



**TASSAL GROUP**  
*a better tomorrow*

# Bell Potter Home Grown Conference

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Mark Ryan, MD & CEO

9 June 2022

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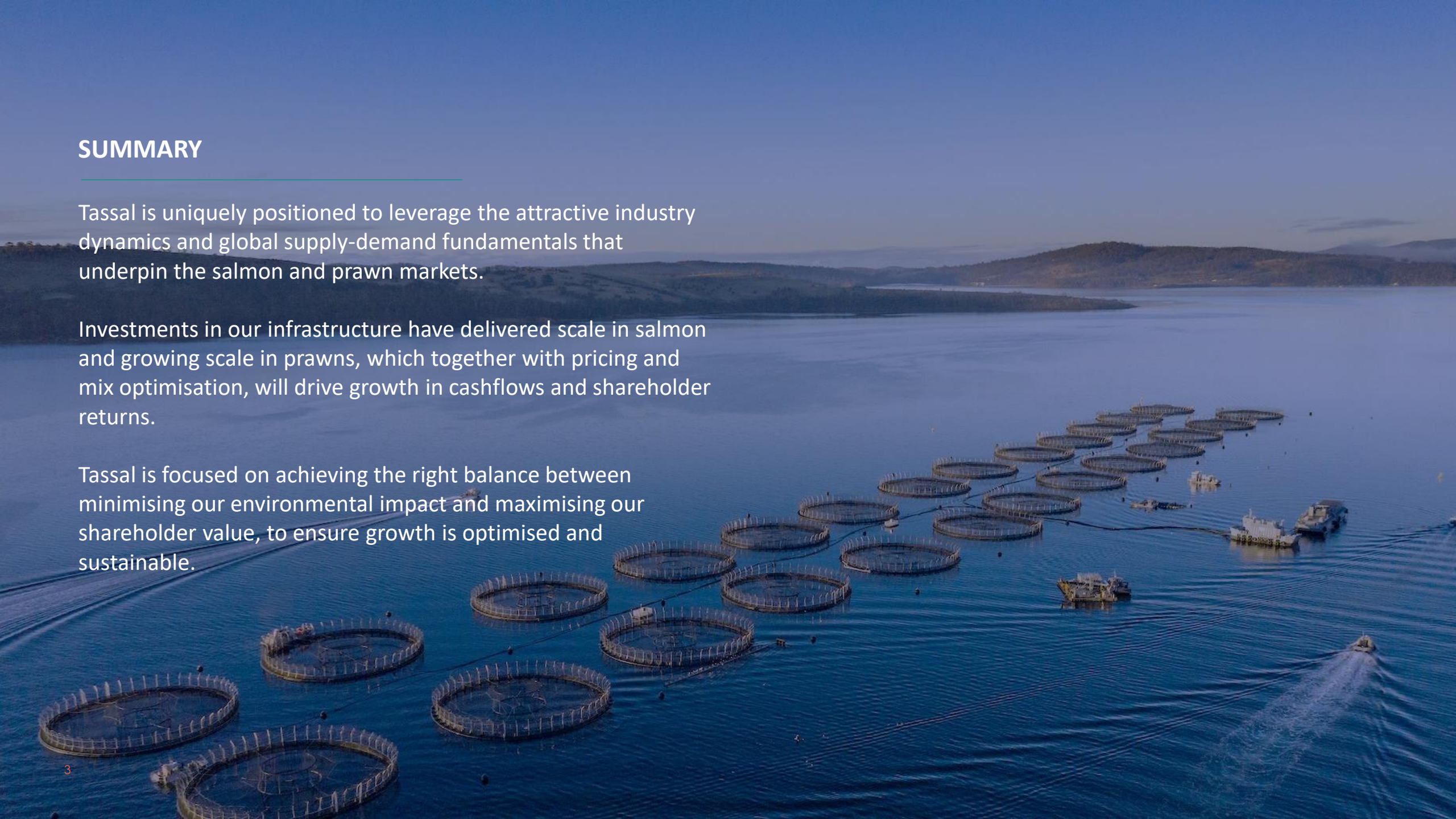
## SUMMARY

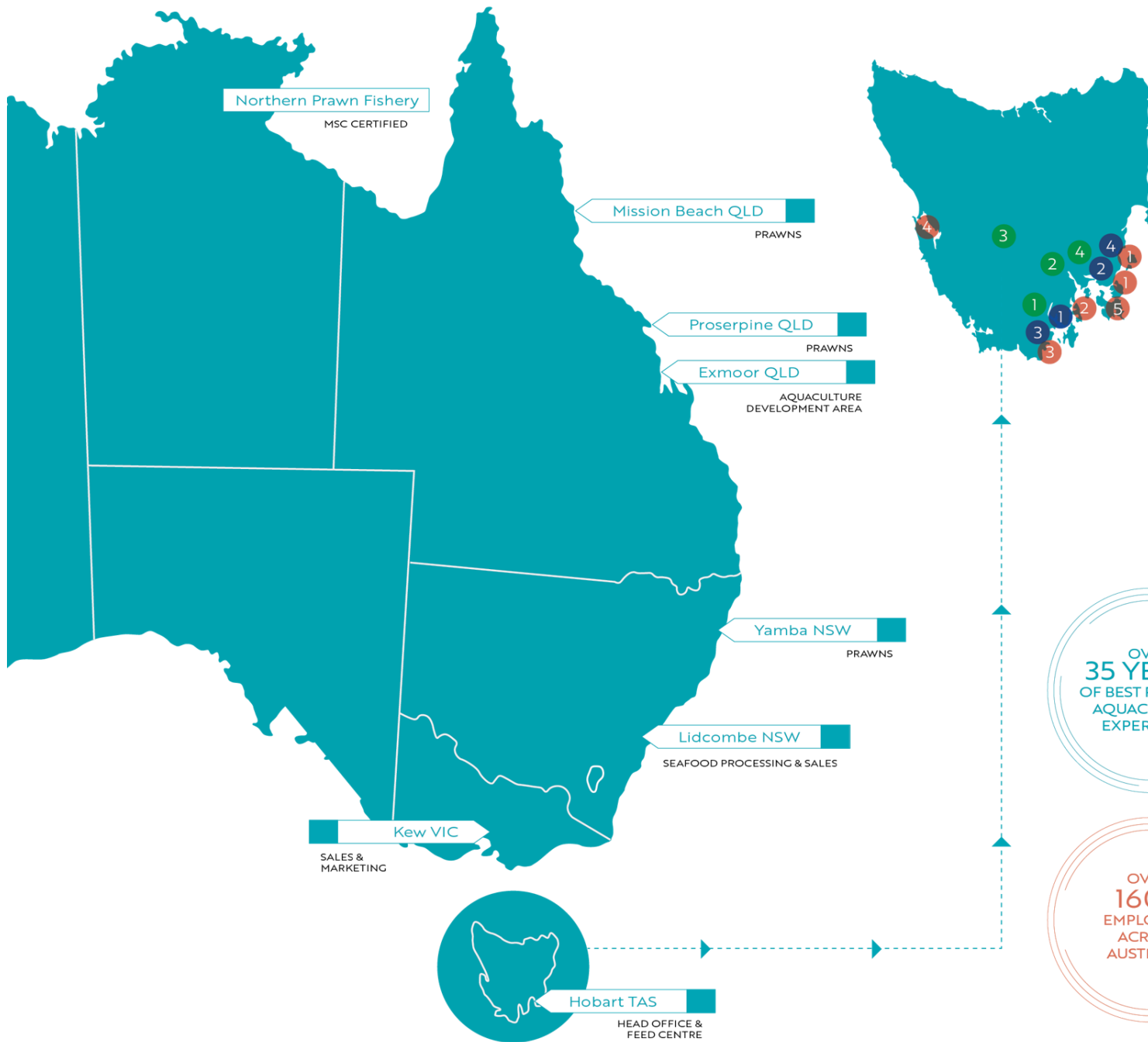
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Tassal is uniquely positioned to leverage the attractive industry dynamics and global supply-demand fundamentals that underpin the salmon and prawn markets.

Investments in our infrastructure have delivered scale in salmon and growing scale in prawns, which together with pricing and mix optimisation, will drive growth in cashflows and shareholder returns.

Tassal is focused on achieving the right balance between minimising our environmental impact and maximising our shareholder value, to ensure growth is optimised and sustainable.





# Our footprint

## OUR FOOTPRINT: SEAFOOD & PRAWNS

Northern Prawn Fishery - Xanadu  
 Mission Beach QLD - Prawn farm, hatchery & processing facility  
 Proserpine QLD - Prawn farm, hatchery & processing facility  
 Exmoor Station QLD - Aquaculture Development Area  
 Yamba NSW - Prawn farm & processing facility  
 Lidcombe NSW - Seafood processing facility

## OUR FOOTPRINT: SALMON

### MARINE FARMING ZONES

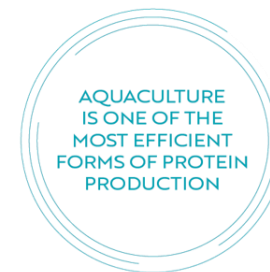
1. Eastern Zone  
Okehampton Bay & Port Arthur
2. Channel Zone  
D'Entrecasteaux Channel
3. Southern Zone  
Dover & Huon River
4. Western Zone  
Macquarie Harbour
5. Storm Bay Zone  
Nubeena & West of Wedge

### FRESHWATER HATCHERIES

1. Rookwood I & II  
Ranelagh
2. Russell Falls & Karanja  
Mount Field
3. SALTAS (industry hatchery)  
Wayatinah
4. HRAS (future development)  
Hamilton

### PROCESSING FACILITIES

1. Huonville  
Salmon processing
2. Margate  
Salmon processing
3. Dover  
Salmon processing
4. Triabunna  
Rendering facility



# TASSAL'S JOURNEY

*Generating strong cashflow following investment phase*

## Investment Phase

- Significant capex programme - ~\$420m invested over FY18-21
- Invested in growing salmon biomass to achieve scale and drive greater efficiency
- Commenced prawn farming operations in order to pursue an attractive growth opportunity and achieve greater diversification
- Investment phase coincided with COVID-19, which impacted demand and freight costs

## Today

- Salmon growth program completed, with biomass build-up achieved
- Delivering c40,000 hog tonnes of salmon production annually
- Prawn operations are now well-established, with significant uplift in harvest volumes
- Salmon pricing has re-rated
  - Favourable supply and demand fundamentals globally
  - Attractive industry dynamics domestically

## Future

- Salmon price re-rating to drive stronger margins
- Deliver strong cashflow and shareholder returns with top quartile Free Cashflow growth and conversion targeted
- Optimise prawn operations, with further growth self-funded and only when market conditions dictate
- Material reduction in capital expenditure
- Evolve and expand Tassal as a Blue AgTech leader

# STRONG INCREASES IN PRICES

*Attractive industry dynamics driving earnings*

## Global salmon demand > supply

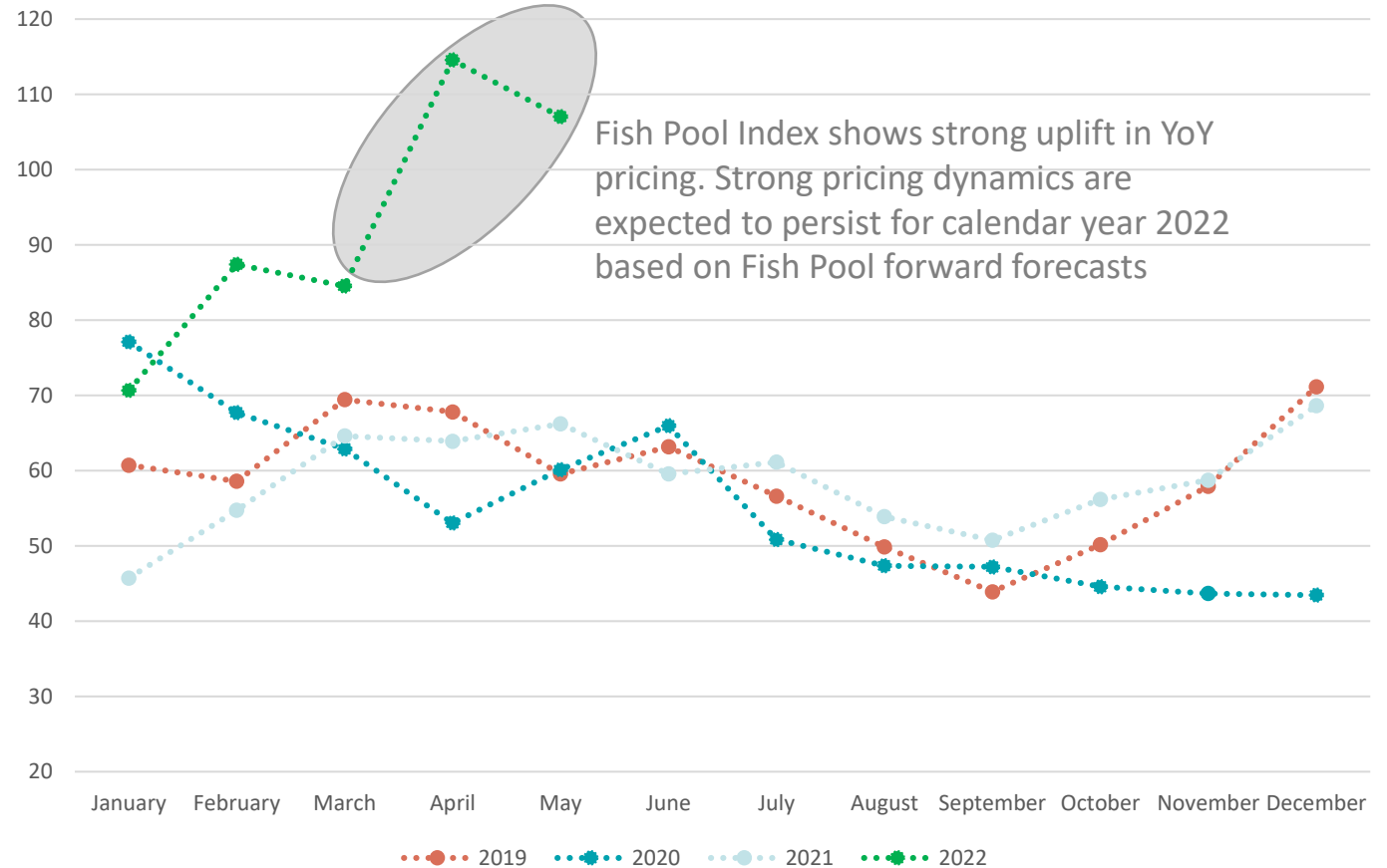
1. Favourable mega trends driving global demand higher
2. Low or no growth in supply globally for calendar years 2022 & 2023<sup>1</sup>
3. International market pricing is supporting margin increases heading into FY23

## Attractive domestic salmon industry dynamics

1. Industry ownership issues resolved
2. Tassal Privileged asset position strengthened
  - No new leases in Tasmania for salmon
  - Nitrogen caps in place for prawns
3. Domestic Out-of-Home market is reflecting global price increases to support margin increases
4. Domestic Retailers have accepted cost increases to allow margins to be maintained in this market

Factors above are driving a salmon price re-rating and positive medium-term outlook for pricing, more than offsetting current cost inflation pressures

## FISH POOL INDEX (NOK/KG)



Source: Fish Pool Index, 2022

Note:  
1. Fish Pool, Rabobank, 2022

# BIOMASS LEADERSHIP ACHIEVED

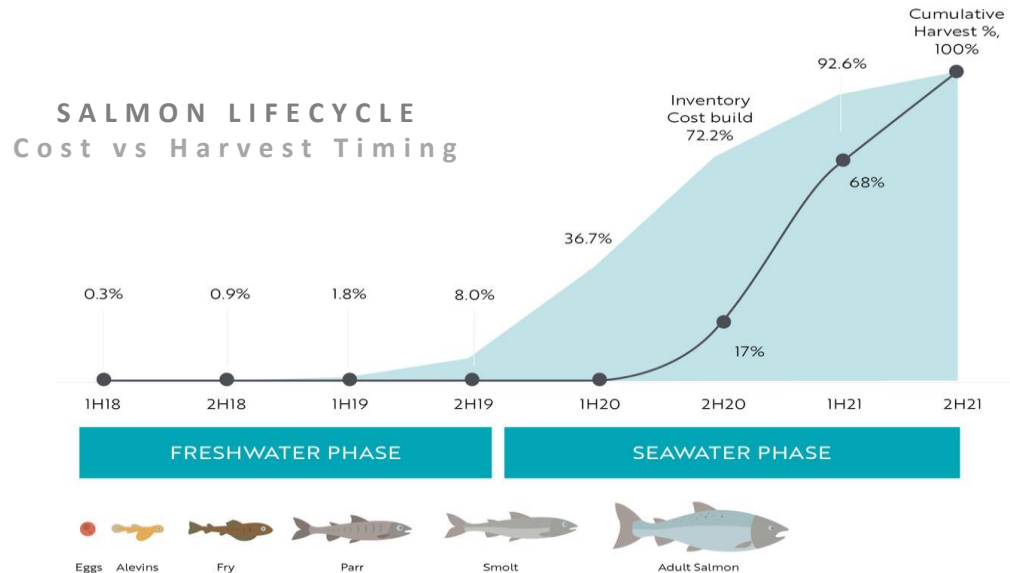
*Scale allows self funding growth and higher shareholder returns*

## SALMON – AT SCALE

Tassal has achieved a sustainable salmon annual harvest of c40,000 hog tonnes from its existing marine leases. This scale position no longer requires incremental funding for growth.

With a 5-year capital cycle and 3-year working capital cycle, building incremental salmon biomass to this scale position required significant funding.

With incremental funding no longer needed, focus is now on targeted price, sales mix, cost optimisation, brand building and product innovation initiatives to drive future growth.



## PRAWNS - SCALABLE

Investment in the Proserpine prawn farming footprint, together with a 2-year capital cycle and 1-year working capital cycle delivers superior cashflow conversion and returns – future biomass and infrastructure growth will be aligned to market demand.

## A SELF-FUNDED GROWTH STRATEGY

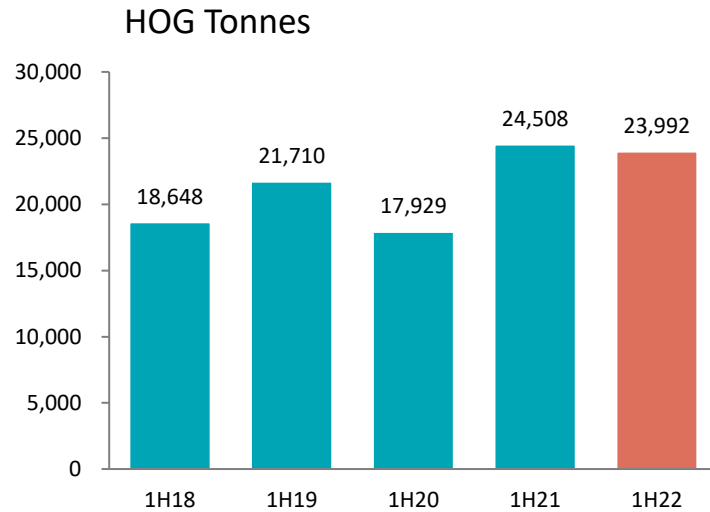
With a strengthening of industry structure from the entry of JBS Australia as the owner of Huon Aquaculture and the Tasmanian Government's announcement of no further lease space in Tasmanian waterways, the attractiveness of the salmon industry in Tasmania is evident.

With the salmon and prawn investment in infrastructure now in place, and salmon at scale (and prawns scalable), Tassal is in a position to self-fund growth and focus on shareholder returns.

# 1H22 CASHFLOW STEP-CHANGE

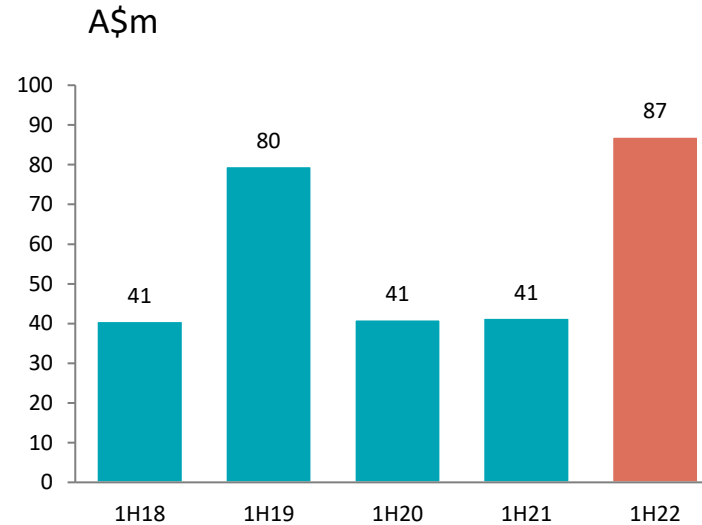
Targeting top quartile ASX200 FCF growth and conversion

## STABLE SALMON HARVEST AT 23,992 HOG TONNES



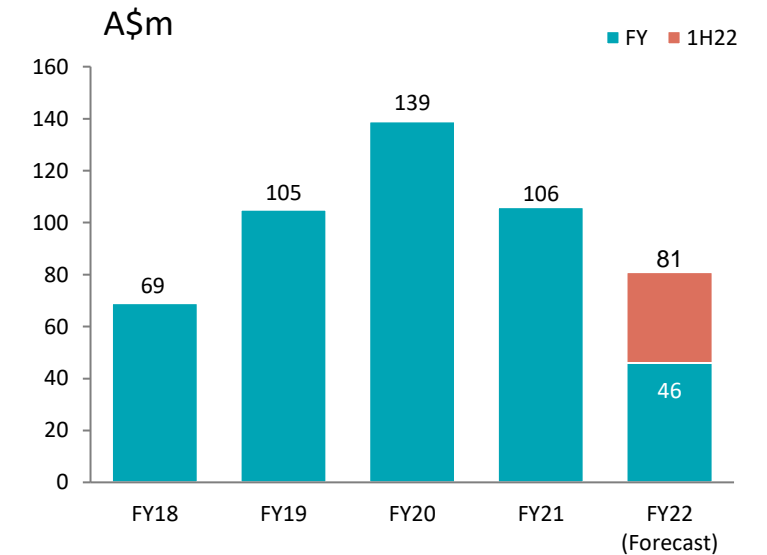
- **Salmon harvest stable** at c40,000 hog tonnes of salmon production annually
- **Completed incremental investments** in salmon biomass

## STRONG OPERATING CASHFLOW UP 110.2% TO \$87.0M



- **Operating cash flow** saw a step change in 1H22
- Excess frozen salmon inventory from FY21 was **profitably sold** during the half

## DECLINING CAPEX DOWN ~\$25M TO ~\$81M IN FY22



- **Capex targeted to decline** from \$106m to \$81m in FY22 as major growth investment program is completed
- **2H22 capex** expected to decline to ~\$35m



# OUR COMPETITIVE ADVANTAGE

*Leveraging assets and execution excellence*

- **Privileged, unique assets** owned or leased to Tassal. These include, but are not limited to knowhow, goodwill, business strategy, culture, customer, supplier and industry engagement
- Tassal's **competitive advantage** is its valuable and rare fresh prawn and salmon lease space, licence conditions and permits with underlying biosecurity protections
- Tassal owns a **significant portfolio of land and buildings**. Provides capital flexibility with option to undertake sale and leaseback if value maximising to shareholders
- Salmon genetics **support Tassal's unique position**, while lease caps in Tasmania and an increased focus on compliance in Queensland make it difficult for new entrants
- Tassal will leverage our position as a uniquely focused organisation, enhancing our focus on business wide operational excellence, **enabled by Blue AgTech to create sustained competitive advantage**
- By leveraging **privileged assets, scale and execution excellence**, we can build a sustained competitive advantage

Huonville



Margate



Strathblane (Dover)



Triabunna



# SUSTAINABLY FEEDING TOMORROW

*Tassal ranked No.1 amongst Australian food producers*

## Achievements



**“Australia should aspire to having the world’s best aquaculture industry and this result proves we are on the right track.”**

- MARK RYAN, MD + CEO



## Certified



**Farmed salmon has a lower carbon footprint, land use, freshwater consumption and feed conversion rate than many other protein options.**

# OUTLOOK

*Salmon to drive growth in cashflow, Prawns to deliver medium term growth*

## TARGETING ASX200 TOP QUARTILE FREE CASHFLOW GROWTH & CONVERSION + ATTRACTIVE ROA

### PRICING

Salmon pricing has re-rated. Based on market dynamics, we believe that the salmon markets will continue to benefit from strong global demand and support margin growth as pricing outstrips cost inflation. There is expected to be little to no salmon supply growth in calendar years 2022 and 2023 .

### CAPEX

Capex profile will continue to decline. In FY23 capex is expected to be c\$50m.

### PRODUCTION

We are targeting by 2030:

- Salmon - Maintaining c40,000 hog tonnes of salmon production
- Prawns - Domestic prawn sales of c10,000 tonnes - with the ability to expand to c20,000 tonnes should the market fundamentals of the international market dictate

## SALMON FOOTPRINT

The Tasmanian Government has a 10-year plan for the salmon industry... with the Government's position being that the industry doesn't need more hectares in Tasmanian waters.

**Tassal is committed to working responsibly within its current salmon footprint.**

## SALMON INITIATIVES

Continue driving business excellence program with price improvement, sales mix, cost-out efficiencies and fish performance.

## PRAWN FOOTPRINT

Based on the existing ponds (369ha) and associated infrastructure at Proserpine, Mission Beach and Yamba it is likely that c7,000 tonnes of prawn production is available. Subject to relevant approvals and licences, the farming footprint at Proserpine could allow Tassal to reach c20,000 tonnes of production when market conditions warrant.

## PRAWN INITIATIVES

Production growth expected from improving yield (survival and growth) via a similar path to salmon – fish husbandry (health), domestication (i.e. selective breeding), automated feeding systems, improving fish diets and diet cost.

# KEY TAKEAWAYS

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- Significant investment has delivered growth, improved cashflow during FY22, and **positioned Tassal to deliver improved cashflow and shareholder returns moving forward**
- **Privileged asset base** and position in **salmon** and **prawn** farming
- **Strong salmon pricing** conditions that are expected to persist globally<sup>1</sup>
- In the domestic market, we are targeting strong pricing following the global position which is also supported by an **attractive industry structure and strong demand** with limited supply growth. **Focus is for average sale price and mix across all markets** to not only cover cost inflation, but also grow margins
- **Salmon harvest to be maintained at c40,000 hog tonnes**, with focus on price, mix, cost-out / optimisation, brand building and product innovation to drive further earnings growth
- **Prawn operations deliver diversification and attractive return** on investment with growth to be self-funded
- **Leadership in Blue AgTech** driving efficiencies and solving environmental challenges
- Sustainably feeding tomorrow, ranked as **Australia's #1 sustainable protein producer**

**Note:**

1. Fish Pool, Rabobank, 2022



THANK YOU

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Questions.

# OUR BLUEPRINT - Strategy on a page

AT TASSAL, OUR PURPOSE IS SUSTAINABLY FEEDING TOMORROW.

We believe in sustainably produced food, through responsibly harnessing our precious water resources and playing our part in ensuring a prosperous, healthy planet for future generations.

Tassal is Australia's Aquaculture Leader & Leading Seafood Brand

Our strategy is simple: Optimise Tassal's advantage in the Asia-Pacific region through our access to Privileged assets, scale and execution excellence, while capturing new opportunities to innovate and grow.

