



SANFORD

**ANALYST RESULT BRIEFING
FINANCIAL PERIOD 6 MONTHS
ENDING 31 MARCH 2018**

23 MAY 2018



**BEAUTIFUL
- NEW ZEALAND -
SEAFOOD**

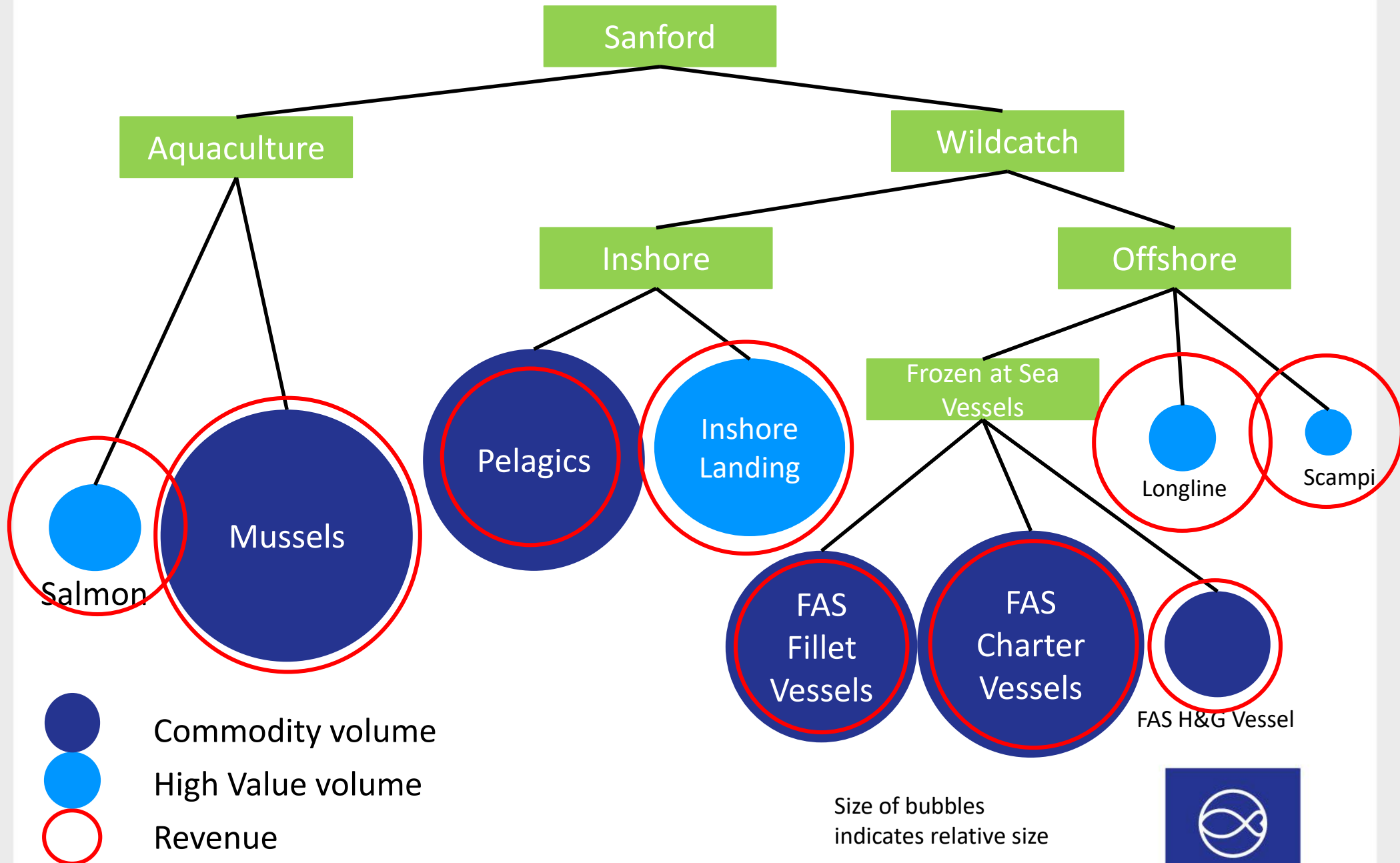
DISCLAIMER

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.

Non- GAAP Terms

The presentation makes reference to adjusted EBIT, which is a Non-GAAP measure, a description of this term is found in the Interim Report on page 8.

SANFORD AT A GLANCE



HIGHLIGHTS

- > Net Profit After Tax improvement of 43.3% to \$27.3m, positively impacted by 2016 Kaikoura earthquake insurance claim settlement for Havelock plant (\$9.9m pre-tax)
- > Adjusted EBIT improvement of 14.2% to \$35.4m
- > Revenue growth of 18.4% from \$230m to \$273m y-o-y on volume increase of 6.8%
- > EBIT/kg (harvested weight) improved from \$0.52 to \$0.54
- > Value growth attributable to
 - > Strong pricing across species like squid, orange roughy, salmon and improving mussel pricing
 - > Product diversification and cascade optimisation (mussel powder, hoki fillets vs fillet blocks)
 - > Channel strategy (high end foodservice)
 - > Branding (Big Glory Bay)
- > Strong operating cash flow of \$22.8m, 114% up on prior year.
- > San Granit bedding down saw a 27% improvement of catch costs relative to first half of last year

CHALLENGES

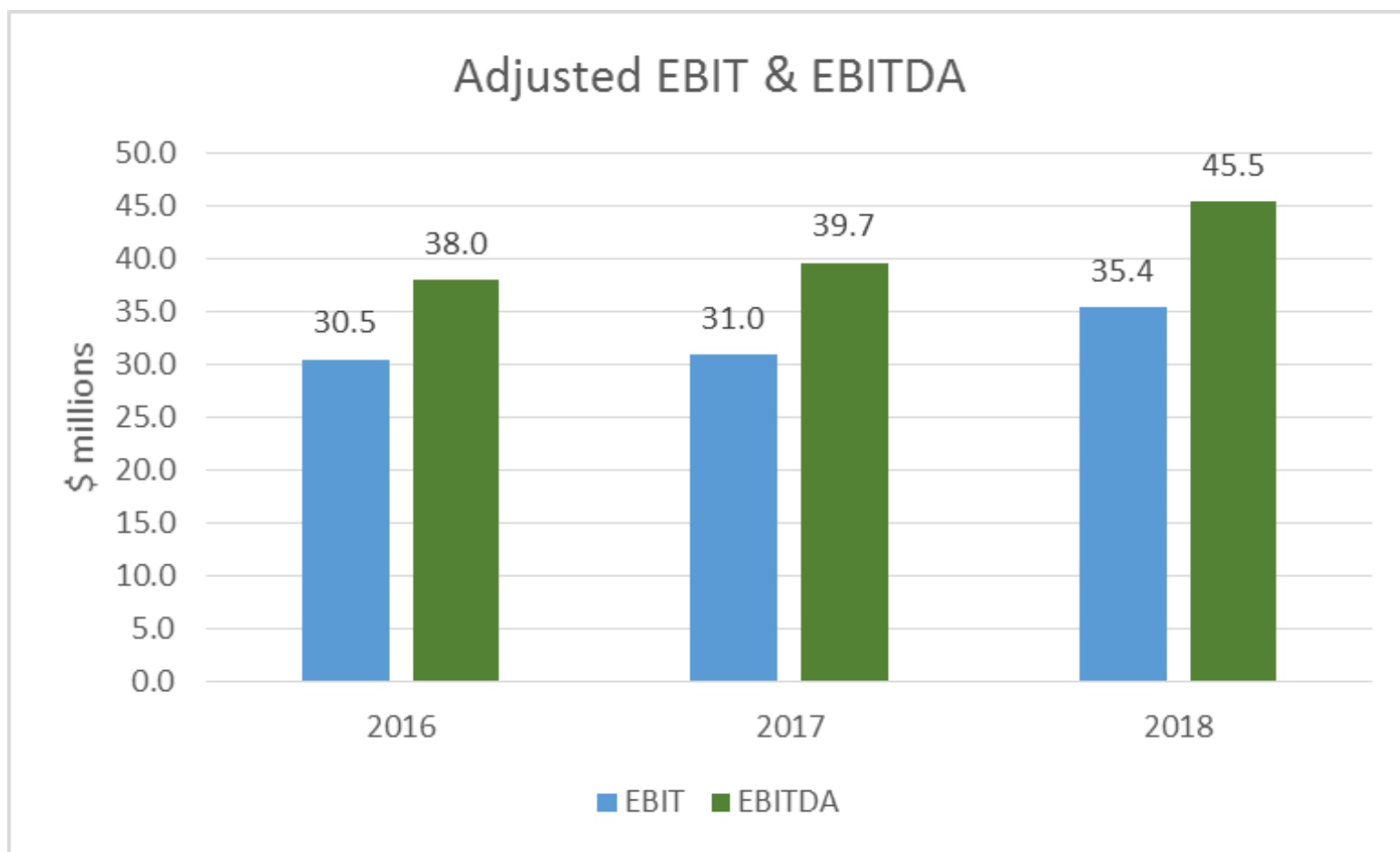
- > Unusual weather patterns
 - Cyclones impacting fishing leading to less days at sea
 - Warmer waters leading to reduced growth and higher mortality of our King salmon – lower volume of salmon available for H2
- > Lower than expected volume and pricing for pelagic business (mackerels and tuna)
- > Wildcatch fleet incurred unplanned maintenance issues
- > Reduced catches of skipjack and pelagics leading to lower inventory levels going into H2
- > 2.5m one-off write down of an inshore vessel

ADJUSTED EBIT OF \$35M

	2018	2017
	(\$m)	(\$m)
Reported EBIT	42.5	30.7
<u>Adjust for one off Items</u>		
Impairment of assets	2.5	0.1
Restructuring costs	0.3	0.2
Havelock earthquake insurance settlement	(9.9)	-
Total one off items	(7.1)	0.3
Adjusted EBIT	35.4	31.0
D&A	10.1	8.7
Adjusted EBITDA	45.5	39.7

- A 14.2% improvement in Adjusted EBIT
- Adjusted EBITDA increase of 14.6%

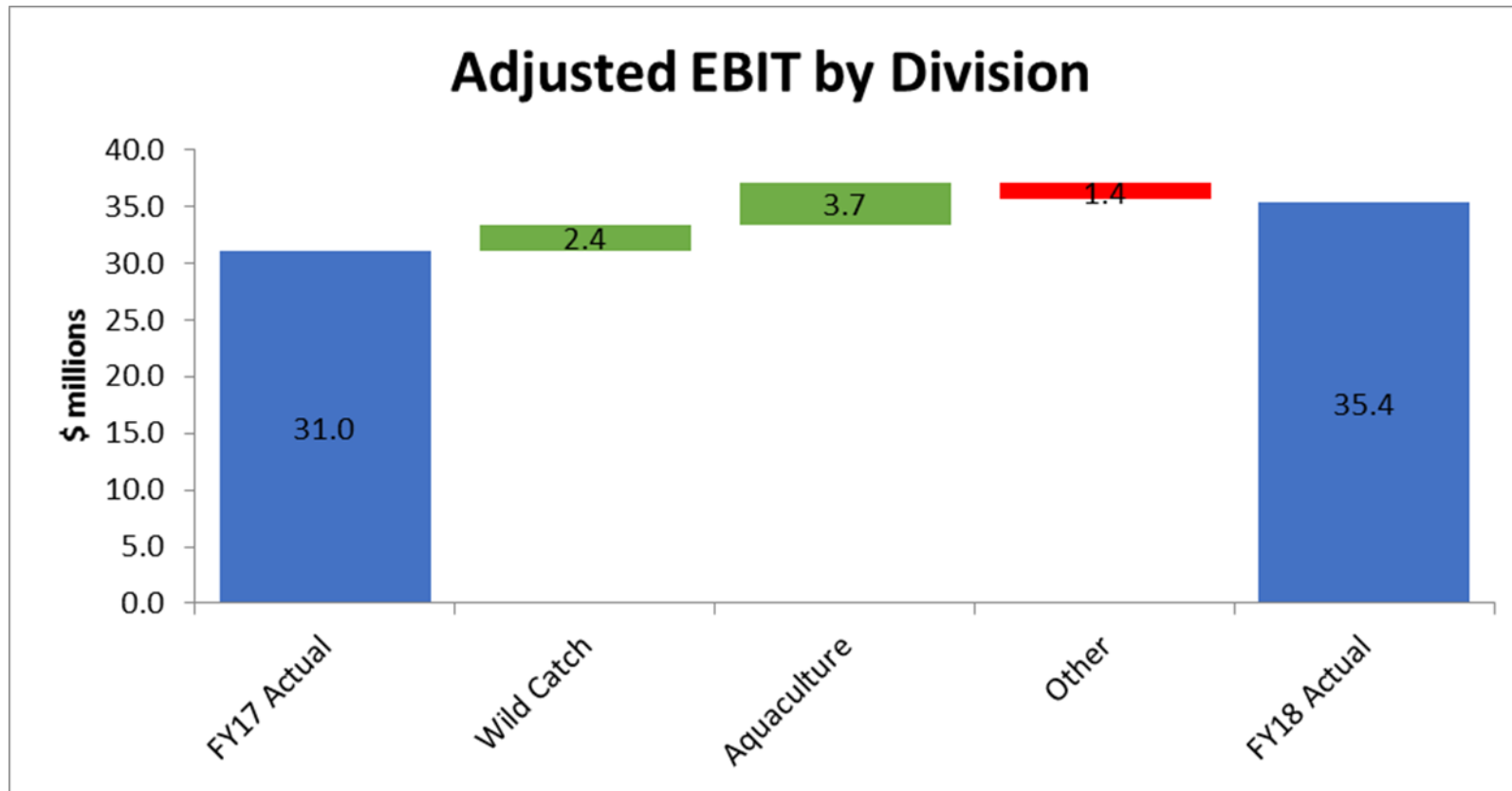
16% IMPROVEMENT IN ADJUSTED EBIT IN LAST 2 YEARS



2018 v 2017

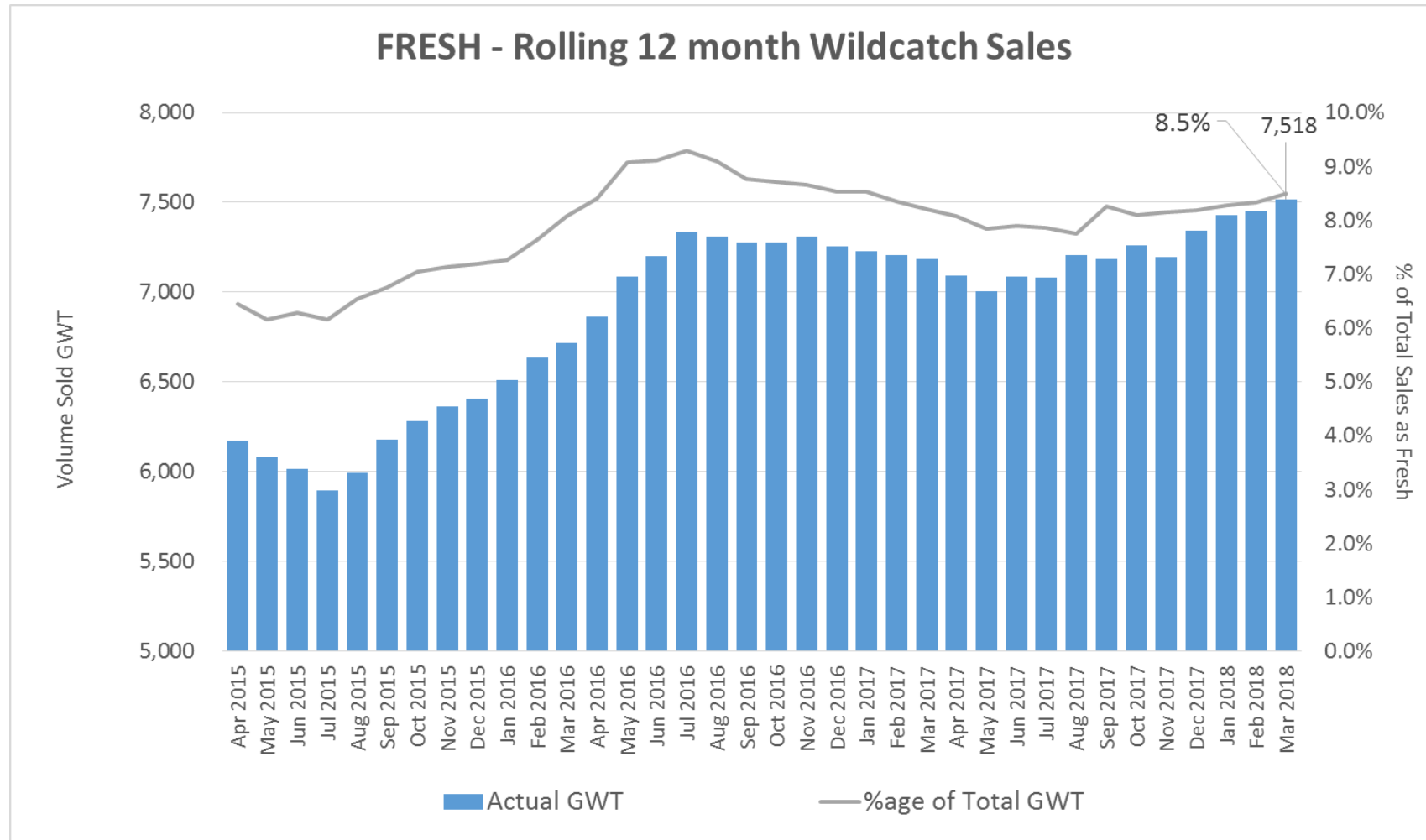
- EBIT improvement due to:
 - increased catch and sales pricing of squid and orange roughy
 - Hoki cascade changes led to increased margin
 - Salmon price growth
 - San Granit now fully operational

2018 H1 PLEASING GROWTH ON 2017



- Wildcatch improvement driven by higher margins on orange roughy and squid partially offset by poor pelagic catch volumes and pricing. Improved fresh fish sales margin due to better mix of species sold.
- Salmon sales volume slightly down countered by mussel volume growth – both businesses evidenced improving pricing

H1 FRESH VOLUME STEADILY INCREASING WITH RENEWED FOCUS



- Increased contract catch volumes through the business.
- Increased focus on moving all fresh landed volume, as fresh sales.



INNOVATION – MUSSELS UPDATE

- **Existing Production** - raw material supply has seen strong yields resulting in good productivity from our current single dryer
- **Expansion** - a second dryer is currently being installed and will be operational in early June



- **Sales** - customer demand for our powder remains strong, with indications that there is a general shortage of good quality powders
- **Overall** – high demand product providing excellent value-add opportunity to the green lipped mussel business



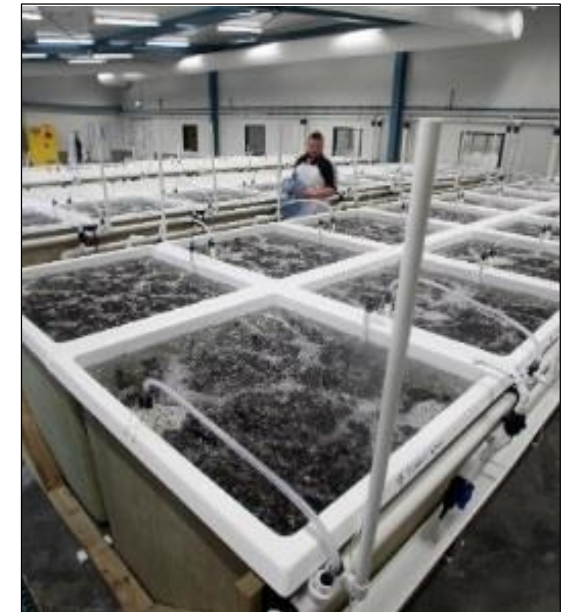
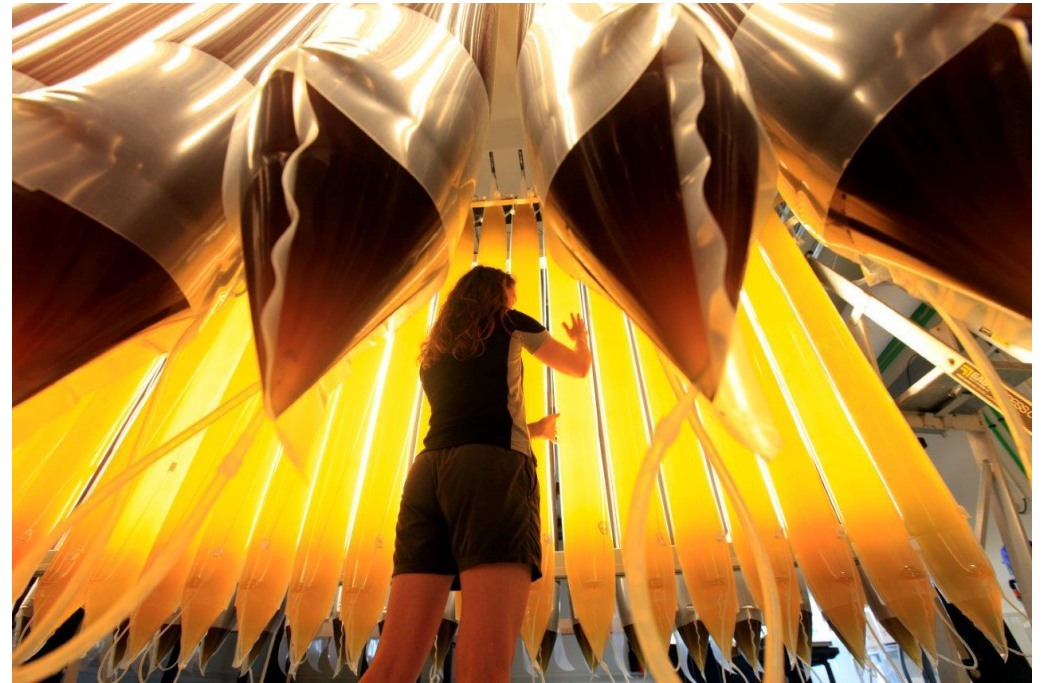
INNOVATION-SPATNZ



The first hatchery for Greenshell mussels opened in Nelson in April 2015

- > Harvested the first batch of seeded mussels in May 2017
- > Enables selective breeding and predictive supply of spat

<http://www.spatnz.co.nz>



NEW ZEALAND
INNOVATION
AWARDS® 2017

WINNER
INNOVATION IN AGRIBUSINESS
& ENVIRONMENT



COLLAGEN FROM HOKI SKINS

- Sanford's focus on innovation includes working alongside Plant & Food Research and Revolution Fibres to produce marine collagen nanofibre for skincare products
- Collagen from hoki skins is converted to fibres through electrospinning and formed into a platform that enables delivery of specially-formulated extracts into the human skin
- Hoki skins, that would ordinarily be turned into fishmeal, are now used for a significantly higher value proposition
- At the development stage but holds considerable potential for high value addition



PRODUCT CASCADE OPTIMISATION - HOKI



Reducing hoki fillet block production towards a focus on individual fillets on our factory vessels, delivering a higher value product to the end users.

Commodity blocks are traditionally used for further processing into fish fingers and compete against other whitefish species.



SUSTAINABILITY AS A
KEY ENABLER FOR
BUILDING
ENGAGEMENT AND A
POSITIVE VALUES-
BASED CULTURE

...



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SANFORD

MARINE PLASTIC

...



OUR KEY FOCUS AREAS

- Identify, quantify, set reduction targets
- Internal engagement - personal pledge
- Targeted initiatives to reduce plastic packaging
- Eliminating plastics across target operational areas, through innovation
- Engaging in strategic partnership initiatives to mobilise action: local, national, international

— QUESTIONS



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