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20 Bridge Street
Sydney NSW 2000

Via e-lodgement

Tassal produces growing sustainable first half profit while integrating De Costi Seafoods

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the six months ended 31 December 2015 (1H16), delivering another sustainable first half profit, with 4.7% growth in operating net profit after tax to \$19.27 million.

Results overview

(\$ million)	1H16	1H15	Change
Statutory results ¹			
Revenue	226.8	151.0	50.2%
EBITDA	49.9	54.1	(7.8)%
NPAT	25.3	30.3	(16.5)%
Operating results ²			
EBITDA	41.3	37.1	11.2%
NPAT	19.3	18.4	4.7%
Operating cashflow	25.5	18.9	34.9%
Gearing (net debt/equity)	34.5%	16.8%	
Interim dividend	7.5	7.0	7.1%

Note:

- Overall, the AASB 141 'Agriculture' was lower for the period to 31 December 2015 (1H16). Albeit Salmon biomass volume was up from the position at 30 June 2015 - the reduction in the increment was due to a reduction in Salmon finished goods on hand, combined with a reduction in sales price underpinning the net market value for future sales. EBITDA for 1H16 included \$8.559 million SGARA adjustment, compared to \$16.993 million for 1H15. Likewise, NPAT for 1H16 included \$6.019 million SGARA adjustment compared to \$11.895 million in 1H15.
- Compliance, restructuring, realignment and integration costs for De Costi Seafoods business totalled \$0.7 million for 1H16

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Commenting on the company's 1H16 results, Tassal Managing Director & CEO Mr Mark Ryan said:

"Following the acquisition of De Costi Seafoods, Tassal is now Australia's leader in the \$4.3 billion Salmon and Seafood market, selling highly recognised ethical brands to Australian consumers and retailers. Over the past six months Tassal has successfully integrated and realised a number of operational and supply chain opportunities identified prior to the acquisition of De Costi Seafoods'. This has put the right foundations in place to pursue our Salmon and Seafood strategy, a strategy which will allow Tassal to generate growing returns from its sales initiatives and assets, equity and capital employed.

"Our financial and operating performance over the first half of the 2016 financial year was generally in line with the company's expectations, even with the substantial focus put on integrating the De Costi Seafoods business. With the synergies from those initiatives set to flow from the second half, Tassal is well placed to continue growing earnings and optimising returns."

Salmon – continued growth in domestic market per capita consumption

"Our focus on growing domestic market per capita consumption continues to be the right strategy for Tassal as it underpins the company's product and sales initiatives driving continued revenue and earnings growth. Operational efficiencies and sustainable contribution margins were generated from an increase in volume of domestic market Salmon sales. Offsetting these gains were lower Salmon pricing (particularly fresh Salmon hog pricing) and higher fish costs for the 14YC Salmon being harvested. Overall, the Salmon business was flat from an earnings perspective." said Mr Ryan.

Seafood – substantial increase in addressable market with a focus on replicating Salmon success to grow domestic market per capita consumption of Seafood

"Tassal's success in growing domestic market Salmon consumption and the insights gathered in doing so, provides the platform to leverage the acquisition of De Costi Seafoods and the \$4.3 billion addressable market potential, by increasing domestic market per capita Seafood consumption. To do this, Tassal has implemented its plan to restructure and realign De Costi Seafoods to ensure an efficient and scalable platform is in place to support future growth.

"The De Costi business was traditionally run on a lower margin as a percentage of revenue basis. This was due to inefficiencies in both the overall Seafood supply chain and its own operations. Overall, for the first half, earnings and operational expectations from De Costi Seafoods were both as expected and shareholder value accretive. Having undertaken the integration process over the first half of the 2016 financial year, we expect to see the benefits flow from the second half of this financial year on," added Mr Ryan.

Continued growth in revenue and earnings

Revenue was up 50.2% to \$226.8 million (1H15: \$151.0 million) reflecting continued growth in Salmon combined with a full six months of De Costi Seafoods.

Operational EBITDA was up 11.2% to \$41.3 million (1H15: \$37.1 million) due to additional earnings from Seafood and operational efficiencies and sustainable contribution margins generated from domestic market Salmon sales.

Reflecting the strength of the company's business model, operational EBITDA was up even with lower fresh Salmon hog pricing from the wholesale market, an overall higher cost of fish (due to the higher cost of feed in the 2014 Year Class being harvested), and \$0.753 million of integration costs for De Costi Seafoods to ensure the right platform is in place to optimise business returns going forward.

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Strong balance sheet

"Tassal's balance sheet continues to strengthen, supporting future growth initiatives. The first half saw strong cashflows which have been prudently utilised to ensure appropriate investment in fish growth from both a fish number and weight perspective, and a responsible capital spend has been undertaken to underpin sustainable growth in longer term returns," said Mr Ryan.

Strong cashflows

Tassal continued to generate strong operating cashflows, up 34.9% to \$25.5 million over 1H16 (1H15: \$18.9 million).

Comfortable gearing and growing dividend

As a result of the acquisition of De Costi Seafoods, Tassal's gearing as reflected by net debt to equity, increased to 34.5% (1H15: 16.8%) and the company's funding ratio increased to 50.6% (1H15: 32.8%).

Reflecting the Company's strong cashflows, strong balance sheet and attractive growth outlook, the Directors of Tassal increased the company's interim dividend by 7.1%, declaring a 75% franked interim dividend for 1H16 of 7.50 cents per share (1H15: 7.00 cents per share, 50% franked).

Delivering sustainable long term returns as Australia's leading Salmon and Seafood company

Commenting on Tassal's new strategy of growing in both Salmon and Seafood and the outlook for FY2016, Mr Ryan said:

"We are committed to delivering sustainable long term returns to shareholders as the leader in Salmon and Seafood in Australia.

"Our overarching focus for FY2016 is to increase domestic Salmon and Seafood consumption, whilst ensuring that we maximise Salmon and Seafood operational and asset returns. This will involve focused sales initiatives to maximise the opportunities to grow Salmon and Seafood across the domestic market combined with operational initiatives focused on further optimising the supply value chain.

"We have the right foundations in place to leverage this opportunity. The acquisition of De Costi Seafoods puts us as the market leader in Seafood in Australia and with the integration initiatives now complete, we will see an accelerated Tassal Seafood strategy with continued growth in earnings and returns. The De Costi Seafoods acquisition is shareholder value accretive."

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Media / analyst queries:

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated Salmon grower and Salmon and Seafood processor, seller and marketer. The Company produces and sells premium Salmon and Seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon in Tasmania's fresh waters and through its De Costi Seafood business sources and processes a wide range of Seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and Seafood sourcing. The company employs over 1,200 people. Visit www.tassal.com.au for more information.

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