and Ethical excellence award in 2016
- Mark Ryan awarded Banksia Foundation Richard Pratt CEO Award for contributions to sustainability across Australia
- Tassal awarded Australian Business Award for Sustainability
- Global best practice breeding program in place
- Effective adaption of sustainability focus & techniques with changing environments
- Continued focus on fish health and performance (fish safety)
- Community engagement to foster support for growth and flexibility of operations
- Delivery supported by best on ground people & interdependent team

Leadership has its challenges



Tasmanian Salmon aquaculture Industry is feeling some growing pains & Tassal is responding

- Recent ABC-TV Four Corners documentary titled 'Big Fish' focused on Tasmanian Salmon aquaculture Industry & Tassal in particular
- The program featured an Industry that was split on growth paths between Tassal and our largest competitor (Huon Aquaculture), with issues covered including:
 - environmental impacts of the three main Salmon farming companies' operations in Macquarie Harbour on Tasmania's west coast
 - community opponents targeting Tassal's Okehampton expansion on Tasmania's east coast
 - "inshore" vs. "offshore" locations for new marine leases for Salmon aquaculture
 - feed and supplement regimes including Astaxanthin
- Success of the Industry in growing from nothing in the 1980's to \$690M in total revenues in FY16 means that greater public scrutiny is inevitable – and we welcome it as an opportunity to build further on our sustainability focus
- Tassal is responding by a) stepping up our performance and b) better communicating our dual objectives for both a sustainable Tassal and Tasmanian Salmon Industry:
 - scientific advances to boost output while reducing environmental footprint
 - broad-based stakeholder engagement and strong community programs
 - advocating for a state-wide planning strategy to guide Industry's future
 - building awareness of how we add "societal value" along our value chain



PACKED WITH THE MOST SUSTAINABLE SALMON IN AUSTRALIA



“Tassal’s growth strategy has evolved to build on the company’s key strengths, and now encompasses Salmon & Seafood.”



Strategic evolution to Salmon and Seafood



“The intent underpinning our Strategic Evolution was 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”



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Strategy: Salmon



Sales: domestic market is still fundamental, but a re-balance of the sales channel mix was required

- Enhanced Salmon growing performance and supply chain efficiencies will move us closer to global best practice cost and underpin growing returns
- Targeting global best practice cost from a growing perspective involves ultimately moving to an average fish size of 5.00kg Hog
- Retail market remains an important channel to provide stability in pricing and margin, but need to continually assess relative channel margins
- Wholesale market remains an attractive channel – current supply/demand dynamics favourable for an increase in wholesale exposure
 - Combined with the benefit of better matching fish supply to demand, supports a cost reduction focus of our Salmon farming operations
- Export market conditions are presently attractive – global supply constraints, increased pricing and lower Australian dollar
 - Provides an opportunity for sales channel mix for bigger fish size to improve margins
 - Focussed on niche markets that pay a premium for our branding and sustainability credentials is fundamental
- Supply chain focus is both to optimise processing to account for channel strategy evolution, ensure we have scalability for Salmon growth, and develop new supply chains into emerging markets, such as Asia

Strategy: Seafood



Prawns is a key species for our Seafood growth strategy

- De Costi Seafoods acquisition is a key plank for Eastern Seaboard distribution of Seafood
 - Tassal's best practice supply value chain learnings have been integrated
 - As a result of the integration process, opportunities have emerged that will provide additional synergies and further increase the strategic rationale for the acquisition
 - Operations have been restructured and aligned from a people, process, plant and equipment and profit perspective
 - The key outcomes have been to increase capacity and capability, while automating and driving operational efficiency measures
- Our supply chain focus is both to optimise processing and ensure we have scalability for Seafood growth
- Our sales focus is to ensure that we increase margin during our growth phase, with the key action items to underpin this being:
 - Increased focus on packaged formats at the retail level, where consumer demand is rapidly increasing. We hold an infrastructure advantage in packaged production
 - Direct supply focus in the wholesale/foods services channel, targeting wet fish shops and end users through sophisticated supply chains, and technology
 - Migrating from whole fish commodity export markets into value added export markets

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“The size of Tassal’s operations underpins our ability to continue reducing operating costs and ensuring efficiencies, while being able to take advantage of changing market conditions.”



Strategy



Overarching strategic focus is to deliver sustainable global best practice returns from a financial, operational and environmental perspective – while operating at a zero harm safety level

- Maintain our global leading sustainability position (ASC & WWF-Australia) ... continue to grow our social licence to operate and our scientific leadership
- Maintain our global leading financial returns
 - Continue to grow domestic per capita consumption of Salmon ... optimise the sales price and mix
 - Continue to drive consumer appeal for Salmon and a preference for our brands
 - Drive key Seafood species growth and our share of category
 - Grow our share of the Seafood and Salmon markets within wholesale, foodservice and ingredient supply segments
 - Grow our share of the Seafood market in the retail segment and in particular the pre packed category ... however, ensure that our Salmon sales are **not** too skewed to retail
- Deliver global leading operational returns – without diminishing financial and environmental returns
 - Deliver global best practice cost for growing and supply chain for Salmon
 - Deliver global best practice supply chain efficiencies and cost for Seafood

Outlook



FY17: positioned for continued growth

- For FY2017, targeting to take advantage of a more favourable sales mix and pricing environment
 - Favourable Salmon pricing in wholesale and export markets
 - Managing sales mix to optimise returns
 - De Costi Seafoods to drive Seafood sales and category growth
 - Price increases achieved for smoked Salmon in all Retail customers and fresh fish in selected customers - with such price increased reflective of the increase in the cost of fish due to the summer environmental conditions
 - Focus to offset the increased cost of fish to be harvested in FY17 which were impacted by the summer conditions
- From FY2017 onwards, focus is to deliver strong gains in biomass growth, feed conversion and reductions in bathing for AGD – which will in turn drive operating cost efficiencies and a move closer to global best practice operational returns from fish performance
 - Salmon operating platform to deliver best practice cost of growing and supply chain returns
 - Continue to invest in a high-value, long-term sustainable Industry for Tasmania
- Strategy: set around delivering global best practice operational, financial & environmental returns – underpinning a best practice balanced scorecard



In summary...

- **It's not about luck**
 - Sustainable growth across key environmental and financial metrics
 - Growing financial returns
 - Strategy evolving from Salmon to Salmon & Seafood
- **It's all about strategy and execution**
 - Rebalancing sales channels to optimise returns
 - Salmon: Growth in fish size and reduced cost – together with optimising sales volume to underpin long term returns
 - Salmon & Seafood: Further optimising supply value chain to drive additional efficiencies
 - Strong ongoing commitment to sustainable business & Industry
 - Continued growth in earnings expected

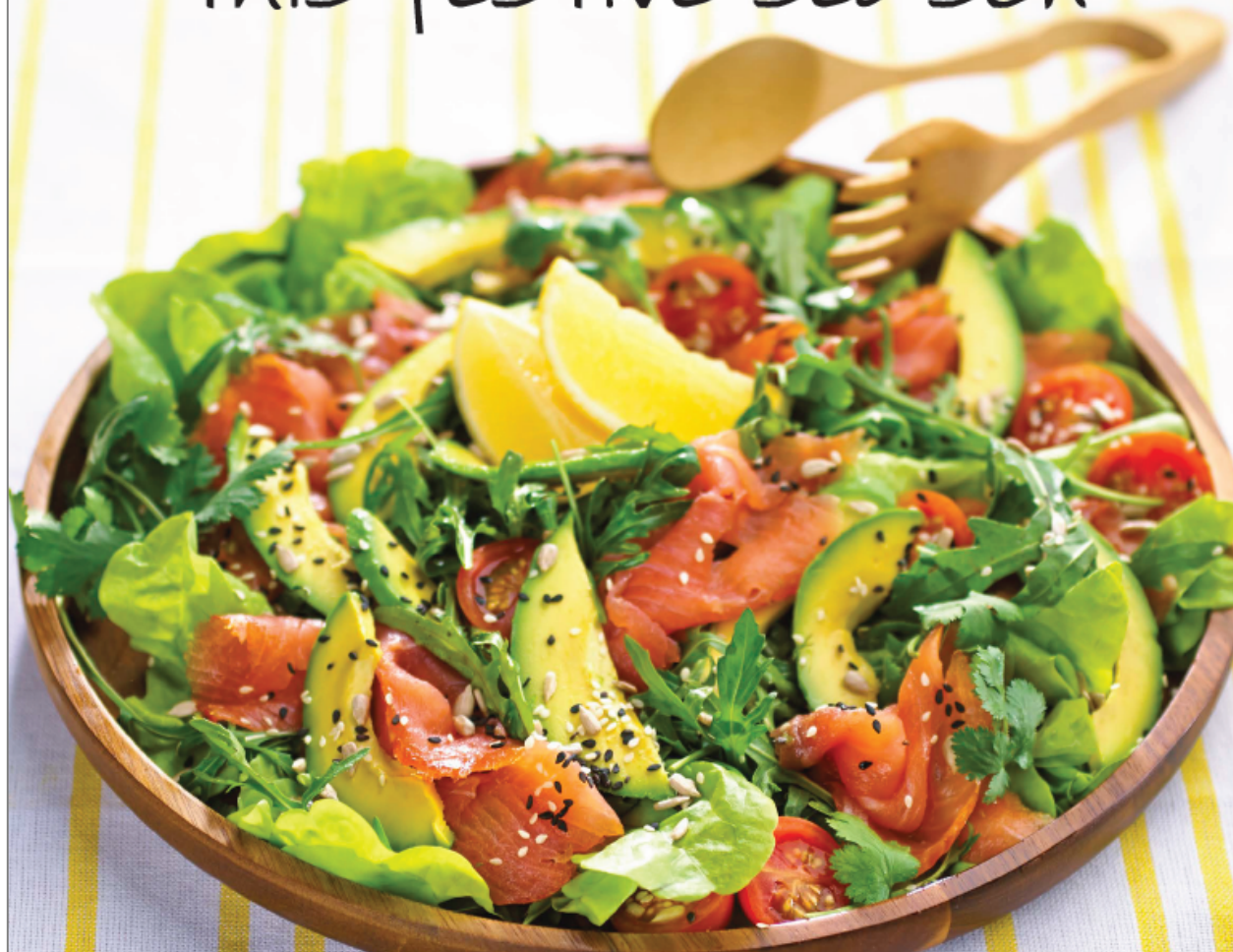
Any questions?



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this festive season



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