Tassal Group Limited

Realigned strategy delivering growth



Mark Ryan, Managing Director & CEO

April 2013

The past...

Reinvestment programme to drive delivery of Strategic Plan



Strategic plan - strategic priorities



Zero Harm

- Zero Harm for Everyone, Everywhere
- Zero incidents that result in Lost Time Injury (LTI)
- Zero fatalities
- Zero preventable incidents
- Zero breaches of the WHS Management system that relate to regulatory requirements
- Maintain "can do" but expand to "can do safely" culture and actions ... and then embed this culture

Optimise the business

- Growing domestic per capita consumption, by building a strong Tassal brand, leading innovation, and being responsive to customer and consumer needs
- Global cost competitiveness in aquaculture production (growing and processing)
 - → Selective breeding
 - → AGD reductions
 - → Innovative fish husbandry practices
 - \rightarrow Leading edge diets
 - → Best practice processing equipment and facilities
- Recognised as champion of sustainable salmon industry
- With a best on ground team

Maximise cashflow

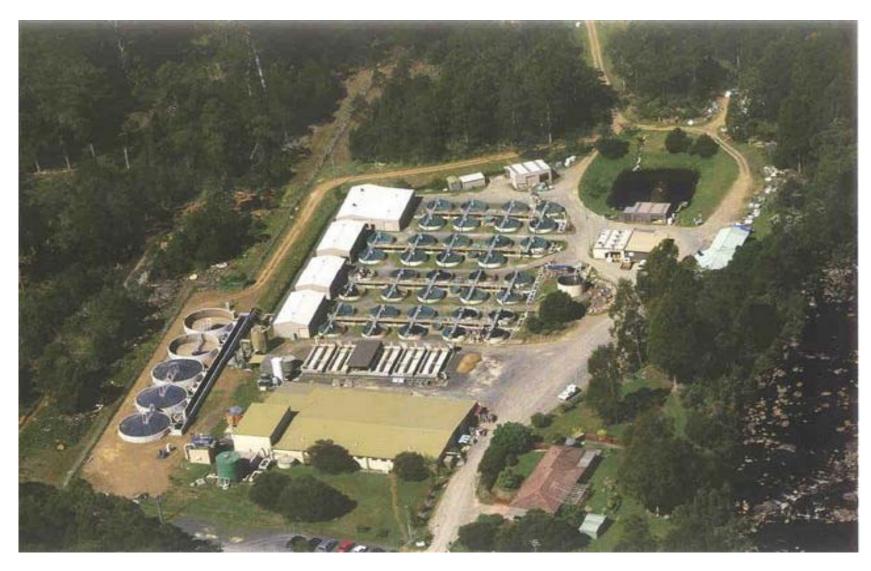
- Maximise cash returns to shareholders
- Substantial infrastructure spend now complete – and planning on a steady state of fish production, together with achieving per capita consumption growth in domestic market – should generate increasing net cash from operations
- Receivables
 Purchasing Facility
 allows effective
 management of
 working capital
 requirements

Deliver acceptable returns

- Maximise the use of assets – responsible capital spend
- Keep ROA targets
 front of mind focus
 on delivering an
 efficient and effective
 working capital and
 capital cycle
- Through an LTI plan, Tassal Executive Team is incentivised on delivering the following FY15:
 - → Statutory Return on Assets of 15% to 17%
 - → Earnings per share growth of 10% to 20%

Hatchery - then... an "old style"





Hatchery – now... world class













Processing plant – then... labour intensive



Processing plant – now... driving efficiencies and lower costs









Products – then... retail focused on smoked



Products – now... variety driving increased domestic consumption













Marketing – then... no focus on brand building



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Marketing – now... building brand and driving increased domestic consumption







The present

A sustainable growing business



Strategic plan – tactics

Zero Harm

- Maintain compliance focus due diligence
- Drive/Embed
 continued cultural
 change towards
 interdependent
 behaviours team &
 individual level
- Leadership accountability / performance management

KPIs	
LTIFR	<6.0
Incident rate	<1.2
ATLR	4
MTIFR	80
Compliance	91%

Optimise the business

- With supply/demand for Tasmanian Salmon Industry in equilibrium (following hot summer) the market fundamentals are set for stronger domestic pricing, lower promotional costs and higher unit margins
- Maximise domestic market per capita consumption growth - whilst maximising gross and net pricing and maximising marketing exposure (for the right spend)
- Ensure optimal balance of Tassal supply / demand equation – imports to balance inadequate supply
- Plan and allocate fish resources across supply chain to maximise value right fish, right size, right time, right use, right products

Maximise cashflow

- Optimise both
 Biological Feed
 Conversion ("BFCR")
 & Economic Feed
 Conversion ("EFCR")
- Minimise stock on hand (including Seafood Development) to ensure minimise working capital cycle and maximise cashflow
- Maximise the use of assets – responsible capital spend
- Working capital cycles – ensure minimum permissible tolerance around collection cycles

Deliver acceptable returns

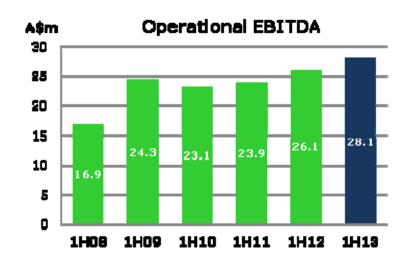
tassal

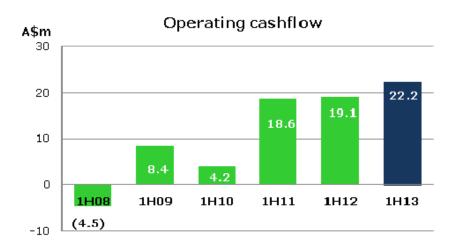
- Key focus on "ROA" (Return on Assets) to ensure the efficient use of the Company's asset base for earnings growth
- Proactive
 management of the
 "financial health" of
 the Company –
 ensure sufficient
 headroom in core
 debt to absorb
 "shocks"
- Strategic Planning

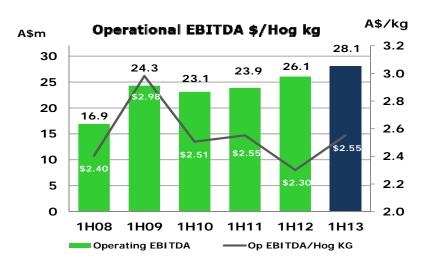
 consideration of the implications of current strategies / tactics in a short to long term context to deliver acceptable returns

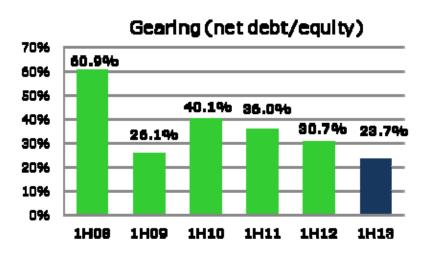
Growing returns and lower debt











1H13 saw growth across all key financial metrics



(A\$m)	1H13	1H12	Change	
Revenue	134.97	127.55	5.8%	
EBITDA	33.31	28.96	15.0%	
EBIT	25.20	21.02	19.9%	
NPAT	15.83	12.96	1 22.1%	
Dividend - cps	4.50	4.00	12.5%	
Operating cashflow	22.23	19.10	16.4%	
Gearing Ratio (net debt/equity)	23.7%	30.7%	1 (22.6%)	
Funding Ratio (net debt + RPF/equity)	42.8%	48.0%	1 (10.9%)	
Operating EBITDA	28.13	26.06	7.9%	
Operating EBIT	20.02	18.12	10.5%	
Operating NPAT	12.20	10.93	11.6%	

- AASB 141 'Agriculture' increment of \$5.19m before tax
- Operating results are pre AASB 141 'Agriculture'
- Funding Ratio includes off balance sheet funding: Receivables Purchase Facility (RPF)

Earnings growth reflects stronger margins



(\$m)	1H13	1H12	(Change
CONTRIBUTION MARGIN	39.73	37.82	1	5.1%
EBITDA	28.13	26.06	1	7.9%
EBIT	20.02	18.12	1	10.5%

\$/Kg	11	H13	1	H12	(Change
CONTRIBUTION MARGIN	\$	3.60	\$	3.34	1	8.0%
EBITDA	\$	2.55	\$	2.30	1	10.9%
EBIT	\$	1.82	\$	1.60	1	13.6%

- Marketing campaign and domestic market stimulus programmes are pulling through top-line benefits and returning bottom-line results
- Focus on growing core domestic retail and wholesale markets to replace volumes traditionally provided to export and contract growing
- Net pricing is increasing in some instances... however, primary focus for 1H13 was to grow core markets
- World class infrastructure investments and scale continue to drive down unit costs
 \$/kg in production farming and processing

Maximising cashflow



Growing cashflows continued to be generated in 1H13

- Balance sheet strengthened:
 - → reduced gearing 23.7%
 - → reduced funding 42.8%
 - → increased dividends up 12.5% to 4.5cps unfranked for 1H13
- 1H13 operating cashflow up 16.4% to \$22.23m
 - → sustainable contribution margins generated from domestic market
 - → focus on improved working capital management practices
- 1H13 investing cashflow down 18.0% to \$13.34m
 - → end of major infrastructure projects

Optimising the business



Successful marketing campaign

- Domestic market focus continues to underpin growth in per capita consumption, providing sustainable revenue growth
- Marketing campaign driving per capita consumption and moving volume into core domestic retail and wholesale markets

Moving to global best practice

- New Harvest Strategy now fully implemented and commercial Selective Breeding Programme in place
 - → New Harvest Strategy achieving optimal average size profile of harvest fish, together with maximising survival and overall biomass
 - → Selective Breeding Program (SBP)
 - → 59.2% input for 12YC (harvest FY14) from SBP fish
 - → 100% input for 13YC (harvest FY15) from SBP fish
 - → Continued innovative fish husbandry practices ... including implementing sustainable, leading edge, economically effective diets
- Macquarie Harbour expansion approved
 - → Additional fish approved with 2.1m per annum to be input at Macquarie Harbour from 2013 (previously 1.4m fish)
 - → No affects of AGD ... global cost best practice growing costs
- Best practice equipment driving processing returns

Implementing further sustainability initiatives

- Achieving best practice environmental conditions
- Second Sustainability Report released
- Bruny & Macquarie Harbour marine farms certified under BAP
- Chosen to test Aquaculture Stewardship Council (ASC) standards in Southern Hemisphere

The future

Continuing to grow returns



Strategic plan

Zero Harm

- Maintain compliance focus due diligence
- Maintain

 interdependent
 behaviours team &
 individual level
- Leadership accountability / performance management

KPIs	
LTIFR	0
Incident rate	0
ATLR	0
MTIFR	30
Compliance	92%

Optimise the business

- Maximise domestic market per capita consumption growth - whilst maximising gross and net pricing and maximising marketing exposure (for the right spend)
- Ensure optimal balance of Tassal supply / demand equation – imports to balance supply
- Plan and allocate fish resources across supply chain to maximise value right fish, right size, right time, right use, right products
- Global best practice cost of growing and processing
- Champion of sustainable salmon industry
- Best on ground team

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Key milestones



FY13

- Benefits of domestic market strategy, marketing campaign, new harvest strategy and infrastructure investment programme flowing through
- Strong domestic core retail and wholesale sales growth
 - → growing domestic market per capita consumption
 - → successful sales and marketing initiatives in domestic retail and wholesale channels
- Strategic reduction in both export and contract growing volumes

FY14

- Maximise domestic market per capita consumption growth whilst maximising gross and net pricing and maximising marketing exposure (for the right spend)
- Ensure optimal balance of Tassal supply / demand equation import to balance supply
- Focus on core base domestic sales \$/kg returns supply/demand volume equilibrium
- Marketing plan driving bottom-line performance with focus on growing both Australian per capita consumption and domestic market margins
- Continued growth in operating cashflow
- Strong balance sheet with debt reducing, with a growing dividend
- **Delivering** on acceptable returns

A&D



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