



# ASX/Media Release

## Huon Aquaculture Group Limited (ASX: HUO)

Issued: 30 October 2020

### **2020 Annual General Meeting**

Attached are copies of the Chairman's Address and Managing Director's Address to be presented at today's Annual General Meeting, Friday 30 October 2020, commencing at 10.30am, to be held virtually via an online platform at <https://agmlive.link/HUO20>.

Yours faithfully,

Thomas Haselgrove

Company Secretary

**ENDS**

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## Chairman's Address



I will now move to my report for the year ended 30 June 2020.

### COVID 19

The 2020 financial year commenced with great promise. It marked the successful completion of a major capital investment program which saw all the building blocks in place to meet a key component of our corporate strategy - to grow production capacity safely and sustainably.

#### HUON AQUACULTURE

### Impact of COVID-19

- The COVID-19 pandemic has had a significant negative impact on Huon's second half results
- Huon experienced a drop in sales in its wholesale market during Q4 due to its high exposure to the food service channel
- Access to export markets was interrupted from late March due to the disruption to international air freight services
- Huon's supply into domestic retail and retail fish shops increased, along with e-commerce channels, but did not compensate for the loss of food services volume
- Continue to work with government and export freight providers to maintain international market access

#### COVID-19 Response Strategy

##### Health and Safety

Modified safety policies and procedures to contain any potential outbreaks of COVID-19 within the business

##### Continued Operations

No disruptions to the ongoing operations of the business  
Realigned sales channels to focus on retail and e-commerce

##### Cash Preservation

Temporary measures to manage costs, cash flow and liquidity including reduced discretionary opex and capex

##### Equity Raising

Proceeds used to strengthen Huon's balance sheet and ensure the company remains well capitalised

However since March we have been managing a unique set of challenges as the business has had to adjust to the reality of having two of its most important markets effectively shut down due to the global pandemic.

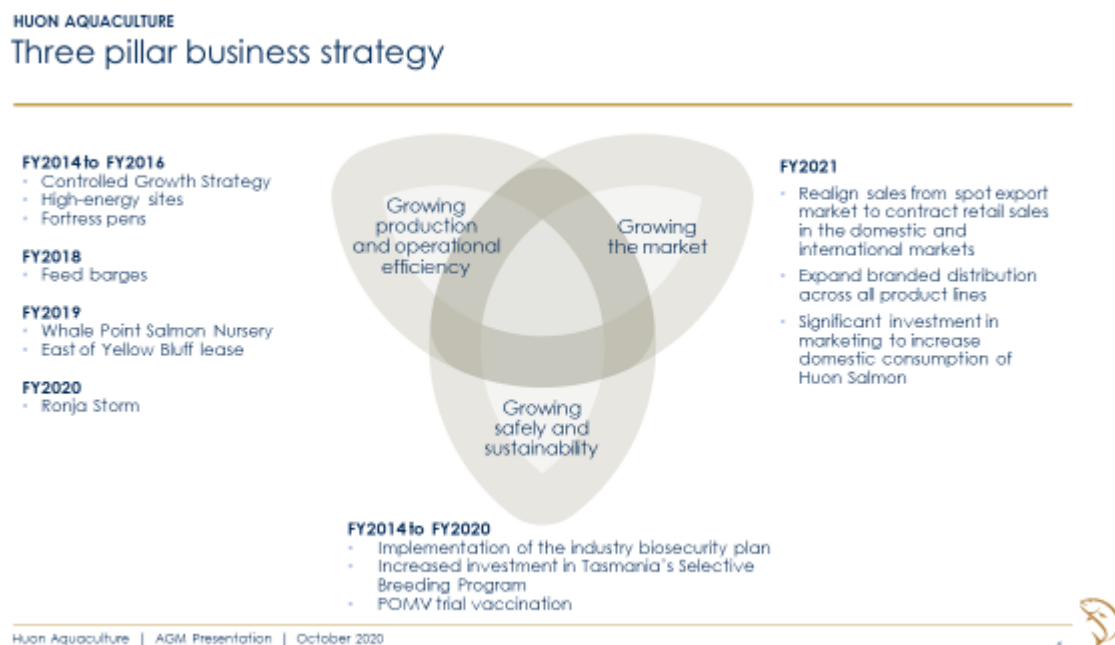
While Huon continued to operate through the most restrictive lock down periods over the two months to the end of May, the closure of restaurants, clubs and the food catering industry more generally, virtually closed the food services sector in Australia during that period. While sales through retail channels were strong, Huon's high exposure to the food service channel meant that a significant drop in sales in its wholesale market was unavoidable. Access to export markets has also been affected since late March due to the disruption to international air freight services.

We have also seen increased uncertainty in the important export market of China with COVID outbreaks linked to fresh food markets. We have successfully addressed this concern by increasing sales into several other export markets.

With 80% of Huon's revenue in FY2020 coming from the wholesale and export markets, we along with many others in the industry growing and supplying fish and seafood to these markets are encouraged by the low rates of community transmission of the virus throughout Australia at present. The prospect of further relaxation of restrictions, especially in Victoria, will be particularly welcome for the food services sector.

## Strategy

I want to spend some time now talking about Huon's strategy. In our business we plan for the long term. To grow salmon we operate on a 2-3 year cycle and to grow the business we must plan to meet the growing demand for our product in 5-10 years' time.



Since 2014 Huon's growth has been guided by its commitment to an overarching business strategy based on three key requirements, increasing production and enhancing operational efficiency; operating safely and sustainably; and growing the market.

From 2014 to 2019 significant focus was placed on ensuring that the infrastructure was in place to enable Huon to increase production and operate efficiently. The completion of Huon's infrastructure program has resulted in farming and harvest capacity at least doubling to 40,000 tonnes.

The strategic focus over the past year has been to concentrate on ensuring that the new infrastructure is operating in line with expectations, including the delivery of improved productivity. By contrast FY2021 will be the year when Huon begins to realign its sales channels as the business moves more volume out of a trading environment, or the spot export market, into retail contracts in both the domestic and international markets. In order to achieve this, Huon will continue to expand branded distribution in all product segments both domestically and internationally over the next 12 months, building on a strong year of distribution growth in FY2020. This will be supported by partnering with major retailers to increase Huon Salmon consumption domestically.

Peter will talk about our marketing strategy in more detail shortly but I want to emphasise that while the coronavirus has interrupted the momentum that was underway in the market both domestically and throughout Asia, growing the market remains our most important strategic priority. What has changed in the short term is the pace with which we are able to pursue this objective as it will now be determined by the extent to which the pandemic continues to depress global economies and their ability to recover.

## Capital Management

### HUON AQUACULTURE

### Capital Management

- Completed \$150m capital expenditure program and rebuild of biomass over the past three years, funded from cash flow and borrowings
- FY2020 balance sheet carrying all the costs associated with this investment with efficiency gains delayed until harvest of the 19 Year Class in FY2021
- Dividend suspended for FY2020 to preserve cash while the business reinvested in biological assets
- Equity raising of \$66m (comprising \$64m Placement and \$2m SPP) to enhance Huon's balance sheet position and reduce net debt
- Capital expenditure now focused on maintenance activities following completion of expansion program
  - Average spend of \$15 to \$25 million per annum on maintenance capex for the next 2-3 years



In FY2018 Huon committed to funding the expansion stage of its investment in infrastructure through existing borrowing facilities and cash flow. However reduced revenue in both FY2019 and FY2020, first due to the impacts arising from contact with jellyfish and then COVID-19, resulted in net debt running at a higher level during FY2020 than originally budgeted. In order to conserve cash flow for the increased operational requirements of the business, the board suspended the payment of dividends for FY2020.

By July this year, as Melbourne's second wave gathered pace and it was becoming clear that developed economies around the world were also struggling to contain the virus, the board took the view that it needed to ensure the company remained well capitalised. At the end of August Huon raised \$64 million through a placement to institutional investors followed by another \$2 million from retail shareholders through a Share Purchase Plan. The funds raised have been used to reduce net debt, on a proforma basis, from \$167 million at 30 June to \$101 million, lowering gearing from 53% to 32%. A key priority in FY2021 will be to utilise surplus cash flow to continue to pay down debt. This will require an ongoing focus on costs within the business as well as an extension of the dividend suspension.

Capital expenditure was already planned to moderate beyond FY2019 as the business moved into a phase of bedding down the significant investments made over the previous two years, focusing on extracting the production efficiencies that are a significant part of that process. In FY2020 capital expenditure was \$21 million and we expect that our annual maintenance capex for the business over the next two to three years will sit around \$15 to \$25 million.

## People and Safety

### HUON AQUACULTURE

#### People and safety

- Huon continued to implement its Workforce Development Strategy with employee capability development remaining a key focus
- Safety performance and activity was driven by the ongoing development and implementation of the OHS Strategy 2020-22
  - LTIFR increased slightly despite a reduction in the number and severity of Worker's Compensation claims
  - The rate of lost time through injuries improved by 20% despite a significant increase in production
  - ALTR increased due to a single long term injury

	FY20	FY19	FY18	FY17	FY16
<b>Lost Time Injury Frequency Rate (LTIFR)</b>					
Number of injuries per 1 million hours worked	5	4	4	3	7
<b>Average Lost Time Rate (ALTR)</b>					
Hours lost per employee	13	10	14	12	16
<b>Incident Rate (IR)</b>					
Number of Lost time injuries per 100 employees	0.8	1.0	1.0	0.6	1.3
<b>Employees</b>	723	665	600	500	524



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The wellbeing of our people is of paramount importance at Huon and our investment in developing protocols and procedures to protect our employees both onshore and on farm provided a strong framework for managing the health risks associated with COVID-19. The business was permitted to operate 'as normal' with modified policies and procedures to contain any potential outbreaks of the virus. Up to the end of October, there have been no disruptions to the ongoing operations of the business.

Last year there were 723 people working for Huon, an increase of 45% over the past 3 years. As we have grown, Huon has maintained its focus on constantly updating and developing its health and safety programs within the business. It is therefore particularly gratifying that even with a significant increase in production capacity, Huon's rate of lost time through injuries improved by 20% over FY2020.



## Conclusion

The last two years have presented some significant challenges to the business whether from the secondary impact of lost growth and increased mortalities from the jellyfish encounter through to the temporary closure of markets due to the current coronavirus pandemic. These are examples of the unpredictable nature of the risks our industry faces and highlights how difficult it is to prepare for them.

### HUON AQUACULTURE CONCLUSION

- Huon's underlying business strategy is unaffected by COVID
- The full realisation of operational benefits following our significant investment program in 2019 has now been delayed until FY2022.
- Huon's expansion in production this year and into FY2022 will continue to drive down operating costs per HOG kg
- A strong foundation has been put in place to increase the production of salmon through our high energy sites and do so sustainably
- The business is set to generate the growth in revenue, earnings and shareholder returns that we know it to be capable of once the current period of economic uncertainty ends
- On behalf of the Board I wish to extend our appreciation to all Huon employees for their efforts and commitment shown during the current pandemic
- Our thanks also go to our customers, suppliers, local communities and you, our shareholders, for your support over the past year



Huon Aquaculture | AGM Presentation | October 2020

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While Huon's underlying business strategy is unaffected by these events, a number of the operational benefits that we expected would be delivered following the completion of our significant investment program in 2019 have now been delayed until FY2022. As the global economy enters recession, it would be unrealistic to expect that our business will not be affected by the ongoing changes we have already witnessed in consumer behaviour and our access to traditional channels to market.

Your board is, however, confident that the investments made in recent years will support the growth of the business over the long term. A strong foundation has been put in place that will not only enable Huon to increase the production of salmon through its high energy sites but that it will do so sustainably. As Huon expands its production further next year it will continue to drive down operating costs per HOG kg, setting the business up to generate the growth in revenue, earnings and shareholder returns that we know it to be capable of once the current period of economic uncertainty ends.

On behalf of the Board I wish to extend our appreciation to all Huon employees for their efforts and commitment shown during the current pandemic. Our thanks also go to our customers, suppliers, local communities and you, our shareholders, for your support over the past year. I will now ask our Managing Director, Peter Bender, to present his review of operations and to comment on the outlook for the year ahead.

Thank you.

## Managing Director's Address

Thank you Chairman and good morning everyone.



Today I'm going to provide you with an overview of the performance of the business in FY2020, an update on operations since the start of the financial year and some brief comments on the outlook for the salmon market both domestically and globally.

## Business performance

### HUON AQUACULTURE Overview of FY2020

		Post AASB 16	Pre AASB 16	Pre AASB 16	Pre AASB 16
Twelve months ended		30 June 2020	30 June 2020	30 June 2019	Jun to Jun % Change
Tonnage	t	25,566	25,566	18,849	36%
Revenue*	\$M	339.9	339.9	282.0	21%
Revenue per HOG kg	\$/kg	13.30	13.30	14.96	-11%
EBITDA*	\$M	48.8	42.3	38.2	11%
EBITDA Margin	%	14.4%	12.4%	13.5%	-8%
Operating EBITDA**	\$M	47.3	40.8	47.3	-14%
Operating EBITDA Margin	%	13.9%	12.0%	16.8%	-28%
NPAT	\$M	4.9	6.5	9.5	-32%
Operating NPAT***	\$M	3.9	5.5	15.9	-65%
Earnings per share	cents	5.63	7.47	10.82	-31%
Dividend per share	cents	0.00	0.00	6.00	-
Operating Earnings per share	cents	4.41	6.27	18.13	-65%
Fair value adjustment	\$M	1.5	1.5	(9.1)	-

\* 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 NPAT excludes the impact of the fair value adjustment of biological assets and related tax impact

- The COVID-19 pandemic had a significant negative impact on Huon's second half results
- Harvest volumes increased 36% to 25,566 tonnes, meeting our original guidance of 'at least 25,000 tonnes'
- Growth in sales revenue (+21%) was impacted by
  - An average 11% fall in salmon prices due to increased sales through the lower priced export market and a reduction in sales through the valuable wholesale channel due to COVID-19 in 2H20
- Statutory NPAT fell 32% to \$6.5 million
- Operating EBITDA fell 14% to \$40.8m
- Fair Value Adjustment (FVA) only increased by \$1.5m, the higher biomass holding being offset by the lower average market price
- Fair value of biological assets increased 26% to \$263 million
  - Rebuild and expansion of the biomass

The performance of Huon's farming operations in FY2020 was the best for many years as good growing conditions, combined with increased productivity from the infrastructure delivered through the investment program, produced better than expected fish performance. By the end of March 2020, Huon had achieved its objective of making up the ground lost due to the setbacks in production from biological and weather events in FY2018 and FY2019. Biomass levels were back to where they would have been, had these setbacks not occurred and we were confident of exceeding our base-line harvest forecast for the year of 25,000 tonnes.

Then the lock downs due to COVID started to happen. In the final three months of FY2020 the virtual closure of the food services sector in Australia meant that a significant drop in volumes in the wholesale market, accompanied by lower prices, was unavoidable. By the end of the financial year we had harvested 25,566 tonnes, meeting our original forecast from earlier in the year, which was an increase of 36% on volumes in FY2019. While revenues increased 21% to \$340 million, they were impacted by an average 11% fall in salmon prices to \$13.30/HOG kg. This was due to the increased volumes sold through the lower priced export market and lower domestic pricing in the second half.

Huon's statutory net profit after tax (NPAT) fell 32% to \$6.5 million from \$9.5 million in FY2019. This included the positive influence of a \$1.5 million increase in the Fair Value Adjustment (FVA) due to the growth in biological assets over the year. The lower pricing environment was the primary contributor to the 14% fall in Operating EBITDA from \$47.3 million to \$40.8 million.

In FY2020 the overall fair value of biological assets increased 26% from \$209 million to \$263 million, reflecting Huon's focus on rebuilding and expanding its biomass. Harvest volumes for FY2020 would have been higher if the pandemic had not disrupted sales, shifting some of the harvest into the current year. The FY2021 harvest of at least 36,000 tonnes will be supported by both company and industry investment in marketing to increase salmon's share of the protein market.

## Operational activity

### HUON AQUACULTURE Ronja Storm

The Ronja Storm arrived in Tasmania on 17 February enabling Huon to execute the final stage of its expansion program including the delivery of a range of efficiency measures

- Bathing schedules will be optimised as the boat's increased capacity and onboard desalination plant removes the need to travel back to shore to get water – a key benefit in Storm Bay
- Bathing can be timed for when the fish need it rather than having to maintain fixed schedules
  - Expected to save several baths a year
- Over a year class more fish can be put in each pen, without increasing stocking density, as the Ronja Storm can carry more in each load
  - Eliminates going to a pen multiple times which causes stress and mortalities
  - Estimated production increase of 25% with no added infrastructure



- The well boat comes with a grader which can grade 300 tonnes of fish per hour
  - Can leave the small fish in the water longer to grow
  - Ensures we are harvesting the correct size for the market
- Total production from each pen in a year can increase up to 1,000 tonnes compared to current output of 500 to 800 tonnes
  - Grading off a few hundred tonnes when the pens reach around 800 tonnes enables us to add around 200 extra tonnes to each pen

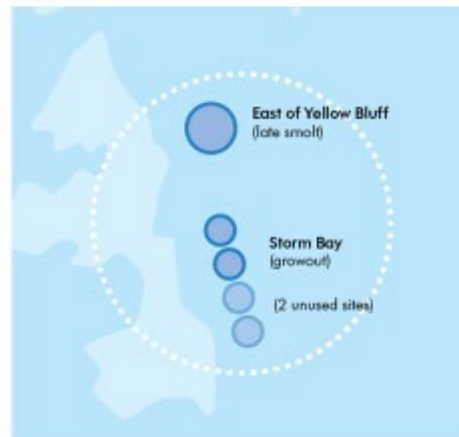


One of the highlights of the year was undoubtedly the arrival in Tasmania of our new well boat, Ronja Storm, in February this year. The Ronja Storm is the largest and most advanced fish bathing and transportation vessel in the world, designed to deliver increased production capacity with greater efficiency. For example, we can now bathe each of our 240m pens in one load, reducing the number of baths required for each pen and as a consequence stress on the fish.

#### HUON AQUACULTURE

### Growing Capacity

- Lease expansion at Storm Bay
  - New lease at East of Yellow Bluff commenced stocking with 2019 Year Class smolt in the first half of the year
  - Enables better separation of year classes which minimises biological risk
  - Completes Huon's stocking strategy to achieve industry biosecurity plan
- Whale Point Salmon Nursery
  - Been in operation for eighteen months
  - First season production aided smolt to sea size increasing from 236 to 282 grams with future incremental growth planned each year
  - Salmon put to sea in May 2019 were harvested in April 2020 at 4.6kg – less than 12 months at sea to harvest
  - Farming capacity and following opportunity increased without having to expand lease area
- Future production targets at 40,000 tonnes per year



All of our growth in production capacity will come from Storm Bay and the focus of our activity in recent years has been to put in place the infrastructure to deliver that.

The new East of Yellow Bluff lease commenced stocking during the first half with 2019 Year Class smolt, a process which also completed Huon's stocking strategy to achieve full compliance with the industry biosecurity plan. We can now manage the separation of year classes better with increased separation of stock which minimises the biological risk and also improves efficiencies in the management of the biological stock.

Whale Point has been in operation for a full twelve months now. Fish transferred from the facility to sea in May 2019 were harvested in April 2020 at 4.6 HOG kg, providing harvest size fish in less than 12 months at sea. This is particularly important for generating harvest size fish at the start of the year class in March of each year.

There will be further production benefits coming through this year and in the years to come, however FY2021 will represent an important milestone for the business as the 19 Year Class will be the first to have gone from hatchery to harvest under Huon's upgraded infrastructure. Along the way it will have reaped the benefits of a more efficient and sustainable approach to farming.

## Sustainable Farming and Climate Change

Operating our business sustainably and being mindful of the long term impacts of climate change is not a new concept for Huon. We have caring for the environment in our DNA. If we don't look after the oceans and waterways where our fish are grown, we will have no business. It's as simple as that.

### HUON AQUACULTURE

## Sustainable Farming and Climate Change

#### Risk Management

- POMV trial vaccination yielding positive results
- Investment in the world's biggest wellboat significantly increasing bathing efficiency
  - Reduction in usage of freshwater through on-board desalination facility

#### Managing Climate and Environmental Risk

- Positioning of leases in high energy sites offshore
  - Dissolved oxygen levels are better for salmon
- Additional investment in Tasmania's Selective Breeding Program
  - Huon now holds rights to 50% of biological output
  - Selectively breeding fish that perform better in warmer waters
- Continuing to use trial pens to test feed
  - Improving diets to help the fish convert feed in summer temperatures that are higher than their preferred range for growth
- Partnering with other research institutions to examine current and future renewable energy options

#### Environmental Management

- Compliance with best practice biosecurity through implementation of the industry biosecurity plan (right fish:right lease)
  - East of Yellow Bluff lease completes creation of Huon biosecurity zones
- Research into potential restoration of Tasmanian Giant Kelp forests
  - Supporting IMAS and The Climate Foundation to cultivate warm-water tolerant strains on Huon's Storm Bay leases



In terms of managing the risks associated with common diseases encountered in Tasmanian waters, we participated in a POMV trial vaccination run by the industry during the year which has yielded very positive results. All fish are now routinely vaccinated and POMV is now no longer a problem. Regular fresh water bathing also helps mitigate against outbreaks of AGD. We have been doing this successfully for many years now with our well boat, the Ronja Huon, but have revolutionised the way this is done with the arrival of the Ronja Storm. Not only does it significantly increase bathing efficiency but it also minimises its environmental impact by reducing usage of fresh water through the installation of an on-board desalination facility.

Climate change has the potential to impact the Tasmanian salmon industry, particularly through varying sea water temperatures. We have known this for a long time and since 2013 have been progressively reshaping the way we operate to prepare for it. Reconfiguring our lease sites by positioning marine leases in high energy sites offshore where fish are less likely to be impacted by this trend has been central to this strategy.

Recognising the future growth in production requirements, Huon increased its investment in Tasmania's Selective Breeding Program this year. We now have access to 50% of the biological output of the Program, allowing us to maintain the benefits of the program as production increases. This will give us fish that are more resistant to AGD, will grow faster and be more adaptable to warming waters.

Huon has also been undertaking joint trials with BioMar, a global feed company, to develop improved summer diets. Improved diets help the fish convert feed better in summer when temperatures rise to levels that are higher than their preferred range for growth.

## Outlook

In finishing, I'd like to comment on the outlook and in particular how we see the market dynamics for salmon playing out both here and internationally over the next few years.

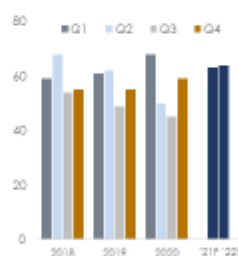
### HUON AQUACULTURE

## Supportive Market Dynamics

- Demand for salmon affected by COVID-19 but outlook remains positive
  - Weak global supply growth likely to match softened demand in short-mid term
  - Long-term demand dynamics for salmon remain strong with low levels of penetration in many markets indicating room for growth
- Huon has taken significant steps in the past five years to position itself to take advantage of supportive market dynamics, particularly in the growing Asian market
- International salmon prices expected to remain high for the next 2-3 years
  - Fishpool futures indicate an average price of 63 NOK/kg in CY2021 and 64 NOK/kg in CY2022, compared to 56 NOK/kg for CY2020<sup>1</sup>
- COVID-19 and its impact on markets around the world is creating uncertainty in the short term

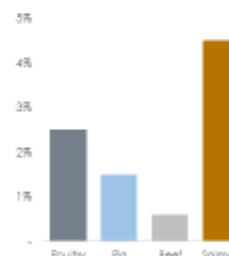
1. Kipool pricing index is quoted in Norwegian krone

INTERNATIONAL SALMON PRICE (NOK/kg) FORECAST<sup>2</sup>



Forecast average pricing of 63-64 NOK/kg over CY2021-2022 compared to 60 NOK/kg in 2017 and 2018, 57 NOK/kg in 2019 and expected 56 NOK/kg in 2020

GLOBAL CONSUMPTION GROWTH OF ANIMAL PROTEINS CAGR, 2007-2017



Growth in global salmon consumption 2007-2017 averaged 4.5% pa compared to less than half that for competing proteins

2. Rabobank seafood research report as of April 2020

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There has clearly been an impact on demand as a result of COVID. In the short term, weak global supply growth of around 2%pa is likely to match softened demand. Longer term, however, and assuming a vaccine for COVID-19 is delivered in 2021, the demand dynamics for salmon remain strong. Outside of Scandinavia, the per capita consumption of salmon in most markets is low and farmed salmon is increasingly being viewed as a better 'green' alternative than other land-based proteins due to its low carbon dioxide output, low water consumption and efficient food conversion ratios.

From Huon's perspective we have been working actively over the past five years to take advantage of these favourable dynamics by focusing our efforts on the supply of fresh product into the Asian region. More recently we have been looking at developing regions outside Asia, with strong initial market interest coming from North America.

We are also in the process of significantly increasing our presence in the domestic retail channel. During the last few months about 50% of all retail business is up for tender and we are hopeful to pick up a significant proportion of this business. So far this year, outside of these tenders, we have increased our supply into this channel by about 2,000t.

With supply growth forecast by Rabobank to be only 2%pa for the next 2-3 years, international salmon prices are projected to remain high for the medium to long term. Fishpool futures are

indicating an average price of 63-64 NOK over calendar years 2021 and 2022 compared to an estimated average of 56 NOK for this calendar year.

There is no doubt, however, that Corona virus and its impact on markets around the world, is creating increased uncertainty in the short term.

## HUON AQUACULTURE Marketing Huon

### Leverage Brand Profile Domestically

- Significant investment in marketing at end of 1H21 to drive Huon Salmon consumption domestically
  - Supported by industry marketing investments
- Continue to expand branded distribution in all product segments domestically over FY2021
  - Expect this to deliver a major increase in domestic per capita consumption, driving double digit volume growth
- Ongoing investment in Huon's B2B loyalty program, Fresher Rewards, to foster growth in wholesale market
  - Delivered a 50% increase in users over Q4 of FY2020 and the outlook remains strong for ongoing growth in the program
- Huon has benefited from increased exposure in the retail channel via newly won contracts
  - Using Huon's strategically located processing facilities to move closer to the end customer
- Accelerate presence in the e-commerce channel



Domestically plans are well advanced to leverage the Huon brand through a significant investment in marketing at the end of this calendar year. We are not doing this on our own but will be supported by similar marketing efforts from others in the salmon and seafood industry.

We will also continue to expand branded distribution in all product categories during FY2021 which we anticipate will deliver a major increase in domestic per capita consumption, driving double digit volume growth.

In the wholesale market we are making further investments in Huon's B2B loyalty program – Fresher Rewards – to accelerate growth as markets return to a post COVID world. In Q4 of FY2020, users of this program grew by 50% and we have no reason to expect this growth to slow.



So what is the outlook for Huon this year?

#### HUON AQUACULTURE

### Outlook for Huon

- FY2021 season has started with record biomass in the water and the 19YC fish delivering exceptional biological performance
  - Production volumes for FY2021 are estimated to be at least 36,000 tonnes
- Operational performance in the first half likely to be impacted by COVID-19 market constraints, particularly in the domestic wholesale channel
- Production costs for FY2021 are expected to be well below FY2020
  - Productivity gains from the investments of the past 2-3 years expected to deliver a total production cost per HOG kg of under \$9.50
  - Full impact of production efficiencies realised in the lower cost 19 Year Class
- Average pricing in FY2021 to remain low due to short term global over supply
  - As a result, an increase in earnings over FY2020 is unlikely
- Medium term supply demand dynamics continue to support a global shortage of supply with Huon uniquely positioned to meet growing demand for salmon as an environmentally responsible source of protein



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

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We have already forecast a record harvest of at least 36,000 tonnes and expect production costs to be well below FY2020, coming in under \$9.50 per HOG kg, with the full impact of production efficiencies being realised with the harvest of the lower cost 19 Year Class.

FY2021 has started with record harvest levels, but pricing has been adversely impacted by conditions caused by the COVID pandemic. The lock down in Victoria and continued closure of domestic and international borders continues to impact market dynamics. Operational performance in the first half will therefore continue to be impacted by these constraints, particularly the wholesale and export channels. Freight availability and cost will also have a significant impact on our net returns to the export market. Overall we expect average pricing to remain low this year due to the short term global over supply which means it is unlikely that Huon will deliver an increase in earnings over FY2020.

In the medium term, however, supply demand dynamics continue to point to a global shortage of supply. This places Huon in the unique position of being one of the few suppliers globally with the capacity to meet the incremental growth in demand for salmon as an environmentally responsible source of protein. We have been planning for the long term and we are ready.