

Tassal Group Limited

1H16 Results - Roadshow



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Another sustainable first half result



Successfully transitioning from "Salmon" to "Salmon and Seafood" ...

Revenue up 50%

- Revenue up 50.3% to \$226.8m
- Continued growth in Salmon combined with full six months of De Costi

Operational EBITDA up 11.2%

- Statutory EBITDA down 7.8% to \$49.9m ... lower uplift for SGARA
- Operational EBITDA up 11.2% to \$41.3m
 - additional earnings from De Costi Seafoods, which is performing to both earnings and operational expectations ... shareholder value accretive
 - operational efficiencies underpinning sustainable contribution margins 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 fish being harvested. Overall, the Salmon business earnings were flat
 - included integration costs for the De Costi Seafoods business \$0.7m

Operational NPAT up 4.7%

- Statutory NPAT down 16.5% to \$25.3m ... lower SGARA adjustment
- Operating NPAT up 4.7% to \$19.3m

Operating cashflow up 34.9%

- Operating cashflow up 34.9% to \$25.5m
- With Seafood business with a lower working capital cycle – improvement in cashflow cycle

Interim dividend up 7.1%

- Interim dividend up 7.1% to 7.50cps, 75% franked
- Reflecting strong cashflows, strong balance sheet and attractive growth outlook

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Integrating De Costi Seafoods



Tassal is now the leader in Australia's \$4.3bn Salmon and Seafood market

- Over 1H16, Tassal has successfully integrated and realised a number of operational and supply chain opportunities identified prior to the acquisition of De Costi Seafoods
- Tassal's best practice supply value chain learnings have been integrated across De Costi Seafoods' operation
- As a result of the integration process, additional opportunities emerged that provided additional synergies and further increased the strategic rationale for the acquisition
- De Costi Seafoods has been restructured and realigned 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
- Integration cost included in 1H16 were \$0.7m
- Benefits from these initiatives set to flow from 2H16
- The De Costi Seafoods acquisition is shareholder value accretive

Continued growth in revenue



Total Sales Revenue up 51.4% - Domestic Revenue up 53.5%

Domestic Sales (\$'000)	1H16	1H15	Change
Salmon	182.79	143.13	↑ 27.7%
Seafood	36.91	0.00	
Total	219.70	143.13	↑ 53.5%

Salmon (Hog Tonnes)	13,846.80	10,493.38	↑ 32.0%
Salmon - \$/Hog kg	\$ 13.20	\$ 13.64	↓ (3.2%)

Export Sales (\$'000)	1H16	1H15	Change
Salmon	4.39	4.88	↓ (9.9%)
Seafood	0.00	0.00	
Total	4.39	4.88	↓ (9.9%)

Salmon (Hog Tonnes)	451.90	487.52	↓ (7.3%)
Salmon - \$/Hog kg	\$ 9.71	\$ 10.00	↓ (2.8%)

Domestic Salmon Sales - 1H16 vs 1H15

- Wholesale Salmon Sales
 - Revenue up 33.0%
 - Volume up 49.1%
 - Price down (10.8%)
- Retail Salmon Sales
 - Revenue up 25.9%
 - Volume up 25.7%
 - Price flat

Key priorities for 2H16



Increasing domestic Salmon & Seafood per capita consumption...

- Sales initiatives to focus on maximising the opportunities to grow Salmon and Seafood across the domestic market – with export market to play an increasingly important strategic role
- Operational initiatives for Salmon to further optimise the supply value chain and drive towards global cost best practice:
 - maximising Salmon growth efficiencies – utilising Selective Breeding Program to deliver on fish growth, lower feed conversion ratios and reduced bathing
 - reducing operational costs (cost of growing, cost of processing, cost of supply and logistics)
 - continuing to mitigate agricultural risk
- Reducing Seafood procurement costs and complexities ... optimising supply chain
- Further strengthen the Tassal, Superior Gold, De Costi Seafoods and other proprietary brands
- Implementing further sustainability and environmental initiatives

... to ensure Salmon & Seafood returns are optimised

Strategic evolution to Salmon and Seafood



Strategic evolution:

“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



Focus on efficiently growing quality Salmon and providing premium proteins to consumers...

- Enhanced growing performance/supply chain efficiencies will improve the ultimate return from the Salmon ... moving us closer to global cost best practice and underpin growing our returns
- Further, continuing to grow domestic market per capita consumption will underpin growing sales volumes – with the export market also playing a key strategic role – to ensure that we optimise financial returns
- From the domestic market perspective, optimising the sales mix between Retail & Wholesale markets is strategically important – both from a Salmon cost of growing and ultimately a sales return perspective
- Retail market remains an important channel to provide stability in pricing and margin ... however, it is a high cost market to service – both operationally and financially. Tassal is cautious about how much future Retail business is “locked in” – we do not want to be left with a combination of low prices and sub-optimal growing performance/supply chain efficiencies
- Wholesale market is growing in-line with the Retail market. The Wholesale market presents greater flexibility with both pricing and the timing of sales volume ... with timing of harvest fundamental in optimising Salmon growing efficiencies. Improving Salmon size will drive cost of growing efficiencies
- Current export market conditions are attractive – global supply constraints, increased pricing and lower Australian dollar ... providing an opportunity for sales channel mix for bigger fish size to improve margins

... to underpin growing domestic market per capita consumption, together with ensuring appropriate returns

Appendices



Statutory, underlying & operating results



1H16 vs. 1H15

Half Year ended 31 December 2015	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$226,822	\$0	\$226,822	\$0	\$226,822
EBITDA	\$49,856	\$0	\$49,856	(\$8,599)	\$41,257
EBIT	\$39,411	\$0	\$39,411	(\$8,599)	\$30,812
Profit before income tax expense	\$35,777	\$0	\$35,777	(\$8,599)	\$27,178
Income tax expense	(\$10,492)	\$0	(\$10,492)	\$2,580	(\$7,912)
Net profit after income tax expense	\$25,285	\$0	\$25,285	(\$6,019)	\$19,266

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)
Net profit after income tax expense	\$30,295	\$0	\$30,295	(\$11,895)	\$18,400

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Strong operating result

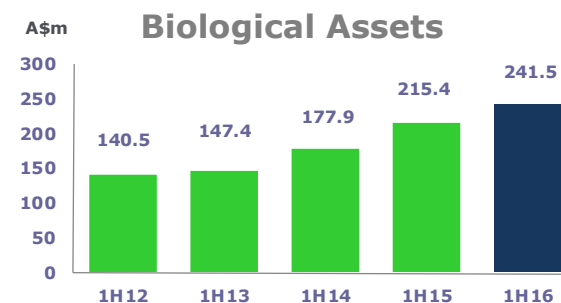
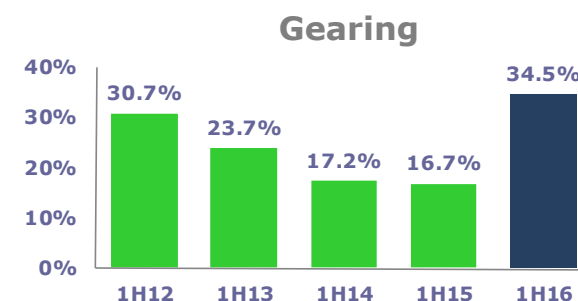
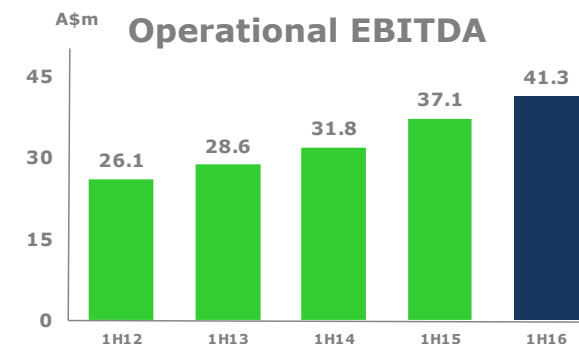


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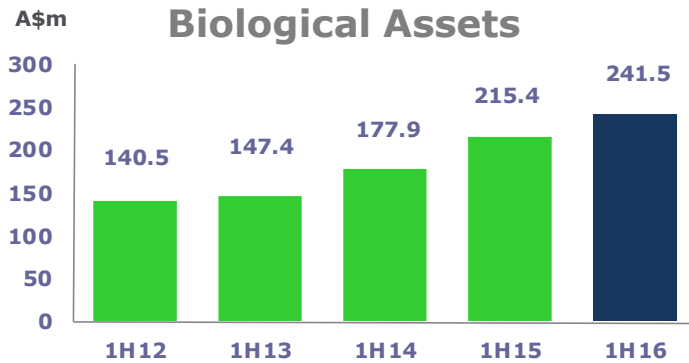
(A\$m)	1H16	1H15	Change
Statutory results			
Revenue (from all sources)	226.82	150.95	↑ 50.3%
EBITDA	49.86	54.11	↓ (7.8%)
EBIT	39.41	45.10	↓ (12.6%)
NPAT	25.29	30.30	↓ (16.5%)
Operating results			
Operating EBITDA	41.26	37.11	↑ 11.2%
Operating EBIT	30.81	28.10	↑ 9.6%
Operating NPAT	19.27	18.40	↑ 4.7%
Financial Ratios			
Operating cashflow	25.53	18.93	↑ 34.9%
Interim dividend - cps	7.50	7.00	↑ 7.1%
Gearing Ratio	34.50%	16.74%	↓
Funding Ratio	50.57%	32.85%	↓

Gearing Ratio (net debt/equity)

Funding Ratio (net debt + RPF/equity)

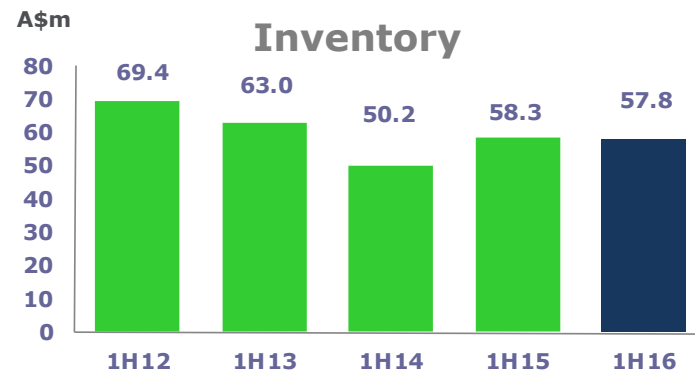


Strong balance sheet



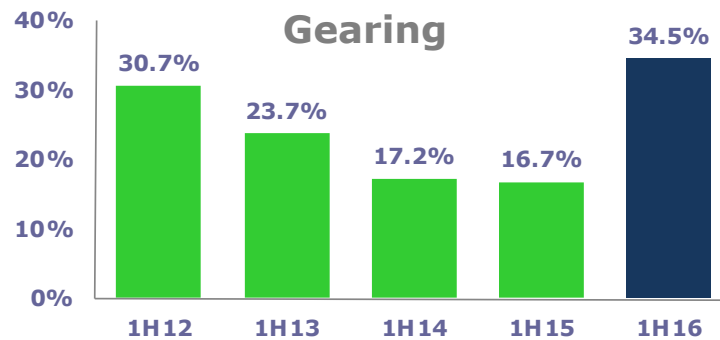
Increased biological assets

- Value of live fish up 12.1% to \$241.5m
- Biological assets support future revenue and earnings growth



Inventory

- Inventory down slightly to \$57.8m
- Level of inventory at sustainable levels and appropriate for the sales profile moving forward



Comfortable gearing and funding ratios

- Gearing at 34.5% (1H15: 16.7%) as a result of De Costi Seafoods acquisition
- Appropriate bank funding arrangements in place – from a structure, headroom and tenor perspective
- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 50.6% (1H15: 32.9%)

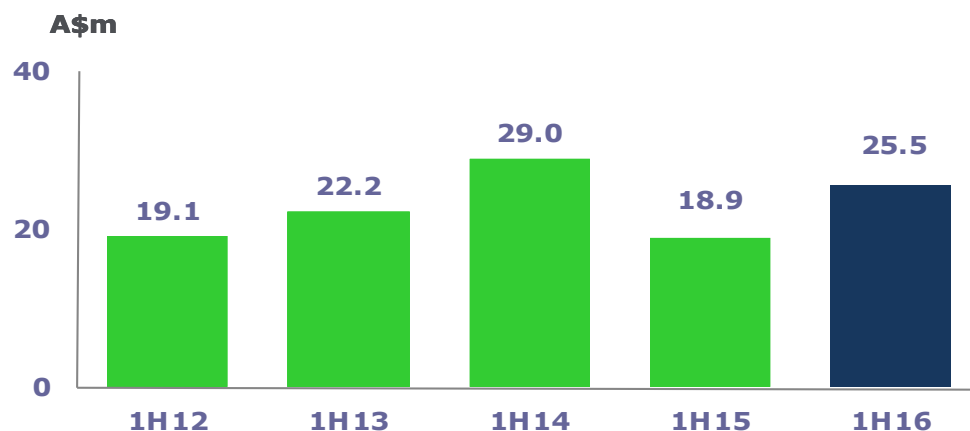
Strong cash flows



(A\$m)	1H16	1H15	Change
Operating cashflow	25.53	18.93	↑ 34.9%
Investing cashflow	(83.67)	(18.36)	↓ (355.8%)
Financing cashflow	61.18	6.62	↓ (824.4%)
Net increase in cash held	3.04	7.19	↓

- **Operating cash flow** up 34.9% to \$25.5m
 - sustainable contribution margins
 - increased investment in both live fish and inventory to support future sales growth initiatives
 - increased investment in fish supply

Operational cash flow



- **Investing cash flow** of \$83.7m with \$48.9m spent on De Costi acquisition and capex of \$34.7m

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AASB 141 adjustment



Value of biomass is continuing to increase

- Accounting standard AASB 141 'Agriculture' is adjusted on a period end by period end basis, i.e. 31 December 2015 as compared to 30 June 2015 (not 31 December 2015 vs. 31 December 2014) – with the adjustment either an uplift or decrement in the future value of biological assets
- AASB 141 is only applied to Tassal's biological assets – i.e. its Salmon stock – both in the water and processed and on hand
- The biggest sensitivity underpinning the value for AASB 141 is the assessment of future sales price and ultimately, net market value – and then the volume of Salmon stock on hand at the end of the period
- With the assumption of future net market value from Tassal's sales being slightly less than Tassal's view at 30 June 2015, combined with a reduced amount of finished goods on hand (which in itself reduced the Agriculture value by \$2.993 million), has led to a reduction in the uplift to AASB 141 component to Tassal's statutory result in 1H16. Salmon biomass (i.e. volume) was up for the same period.
- The AASB 141 'Agriculture' uplift decreased by 50.1% to \$8.599 million before tax (1H15: uplift of \$16.993 million) – but was still a significant uplift nonetheless

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