



TASSAL GROUP

a better tomorrow

15 February 2022

ASX Release

Tassal delivers step-change in cashflows over the first-half

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the 6 months ended 31 December 2021 (1H22) that saw the Company deliver statutory net profit after tax of \$36.4 million and a step-change in cashflows.

(\$m unless otherwise stated)	1H22	1H21	Change
Revenue	419.14	292.48	43.3%
Statutory results			
AASB 141 SGARA Impact ¹	27.93	9.46	195.0%
EBITDA	96.88	77.51	25.0%
EBIT	57.43	45.90	25.1%
NPAT	36.37	27.64	31.6%
Operating results			
EBITDA ²	89.46	78.40	14.1%
EBIT ²	50.01	46.78	6.9%
NPAT ³	31.18	28.26	10.3%
Operating cashflow⁴	86.99	41.39	110.2%
Free cashflow⁵	58.83	24.79	137.3%
Free cashflow conversion ⁶	65.8%	31.6%	
Interim dividend – cps ⁷	8.00	7.00	14.3%

Note:

1. SGARA post tax increment of \$19.6 million (1H21: increase of \$6.6 million).
2. Before significant items of \$20.5 million (1H21: \$10.3 million) and SGARA. The Federal Government's International Freight Assistance Mechanism (IFAM) was implemented to assist with COVID-19 impacted international airfreight. While Tassal continues to be grateful for this Government support program, overall export freight costs for 1H22 were still \$20.5 million higher before tax (relative to the pre-COVID-19 cost \$/kg rates) post receiving this rebate (1H21: \$9.6 million). The additional cost of export freight is presented as a Significant Item and added back to underlying results to present Operational EBIT, EBITDA.
3. Before significant items after tax.
4. Includes significant items of \$20.5 million.
5. Free cashflow (FCF) equals cashflows from operating activities less maintenance capex. FCF excludes growth capex, ROU liability repayments, debt proceeds and repayments, and dividends.
6. Free cashflow conversion equals FCF divided by Operating EBITDA.
7. Interim dividend unfranked (1H21: Interim dividend unfranked).

Key 1H22 takeaways:

1. **Step-change in cashflows:** Tassal delivered strong operating cashflow of \$86.99 million (up 110.2%) and free cashflow of \$58.83 million (up 137.3%), and is well positioned to further grow cashflows and optimise returns
2. **Investments and scale underpin future cashflows and returns**
 - **Salmon:** at a sustainable annual harvest of c40,000 hog tonnes from existing marine leases, Tassal has a scale position and no longer requires incremental funding for growth. The focus is now on targeted price, sales mix, cost optimisation, brand building and product innovation initiatives to offset any increases in supply chain costs and drive future returns
 - **Prawns:** with a shorter capital and working capital cycle for prawns, this allows for a more efficient use of capital. Any future investments will be aligned to domestic market growth

HOBART

Level 9, 1 Franklin Wharf,
Hobart, Tasmania 7000
Telephone (03) 6244 9099
Facsimile (03) 6244 9002

MELBOURNE

Level 2, 1-9 Derrick Street,
Kew, Victoria 3101
Telephone 1300 66 4731
Facsimile 1300 88 1429

HUONVILLE

20 Glen Road,
Huonville, Tasmania 7109
Telephone 1300 66 4251
Facsimile 1300 88 0239

SYDNEY (De Costi Seafoods)

29 Bachell Avenue,
Lidcombe, NSW 2141
Telephone (02) 9649 7699
Facsimile (02) 9649 7655

TASSAL GROUP LIMITED
ABN 15 106 067 270
GPO Box 1645, Hobart, TAS 7001

1300 660 491

tassal@tassal.com.au
tassalgroup.com.au | tassal.com.au

3. **Strong biomass supporting favourable market dynamics**

- **Salmon revenue growth through sales mix:** Up 37.1% to \$349.92 million with a recovery in both export pricing and volume, and domestic out-of-home
- **Prawn revenue growth through domestic market:** Up 480% to \$30.19 million with gains in harvested tonnes, average yield and sell through of frozen inventory

4. **Sustainability:** As Australia's Blue AgTech leader, Tassal continues to focus on achieving the right balance between minimising its environmental impact and maximising shareholder value to ensure earnings and returns are optimised and sustainable.

Commenting on the Company's 1H22 results, Tassal Managing Director & CEO Mark Ryan said: "Tassal has successfully completed its investment in salmon biomass growth and is now experiencing the benefits of scale. Together with the investments in and growth of our prawn business, where we achieve more attractive capital and working capital cycles, Tassal is focused on growing cashflow and optimising returns. We have delivered a step-change in cash generation and believe Tassal is well positioned to deliver further improvements in cash flow and cash conversion going forward.

"We are now at scale delivering a sustainable annual salmon harvest of around 40,000 hog tonnes, and optimising sales mix through branded product development in retail leveraging Tassal's no. 1 salmon and protein brand position, strategically balancing contract unbranded sales, and capitalising on the strong recovery in global pricing and the commencement of pricing recovery in the domestic market.

"In prawns, the combination of SmartFarm, improved feed diets and fish husbandry has improved size, survival and harvest biomass as we continue to build Tropic Co into Australia's number 1 prawn brand and generate sales in the domestic market.

"As Australia's Blue AgTech leader we are focused on delivering both attractive sustainable shareholder returns and a healthy planet. We are executing against our five pillars of responsible business and are responsibly growing the value of aquaculture through the adoption of technology and innovation, which has underpinned Tassal's number one sustainability ranking amongst Australian food producers¹."

Optimising sales mix

Salmon sales increased 37.1% to \$349.92 million, with volume up 25.1% to 25,601 hog tonnes at an improved price mix of \$13.67 Hog kg (1H21: \$12.47 Hog kg). Grocery (contract) sales reduced in line with strategy, following Tassal's disciplined approach to retail pricing during the pandemic. This allowed for improved sales mix towards international sales to leverage the recovery in global pricing.

Prawn revenue grew 480.0% to \$30.19 million. Sales volume growth of 365.3% to 1,670 tonnes included continued growth in harvested tonnes as well as the profitable sell through of frozen prawn inventory held at 30 June 2021 – with the focus on sales in the domestic market. The Company is achieving higher average prawn prices of \$18.08/kg (1H21: \$14.50/kg).

Responsible production growth

Live salmon biomass increased 6.8% to 27,899 tonnes and is now at scale, while salmon harvest volumes were stable at 23,992 hog tonnes (1H21: 24,508 hog tonnes). With smolt input materially the same over the past three years, the growth in both harvest and live biomass over that period reflects the benefits from improved survival and Tassal's proprietary SmartFarm application.

Prawn harvested volumes were up 244.9% to 822 tonnes, reflecting footprint expansion from past investments and significant yield improvement to 11.5 tonnes / hectare (1H21: 7.3 tonnes / hectare). The planned earlier stocking program in 2021 facilitated a significant uplift in harvest volumes, particularly for the key Christmas period.

Step-change in cashflows, with operating cashflow more aligned with operating EBITDA

Operating EBITDA increased 14.1% to \$89.5 million, reflecting strong revenue growth of 43.3% partially offset by lower EBITDA \$/kg as a result of Grocery tenders in late FY21 and a material increase in supply chain costs. Operating EBITDA \$/kg for Tassal's combined International and Out-Of-Home markets increased given the pricing recovery in 1H22, which is targeted to continue in 2H22.

Operating cashflow of \$87.0 million, was up 110.2% and more aligned with operating EBITDA. Capital expenditure reduced to \$46.0 million (1H21: \$67.7 million) as the major investment program rolled off. Capex is expected to reduce further in 2H22, with targeted capex for 2H22 expected at c\$35.4 million.

Reflecting the strength of cashflows and the Company's sound balance sheet, Directors have declared an unfranked interim dividend of 8 cps, up 14.3%, consistent with a target payout ratio of at least 50% of Operating NPAT.

¹ As ranked by the FAIRR Initiative, a collaborative investor network that raises awareness of the environmental, social and governance risks and opportunities brought about by intensive livestock production.

Optimising Tassal's impact through sustainability

As Australia's Blue AgTech leader and largest vertically integrated seafood producer, Tassal's purpose is to contribute to a prosperous, healthy planet for future generations. Tassal's 5 pillars (5P's) of a responsible business – Product, Planet, People, Principles of governance and Prosperity – and shared values are an essential part of delivering on the Company's purpose, business objectives and culture.

Tassal continued to introduce technologies to support responsible aquaculture growth and underpin improved yields, improved welfare, reduced feed wastage and reduced environmental impact.

From a Planet perspective, Tassal continues to take a beyond carbon neutral approach as it looks towards both carbon and climate positivity for its operations. New partnerships were initiated during the half to abate greenhouse gases through the introduction of a solar farm at Proserpine in FY23, and the Company's seaweed initiative for water quality restoration and abatement of nutrient outputs.

Positive outlook for optimising cash and returns

Commenting on Tassal's positive outlook, Mr Ryan said: "With the global salmon market having recovered and pricing restored to pre-COVID levels, demand into South-East Asia remains strong and global pricing is targeted to remain stable for the remainder of FY22². Tassal will continue to optimise sales mix, and is well placed to capitalise on improving Out-Of-Home and higher International market pricing conditions, and focus on its brand expansion with Grocery customers and channels.

"Our focus on optimising pricing and growing returns is important, particularly as supply chain costs have materially increased due to COVID. Energy, feed commodities, labour and domestic freight costs all increased in 1H22 and we are not expecting any relief from these increases in 2H22.

"We expect a sustainable salmon harvest of around 40,000 hog tonnes in FY22, working responsibly within our current salmon footprint. Our focus is on optimising returns from current lease hectares through sales mix, price improvement, cost efficiencies and fish performance. Brand investment will continue to support Tassal's no. 1 brand status and drive long term demand for Tassal branded products. Importantly, material growth capex is not targeted for salmon and overall capex spend is now decreasing.

"Prawns have a similarly positive outlook. Domestic demand growth continues to outstrip supply. The current footprint at Proserpine, Mission Beach and Yamba is sufficient to achieve targeted FY22 production of around 5,300 tonnes, with limited growth capex required for the balance of FY22.

"At a Group level, Tassal is targeting ASX 200 top quartile free cashflow conversion, with investments already made and growth capex decreasing. Over the long term, earnings will be equally balanced between sea [salmon] and land [prawns] production. The benefits of our Blue AgTech strategy will not only drive efficiencies for Tassal, but also the aquaculture industry, as we progress towards becoming both carbon and climate positive."

1H22 results investor briefing to be held at 2:30pm AEDT today

Participants can register via <https://s1.c-conf.com/diamondpass/10019027-asmw5t.html>. Registered participants will receive their dial in number upon registration.

- ENDS -

This announcement has been authorised for release by the Board of Tassal Group Limited.

For all queries please contact:

Mark Ryan, Managing Director & CEO
P: 0414 729 101
E: mark.ryan@tassal.com.au

About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon and prawn grower; and salmon, prawn and seafood processor, seller and marketer. The Company produces and sells premium salmon, prawn and seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon and Australian Tiger Prawns, 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 1,700 people. Visit www.tassal.com.au for more information.

² Fish Pool, Kepler Chevreau, Rabobank, 2022.