



Clean Seas Seafood Limited
(ASX:CSS & OSE:CSS)

**Bell Potter Home Grown
Agriculture Conference 2021**

CEO: Robert Gratton

16 September 2021



Introduction

- **New Leadership & Focus** - refreshed Board & Management, new partnerships and distribution channels, cost and volume focus
- **Strong Sales Growth** - FY21 sales volumes of 3,166t – up 31% on FY20 (2,424t) and 17% on FY19 (2,698t).
- **Diversification** - new channels & markets are complementing the premium restaurant businesses as it recovers, and will deliver lower costs of production as volumes increase
- **Inventory Sell Down / Biomass Coming Back into Balance** - leveraging the sale of excess inventory has supported working capital requirements and driven channel diversification and volume growth
- **Cost Focus** - will further support lower costs of production and profit recovery
- **Strong Balance Sheet** - A\$50M of available funding
- **Uniquely Positioned** - to be the quality & cost leader in sustainable & environmentally friendly Kingfish production

Clean Seas Seafood – Global leader in full lifecycle farming of Yellowtail Kingfish



LONG STANDING FARMING EXPERIENCE

- 20 years of experience and know-how, industry leading 13th generation of brood stock



NEW RETAIL MARKET ACCESS & GROWTH

- Significant growth opportunity, existing licenses to produce up to 10,000 tonnes with a view to 30,000 tonnes in the longer term



GLOBAL STRATEGIC PARTNERSHIP

- Unique global distribution arrangement with strategic partner Hofseth International



SPENCER GULF NATURAL PROVENANCE

- Unique product quality and sustainability benefits from farming native species in its natural waters



UNIQUE PRODUCT, GLOBAL RECOGNITION

- Highly awarded and on the menu in more than 200 Michelin star restaurants across 17 countries

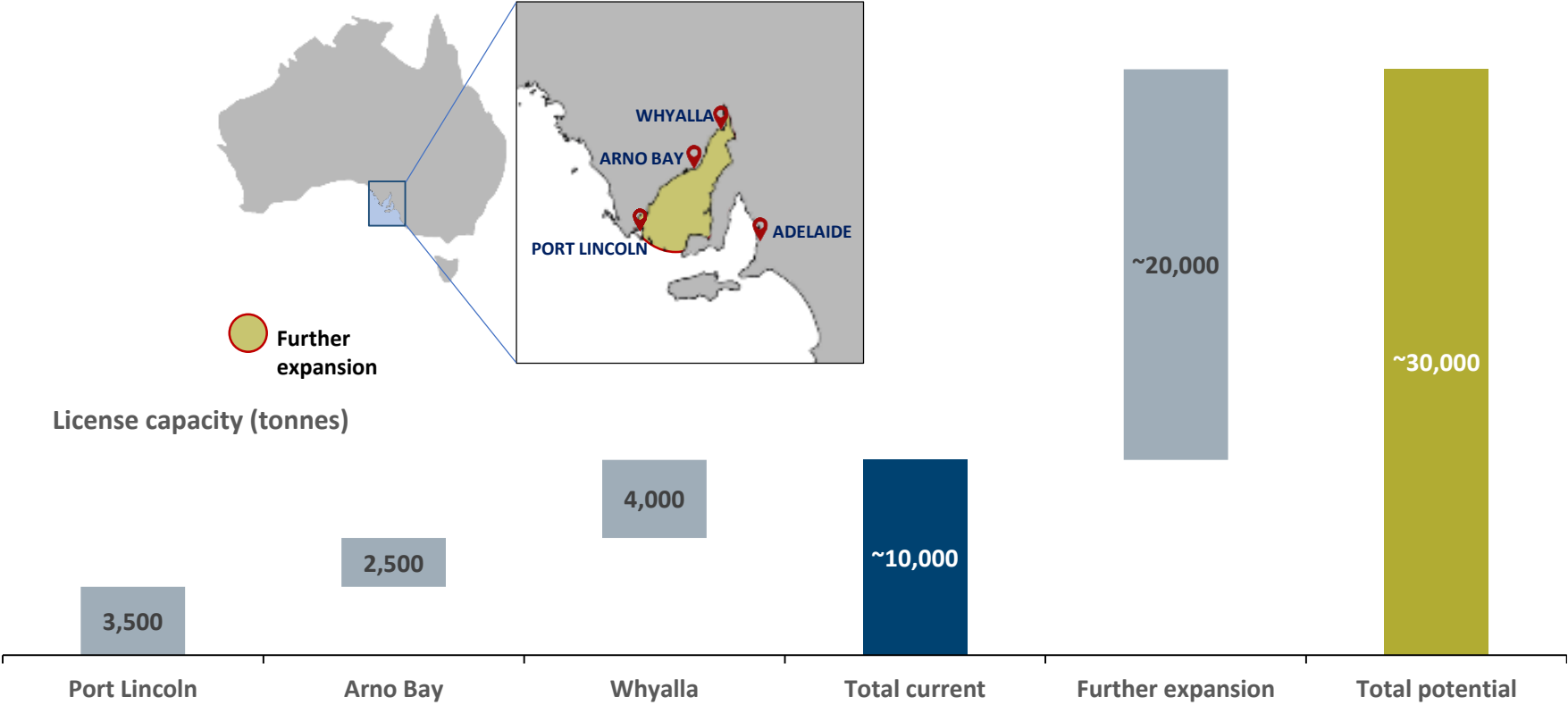


SUSTAINABILITY AWARDS

- Sustainable and environmentally friendly farming practices, focusing on animal welfare
- 'Aquaculture Stewardship Council' (ASC) certified and 'Friends of the Sea' Certified

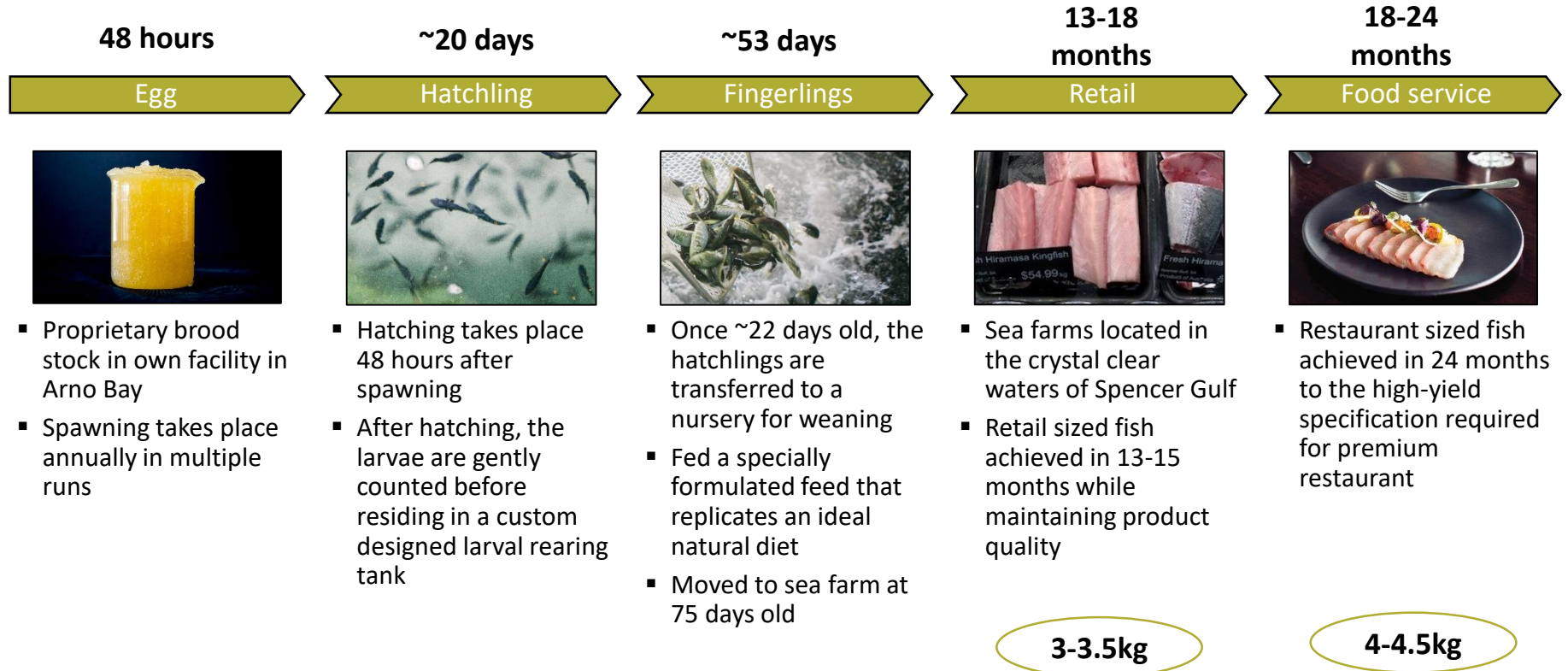
[Introductory video](#)

Clear path to increase production while retaining Spencer Gulf provenance and quality



Production expansion capital at <A\$1/kg, significantly less than land based competitors

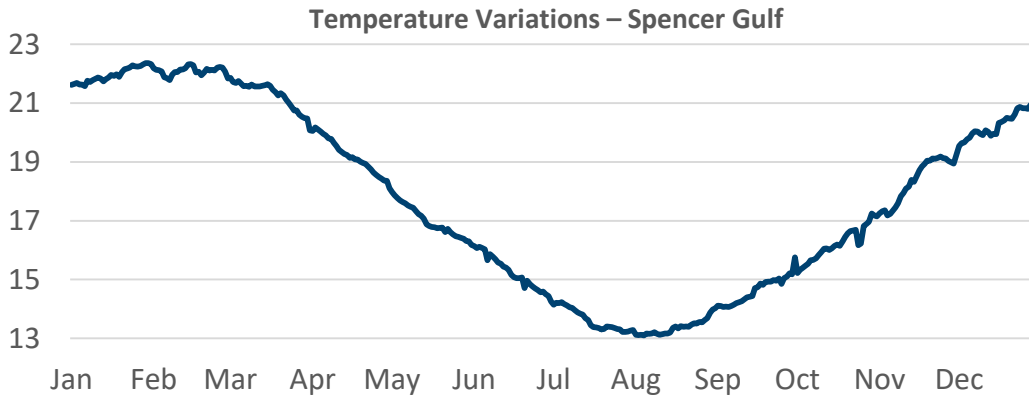
Control over the entire growth cycle – from egg to fully grown Kingfish



Full growth cycle control provides output flexibility

Farming - Cold water production is a necessity to reach the highest quality

- Seasonal warm and cold water growout cycle provides product quality versus warm water and tank farmed production
- Clean Seas Seafood produces its Kingfish in the perfect environment with temperatures in the range of 13°C and 22°C, ensuring the best possible product quality at acceptable growth rates
- It's possible to accelerate growth (and to some extent reduce operating costs) with temperatures in the range at or above 22°C, but we believe it does affect the product quality
 - Texture, taste, shelf life
- This is why we farm in Kingfish's natural environment, the Spencer Gulf of South Australia



Clean Seas ensures unparalleled product quality with production in optimal temperatures

State-of-the-art freezing technology *SensoryFresh™* will allow Clean Seas to deliver a high quality product globally with low cost & carbon footprint

- Freezing high value, premium quality seafood requires speed. The ice formation stage must be fast for optimum texture
- Clean Seas rapid freezing “*SensoryFresh*” is 10 times faster than conventional freezing
- This technology increases frozen sales to restaurants and has significant benefits in terms of carbon footprint
- Taste tests prove unmatched quality for frozen products, particularly when served raw
- Utilising frozen technology presents great opportunity for Clean Seas to benefit as the world reopens, particularly in the premium seafood and restaurant markets



Sustainability and Premium Quality is at our Core



**Australian Food Awards
'Best fish'
2016, 2017 & 2018**



**'Champion' award for 'Fresh fish'
at the 2021 Royal Sydney Fine Food
Show (Aquaculture)**

DISTRIBUTION PARTNERSHIPS

- Major market access
- Farming knowledge



Certified by the 'Aquaculture Stewardship Council'

Clean Seas received certification by the Aquaculture Stewardship Council (ASC) in July 2019. CSS also won 'Best Responsible Seafood Product' in the ASC Sustainable Seafood Awards in 2021

INFLECTION POINT

- Sales volumes and efficiency
- Farming scale

SUSTAINABLE

- *SensoryFresh™* and *Icefresh™* food tech
- Reduced carbon emissions and costs
- R&D projects targeting environmental objectives

UNTAPPED MARKET POTENTIAL

- Emerging species
- Viable alternative to farmed Salmon

PROVENANCE

- Quality ocean reared
- Clean Seas



'Friend of the Sea' certified

First aquaculture company in the Southern Hemisphere certified as sustainable by the internationally recognized Friend of the Sea accreditation system

Arguably the best raw fish in the world



Delicious Raw, Pan Seared, Baked, Roasted, And Grilled



Indicative retail packaging and branding



Marketing to retail segment

AUSTRALIAN YELLOWTAIL



RAISED WITHOUT
ANTIBIOTICS



100% TRACEABILITY
FROM EGG TO TABLE



PROCESSING
SCALABILITY



Producer
CLEANSEAS

- Global leader in full cycle breeding, production and sale of Yellowtail Kingfish outside of Japan
- Collaborates with the government, industry and universities to develop best practice regimes in fish health and welfare



FREEZING TECHNOLOGY

Use of innovative SensoryFresh liquid nitrogen freezing technology provides a significant competitive advantage against the traditional Japanese (-18°C) frozen offering.



DIET AND NUTRITION

All feed is made from sustainably sourced high grade fish meal, fish oil products, and from sustainable land based GMO free ingredients (proprietary blend).



PEN DENSITIES

Farm raised in large, deep floating pens with a low pen density of 1.5% fish and 98.5% water gives maximum comfort and a healthy growth cycle.



PRIME LOCATION

Raised in its native habitat, the Spencer Gulf is one of the cleanest bodies of water in Australia. The high tidal movement, consistent flow, and cold waters strengthen the yellowtail.



PACKING OPTIONS

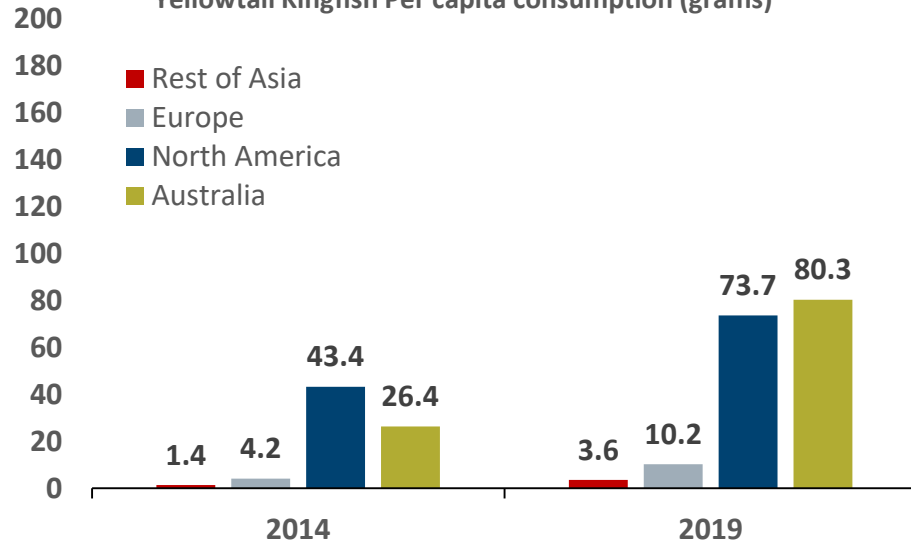
Skinpack, Retail Bags,
10K OTR Film

PRODUCT FORMS

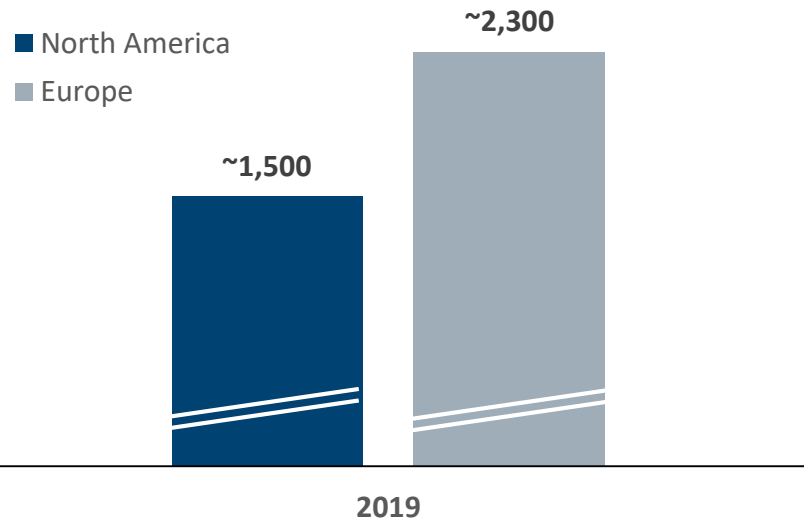
Loins, Portions, J-Cut
Fillets, V-Cut Fillets

Huge potential for Yellowtail Kingfish globally

Yellowtail Kingfish Per capita consumption (grams)



Atlantic Salmon Per capita consumption (grams)



- The market for Yellowtail Kingfish has expanded significantly as awareness of the species has grown
- Clean Seas has built a substantial per capita consumption in Australia in premium restaurants
- Continued increases in per capita consumption will see total global sales grow strongly in future years
- Clean Seas has established distribution in Australia and Europe, and significant partnerships to expand into North America and Asia

Substantial progress against Strategic Priorities

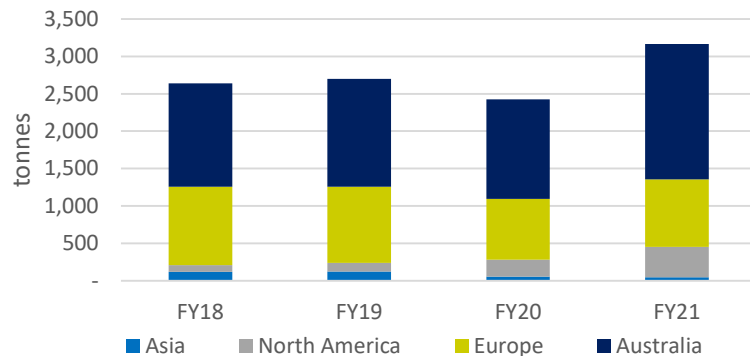
	FY21	FY22	FY23
Operations	Stabilise the business following FY20 COVID shock, restructure and reduce indirect expenses	Grow and diversify kingfish production. Activate new farming sites.	Operating EBITDA and cashflow positive
Sales	Diversify channels and markets, maximise existing premium business as lockdowns ease	Develop new channels and markets, premium business	Launch volume retail channels with a price competitive lower cost fish
Inventory	Rectify Live Fish Biomass and Frozen inventory imbalance	Bring Biomass and Frozen inventory into balance to support future sales	Accelerate stocking and growth targets
Cost Of Production	Accept higher cost of production while excess inventory is sold through	Achieve significantly lower cost of production as a result of clearing excess inventory	Achieve A\$9/kg cost of production in line with FY18 levels
Funding	Secure debt and equity funding for growth ambitions	Simplify capital structure and redeem Convertible Notes	

FY21 highlights turnaround and strong foundation

- Record sales volumes – up 31% on FY20 and 17% on FY19
- New channels and markets developed, diversification underway
- Reduced inventory cover from 27 to 16 months
- Cost of production has peaked at A\$15.29/kg and will now decrease, targeting A\$9.00/kg in FY23
- A\$25 million capital raise completed, with secondary listing on Euronext Growth Oslo
- Significant available funds of A\$50 million, convertible note debt to be repaid

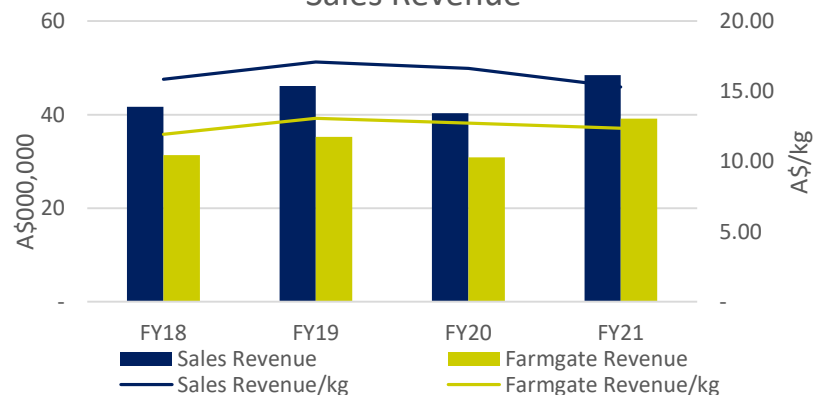
Strong recovery and diversification drive sales ahead of pre-pandemic levels

Sales Volumes by Market

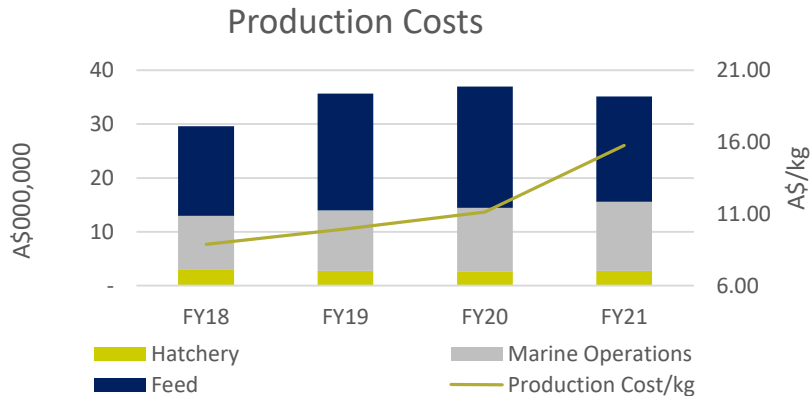
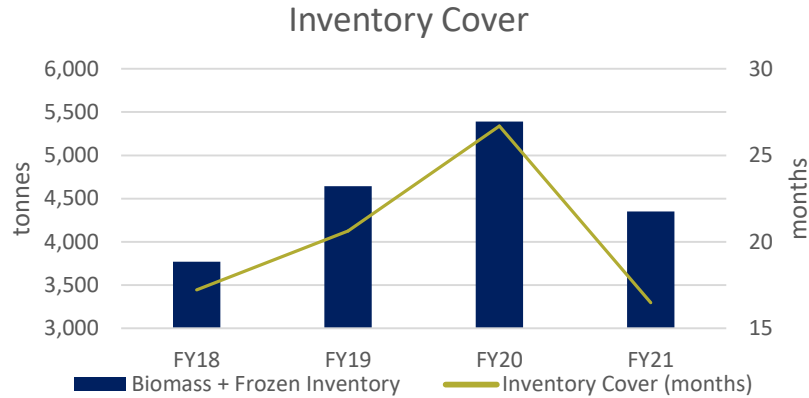


- **Record Sales** - for FY21 of 3,166 tonnes despite ongoing restrictions
- **Diversification** - accelerated growth new channels and markets
- **Australia** - 1,809 tonnes, up 36%
- **Europe** - 904 tonnes, up 11%
- **North America** - 406 tonnes, up 80%
- **Awareness** - Sales performance demonstrates a growing awareness and demand for Kingfish globally, as consumers look to make sustainable choices.

Sales Revenue

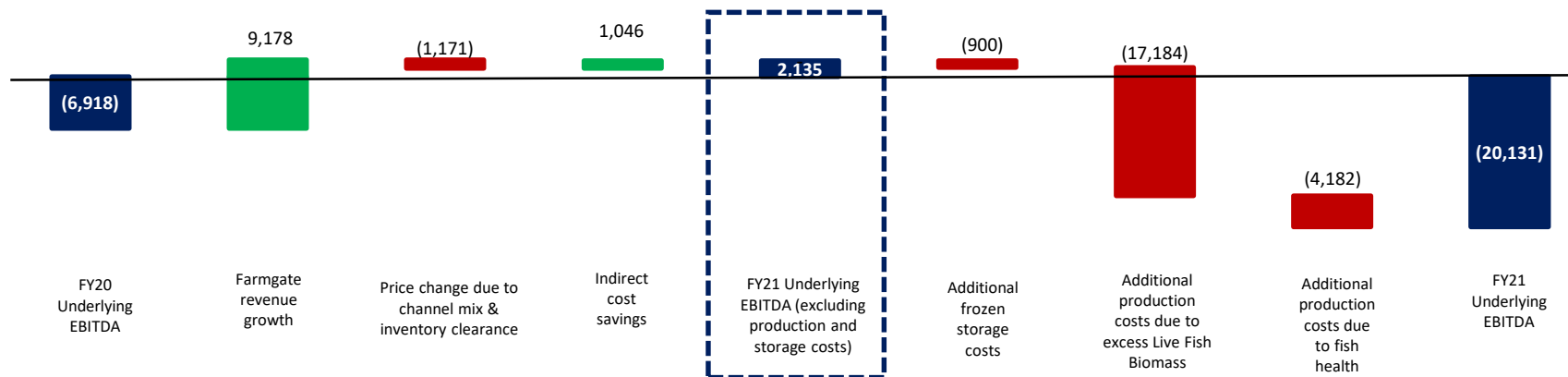


Inventory & Production Costs impacted by historical imbalance, but on-track for significant improvement



- **Inventory Cover** - Significant progress in addressing excess biomass and frozen inventory. Months cover reduced below FY18 levels
- **Production Costs** – have peaked at A\$15.29/kg due to excess biomass and reduced growth
- **Excess biomass** - All of the excess Year Class 18's have now been harvested, and the Year Class 19's will be completed in early September. Surplus live fish biomass results in an extended growout period, and therefore an older, and significantly more expensive cohort of fish
- **Target** - Total production costs expected to return to historical levels of circa A\$9.00/kg in FY23 once the harvest of Year Class 20 fish is complete

Underlying EBITDA FY20 vs FY21 (A\$000's)



FY21 overview

- FY21 Underlying EBITDA benefitted from a 31% increase in sales volumes
- Indirect costs decline due to structural changes to reduce costs and promote efficiency. Further improvement expected as the Company accelerates growth strategy.
- Frozen storage costs increased due to excess frozen inventory held, significant progress to accelerate the sale of surplus stock and costs improvement expected in FY22.
- Production costs increased due to excess Live biomass and fish health issues during FY21.

Funding & Cash Flow

Current cash and undrawn facilities (A\$'000)	FY21	FY20	Change	FY19
Cash at bank	30,072	22,169	7,903	1,004
Undrawn working capital facility	2,529	3,504	(975)	4,725
Undrawn senior debt facility	14,000	14,000	-	-
Undrawn asset finance facility	3,713	2,667	1,046	1,679
Total cash and undrawn facilities	50,314	42,340	7,974	7,408

- Renewed A\$32.2 million Debt Facility and completed A\$25.0 million Capital Raise
- Early redemption of Convertible Notes underway
- Sufficient levels of cash and undrawn facilities to fund operations and invest in long term assets

Cash flow summary (A\$'000)	FY21	FY20	Change	FY19
Underlying Operating cash flow	(9,196)	(14,033)	4,837	(8,200)
Underling Adjustment				
Restructuring costs	(637)	-	(637)	-
Litigation Settlement & Expense	-	14,007	(14,007)	(1,142)
Statutory Operating cash flow	(9,833)	(26)	(9,807)	(9,342)
Investing cash flow	(3,323)	(2,411)	(912)	(3,220)
Financing cash flow	21,059	30,877	(9,818)	757
Net increase / (decrease) in cash held	7,903	28,440	(20,537)	(11,805)

- Underlying operating cash flow improved by A\$4.8 million versus FY20
- Cash receipts of A\$44.9 million, up 5% on FY20, while payments to suppliers and for feed were down A\$3.8 million
- Financing cash flow reflects the Completion of Capital Raise

Key Investment Highlights for Clean Seas and Spencer Gulf Kingfish

Unique market opportunity driven by megatrends

- Exposure to megatrends: consumer health, sustainable protein, rising incomes and environmental awareness
- 70% of demand for Atlantic Salmon is from retail, while Kingfish is almost entirely foodservice
- Increasing popularity for Kingfish as a premium source of seafood with limited sources of supply
- Strong recovery in sales signals successful start to the strategy

High growth potential can be realized at low costs and result in more competitive cost/kg

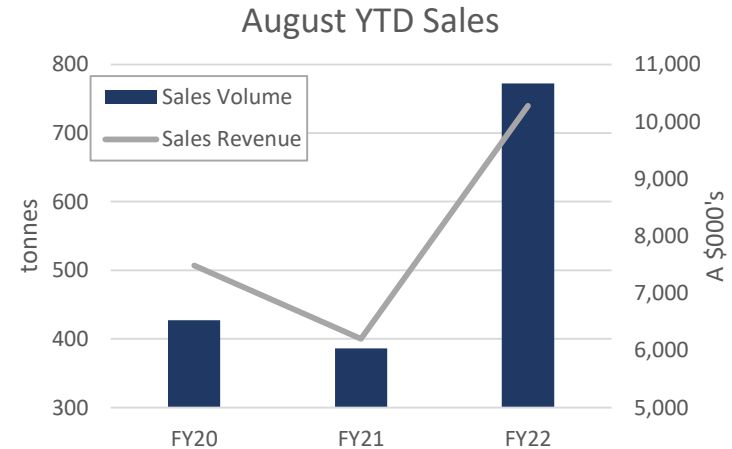
- Clean Seas is several times larger than its closest competitor and is well placed to access the growth potential in Kingfish in the near-term
- Tangible growth trajectory towards 30,000 tonnes with low license costs and ability to leverage fixed assets
- Volume growth facilitated can enable unit production costs to fall

Proven setup with all key success factors in place

- Industry leading production experience from 13+ generations of breeding
- Control over the entire production value chain, delivering a Michelin-starred quality product
- Distribution through exclusive agreement with Hofseth International
- Cold-water production of a native species in its natural environment, ensuring optimal and unparalleled product quality
- Exclusive access to freezing and defrosting technology, optimizing seasonality in harvesting schedules and global deliveries with a low carbon footprint

Trading Update - August YTD

- August YTD sales in FY22 are 772t versus 386t in FY21 (+100%) and 427t in FY20 (+81%)
- Sales revenues have grown to A\$10.3m, versus A\$6.2m in FY21 (+66%) and A\$7.5m in FY20 (+37.5%)
- Sales to restaurants in Australia impacted by lockdowns in NSW and VIC, however sales to new channels, including sales in support of an upcoming retail program with a major supermarket, has largely offset this shortfall
- Europe sales exceptionally strong as premium markets reopen, with incremental sales due to ongoing diversification, up 102% on FY21 and 123% ahead of FY20



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All volumes are in Whole Weight Equivalents (WWE).