



Clean Seas Seafood Limited

(ASX:CSS & OSE:CSS)

FY21 Results Presentation

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oral use only

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 RETAIL 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 PARTNERSHIP

- Unique global distribution arrangement with strategic partner Hofseth International



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



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

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

UNTAPPED MARKET POTENTIAL

- Emerging species
- Viable alternative to farmed Salmon

PROVENANCE

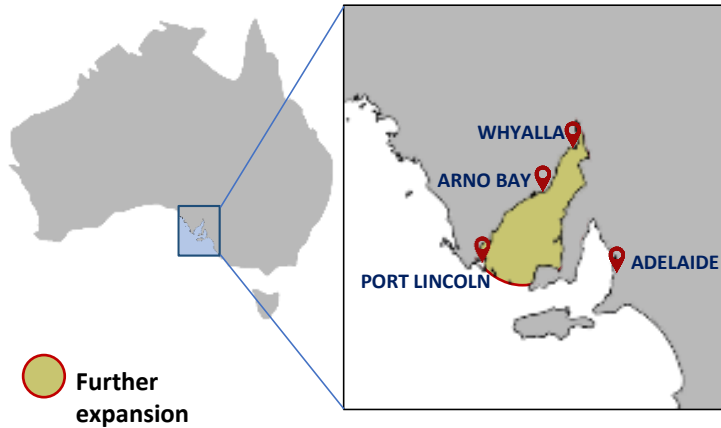
- Quality ocean reared
- Clean Seas



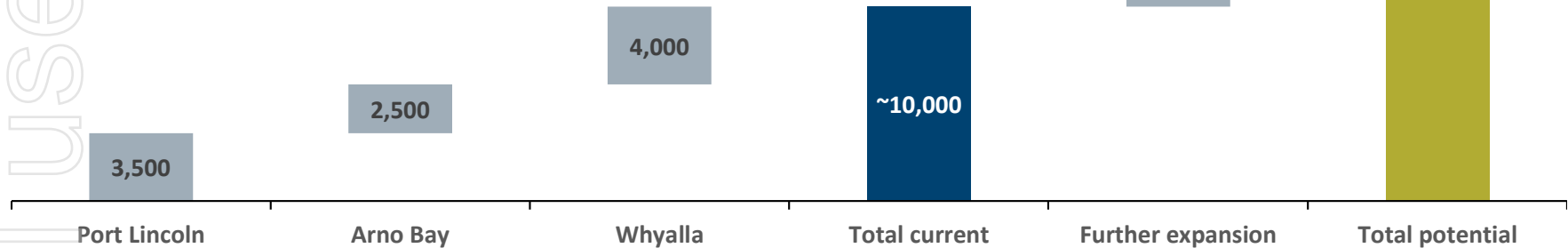
'Friend of the Sea' certified

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

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



License capacity (tonnes)



Production expansion capital at <\$1/kg, significantly less than land based competitors

Substantial progress against Strategic Priorities

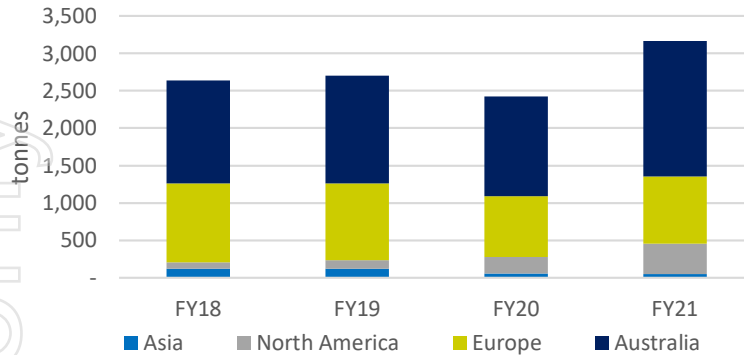
	FY21	FY22	FY23
Operations	Stabilise the business following FY20 COVID shock, restructure and reduce indirect expenses	Grow and diversify kingfish production. Activate new farming sites.	Operating EBITDA and cashflow positive
Sales	Diversify channels and markets, maximise existing premium business as lockdowns ease	Develop new channels and markets, premium business	Launch volume retail channels with a price competitive lower cost fish
Inventory	Rectify Live Fish Biomass and Frozen inventory imbalance	Bring Biomass and Frozen inventory into balance to support future sales	Accelerate stocking and growth targets
Cost Of Production	Accept higher cost of production while excess inventory is sold through	Achieve significantly lower cost of production as a result of clearing excess inventory	Achieve \$9/kg cost of production in line with FY18 levels
Funding	Secure debt and equity funding for growth ambitions	Simplify capital structure and redeem Convertible Notes	

FY21 highlights turnaround and strong foundation

- Record sales volumes – up 31% on FY20 and 17% on FY19
- New channels and markets developed, diversification underway
- Reduced inventory cover from 27 to 16 months
- Cost of production has peaked at \$15.29/kg and will now decrease, targeting \$9.00/kg in FY23
- \$25 million capital raise completed, with secondary listing on Euronext Growth Oslo
- Significant available funds of \$50 million, convertible note debt to be repaid

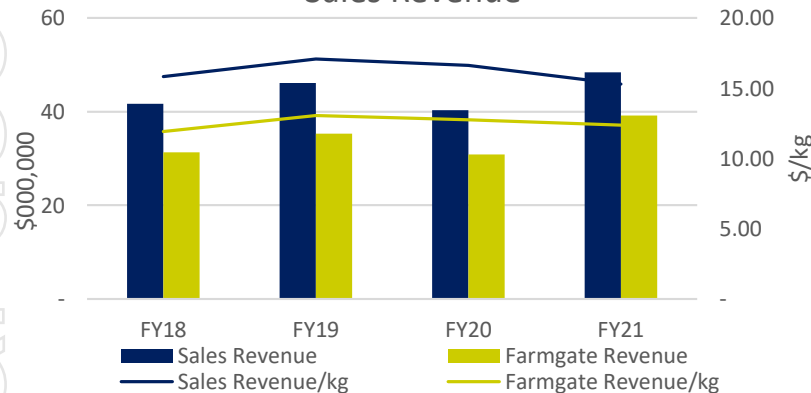
Strong recovery and diversification drive sales ahead of pre-pandemic levels

Sales Volumes by Market



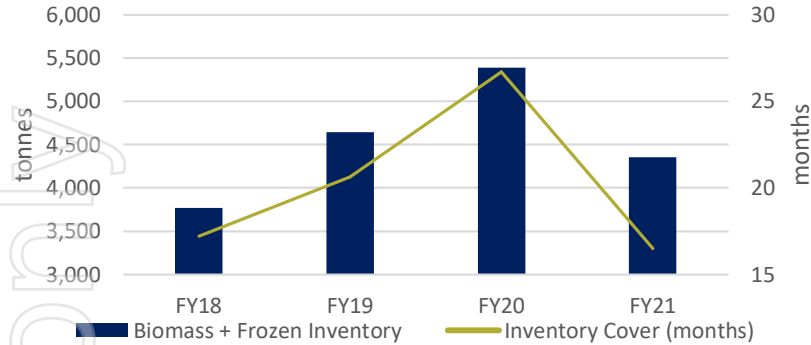
- **Record Sales** - for FY21 of 3,166 tonnes despite ongoing restrictions
- **Diversification** - accelerated growth new channels and markets
- **Australia** - 1,809 tonnes, up 36%
- **Europe** - 904 tonnes, up 11%
- **North America** - 406 tonnes, up 80%
- **Awareness** - Sales performance demonstrates a growing awareness and demand for Kingfish globally, as consumers look to make sustainable choices.

Sales Revenue

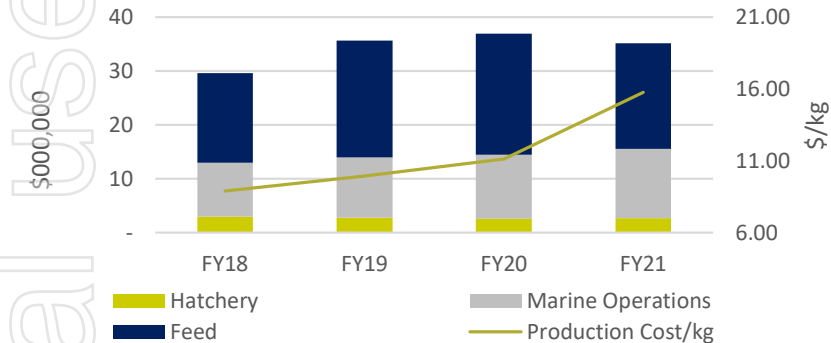


Inventory & Production Costs impacted by historical imbalance, but on-track for significant improvement

Inventory Cover

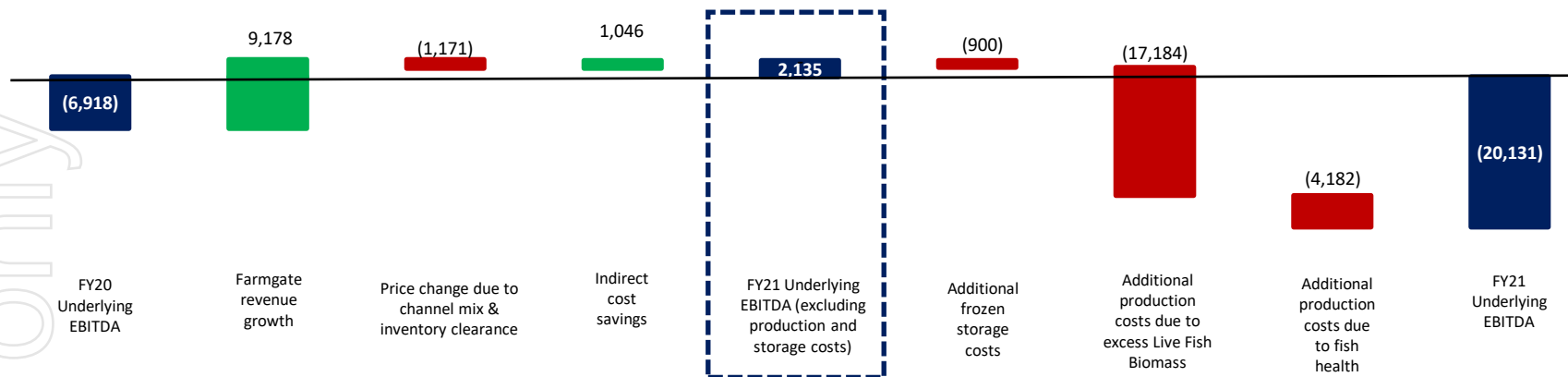


Production Costs



- **Inventory Cover** - Significant progress in addressing excess biomass and frozen inventory. Months cover reduced below FY18 levels
- **Production Costs** – have peaked at \$15.29/kg due to excess biomass and reduced growth
- **Excess biomass** - All of the excess Year Class 18s have now been harvested, and the Year Class 19s will be completed in early September. Surplus live fish biomass results in an extended growout period, and therefore an older, and significantly more expensive cohort of fish
- **Target** - Total production costs expected to return to historical levels of circa \$9.00/kg in FY23 once the harvest of Year Class 20 fish is complete

Underlying EBITDA FY20 vs FY21 (\$'000's)



FY21 overview

- FY21 Underlying EBITDA benefitted from a 31% increase in sales volumes
- Indirect costs decline due to structural changes to reduce costs and promote efficiency. Further improvement expected as the Company accelerates growth strategy.
- Frozen storage costs increased due to excess frozen inventory held, significant progress to accelerate the sale of surplus stock and costs improvement expected in FY22.
- Production costs increased due to excess Live biomass and fish health issues during FY21.

FY21 Financial Overview

Revenue
\$48.5 million

- Record sales volumes, revenues and farmgate revenue
- Price declined by \$1.32/kg to \$15.31 due to the entry into new markets/channels and the acceleration of sales of surplus inventory
- “Large Fresh” product category (50% of total sales volumes at 1,589 tonnes) continues to show strong price growth and was sold at \$18.13/kg

**Direct
Production
costs to**
\$15.29/kg

- Excess inventory due to COVID-19 disruptions and an imbalance between sales and growth, led to extended growout period and significantly higher costs.
- Significant progress to correct the inventory imbalance, reducing total inventory cover to 16 months (from 27 months in FY20).
- Direct production costs have peaked in FY21, and Clean Seas expects to make a substantial reduction in FY22.
- On track to return to FY18 historical levels of circa \$9.00/kg.

**Underlying
EBITDA
Loss**
\$20.1 million

- Underlying EBITDA declined to a loss of \$20.1million.
- Performance is in line with expectations which has been driven by a temporary increase in production costs

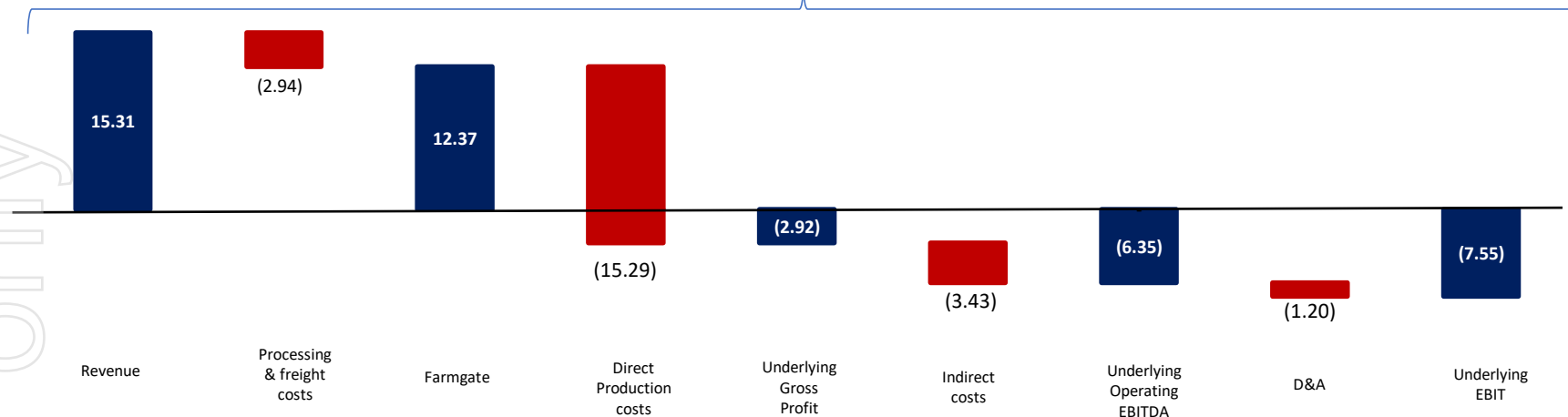
Operating results

Financial Performance (\$'000)	FY21	FY20	Change	FY19
Revenue (\$'000)	48,460	40,313	20%	46,149
Volume (t)	3,166	2,424	31%	2,698
Operating Results1				
Underlying Gross Profit	(9,279)	4,087	-13,366	8,328
Underlying EBITDA	(20,131)	(6,918)	-13,213	(1,844)
Revenue \$/kg	15.31	16.63	-1.33	17.10
Farmgate \$/k.g	12.37	12.74	-0.37	13.07
Production costs/kg	(15.29)	(11.05)	-4.24	(10.16)
Gross Profit/k.g	(2.92)	1.69	-4.61	2.91
Indirect costs/kg	(3.43)	(4.54)	1.11	(3.59)
Operating EBITDA/kg	(6.35)	(2.85)	-3.50	(0.68)
Production metrics				
Net growth (tonnes)	2,229	3,342	-33%	3,513
Harvest volumes (tonnes)	3,416	3,068	11%	3,010
Closing Live Fish Biomass (tonnes)	3,295	4,435	-26%	4,136

- 31% increase in sales volumes, 20% increase in revenue
- Live fish biomass reduced 26% to ensure significant reduction in future production costs.
- Harvest volume up 11% versus sales volume increase of 31% allowed additional sales of frozen inventory
- On track to becoming the lowest cost global producer of high-quality Yellowtail Kingfish in FY23.

Full Year FY21 Cost Analysis (\$/kg)

Current EBIT cost-base of AUD 22.8 per kg



- Revenue \$/kg of \$15.31 was in line with expectations through the new markets and channels pivot, and supporting the sale of surplus inventory
- Pricing expected to increase in FY22 as inventory position normalises
- Direct production costs have peaked at \$15.29/kg, on track to return to historical direct production costs of \$9.00/kg by FY23
- Indirect costs reduced by \$1.11/kg through significant structural changes in FY21, including the restructure of the Executive team, reducing the number of Board members and a consolidation of activities into the Company's South Australian base

Funding & Cash Flow

Current cash and undrawn facilities (\$'000)	FY21	FY20	Change	FY19
Cash at bank	30,072	22,169	7,903	1,004
Undrawn working capital facility	2,529	3,504	(975)	4,725
Undrawn senior debt facility	14,000	14,000	-	-
Undrawn asset finance facility	3,713	2,667	1,046	1,679
Total cash and undrawn facilities	50,314	42,340	7,974	7,408

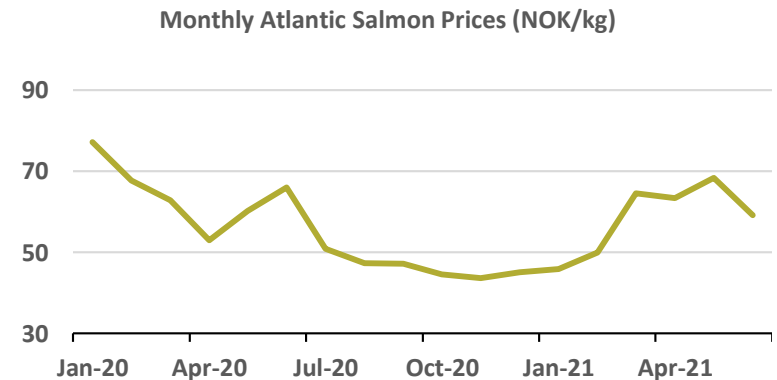
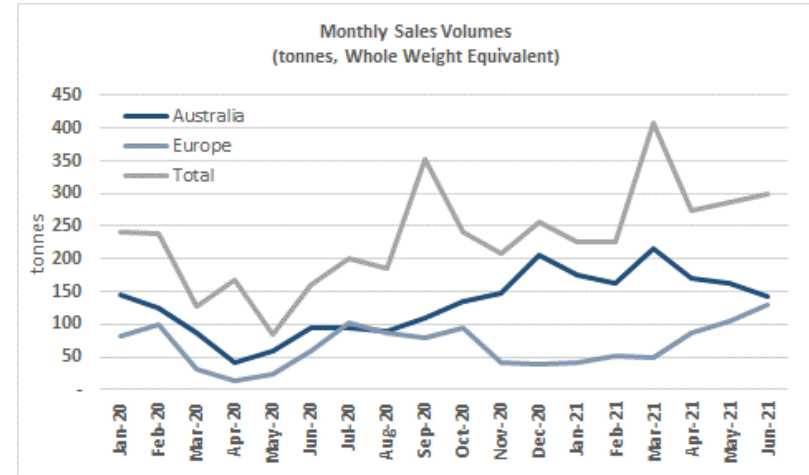
- Renewed \$32.2m Debt Facility and completed \$25 million Capital Raise
- Early redemption of Convertible Notes underway
- Sufficient levels of cash and undrawn facilities to fund operations and invest in long term assets

Cash flow summary (\$'000)	FY21	FY20	Change	FY19
Underlying Operating cash flow	(9,196)	(14,033)	4,837	(8,200)
Underling Adjustment				
Restructuring costs	(637)	-	(637)	-
Litigation Settlement & Expense	-	14,007	(14,007)	(1,142)
Statutory Operating cash flow	(9,833)	(26)	(9,807)	(9,342)
Investing cash flow	(3,323)	(2,411)	(912)	(3,220)
Financing cash flow	21,059	30,877	(9,818)	757
Net increase / (decrease) in cash held	7,903	28,440	(20,537)	(11,805)

- Underlying operating cash flow improved by \$4.8 million versus FY20
- Cash receipts of \$44.9 million, up 5% on FY20, while payments to suppliers and for feed were down \$3.8 million
- Financing cash flow reflects the Completion of Capital Raise

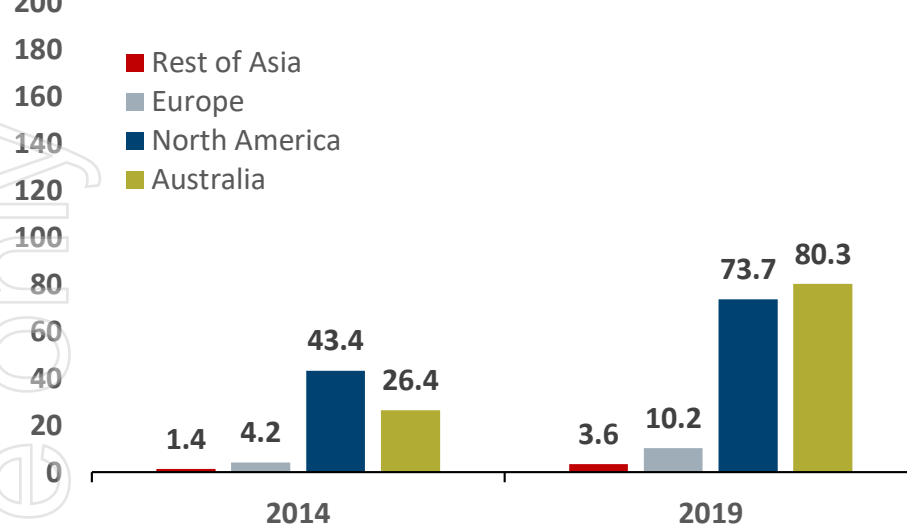
Well positioned as food service markets reopen

- A world emerging from COVID-19 represents significant opportunity for Clean Seas in its existing markets and channels
- Well established existing premium channels
- Strong correlation to COVID-19 lockdowns, sales rebounded ahead of pre-COVID levels as lockdowns are eased
- The rebound in global salmon prices suggests there will be opportunity for Clean Seas to be competitive in a post COVID-19 world

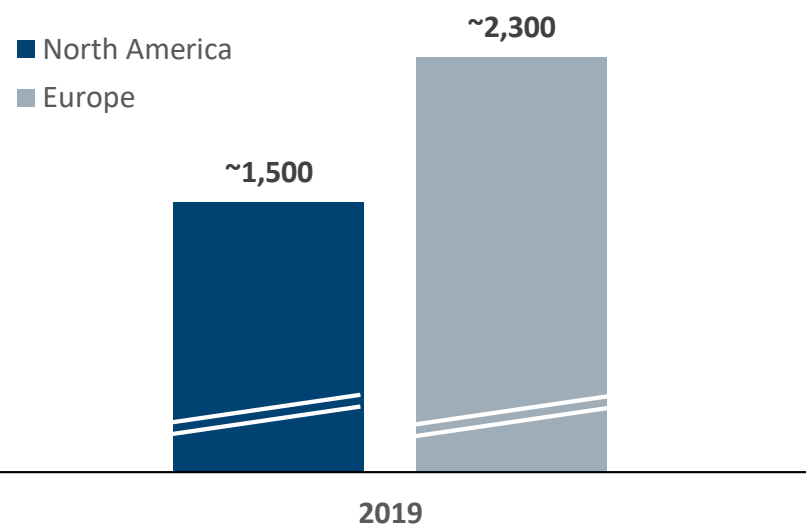


Huge potential for Yellowtail Kingfish globally

Yellowtail Kingfish Per capita consumption (grams)



Atlantic Salmon Per capita consumption (grams)



- 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

Key Investment Highlights 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
- Strong recovery in sales signals successful start to the strategy

High growth potential can be realized at low costs and result in more 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 towards 30,000 tonnes with low license costs and ability to leverage fixed assets
- Volume growth facilitated can enable unit production costs to fall

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 through exclusive agreement with Hofseth International
- 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

Conclusion

- **New Leadership & Focus** - Refreshed Board & Management, new partnerships and distribution channels, cost and volume focus
- **Strong Sales Growth** - FY21 sales volumes of 3,166t – up 31% on FY20 (2,424t) and 17% on FY19 (2,698t).
- **Diversification** – new channels & market are complementing the premium restaurant businesses as it recovers, and deliver lower costs of production as volumes increase
- **Inventory Sell Down / Biomass Coming Back into Balance** - Leveraging the sale of excess inventory has supported working capital requirements and driven channel diversification and volume growth
- **Cost Focus** - will further support lower costs of production and profit recovery
- **Strong Balance Sheet** - \$50M of available funding
- **Uniquely Positioned** - to be the quality & cost leader in sustainable & environmentally friendly Kingfish production

Appendices

Balance Sheet (AUD \$'000)	Jun-21	Jun-20
Cash and cash equivalents	30,072	22,169
Trade and other receivables	6,383	2,973
Inventories	11,252	10,891
Prepayments	1,565	1,072
Biological assets	32,505	49,783
Total current assets	81,777	86,888
Property, plant and equipment	15,955	16,092
Right to use asset	288	539
Biological assets	244	244
Intangible assets	3,736	2,957
Total non-current assets	20,223	19,832
Total assets	102,000	106,720
Trade and other payables	8,900	6,423
Borrowings	12,030	10,925
Provisions	1,253	1,175
Total current liabilities	22,183	18,523
Borrowings	1,434	2,340
Convertible note	9,551	13,075
Provisions	300	324
Total non-current liabilities	11,285	15,739
Total liabilities	33,468	34,262
Net assets	68,532	72,458
Equity		
Share capital	224,772	195,937
Share Rights reserve	102	766
Retained earnings	-156,342	-124,245
Total Equity	68,532	72,458

Statutory Results Reconciliation	FY21	FY20	FY19
Underlying EBITDA	(20,131)	(6,918)	(1,844)
Adjustments			
Impairment	(9,882)	(15,813)	-
Restructuring costs	(1,381)	-	-
Litigation income & expenses	-	13,982	(535)
Whyalla Establishment	-	-	(607)
AASB 141 SGARA and cost allocation	4,517	(886)	7,767
Statutory EBITDA (\$'000)	(26,877)	(9,635)	4,781
Depreciation	(3,810)	(3,441)	(3,079)
Net interest	(1,410)	(1,378)	(256)
Statutory NPAT (\$'000)	(32,097)	(14,454)	1,446

Inventory Months Cover	FY21	FY20	FY19	FY18
Sales Volume	3,166	2,424	2,698	2,640
Live Fish Biomass (closing)	3,295	4,435	4,138	3,606
Frozen Inventory (closing)	1,056	956	505	165
Biomass + Frozen Inventory (t)	4,351	5,391	4,643	3,771
Inventory Cover (months)	16	27	21	17

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