

## ASX & Media Release

27 November 2017

### **CLEAN SEAS AGM PRESENTATION – CONTINUED STRONG IMPROVEMENT**

Clean Seas Seafood Limited (ASX: CSS, “Clean Seas” or “the Company”) is pleased to release the presentation that David Head, Managing Director and CEO, will be presenting to the AGM this afternoon.

This presentation includes an update for July to October 2017, with comparison to the same period in FY17:

- Sales revenue of \$13.5m, up 30% from \$10.4m
- Sales volume of 858 tonnes, up 20% from 714 tonnes
- Farm gate for large fresh fish of \$13.68, up 18% from \$11.59
- Cash flow from operations of \$1.0m, up \$1.4m from (\$0.4m)

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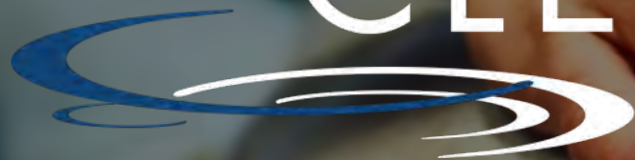
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# CLEAN SEAS

Seafood Limited

AGM PRESENTATION  
November 2017



“ We gather at first light on the shore of the Spencer Gulf, home to the Hiramasa Kingfish. Around us, sea spray swirls, tossed by wild winds whipped up across an endless sea. In these cold waters, the Kingfish is majestic, radiant, powerful. Once landed, freshly prepared, it is luscious, translucent and delicate. ”

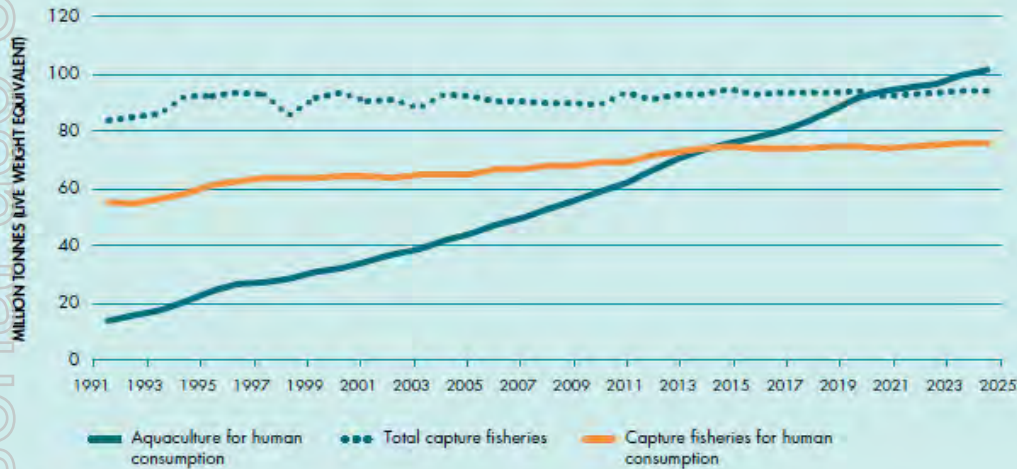
- THE TALE OF TWO FISH



# Aquaculture – A sustainable growth opportunity

FIGURE 34

## GLOBAL CAPTURE FISHERIES AND AQUACULTURE PRODUCTION TO 2025



SOURCE: OECD and FAO.

- The OECD and FAO forecast fish consumption to continue rising steadily through 2025
- Fish is an increasingly important source of animal protein, having grown rapidly to around 16% of all global animal protein consumption
- The wild fish catch is effectively capped, leaving growth in sustainable aquaculture as the only way to meet rising global demand
- Farmed finfish convert feed into body mass 7x more efficiently than cattle and sheep, while producing less than 1/10 the Co2 per kg of cattle and sheep
- Clean Seas' **Spencer Gulf Hiramasa Kingfish** sells at a premium to wild caught Kingfish



# Yellowtail Kingfish: An exceptional, surprising fish

## Unsurpassed Raw

- Firm white to pink flesh with a sweet, rich, clean flavour
- Its flesh retains layers of subtlety and intrigue – firm but distinctively delicate
- Japanese Sushi Masters consider it the best fish in the world for sashimi

## Outstanding Cooked

- Versatility inspires chefs to create innovative dishes
- Seared with heat and fire, mildly cured or marinated
- Endless ways to prepare this versatile fish



# Global Leader

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- We are the Global Leader in the “**Full Cycle**” Breeding and Farming of **Yellowtail Kingfish** and are forecast to grow around **3,100** tonnes in FY18
- The Japanese Industry is around **160,000** 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
  - The Japanese industry is made up of many small farmers- often just 100 tonnes per farmer
  - The vast majority of Japanese production (circa 95%) is for the local domestic market

# Best in Class



- Sensory Research in Australia in February 2017 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
- **Spencer Gulf Hiramasa** was also recently voted “**Best Fish**” at the Australian Food Awards for second year in a row – 2016 & 2017

# Our Customers

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- Our customers are the leading seafood distributors and wholesalers in key cities across the world
  - We have direct relationships with more than 120 distributors and wholesalers
  - They service high-end fine dining, international, Japanese and fusion cuisine restaurants
  - Together we develop long term relationships with restaurants and key chefs
  - Our brand is featured in menus in the best restaurants around the world including Melbourne, Sydney, Milan, NYC, London, Barcelona, Hamburg, Lisbon, Oslo, Zurich, Paris, Los Angeles, Toronto, Venice, Berlin, Geneva, and so on.....



**Nicky Riemar**  
Bellota Restaurant  
Melbourne



# Farmed in a unique area of South Australia

- Our Hatchery is located at Arno Bay and our sea farm operations are located in the Spencer Gulf, in a remote location off the Eyre Peninsula town of Port Lincoln in South Australia.
- By any measure, the Spencer Gulf is one of the cleanest bodies of water in Australia. There is nothing between the water where the kingfish are raised and the Antarctic but the icy, vast expanse of the Southern Ocean.
- Yellowtail Kingfish are indigenous to these remote crystal clear waters. Spencer Gulf Hiramasa Kingfish brood stock are bred from fish originally sourced only an hour or so from our current operations.



Hatchery at Arno Bay



Farm at Port Lincoln



PORT LINCOLN

SPENCER GULF

South  
Australia

# World Class Hatchery

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# World Class Hatchery



# World Class Hatchery

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# World Class Hatchery

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# World Class Hatchery



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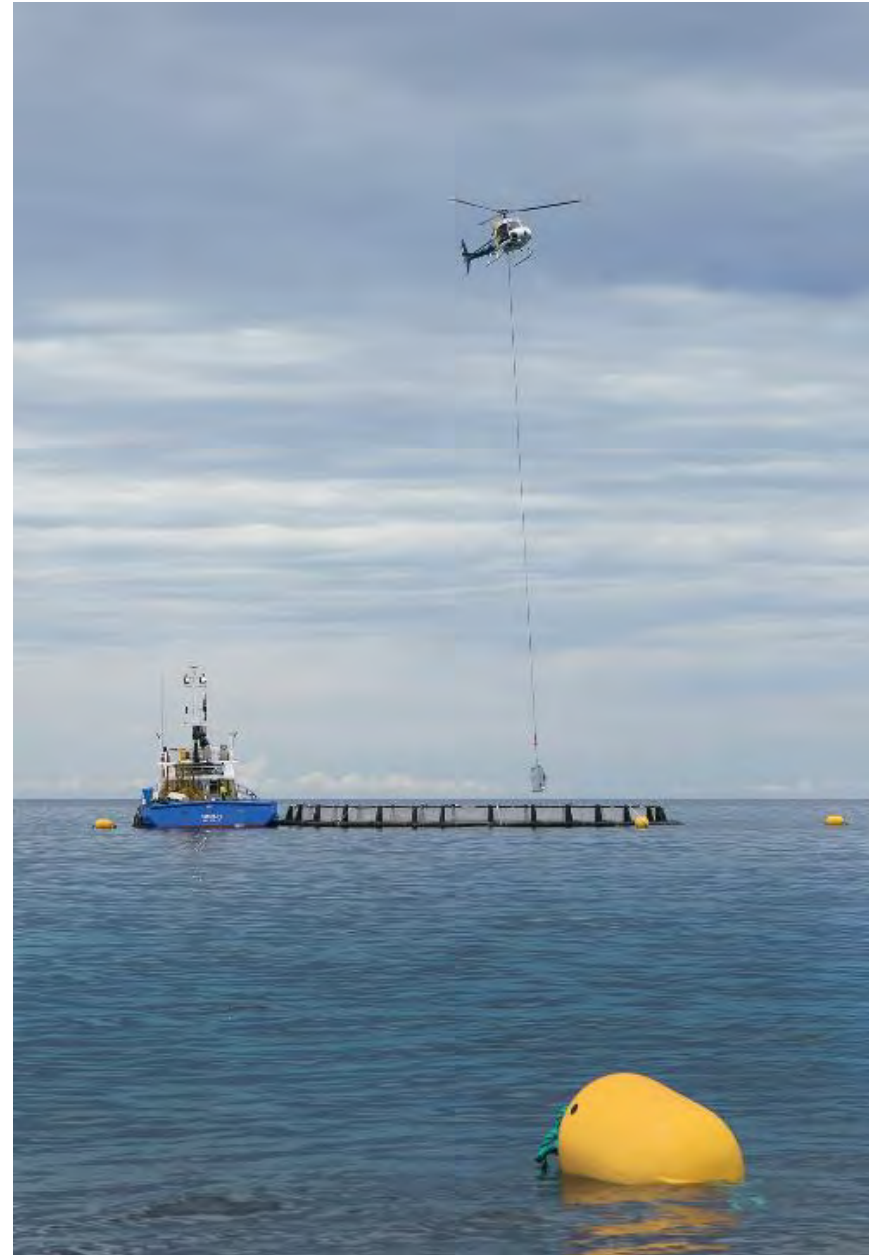
# Transfer to Sea Farms

The fingerlings remain in the nursery until they reach a weight of up to 35 grams, at which point they are transferred to the sea, normally by helicopter.



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# Transfer to Sea Farms



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# Our Spencer Gulf Farms – Extraordinary Provenance

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# Spencer Gulf – Extraordinary Provenance

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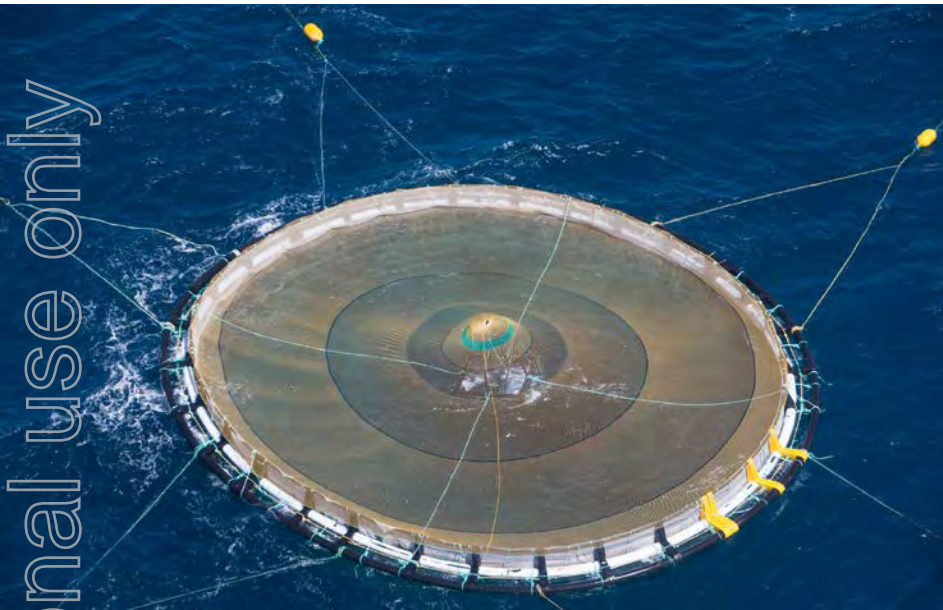
# Our Spencer Gulf Farms – Extraordinary Provenance

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# Our Spencer Gulf Farms – Extraordinary Provenance

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# Clean Seas Farm Lease Capacity

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# Sustainability

## Certification from Friend of the Sea

- No impact on critical habitat (e.g.: mangroves, wetlands, etc.)
- Compliance with waste water parameters
- No use of harmful antifoulants or growth hormones
- Compliance with Social Accountability



## Aquaculture Stewardship Council (ASC)

- The worlds leading certification. We are currently working to achieve accreditation during half 1 2018



## HACCP

- We are focused on safe work practices and have recently been re-accredited for HACCP



# New processing facility - Adelaide

## New Facility

- In July 2017 Clean Seas commissioned a new in house processing facility in Adelaide providing end to end quality control across the supply chain from Hatchery to customer
- The facility has a significant capacity for future expansion including production of new “value added” products planned from 2018/2019



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# Latest Freezing Capability

## Latest Technology

- The Royal Park Processing Facility will include latest rapid freezing technology (liquid nitrogen) and Adelaide's first -40 degree freezer facility
- Liquid Nitrogen technology freezes YTK to -10 degrees in around 22 minutes
- Sensory Testing confirmed that the Liquid Nitrogen Rapid Freezing delivers superior product versus traditional freezing and has the capacity to open up new markets







# **SPENCER GULF HIRAMASA KINGFISH**

In July 2017 we rebranded and launched a new marketing campaign

# Hiramasa Kingfish brand has evolved over time

Beautiful Fish Campaign (2007 – 2014)



King of Kingfish Campaign (2014 – 2017)



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# Strategic review of brand

A strategic review in 2016 identified current branding did not reflect the products key attributes and personality.

The new strategy has three strategic pillars:

- **Provenance** (including cold water benefits)
- **Culinary excellence and versatility**
- **Sustainability**



# Rebrand: Spencer Gulf Hiramasa Kingfish

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Leverages unique provenance | Benefits of cold water farming | Distinct differentiation from competitors

# Brand Story – The duality of one

When we talk about our **Spencer Gulf Hiramasa Kingfish**, we are talking about two fish ...

“There’s the Kingfish in the water ...

**POWERFUL, PREDATORY, MAJESTIC...**”

and

“There’s the landed Kingfish on the plate..

**DELICATE, TRANSLUCENT, SUBLIME ...”**



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# New Packaging

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- Traditional Poly Boxes replaced with fully recyclable boxes
- New box will have 95% of the thermal properties of a Poly Box
- More consistent with our **sustainability proposition**
- High quality graphics to support premium positioning
- More expensive, but achieve transport savings due to better design and stronger boxes

# Chef Ambassadors

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We have a long standing culture of working closely with high end chefs in Australia and around the world.

Victor Leong

# Chef Ambassadors

And these leading Chef's have produced a series of short videos (unscripted and unpaid) in which they share their favourite Spencer Gulf Hiramasa Kingfish creation

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Giovanni Pilu  
Pilu at Freshwater  
Sydney, Australia



Nicky Riemar  
Bellota  
Melbourne, Australia



Victor Leong  
Lee Ho Fook  
Melbourne, Australia



Shaun Presland  
London, UK



Frank Shek  
China Doll  
Sydney, Australia



Juan Amador  
Amador  
Mannheim, Germany



Donovan Cooke  
The Atlantic  
Melbourne, Australia



# Clean Seas Seafood Ltd (ASX: CSS)

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## TRADING INFORMATION

ASX stock code	CSS
Shares quoted on ASX (21 November 2017)	1,667m
Market cap at 6.2 cents/share	\$103m

## 2017 SHARE PRICE PERFORMANCE



# Board of Directors



**Terry O'Brien - Independent Non-Executive Chairman** (Joined January 2017 – Chairman since May 2017)

Over 30 years' experience as a CEO, CFO and senior executive in the FMCG and textile industry sectors, including Cadbury Schweppes, Pacific Dunlop and Simplot. From 2001 until March 2017 Terry was Managing Director of Simplot Australia, one of Australia's largest food companies where he led a threefold growth in sales during his tenure as Managing Director. Terry is also a Director of Food Innovation Australia Ltd . Chairs the Clean Seas remuneration and nominations committee.



**David J Head – Managing Director & CEO** (Joined January 2016)

Over 25 years experience as a CEO, Non-Executive Director and Corporate Advisor in a wide range of industry sectors in Australia, New Zealand, Asia and Europe in public and privately owned companies. This includes Chief Executive roles at Pepsi, Lion Nathan, Calum Textile Group and Leigh Mardon Group. A Non-Executive Director of Fair Trade Australia & NZ Limited and Chairman of the Board of the VCFA Football (Soccer) Association.



**Paul Steere – Independent Non-Executive Director** (Joined May 2010, Chairman May 2012 – May 2017)

Founding CEO of New Zealand King Salmon (NZK) (1994-2009) and Non-Executive Director since 2009. NZK listed on ASX and NZX in October 2016 , is the leading aquaculture company in NZ and the largest Chinook salmon farmer globally. Chairs and Directorships in Wine, Aviation, Education and Architectural sectors. Member of the finance, audit and risk committee .



**Nick Burrows – Independent Non-Executive Director** (Joined April 2012)

21 years (1988 – 2009) as CFO and Company Secretary of Tassal Group Limited, Australia's largest aquaculture company. Holds a diverse range of Non-Executive Director and advisory roles. Chairs the Clean Seas Finance, Audit and Risk Management (FARM) Committee with substantial experience in similar roles. Member of remuneration and nominations committee.



**Hagen Stehr AO – Non-Executive Director** (September 2000)

A founding Director with extensive knowledge of and experience in the fishing and aquaculture industries, having been involved in the tuna industry in Australia since 1960. A Director of Australian Tuna Fisheries Pty Ltd which is Clean Seas' largest shareholder (9%). Holds leadership roles in a number of Industry Associations.



**Marcus Stehr – Non-Executive Director** (September 2000)

Marcus is a founding Director and has over 25 years of hands on experience in marine finfish aquaculture operations encompassing Tuna, Kingfish and Mulloway. Marcus is Managing Director of Australian Tuna Fisheries Pty Ltd and holds leadership roles in a number of Industry Associations. Member of remuneration and nominations committee.

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# Successful \$17.6m capital raise: October/November 2017

- Oversubscribed \$7.0 million Institutional Placement (completed 26 October 2017)
- Shareholders subscribed for \$8.6 million in 1:10 Renounceable Rights Issue (97% take up)
- Sub-Underwriters take up \$0.3 million Shortfall (3%)
- Sub-Underwriters (mainly institutions) take up \$1.7 million in oversubscribed Top Up Placement
- Strong response from shareholders and institutions demonstrates their support for Clean Seas' strategic plan and decision to accelerate business growth
- All shares issued at 6.0 cents/share

# Proceeds of the offers will fund Clean Seas' ongoing growth

## Capital raise to fund:

- **An increase in working capital** to fund the growth in Live Fish Biomass
  - FY18 sales are forecast to be 2,650 to 2,850 tonnes, a 360 to 560 tonne increase from FY17.
  - Biomass growth expected to increase by circa 600 tonnes in FY18, which will require additional working capital of approximately \$7.0m.
- **Expansion of farming infrastructure** with the planned return to farming at Fitzgerald Bay in the Upper Spencer Gulf, near Whyalla (\$5.0 million)
  - YC 19 planned to be farmed at Fitzgerald Bay
  - Application underway to expand Lease from 2400 to 4200 tonnes
  - Working with Federal and State Governments and Local Council (Seeking grants and upgrade of council-owned marine infrastructure)
- **Investment in processing automation** and new equipment (\$1.0 million)
- **General working capital** (\$3.3 million)
- **Costs of the offer** (\$1.3 million)

# Share Register Post Placements and Rights Issue

## MAJOR SHAREHOLDERS (AS AT 21/11/17)

J.P. MORGAN NOMINEES AUSTRALIA LIMITED	7.4%
AUSTRALIAN TUNA FISHERIES PTY LTD - COMBINED	7.0%
CITICORP NOMINEES PTY LIMITED	2.5%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2.1%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1.7%
UBS NOMINEES PTY LTD	1.5%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	1.1%
BNP PARIBAS NOMS PTY LTD <DRP>	0.9%
DAVID HEAD (MANAGING DIRECTOR) RELATED ENTITIES - COMBINED	0.6%
<b>Top 20 Shareholders</b>	<b>31.2%</b>

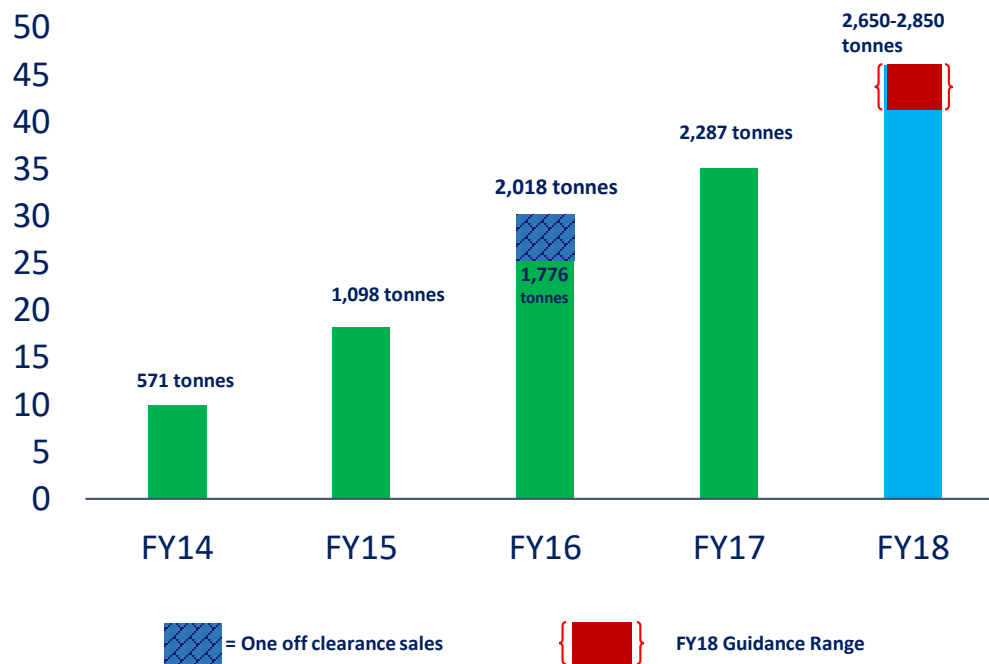
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# Five years of strong growth

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Sales (\$Millions)



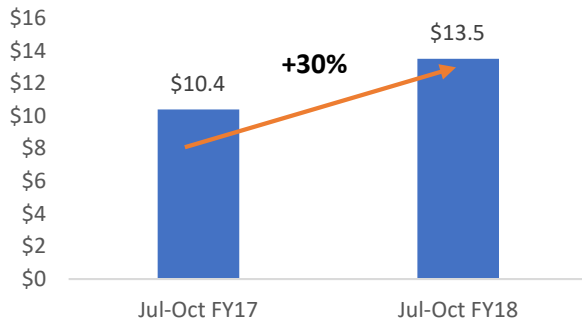
Revenue guidance for FY18 is in the range of **\$43-\$47 million** (2650-2850 tonnes) further growth of 23%-34%

# Strong growth has continued in FY18

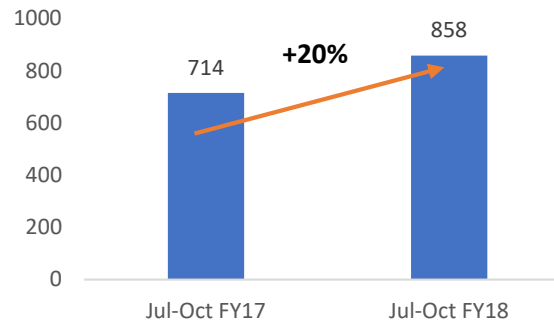
- Clean Seas is continuing to build momentum on the **return to full-year profitability** achieved in FY17.
- On target to meet FY18 guidance, having achieved **growth in sales revenue** of 30% year-on-year for the first four months of FY18, **volume growth** of 20% for the same period, and **continued material improvements** in domestic and international farm gate prices.

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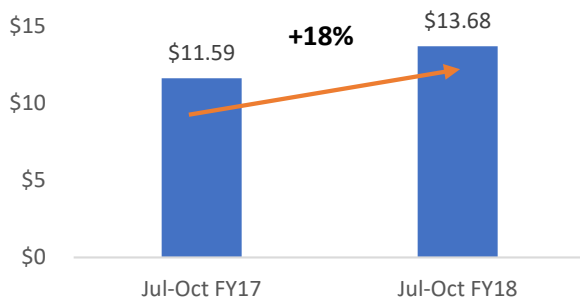
### Sales Revenue (\$ million)



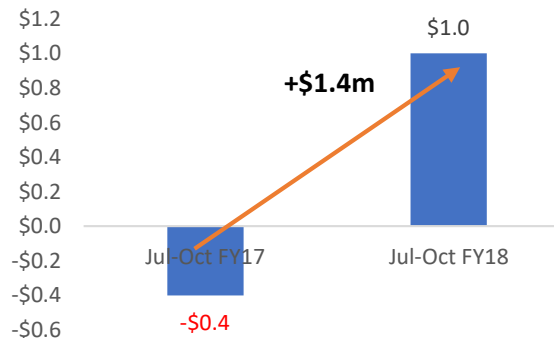
### Sales volume (tonnes)



### Farm gate - large fresh per kg (WWE)



### Cash flow from operations (\$ million)



# Cash Profit (\$/kg) Large Fresh - Guidance

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Cost \$/ kg	FY17	FY16
<b>June Farm Gate – Large Fresh per kg (WWE)</b>	<b>13.56</b>	<b>11.50</b>
Total Cash Cost per kg of Net Growth	12.69	11.87
<b>Cash Profit per kg – Large Fresh</b>	<b>0.87</b>	<b>(0.37)</b>

- A different perspective to Statutory P&L based on SGARA accounting (as required by Corporations Act and Accounting Standards)
- FY17 Net Growth was lower than expected due to cooler than average seawater in H1 thus increasing average cost per kg of growth
- FY18 farm gate is expected to increase with increased selling prices and reduced processing costs at Royal Park, mainly from H2 FY18
- Large Fresh Cash Profit per kg expected to improve to \$2.50 to \$3.00 per kg within two to three years
- Similarly Cash Profits for all products are expected to increase to \$2.50 to \$3.00 per kg within three to four years



# Sustainable growth strategy



- Expand global sales via new marketing campaign and targeted customer activation program
- Significant scope to increase per capita sales across major Australian cities and expand into relatively under developed markets for Kingfish across major cities in Europe, USA and Asia
- Leverage brand positioning to maintain premium pricing
- Introduce new rapid freezing technology for new product capabilities and significant reduction in transport costs to markets in Europe, Americas and Asia
- Widen Clean Seas' advantage in quality and cost of production through ongoing investment in genetic research

# Our Story: “Best in class with a compelling narrative”



## Outstanding but unknown species

- Yellowtail Kingfish is an outstanding species but is still relatively unknown outside Japan

## Sustainable source of protein

- Clean Seas is the Global Leader in the environmentally sustainable full cycle breeding and farming of Yellowtail Kingfish

## Best in Class

- Sensory research has confirmed our product as “Best in Class” with clear and distinct preference to competitive offering including Japanese product.
- Voted “Best Fish” – Australian Food Awards

## Unique Provenance

- Spencer Gulf has an untold and unique provenance story.

## Endorsement of leading Chefs

- Leading international chefs get their inspirations from Spencer Gulf Hiramasa Kingfish

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