



SANFORD

ANALYST RESULT BRIEFING FINANCIAL YEAR ENDING 30 SEPTEMBER 2016

16 NOVEMBER 2016



BEAUTIFUL
- NEW ZEALAND -
SEAFOOD

DISCLAIMER

This presentation contains not only a review of operations, but also some forward looking statements about Sanford Limited and the environment in which the company operates. Because these statements are forward looking, Sanford Limited's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the previous results announcement, are all available on the company's website and contain additional information about matters which could cause Sanford Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Sanford Limited.



SANFORD

ANNUAL REPORT

- 2016 -

UNCOMPROMISING



SANFORD

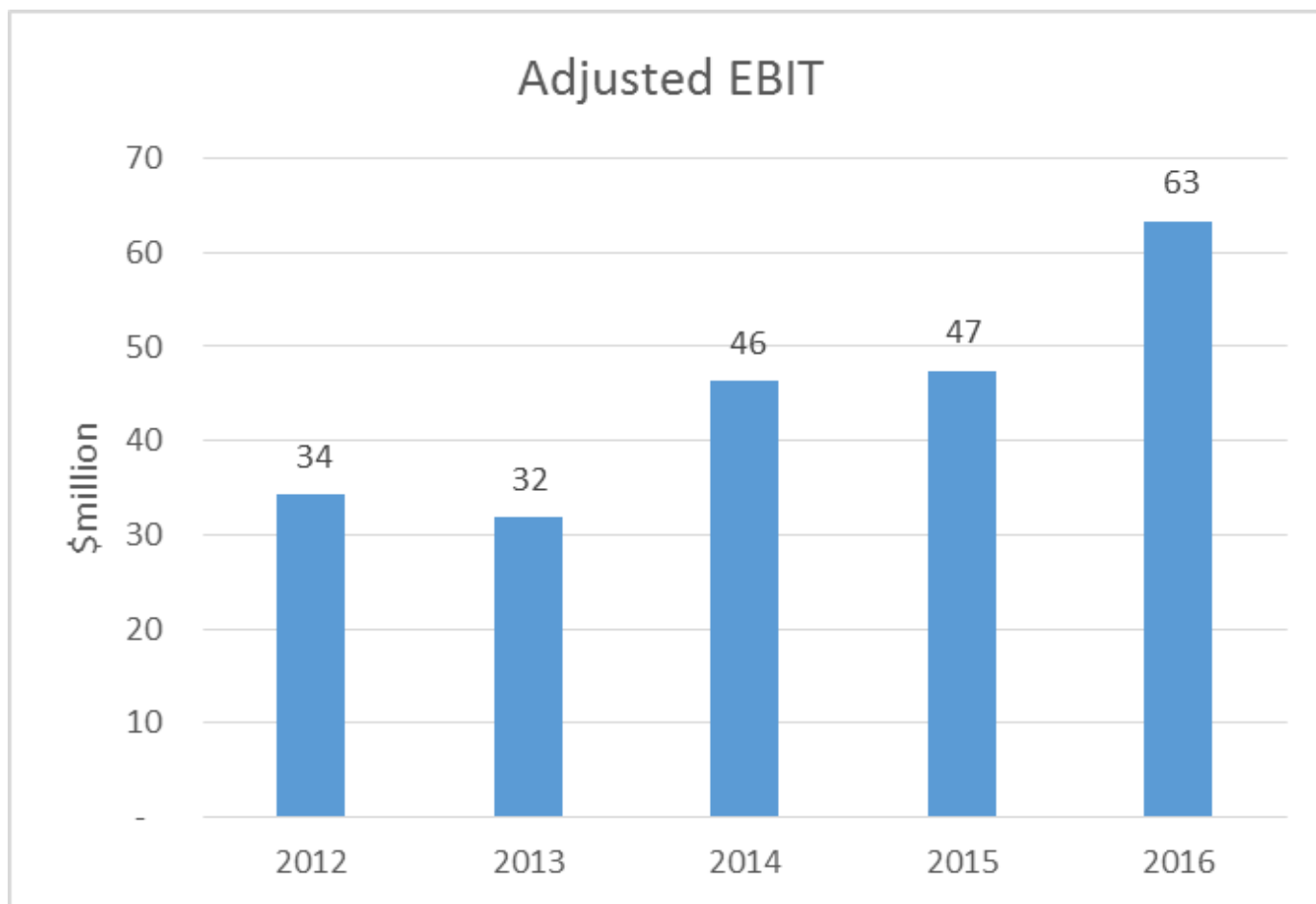
HIGHLIGHTS

- > Adjusted EBIT improvement of 33.5% to \$63.4m on revenue increase of 2.9% (from \$450m to \$463m on 11% less volume)
- > Cash flow from operations of \$34m, invested into purchase of two new fishing vessels, San Granit and San Aramand
- > USD FX rates were favourable for the year, effective rate of 0.72 vs 0.76 last year
- > Appointment of our Chief Customer Officer and the establishment of our consumer marketing division
- > Focus on Fresh increased our fresh sales to 9%
- > Increased value for salmon business through focus on domestic fresh market
- > Good demand for toothfish resulted in stronger pricing

CHALLENGES

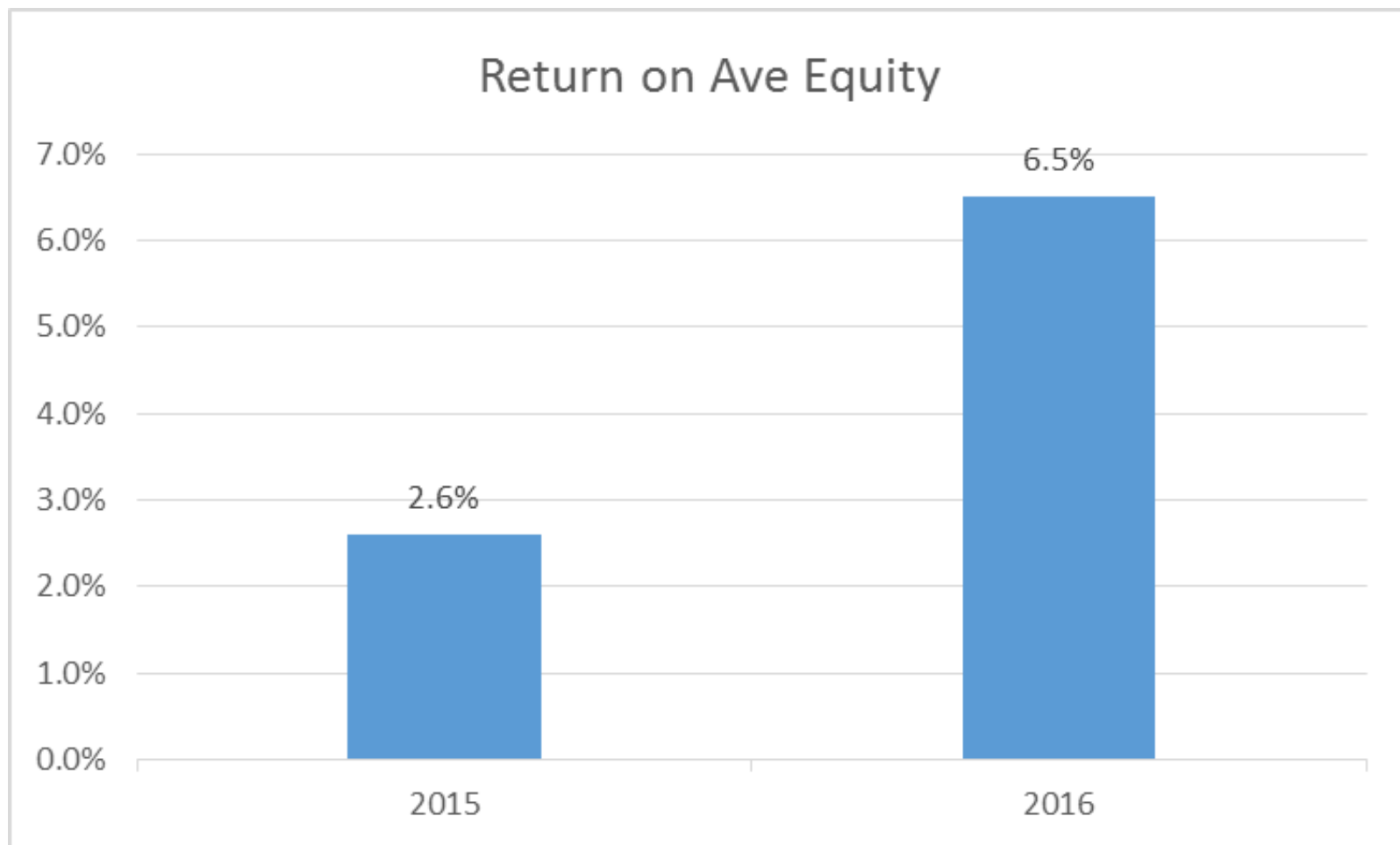
- > Greenshell mussel competitive pricing and El Niño event impacted supply in H1
- > Challenging hoki season offset by good squid catch and pricing
- > Reputation of fishing industry in the media
- > Increased lost time injury frequency rate

33% IMPROVEMENT IN ADJUSTED EBIT



- Value strategy gaining traction
- Focus on fresh increased return
- Strong price discipline in favourable FX environment
- Cost improvements and supply chain efficiencies
- Exit of IPS business in F15

MORE THAN DOUBLED RETURN ON EQUITY



- Significant improvement 150% above last year

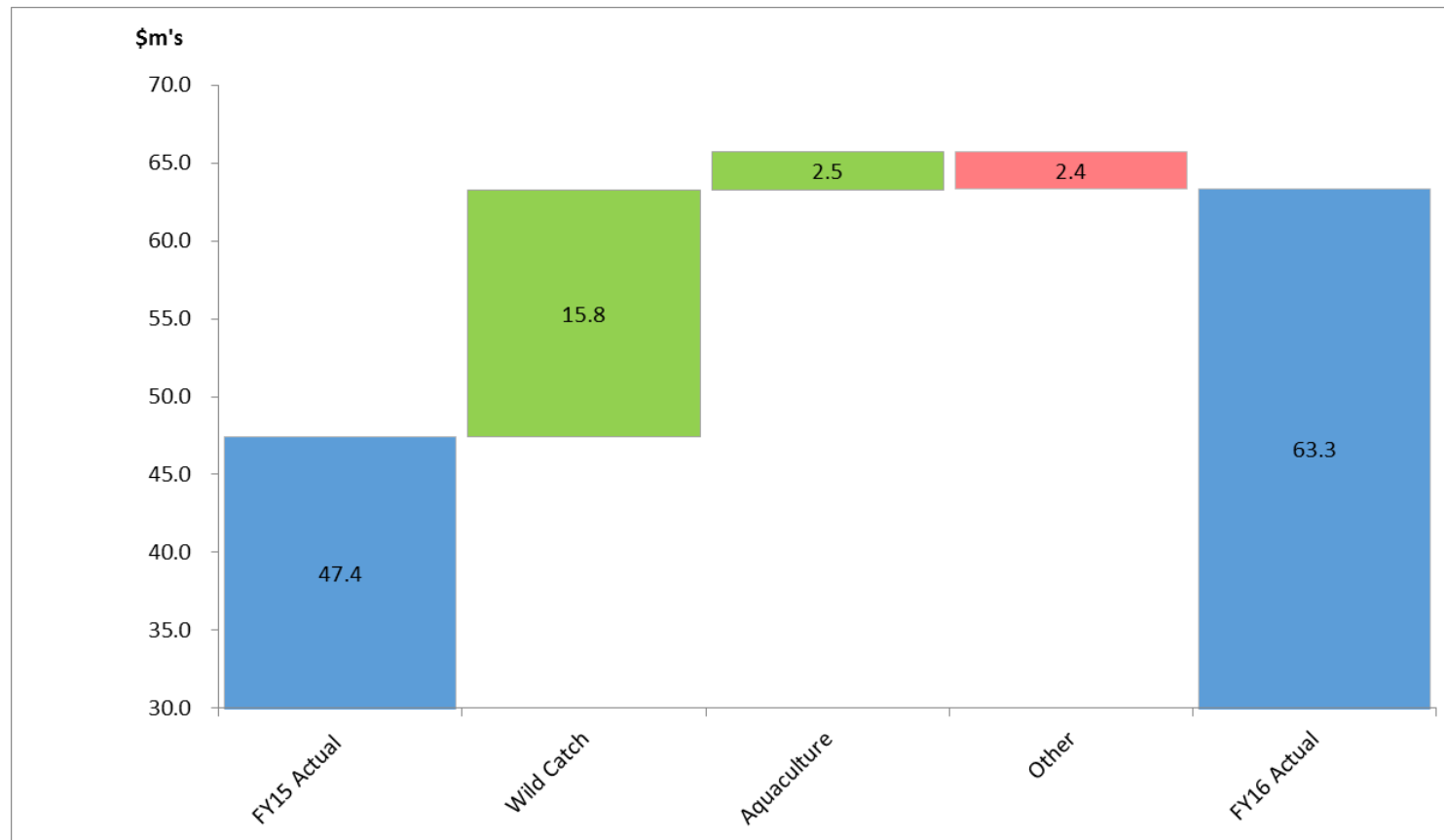
ADJUSTED EBIT OF \$63.4M

	2015	2016
	(\$m)	(\$m)
Reported EBIT	31.1	57.7
<u>Adjust for one off Items</u>		
Impairment of assets	13.3	5.4
Restructuring costs	3.1	0.2
Total one off items	16.4	5.6
Adjusted EBIT	47.5	63.4
D&A	16.9	15.5
Adjusted EBITDA	64.4	78.9

- A 33% increase in Adjusted EBIT from \$47.5m to \$63.4m
- EBITDA % increased from 14.3% to 17.0%

*Total business including discontinued operations

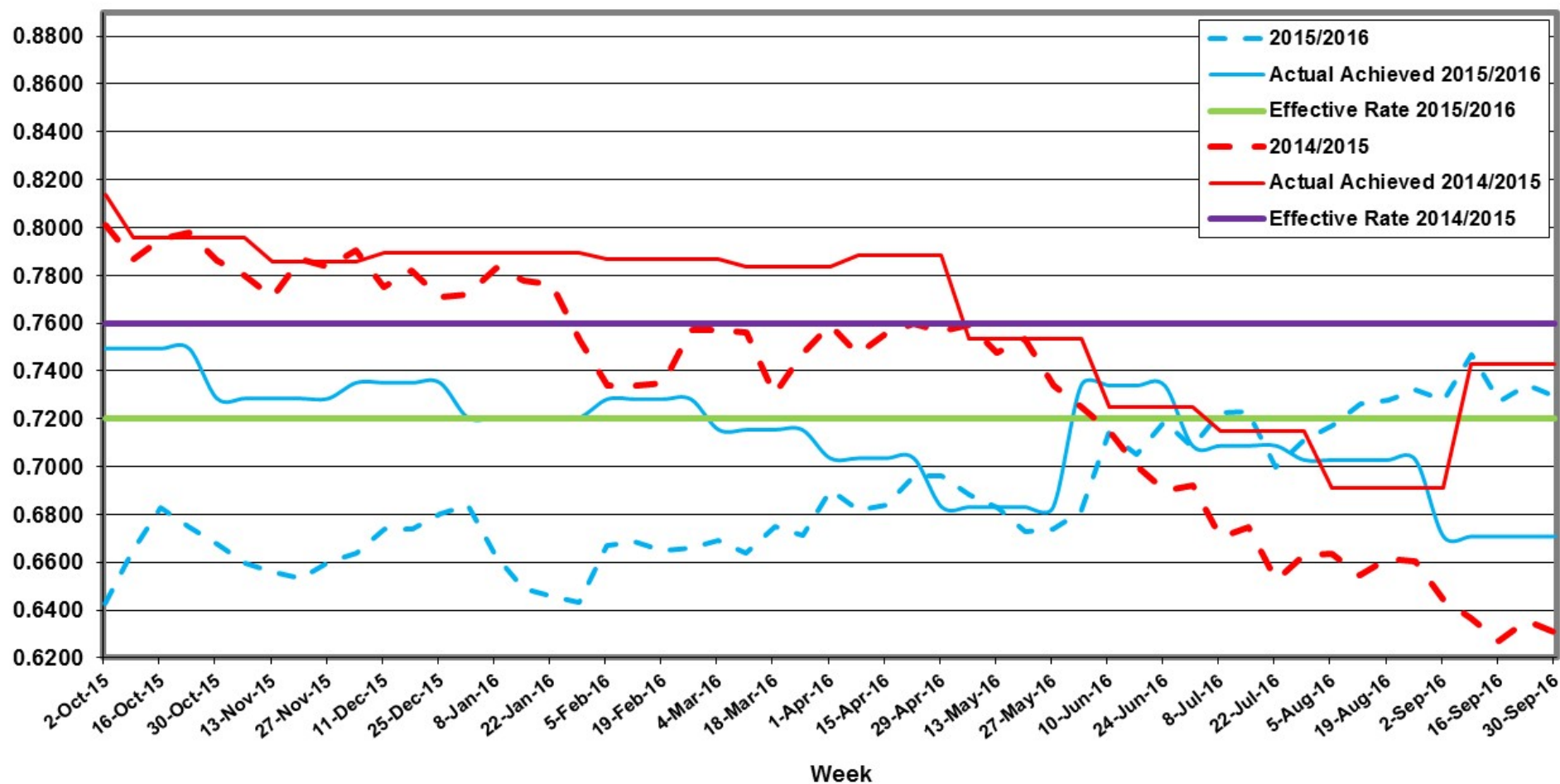
GOOD IMPROVEMENT IN FISHING & SALMON



- Fully exited IPS business and reduced operating loss incurred by \$7.4m. Focus on Fresh and pricing (and retaining better FX benefits) added \$8.4m
- Mussel business impacted by El Niño weather pattern but significant improvement in the salmon business with focus on fresh and domestic channel
- Other business improved slightly and other infrastructure costs have increased to support future business development

FX CONTINUED TO MOVE IN OUR FAVOUR

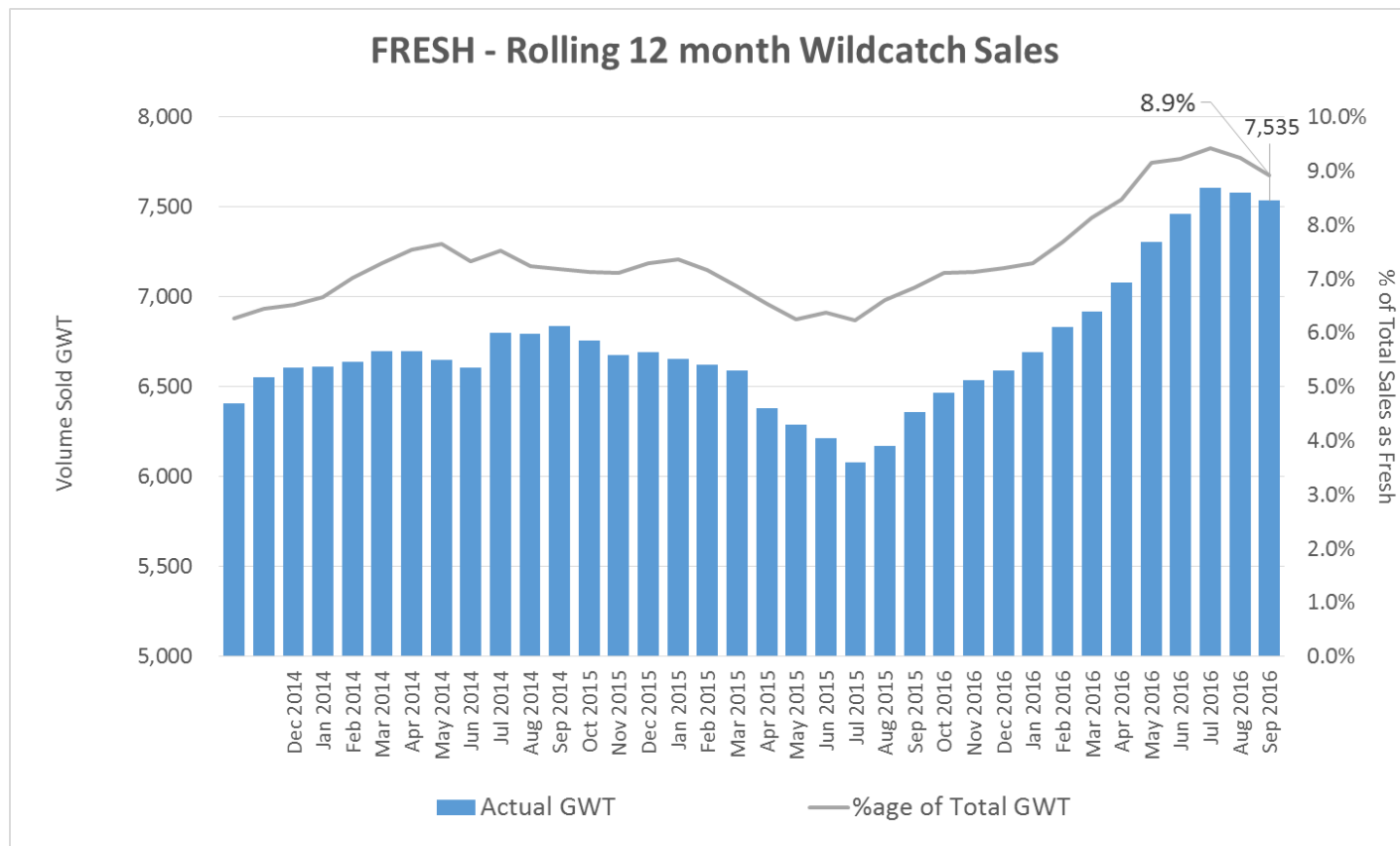
USD Exchange Rate
2015 Year compared to 2016 Year



- Note that NZD had strengthened against the AUD & JPY

FOCUS ON CUSTOMERS

- 'Focus on Fresh' emphasises an increasing allocation of raw material to the chilled sector
- Move towards in-market specialists to establish closer links with our customers, constantly challenging ourselves to exceed customer expectations of delivering pristine quality New Zealand sourced products



KEY SANFORD ATTRIBUTES

- 1 **Heritage**
- 2 **Scale**
- 3 **Diversified**
- 4 **Sustainable**
- 5 **Attractive industry dynamics**
- 6 **Multiple Opportunities**
- 7 **Clear Space to Execute**



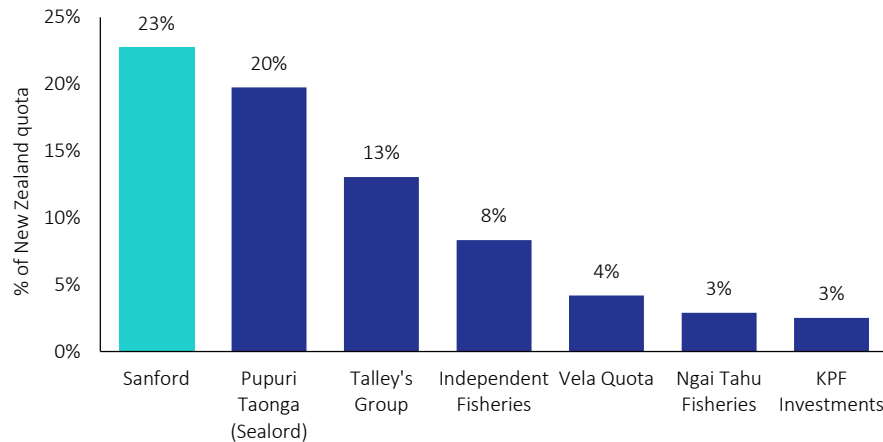
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SANFORD – HERITAGE



Albert Sanford bought his first boat in 1864.
Established the company in 1881.

SANFORD TODAY – ESTABLISHED SCALE



Sanford is New Zealand's largest quota holder



49
vessels



210
aquaculture farms



7
processing sites

No 1 – Wild Caught Fish

No 1 – Greenshell Mussels

No 2 – King Salmon

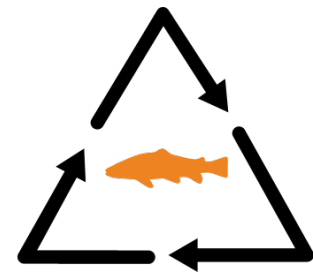
**>100 million kg (GW) of
products**

¹ 2015 Estimates

SANFORD – SUSTAINABLE



1ST



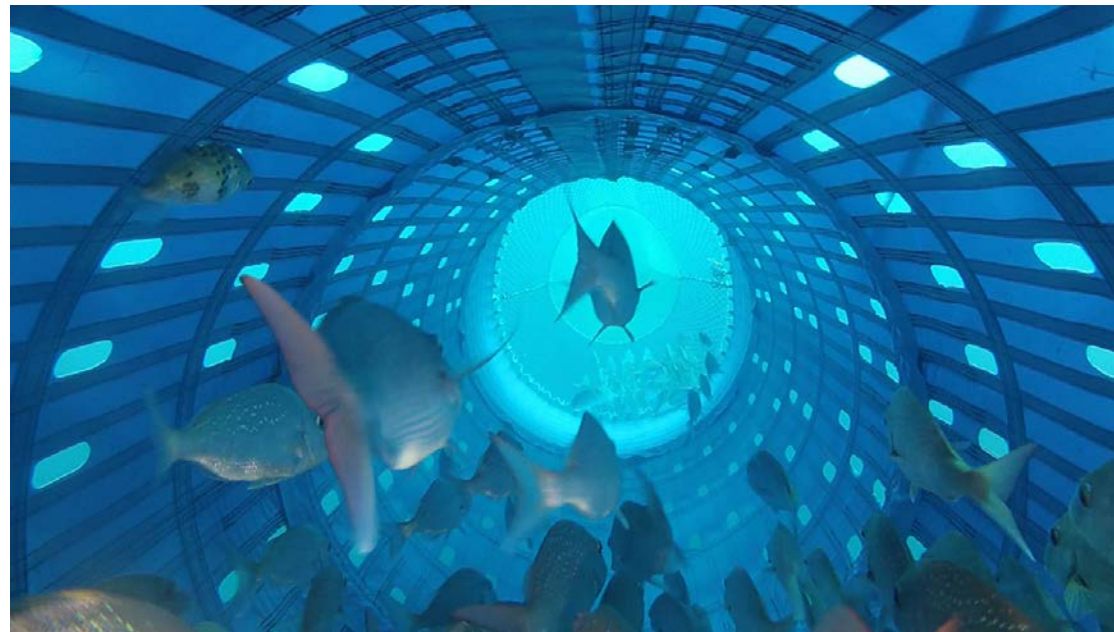
**FOR THE MANAGEMENT OF
SUSTAINABLE FISHERIES**

New Zealand's seafood industry has been ranked the most sustainably managed fishery in the world, twice.

Source: Worm et al 2009 and Alder et al 2009



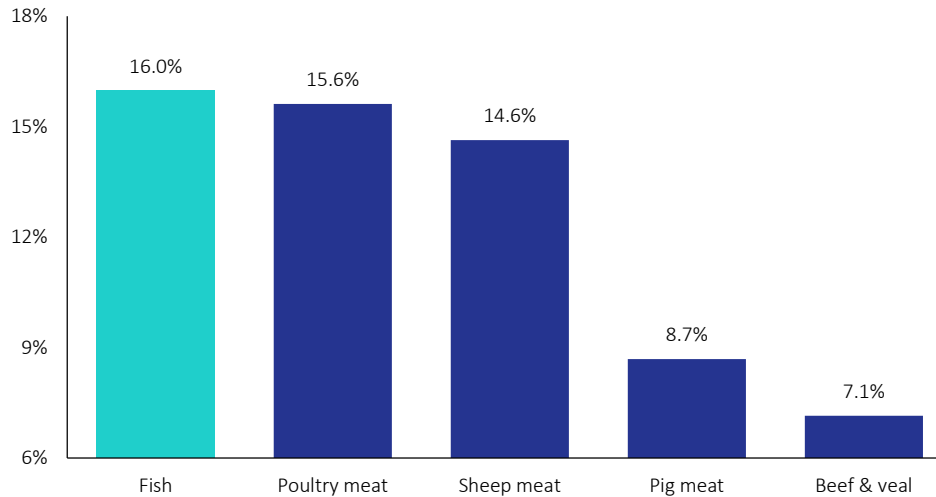
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SANFORD – ATTRACTIVE INDUSTRY

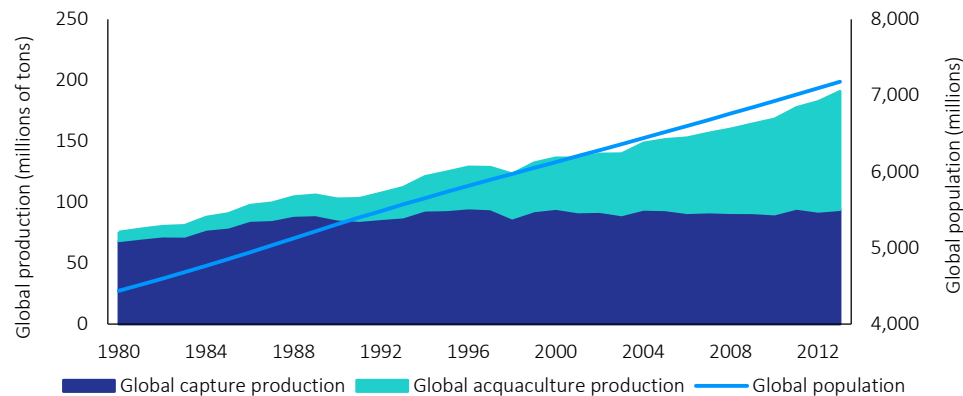
Global protein consumption growth outlook (2014 – 2020)



Source: OECD – FAO Agricultural Outlook

Shortage of 50 -80 million tonnes by 2030

Global seafood production vs. population growth



Source: FAO, United Nations

NZ supply only 0.3% of Global consumption

SANFORD - OPPORTUNITIES

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Multiple avenues for growth and improved operating efficiency

- There is a unique opportunity for New Zealand's seafood to become recognised globally as a premium product
 - New Zealand's seafood production accounts for only **0.3%** of global production, providing the opportunity to position it as a premium niche product
- Despite the outlook for New Zealand's TACC remaining relatively flat, growth is expected to come from a focus on high margin (fresh) product and operating efficiencies
- There is a significant growth opportunity within New Zealand, given the **relatively low consumption per capita** to comparable geographies
- Sanford has experienced robust domestic sales growth, 30% YoY, largely attributable to the recent partnering with Foodstuffs
- A large number of untapped and untold stories exist in New Zealand, including:
 - **Chinook King salmon from Stewart Island**
 - **Antarctic toothfish, which only a handful of companies have access to, with Sanford occupying c.16% of global supply (2016)**
 - **Scampi, which is a product highly prized in Asia, but almost unknown to New Zealander's**
- **Volume growth potential from Aquaculture – Salmon and Mussels**

Getting to \$1/kg

- **Focus on Fresh**
- **NZ**
 - **Food Service**
 - **Supermarket**
 - **Retail**
- **Provenance Stories**
 - **Branding**
- **Innovation – Whole Fish Solution**
- **Aquaculture**

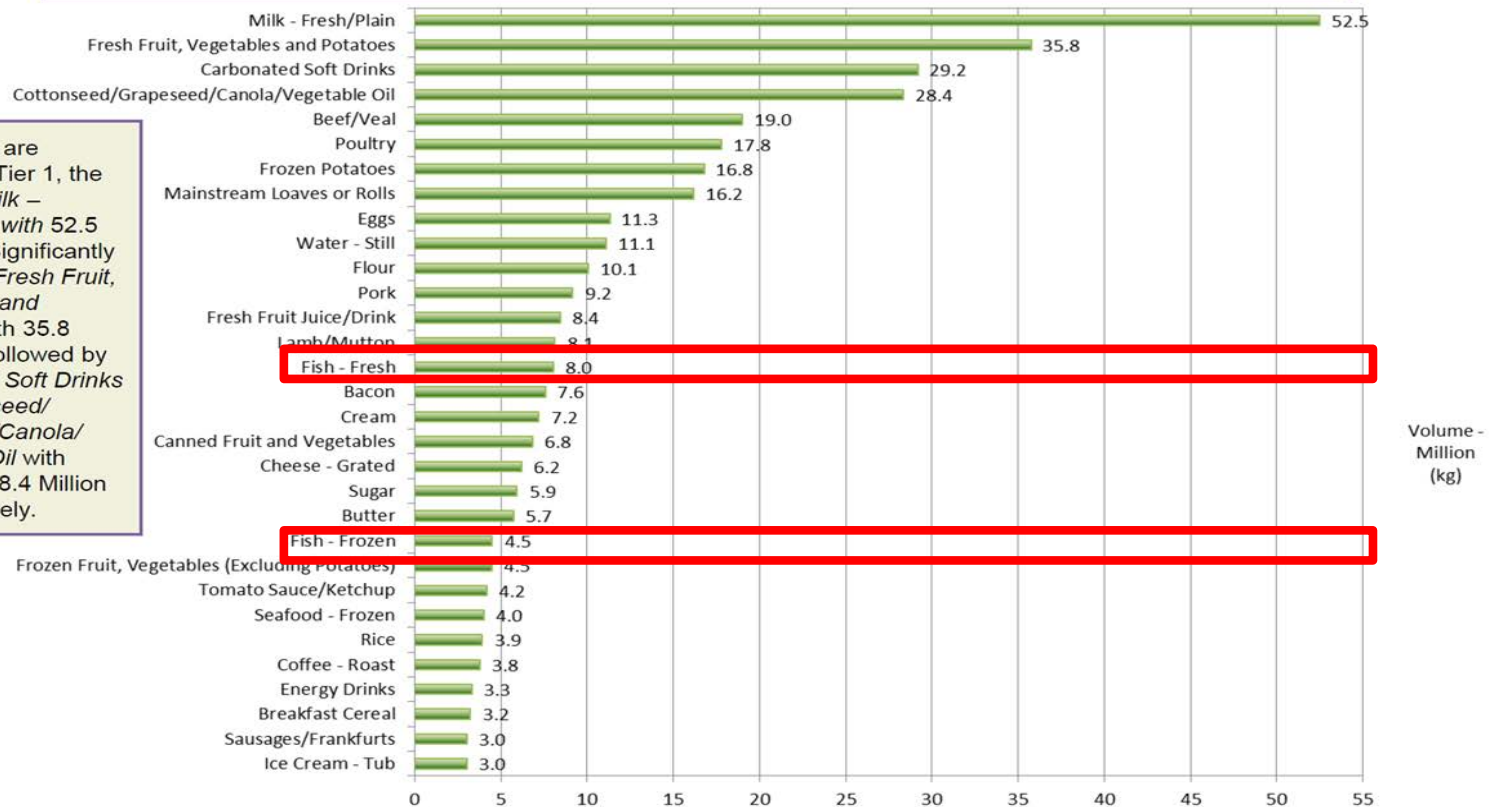
FOCUS ON CHANNEL



Product Market Size – Tier 1

CHART OBJECTIVE* – Volume (kg) by Tier 1: Products greater or equal to 3 Million kg**

31 products are included in Tier 1, the top being *Milk – Fresh/Plain* with 52.5 Million kg. Significantly behind are *Fresh Fruit, Vegetables and Potatoes* with 35.8 Million kg, followed by *Carbonated Soft Drinks* and *Cottonseed/Grapeseed/Canola/Vegetable Oil* with 29.92 and 28.4 Million kg respectively.



*Chart does not include *Disposable Packaging and Paper Products* as this category is presented in units. Please see the online database for market size.

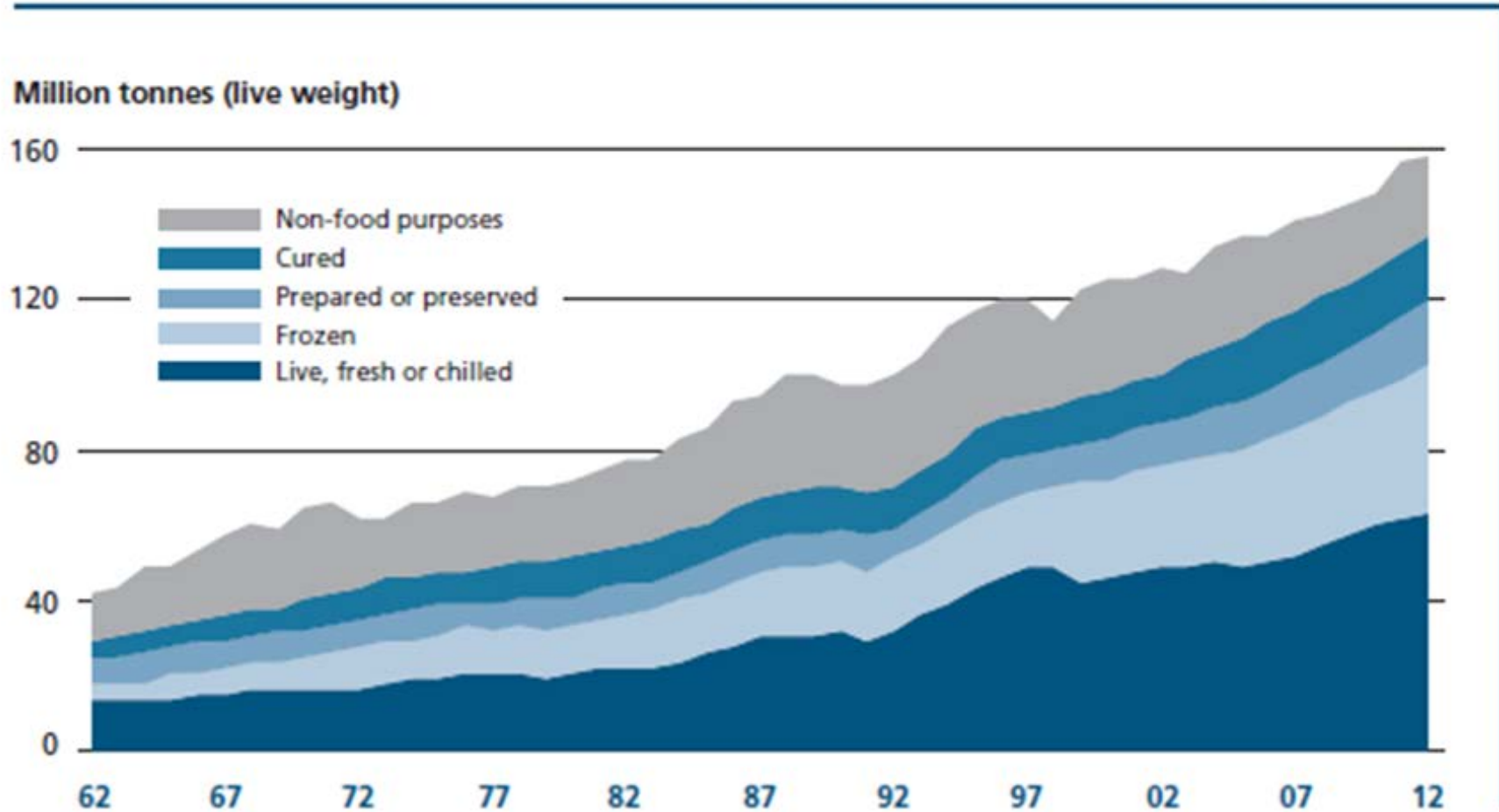
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\$200 million NZ market size – more in Australia

INCREASING CONSUMPTION

- Live and Fresh Seafood trend is good

Utilization of world fisheries production (breakdown by quantity), 1962–2012

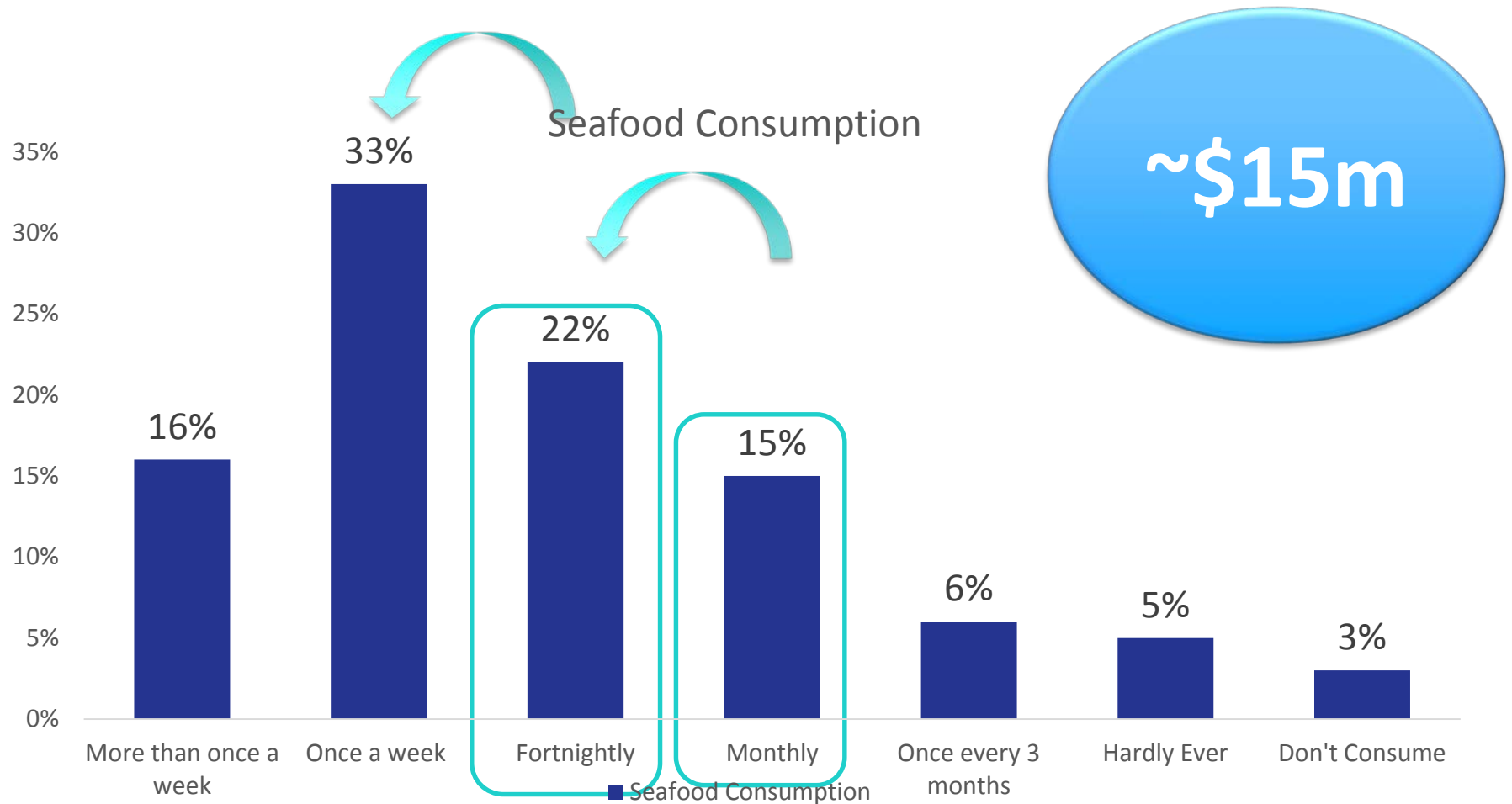


Source: United Nations and OECD



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SIZE OF OPPORTUNITY IN NEW ZEALAND (EBIT)



* Consumer Link Research August 2016, n=500

UNCOMPROMISING CARE CREATES THE SANFORD DIFFERENCE



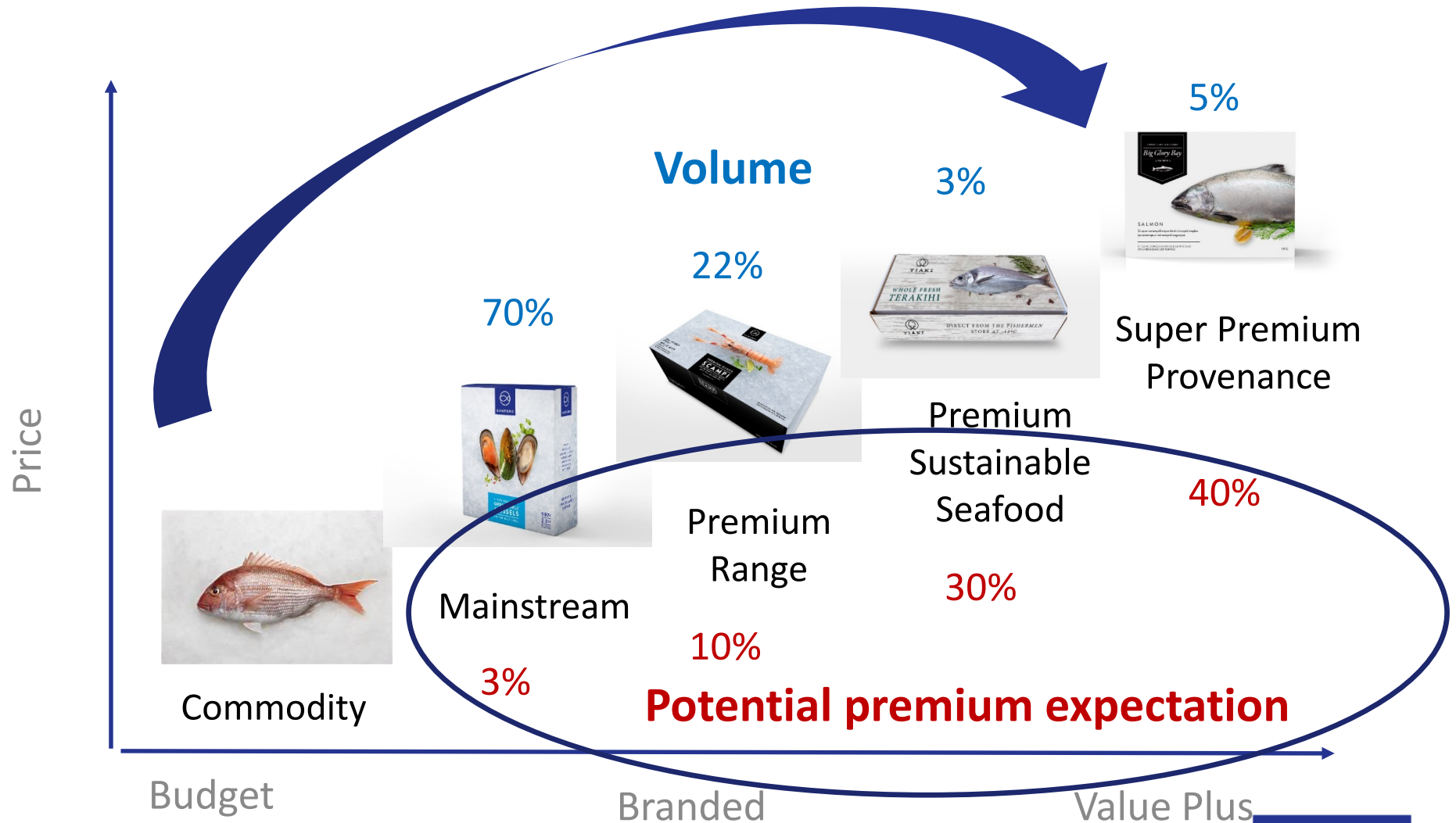
**FINEST
SOURCE**



**UNCOMPROMISING
CARE**



HOW THIS WILL WORK FOR SANFORD AS WE MOVE FROM A COMMODITY TO A VALUE ADDED BRANDED OFFERING



A PORTFOLIO OF BRANDS



Sanford Blue
Mainstream

- Commodity
- Processing
 - B2B
 - Bulk
- Hoki, HS Mussels



Sanford Black
Premium Range

- High Value
- Foodservice
 - B2B & B2C
 - Value Add
- Scampi, Snapper



Big Glory Bay – by Sanford
Super Premium Provenance

- Highest Value, Quality
 - B2B & B2C
- Foodservice & Direct
- Provenance / **Organic**
- Salmon, Mussels, Oysters

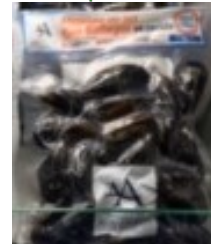
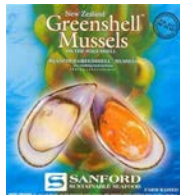


Tiaki – by Sanford
Premium Sustainable Seafood

- Highest quality
 - B2B & B2C
- Foodservice & Retail
- White Fish caught PSH



INNOVATION AND VALUE CREATION



\$5.80

>\$100

Foundation

Value Creation



SANFORD

MAXIMISING VALUE OF THE WHOLE RAW MATERIAL



Petfood*
Mussel Mince
Fat Lined Block



Equine Products*
Hoki Oil



&



Pet Treats*

- Hoki Skin
- Ling Skin
- Mussels
- Hoki Mince



Petfood*
Freeze Dried Mussels



Pet Supplement
Hoki Oil

* Not Sanford product. We are an ingredient supplier only

TŌ NUTRACEUTICALS



AQUACULTURE: VOLUME AND INNOVATION

> Mussels

- > Waterspace available for growth
- > Production capacity for halfshell and meat of c.50,000GWT
- > Innovation for powder, oil, pet food

> Salmon

- > Current footprint fully utilized, limited impact (size of rugby stadium)
- > NZ Coastline similar to Norway and we produce 1.5% of their volume of Salmon
- > Significant economic opportunity for Southland

SANFORD – CHALLENGES

- Reputation of Fishing Industry
- Misalignment of focus within the industry
 - Commodity vs Value
- Social Licence to Operate
 - NIMBYism
 - Mussel waterspace renewal
 - Recreational sector

SANFORD – RESPONSE – BE THE CHANGE

- Increasing transparency
 - Focus on Culture (Passion, Integrity and Care)
 - Integrated Reporting – International Recognition
- Focus on Value
 - Branding – **Uncompromising Care**
 - Move up the value chain – **Whole Fish Solution**
- Sanford Story and linkage to communities



SANFORD

THANK YOU

