

16 May 2024

Optimising a strong asset base

NEED TO KNOW

- Q3 sales weaker but expected to rebound
- Record processing to help meet forward order demand and lift utilisation and revenues
- Capital raise to optimise asset base

Weaker quarterly sales attributed to delay of large order for 8.8 tonnes of abalone which was pushed into April from March. Underlying sales of 14.6 tonnes contributed to \$0.7m sales revenue, taking YTD sales revenue to \$3.3m (vs our FY24 forecast of \$4.8m). We expect a strong rebound in Q4.

Record processed volumes support strong orderbook: processing facility throughput reached 98 tonnes YTD (+22% pcp) while harvest volumes of RFA's MSC greenlip abalone reached 62 tonnes YTD (+5% pcp). Sales and forward orders of 92 tonnes for FY24 represents 96% of total tonnage sold in FY23.

Secured \$2m from recent capital raise: this included strong backing from existing major shareholders with proceeds to be directed towards repayment of debt, delivery of live abalone product, marketing of the Wine Reef trial, increased ocean signature wine production and additional working capital.

Investment Thesis

Through a growing global network of master distributors, RFA is positioned to meet growing demand for sustainable high-end culinary offerings, including seafood, through its tiered offering of farmed, ranches and wild abalone.

RFA has Marine Stewardship Council (MSC) accreditation (blue fish tick) and is the only wild enhanced fishery globally that is using sustainable practices to commercially produce wild greenlip abalone. The company supplies more than 20% of global supply for wild greenlip abalone.

RFA holds the only two licensed ocean leases in WA which allow use of the ocean floor. Through its extensive R&D program, the company is learning to maximise biomass growth and yields by improving juvenile survival, which will lead to greater and more sustainable harvest volumes, from the same cost base, hence lifting margins.

Valuation - base case of \$0.14 per share

Our base-case DCF valuation has been updated to A\$0.14 per share (from A\$0.33 previously). A conservative cross-check, removing growth from the Esperance Project still expected to be developed in the future, implies a valuation of A\$0.08. Key drivers of the change include updates to key assumptions including harvest volumes, higher cost of capital, increased share count and the timeline for new projects including Esperance.

Risks

Changes to Esperance: a large part of our base case valuation includes the Esperance development. We caveat this with our ex-Esperance valuation.

Ability to raise capital: to support growth initiatives, including the Esperance project, RFA will require external funding.

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Rare Foods Australia (RFA) grows wild greenlip abalone through an aquaculture technique known as 'sea ranching'. With this method, hatchery-bred juvenile abalone are placed in the ocean onto RFA-designed artificial reefs ('ABITATS') and left to nature to grow for 2-3 years until they reach a marketable size. The company has the competitive advantages of providing year-round supply to meet market demand and a method that offers proven sustainability.

Valuation	0.140 (from 0.330)
Current price	0.029
Market cap	A\$8.0m
Cash on hand	~A\$0.5m

Additional Resources

[3Q update webinar](#)

Upcoming Catalysts / Next News

Period	
Ongoing	Potential accretive growth initiatives
July 2024	Quarterly update
August 2024	FY result

Share Price (\$A)



Source: FactSet, MST Access

Figure 1: Financial summary (June year-end)

MARKET DATA						12 month share price performance							
Price	\$				0.029								
DCF Valuation	\$				0.14								
Total return	%				383%								
52 week high / low	\$				0.026-0.082								
Market capitalisation	\$m				8.0								
Shares on issue (ordinary)	m				269.2								
Options / rights	m				7.9								
Shares on issue (diluted)	m				277.1								
INVESTMENT FUNDAMENTALS						PROFIT AND LOSS							
Reported NPAT	\$m	-0.9	-1.4	-1.0	-0.9	-0.4	Abalone Revenue	\$m	3.9	4.9	4.8	5.1	5.9
Underlying NPAT	\$m	-0.9	-1.4	-1.0	-0.9	-0.4	Total Income	\$m	6.0	7.6	7.8	8.2	8.9
Reported EPS (diluted)	¢	-0.4	-0.7	-0.4	-0.3	-0.2	Operating Expenses	\$m	-7.3	-10.6	-10.2	-10.6	-11.3
Underlying EPS (diluted)	¢	-0.4	-0.7	-0.4	-0.3	-0.2	EBITDA	\$m	-1.3	-3.1	-2.4	-2.5	-2.4
...Growth	%	nm	nm	nm	nm	nm	Depreciation & amortisation	\$m	-0.6	-0.5	-0.4	-0.4	-0.3
Underlying PER	x	nm	nm	nm	nm	nm	EBIT	\$m	-2.0	-3.6	-2.8	-2.8	-2.7
Operating cash flow per share	¢	-0.9	-0.3	-0.1	-0.1	0.1	Net interest	\$m	0.0	-0.1	-0.1	0.0	0.0
Free cash flow per share	¢	-1.2	-0.5	-0.1	-0.1	-7.9	Fair value adjustment on biomass	\$m	2.0	3.0	1.9	2.0	2.3
Price to free cash flow per share	x	nm	nm	nm	nm	nm	Other non operating income	\$m	0.0	0.0	0.0	0.0	0.0
FCF yield	%	-42.1%	-18.2%	-2.5%	-4.2%	-272.0%	PBT	\$m	0.0	-0.7	-1.0	-0.9	-0.4
Dividend	¢	0.0	0.0	0.0	0.0	0.0	Tax expense	\$m	-0.9	-0.8	0.0	0.0	0.0
Payout	%	0%	0%	0%	0%	0%	Reported NPAT	\$m	-0.9	-1.4	-1.0	-0.9	-0.4
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	Adjustments to underlying	\$m	0.0	0.0	0.0	0.0	0.0
Franking	%	0%	0%	0%	0%	0%	Underlying NPAT	\$m	-0.9	-1.4	-1.0	-0.9	-0.4
Enterprise value	\$m	7.9	7.0	7.5	8.1	13.9	Weighted average shares	m	200.7	202.3	235.7	273.1	277.1
EV/Sales	x	1.3	0.9	1.0	1.0	1.6	Weighted average diluted shares	m	200.7	202.3	244.5	277.1	277.1
EV/EBITDA	x	nm	nm	nm	nm	nm	GROWTH PROFILE						
EV/EBIT	x	nm	nm	nm	nm	nm	Total Revenue	%	20.4	26.4	3.7	4.2	9.5
Price to book (NAV)	x	0.4	0.4	0.5	0.5	0.2	EBITDA	%	nm	nm	nm	nm	nm
Price to NTA	x	0.4	0.4	0.5	0.5	0.2	EBIT	%	nm	nm	nm	nm	nm
KEY RATIOS incl FV adjustment		FY22A	FY23A	FY24E	FY25E	FY26E	Underlying NPAT	%	nm	nm	nm	nm	nm
Gross margin	%	37.4	7.8	27.6	29.6	31.0	Underlying EPS	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm	DPS	%	n/a	n/a	n/a	n/a	n/a
ROE	%	nm	nm	nm	nm	nm	BALANCE SHEET						
ROA	%	nm	nm	nm	nm	nm	Cash	\$m	0.8	0.0	1.4	1.1	8.2
Net tangible assets per share	¢	6.4	5.8	5.0	4.1	9.8	Receivables	\$m	2.1	2.2	2.1	2.1	2.3
Book value per share	¢	8.2	8.2	7.2	6.0	16.3	Inventory	\$m	0.8	0.7	0.5	0.3	0.3
Net debt/(cash)	\$m	-0.1	1.1	-0.3	0.0	5.9	Biological assets	\$m	7.6	8.4	8.3	8.3	8.0
Gearing (net debt / EBITDA)	x	0.1	nm	0.1	nm	nm	Property, plant & equip, ROUA	\$m	4.6	4.6	3.9	3.7	25.5
Leverage (net debt / (net debt + equity))	x	0.0	0.1	0.0	0.0	0.2	Goodwill and intangibles	\$m	0.1	0.1	0.1	0.1	0.1
DUPONT ANALYSIS		FY22A	FY23A	FY24E	FY25E	FY26E	Other	\$m	0.5	0.6	0.6	0.6	0.6
Net Profit Margin	%	nm	nm	nm	nm	nm	Total assets	\$m	16.5	16.6	16.9	16.3	45.1
Asset Turnover	x	0.4	0.5	0.5	0.5	0.2	Payables	\$m	0.8	1.0	1.2	1.3	1.4
Return on Assets	%	nm	nm	nm	nm	nm	Borrowings	\$m	0.7	1.1	1.1	1.1	14.1
Financial Leverage	x	1.3	1.4	1.4	1.4	1.7	Other	\$m	2.0	2.7	2.6	2.5	2.5
Return on Equity	%	nm	nm	nm	nm	nm	Total liabilities	\$m	3.5	4.8	4.9	4.9	18.0
KEY PERFORMANCE INDICATORS		FY22A	FY23A	FY24E	FY25E	FY26E	Net assets	\$m	13.0	11.8	12.0	11.4	27.2
Biological asset base	T	203.4	203.4	199.0	194.3	189.1	Equity	\$m	27.0	27.1	29.1	29.1	45.1
Biological asset base	\$m	7.6	7.6	8.4	8.3	8.3	Retained earnings	\$m	-14.0	-15.3	-17.1	-17.7	-17.9
Growth	%	-24%	0%	11%	-2%	0%	Minorities	\$m	0.0	0.0	0.0	0.0	0.0
Harvest	T	81.7	81.0	82.0	90.2	100.0	Shareholders' equity	\$m	13.0	11.8	12.0	11.4	27.2
Sales	T	74.4	87.0	85.0	88.4	98.0	CASH FLOW						
Sales Price, per KG	\$	51.9	55.3	56.5	58.2	59.9	Net Income (Cashflow)	\$m	-1.9	-3.5	-2.7	-2.7	-2.6
Growth	%	-1%	6%	2%	3%	3%	Depreciation & Amortization	\$m	0.6	0.5	0.4	0.4	0.3
Abalone revenue	\$m	3.9	4.9	4.8	5.1	5.9	Change in Net Operating Assets	\$m	0.2	2.1	2.2	2.1	2.4
Growth	%	109%	28%	-3%	7%	14%	Other Non-Cash Items, Total	\$m	-0.7	0.3	-0.1	0.0	0.0
							Operating cash flow	\$m	-1.8	-0.6	-0.1	-0.2	0.2
							Capital expenditure	\$m	-0.7	-0.6	-0.1	-0.1	-22.0
							Acquisitions/divestment/other	\$m	0.0	0.0	0.0	0.0	0.0
							Investing cash flow	\$m	-0.7	-0.6	-0.1	-0.1	-22.0
							Equity	\$m	0.0	0.0	2.0	0.0	16.0
							Increase / (decrease) in borrowings	\$m	0.7	0.1	0.0	0.0	13.0
							Dividend/other	\$m	-0.1	0.0	-0.1	-0.1	0.0
							Financing cash flow	\$m	0.6	0.0	1.9	-0.1	29.0
							Opening cash	\$m	2.6	0.8	0.0	1.4	1.1
							Net cash flow	\$m	-1.9	-1.1	1.7	-0.3	7.1
							Closing cash	\$m	0.8	0.0	1.4	1.1	8.2
							Free cash flow	\$m	-2.5	-1.2	-0.2	-0.3	-21.8

Source: Company data; MST Access

3Q24 Update

Recent sales performance

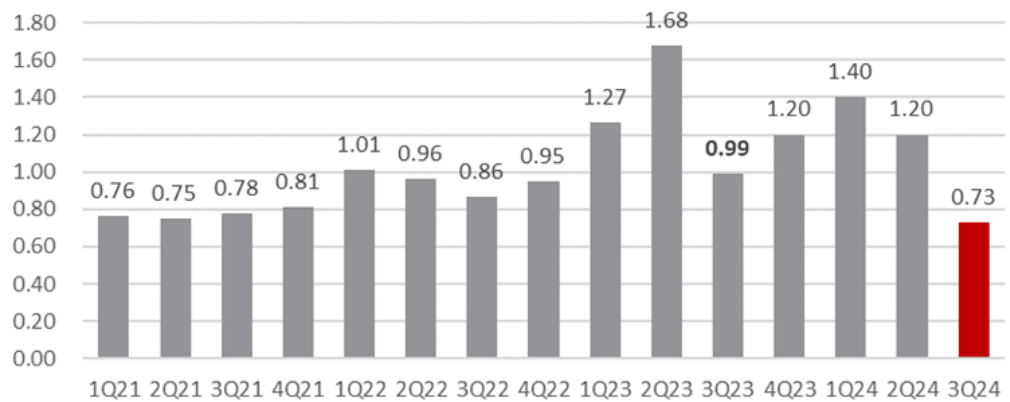
RFA's core business sold 11.3 tonnes of Marine Stewardship Council (MSC) certified Greenlip abalone (ranchered) during Q3, with total abalone sales reaching 14.6 tonnes across its multi-tier offering. This offering includes ranchered Greenlip, wild caught Greenlip, Brownlip and Roei and farmed Greenlip abalone. The result excluded an 8.8 tonne order that was moved from March to April, due to a customer import timing issue, which would have taken total volume sold to 23.4 tonnes (vs 22 tonnes in Q2 and 24 tonnes in Q1).

Volumes sold contributed to sales revenue of \$0.7m during the quarter, taking YTD revenue to \$3.3m (relative to our latest forecast of \$4.8m for FY24; FY23 saw \$4.9m in sales revenue). Average YTD prices of abalone sold equate to \$54.2/kg, while MSC accredited ranchered Greenlip averaged \$56.5/kg.

While the result was weaker QoQ, processing throughput has been significantly up 22% YTD (vs the same nine-month period in FY23), underpinned by a record 98 tonnes of abalone processed over the period. The forward order book for abalone product has remained strong, with sales and forward order demand reaching 92 tonnes, representing 96% of the total tonnage sold in FY23.

RFA remains the only fishery in the world using these innovative ranching processes to commercially produce Greenlip abalone, setting it apart in a market that increasingly values sustainability and wild harvest sourced products.

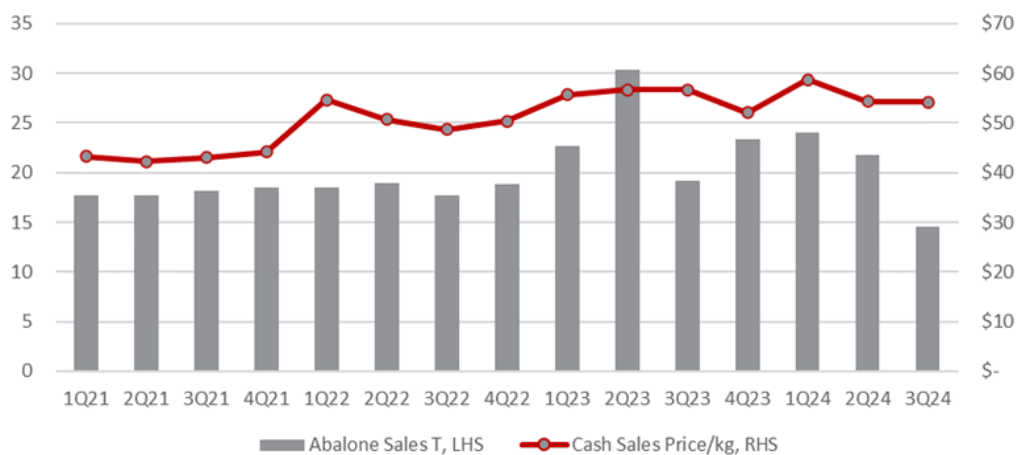
Figure 2: Quarterly RFA sales revenue (\$m)



Source: Company reports

As highlighted below, sales volumes decreased during the quarter while average sales price per kg remained relatively stable. We expect there to be a strong rebound in Q4, given the large order of 8.8 tonnes was rolled into April, from the previous expectation of March.

Figure 3: Quarterly RFA sales volume T (LHS) and average sales price / kg (RHS)

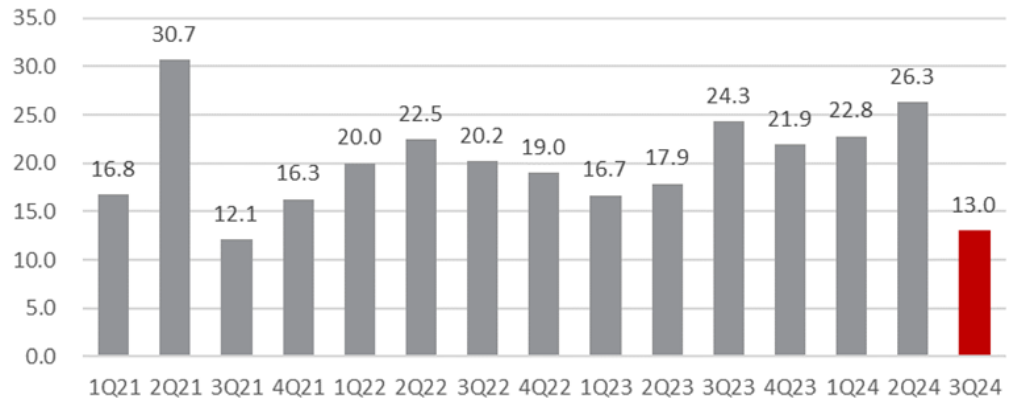


Source: Company reports

Harvest and processing volumes

To support abalone product sales while balancing the need for biomass replenishment, 13 tonnes of ranched Greenlip abalone were harvested in Q3, down from 26.3 tonnes in Q2 and 22.8 tonnes in Q1. YTD harvested volumes now total 62 tonnes (+5% pcp).

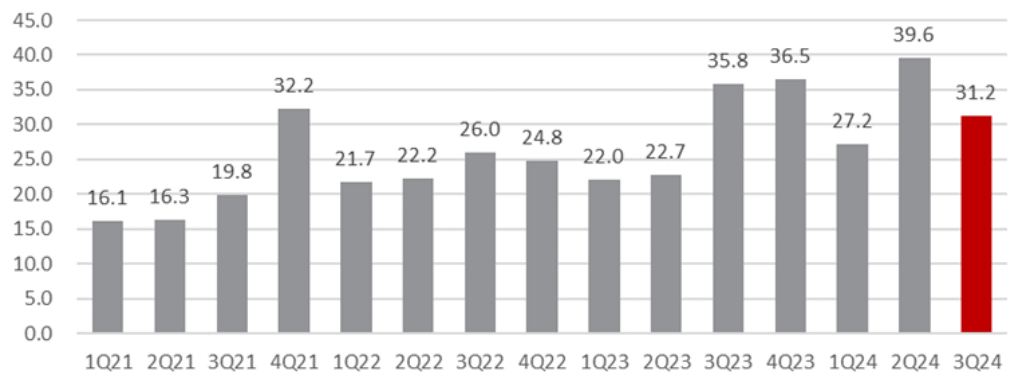
Figure 4: Quarterly RFA ranched wild greenlip harvest volume (tonnes)



Source: Company data

31.2 tonnes of abalone products were processed during the quarter, which follows 39.6 tonnes in Q2 and 27.2 tonnes in Q1. This has led to a record of 98 tonnes of the tiered based abalone products processed YTD for the first three quarters of FY24 (+22% pcp). This includes abalone product sourced externally from other producers who pay RFA a processing fee to prepare the product for sale. We estimate approximately two thirds of abalone product that is processed is also produced and harvested by RFA, with the remainder from external third parties.

Figure 5: Quarterly processing volume of ranched wild greenlip, wild origin & farmed tonnes

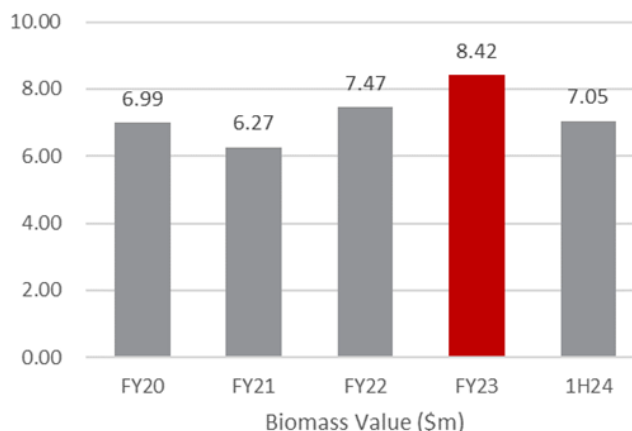


Source: Company data

Biomass valuation

Following RFA's most recent biomass revaluation, the company recorded a 16% decline in the total biomass from 199 tonnes (FY23) to 166 tonnes (1H24). This was largely due to RFA's reduction of juvenile abalone deployment numbers to strategically conserve working capital during COVID in FY21 (once juveniles are deployed on the ranch, they take approximately three years to grow to harvestable size). Additionally, the decline in total biomass can be attributed to the relocation and reconditioning of 20% of the artificial reef (2k ABITATS) which commenced in the beginning of FY22 following strategic efforts to further enhance the growth productivity of the ocean ranch.

Figure 6: Ranched wild greenlip biomass value (\$m)



Source: Company data

Deployment improvement processes have continued over the past two years and culminated in the successful FY24 deployment of 1.2m juveniles, where was achieved ahead of schedule. This was completed across 11 deployment events, which represented 32% fewer events than averaged over previous years, reducing overall logistics costs. Improved deployment practices have also contributed to a significant increase (+26% equivalent to 847k more abalone) in juvenile numbers on the artificial reef according to RFA, which points to stronger production numbers beyond FY24. RFA continues to target annual harvest volume from its existing ocean ranch asset of 100-120 tonnes p.a. (vs 81 tonnes achieved in FY23 and similar estimated to be harvested in FY24).

Continued R&D supports ABITAT productivity

Over the last 10 years, RFA has undertaken a detailed evaluation of ABITAT productivity alongside usual operational activities. This was reviewed in detail and strategies to improve productivity were finalised during Q3. The analysis reveals that ABITAT productivity gradually declines over time due to the accumulation of marine plants and animals (referred to as biofouling), impacting areas available for abalone growth on an ABITAT. As a result, a 7-Year Strategy to improve ranch productivity has been developed, with the aim of reducing biofouling and creating more space for higher rates of abalone survival and growth. Based on 10 years of production history, the harvest strategy estimates that a sustainable harvest level is between 100-120 tonnes p.a.

New seven-year ABITAT cycle

After seven years of harvests, ABITATs will be lifted to the surface, cleaned, returned to the seabed, and restocked. This will lead to ~1.4k ABITATs being refurbished each calendar year, with 10k ABITATs in circulation. The strategy is aimed at improving operational efficiency (including through higher rates of yield from harvested abalone which are larger in size) by up to 25% for the boat fleet and the dive team.

Other commercial outcomes

Premium retail offerings on site at the Ocean Pantry

Sales continued to grow at the Company's retail precinct, Ocean Pantry, achieving a record quarter of revenue of \$58k (vs \$50k reported in Q2). The Ocean Pantry is designed to promote the Company's abalone and ocean cellaring innovations through tours and tastings.

Ocean Cellaring

Ocean Signature, the recently harvested product range from RFA's ocean cellaring activities obtained a liquor license in December 2023. During Q3, the Ocean Signature product range was harvested from the ocean floor, allowing sales of 2.3k bottles of wine to commence for both RFA, and strategic partners Glenarty Road and Edwards wineries. A further 2k bottles will be deployed during Q4, with 50% available for sale by RFA (as was the case with the allotment just harvested).

Additional HoA with Wine Reef International

Late last year in October, a formal Heads of Agreement was signed with Wine Reef International to begin a trial to ramp up ocean cellaring activities, targeting the production of an additional 13k bottles of ocean cellared product in FY24 in an initial six-month trial. Pre-deployment activities are now complete. Custom-designed Winereef vats have been delivered to Augusta, and wines have been chosen for the project. The vats allow the wine to age by constant movement from ocean swell and with pressure at depth, consistent temperature and low levels of light, all in a process that cannot be replicated on land. Diving activities have been organized and detailed, with third-party assistance secured for preparing, retrieving, and blending the vats. Deployment is planned for Q4 as well.

Distributor Tours

During the quarter, the company initiated strategies to assist Master Distributors in enhancing the promotion of tiered abalone products, which included hosting customer visits to its facilities. These visits aimed to assess the tiered abalone offerings, advance orders, and explore ways to reduce logistics costs. Notably, the company welcomed its largest Hong Kong Master Distributor during this period. This followed a visit by Vietnamese buyer MiGroup in Q2, where they toured the Augusta facility and experienced a showcase of wild caught abalone and ocean cellared products.

Live processing in Perth

A definitive holding and distribution agreement was established with Live Seafood Company, allowing for the processing of live abalone in Perth, further adding existing product lines to better meet the international demand for wild caught abalone products. The Live Seafood Company is tasked with receiving, settling, and purging live abalone, as well as preparing and packaging the product to complete customer orders before shipment to freight forwarders. RFA will pay a starting fee of \$7 per kg for these services. This agreement spans two years and includes biannual reviews aimed at enhancing processes, quality, and reducing costs.

Esperance & other initiatives

During the quarter, RFA and Yumbah finalised arrangements with local indigenous group Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNATC) to secure the land opportunity to pursue the aquaculture precinct concept at Wylie Bay. The parties will now create the commercial agreements to plan and seek external funding to develop the precinct infrastructure and attract other aquaculture and marine related businesses to participate in the opportunity.

The Esperance project, which would add significant scale to RFA's abalone output, continues to be a part of the company's long term growth strategy, beyond the current core business. As previously mentioned, the project involves a new hatchery and farmed abalone site in nearby Esperance, WA. This could see an additional 300T pa net to RFA (50% interest), lowering the cost of juveniles and increasing margins through scale. Yumbah is a very credible partner, being the largest abalone aquaculture producer in Australia. We assume the cost of this project is \$40m net to RFA, funded with both debt and equity.

Separately, RFA has also continued the due diligence on exciting opportunities that could strengthen and scale the core business. Evaluation of these opportunities has been done on a confidential basis with due diligence expenditure to date of \$1.3m. RFA will update the market if and when binding arrangements are reached.

Financials

RFA recorded cash receipts of \$1.1m during the quarterly, down \$0.5m compared to Q2 primarily due to the 8.8 tonne March scheduled delivery being delayed to April. Net operating cash outflow was \$0.8m, taking YTD operating cash outflows to \$1.1m, with the major cost drivers during the quarter being wages (-\$1m, juvenile deployment payments of \$170k and legal/compliance fees of \$140k which cover reporting obligations and entitlement offer costs).

Funding

During the quarter, RFA initiated a partially underwritten non-renounceable entitlement offer. This offer received strong backing from the Company's two largest shareholders, who contributed to a total raising of \$2 million (with a shortfall of an additional \$1m). Funds raised will be directed towards repayment of debt, delivery of live abalone product, marketing of the Wine Reef trial, increased ocean signature wine production and some additional working capital.

RFA is utilising its \$2.5m NAB credit facility and the support of a strong forward order book to ensure it can complete due diligence and associated activities to further scale and grow the business.

Valuation

We have updated our DCF valuation to \$0.14 per share (from \$0.33 previously), which still implies upside from the current share price. Key drivers of the change include delayed timing of the Esperance project which we now assume will be commissioned in FY26, adjustments to the existing share count following the recent raise, an increase to our cost of capital assumption with the move higher in rates, and an adjustment to our outlook for harvest volumes for the existing core asset to reach 110 tonnes p.a. For the core business alone ex Esperance, our valuation is \$0.08 per share.

As at end March 2024, RFA has secured sales and forward order demand of 92 tonnes for wild caught greenlip for the FY24 annual period, equating to 96% of FY23 sales. We expect the sales mix to continue evolving, aided by RFA's MSC Accreditation and premiumisation strategy, which should continue to support average price growth from \$56.50/kg currently towards \$60.00/kg (FY22 pricing was \$51/kg). We now expect harvest volumes of wild grown greenlip abalone to reach 110 tonnes over the next two years (vs our previous forecast of up to 140 tonnes), which is the middle of the management's goal of 100-120 tonnes over the medium term. Sales revenue should also be supported by other tiered abalone products including farmed and wild abalone product, as well as distribution of new products including ocean cellared wine.

While RFA's existing 10-year agreement with 888 Abalone for the supply of farmed juveniles (1.2m per annum) approaches its formal completion date in June this year, we assume the existing arrangement will continue. With this, RFA stands to benefit from greater operating leverage as they continue to increase the survival rates and growth of wild grown abalone.

Key assumptions of our DCF

- We assume that **prices** (and, in turn, **COGS**):
 - After rebounding strongly post the Covid period to ~\$56.50/kg, increase to \$60.00/kg by FY26 and 3% pa longer term as RFA benefits from its premiumisation strategy.
- We assume that harvested **volumes**:
 - increase to hit the middle of the company's target of 100-120T pa by FY27
 - increase beyond this with Esperance to beyond 400T pa by FY31
 - will largely offset growth in the biomass asset, keeping the underlying biomass value fairly constant.
- We assume that the business benefits from **leverage at most cost lines** (excluding employee costs rising between 3-5% pa and corporate costs rising 2% pa). Strong juvenile supply agreements at steady prices should allow the company to benefit from better pricing. We assume opex costs will experience a step change higher with more activity and volumes associated with the operating of the Esperance precinct.
- At present, we assume RFA's 50% share of the Esperance capital works (~\$40m) will be funded approximately with two thirds debt, and one third equity. For the equity component, we assume additional shares issued at the price equal to our underlying core asset valuation of \$0.08.
- Prior tax losses imply that RFA will not be paying tax for a considerable period. These tax losses include the non-cash item of fair value adjustment on the biological assets, which has accumulated +\$9.7m in FY15–FY22. Therefore, this tax loss underestimates the true cash loss.

Further Potential Valuation Upside

We see further upside potential to our valuation. Factors that could potentially further lift our valuation include:

- **Increased yield:** achievable through lower mortality and higher productive growth rates, leading to greater harvest volumes
- **Higher pricing:** our forecast of \$56.50/kg in FY24, growing to \$60/kg by FY26, may be conservative given current bulk pricing as well as RFA's strategic move towards higher levels of retail sales
- **Higher sales volumes** not only of abalone products but also ocean cellared wine products as well
- **Increased utilisation and increased revenue from in-house processing plant:** not only for in-house-sourced aquaculture but also for externally sourced product from third parties
- **Potential acquisitions, diversification and/or JV agreements**

Key Risks

- **Aquaculture-related operational risks:** these include the risks associated with safety of abalone diving, disease, theft, environmental changes, and severe weather events.
- **Incorrect biomass assessment:** given the assessment of biomass is carried out every 6 months using a sample, there is a risk the asset base is over or understated.
- **Greenlip abalone prices and industry supply/demand dynamics:** this can include additional unexpected supply domestically or offshore, through potential advanced technologies. It can include depressed demand from economic volatility or through government intervention with additional tariffs applied to the sector.
- **Further changes to the Esperance Project:** the Esperance project makes up \$A0.06 of our A\$0.14 valuation. Further delays due to extended labour shortages and other capex price increases may impact project expectations in the future.
- **Long dated discounted cashflow valuations** are highly dependent on long range forecasts and assumptions which can vary significantly over time. Key sensitivities for RFA include harvest and sales volumes, sales price achieved, biomass revaluations and timing and execution of long term growth plans associated with the Esperance project.
- **Tariffs and other financial related risks:** an increase in the Chinese/HK trade tariff on abalone could lead to weaker sales and prices, as occurred with lobster. Export abalone is also sold in US dollars, leading to additional foreign exchange risk.
- **Partner relationships** relating to various partnerships including Ocean King Fishing and Yumbah Aquaculture. Expansion plans depend on an effective relationship. There is also concentration risk associated with both suppliers and vendors given a degree of dependency.
- **Key management risk:** key management could be a risk if they departed the business and took with them their business relationships that may impact RFA.
- **Funding:** in order to successfully execute their growth plans, RFA will require external funding. The equity markets may be closed to RFA for a variety of reasons, in which case it may have to seek alternative options.

Personal disclosures

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