



SANFORD

15 December 2022

2022 Annual Meeting – Chair and Chief Executive Address

Mr McLeod - CHAIRMAN'S ADDRESS

[SLIDE – INTRODUCTION]

At this 118th Annual Shareholder Meeting, I can report your Board remains optimistic about Sanford's prospects.

[SLIDE – SANFORD 2022]

We continue to focus on Group performance, particularly financial performance, and made good progress on that in the past year to September 2022, despite it being another challenging year.

Nearly 700 of our approximate 900 employees were affected by Covid, either directly, or through having to isolate. Of our 400 sharefishers, around half were hit by the virus. In all these cases, long term productivity was best served by emphasising health and safety. Sanford introduced a vaccine mandate and we put frequent rapid antigen testing in place across the business to enable us to keep fishing, harvesting and processing without losing jobs or closing sites.

[SLIDE – PRIORITIES DELIVERED]

Our priorities this past financial year were to rebuild mussel profitability, grow opportunities in wildcatch and retain salmon profitability, consistent with targeting future growth.

We initially predicted faster growth in customer demand to return us to pre-Covid sales value, than the growth rate beyond that point. However, the constrained supply chains and labour availability have slowed that recovery, particularly in mussels.

Nonetheless, our adjusted EBIT of \$40.2m was up 72.5% on the prior year. This has allowed us to recommence dividend payments, with an initial full-year dividend of ten cents per share. The Board appreciates and acknowledges your patience with the suspension of dividends. Our ambition is to move towards historically typical dividend levels in the year ahead.

[SLIDE – REVENUES REFLECT IMPROVED DEMAND]

Group revenue increased by 8.6% from \$489.6 million to \$531.9 million. That reflects improving demand and pricing in global markets across all our product categories except mussels.

We faced another year of supply chain constraints to our export markets, while freight, fuel, feed and labour costs increased. Thankfully our supply chain agreement with Kotahi enabled

us to secure space for our frozen export products, although vessel schedule reliability remained challenging. We expect this state of affairs to remain for some time, although our Kotahi arrangement should also continue to mitigate these impacts.

As mentioned, the extremely tight labour market contributed to a very challenging year. Seasonal recruitment in deepwater fishing and in mussel processing has been difficult, despite higher wages and other benefits, such as subsidised accommodation. Improved national immigration settings are required and it is pleasing that Minister Parker, the Minister of Oceans and Fisheries acknowledged at a recent Sanford event, the need to address these labour challenges with effective policies.

[SLIDE – IMPROVING PROFITABILITY]

Improved profitability is the pathway to sustainably growing shareholder value. This must remain a key focus of our strategy.

We have a multi-product business across wildcatch, salmon and mussels. Profitability in each business requires tailored business models and solutions. Our wildcatch and mussel business divisions heavily rely on commodity products with volume playing the bigger role than differential unit prices and margins. We must continue to supplement our commodity business with specialty products where the opportunity exists to increase unit prices and margin, such as with mussel extracts.

In each of our business divisions, our goal is to profitability grow shareholder value. We are also an agricultural company that has to accept volatility as something to manage and mitigate. Our strategy requires a diversified business to reduce volatility and improve the quality of our earnings.

[SLIDE – AQUACULTURE]

We are growing the size of our salmon farms, expanding our hatchery and working on the development of a new RAS (or Recirculating Aquaculture System) hatchery, to support volume growth and higher returns. We have invested in technology such as oxygenation, feeding barges and support vessels along with the factory upgrades needed to increase consistency and quality.

We have implemented environmental systems to support further expansion of our salmon farm at Big Glory Bay. The Big Glory Bay brand, with its unique New Zealand provenance, enables us to build demand in retail channels as well as foodservice in the US, and other markets.

The science underpinning our SPATNZ selective breeding and hatchery enables us to grow consistently sized and high-quality mussels at a faster rate. We also have unique technology, such as automatic mussel openers. Mussels are more than a good meal. They are also a rich source of bioactives.

We opened our new Bioactives Innovation Centre in Blenheim in November which has doubled our mussel drying capacity. Ongoing research shows that the mussel powder we

produce helps maintain mobility and joint health. The Centre also includes an extractor for mussel oil, which delivers a super-concentrated form of this product.

[SLIDE – INVESTING IN WILDCATCH]

We are targeting growth and profitability in Wildcatch through operational efficiencies, harvesting higher value species and enhancing catch utilisation of the entire product harvested.

Scampi, for example, is a high value species. We are investing more than \$30 million in a new scampi vessel to catch higher volumes of this highly demanded and profitable species.

We continue to upgrade and improve the efficiency and environmental performance of our deepwater fleet. This includes new engine technology where efficiency gains help reduce our carbon footprint. Peter Reidie will provide you more details on this.

[SLIDE – OUTLOOK]

As I have said, Sanford is capable of maintaining and improving its performance in the year ahead.

We strive to strike a prudent balance between investing for growth – such as our scampi vessel – and maintaining financial discipline. As mentioned, growth and profit remain priorities.

[SLIDE – THANK YOU]

Thank you again for supporting Sanford. We are pleased to be moving beyond Covid by improving our profits, people, and products along with customers who will enable our success.

I now invite our CEO Peter Reidie to the stage to address us.

Nga mihi.

Mr Reidie – CEO's ADDRESS

Thank you, Sir Rob.

[SLIDE – COVER SLIDE]

Good afternoon and welcome to you all, whether you are joining us here at Eden Park or online. Thank you for your time. And as our Chair, Sir Rob has said, thank you also for your support. The global pandemic made things tough for Sanford for the last three years, but we are all still here together and I thank you for that.

[SLIDE – SANFORD IN 2022]

And now, at the end of 2022, it is heartening to look back on a return to growth for Sanford, with an improved performance across sales revenues, margins and profitability. This is thanks to improving markets, quality of product and the dedication of Sanford's

hardworking people during what has been reasonably challenging times. I like to term them as “character building”.

Your dedication is also much appreciated, and we are delighted to return to paying a dividend for FY22.

I'd like to start by summarising the results that have made this possible, then go through some of the highs and lows of the year just gone and then lay out for you what we have planned for 2023.

[SLIDE – RESULTS SNAPSHOT]

This slide shows the key numbers from our 2022 result. Despite the fall in catch or harvest volumes and in sales volumes, our revenues were up and our Adjusted EBIT was up substantially to \$40.2 million dollars. Our NPAT or Net Profit After Tax was up by 3-point-4 times to \$55.8 million.

This has enabled us to do what we have been wanting to do for some time, the resumption of dividend payments to our deserving shareholders.

[SLIDE – SIGNIFICANT EARNINGS IMPROVEMENT]

You can see in the next slide the very real impact Covid had on our business. The impact was in areas we could not control such as the rapid closing of food service worldwide, where 70% of seafood is consumed globally.

As we return to more normal levels of revenue and profitability, our challenges have not disappeared. The difference in 2022 has been that more of the challenges we face are things over which we can exercise at least some measure of control.

[SLIDE – CHALLENGES]

For examples costs. We face the same inflationary pressures as every other New Zealand business and consumer. But we are working hard to keep costs down wherever we can.

Covid has not gone away. Of our approximately 900 employees, nearly 700 were impacted by Covid in 2022. Either because they were ill themselves or because they had to isolate while a member of their household was sick. When around 78% of your workforce has to take time off during the year because of Covid, you can easily understand how it has made a significant dent in productivity.

And finding staff to step in was difficult. New Zealand unemployment continues to be at record lows. The quarterly rate for September was 3.3% and our immigration settings mean Sanford has struggled to hire people in our more remote locations such as our Havelock mussel processing plant. But we have knuckled down on recruitment, offering competitive wages, great opportunities and even accommodation where possible, to entice people to join our business.

Other challenges in 2022 included the geo-political issues that saw New Zealand lose access

to the South Georgia toothfish fishery. We saw an increased number of weather events in places like Marlborough, such as the August floods, which meant we had to stop harvesting mussels till water quality returned to normal. In Stewart Island, we also saw somewhat higher levels of salmon mortality than in recent years at 8.2 percent.

We are still facing shipping delays, although our move to join supply chain collective Kotahi has seen great improvements in our ability to move our product. And then, as you might imagine, we are working to manage foreign exchange and interest rate risks.

[SLIDE – ACHIEVEMENTS]

In the face of all those challenges, our achievements are something we are proud of.

Our profitability improved significantly. we saw price and margin improvements which we were able to realise because of the quality of our products.

We managed our debt levels well.

We have invested selectively in growth initiatives which will allow us to deliver on our strategy.

We drove growth in our Big Glory Bay salmon brand.

We finished the build of our Sanford Bioactives centre in Blenheim which produces our mussel powders and other advanced seafood products.

We delivered significant sustainability improvements which I will detail shortly and we put in place risk mitigation measures in our Stewart Island salmon farm.

[SLIDE – STRATEGY]

Before I talk about sustainability, I want to remind you of our overarching strategy.

This slide shows you how we build from the inside out with our values of care, passion, integrity and achieving together at the centre. Then our five pillars from our Business Excellence Framework are next.

The next layer out covers our vision, to be New Zealand’s seafood leader for quality, value and reputation. Our purpose, which is providing exceptional, nutritious food from healthy oceans. And underneath you can see our mission, to sustainably grow shareholder value, demonstrating how central you are to our focus in every way. Then you will see our strategic priorities – to grow salmon, grow mussels, sustain deepwater and turnaround inshore.

You will see further work on all these things in 2023, building on what we have started in FY22.

I won’t go into the detail of the strategic initiatives around the outside of the strategy on a

page. You can find these in our 2022 Annual Report, which includes an explanation of how all these things fit in with the United Nations Sustainable Development Goals.

[SLIDE – ESG]

And as you can see in this next slide, sustainability is at the heart of our strategy along with the other aspects of our approach to the Environmental, Social and Governance elements of our business.

[SLIDE – ESG HIGHLIGHTS]

And I am very proud of what we have achieved in this area in 2022. We have made significant progress on a number of projects around the efficiency of our vessels. These have contributed to a 7.6-percent reduction in our scope 1 and 2 greenhouse gas emissions.

We have also achieved a consistent and sustained reduction in our interactions with seabirds and marine mammals.

We obtained regulatory approval to use our Precision Seafood Harvesting system on the west coast of the North Island.

And our waste diversion from landfill across all our operations was a very creditable 75-percent in 2022.

I'm also very proud of our efforts in the community which we have supported through doing such things as donating nearly 300-thousand meals to foodbanks across the country.

Again, more complete details of the role we play and the contributions we make in our communities are in our 2022 Annual Report, which I urge you to read. There is a lot in there, but it is a good reflection of the large amount of work that has been done.

[SLIDE – CARING FOR MARINE MAMMALS]

Against this background, I want to make a specific comment about Maui dolphin.

To the best of our knowledge, Sanford fishers have never harmed a Maui dolphin.

And our aim is that no Maui dolphin will ever be harmed by us. You might have seen media coverage of a story about a Sea Shepherd case taken in the US, trying to stop the import of New Zealand seafood until our marine mammal protection systems can be shown to be comparable to theirs. This situation doesn't affect us materially, although we are watching carefully for any new developments.

What we do want you all to know is that we are working hard to do our bit to protect these very precious mammals. We voluntarily pulled out of any trawling or set netting in known Maui territory in 2016. We stopped buying fish from others who were fishing in those areas.

The Government caught up with us. And right now, there are strict rules in place keeping

trawling and set netting out of areas where Maui are likely to be.

Sanford is continuing to set the standard. We are supporting the MAUI63 programme run by Auckland University scientist and uses advanced drones and AI to track where the dolphins actually are.

[SLIDE – SANFORD IN 2023]

Let me turn now to discussing what lies ahead in 2023.

We are already in the third month of our fishing and financial year and those Covid-19 impacts we mentioned earlier have continued. We are dealing with these by prioritising keeping our people safe and encouraging vaccination and testing.

We need everyone functioning at their best, as we have a long to-do list for the year ahead.

[SLIDE – FOUR STRATEGIC PRIORITIES]

You'll remember I mentioned our four strategic priorities. To grow salmon, to grow mussels, to sustain deepwater and to turnaround inshore.

[SLIDE – GROW SALMON]

Let's start with salmon. Here we have already made good progress on our 2023 targets. We recently split our main growing farm in Big Glory Bay to reduce risk for our salmon.

We have launched a branded portion control pack into Foodstuffs and we will continue the growth of the Big Glory Bay brand.

We are working to gain consent to build a recirculating aquaculture system hatchery in Southland which will enable us to grow our salmon to a larger size before they are put in the ocean.

We are looking at new ways to use salmon by-product in our recently opened Bioactives plant in Blenheim and we are investing in new vessels and farm infrastructure in Stewart Island. Plus we have now had confirmation that the nitrogen cap on our salmon farm has been lifted, which enables us to lift annual volume.

[SLIDE – FARM MAP]

This slide shows you how the farm was split with the blue pen diagrams showing the previous locations of the two grower farms and the green showing their new location. All the new farm pens will have oxygenation available where previously this only occurred in 8 of our 24 pens. This move will help protect our fish from risks such as algal blooms and any increase in water temperatures, which we are always watching closely.

[SLIDE – MUSSELS]

In mussels, as you know, we had a challenging time in 2021 with sub-optimal markets and in 2022 with labour constraints and weather events impacting our productivity. However, we are in a good position to make the most of this part of our business in 2023.

We will be ramping up production at our Bioactives plant, developing further automation options in our mussel packaging, expanding output at our SPATnz mussel hatchery in Nelson and improving our on-water infrastructure. And while all of this going on, we intend to take advantage of higher prices, as we move from longer run contracts at lower prices.

We are also trialling a US retail format for our mussels and must keep up our relentless focus on attracting staff.

[SLIDE – MARINE EXTRACTS]

Sanford Bioactives is already a success story. We started moving into the innovation centre in September. The team now have the collagen production facilities and our four new mussel powder dryers up and running. Mussel oil production will also be a key early output.

[SLIDE – SUSTAIN DEEPWATER]

Our wildcatch division remains the source of 60% of our revenue and in 2022, it had a strong year.

In 2023, we will continue to maintenance and upgrades across our fleet, with four more vessels being affected in this way, this year.

The most exciting development here is that we have contracted to build a new scampi vessel. Its design enables us to continue to reduce our carbon footprint while enhancing safety and capability.

We will also continue to evolve our market model in the US as we move closer to customers.

And we are seeking to grow our Sanford Fishmongers brand into retail formats in New Zealand, Australia and the USA.

We will continue our strong profitability by maintaining the higher pricing we have recently achieved.

[SLIDE – TURNAROUND INSHORE]

We have work to do in our inshore division which has been underperforming.

That work is currently underway as we look at a range of options to make this area of the business more profitable and sustainable for the long term.

As we determine this pathway, we will articulate our decisions.

[SLIDE – NEW STRUCTURE]

Another announcement we expect to be able to make in the New Year is about our new divisional structure. We are looking to increase our efficiency, effectiveness and profitability, while matching our structure against the delivery of our strategic goals.

My view is that we need P&L accountability across the business divisions. This will create greater visibility, which will make us a more responsive business. The intention is also to increase career opportunities for our people. We have many talented people at Sanford

and we want them to be able to fully utilise their skills and see good career paths inside our organisation.

[SLIDE – SANCORE]

Finally, I want to update you on SanCore, our systems change process which is future-proofing the technology we use across Sanford. This process is expected to wrap up in May 2023. The total project spend to date is just over \$30 million.

By the time we are finished, we will have completely replaced our supply chain, finance, quota management, payroll and incident reporting systems. All of which were overdue for modernisation. It has been a long process and we will be glad to see it complete and delivering enhanced productivity and data management in the years ahead.

[SLIDE – CONCLUSION]

To conclude, 2022 was a “character building” year, but we came through it with much to be proud of.

And we believe we have an exciting year ahead of us. We will not be free of challenges, we work with Mother Nature, so we never are. And we need to continue to manage the reverberations caused by Covid, including inflationary pressures and labour shortages. But we believe we will manage these.

We have a pipeline of work ahead that is going to make Sanford a stronger, better performing company with a clear strategy in place and the organisational changes needed to help us address our strategic priorities.

I want to thank the Board for their support and hard work this year. Thank you to you Sir Rob for your commitment to Sanford and to all our Directors who care deeply about the success of our business.

[SLIDE – SEASCAPE IMAGE]

I am proud to be the CEO of Sanford, with a strong history behind it and an even better future ahead. We are focused on doing the right thing on the water and on land, driven by talented people, who care about their colleagues and their communities.

And we are all proud to be working for you, our shareholders and appreciate that you are with us as we strive to become New Zealand’s seafood leader for quality, value and reputation and continue with our purpose to provide exceptional, nutritious food from healthy oceans.

Thank you.

[SLIDE – THANK YOU]

Thank you again for your attendance today. I wish you all the compliments of the season.

I will now hand you back to Sir Rob and I look forward to taking any questions you may have later in the meeting.