

# Tassal Group Limited

## 1H15 Results



Mark Ryan, Managing Director & CEO  
Andrew Creswell, Chief Financial Officer

12 February 2015

# 1H15 Overview



Continued growth driving more acceptable return levels

# Key themes from 1H15



## Sales initiatives and operating efficiencies driving continued earnings growth...

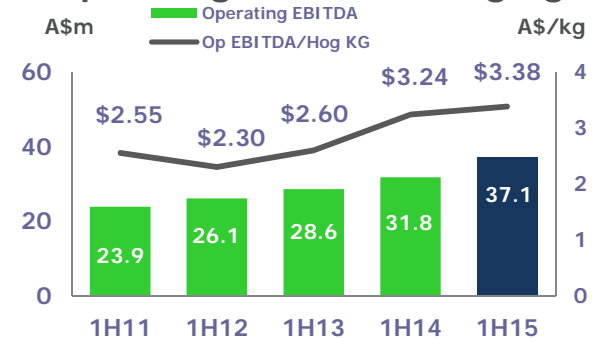
- Sustainably generating more \$/kg and \$ from domestic market sales ... domestic marketing campaign continues to build brand and drive sales
- Very strong fish biomass growth... coupled with excellent feed conversion ratio (FCR) performance and survival allowing operating cost efficiencies and a risk mitigant to rising feed prices (i.e. improving FCR)

## Strong balance sheet and growing dividend...

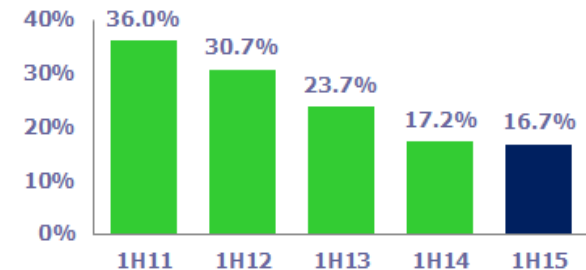
- Continued strength in balance sheet and reduced gearing
- Continued to generate strong cash flows, with the focus on maximising operating cash flow from the business, together with appropriate use of its funding facilities to ensure appropriate investment in fish growth and a responsible capital spend to underpin sustainable growing longer term returns
- Continued growth in dividend... total dividend up 27.3% to 7.0cps (50% franked) [1H14: 5.5cps]

... and moving closer towards more acceptable return levels

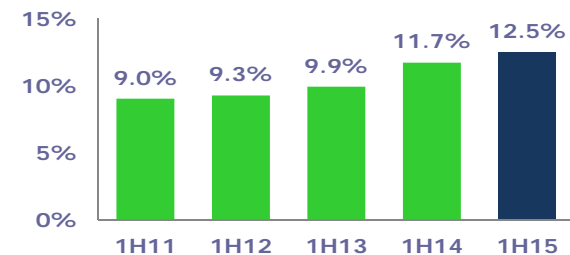
Operating EBITDA \$/Hog Kg



Gearing (net debt/equity)



Return on Assets



# Strong financial performance

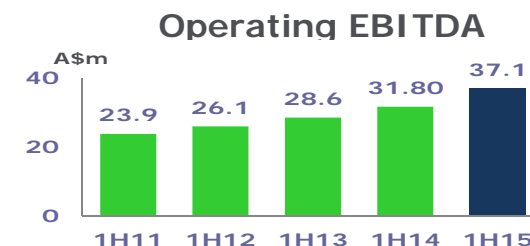


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(A\$m)	1H15	1H14	Change
<b>Statutory results</b>			
Revenue	150.95	134.45	↑ 12.3%
EBITDA	54.11	42.02	↑ 28.8%
EBIT	45.10	34.42	↑ 31.0%
NPAT	30.30	22.48	↑ 34.8%
<b>Operating results</b>			
Operating EBITDA	37.11	31.80	↑ 16.7%
Operating EBIT	28.10	24.17	↑ 16.3%
Operating NPAT	18.40	15.30	↑ 20.2%
Operating cashflow	18.93	28.96	↓ (34.6%)
Total dividend - cps	7.00	5.50	↑ 27.3%
Gearing Ratio	16.74%	17.20%	↑ 2.7%
Funding Ratio	32.85%	34.09%	↑ 3.6%

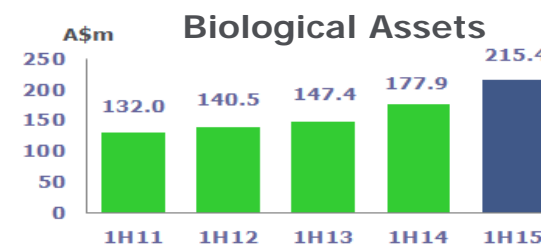
Gearing Ratio (net debt/equity)  
Funding Ratio (net debt + RPF/equity)

✓ Earnings growing faster than revenue



✓ Continued strength and growth in balance sheet and dividend

✓ Growth in underlying fish biomass (i.e. biological assets) to ensure fish supply



✓ Maximise operating cashflow, together with appropriate use of funding facilities to optimise fish growth and a responsible capital spend to ensure appropriate long term returns

# Zero harm



**Zero Harm For Everyone, Everywhere ... Tassal’s safety performance is improving but until it delivers its core value of Zero Harm – Tassal will rank itself at an unacceptable level**

- Key developments over 1H15:
  - 12 of 13 operational sites (92%) achieved Zero Harm targets (1H14: 64%).
  - satisfactory results achieved on all previously established lead & lag indicators from a safety perspective. All indicators are trending in right direction
  - AS 18001 & 4801 accreditation maintained
  - the “Cultural program” progress supported by an external survey which confirms Tassal’s journey to “interdependence” is on track - but not yet complete

KPIs	1H14	FY15 Target	1H15	Zero Harm
LTIFR	3.50	1.38	0.64	0
Incident rate	0.60	0.25	0.12	0
ATLR	9	3	1	0
MTIFR	38.8	35	35.2	30
Scorecard measure	93.7%	93%	94.4%	92%

# Financial performance

Andrew Creswell

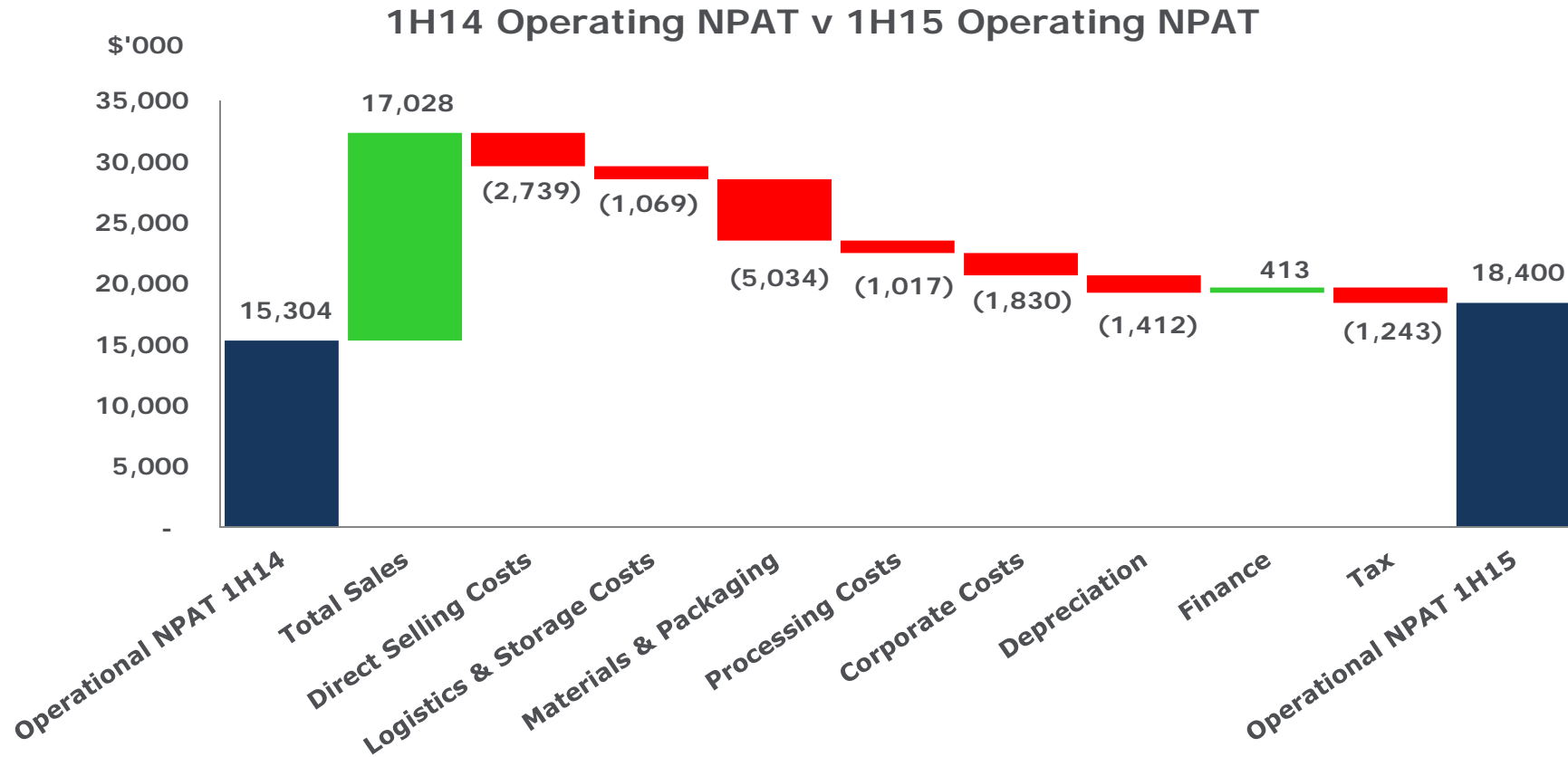


# 1H15 operating NPAT

## Key drivers – \$ variance



Sustainably generating more \$



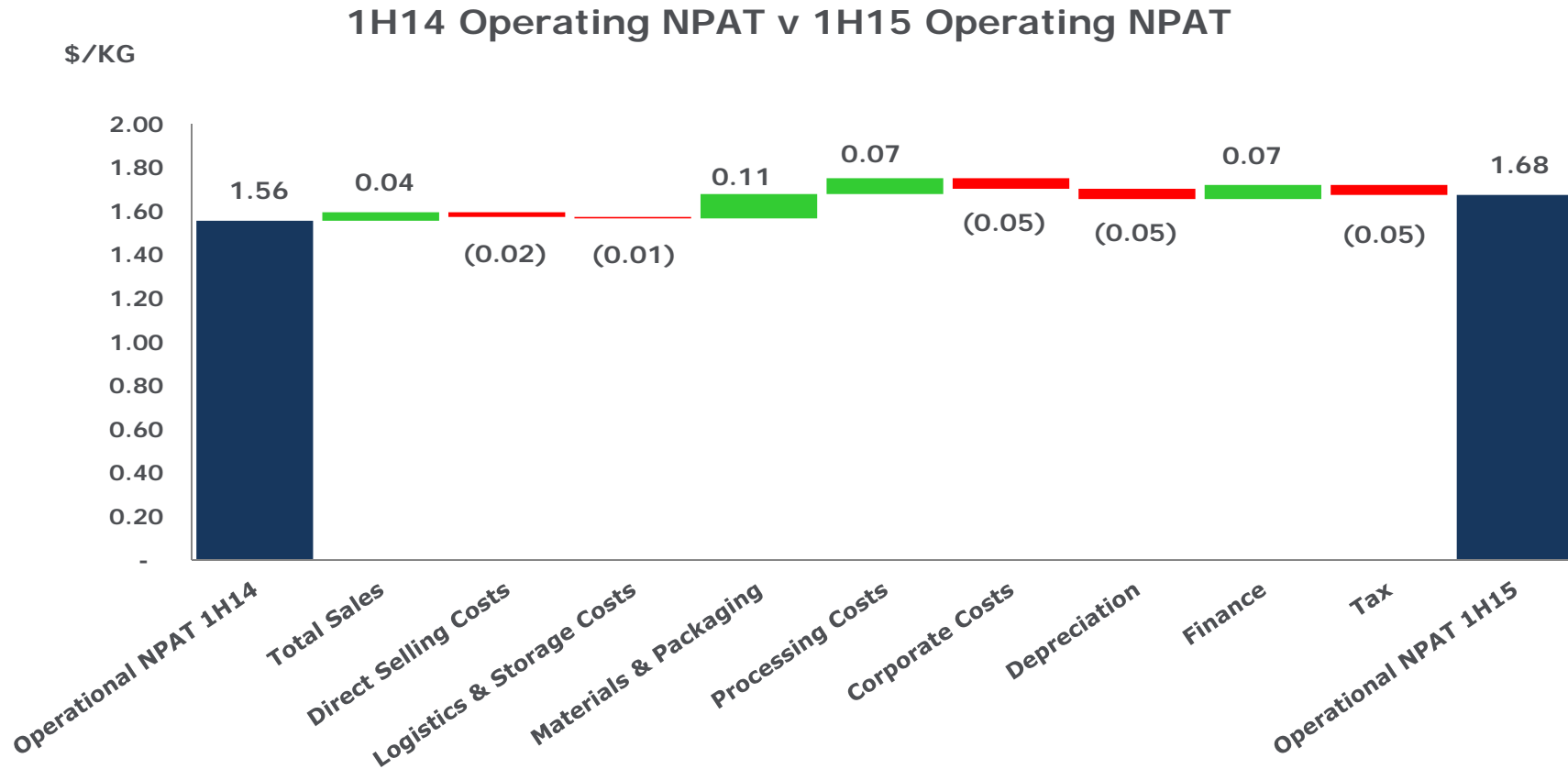
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# 1H15 operating NPAT

## Key drivers – \$/TSV kg variance



Sustainably generating more \$/kg



Note

1. Total Sales Volume Hog Equivalent ("TSV") for 1H15 is 10,981 hog tonnes (1H14: 9,827 hog tonnes)
2. \$/TSV kg variance per revenue and expense item is calculated by dividing the specific revenue and expense item \$ variance by TSV



# Strength in cash flows



(A\$m)	1H15	1H14	Change
Operating cashflow	18.93	28.96	↓ (34.6%)
Investing cashflow	(18.36)	(20.60)	↑ 10.9%
Financing cashflow	6.62	(5.12)	↑ 229.3%
<b>Net increase in cash held</b>	<b>7.19</b>	<b>3.25</b>	<b>↑ 121.3%</b>

## Funds from operations and financing – predominantly underpinning fish growth:

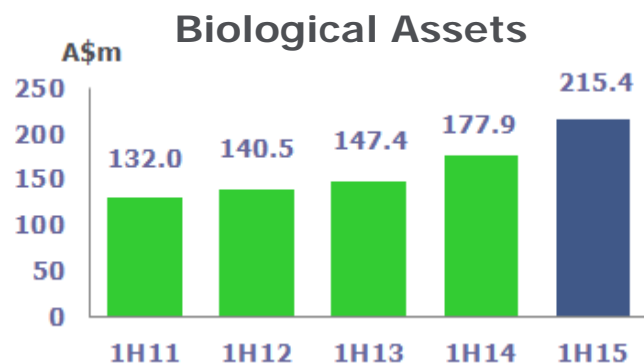
(A\$m)	1H15	FY14	Change
Increase in biological assets	215.38	188.80	26.58
Increase in inventory	58.30	53.40	4.90
Less AASB141 Impact			(16.99)
<b>Fish growth</b>			<b>14.49</b>

- **Operating cash flow** down 34.6% to \$18.93m
  - sustainable contribution margins continue to be generated from domestic market sales...
  - ...at the same time we are focused on optimising fish performance...
  - ...cashflow from operations and financing predominantly utilised to fund fish growth of \$14.49m
  - effective use of RPF
- **Investing cash flow** down 10.9% to \$(18.36)m. Forecast cash capex spend \$37m for FY15
- **Financing cash flow** at \$6.62m up 229.3% from \$(5.12)m comprising payment of dividends of \$(8.81)m and proceeds from borrowings \$15.43m

# Strong balance sheet

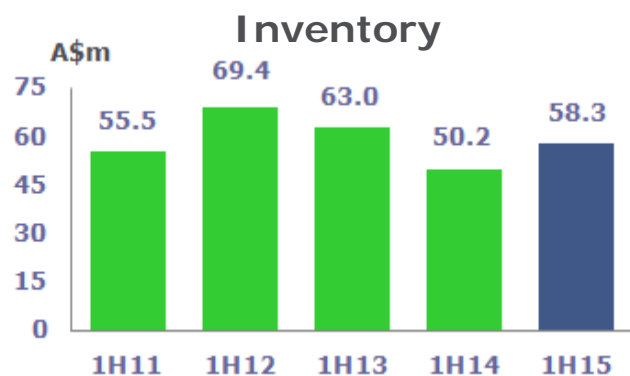


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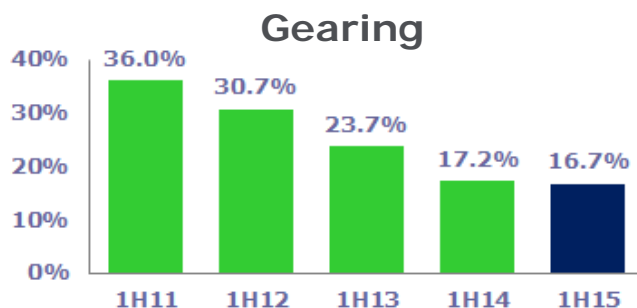
## Biological Assets

- Strong fish performance resulting in solid gains in biomass growth and operating cost efficiencies
- Value of live fish up 21.1% to \$215.38m (1H14: \$177.9m)
- Requisite biological asset pipeline for future revenue and earnings growth ... supply in place to continue to stimulate current and meet future domestic market demand



## Inventory

- Inventory build of 16.1% for finished goods stock heading into 2H15 ... which is reflective of the sales growth anticipated for 2H15 & FY16



## Gearing reduced

- Gearing continued to reduce to 16.7% (1H14: 17.2%)
- Appropriate bank funding arrangements in place – from a structure, headroom and tenor perspective

## Funding ratio

- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 32.9% (1H14: 34.1%)

# Operational review

Mark Ryan



# Operating revenue



Volume up 11.7%; revenue up 12.4%

Operating Revenue (A\$m)	1H15	1H14	Change	
Domestic	143.13	131.69	↑	8.7%
Export	4.88	0.04	↑	>>
<b>Total Revenue</b>	<b>148.01</b>	<b>131.73</b>	<b>↑</b>	<b>12.4%</b>

Volume (Hog equiv tonnes)	1H15	1H14	Change	
Domestic	10,493	9,824	↑	6.8%
Export	488	3	↑	>>
<b>Total Volume</b>	<b>10,981</b>	<b>9,827</b>	<b>↑</b>	<b>11.7%</b>

**Operating Revenue** was up 12.4% to \$148.01m (1H14: \$131.73m) and volume up 11.7% to 10,981 Hog equivalent tonnes (1H14: 9,827)

- Domestic strategy the right strategy
- Sales initiatives driving growth
- Successful marketing campaign continues building brand and driving sales
- Requisite fish in the water as volumes increase for 2H15 and beyond



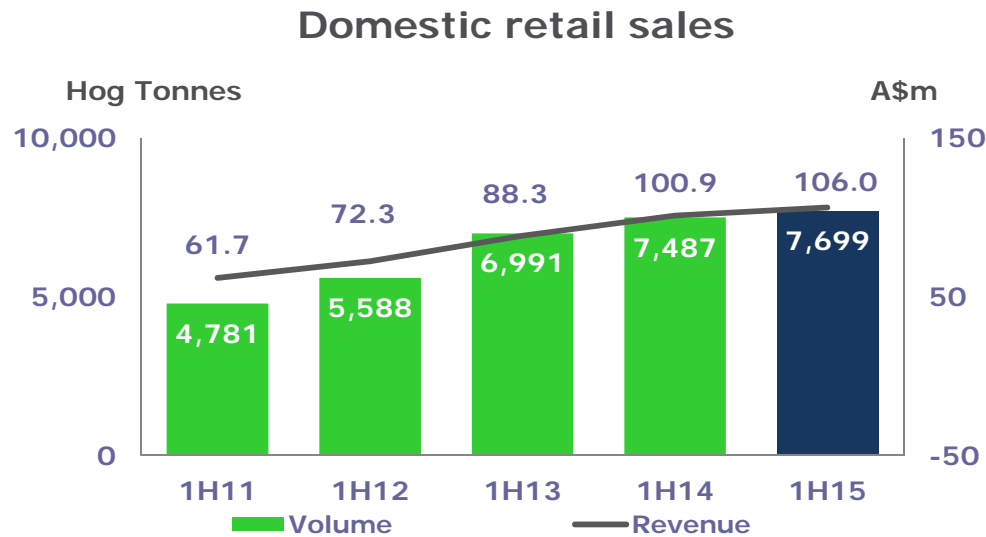
# Domestic retail market

Volume up 2.8%; revenue up 5.0%

	1H15	1H14	Change	
Volume (Hog equiv tonnes)	7,699	7,487	↑	2.8%
Revenue (\$m)	106.01	100.93	↑	5.0%

**Domestic Retail Revenue** was up 5.0% to \$106.01m (1H14: \$100.93m) and volume up 2.8% to 7,699 Hog equivalent tonnes (1H14: 7,487)

- Domestic retail demand for salmon continues to grow
- Sales initiatives and product development driving growth
- Appropriate pricing in place
- Timing and focus of marketing campaign and promotional program set for 2H15





# Domestic wholesale market

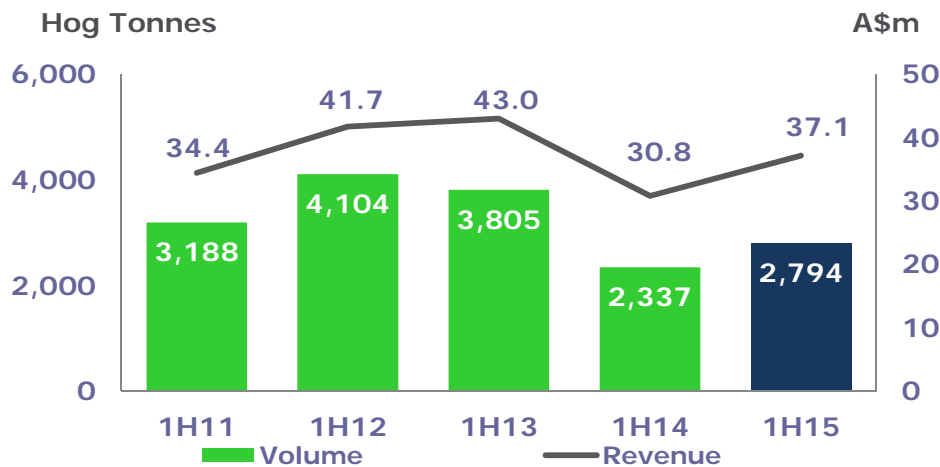
**Volume up 19.6%; revenue up 20.7%**

	1H15	1H14	Change
Volume (Hog equiv tonnes)	2,794	2,337	↑ 19.6%
Revenue (\$m)	37.13	30.75	↑ 20.7%

**Domestic Wholesale Revenue** was up 20.7% to \$37.13m (1H14: \$30.75m) and volume up 19.6% to 2,794 Hog equivalent tonnes (1H14: 2,337)

- Moving back toward market share and volumes seen previously achieved – underpinned by strong supply position
- Fresh hog sales growth encouraging
- Appropriate pricing in place
- Timing and focus of marketing campaign and promotional program set for 2H15

**Domestic wholesale sales**





# Export market

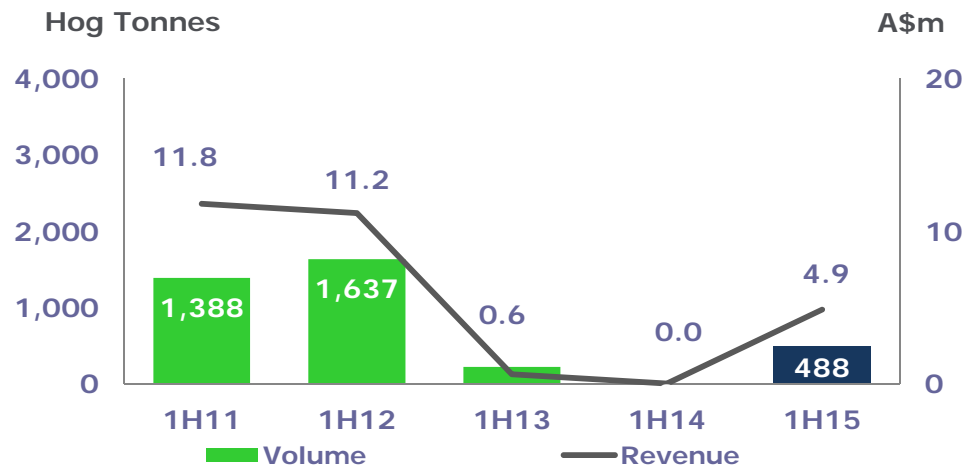
## Channel to tactically manage production volumes – particularly big fish

	1H15	1H14	Change	
Volume (Hog equiv tonnes)	488	3	↑	>>
Revenue (\$m)	4.88	0.04	↑	>>

Export Revenue was up to \$4.88m (1H14: \$0.04m) and volume up to 488 Hog equivalent tonnes (1H14: 3)

- Tactical management of production volumes – particularly big fish
- Pricing conditions still volatile despite depreciating AUD

Export sales



# Strategic priorities and outlook





# Key priorities – 2H15



## Achieving more acceptable return levels...

- Sales initiatives
  - Continue to increase domestic market per capita consumption and maximise domestic market sales (through investment in marketing and promotion, new product initiatives, support of major customers)
  - Maintaining domestic market pricing (and increasing where possible)
- Operational efficiencies
  - Focus on maximising biomass growth - repositioned fish input and feed diet strategies underpinning supply growth in FY15 onwards
  - Reducing operational costs – move closer to global best practice from operational perspective – i.e. cost of growing, cost of processing, cost of supply and logistics
    - Reduce cost of growing through increased biomass at Macquarie Harbour and performance of the Selective Breeding Program (SBP)
    - Reduce cost of processing through direct supply, advanced manufacturing capability, scale and yield maximisation
  - Continue to mitigate agricultural risk - New Harvest Strategy, Smolt Input (Project Sweet Spot) and SBP
- Implement further sustainability and environmental initiatives

**... and ensuring the right capital investment programme and growth in underlying fish biomass**

# In summary



## Performing in line with Strategic Plan

- Sales initiatives and operating efficiencies driving continued earnings growth ... earnings growth at a rate faster than revenue
- Sustainably generating more \$/kg and \$ from domestic market sales
- Very strong fish biomass growth... coupled with excellent FCR performance and survival
- Strong cash flows, together with appropriate use of its funding facilities ensured appropriate investment in fish growth and a responsible capital spend to underpin sustainable growing longer term returns
- Strong balance sheet and growing dividend
- Moving closer toward more acceptable return levels - statutory Return on Assets of 15%
  - leveraging sales initiatives, assets and capital employed

# Any questions?



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It's easy to get hooked on Tassal salmon.



*In a pasta today.*

*On a barbie tonight.*



*For breakfast tomorrow.*



# Appendix



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# Statutory, underlying & operating results



Half Year ended 31 December 2014	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$150,946	\$0	\$150,946	\$0	\$150,946
EBITDA	\$54,103	\$0	\$54,103	(\$16,993)	\$37,110
EBIT	\$45,093	\$0	\$45,093	(\$16,993)	\$28,100
Profit before income tax expense	\$42,879	\$0	\$42,879	(\$16,993)	\$25,886
Income tax expense	(\$12,584)	\$0	(\$12,584)	\$5,098	(\$7,486)
<b>Net profit after income tax expense</b>	<b>\$30,295</b>	<b>\$0</b>	<b>\$30,295</b>	<b>(\$11,895)</b>	<b>\$18,400</b>

Half Year ended 31 December 2013	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$134,451	\$0	\$134,451	\$0	\$134,451
EBITDA	\$42,021	\$0	\$42,021	(\$10,249)	\$31,772
EBIT	\$34,423	\$0	\$34,423	(\$10,249)	\$24,174
Profit before income tax expense	\$31,796	\$0	\$31,796	(\$10,249)	\$21,547
Income tax expense	(\$9,318)	\$0	(\$9,318)	\$3,075	(\$6,243)
<b>Net profit after income tax expense</b>	<b>\$22,478</b>	<b>\$0</b>	<b>\$22,478</b>	<b>(\$7,174)</b>	<b>\$15,304</b>

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