



Tassal adds diversification to both revenue streams and to its Board

Company/ASX Code	Tassal Group/TGR
AGM date	Tuesday 29 October 2019
Time and location	9.30am, Stamford Plaza, 111 Little Collins Street, Melbourne VIC
Registry	Computershare
Webcast	No
Poll or show of hands	Poll
Monitor	Alan Hardcastle assisted by John Whittington
Pre AGM Meeting	Yes, with the Chair

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

The Company emphasises it is very conscious of its social license to operate. In line with the United Nations' Sustainable Development Goals, and supported by Aquaculture Stewardship Council (ASC) certification and other sustainability programs, the Company has long term financial and Environmental, Social and Corporate Governance (ESG) goals. Tassal is very cognisant of warming water temperatures and amoebic gill disease (AGD), developing innovative initiatives with which to handle these potential threats.

Financial performance

The Company made substantial investments in Financial Year 2019 (FY19) across technology, infrastructure and prawns (Fortune Group acquisition) and hence return on assets and return on invested capital recorded marginal decreases on FY18. However, FY19 revenue jumped by almost 16% to \$560.8m while Earnings Before Interest Taxes Depreciation Amortisation (EBITDA) was up about 13% to \$112.3m. And operating cashflow was \$89.9m, up 105% when compared with FY18.

The Company declared an increased full year dividend of 18 cents per share (cps) partly franked compared with 2018's 16 cps fully franked.

Key events

Since the acquisition in September 2018 of prawn farming operation Fortune Group, Tassal says it has increased confidence in its ability to leverage salmon 'know how' to increase prawn consumption per capita. Hence, Tassal announced in August 2019 that it had bought Exmoor Station (QLD) for \$25m. It will provide land required for pond infrastructure for long term prawn ambitions, complementing Fortune's Mission beach, Yamba and Proserpine farms located in Queensland. When fully developed the Company expects to have a total prawn production capacity of 20,000 tonnes per annum.

To finance Exmoor, Tassal undertook a capital raising comprising a capital raising (for institutions) and a share purchase plan for retail investors (see details under ASA focus issues).

Key Board or senior management changes

Late 2018 Tassal appointed two new female Non-Executive Directors (NEDs) being Jackie McArthur and Georgina Lynch. This now brings a 30% female representation (from 0%) on the Board but more importantly adds a great deal of corporate experience. With a Bachelor in Engineering, Ms McArthur has more than 20 years' senior executive experience in various industries and is also a NED of Invocare and Ingham's. Ms Lynch, holds a Bachelor of Law, has 25 years' financial services and property industry experience and is also a Viva Energy REIT NED.

ASA focus issues

In August 2019 Tassal undertook a \$108m share placement to professional, sophisticated and institutional investors while offering smaller retail investors an inferior Share Purchase Plan (SPP) that would raise an additional \$25m. The SPP allowed existing shareholders to subscribe for up to (only) \$15,000 worth of new shares - with a scaleback should demand exceed \$25m. This SPP was simply not acceptable to the ASA and it was raised with the Chair.

The Company agreed to send out a reminder email to retail shareholders and, in the event, the SPP raised just \$17.4m.

After more than six years as a NED Mr Trevor Gerber has increased his shareholding to a satisfactory level in terms of his annual remuneration. The ASA had previously raised the issue of his lack of 'skin in the game' whereby NEDs should own shares to the value of 100% of their pre-tax remuneration.

Summary

(As at Financial Year Ended)	2019	2018	2017	2016
Net Profit After Tax (\$m)	58.4	57.3	58.1	64.8
Underlying Profit After Tax (\$m)	59.8	57.9	64.8	48.5
Share price (\$)	4.90	4.13	3.81	3.98
Dividend (cents)	18	16	15	15
Total Shareholder Returns (%)	23.0%	12.6%	-0.5%	23.9
Earnings Per Share (cents)	33.01	33.11	37.14	32.78
CEO total remuneration, (\$m)	1.2	1.3	1.2	0.8

For 2018, the CEO's total actual remuneration was **14 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Adoption of Remuneration Report
ASA Vote	For

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.744	65%	0.744	48%
STI - Cash	0.223	19%	0.447	29%
STI - Equity	0.000	0%	0.000	0%
LTI	0.186	16%	0.372	24%
Total	1.153	100.0%	1.563	100%

Summary of ASA Position

The Company's Short-Term Incentive (STI) scheme for the CEO and key management personnel (KMP) is linked to the Company's Net Profit After Tax (NPAT), meeting 'strategic objectives and assessed personal effort and contribution'. Target STI range is valued at between 30 and 60% of the CEO's fixed remuneration and 15 to 30% of the KMPs' fixed remuneration. The CEO and KMPs received 89.18% of their maximum entitlements (78.05% in 2018). The STI's operational targets are vague and payments are delivered as cash, whereas the ASA would want a reasonable proportion paid as shares.

While the ASA asks that companies use at least two measures and one being the inclusion of a Total Shareholder Return (TSR) measure, Tassal's Long Term Incentive (LTI) scheme is based 50:50 on Earnings Per Share (EPS) and Return on Assets' (ROA) yardsticks. Also, performance hurdles are assessed over a three-year period whereas the ASA asks for a minimum of four years.

If the Company's ROA for FY21 is less than 8% then no rights will vest; between 8 and less than 14% the proportion is increased pro rata to between 50 and 100%; equal or greater than 14% all rights will vest. If the compound annual EPS rate over the performance period compared to base year is less than 7.5% no rights vest; between 7.5 and less than 12.5% vesting is pro rata between 50 and 100%; and greater than 12.5% then all rights will vest.

Overall, despite TSR not being used a measure and performance hurdles being assessed over three-years rather than four, the ASA supports the motion due to Tassal's acceptable levels of remuneration and the fact that two yardsticks are used.

Item 3	Re-election of Trevor Gerber as a Director
ASA Vote	For

Summary of ASA Position

Mr Trevor Gerber, who joined Tassal's Board in 2012, is a valued member of that Board, having extensive public company board experience across property, funds management, tourism, infrastructure and aquaculture. An ex-Westfield executive, Mr Gerber also serves on the boards of CIMIC Group, Vicinity Shopping Centres and Sydney Airport (chair). While that seems a very solid workload, we are reassured that he is very committed to Tassal.

Up until this FY, Mr Gerber held relatively few shares (15,000) in the company but this was remedied in August with a share purchase of 13,000 on the market bringing his holding to a value of about \$120,000. However, that's still marginally less than his remuneration.

Item 4	Election of Jackie McArthur as a Director
ASA Vote	For

Ms Jackie McArthur has more than 20 years' experience at executive level roles in supply chain and logistics, as well as a number of other varied positions. Most recently she was managing director of Martin-Bower ANZ, an exclusive distributor to McDonald's restaurants and before that held senior roles with McDonald's.

She has a Bachelor in Engineering and is a member of the Australian Institute of Company Directors. Ms McArthur is a NED of Invocare and Ingham's and had been a Blackmores Ltd NED until August 2019.

Item 5	Election of Georgina Lynch as a Director
ASA Vote	For

Bringing significant financial services experience to the Board, Ms Georgina Lynch has held senior roles at AMP Capital Investors, Galileo Funds Management and Stockland. Other NEDs she holds are Cbus Property (chairman), Viva Energy REIT and Investec Property Group. Ms Lynch has had global experience in corporate transactions, capital raisings, IPOs and corporate strategy.

Summary of ASA Position re. Board Composition

The Tassal Board has been re-invigorated with the addition of two female NEDs who bring a mix of corporate finance and operations' knowledge and experience with them.

Item 6	Approval of LTI grant to CEO/Managing Director Mark Ryan
ASA Vote	For

Summary of ASA Position

In line with the LTI scheme, the Company is seeking approval to issue 80,079 Performance Rights to its CEO Mr Mark Ryan. The maximum number of rights is 80,079, the value of which is \$393,381 based on the average volume weighted closing price of shares over three months prior to 1 July 2018 (\$3.9859).

To receive any of this award, the company must achieve an ROA over the next three years of at least 9% (up from 8% last year) and/or a compound average EPS growth rate over the same three years of at least 7.5% (unchanged). To receive the maximum 100% the company must achieve an ROA over the next three years equal to or greater than 11% (down from 14%) and/or a compound average EPS growth rate over the same three years of equal to or greater than 12.5% (unchanged).

The individual involved in the preparation of this voting intention does not have a shareholding in this company.

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