



Huon Aquaculture Group Limited

1H2015 RESULTS PRESENTATION

February 2015

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AGENDA



1	1H2015 Highlights	Peter Bender
2	Results summary	Tom Haselgrove
3	Controlled growth strategy update	Peter Bender
4	Sales and marketing initiatives	Philip Wiese
5	Managing risk	Philip Wiese
6	Outlook	Peter Bender

FIRST HALF 2015 HIGHLIGHTS

Section 1



FIRST HALF HIGHLIGHTS

PROFIT MEASURES

		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%
Biological Assets	\$'000	158,565	122,834	29.1%
Fair Value Adjustment	\$'000	16,244	6,688	142.9%

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

COMMENTARY

- ✓ **Solid first half financial performance**
- ✓ **Strong supply position underpinned by increase in biological assets**
- ✓ **Controlled Growth Strategy (capital investment program) on-schedule and budget and delivering operational efficiencies and cost savings**
- ✓ **Lead initiatives to manage Huon's risk profile;**
 - Revenue channel diversification
 - Diversity of farming locations
 - Technology investment to improve productivity and lower environmental risk
 - 'Safety First' culture



FIRST HALF HIGHLIGHTS

KEY RATIOS

		Dec-14	Dec-13	Change
Earnings Per Share	c	0.36	-	-
Cash and cash equivalents	\$'000	60,347	5,688	961%
Total Gearing Ratio*	%	-4.70%	38.40%	-112%
Return on Assets**	%	16.50%	14.60%	13%

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

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

SAFETY FIRST

COMMENTARY

- ✓ “Safety First” culture and improvement initiatives deliver significant reduction in injury frequency rates and loss-time injuries

COMMENTARY

- ✓ **Strong first half earnings per share**
 - Revenue growth outpaced sales volume growth as a result of increased \$/kg
 - Good production growth in next year’s harvest fish reflected in biological asset increase
- ✓ **Low gearing ratio positions the company to deliver Controlled Growth Strategy as planned**
- ✓ **Industry leading return on assets of 16.5%**



RESULTS SUMMMARY

Section 2



ROBUST FINANCIAL PERFORMANCE

INCOME STATEMENT

A\$m	Half Year Actual Dec-14A	Half Year Actual Dec-13A
Harvest volume (HOG t)	7,850	7,721
<i>Growth (%)</i>	2%	
Revenue	\$98.6	\$94.5
<i>Growth (%)</i>	4%	
Operating EBITDA	\$28.0	\$32.5
<i>Growth (%)</i>	-13.9%	
<i>Margin (%)</i>	28.4%	34.4%
Operating EBIT	\$23.8	\$28.4
<i>Growth (%)</i>	-16.3%	
<i>Margin (%)</i>	24.2%	30.1%
Operating NPAT	\$15.4	\$18.6
<i>Growth (%)</i>	-17.4%	
<i>Margin (%)</i>	15.6%	19.7%

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

COMMENTARY

✓ Revenue growing faster than harvest volume

- Modest increase in harvest volumes in line with expectations over the prior period
- Increases in sales volume outpaced by revenue growth as a result of increased \$/kg from improved customer and channel mix

✓ Implementation of Controlled Growth Strategy placing short-term downward pressure on profit measures in line with expectations

- To deliver long-term sustainable profitability the Company has strategic focus on:
 - Growing market (increase consumption, optimise channel mix, protect and enhance sales and brand value)
 - Growing production and operational efficiency (Controlled Growth Strategy)
 - Growing safely and sustainably (people, safety and environment)

✓ IPO costs of \$1.1m have been recognised in the current reporting period



STRONG BALANCE SHEET POST IPO

A\$m	Actual 31-Dec-14	Pro-Forma 30-Jun-14	Actual 30-Jun-14
Assets			
Current Assets			
Cash and cash equivalents	60.3	75.2	2.2
Trade and other receivables	26.2	20.6	20.6
Inventories	7.0	5.1	5.1
Biological assets	158.6	122.8	122.8
Other	2.8	2.6	2.6
Total Current Assets	254.9	226.3	153.4
Non Current Assets			
Property, plant and equipment	144.9	124.5	95.4
Marine Leases	12.2	8.1	8.1
Other	4.0	8.3	3.6
Total Non Current Assets	161.2	140.9	107.1
Total Assets	416.1	367.3	260.5
Liabilities			
Current Liabilities			
Trade and other payables	-57.9	-35.0	-35.2
Borrowings	-5.0	-5.7	-6.2
Other	-8.5	-12.2	-12.2
Total Current Liabilities	-71.4	-52.9	-53.6
Non Current Liabilities			
Borrowings	-43.3	-45.1	-60.5
Other	-45.0	-39.2	-36.5
Total Non Current Liabilities	-88.2	-84.3	-97.0
Total Liabilities	-159.7	-137.2	-150.6
Net Assets	256.4	230.0	109.9
Equity			
Issued capital	164.3	163.3	42.9
Retained earnings	92.1	66.7	67.0
Total Equity	256.4	230.0	109.9

COMMENTARY

- ✓ **Low gearing ratio positions the Company to deliver the Controlled Growth Strategy as planned**
 - Substantial cash reserves to fully fund Controlled Growth Strategy
- ✓ **Strong performance in underlying biological assets to capitalise on market growth**
 - Lower mortalities experienced in new Fortress Pens
 - Better growth rates and increased ave. weights reflection of production efficiencies from improved feeding systems (feed-barges), new pens, improved husbandry practices and environmental conditions
- ✓ **Return on assets of 16.5% highlights focus on asset utilisation**
- ✓ **The IPO proceeds settled in late October.** Key use of funds by Huon in the reporting period:
 - Funding of the Controlled Growth Strategy
 - Repayment of bank debt
 - Payment of transaction costs



HUON GENERATES SIGNIFICANT CASH FLOW

CASH FLOW

	Half Year Actual 31-Dec-14	Half Year Actual 31-Dec-13
<i>A\$m Cash Flows</i>		
Cash Flows From Operating Activities	15.3	21.6
Cash Flows From Investing Activities	(58.6)	(15.2)
Cash Flows From Financing Activities	101.5	(2.5)
Net increase/(decrease) in cash held	58.1	3.9
Cash and cash equivalents at beginning of half year	2.2	1.8
Cash and cash equivalents at end of half year	60.3	5.7

COMMENTARY

- **Operating cash flows continue with strong performance but;**
 - Increase in biological assets reflected in reduction in operating cash flow
 - Influenced by \$8.5m tax payment following last year's strong financial performance
- **No net debt**
 - Combined cash reserves and total borrowings in a net positive position of \$12m
 - Banking facilities settled with initial IPO proceeds to reduce existing debt and right size core debt to \$50m



CONTROLLED GROWTH STRATEGY UPDATE

Section 3



CONTROLLED GROWTH STRATEGY UPDATE

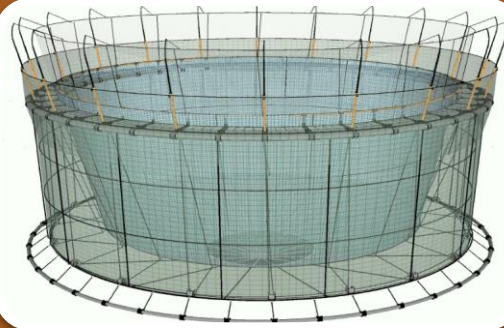
HATCHERIES



Status: **ON-TRACK**

- Forest Home:
 - Major earth works completed & construction commenced
 - On schedule for completion for 2016 smolt intake
 - Hatchery licence secured
- Springfield Broodstock Facility completed and commissioned

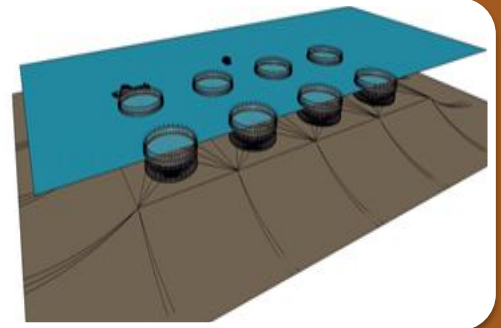
FORTRESS PENS



Status: **ON-TRACK**

- 51 of the new 168 Fortress Pens successfully deployed
- 5 of the larger 240m circumference pens successfully deployed
- Pen replacement program continues below budget and slightly ahead of schedule
- Marked reduction in mortalities experienced in new Fortress Pens

MOORING SYSTEMS



Status: **ON-TRACK**

- Mooring system upgrade and expansion project proceeding to schedule
- 4 *existing* mooring system replacements completed
- 2 *new* mooring systems installed

**Increase
Production**

**Increase
Quality**

**Increase
Consistency**

**Increase
Efficiency**



CONTROLLED GROWTH STRATEGY UPDATE

WELL-BOAT



Status: **ON-TRACK**

- Delivered & commissioned December 2014
- Currently in operational trial phase in southern farming region
- Well-boat continues to set new bathing records
- Has enabled successful bathing at Storm Bay as well as bathing in and out of the new Fortress Pens

FEED BARGES



Status: **ON-TRACK**

- First two Feed Barges commissioned and operational with very promising early growth results in next year's harvest fish
- Construction and delivery of remaining barges continuing in line with plan, with expected completion within budget and on schedule with the 3-year roll-out plan

PROCESSING



Status: **ON-TRACK**

- Construction completed in December 2014
- Fit-out and commissioning has commenced and is on track for full production in 2H2015 and within budget
- Expected to deliver cost savings of over \$1m in first year of operation

**Increase
Production**

**Increase
Quality**

**Increase
Consistency**

**Increase
Efficiency**



PROCESSING

CAPACITY



MEETING MARKET DEMAND

- Capacity to meet future market growth in fresh processing and value added production
- Capacity that allows us to meet quality expectations whilst still producing at scale

PRODUCT DEVELOPMENT



EXPANDED CAPABILITY

- Invest in processing technology to meet product demands of wholesale and retail consumers into the future
- Product plans in place to grow market share and exploit sales opportunities
- Expanded focus on new product development

FUTURE PROOF



FLEXIBILITY

- Equipment and capacity that will allow us to create the salmon products of the future
- Centralised processing and value adding allowing for efficient product planning in the future

**Increase
Production**

**Increase
Quality**

**Increase
Consistency**

**Increase
Efficiency**



SALES AND MARKETING UPDATE

Section 4



SALES AND MARKETING UPDATE

RESERVE SELECTION



POSITIVE EARLY RESULTS

- In market from Oct-Dec 2014
- Research showed positive impact on brand and consumer sentiment
- On-line sales for Reserve Selection up 131% compared with same period prior year
- Reserve Selection sales growth in all channels up 156% compared with same period prior year

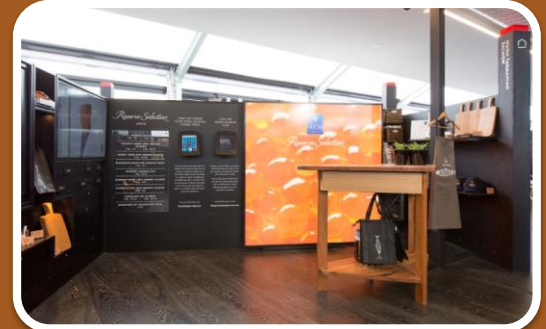
MAJOR RETAILER



STAGE 1 COMPLETE

- National (excl. TAS, WA and NT) branded fresh presence in major retailer rolled out 1H2015
- Initial product performance tracking well
- Point of sale program to support
- Strong seasonal point of sale program also continues to underpin strong wholesale customer relationships

BROOKE ST PIER



NEW BRANDED RETAIL PRESENCE

- First Reserve Selection concept store opened January 2015 on Hobart Waterfront
- Driving brand education, sales and visibility
- Quality message carrying through, resulting in positive consumer feedback

Drive Per Capita Consumption of Huon

Invest in brand

Drive product innovation

Harness new opportunities



MANAGING RISK

Section 5



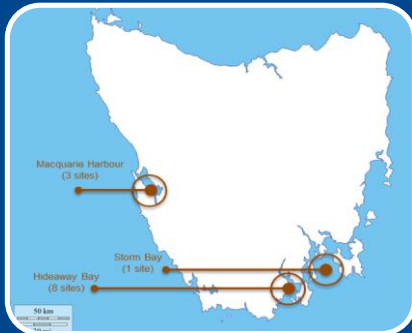
MANAGING RISK

INCREASED SUPPLY



- ✓ National roll-out of branded fresh presence in major retailer
- ✓ Increased capacity and capability at new processing facility drives expanded focus on new product development
- ✓ New and innovative distribution channels
- ✓ Build on our export to further optimise channel mix
- ✓ Additional smolt capacity from Forest Home hatchery

DIVERSITY OF FARMING LOCATIONS



- ✓ New 'higher-energy' farming site in Storm Bay operational
- ✓ Lease optimisation program nearing completion
- ✓ Future lease expansion program commenced
- ✓ Further reducing reliance on the more sensitive growing sites in Macquarie Harbour in preference to higher energy sites

MANAGING RISK

TECHNOLOGY INVESTMENT



- ✓ Successful bathing at higher-energy sites with well-boat
- ✓ Track record of delivering large-scale capital projects
- ✓ New pens reducing seal and bird interactions
- ✓ New feeding technology reduces wasted feed and feeding days lost to weather
- ✓ New net-cleaners the enabling technology for Fortress Pens

‘SAFETY FIRST’ CULTURE



- ✓ Fortress Pens provide safe working platform
- ✓ Significant reduction in injury frequency rates
- ✓ Stage 1 of Health and Wellbeing program rolled-out
- ✓ “Tasmanian Suicide Prevention Community Network Award for Best Practice” for work with staff on mental health

OUTLOOK

Section 6



OUTLOOK AND STRATEGIC FOCUS

- ✓ **Solid maiden result reflecting efficiencies across production activities in the first half of FY2015**
- ✓ **Strong supply position underpinned by increase in biological assets**
- ✓ **Drive profitable growth in key wholesale market and balance channel mix across retail and export**
- ✓ **Additional market supply placing downward pressure on pricing**
- ✓ **On-going Controlled Growth Strategy implementation which has already delivered operational efficiencies and cost savings**
- ✓ **Future lease expansion program commenced**

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



QUESTIONS?



APPENDIX

APPENDIX



STATUTARY TO OPERATING RECONCILIATION

A\$m	Half Year Actual Dec-14A	Half Year Actual Dec-13A
Results adjusted for AASB 141 - Agriculture, and Significant Revenue and Expenses #		
Revenue	98,825	94,483
EBITDA *	43,109	39,187
EBIT *	38,933	35,138
Net profit after tax	25,941	23,265
Impact AASB 141 - Agriculture		
Fair value adjustment of biological assets	16,244	6,688
Related income tax	-4,873	-2,006
Impact of Significant Revenue and Expenses (refer note 2(a) of the Interim Financial Report)		
Expenses directly related to the initial public offering	653	0
Expense of employee share offer pursuant to initial public offering	474	0
Related income tax	-338	0
Results adjusted for AASB 141 - Agriculture, and Significant Revenue and Expenses #		
Revenue	98,825	94,483
EBITDA *	27,992	32,499
EBIT *	23,816	28,450
Net profit after tax	15,359	18,584

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

