

Media release - for immediate use

12 November 2020

Sanford Disappointed by Full Year Result, but Sees Path to Recovery from Covid-19 Impact

New Zealand seafood company Sanford Limited (NZX:SAN) has reported total revenue of \$468.8m for the financial year ending September 30, 2020, a 14% decrease on 2019 (\$545.1m). The business sees this decrease in sales as directly attributable to the Covid-19 pandemic and its impact on food service globally.

However, the company says it has learned from the challenges and is adjusting to pandemic conditions, making the business better prepared for the year ahead. It remains confident that its longer-term strategy is the right one.

Sanford's Adjusted (underlying) Earnings Before Interest and Tax (Adjusted EBIT¹) for the year to 30 September 2020 were \$38.3m (versus \$64.8m for the prior year), representing a 41% decrease. Reported Net Profit After Tax (NPAT) was \$22.4m, compared to \$41.7m for the previous year, a 46% decrease.

Acting CEO Andre Gargiulo says Sanford, like many seafood companies globally, has been primarily reliant on food service as a sales channel.

"We know that globally, the majority of seafood is consumed out of home. Our food service channels have been a key part of our portfolio and they were hit hard by the lockdowns we saw around the globe. For example, we saw our sales into North America fall by 30% compared to last year.

"We acknowledge this is a disappointing result, both for our investors and for our people, who have worked incredibly hard through the extra challenges brought on by the pandemic. However, we are confident that our strategy to get closer to our consumers and maximise the value of our products is the right one that will see us recover from the immediate impact of Covid-19. For example, salmon volumes into North American markets have returned to near pre-Covid levels as we are adding new retail customers. We have developed and are putting in place a plan to more flexibly respond to changing environments, while protecting profits through an appropriate cost structure. Sometime this means we will have to make hard choices.

"Another factor in 2020 was a poor toothfish catch in both halves of the fishing and financial year. In the first half of the financial year 2020, we saw an impact from lower-than-usual toothfish catches in the Ross Sea (down 39%) due to unusual ice cover. Toothfish is a high value product for Sanford and in the second half of 2020 we unfortunately then saw toothfish demand reduced by the Covid-

¹ For reconciliation of the GAAP and non-GAAP performance measures in this document, refer to page 89 of the company's Integrated Annual Report for the year ended 30 September 2020.

related food service slowdown, compounded by poor catches of Patagonian toothfish in South Georgia in September.”

Sanford Limited is New Zealand’s largest and oldest seafood company, founded in 1904 and first listed on the New Zealand stock exchange in 1924. Mr Gargiulo says it has seen off many challenges in that time.

“This is a proud New Zealand business that has continued to operate successfully for 100 plus years. That history gives us perspective.”

CFO Katherine Turner says the numbers reflect the challenge of rapidly adapting a business which works on long time horizons for supply, for example seeding mussels or putting salmon smolt in the water two years ahead of harvesting.

“Pleasingly, we harvested more fish and shellfish than last year, but because of Covid-19, more stock than usual has gone to inventory.

“The pandemic’s impact on food service also meant that high value products were less in demand reducing our margins further and increasing our cost base.”

Sanford also said goodbye to its CEO of seven years Volker Kuntzsch on September 18, 2020. However, Mr Kuntzsch has continued to be available to the board and executive team in a consulting role. Board Chair Sir Robert McLeod says the board is currently making good progress in the process to recruit a new CEO.

Due to uncertainty caused by the impact of Covid-19, the ongoing asset rejuvenation programme and wish to ensure prudent cash availability, the Board has decided not to pay a final dividend in respect of the 2020 financial year.

Mr Gargiulo says despite the challenges, Sanford has had a strong year operationally in other areas and has started to observe some early signs of recovery in its markets.

“Our teams on the water and in our processing plants have worked hard. We also experienced no material setbacks from algal blooms on our mussel or salmon farms. We now have an opportunity to take advantage of strong inventories of our premium products which have built-up over recent months. Half-shell mussels is our product that is most dependent on the foodservice channel and so mussels is our biggest focus for new product formats and markets in 2021. By staying focused on great performance and controlling costs across the organisation, we will be in the best possible position to deliver improved results in 2021.”

ENDS

For more information or to arrange interviews, please contact:

Fiona MacMillan

GM Corporate Communications

+64 (0)21 513 522

fmacmillan@sanford.co.nz

Please access free to use, up to date images of Sanford, its Board and Executive Team here:

<https://www.dropbox.com/sh/42txqr6luf56d0s/AADURMaQwEU2PafN3tsYtIqa?dl=0>

Images like the below, in full resolution, can be accessed via the Dropbox (link above):



About Sanford Ltd

Sanford is New Zealand's oldest and largest seafood company - we farm salmon and mussels and hold 19.7% of New Zealand commercial fishing quota. Sanford has been listed on the New Zealand stock market since 1924. We are focused on sustainability and on maximising the value of the resources we gather from our oceans, enabling long term value creation from oceans teeming with life. Sanford sites can be found in eleven locations around New Zealand and we are a team of 1,400 staff and sharefishers across the country. We are committed to innovation: our scientists are on a mission to find new ways to make the most of the life-enhancing properties of seafood, from anti-inflammatory supplements to skin-nurturing collagen.