

Tassal Group Limited

13th PAC Partners Agribusiness & Food Conference



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

19 April 2016

It's not about luck



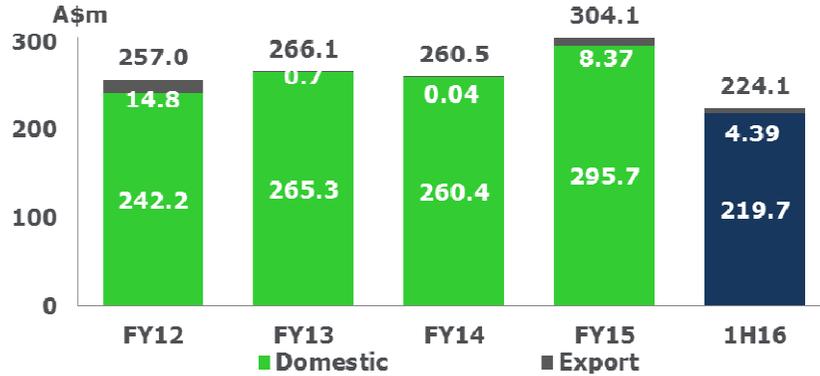
“Tassal has consistently delivered growing returns over the past 4 years due to focused execution of the right strategy.”

Growing key earnings metrics

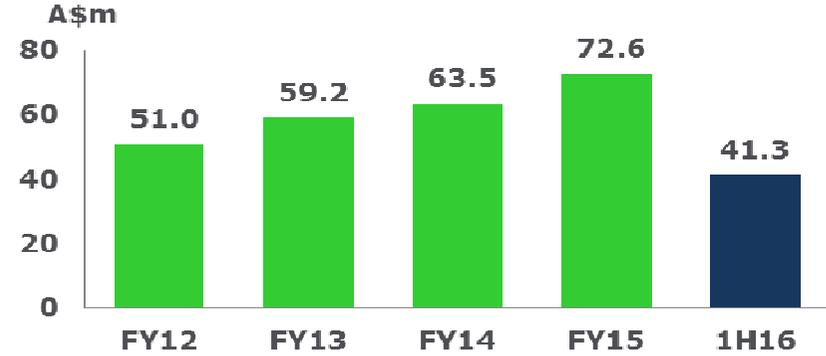


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Sales Revenue



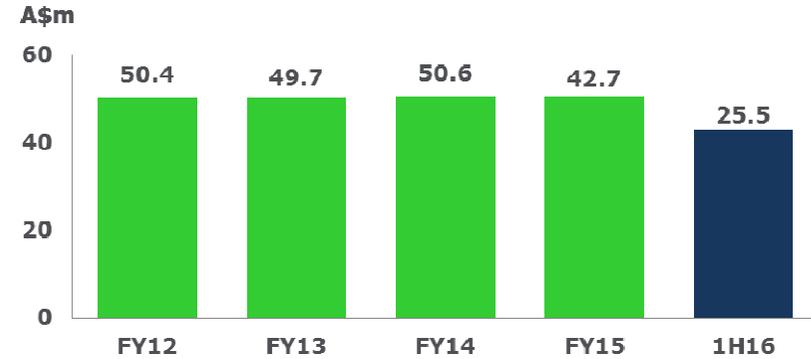
Operational EBITDA



Operational NPAT



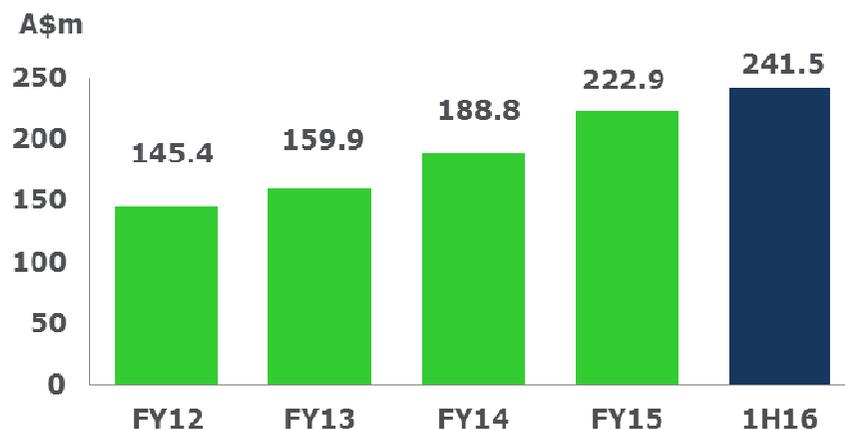
Operational Cash Flow



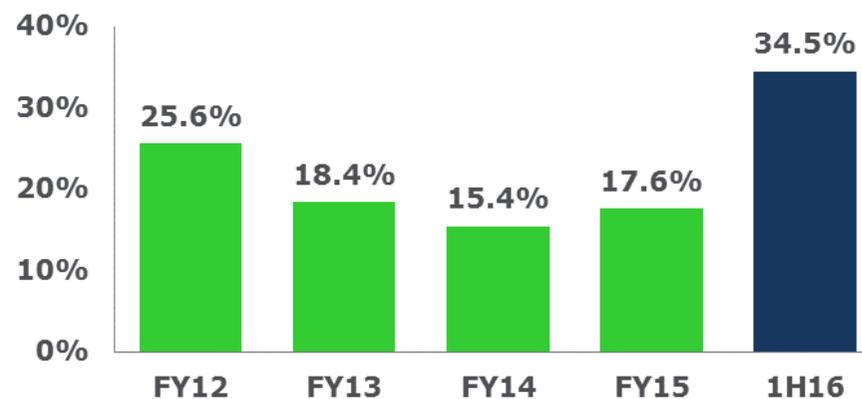
Growing balance sheet



Biological Assets



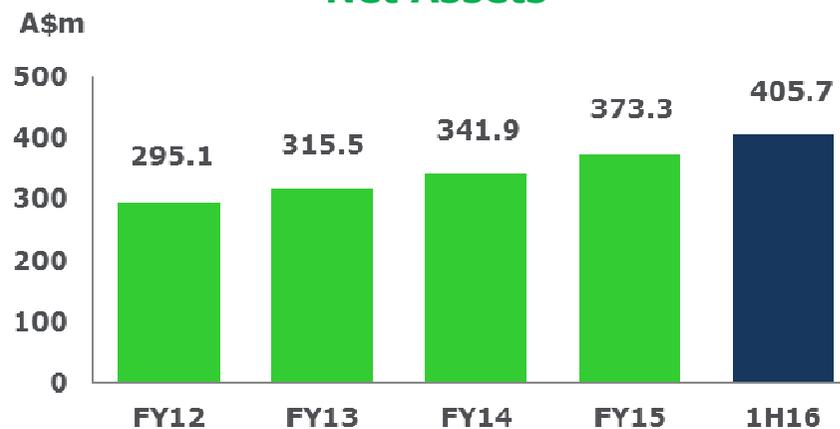
Gearing



Inventory



Net Assets



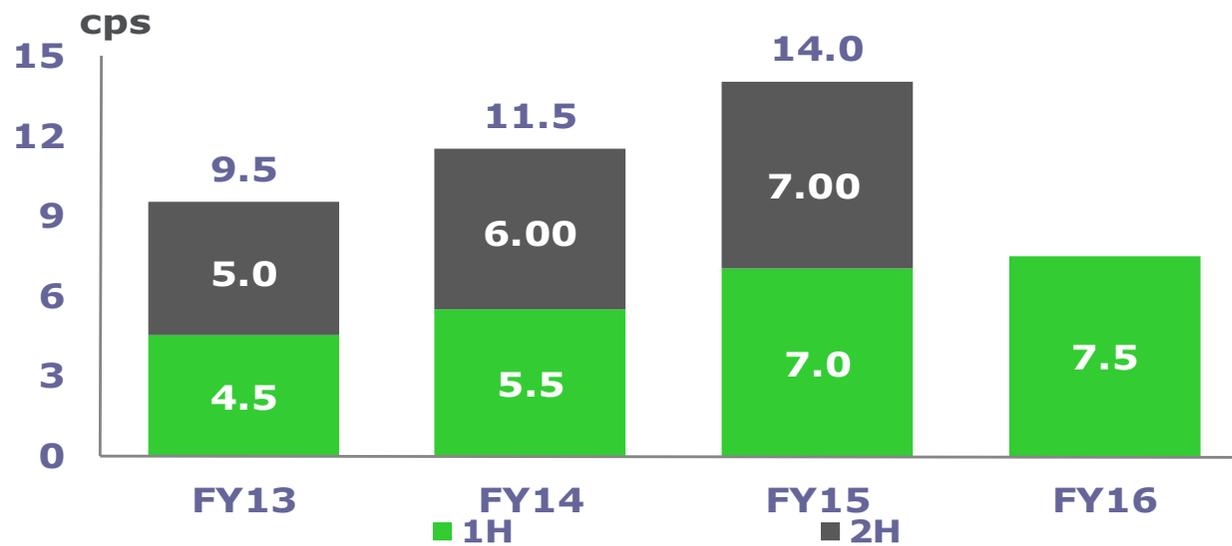
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Appropriate returns

Growing Dividends

- Consistent year on year growth in interim and final dividend
- Most recently, FY16 interim dividend was up 7.1% to 7.5cps, 75% franked (1H15: 7.00 cps, 50% franked)



Strategy has evolved



“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



“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 need to re-balance the sales channel mix



- 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
- Procurement strategy is focused on positioning Seafood supply to underpin \$1bn in domestic market sales by 2030
- Relies on increasing our current focus on "trading" and contract processing... moving this to "ownership" of emerging aquaculture ventures, through to strategic partnership in Prawns and wild catch species
- Supply chain focus is both to optimise processing and ensure we have scalability for Seafood growth

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Execution of Strategy



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

Salmon & Summer



Summer has caused some “pain” – rebalancing sales channel mix and leaving the fish in the water is the “cure”

- Summer 2015/2016 saw the warmest water temperatures on record... and held high for a long time. South-East impact was the greatest
 - Water temperatures now cooled
- Company announcement on 1 March 2016 related to Macquarie Harbour
 - Dissolved oxygen levels and high water temperatures were the main summer challenges Tassal experienced in Macquarie Harbour
 - Through responsible farming practices, Tassal has been able to continue strong levels of supply during the summer and key Easter period despite the hot dry summer
- Tassal is now harvesting fish from the South East which has 75% of the company’s stock – the early season fish
 - Where there is now a material reduction in biomass available for supply
 - New season fish that Tassal is harvesting – that have experienced record water temperatures. Despite this survival has been solid
- Need to leave (as much as practical) the fish in the water to grow due to the key growing time (i.e. April to November) – critical to ensure sustainable returns

Salmon



Salmon farming growth and cost reductions remain paramount to our near term operational and financial targets

- Selective Breeding Program fundamental... time at sea critical
- Warmer water has impacted growing conditions for near term supply
- It is critical for the fish to spend sufficient time at sea to achieve an average of 5.0kg Hog to achieve targeted cost reductions – in the short term, we are balancing financial and operational needs to support this
- Due to retail demand for fish – average growing time reduction from circa 500 days in FY12 to 444 days now
- Enhanced growing performance/supply chain efficiencies will improve the ultimate returns from the Salmon
- Tassal has rebalanced its sales channels to maintain sustainable returns, recently withdrawing tenders for two retail supply contracts:
 - Will cease supplying Coles fresh salmon deli business (3 June) and fresh salmon to Simplot for supply of packaged salmon to Coles (10 June)
 - Not expected to impact earnings going forward

Salmon & Seafood



Growing Salmon per capita consumption in the domestic market whilst rebalancing the sales mix to optimise returns

- Retail market remains an important channel to provide stability in pricing and margin
 - 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
- Domestic wholesale market is growing in-line with the Retail market
 - Warm summer causing demand > supply ... increased pricing
 - Presents greater flexibility with both pricing and the timing of sales volume... with timing of harvest fundamental in optimising Salmon growing efficiencies (i.e. leaving fish in the water to grow)
 - Improving Salmon size will drive cost of growing efficiencies – feed 55% to 60% of the cost of growing
- Export market conditions are currently favourable
 - Global supply shortages expected to continue for next 2 years, increased pricing and lower Australian dollar
 - Opportunity to balance sales volumes with bigger fish size to improve margins

Key priorities



**“Selective Breeding Program is fundamental
– time at sea is critical”**

Key priorities for FY17 onwards



Increasing domestic Seafood consumption...

- Sales initiatives to focus on maximising the opportunities to grow Salmon and Seafood across the domestic market – but with a rebalanced approach between Wholesale and Retail channels
- Operational initiatives to further optimise the supply value chain:
 - maximising Salmon growth efficiencies – utilising Selective Breeding Program to deliver on fish growth, lower feed conversion ratios and reduced bathing ... but we must leave the fish in the water long enough to optimise growth
 - reducing operational costs (cost of growing, cost of processing, cost of supply and logistics)
 - reducing Seafood procurement costs and complexities and increasing yields and margins
 - continuing to mitigate agricultural risk
- Further strengthen the Tassal, Superior Gold, De Costi Seafoods and other proprietary brands
- Implementing further sustainability and environmental initiatives

... and ensuring Salmon and Seafood returns are optimised



In summary...

- **It's not about luck**
 - Sustainable growth across key 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
 - Continued growth in earnings expected

Questions?



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