



Media Release

ASX RELEASE

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HUON DELIVERS SOLID MAIDEN RESULT

Huon Aquaculture Group Limited (ASX: HUU) is pleased to announce its maiden half yearly results for the six months ended 31 December 2014.

The Company has delivered solid results with net profit of \$25.9 million representing an 11.5% increase on the same period last year and a solid return on assets of 16.5%.

RESULTS OVERVIEW

		Dec-14	Dec-13	Change
Tonnage	t	7,850	7,721	1.7%
Revenue	\$'000	100,543	96,206	4.5%
EBITDA*	\$'000	43,109	39,187	10.0%
NPAT	\$'000	25,941	23,265	11.5%
Fair value Adjustment	\$'000	16,244	6,688	142.9%
Biological Assets	\$,000	158,565	120,607	29.1%
Earnings Per Share	c	36.5	38.1	-4.2%
Cash and cash equivalents	\$'000	60,347	5,688	960.6%
Total Gearing Ratio**	%	-4.70%	38.40%	-112.2%
Return on Assets***	%	16.50%	14.60%	13.0%

* EBITDA is a non-IFRS financial measures which is used to measure business performance.

** Total Gearing Ratio is measured as debt (net of cash) /equity.

*** Return on Assets is measured as statutory EBIT / total assets, where EBIT is rolling 12 month to period end.

Revenue growth outpaced sales volume growth in the first half as a result of increased dollars per kilogram, which has led to strong first half earnings per share of 36.5 cents.

The profit result has been increased by the fair value adjustment of biological assets. Whilst predominantly driven by the volume of finfish with an increase of 5,788t over the first six months (June 2014 11,653t; December 2014 17,441t), the result is in line with seasonal movements of finfish held and projected harvest volumes. As a result, the Company's cost per kilogram has reduced by \$0.54 representing a 9% reduction on the same period last year.

Huon Aquaculture Group Managing Director and CEO, Peter Bender said the half yearly result reflected efficiencies across production activities in the first half of FY2015.

"By remaining focussed on our business strategy and in particular the implementation of our Controlled Growth Strategy, we are already starting to see the benefits in the business.

"The implementation of our Controlled Growth Strategy continues to proceed smoothly and is both on-time and within budget. Key operational initiatives are already demonstrating improvements in efficiency, production growth, quality and consistency, even at this early stage of implementation.

This is reflected in the Company's improved production cost per kilogram, which has reduced by \$0.54 to \$6.09 representing a 9% reduction on the same period last year.

“Whilst the Strategy is placing short-term downward pressure on operating margins, which is in line with expectations, it does position the Company to deliver long-term sustainable profitability.

“Our strong cash position means the Company is well placed to deliver the Controlled Growth Strategy as planned.

“We have a track record of delivering strong return on assets which stems from our unrelenting focus on asset utilisation. We have set ourselves the challenging target return on incremental capital of 20% once the Controlled Growth Strategy is fully implemented and we are progressing toward that.

“Good production growth in next year’s harvest fish is reflected in the biological asset increase of 31%. This can be attributed to a combination of efficiency gains from; the new Fortress Pens, feed barges, improved husbandry practices and environmental conditions.

“We are particularly pleased with the performance of the new Fortress Pens. With only 1/3 of pens deployed we are already seeing a reduction in fish losses compared to the older style pens. In addition, there has been a 66% decrease in seal entries averaged across all pen types between calendar years 2013 and 2014.”

Whilst stronger than expected production growth in the first half of 2015 has increased supply in the market, Huon has optimised customer and channel mix which has resulted in a higher average price, leading to the increased revenue.

“In the second half of 2015 we will continue to drive profitable growth in the key wholesale market as well as increasing market penetration in all sales channels including retail and export,” said Mr Bender.

A national fresh branded presence in a major retailer in the latter half of first half of 2015 saw the Company increase investment in communication at point of purchase to help grow the initial share of sales in the chilled seafood category.

“The Parramatta Creek processing facility is in the final stages of fit out and will be commissioned in the second half of 2015. The new facility means we will have greater capacity and allow us to expand our focus on new product development and assist us to continue optimising sales channel mix,” said Mr Bender.

Huon has also re-established appropriate export channels into key Asian markets to distribute additional volume from stronger than expected production growth in first half of 2015 and will continue to utilise export channels to distribute additional volumes for the remainder of the year.

Set against a backdrop of higher supply and softening prices, the Directors remain optimistic about the business which continues to trade in line with its strategic plan.

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