

ASX & Media Release

27 August 2024

Clean Seas Seafood Full Year FY24 Results

Clean Seas Seafood Limited (ASX: CSS, OSE: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to announce its Full Year FY24 results.

Financial Performance			Change
Production Metric (WWE Tonnes)	FY23	FY24	(Fav/Unfav)
Tonnes sold	3,054	3,141	3%
Net Growth	3,837	2,272	(41%)
Harvest volumes	3,354	3,153	(6%)
Biomass reduction	-	560	-
Closing Live Fish Biomass	3,991	2,551	(36%)
Frozen inventory	376	265	(30%)
Operating Results ¹ (A\$/kg)			
Revenue	22.73	21.90	(0.83)
Post farmgate costs	(4.87)	(5.27)	(0.40)
Farmgate	17.86	16.63	(1.23)
Cost of goods sold	(13.03)	(14.71)	(1.68)
Gross profit	4.83	1.92	(2.91)
Indirect & R&D Costs	(3.62)	(3.53)	0.09
Operating EBITDA	1.21	(1.61)	(2.82)
Operating Results ¹ A\$'000			
Revenue	69,411	68,801	(610)
Post farmgate costs	(14,870)	(16,552)	(1,682)
Net farmgate revenue	54,541	52,249	(2,292)
Cost of goods sold	(39,804)	(46,205)	(6,401)
Gross profit	14,737	6,044	(8,693)
Indirect & R&D Costs	(11,044)	(11,096)	(52)
Operating EBITDA	3,693	(5,052)	(8,745)
Underlying Adjustments ¹ A\$'000			
Impairment	(675)	(12,170)	(11,495)
AASB 141 SGARA and cost allocation	7,149	(8,463)	(15,612)
Non-recurring items	-	(3,560)	(3,560)
Statutory NPAT	5,996	(33,454)	(39,450)

¹ Operating Results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Highlights:

- **Full Year FY24 Sales Volume of 3,141t and Sales Revenue of A\$68.8M a result of strong demand and pricing for fresh product**
- **Resilient pricing throughout FY24 at A\$21.90/kg, with fresh pricing increasing from A\$22.82/kg in FY23 to A\$22.93 in FY24, offset by lower pricing on discounted frozen sales**
- **Operating profit impacted by feed prices and the clearance of excess inventory, however:**
 - **Feed prices are now normalizing, with current feed orders priced at circa A\$3.30/kg versus a peak of A\$3.80/kg in March 2024**
 - **Clearance of frozen inventory will be completed in 1Q FY25. Frozen inventory at 30 June 2024 was 265 tonnes versus a peak of 547 tonnes in October 2023**
- **Implementation of Operational Review completed and benefits of the Operational Review beginning to deliver results:**
 - **FY24 fish husbandry expense of A\$36.4M, down A\$5.3M versus A\$41.7M in FY23**
 - **Operating Cash Flow of negative A\$0.5M in 2H FY24 versus negative A\$8.9M in 1H FY24 and negative A\$2.0M in 2H FY23**
- **New automated feed barge delivered to Port Lincoln that will drive cost savings, improve feed conversion and reduce waste**

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In FY24 Clean Seas conducted a detailed Operational Review of the business, resulting in a biomass reduction, restructure of the workforce, consolidation of farming activities and clearance of excess frozen inventory which led to a statutory loss after tax for the year of A\$33.5M, compared to a statutory profit after tax of A\$6.0M in FY23. As a result of these changes, Clean Seas now has a stronger foundation that is better able to leverage the strengths of its premium Kingfish product. The Company now expects a faster pathway to positive profits and free cash flows, with lower financial and operational risks.

Operating EBITDA decreased from A\$1.21/kg in FY23 to negative A\$1.61/kg in FY24, with increases in farmgate revenue for fresh fish and reductions in indirect costs offset by the reduced farmgate on clearance frozen inventory and increased production costs especially for feed. Feed prices increased to A\$3.64/kg of feed in FY24 compared to A\$3.22/kg of feed in FY23, adding A\$1.31/kg to Clean Seas' cost of production based on the FY24 eFCR of 3.11.

Operating EBITDA/kg bridge	
	\$/kg
FY23 Operating EBITDA/kg	1.21
Farmgate growth (fresh)	0.24
Production inputs (excluding feed)	(0.37)
Indirect cost reduction	0.09
Frozen inventory clearance	(1.47)
Feed price rise	(1.31)
FY24 Operating EBITDA/kg	(1.61)

Over the course of FY24, Clean Seas undertook a concerted discounting campaign to clear surplus or short-dated frozen inventory. Whilst this action resulted in reduced farmgate revenue for frozen clearance stock in FY24 it has delivered a reduction in frozen inventory from a peak of 547 tonnes in October 2023 to circa 265 tonnes at the end of June 2024. Clean Seas expects to clear the remaining excess inventory in 1Q FY25 and maintain lower frozen inventory levels on an ongoing basis. Clean Seas therefore anticipates stronger realised frozen prices and reduced frozen storage costs in FY25.

One of the key strategic outcomes of the Operational Review was the consolidation of farming operations into Port Lincoln - an activity that was completed in May 2024. This initiative has enabled Clean Seas to implement a more efficient production model, with cost savings, including reductions in labour, fuel, feed and other expenses flowing through in 2H FY24 and expected to continue in FY25. Fish husbandry expenses in FY24 were A\$36.4M versus A\$41.7M in FY23, a reduction of A\$5.3M. Operating Cash Flow of negative A\$0.5M in 2H FY24 was an improvement versus negative A\$8.9M in 1H FY24 and negative A\$2.0M in 2H FY23.

Operational challenges associated with the transition and consolidation of farming activities onto a single site resulted in missed feed days and health treatments leading to lower-than-expected fish growth rates and higher mortalities in FY24. Furthermore, below average water temperatures in 4Q FY24 negatively impacted late-season growth rates for Clean Seas' Kingfish. These factors led to lower-than-expected growth of 2,272 tonnes for FY24.

The new farming footprint leverages 3,696 tonnes of available biomass capacity across three leases in the greater Port Lincoln area and are all within 25km of Clean Seas' base inside the Port Lincoln Marina. Ahead of the upcoming summer growing season, Clean Seas will have capacity to remotely feed circa 90% of Kingfish, via the strategic investment in a new automated feed barge, named the "Eyre Spirit", driving cost savings and efficiencies, improving feed conversion ratios and reducing waste. The "Eyre Spirit" has now been constructed and delivered into Port Lincoln ahead of deployment to Clean Seas' primary growout lease. Clean Seas' existing barge, the "Kingfish 5", will be deployed on the nursery lease.

Sales volume in FY25 will be driven by available supply of the Company's Kingfish, with a planned harvest of 2,600 – 2,800 tonnes. As a result, Clean Seas is expecting pricing to grow modestly in FY25, with continued demand at or above available supply, and through the transition to full price frozen sales from 2Q FY25 onwards. The Company expects reductions in feed prices throughout FY25, further efficiencies and cost savings derived from the Operational Review, and improved fish performance. As a result, Clean Seas expects to return to positive Operating EBITDA in FY25.

Clean Seas Seafood CEO Rob Gratton said "FY24 has been a year of significant operational change for Clean Seas, and it is encouraging to see the positive benefits emerging in costs and cash flows in recent months. The consolidation of our farming footprint will give rise to efficiencies and a lower risk profile, driving our expected return to positive Operating EBITDA in FY25."

The Board notes that the inherent operational risks in aquaculture may impact future results.

Webcast

The Company will conduct a webcast of its FY24 Results Briefing at **11.00am AEST** on **Wednesday 28 August 2024**.

You can participate in the webcast by using the following link:

[Join the meeting now](#)

Meeting ID: 490 112 207 704

Passcode: PafhoE

You are advised to log on at least 15 minutes before the webcast is scheduled to begin.

The webcast will be recorded and be available for viewing on the Clean Seas website.

Authorised for release by the Board of Clean Seas Seafood Limited.

About Clean Seas Seafood

Clean Seas Seafood is a fully integrated Australian Aquaculture business listed on the Australian Securities Exchange (ASX) and with a secondary listing on Euronext Growth Oslo (OSE).

Clean Seas is the global leader in full cycle breeding, farming, processing and marketing of its Hiramasa or Yellowtail Kingfish (*Seriola lalandi*) and is renowned amongst leading chefs and restaurants around the world for its exceptional quality.

Clean Seas is recognised for innovation in its sustainable Yellowtail Kingfish farming and has become the largest producer of aquaculture Yellowtail Kingfish outside Japan.

For more information, visit www.cleanseas.com.au

All volumes quoted are in Whole Weight Equivalents (WWE) unless otherwise specified.

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