

# HUON AQUACULTURE GROUP LIMITED

FY2015 FULL YEAR RESULTS PRESENTATION

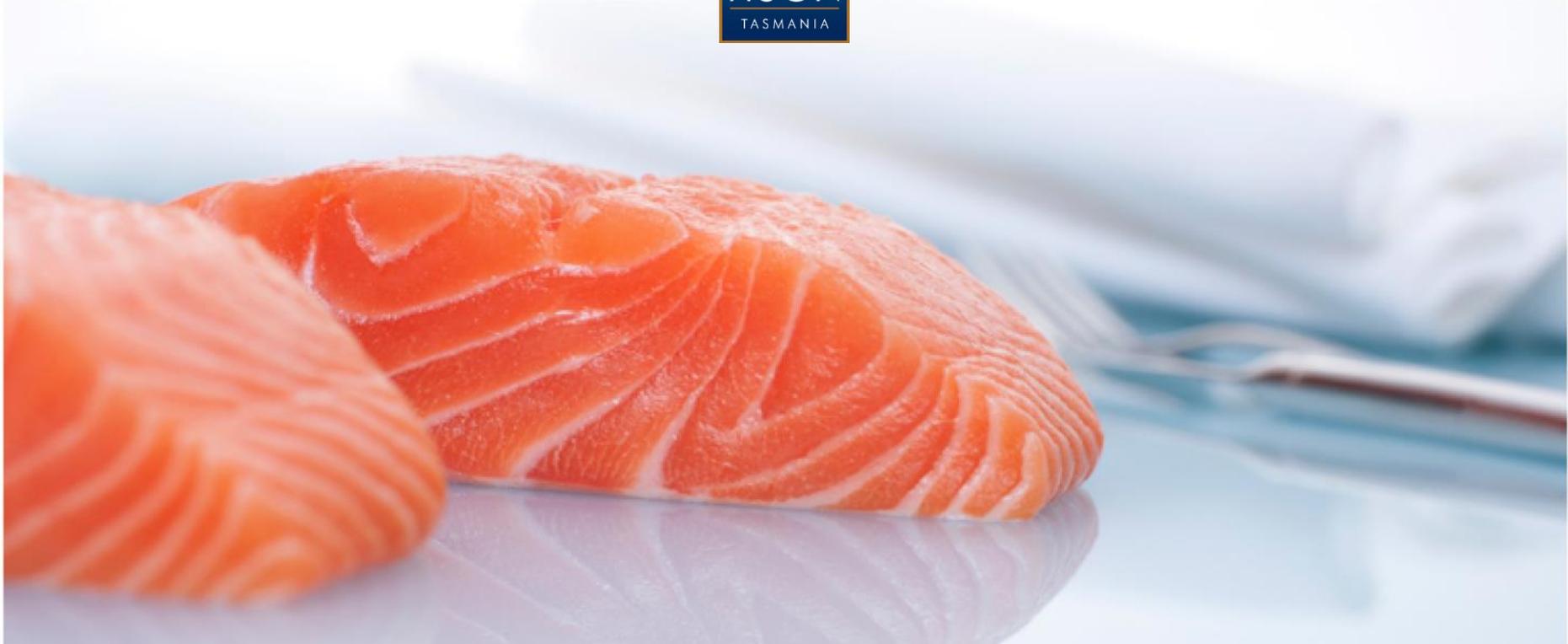


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# AGENDA

1	PERFORMANCE HIGHLIGHTS	Peter Bender
2	RESULTS SUMMARY	Tom Haselgrove
3	BUSINESS UPDATE	Philip Wiese
6	STRATEGY & OUTLOOK	Peter Bender



# OVERVIEW



## COMMENTARY

- Successful IPO in October 2014
- Smooth transition to public ownership and Board leadership
- Capital raised at IPO enabled Controlled Growth Strategy capital investment program
  - Being delivered on time and on budget
- Business strategy on track;
  - Growing the market
  - Growing production and operational efficiency
  - Growing safely and sustainably
- Sound underlying business fundamentals returning to normal levels
- Well positioned for long-term sustainable profitability



# PERFORMANCE HIGHLIGHTS

## FINANCIAL MEASURES

		Actual FY2015	Actual FY2014	Prospectus FY2015
Tonnage	t	16,536	15,156	16,680
Revenue^	\$M	191.7	188.4	214.8
Operating EBITDA*	\$M	40.5	54.7	51.9
Statutory EBITDA*	\$M	35.2	59.2	54.1
Operating NPAT	\$M	20.3	30.7	27.2
Statutory NPAT	\$M	16.6	33.8	28.8
Fair value Adjustment	\$M	(5.3)	4.5	2.2
Biological Assets	\$M	151.8	122.8	N/A
Earnings Per Share (Op)	c	25.6	N/A	31.2
Earnings Per Share (Stat)	c	21.0	55.4	36.4
Total Gearing Ratio**	%	13.3%	58.7%	N/A
Return on Assets***	%	6.4%	19.6%	N/A

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

\*\*Net debt is total debt net of cash at bank

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

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

^ Revenue from the sale of goods

## COMMENTARY

- Solid profit result of \$40.5M (Operating EBITDA) despite significant market volatility
  - In line with April profit guidance
- Sales volume remained strong in a difficult market;
- Weakening prices in 2H 2015 impacted revenue and underlying profit.
- Cost better than prospectus by 5.9%
- Strong performance of underlying biological assets from a good growing season and performance of the new Fortress Pens
- Fair value adjustment reflects a conservative approach



# PERFORMANCE HIGHLIGHTS

## FINANCIAL MEASURES

		Actual FY2015	Actual FY2014	Prospectus FY2015 <sup>A</sup>
Operating Earnings Per Share	c	25.6	N/A	31.2
Cash flow from operations	\$M	17.3	42.9	N/A
Net Debt	\$M	33.0	64.5	N/A
Total Gearing Ratio*	%	13.4	58.7	N/A
Return on Assets**	%	6.4	19.6	N/A

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

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

## COMMENTARY

- Operating cash flow of \$17.3M despite difficult trading environment and influence of \$11.0M tax payment following last year's strong financial performance.
- Low gearing ratio of 13.4% with net debt of \$33.0M
- Controlled Growth Strategy placed short-term downward pressure on Return on Assets (ROA) as expected
- Earnings per Share of 25.6 cents fully retained



# RESULTS SUMMARY

FY2015



# RESULTS SUMMARY

## INCOME STATEMENT EXTRACT

	Actual FY2015	Actual FY2014	Prospectus FY2015
Harvest volume (HOG t)	16,536	15,156	16,680
Revenue (\$M)	191.7	188.4	214.8
Revenue \$/HOG kg	11.59	12.43	12.87
Statutory EBITDA (\$M)	35.2	59.2	54.2
Operating EBITDA (\$M)	40.5	54.7	51.9
Margin (%)	21.1%	29.0%	24.2%
Statutory EBIT \$(M)	25.8	51.1	44.2
Operating EBIT (\$M)	31.1	46.6	42.0
Margin (%)	16.2%	24.8%	19.6%
Statutory NPAT (\$M)	16.6	33.8	28.8
Operating NPAT (\$M)	20.3	30.7	27.2
Margin (%)	10.6%	16.3%	12.7%

## COMMENTARY

- Operating EBITDA of \$40.5M despite significant market volatility
- Sales revenue up 1.8% on previous year
  - Strong pricing in H1FY2015 did not carry through as a result of increased competition from imports during key trading period
- Sales volume remained strong in a difficult market
  - Ongoing balancing of channel mix
  - Market support initiatives successful
  - New products targeting import replacement
- Effective cost control during year



# RESULTS SUMMARY

## OPERATING COST COMPARISON TO PROSPECTUS

		Actual FY2015	Prospectus
<b>Revenue</b>	\$M	191.7	214.8
<b>Op EBITDA</b>	\$M	40.5	51.9
<b>Tonnage</b>	t	16,536	16,680

<b>Revenue / HOG kg</b>	\$/kg	11.59	12.87
<b>EBITDA / HOG kg</b>	\$/kg	2.45	3.12
<b>Op Cost / HOG kg</b>	\$/kg	9.15	9.75

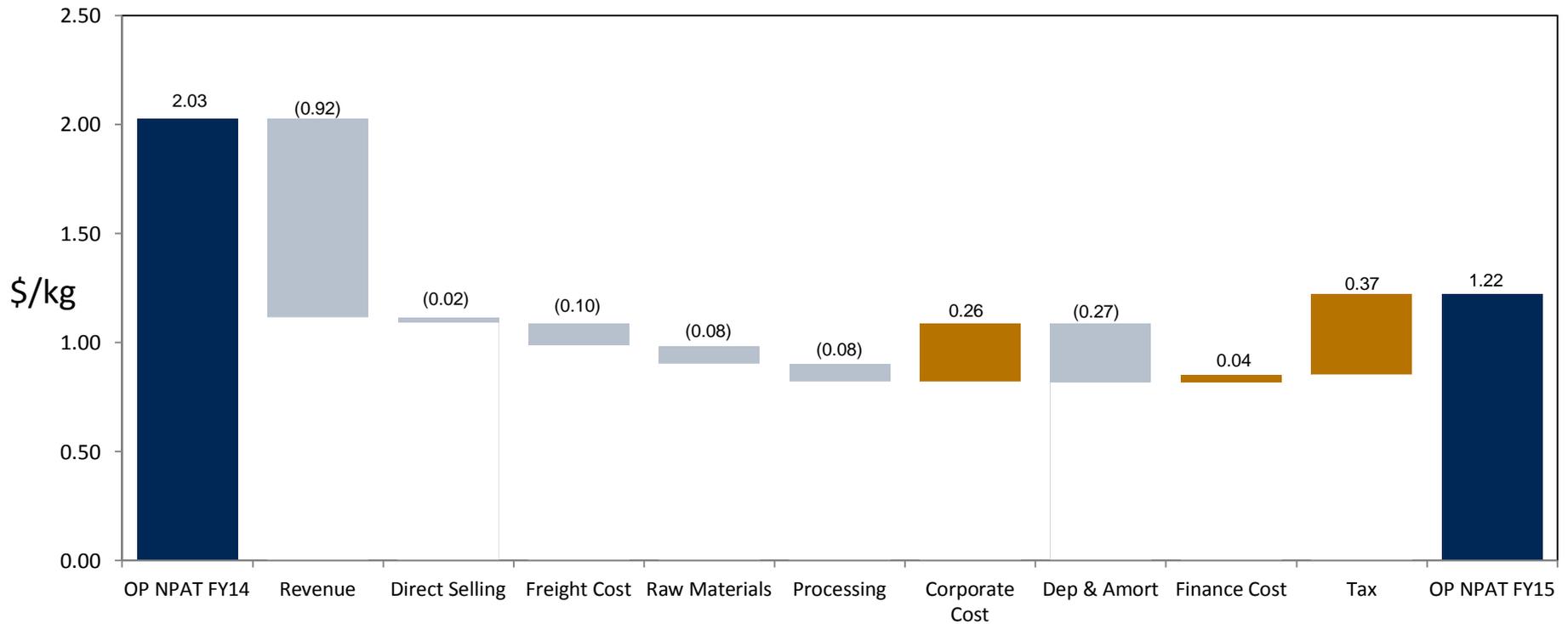
## COMMENTARY

- Effective cost control during year
- 5.9% improvement in operating costs per HOG kilogram in FY2015 compared with Prospectus
- Harvest tonnage in line with Prospectus



# RESULTS SUMMARY

## OPERATING NPAT COMPARISON FY2014 to FY2015 (\$/kg)





# RESULTS SUMMARY

## BALANCE SHEET EXTRACT

\$M	FY2015	FY2014
<b>ASSETS</b>		
Current assets	205.5	153.4
Non-current assets	199.1	107.1
<b>Total assets</b>	<b>404.6</b>	<b>260.5</b>
<b>LIABILITIES</b>		
Total current liabilities	70.3	53.6
Total non-current liabilities	83.0	97.0
<b>Total liabilities</b>	<b>157.5</b>	<b>150.6</b>
<b>Net assets</b>	<b>247.1</b>	<b>109.9</b>

## COMMENTARY

- Low gearing ratio positions the Company to deliver Controlled Growth Strategy as planned
- Close management of trade working capital (stock, trade debtors and creditors) plus cost control measures protected Company's cash position
- Strong performance in underlying biological assets from good growing season and performance of new Fortress Pens;
  - Lower mortalities, better growth rates and increased ave. weights resulted from improved feeding systems (feed-barges), new pens, improved husbandry practices and favourable environmental conditions
- Controlled Growth Strategy placed some downward pressure on ROA as expected.
- The IPO proceeds were settled in late October. Funds mainly used by Huon during the reporting period:
  - Funding of the Controlled Growth Strategy
  - Repayment of bank debt
  - Payment of transaction costs



# RESULTS SUMMARY

## BIOLOGICAL ASSETS

		Actual FY2015	Actual FY2014
<b>Biological assets at fair value</b>	\$M	151.8	122.8
<b>Fair value adjustment</b>	\$M	30.9	36.1
<b>Biological assets (excluding fair value adjustment)</b>	\$M	121.0	86.7
<b>Total weight of live finfish at sea</b>	t	15,949	11,653
<b>Biological asset value / HOG kg</b>	\$/kg	7.58	7.44
<b>Fair value adjustment / HOG kg</b>	\$/kg	1.94	3.10
<b>Total biological assets (at fair value per kilo)</b>	\$/kg	9.52	10.54

## COMMENTARY

- Significant increase (37%) in biological live weight
- Conservative approach to fair value adjustment;
  - Fair Value Adjustment = \$30.9M
  - Equates to \$1.94 uplift in FY2015 compared to \$3.10 in FY2014
- Cost of production remained low despite implementation of Controlled Growth Strategy
  - Minor increase of 1.9% to \$7.58/kg cost of production in FY2015



## RESULTS SUMMARY

### CASH FLOW EXTRACT

\$M	Actual FY2015	Actual FY2014
Net cash from operating activities	17.3	42.9
Net cash from investing activities	(105.1)	(44.8)
Net cash from financing activities	99.4	2.4
Cash and cash equivalents	13.8	2.2

### COMMENTARY

- Operating cash flow of \$17.3M
- Company completed year with low gearing of 13.4% and net debt of \$33.0M
- Positions the Company to deliver Controlled Growth Strategy as planned



# CONTROLLED GROWTH STRATEGY UPDATE

FY2015



# CONTROLLED GROWTH STRATEGY UPDATE

% COMPLETE	PROJECT	ON TIME/ON BUDGET
	 <p data-bbox="813 491 991 512"><b>FORTRESS PENS</b></p> <ul data-bbox="813 522 1576 608" style="list-style-type: none"> <li>• Pen replacement program continues on time and budget</li> <li>• Marked reduction in mortalities and better growth experienced in new Fortress Pens</li> </ul>	
	 <p data-bbox="813 636 1039 658"><b>MOORING SYSTEMS</b></p> <ul data-bbox="813 668 1528 725" style="list-style-type: none"> <li>• Mooring system upgrade and expansion project proceeding to schedule</li> </ul>	
	 <p data-bbox="813 761 948 782"><b>WELL-BOAT</b></p> <ul data-bbox="813 792 1605 878" style="list-style-type: none"> <li>• Continues to set new bathing records</li> <li>• Safe and efficient bathing at higher energy sites as bathing in and out of new Fortress Pens</li> </ul>	
	 <p data-bbox="813 903 967 925"><b>FEED BARGES</b></p> <ul data-bbox="813 935 1576 992" style="list-style-type: none"> <li>• First three feed barges demonstrating very promising early growth results in next year's harvest fish</li> </ul>	
	 <p data-bbox="813 1032 1103 1053"><b>FOREST HOME HATCHERY</b></p> <ul data-bbox="813 1063 1586 1149" style="list-style-type: none"> <li>• Stage 1 of construction completed on time</li> <li>• Budget overrun from increased scope in wastewater treatment and increased water quality parameters which supports future capacity</li> </ul>	
	 <p data-bbox="813 1175 958 1196"><b>PROCESSING</b></p> <ul data-bbox="813 1206 1335 1263" style="list-style-type: none"> <li>• Parramatta Creek completed.</li> <li>• Expected to deliver \$1m in savings in FY2016</li> </ul>	

TOTAL CAPEX SPEND FOR THE YEAR IN LINE WITH PROSPECTUS



# SALES AND MARKETING UPDATE

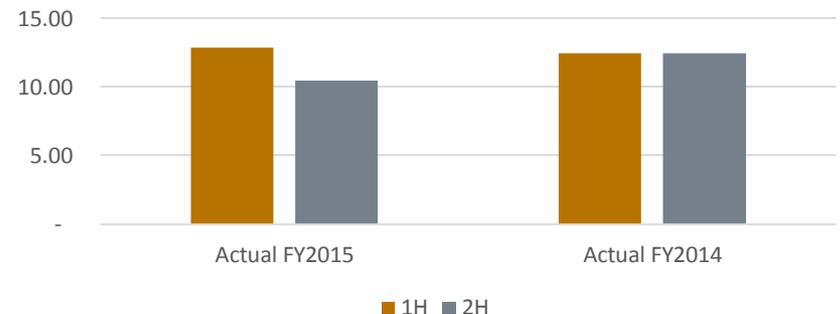
## MARKET CONDITIONS

- Strong prices (\$/kg) in the first half of the year did not carry through to the second half
- Combined impact of increase in cheaper imports and additional volumes from good growing season increased competition in domestic market
- Increased competition in export sector weakened prices in this channel
- Increasing likelihood global salmon supply will be constrained in next 6-12 months

## CHANNEL MIX BY REVENUE (% of total revenue)

	FY2015	FY2014
Wholesale	75%	84%
Retail	10%	10%
Export	15%	6%

## REVENUE PER KG





# SALES AND MARKETING UPDATE

## COMMENTARY

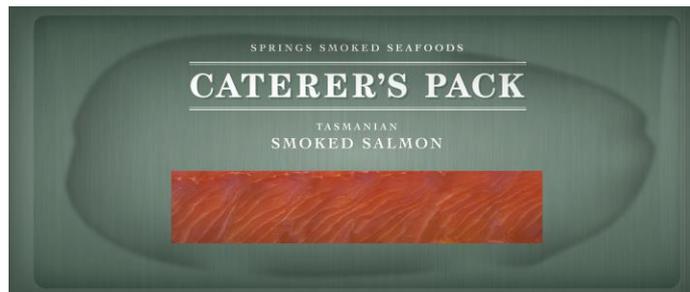
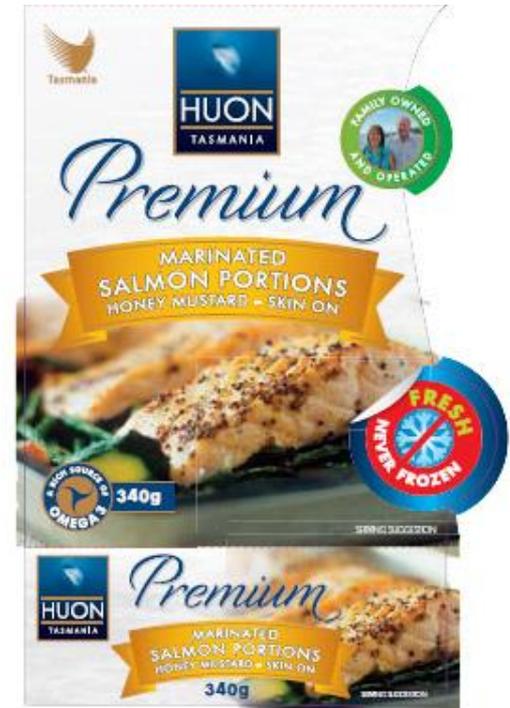
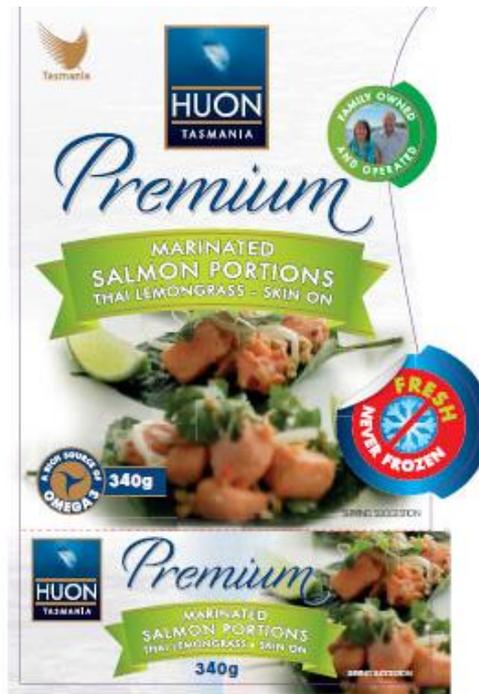
- Focus on driving profitable growth through optimising channel mix
- Underlying biological assets positions company to capitalise on improved market conditions
- Expanded product innovation and development capabilities following opening of Parramatta Creek
- Innovative products for import replacement



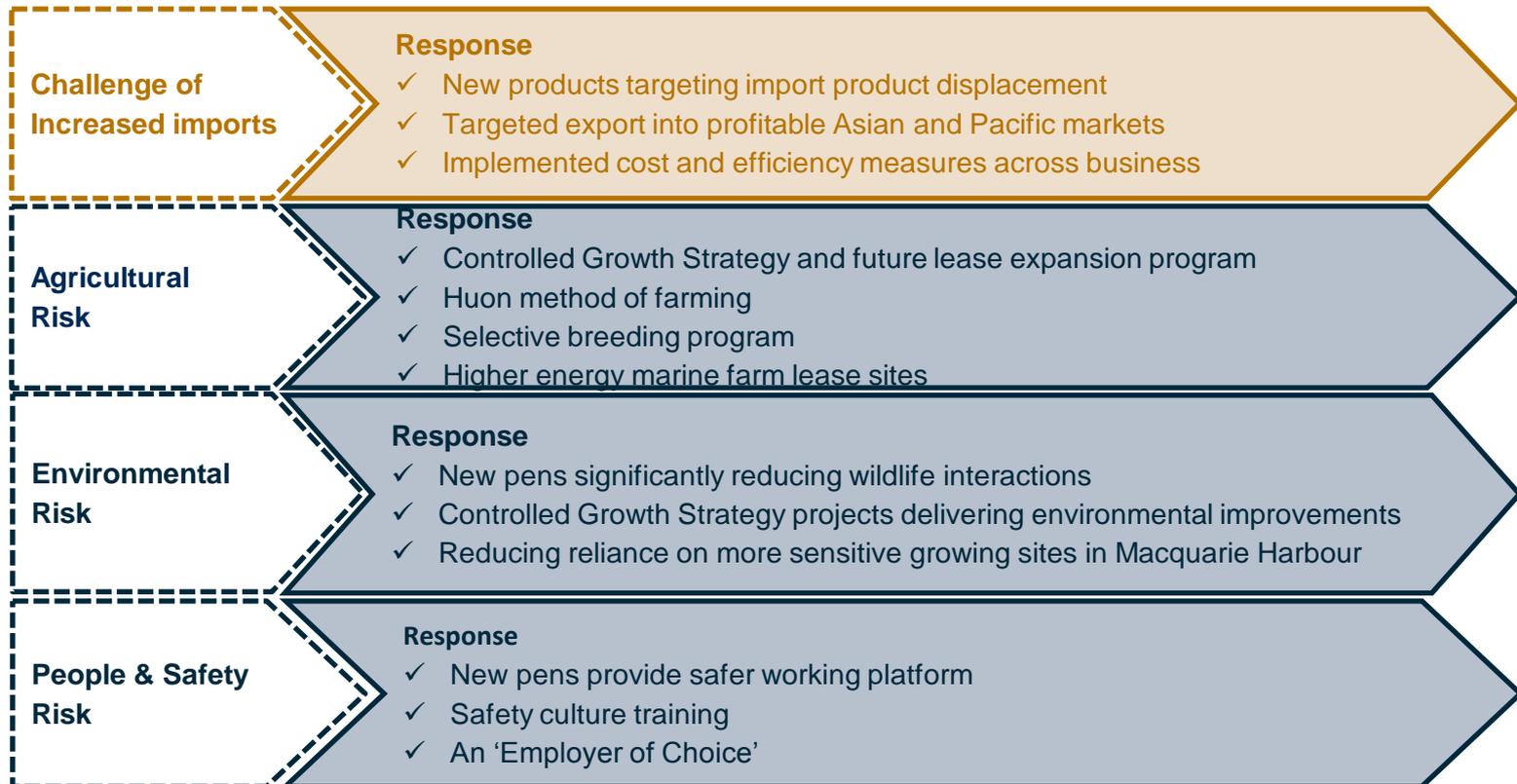
# SALES AND MARKETING UPDATE

## COMMENTARY

- Innovative products for new market segments and import replacement



# RESPONDING TO CHALLENGES



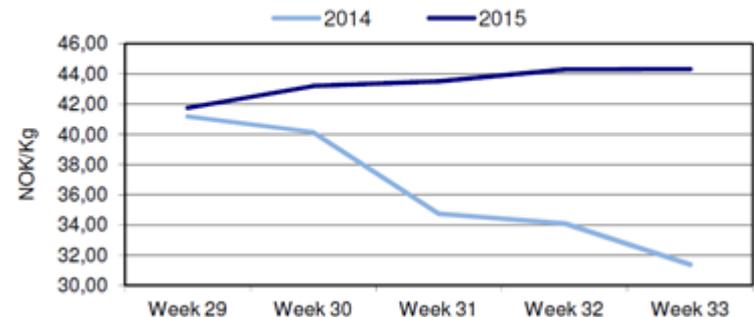
# OUTLOOK

## INTERNATIONAL MARKET OUTLOOK

- Global supply expected to be constrained in FY2016
- Norway:
  - Biomass in Norway lower than last year
  - Smolt to sea not increasing
  - Feed sales lower than last year
  - Cold summer and higher incidences of sea lice
- Other:
  - AGD increasing in Norway, Scotland, Ireland, Canada and USA
- Production in Chile forecast to decline

- Barriers to expansion increasing world-wide
  - Leases are becoming more difficult to obtain
- Global demand for salmon increasing
  - Seen as a healthy, good value protein choice

Average, weighted NASDAQ SALMON INDEX (prev. NOS/FHL-price)



Source: Kontali weekly update for week 33



# OUTLOOK

## DOMESTIC MARKET OUTLOOK

- Market expected to continue growing at around 10%
- Likelihood of imports into domestic market decreasing:
  - Marked devaluation of the AUD against the USD has reduced attractiveness of Australia as a market for salmon internationally
  - Import replacement through both retailer and wholesale underway
  - New factory gives Huon capacity and capability to produce larger volumes of product that can replace imports
- Alternative proteins (e.g. lamb and beef) have increased in price

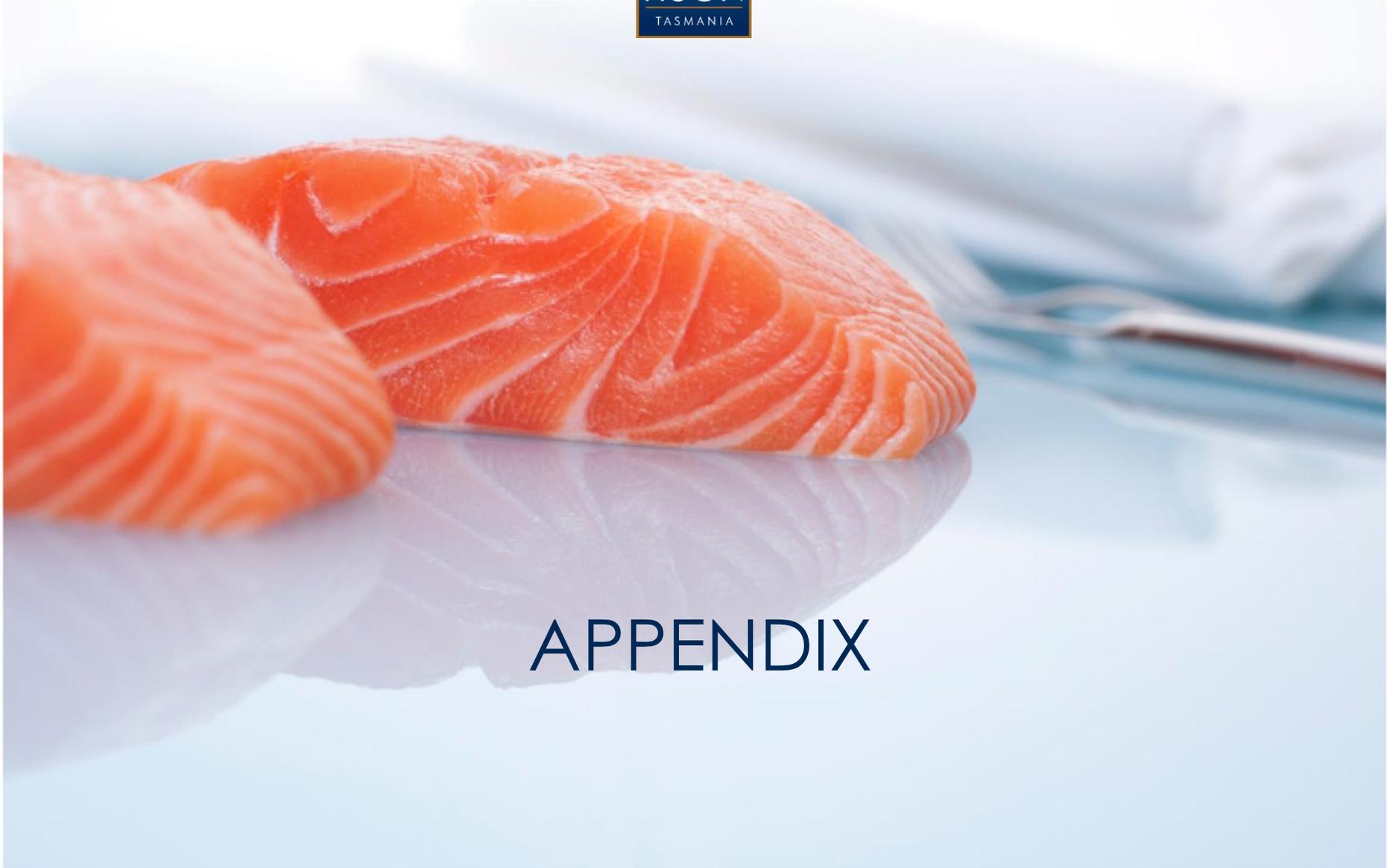


# OUTLOOK

## IN CLOSING

- Focus on long-term sustainable profitability
- Optimised channel mix and marketing initiatives
- Deliver the results of Controlled Growth Strategy
- Unleashing potential of new factory

We are excited by our progress to date and remain optimistic about our future



# APPENDIX



# STATUTORY TO OPERATING RECONCILIATION

## Statutory

		Actual FY2015	Actual FY2014	Prospectus FY2015
Tonnage	t	16,536	15,156	16,680
Revenue	\$'000	191,730	188,352	214,754
EBITDA*	\$'000	35,191	59,193	54,424
NPAT	\$'000	16,603	33,797	28,794
Biological Assets	\$,000	151,837	122,834	N/A
Cash Flow from Operations	\$'000	17,314	42,855	N/A
Net Debt	\$'000	32,984	64,474	N/A
Total Gearing Ratio**	%	13.35%	58.65%	15.17%
Return on Assets***	%	6.38%	19.63%	N/A

## Fair Value Adjustment

Fair value Adjustment	\$'000	(5,260)	4,490	2,245
Related income tax	\$'000	1,578	(1,347)	(674)

## Operating Results

EBITDA*	\$'000	40,451	54,703	51,998
NPAT	\$'000	20,285	30,654	27,223