Huon Aquaculture Group Limited

Results Presentation

For HY2018

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Agenda

1 OVERVIEW
2 RESULTS ANALYSIS
3 OPERATIONAL REVIEW
4 OUTLOOK

Overview of First Half of FY2018

- Growth momentum maintained with Operating EBITDA up 49% to $39.2m and Operating NPAT more than doubling to $19.0m
- Average fish weight increased 9% on pcp from 4.84kg to 5.29kg – highest since listing
- Pricing in the domestic market continues to improve, driven by consistent year on year growth in underlying demand
- Re-entered the export market, leveraging existing relationships to establish new supply agreements and build a premium customer base in Asia
- Maintained volumes supplied to the domestic market
- Production costs continue to reduce
- Commenced construction of the Whale Point 'grow out' facility with expansion plans in Storm Bay on schedule
- Interim dividend of 5.0 cents per share, 50% franked

Financial Performance: Momentum Maintained

Six months ending		31 Dec 2017	30 Jun 2017	31 Dec 2016	Dec to Dec % Change
Tonnage	t	12,693	9,071	9,377	35%
Revenue^	$M	170.5	126.0	133.5	28%
Revenue per HOG kg	$	13.43	13.89	14.24	-6%
Operating EBITDA**	$M	39.2	36.5	26.3	49%
Operating EBITDA Margin	%	23%	29%	20%	15%
Operating NPAT***	$M	19.0	19.4	9.4	102%
Operating Earnings Per Share	c	21.71	22.18	10.72	103%
EBITDA*	$M	51.5	24.1	57.9	-11%
NPAT	$M	27.6	10.7	31.5	-12%
Earnings Per Share	c	31.59	12.26	36.02	-12%
Dividend Per Share	c	5.00	5.00	–	na
Fair Value Adjustment	$M	12.3	(12.4)	31.6	-61%
Biological Assets	$M	195.3	188.0	190.3	3%

^ Revenue from the sale of goods
• EBITDA is a non-IFRS financial measure which is used to measure business performance using net depreciation and amortisation recognised in the income statement
** Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets
*** Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact

- Revenue in 1H2018 +28%, consistent with Huon's planned expansion in production,
  - Tonnage in 1H +35% (on pcp)
  - Stable pricing environment during CY2017
- Operating Earnings up strongly as margins continue to improve at the same time as production is scaled up
  - EBITDA +49%
  - NPAT +102%
- Operating EBITDA Margin increased 15% on pcp
  - Average $/hog kg increased from $2.82 to $3.08
- Biological Assets up 3% to $195.3 million
  - Moderate growth rate reflects significant recovery in 1H2017 following feed problems during FY2016
  - Long term target growth is circa 10% pa

Results Analysis

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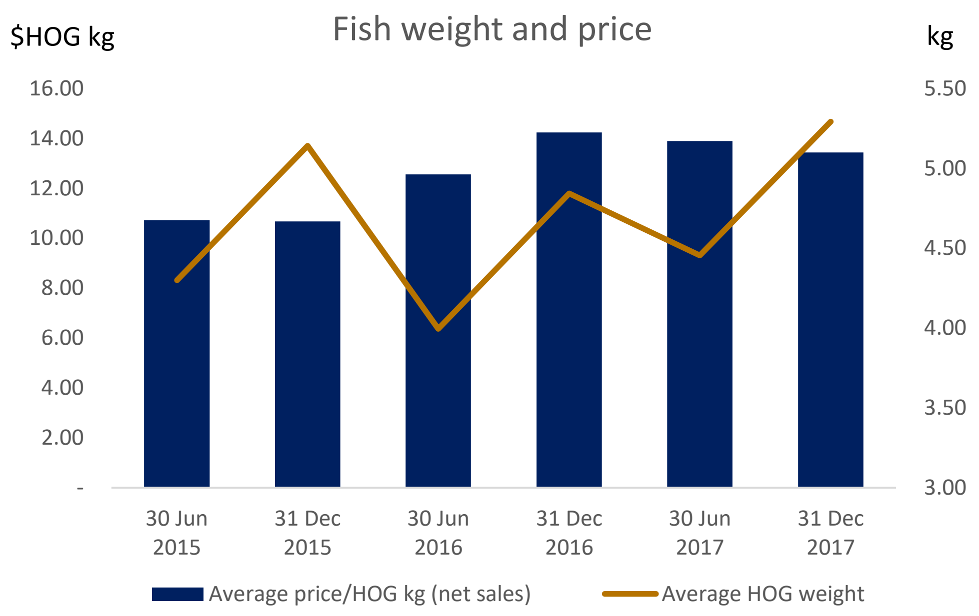
Key Profit Drivers in 1H2018



- Record average fish weight due to leverage of the Controlled Growth Strategy, fish diets and increased smolt size to sea
  - Average HOG weight for 1H2018 of 5.29 kg well up from the low of 3.99 kg in 2H2016 and above previous high of 5.14 kg in 1H2016
- Rebalancing of channel mix reflected in slightly lower average price per HOG kg
  - Short term reweighting of sales to export in order to build key markets in Asia
  - Volumes increased in retail to meet strong domestic demand
  - 2H2018 should see a return to a higher average weighting for wholesale as sales to export markets moderate

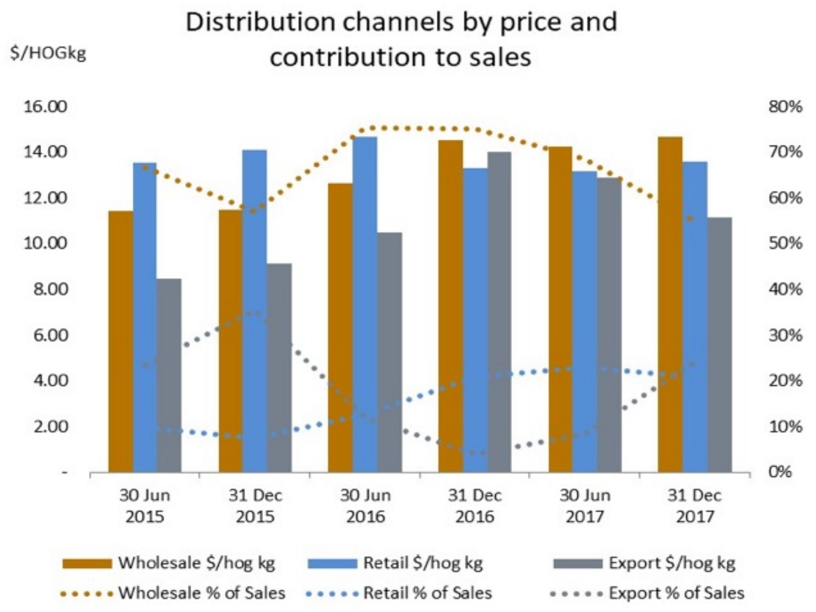
Pricing and Market Conditions

- Continued incremental improvement in the average domestic price during the period
  - Underpinned by consistent growth in demand (+10%) year on year
  - The retail price averaged $13.62/kg (+2% on pcp), reflecting the impact of increased market pricing together with improved product mix

- Huon re-enters the export market, on its terms, targeting majority of sales to be under contract by year end
  - New markets established in Asia, laying the foundation for increased sales as production expands over the next 5 years
  - Prices into the export market averaged $11.14/kg, on substantially increased volumes compared to prior years (excluding 1H2016). 17% of sales were under contract
  - Exports across the financial year are expected to average 18-20% of sales

CHANNEL MIX BY REVENUE

Six months ending	31 Dec 2017	30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015
Wholesale	55%	69%	75%	75%	57%
Retail	21%	23%	21%	13%	8%
Export	24%	8%	4%	12%	35%



RESULTS ANALYSIS

Fair Value Adjustment Impact on Profit

Six months ending		31 Dec 2017	30 Jun 2017	31 Dec 2016	% Change Dec on Dec
Revenue^	$M	170.5	126.0	133.5	28%
EBITDA*	$M	51.5	24.1	57.9	-11%
EBITDA Margin	%	30%	19%	43%	
Fair value adjustment	$M	12.3	(12.4)	31.6	-61%
Operating EBITDA**	$M	39.2	36.5	26.3	49%
Operating EBITDA Margin	%	23%	29%	20%	
Biological Assets	$M	195.3	188.0	190.3	3%

- Fair value adjustment on biological assets recorded a profit of $12.3 million for 1H2018
  - Reflects the high point in the annual biomass cycle
  - Expect this to reduce in the second half as transition to the new Year Class
- Biological assets remained relatively stable (+3% pcp)
  - Measured against the strong recovery in the previous corresponding period (post feed issues)
  - Stable pricing with strong domestic performance offsetting the relatively weaker pricing in the export market

^ Revenue from the sale of goods
* EBITDA is earnings before interest, tax, depreciation and amortisation
** Operating EBITDA is statutory EBITDA excluding fair value adjustment

Cash Flow Generation

$M	Six Months Ended 31 Dec 2017	30 Jun 2017	31 Dec 2016	30 Jun 2016
Operating EBITDA*	39.1	36.5	26.4	10.7
Cash Flow from Operations	23.2	33.1	20.9	(0.9)
Add - Net Interest Paid	1.6	1.6	1.8	1.6
- Tax Paid/(Refunded)	–	–	–	–
Adjusted Cash Flow from Operations	24.8	34.7	22.7	0.7
EBITDA Conversion	**63%**	**95%**	**86%**	**7%**
Capex	43.2	22.3	12.7	14.3
Cash at end of period	7.4	23.0	21.0	3.8

* Operating EBITDA is statutory EBITDA excluding fair value adjustment

- Cash flow from operations increased 9% on pcp reflecting:
  - Increased sales at better collections rates
  - Reduction in creditors following Ridley dispute settlement
- Conversion of Operating EBITDA to cash averaged 63% during 1H2018
  - Adjusting for the cash outflow from the Ridley settlement, underlying cash conversion sits c.90-95%
- Commencement of the next expansion phase resulted in capex doubling against 2H2017
  - Growth capex of $30 million invested in the construction of the grow-out facility at Whale Point and expansion at Storm Bay
  - Maintenance capex of $15 million
- Reduction in cash to $7.4 million, as at 31 December 2017, from $21 million in pcp
  - Includes $17.6 million payment to Ridley in July 2017
  - Increased capex commitments

Balance Sheet

Period Ended	31 Dec 2017	30 Jun 2017	31 Dec 2016
ASSETS			
Cash	7.4	23.0	21.0
Receivables	39.4	29.9	35.5
Biological Assets	195.3	188.0	190.3
Inventory	13.2	12.4	11.0
Total current assets	258.5	256.3	261.9
Property, plant & equipment	254.7	223.1	212.2
Total non-current assets	268.5	237.2	226.5
Total assets	527.0	493.5	488.4
LIABILITIES			
Payables	58.6	67.8	66.1
Borrowings	19.9	11.2	10.0
Total current liabilities	88.6	85.8	82.0
Borrowings	54.9	54.8	64.7
Deferred Tax	62.9	55.7	54.8
Total non-current liabilities	121.7	114.5	123.9
Total liabilities	210.3	200.3	205.9
Net assets	316.7	293.2	282.5

- Net assets rose 12% on pcp underpinned by increased investment (+20%) in fixed assets
- Cash position and working capital reduced by Ridley settlement and increased capital expenditure
- Net debt levels increased on pcp by $13.5 million to $67.3 million
- At 21%, gearing (net debt/equity) remains unchanged from the normalised* gearing reported at 30 June 2017 and gearing of 19% in the pcp

* Normalised for the $17.6 million withheld from Ridley and repaid on 20 July 2017 (net of a $4.5 million settlement)

Operational Performance

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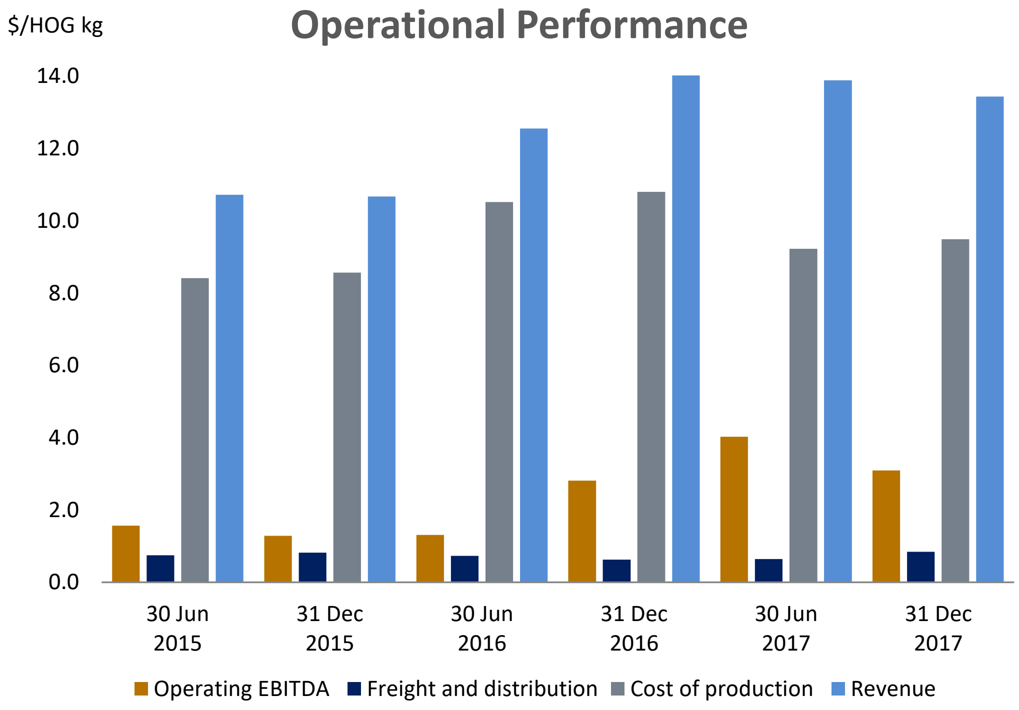
Production Costs Stable



- Operational performance improved by10% on pcp driven by a 12% reduction in production costs
  - Cost of production, including freight, fell 9.5% from $11.43/HOG kg (pcp) to $10.34/HOG kg
  - Improvements from CGS, fish diets and an increase in size of smolt-to-sea, all contributed.
- Domestic pricing remained firm during the half but revenue/HOG kg was lower (-5.6%)
  - Increased weighting of sales into lower priced export markets
- Overall cost of production is expected to average $10.50/kg in FY2018 ($10.65/kg in pcp)
  - Key inputs include higher freight costs and associated operational and biological costs arising from the temperature spike in November 2017
  - The focus remains on delivering further reductions in production costs through innovation and efficiency projects

Strategic Targeting of Markets

- Wholesale segment continues to be Huon's primary market as domestic demand grows
  - Wholesale volumes into the domestic market maintained against prior half, benefiting from higher pricing
- Retail volumes also rose by 24% in order to meet continued growth in demand, maintaining their overall share of sales at 21%
- Export markets in Asia are being selectively targeted to provide a sound platform for growth
  - Exports increased in 1H2018 to 24% of sales, focused on high value market segments within the channel
  - 17% of export sales were contracted in 1H2018 but are forecast to increase above 65% in 2H2018 as shipments commence to premium buyers from Taiwan, Japan and China
  - Signed a new supply agreement with an international partner to provide salmon to their Taiwan outlets in 2H2018

Investing in the future

- Expanded Capital Expenditure Program
  - Construction of Whale Point grow out facility ($45 million)
  - Ongoing expansion in the Storm Bay region ($14 million) to meet underlying consumer demand
- Macquarie Harbour
  - Continues to be an important growing region for salmon and trout
  - Expect biomass grown in the Harbour to further reduce
- Species Diversification
  - 5 year research project trial farming of Yellowtail Kingfish in conjunction with the NSW Department of Primary Industries
  - Small setback with the loss of one pen of fish during a severe storm in early January (2 remaining pens stock 40,000 fish)
  - Expect to undertake the first harvest in March with a second in November
- Brand Differentiation
  - Repositioning brand to differentiate from generic salmon "Not all salmon is Huon"
  - Launched "Harvested By Night, Fresher By Day" campaign in key mainland markets.


Yellowtail Kingfish

Capital Expenditure

- $43 million in capex has been spent, funded from cash flow and $14 million from existing debt facilities
- Capex spend for this year has increased by $20 million to $85 million in order to address:
  - Whale Point construction $ 45M
  - Storm Bay expansion $ 14M
  - Feed delivery systems $ 5M
  - Net cleaning technology $ 5M
  - Efficiency* $ 16M

Dividend

- Interim dividend declared of 5 cents per share, franked to 50%
- The Interim Dividend is payable on 12 April 2018 to shareholders as at the record date of 23 March 2018
- Huon's dividend policy is to maintain an annual payout ratio of up to 35% of net operating profit after tax
  - payments are likely to be biased towards the final dividend

* Includes expenditure on replacement capex.

Outlook

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Market Outlook

- Domestic market expected to continue growing at around 10% per annum
  - CAGR over the past 6 years 11% pa
- Retail segment shows no sign of slowing
  - 50% share of market in MAP and meal ready products
  - Fresh MAP identified as key growth product
- Strong growth in demand from Asia during 3Q2017 (+18%) is expected to continue in 2018
  - High demand for the Huon brand in Asia with contracted supply increasing to over 65% by June 2018
- International salmon prices now expected to stabilise around 56 NOK in 2018 and 57 NOK in 2019
- Repositioned Huon brand "Not all Salmon is Huon" and launched "Harvested By Night, Fresher By Day" campaign.

Outlook

- FY2018 fish growth has started well with record weights being harvested
  - Growing conditions late in the half impacted by unseasonal high water temperatures in November
  - Increased bathing and net cleaning, placing pressure on operational resources
  - Further emphases the need for increased well boat capacity - to be provided by "Ronja Storm"
- Average pricing in the 2H2018 to increase as the proportion of contracted export volumes rises significantly and domestic supply tightens
  - Overall average price for FY2018 is expected to be $13.75-13.85/HOG kg
  - Exports over the full year to track closer to the long term average weighting at 18-20%
- Production volumes for FY2018 are now estimated to be circa 24,000 tonnes
  - Growth in line with the market is expected in FY2019 followed by a step up in FY2020
- Improvements in operating efficiency continue to be targeted for FY2018 and beyond
  - Cost of production plus freight expected to average c.$10.50/kg in FY2018 ($10.65 /kg in pcp)
  - Efficiencies generated from the current capex program will continue to deliver benefits
- Strategic diversification of earnings both geographically and by fish species to receive increased focus over the coming years.

Huon well positioned for sustainable growth and development in a growing, supply constrained market

Appendix

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Statutory to Operating Reconciliation

STATUTORY

1 Revenue from the sale of goods
2 EBITDA is earnings before interest, tax, depreciation and amortisation
EBIT is earnings before interest and tax
3 Net debt is total debt net of cash and cash equivalents
4 Total gearing ratio is measured as debt (net of cash) / net assets
5 Return on assets is measured as statutory EBIT (rolling 12 months) / total assets

	Six months ending		31 Dec 2017	30 Jun 2017	31 Dec 2016	30 Jun 2016	% Change Dec on Dec
	Tonnage	t	12,693	9,071	9,377	8,175	35%
1	Revenue	$M	170.5	126.0	133.5	102.6	28%
2	EBITDA	$M	51.5	24.1	57.9	16.8	-11%
2	EBIT	$M	39.2	13.3	46.8	7.5	-16%
	NPAT	$M	27.6	10.7	31.5	4.7	-12%
	Biological Assets	$M	195.3	188.0	190.3	147.2	3%
	Cash and cash equivalents	$M	7.4	23.0	21.0	3.8	-65%
3	Net debt	$M	67.3	43.0	53.8	62.1	25%
	Revenue per HOG kg	$/kg	13.43	13.89	14.24	12.55	-6%
	Earnings per share	c	31.59	12.26	36.02	5.44	-12%
4	Total gearing ratio	%	21.3%	14.7%	19.0%	24.8%	12%
5	Return on assets	%	10.0%	12.2%	11.1%	1.8%	-10%

FAIR VALUE ADJUSTMENT

6 Related income tax at current tax rate

	Six months ending		31 Dec 2017	30 Jun 2017	31 Dec 2016	30 Jun 2016	% Change Dec on Dec
	Fair value adjustment	$M	12.3	(12.4)	31.6	6.1	-61%
6	Related income tax	$M	(3.7)	3.7	(9.5)	(1.8)	-61%

OPERATING RESULTS

7 Operating EBITDA is statutory EBITDA excluding fair value adjustment
8 Operating NPAT is statutory NPAT excluding fair value adjustment and related tax impact

	Six months ending		31 Dec 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015	% Change Dec on Dec
	Revenue	$M	170.5	126.0	133.5	102.6	28%
7	Operating EBITDA	$M	39.2	36.5	26.3	10.7	49%
	Operating EBIT	$M	26.9	25.7	15.2	1.4	77%
8	Operating NPAT	$M	19.0	19.4	9.4	0.4	102%


HUON
Reserve Selection
BANQUET SLICE
Tasmanian Cold Smoked Salmon
PERFECT FOR GOURMET ENTERTAINING
Ready to serve
Australian made and owned
Premium
WOOD ROASTED OCEAN TROUT FILLET
TASMANIAN SALMON WHISKY CURED
TASMANIAN SALMON GIN & KAFFIR LIME CURED
100g
TASMANIAN COLD SMOKED SALMON
Reserve Selection
WOOD ROASTED HONEY CURED
Reserve Selection
WHISKY CURED
250 g
Premium
TASMANIAN COLD SMOKED SALMON
A RICH SOURCE OF OMEGA3
150g
TASMANIAN WOOD ROASTED SALMON BLACKENED SPICE
Reserve Selection
BANQUET SLICE
Tasmanian Cold Smoked Salmon
Salmon to Go
TASMANIAN
HEALTHY CHOICE
Reserve Selection
SIGNATURE CUT
Reserve Selection
SPICED OCEAN TROUT
Salmon to Go
DELI BITES
TASMANIAN HOT SMOKED SALMON
NATURAL WOOD ROASTED
Bite size pieces ideal for entertaining, pasta, pizza, salads and lunches.
Reserve Selection
SMOKED SALMON
Gourmet Pâté
Reserve Selection
TASMANIAN SALMON CAVIAR

Huon Aquaculture Group Limited

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