



Clean Seas Seafood Limited
(ASX:CSS & OSE:CSS)

H1 FY22 Results Presentation

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28 February 2022



Overview

- **Strong Sales Growth** – Record sales volumes and revenues YTD FY22
- **Positive Cash Flow** – Lower inventory carrying costs and higher revenues has delivered positive operating cash flow
- **Optimised Working Capital** – live fish and frozen inventory rebalance complete
- **Cost Focus** – cost of production tracking downwards, reduced by 3% versus full year FY21
- **Statutory Profit Recovery** – Statutory EBITDA positive and improved by A\$19.7m versus H1 FY21
- **Strong Balance Sheet** - A\$45M of available funding
- **Uniquely Positioned** - to be the quality and cost leader in sustainable Yellowtail Kingfish production

Clean Seas Seafood – Global leader in full lifecycle farming of Yellowtail Kingfish



LONG STANDING FARMING EXPERIENCE

- 20 years of experience and know-how, industry leading 13th generation of brood stock



NEW MARKET ACCESS & GROWTH

- Significant growth opportunity, existing licenses to produce up to 10,000 tonnes with a view to 30,000 tonnes in the longer term



GLOBAL STRATEGIC PARTNERSHIPS

- Unique global distribution arrangements and partnerships



SPENCER GULF NATURAL PROVENANCE

- Unique product quality and sustainability benefits from farming native species in its natural waters



UNIQUE PRODUCT, GLOBAL RECOGNITION

- Highly awarded and on the menu in more than 200 Michelin star restaurants across 17 countries



SUSTAINABILITY AWARDS

- Sustainable and environmentally friendly farming practices, focusing on animal welfare
- 'Aquaculture Stewardship Council' (ASC) certified and 'Friends of the Sea' Certified

Sustainability and Premium Quality is at our Core



Australian Food Awards
'Best fish'
2016, 2017 & 2018



'Champion' award for 'Fresh fish'
at the 2021 Royal Sydney Fine Food
Show (Aquaculture)

DISTRIBUTION PARTNERSHIPS

- Major market access
- Farming knowledge

INFLECTION POINT

- Sales volumes and efficiency
- Farming scale

SUSTAINABLE

- *SensoryFresh™* and *Icefresh™* food tech
- Reduced carbon emissions and costs
- R&D projects targeting environmental objectives

PROVENANCE

- Quality ocean reared
- Clean Seas



Certified by the 'Aquaculture Stewardship Council'

Clean Seas received certification by the Aquaculture Stewardship Council (ASC) in July 2019. CSS also won 'Best Responsible Seafood Product' in the ASC Sustainable Seafood Awards in 2021

UNTAPPED MARKET POTENTIAL

- Emerging species
- Viable alternative to farmed Salmon



'Friend of the Sea' certified

First aquaculture company in the Southern Hemisphere certified as sustainable by the internationally recognized Friend of the Sea accreditation system

Substantial progress against Strategic Priorities

	FY21		FY22		FY23	
Operations	Stabilise the business following FY20 COVID shock, restructure and reduce indirect expenses	Complete	Grow and diversify kingfish production. Activate new farming sites.	Complete	Operating EBITDA and cashflow positive	On track
Sales	Diversify channels and markets, maximise existing premium business as lockdowns ease	Complete	Develop new channels and markets, premium business	On track	Leverage lower cost second year fish to develop price competitive and frozen channels	Updated
Inventory	Rectify Live Fish Biomass and Frozen inventory imbalance	Complete	Bring Biomass and Frozen inventory into balance to support future sales	Complete	Accelerate stocking and growth targets	On track
Cost Of Production	Accept higher cost of production while excess inventory is sold through	Complete	Achieve significantly lower cost of production as a result of clearing excess inventory	On track	Achieve circa A\$9-9.50/kg cost of production depending on product mix	Updated
Funding	Secure debt and equity funding for growth ambitions	Complete	Simplify capital structure and redeem Convertible Notes	Complete		

H1 FY22 Financial Overview

Revenue
\$31.2 million

- Record sales volumes (+35%), revenues (+40%) and farmgate revenue
- H1 FY22 Revenue \$/kg increased by A\$0.56/kg to A\$16.03 driven by unprecedented demand
- Sell through of surplus inventory complete in Q1, Revenue \$/kg increased to A\$18.25/kg in Q2 FY22

**Direct
Production
costs reduced
to \$14.83/kg**

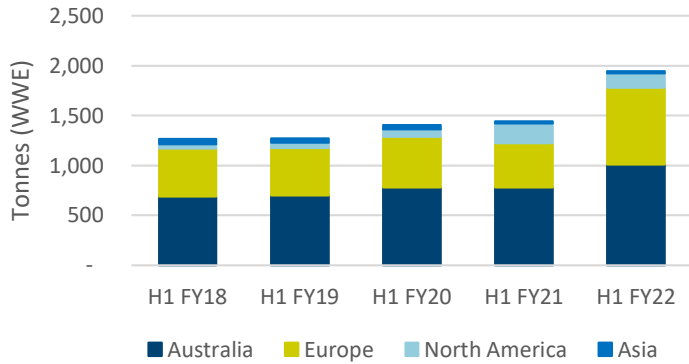
- Direct production costs peaked in June 2021 at A\$15.29/kg due to the carrying cost of excess inventory caused by COVID-19 disruptions and an imbalance between sales and production
- The Company has corrected the inventory imbalance (inventory month covered reduced to 10 months), and with this, material production cost savings have commenced in H1 FY22
- The Company is on track to deliver further production cost savings in H2 FY22 and returning to historical level of circa A\$9-9.50/kg in FY23

**Underlying
EBITDA
Loss**
\$9.9 million

- Significant progress in H1 FY22, including improvements in Revenue \$/kg, and further indirect cost saving, however, overall operating performance was impacted historical production costs
- Positive operating cash flow of A\$6.6m for H1 FY22 demonstrates the historical nature of production costs
- Clean Seas expects to make further improvements in Revenue, indirect and production costs in H2 FY22

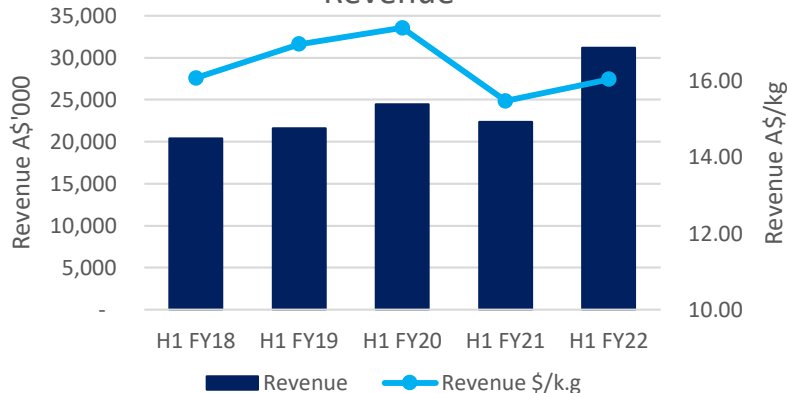
Improved pricing and unprecedented local and global demand has underpinned the strong growth in volumes and revenue

Sales Volumes by Market

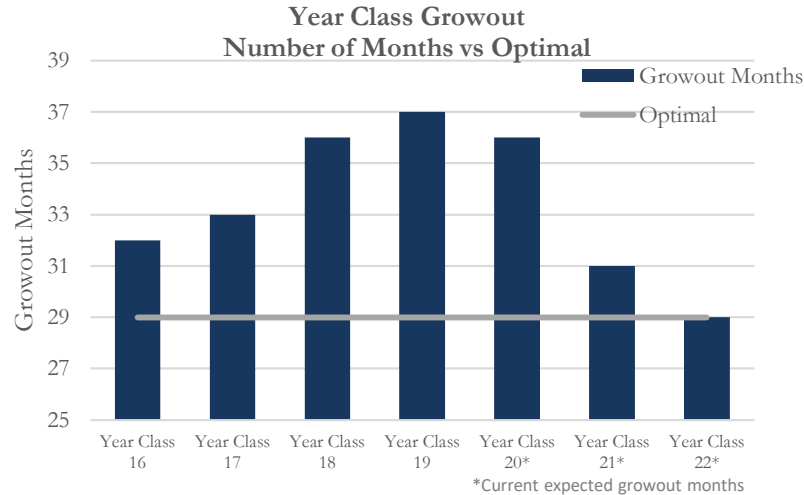
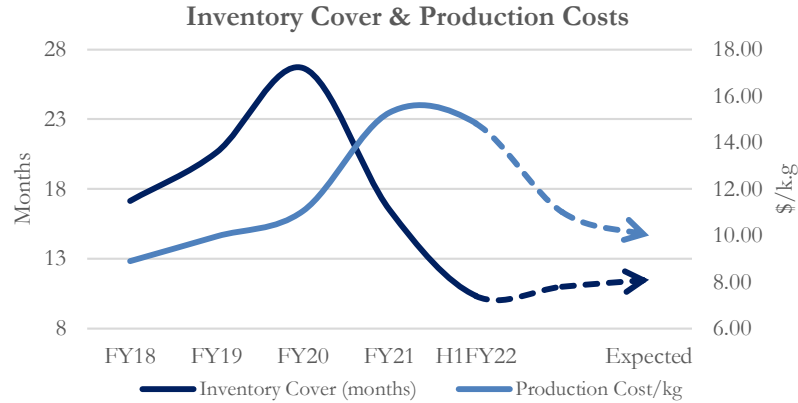


- **Record Sales** - for H1 FY22 of 1,946 tonnes
- **Diversification** - accelerated new channels and markets with commencement of Australian retail sales
- **Australia** – 1,009 tonnes, up 29%
- **Europe** - 770 tonnes, up 75%
- **North America** – Premium sales up 112% on pre-pandemic levels, however total volumes down due to a reduction in bulk frozen sales following the correction in excess inventory
- **Awareness** - Sales performance demonstrates a growing awareness and demand for Kingfish globally, as consumers look to make sustainable choices

Revenue

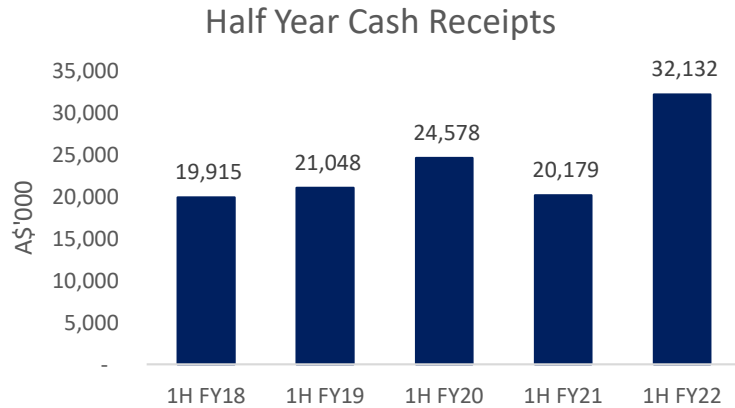


Clean Seas is well positioned to return to profitability in FY23 having completed the sell through of excess inventory

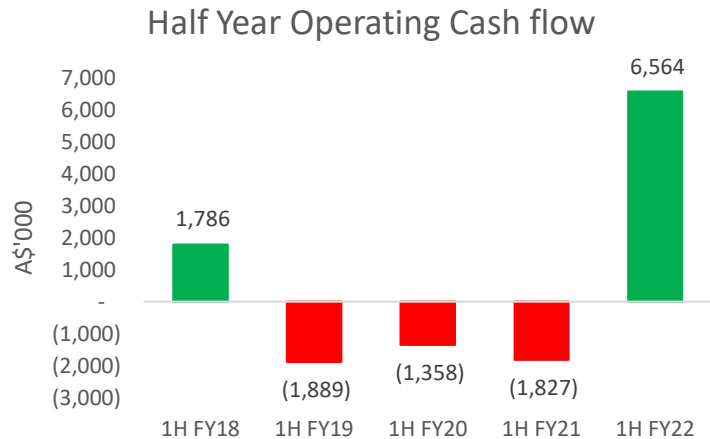


- Production Costs** – peaked at A\$15.29/kg and have now reduced to A\$14.83/kg. Well positioned to make material reductions in production costs \$/kg over the next 18 months
- Excess biomass** – The harvest and sell through of excess Year Class 18s and 19s is now complete. The last remaining expensive cohort, Year Class 20s, will be completed in Q1 FY23. Due to unprecedented demand, Clean Seas expects to sell through the Year Class 20s at a significantly higher Revenue \$/kg than first anticipated
- Inventory Cover** – Month's cover now at appropriate level, providing the springboard to grow production volumes and lower costs. Months cover is a 18-24 month leading indicator of cost of production due to the time taken for Kingfish to grow from juveniles to harvest size
- Target** - Total production costs expected to return to historical levels of circa A\$9-9.50/kg in FY23

H1 FY22 cash receipts reached a record level of A\$32.1 million, which translated into positive operating cashflow of A\$6.6 million



- H1 FY22 cash receipts of A\$32.1 million, up 59% on H1 FY21 and 31% on H1 FY20 (pre-COVID)
- Record sales volumes and disciplined working capital management translated into positive operating cash flows of A\$6.6 million, and reflects the return of global food services markets and the benefits from reducing inventory months cover from 27 in June 2020 to 10 in December 2021



- Due to COVID disruptions, airfreight costs remain elevated, however impact has been partially offset by a change in sales mix, with approximately 66% of all export sales sold as frozen
- Seasonal payments for feed will increase in H2 FY22 in line with the peak growing season, which will put downward pressure on operating cash flows

Net cash of \$12.5 million and \$30 million of undrawn debt provides a sound funding position to grow sales and production capacity

Net Cash / (Debt) \$'000	Jun-21	Dec-21	Change (Fav/Unfav)	
Cash at bank	30,072	14,564	(15,508)	▼
Working capital facility	(9,471)	-	9,471	▲
Senior debt facility	-	-	-	
Asset finance facility	(2,287)	(2,042)	245	▲
Convertible note debt	(9,551)	-	9,551	▲
Total net cash	8,763	12,522	3,759	▲

Undrawn debt facilities \$'000	Jun-21	Dec-21	Change (Fav/Unfav)	
Working capital facility	2,529	12,000	9,471	▲
Senior debt facility	14,000	14,000	-	
Asset finance facility	3,713	3,958	245	▲
Total undrawn facilities	20,242	29,958	9,716	▲

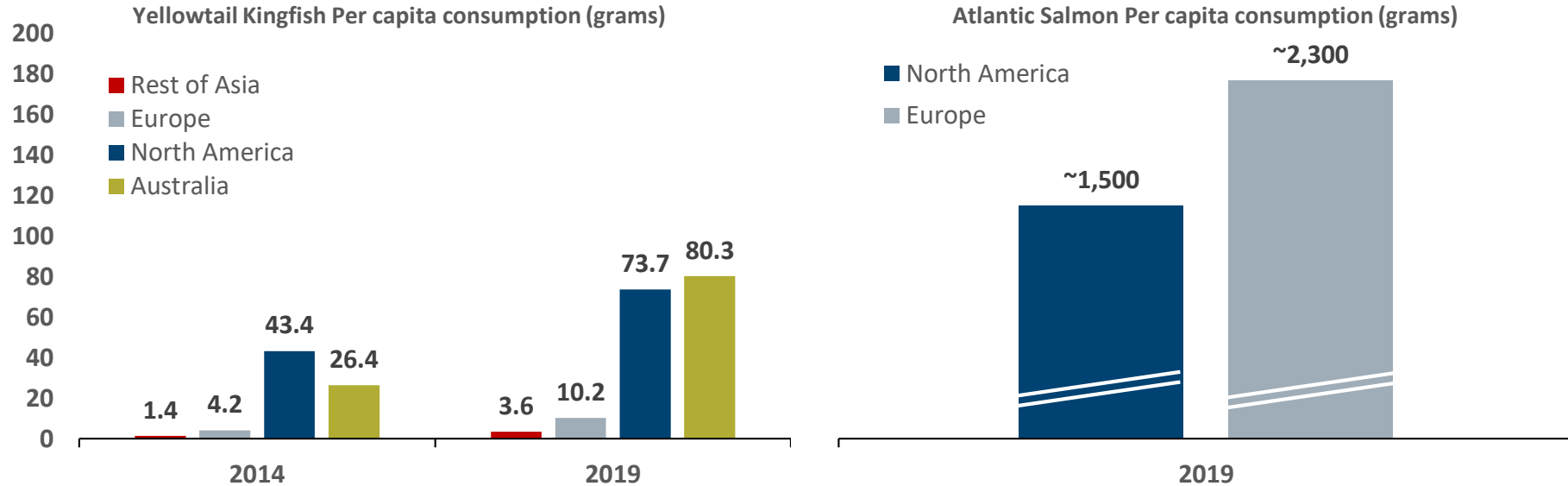
- Sell through of excess inventory achieved at higher anticipated prices and disciplined stocking decisions has generating positive operating cash flows and further increased the net cash position in December 2021
- Early redemption of Convertible Notes completed in Q1 FY22 and repayment of seasonal working capital facility
- Following the renewal of the \$32.2m Debt Facility Clean Seas has substantial headroom in debt facilities with approximately \$30 million in undrawn debt and \$12.5 million in net cash to fund operations and grow production capacity.

Strong growth in sales volumes and revenue, coupled with improved working capital management

Financial Performance	H1	H1	Change	
	FY21	FY22	(Fav/Unfav)	
Revenue (A\$'000)	22,333	31,192	40%	▲
Tonnes	1,444	1,946	35%	▲
Operating Results				
Revenue \$/kg	15.47	16.03	0.56	▲
Farmgate \$/kg	12.27	12.51	0.24	▲
Production costs \$/kg	(12.23)	(14.83)	(2.60)	▼
Indirect & R&D Costs \$/kg	(3.57)	(2.76)	0.81	▲
Operating EBITDA (Inc R&D, excl once-off)	(3.53)	(5.08)	(1.55)	
Production Metrics				
Net Growth (tonnes)	696	828	19%	
Harvest volumes (tonnes)	1,748	1,341	-23%	
Closing Live Fish Biomass (tonnes)	3,394	2,739	-19%	
Statutory Results				
Underlying Operating EBITDA (\$'000)	(5,102)	(9,892)	(4,790)	▼
Underlying Adjustments				
Impairment (A\$'000)	(8,072)	(211)	n/a	
Restructuring costs (A\$'000)	(1,381)	-	n/a	
AASB 141 SGARA and cost allocation (A\$'000)	(4,731)	10,513	n/a	
Total underlying Adjustments	(14,184)	10,302	n/a	
Statutory EBITDA (\$'000)	(19,286)	410	19,696	▲
Statutory NPAT (\$'000)	(21,873)	(2,160)	19,713	▲

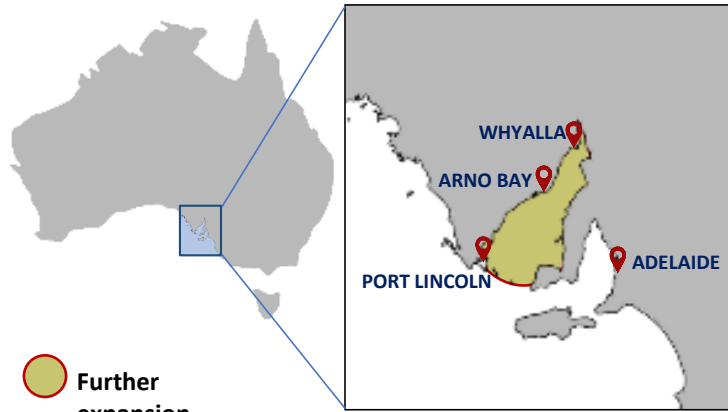
- 35% increase in sales volumes and 40% increase in revenue driven by strong global demand and price increases
- 19% reduction in live fish biomass reflects a disciplined approach to working capital management, which has driven increase in operating cash flows
- 23% reduction in harvest volumes versus 40% increase in sales volume increase reflects the strategic decision to clear all excess frozen inventory, which was sold at higher than anticipated prices
- Significant improvement in Statutory EBITDA and NPAT

Huge potential for Yellowtail Kingfish globally



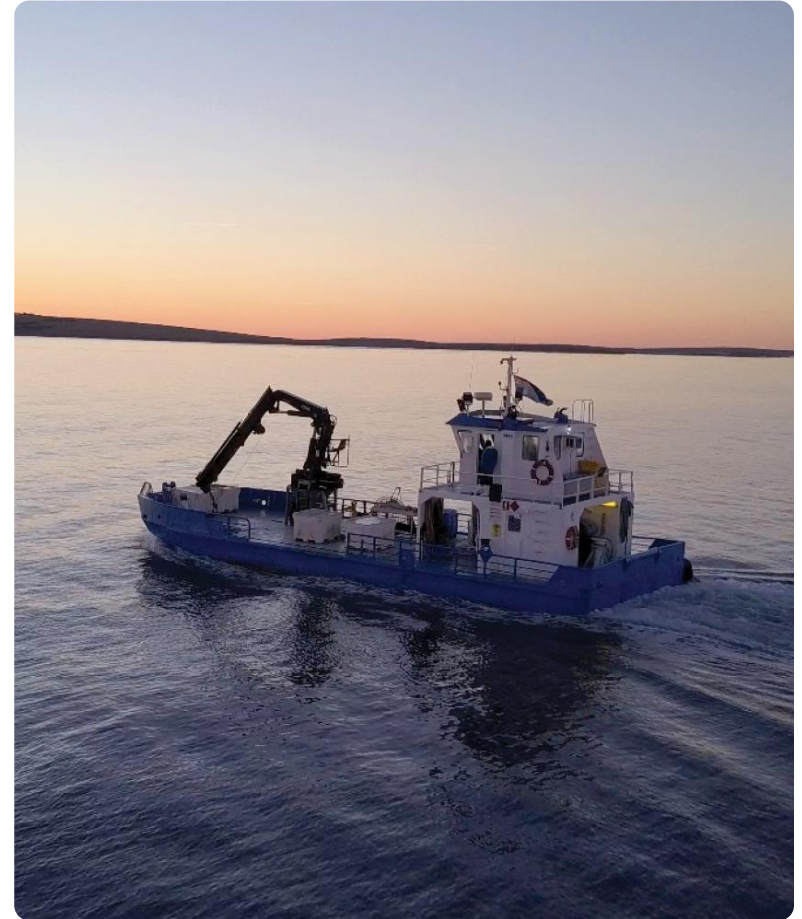
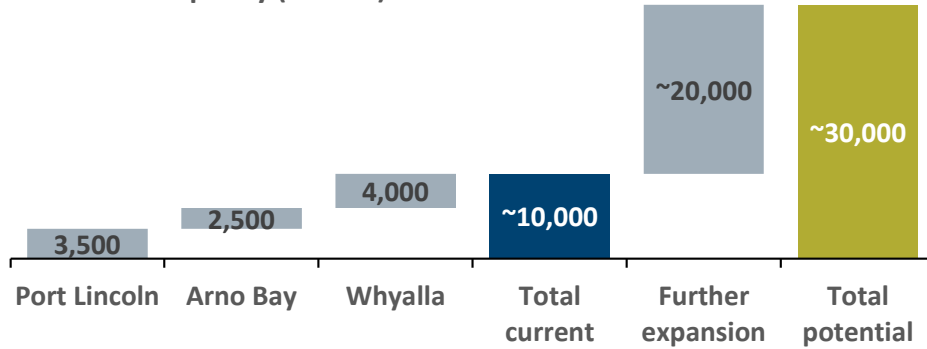
- The market for Yellowtail Kingfish has expanded significantly as awareness of the species has grown
- Clean Seas has built a substantial per capita consumption in Australia in premium restaurants
- Continued increases in per capita consumption will see total global sales grow strongly in future years
- Clean Seas has established distribution in Australia and Europe, and significant partnerships to expand into North America and Asia

Clear path to increase production while retaining Spencer Gulf provenance and quality



 Further expansion

License capacity (tonnes)



Outlook for Clean Seas and Spencer Gulf Kingfish

Unique market opportunity driven by megatrends

- Exposure to megatrends: consumer health, sustainable protein, rising incomes and environmental awareness
- 70% of demand for Atlantic Salmon is from retail, while Kingfish is almost entirely foodservice
- Increasing popularity for Kingfish as a premium source of seafood with limited sources of supply
- Demonstrating strong sales growth and successful diversification strategy

High growth potential and competitive cost/kg

- Clean Seas is several times larger than its closest competitor and is well placed to access the growth potential in Kingfish in the near-term
- Tangible growth trajectory with low license costs and ability to leverage fixed assets
- Optimised working capital and scale, reduction in production costs expected to continue

Proven setup with all key success factors in place

- Industry leading production experience from 13+ generations of breeding
- Control over the entire production value chain, delivering a Michelin-starred quality product
- Distribution and partnerships with proven reach and scale
- Cold-water production of a native species in its natural environment, ensuring optimal and unparalleled product quality
- Exclusive access to freezing and defrosting technology, optimizing seasonality in harvesting schedules and global deliveries with a low carbon footprint

Appendices

Statutory Results Reconciliation	H1 FY22	H1 FY21	Change
Underlying Gross profit (\$'000)	(4,516)	54	(4,570)
Underlying Operating EBITDA (\$'000)	(9,892)	(5,102)	(4,790)
Underlying Adjustments			
Impairment	(211)	(8,072)	n/a
Restructuring costs	-	(1,381)	n/a
AASB 141 SGARA and cost allocation	10,512	(4,731)	n/a
Total underlying Adjustments	10,302	(14,184)	n/a
Statutory EBITDA (\$'000)	410	(19,286)	19,696
Statutory NPAT (\$'000)	(2,160)	(21,873)	19,713

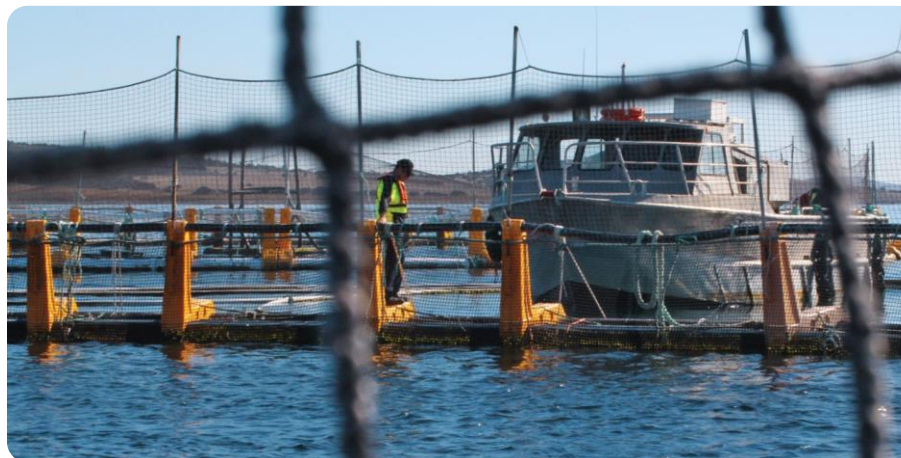
Inventory Months Cover	FY18	FY19	FY20	FY21	H1 FY22
Rolling 12 months sales volume	2,640	2,698	2,424	3,166	3,685
Live Fish Biomass (closing)	3,606	4,138	4,435	3,295	2,739
Frozen Inventory (closing)	165	505	956	1,056	431
Biomass + Frozen Inventory (t)	3,771	4,643	5,391	4,351	3,170
Inventory Cover (months)	17	21	27	16	10



Appendices

Balance Sheet (AUD \$'000)	Dec-21	Jun-21
Cash and cash equivalents	14,564	30,072
Trade and other receivables	5,625	6,383
Inventories	6,318	11,252
Prepayments	797	1,565
Biological assets	34,397	32,505
Total current assets	61,701	81,777
Property, plant and equipment	16,787	15,955
Right to use asset	214	288
Biological assets	82	244
Intangible assets	3,710	3,736
Total non-current assets	20,793	20,223
Total assets	82,494	102,000
Trade and other payables	8,693	8,900
Borrowings	1,670	12,030
Provisions	1,298	1,253
Total current liabilities	11,661	22,183
Borrowings	1,063	1,434
Convertible note	-	9,551
Provisions	276	300
Total non-current liabilities	1,339	11,285
Total liabilities	13,000	33,468
Net assets	69,494	68,532
Equity		
Share capital	227,893	224,772
Share Rights reserve	103	102
Retained earnings	(158,502)	(156,342)
Total Equity	69,494	68,532

Cash flow summary (\$'000)	H1 FY-22	H1 FY-21	Change (Fav/Unfav)
Underlying Operating cash flow	6,564	(1,190)	7,754
Underling Adjustment			
Restructuring costs	-	(637)	n/a
Statutory Operating cash flow	6,564	(1,827)	8,391
Investing cash flow	(3,115)	(1,630)	(1,485)
Financing cash flow	(18,957)	(9,395)	(9,562)
Net increase / (decrease) in cash held	(15,508)	(12,852)	(2,656)



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