



24 August 2018

ASX release

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Tassal prawn acquisition

Tassal Group Limited (ASX: TGR) is pleased to announce that its wholly-owned subsidiary, De Costi Seafoods Pty Ltd (**De Costi Seafoods**), has signed sale agreements to acquire the land, assets and inventory of the Fortune Group prawn aquaculture business (Fortune Group). It comprises three prawn farms located at Yamba, New South Wales; Proserpine, Queensland; and Mission Beach, Queensland. Fortune Group is one of the largest footprint prawn farming operations in Australia. As a long-term supplier to De Costi Seafoods, Fortune Group is well known to Tassal.

Commenting on this strategically compelling acquisition, Tassal Managing Director & CEO Mark Ryan said: "Today has been a big day for Tassal. We announced Tassal's best ever operational result, underpinned by strong growth in fish size and harvest tonnage. In addition, we signed sale agreements to purchase the land, assets and inventory of prawn farming operator Fortune Group, expanding our vertical integration from salmon to include prawn farming and unlocking further synergies in the seafood supply chain through a highly earnings accretive acquisition."

"Salmon and prawns comprise 70% of retail seafood sales in Australia, with no material growth in Australian-grown prawn supply over the past 10 years but in a sector with high consumer demand. Our focus is to substantially grow Fortune Group's current 450 tonnes of prawns harvested per annum from its current farms to over 3,000 harvest tonnes per annum in the next three to five years. Combining farmed prawns and salmon will allow Tassal to continue to drive salmon and seafood per capita growth consumption in Australia." added Mr Ryan.

Fortune Group is one of Australia's largest footprint prawn farming operations

Fortune Group has three prawn farms that are geographically diversified for risk management purposes:

- Proserpine Farm (Queensland)
 - Largest current prawn farm base in Australia, with 192.5 ha of regulated pond capacity on 2,000ha of land
 - Enhanced processing and hatchery operations to be established, along with enhanced pond infrastructure to optimise existing license
 - Development spend of circa \$23 million planned over 2-3 years
 - Arguably the best farm capacity in Australia for biosecurity.
- Mission Beach Farm (Queensland) and Yamba Farm (New South Wales)
 - Both have around 40 ha of operating ponds each and provide tiger prawns primarily for major retailers via De Costi Seafoods
 - Output presently 450tn, but capable of 800-900tn pa
 - A new hatchery and enhanced pond infrastructure to be established to optimise existing license
 - Development spend of circa \$10 million planned over 2 years.

A highly EPS accretive acquisition

- Purchase price of \$30.3 million – land, assets and inventory – with \$1 million deferred to support transition
- Development program of circa \$33 million over next 2-3 years
- Targeting prawn supply growth from 450 tonnes to over 3,000 tonnes per annum over the next 3-5 years
- Targeting an EBITDA range of \$15 million to \$25 million within 5 years, with existing licences
- 1 year working capital cycle for prawns (3 years for salmon)
- The acquisition will be funded by a newly arranged debt facility for \$75m

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A strategically compelling acquisition

- Tassal's acquisition of De Costi Seafoods enhanced Tassal's total seafood offer in Australia and supported further growth in salmon and seafood consumption
- Acquisition of prawn farms provides Tassal with access to a larger addressable market – salmon and prawns comprise 70% of Australian retail seafood sales
- Prawn market size in Australia is circa 60,000 tonnes annually (Australian aquaculture ~10%) – salmon market in Australia is circa 60,000 tonnes annually (Australian aquaculture ~90%)
- De Costi Seafood's distribution capability to all Eastern seaboard seafood markets within 1 day, with market leading seafood value adding capability, and salmon providing the backbone of all seafood offers, puts Tassal in a position to execute a solid prawn sales growth program – adding value for our customers and shareholders
- Prawn farming is land based and provides Tassal with a footprint in high demand aquaculture beyond Tasmania – achieves geographic and specifies diversification
- Growing / working capital cycle for prawns is 1 year (3 years for salmon)
- Tassal can also apply and transfer technology and science from salmon farming to prawn farming
- Tassal aims to modernise the Australian prawn industry and increase yield and returns

The acquisition is subject to conditions precedent, with completion expected in September 2018. The key condition precedent for the acquisition of the 3 prawn farms is for the vendor to obtain orders from the relevant authority for the Proserpine farm (on terms and conditions satisfactory to Tassal) that the development permit remains in place, and confirming that there has been no abandonment of the land that is subject to the development permit.

The Proserpine farm site now needs some re-development and modernisation, but the back-bone infrastructure will make this significantly quicker and more economical than a greenfield development.

Key acquisition terms

Purchase and price

Purchase of land, assets and inventory of the 3 prawn farms of Fortune Group free from all encumbrances pursuant to executed land contracts and asset sale and purchase agreements, subject to the satisfaction of certain conditions precedent.

The purchase price is \$30.3 million (plus GST, where applicable to particular assets) to be paid in cash, with \$1 million deferred to support certain transition arrangements.

Conditions precedent and completion

In addition to the condition precedent in respect of a development permit stated above, the acquisition is subject to certain additional conditions precedent, including (but not limited to):

- completion of each of the land contracts and the asset sale and purchase agreements
- the transfer and issue of certain authorisations, licences and permits
- the surrender and termination of certain leases

The conditions precedent need to be satisfied (or waived) by 1 October 2018 (or such other date agreed by the parties). Completion of the acquisition is expected to occur in September 2018.

Other key terms

- Fortune Group and certain parties associated with it have agreed to certain non-compete obligations and undertakings in favour of De Costi Seafoods
- Fortune Group and certain associated with it have provided numerous warranties and representations in favour of De Costi Seafoods in relation to the land, assets and inventory purchased and related matters, together with a related indemnity
- No employees are being transferring as the permanent staff are predominately family members who own or are otherwise associated with the Fortune Group
- The land contracts and asset sale and purchase agreements may be terminated if any of the conditions precedent are not satisfied (or waived) by 1 October 2018 (or such other date agreed by the parties) or Completion does not occur by 15 October 2018 or there is a breach under an agreement and such breach is not remedied or an insolvency event occurs
- The parties are subject to the usual confidentiality obligations and usual exceptions

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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 1,300 people. Visit www.tassal.com.au for more information.

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