



SANFORD

# FY22 RESULTS BRIEFING

For the 12 months ended 30 September 2022

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## AGENDA TODAY

1. Summary
2. FY22 Results
3. Update by Division
4. Strategic Transition
5. Questions
6. Conclusion



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# 1. SUMMARY



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## KEY MESSAGES

- Returning to growth
- Strong outcome in both Wildcatch and Salmon
- Mussels remain challenging
- Good performance in volume and margin in all international markets
- Challenges throughout the year that have required a response while continuing to meet our goals
- Resumption of dividend payment

# FY22 RESULTS SNAPSHOT

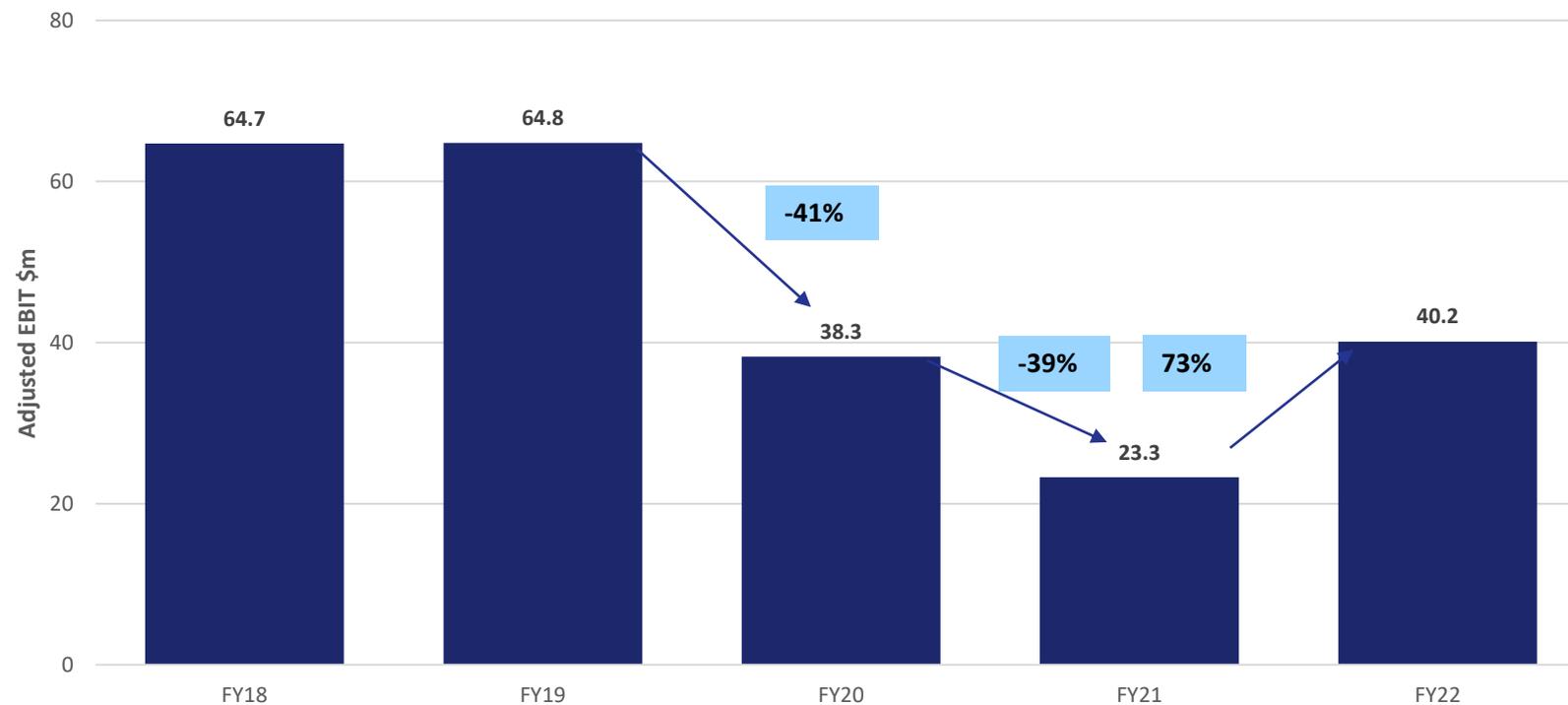
Positive gains on prior Covid-impacted period

Catch/Harvest Volume	Sales Volume	Revenue	Adjusted EBIT <sup>1</sup>	
<b>109.4k</b> GWT	<b>104.7k</b> GWT	<b>\$531.9</b> <sub>M</sub>	<b>\$40.2</b> <sub>M</sub>	
▼ -2.2%	▼ -7.7%	▲ +8.6%	▲ +72.5%	
EBIT GW kg	Adjusted EBITDA <sup>1</sup>	NPAT	EPS	Final Dividend
<b>38</b> ¢	<b>\$68.3</b> <sub>M</sub>	<b>\$55.8</b> <sub>M</sub>	<b>60</b> <sub>CPS</sub>	<b>10</b> <sub>CPS</sub>
▲ +17¢/kg	▲ +29.8%	▲ up 3.4 times	▲ +43¢	▲ +10 cents

1. See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT of \$55.8m  
Note: Comparative period above is FY21

# SIGNIFICANT EARNINGS IMPROVEMENT, ARRESTING COVID DECLINE

Adjusted EBIT by Financial Year



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# FY22 RESULTS SUMMARY

## Trading conditions

- **Demand has lifted** and in-market prices have improved and now stabilised
- **Increased costs** across most of the business, including fuel, feed, freight and payroll
- **Covid impact** diminishing with most markets now open for business
- **Labour shortages continue** hindering production and thus growth. Minor improvement in recent weeks as more people enter the country and initiatives take hold
- **Shipping delays** impacting delivery times and our ability to meet demand. This is expected to continue into 2023. However, Kotahi initiative has offset some of this challenge
- **Volatility in foreign exchange** - risk managed through comprehensive hedging strategies
- **Increased interest rates** impacting cost of funds

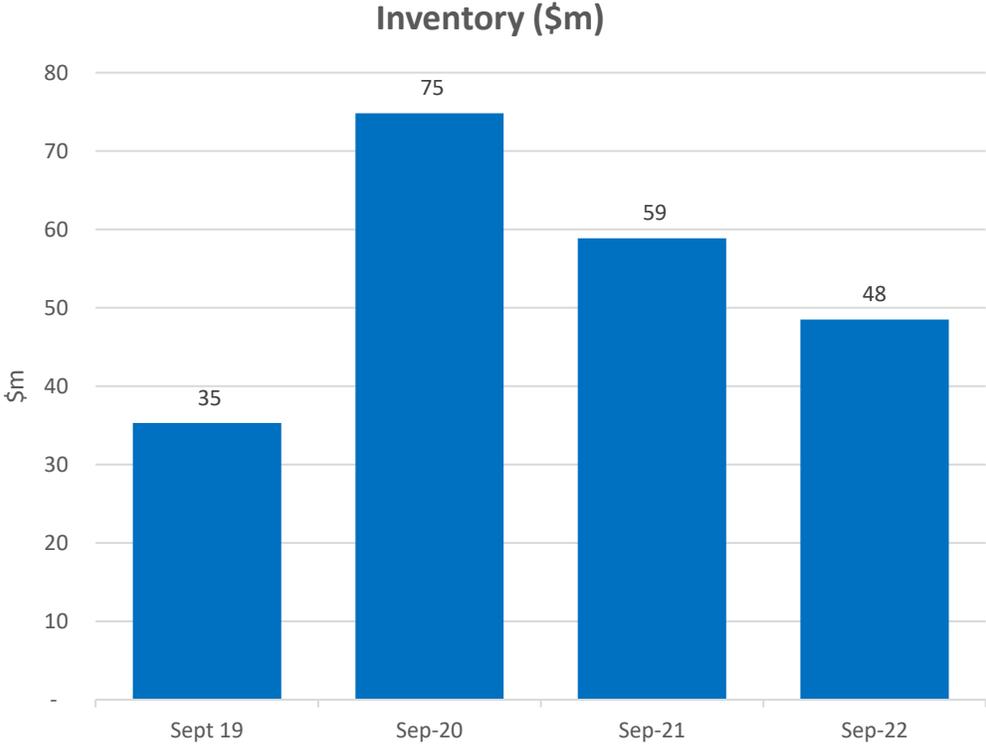
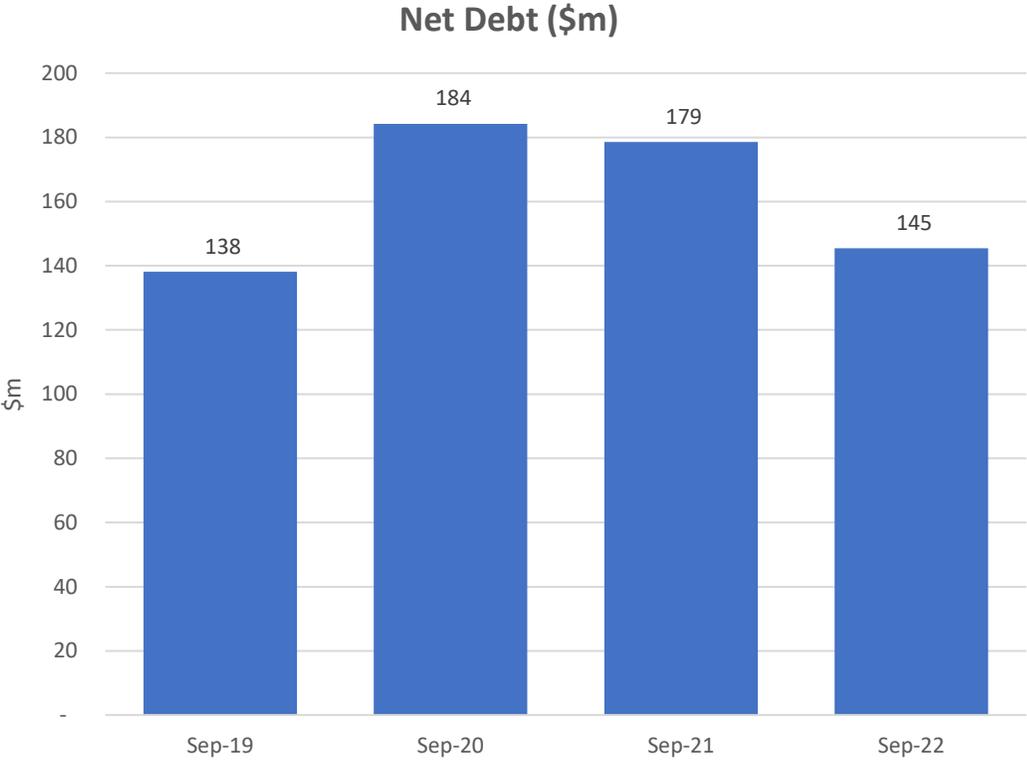
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# FY22 RESULTS SUMMARY

## Achievements during FY22

- ✓ Improved profit performance
- ✓ Price improvement and increased margins
- ✓ Prudent capital management – reduced debt levels and improved operating cashflows
- ✓ Investment in growth initiatives aligned to strategic plan
- ✓ Growth of Big Glory Bay branded product
- ✓ Completed the build of the Sanford Bioactives centre
- ✓ Improved sustainability and environmental metrics
- ✓ Increased water temperature risk mitigation initiatives in Big Glory Bay

# DEBT AND INVENTORY REDUCTION



Net debt and inventory levels moderating towards pre-Covid levels



# ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) EMBEDDED IN STRATEGY

## ESG Framework

- Our whole of business Sustainability approach has five pillars.
  - Those pillars remain **embedded** within our refreshed strategy
  - The five pillars represent
    - Healthy oceans and ecosystems
    - Achieving operational excellence
    - Customer relationships
    - Our people – their welfare and wellbeing
    - Our relationship with communities
- 
- This year we also released our ESG world profile



# ESG - FY22 HIGHLIGHTS<sup>1</sup>

## Climate

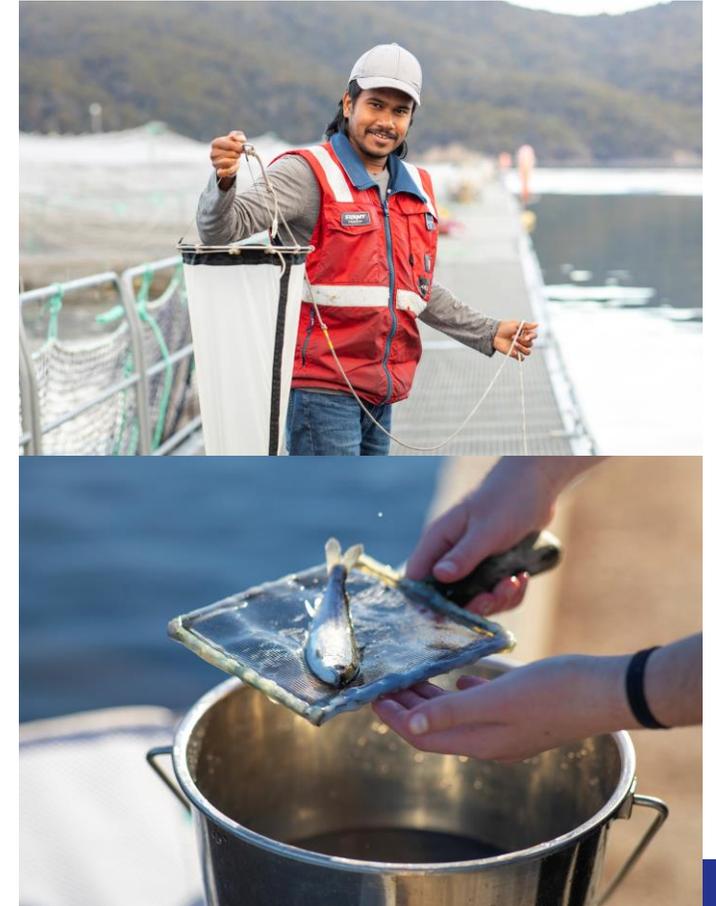
- Progress on efficiency projects for our emissions intensive assets e.g. propellor replacements, engine mode controls
- 7.6% reduction in scope 1 & 2 carbon emissions<sup>2</sup>

## Ocean and Environment

- Consistent and sustained reduction in fisheries interactions with seabirds and marine mammals since FY18 (seabirds down 45%, marine mammals down 65%)
- Regulatory approval obtained for use of PSH (Precision Seafood Harvesting) gear on North Island West Coast
- Waste diversion from landfill across all operations at 75%

## People and Community

- Increased foodbank support during FY22, expanding in number and geography
- 294,576 meal equivalents donated to foodbanks across the country



1. Refer to Integrated Report for further details

2. Our Target: Absolute GHG reduction of 25% by 2030 from a 2020 base year. (Scope 1 & 2 emissions)



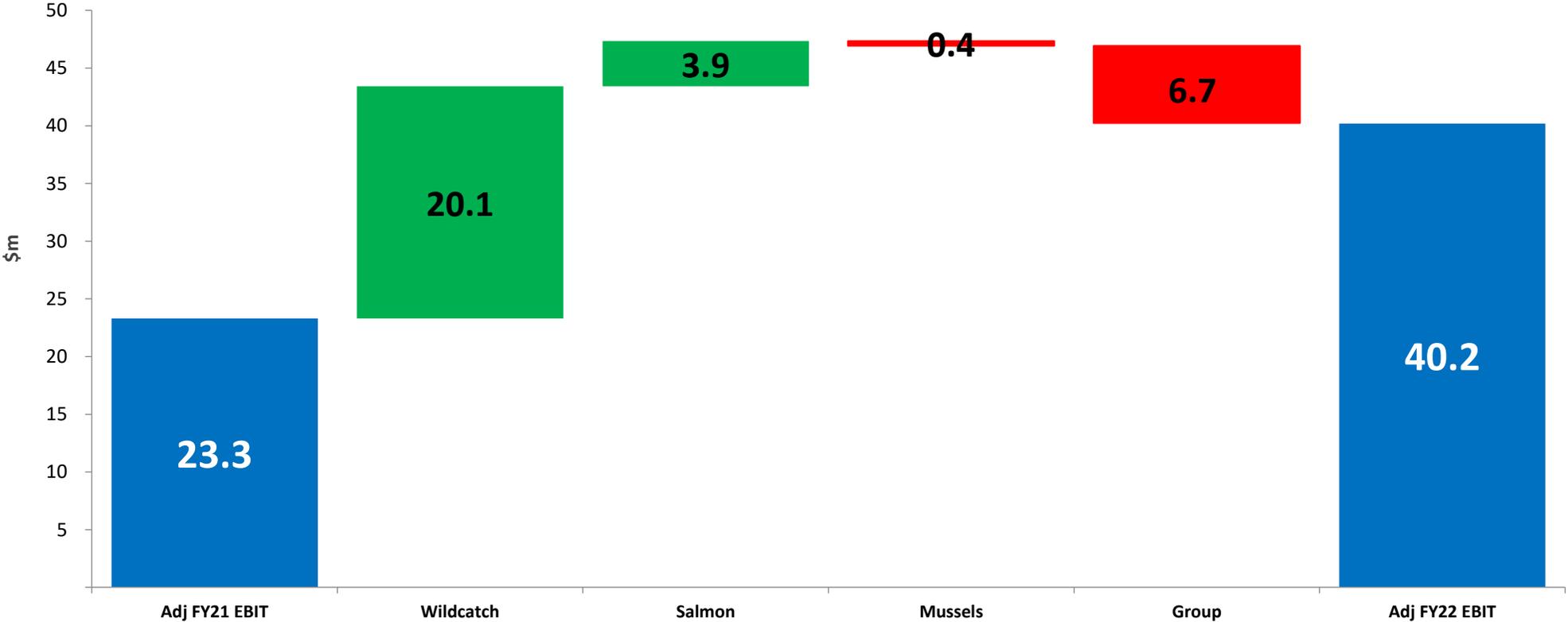
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## 2. FY22 RESULTS



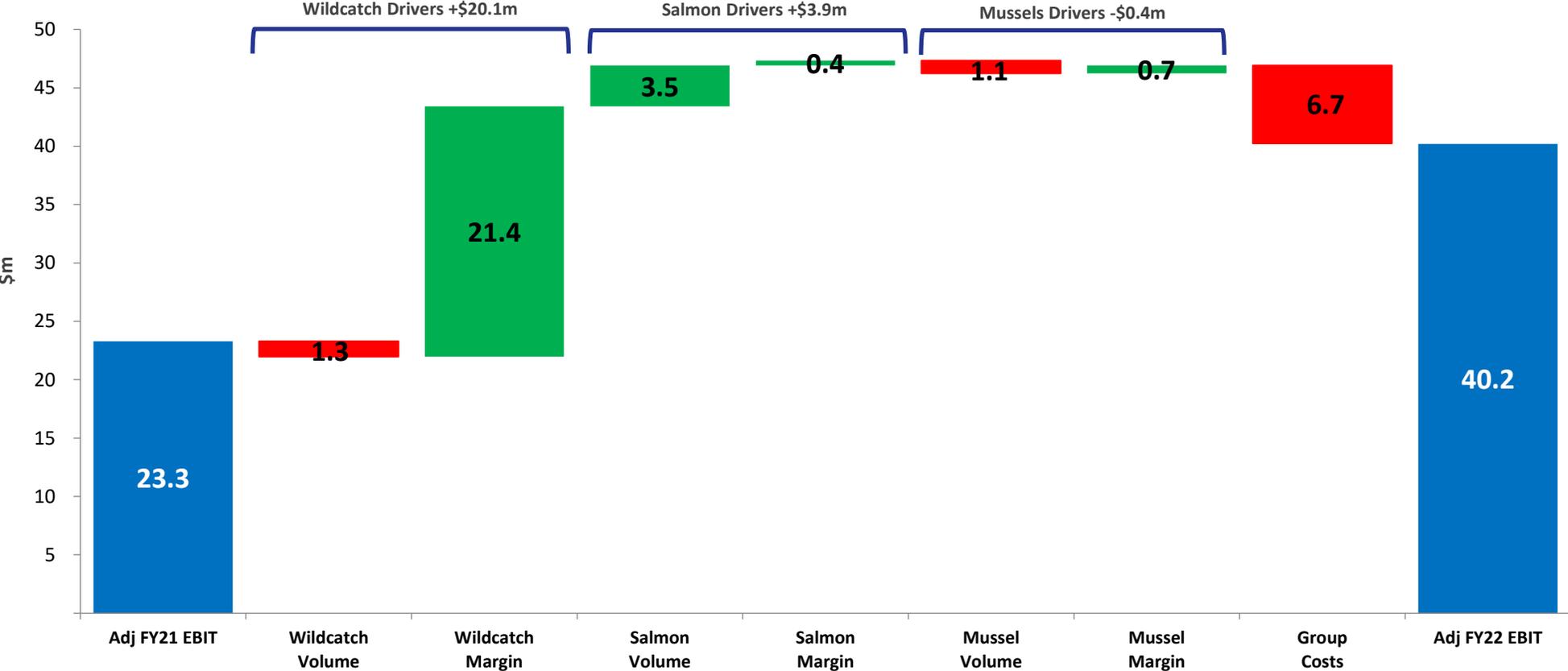
# EBIT PERFORMANCE DRIVEN BY WILDCATCH RECOVERY AND CONTINUED GROWTH IN SALMON

Key drivers of Adjusted EBIT change



# EBIT GROWTH DRIVEN BY PRICING ACROSS ALL DIVISIONS, OFFSET BY COST PRESSURE AND SUPPLY CONSTRAINTS IN MUSSELS

Key drivers of Adjusted EBIT change



# BALANCE SHEET AND CASH FLOW

Improvement in all key balance sheet measures – operating cash up

Gearing<sup>1</sup>

**18.9%**

▼ Sep 21 22.3%

Net Debt

**\$145.5M** ▼ -18.5%

Total Equity

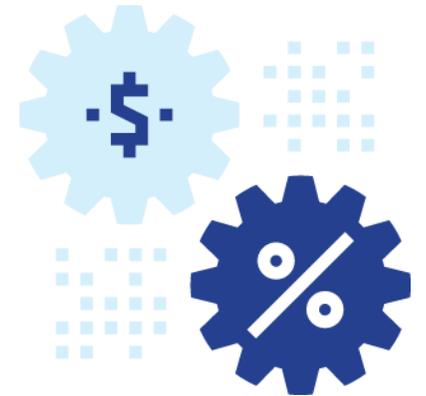
**\$665M** ▲ +4.9%

Net Debt / Adjusted EBITDA

**2.1x** ▼ Sept 21 3.4x

Return on Average Total Equity

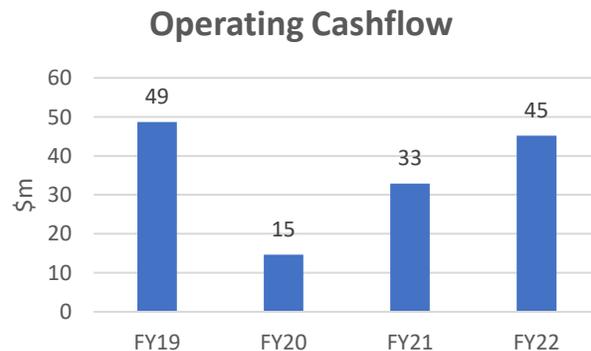
**8.6%** ▲ Sept 21 2.6%



Operating Cashflow

**\$44.9m**

▲ +\$13m



Free Cashflow<sup>2</sup>

**\$44.6m**

▲ + \$28m

Debt Facility Headroom<sup>3</sup>

**\$115m**

▲ Sep 21 \$87.5m

1. Debt/(Debt+Equity)

2. Net cash flows from operating activities + net cash flows used in investing activities

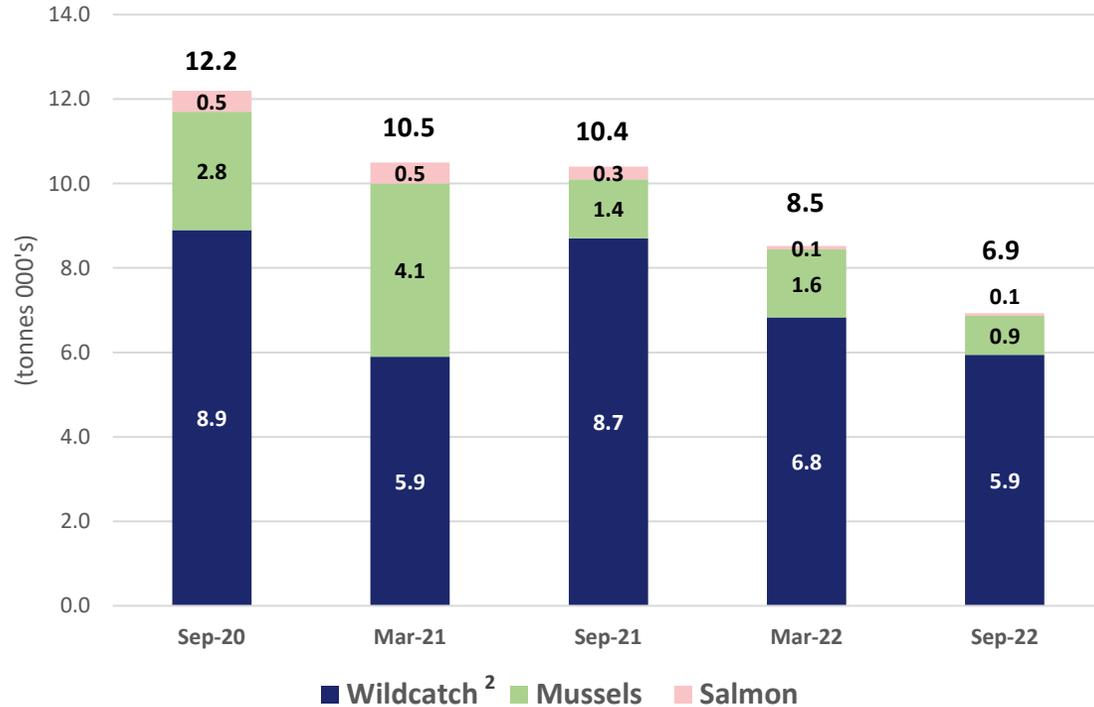
3. Total available facility – total drawn facility

Note comparatives are FY21

# SEAFOOD INVENTORY CONTINUES TO NORMALISE

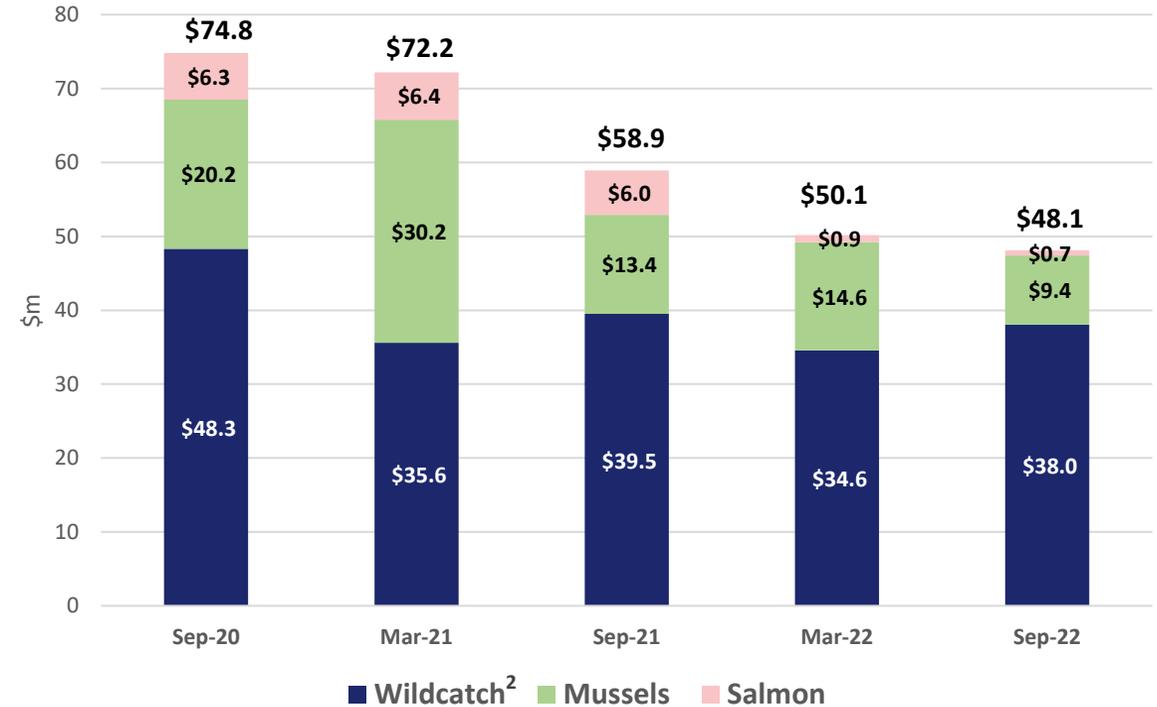
## Inventory Quantity (PWT)

YOY decrease -33%



## Inventory value<sup>1</sup>

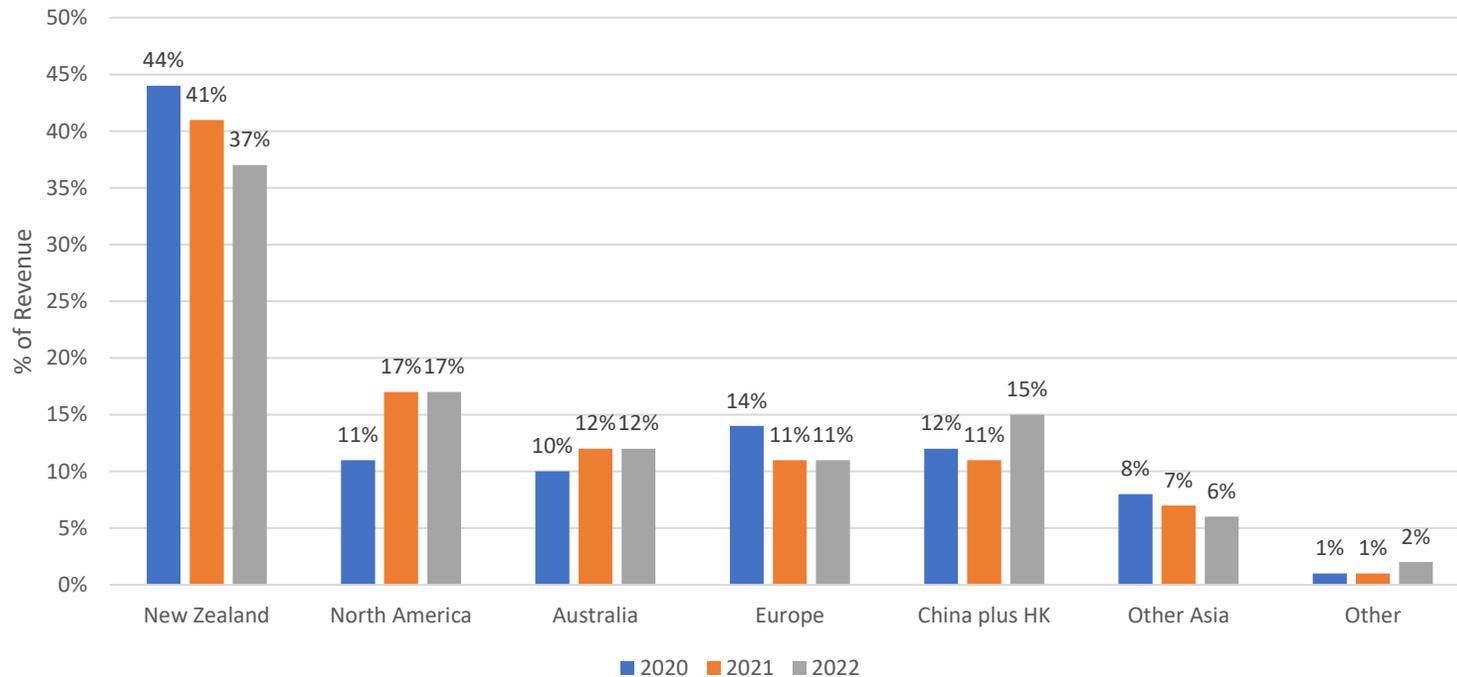
YOY decrease -18%



1. Inventory value differs to financial statements as above excludes non-seafood inventory  
 2. Wildcatch inventory includes stock on board vessels not yet available for sale

# GROWTH IN REVENUE ACROSS KEY MARKETS – CHINA GAINS

Geographic Distribution of Revenue - FY20 to FY22



- Diverse footprint allows us to move sales around as markets change
- Growth year-on-year sales across the key geographic regions
- China sales grew from \$50m to \$75m. Mussel revenue to China remained flat as we continued to diversify our markets for this product globally
- Wildcatch saw significant growth, driven by value uplift for our premium scampi offering

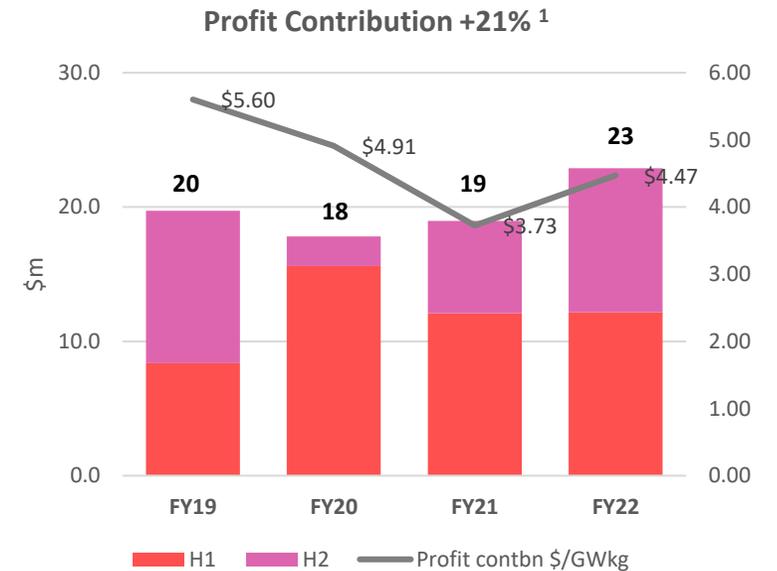
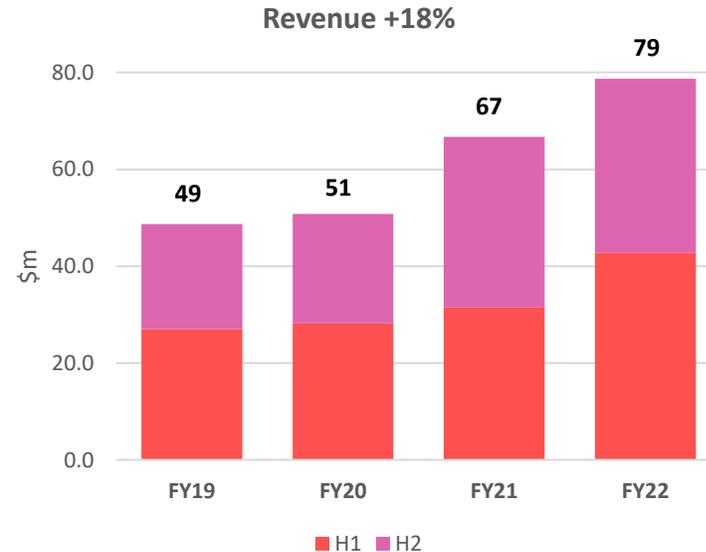
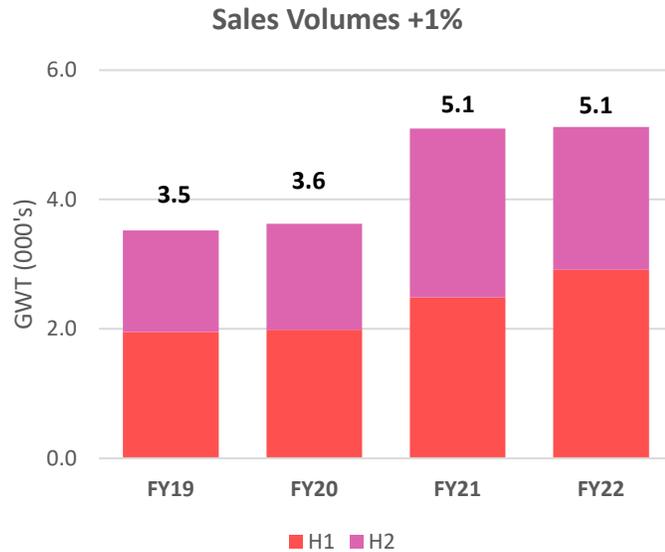
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## 3. UPDATE BY DIVISION



# SALMON FY22

Strong pricing and ongoing growth in Big Glory Bay driving improved revenue and profit contribution

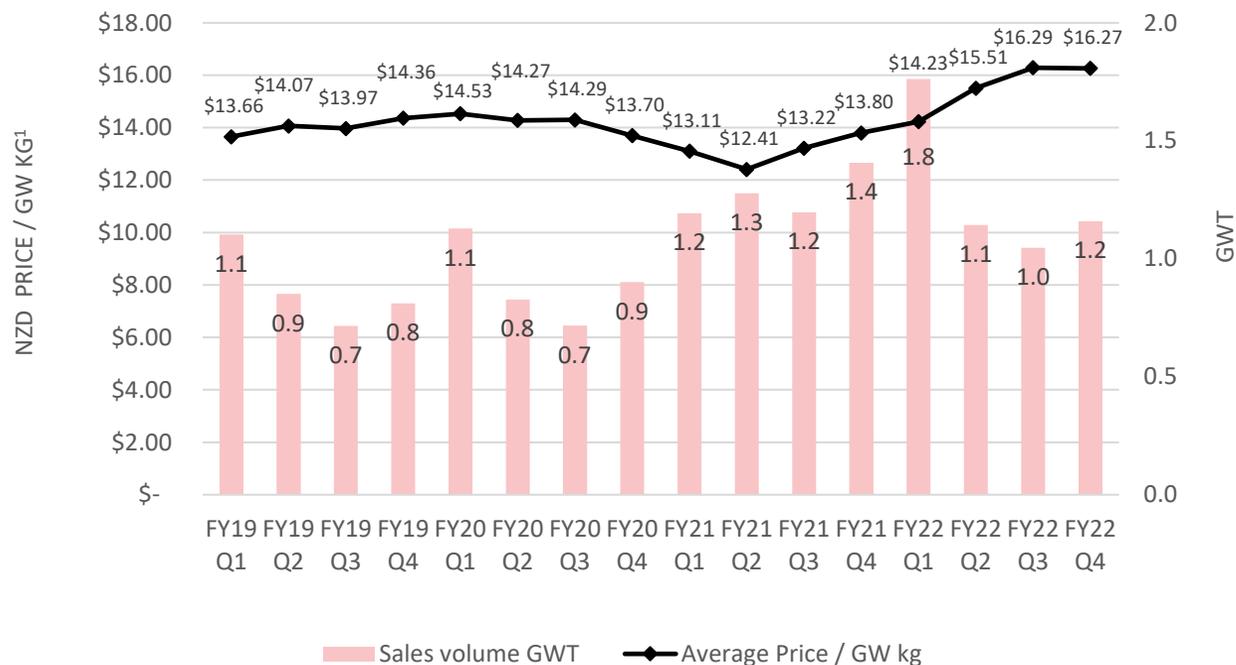


1. Profit contribution is Adjusted EBIT before head office overheads

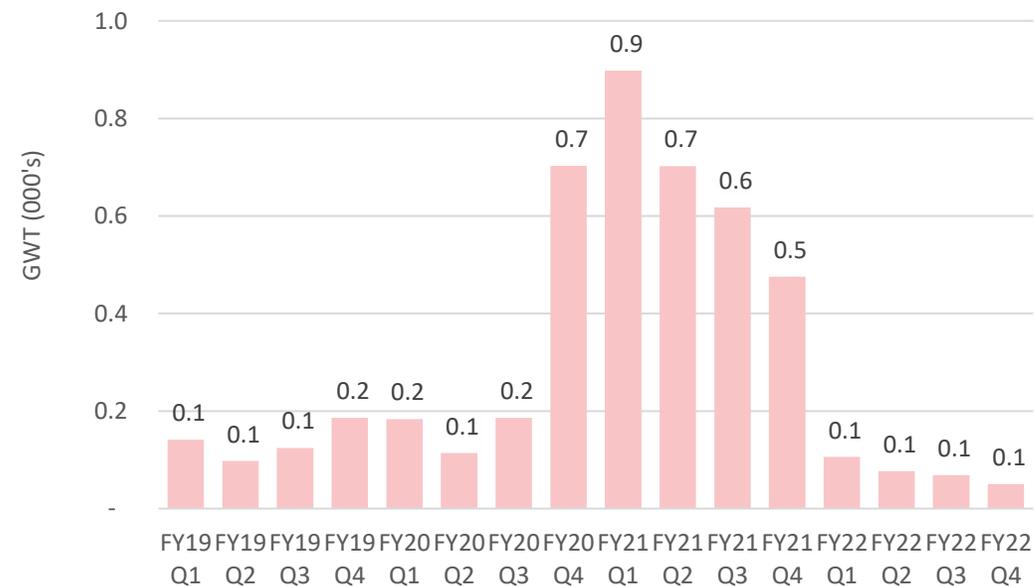
# SALMON FY22

## Continuing Strong growth in pricing in excess of Pre-Covid levels

GWT AND AVERAGE PRICING TREND



INVENTORY GWT



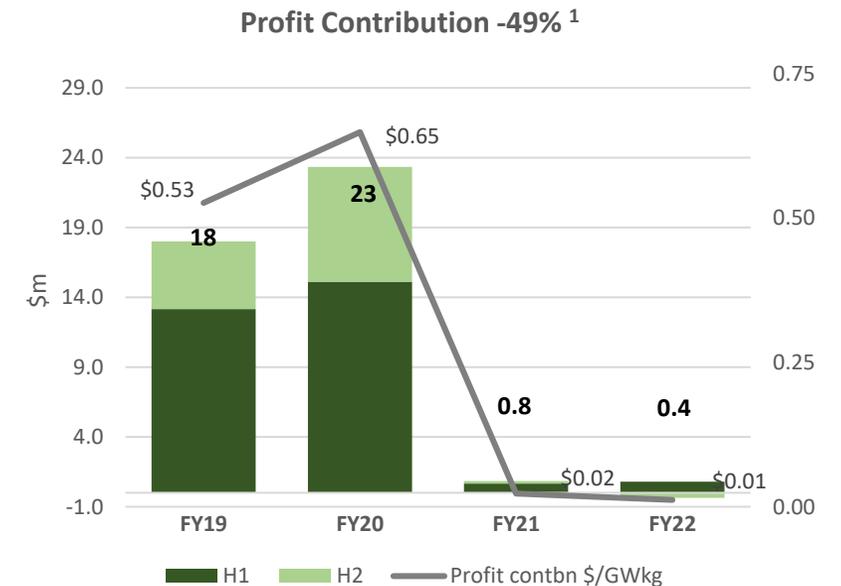
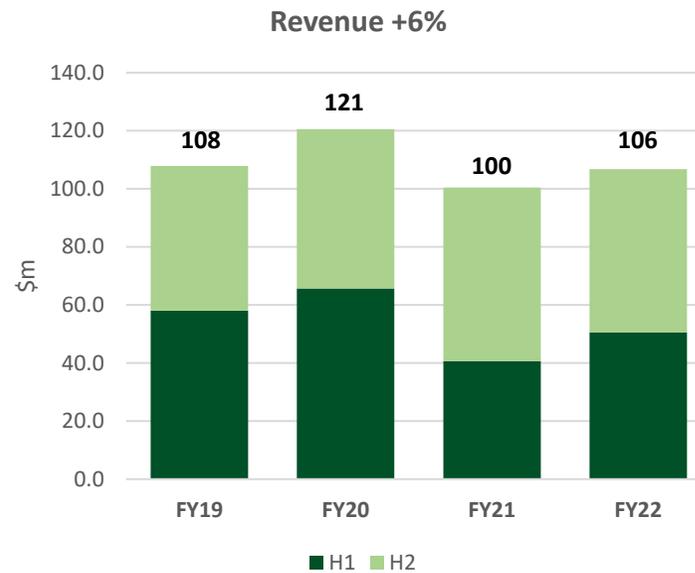
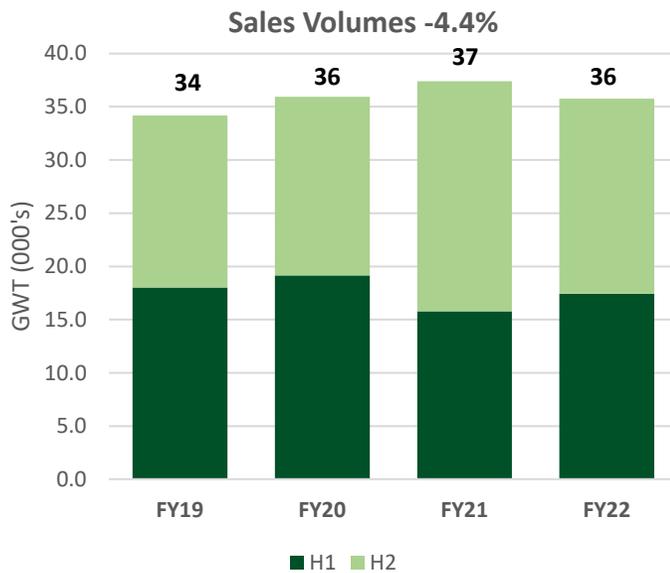
1. Average FOB Price/GWkg is calculated with reference to total division revenue (previous presentations FOB price/GWkg included was on Seafood Sales only)



MUSSELS

# GREENSHELL MUSSELS FY22

## Profit impacted by operational constraints and climatic conditions



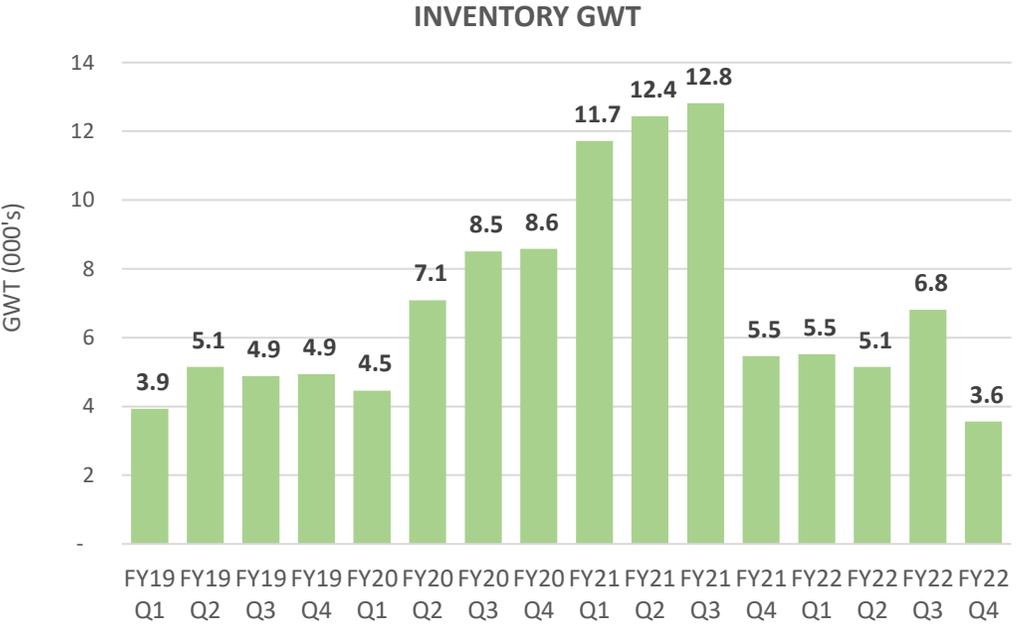
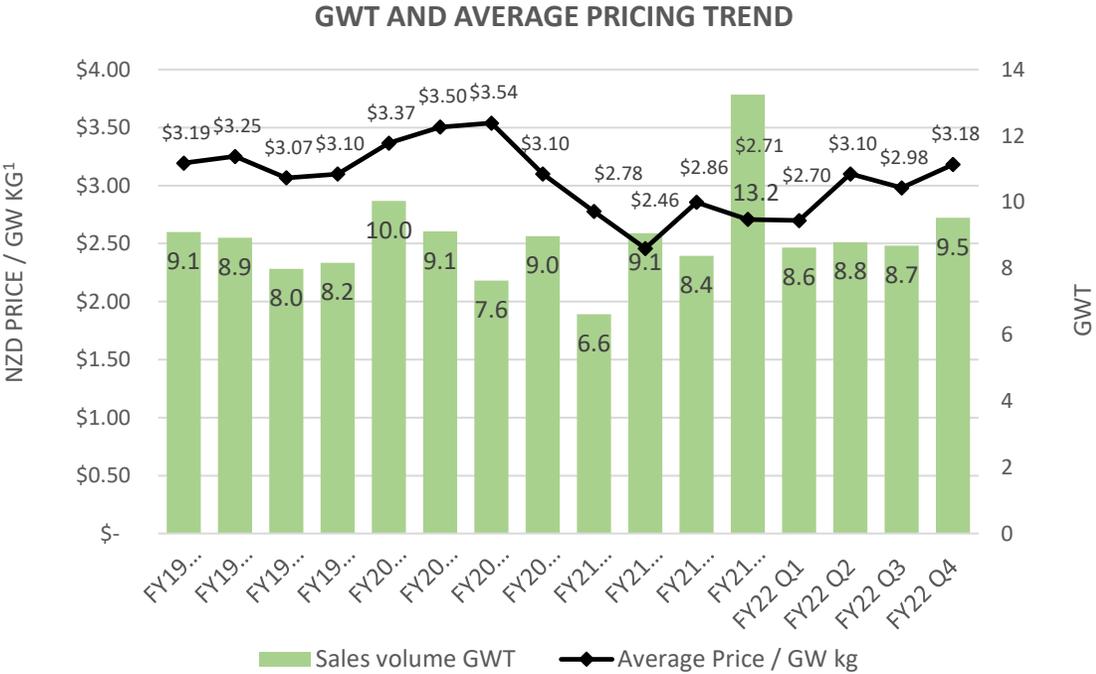
1. Profit contribution is Adjusted EBIT before head office overheads





# GREENSHELL MUSSELS FY22

## Sales constrained by processing constraints but pricing improving Low inventory reflects strong demand for product available

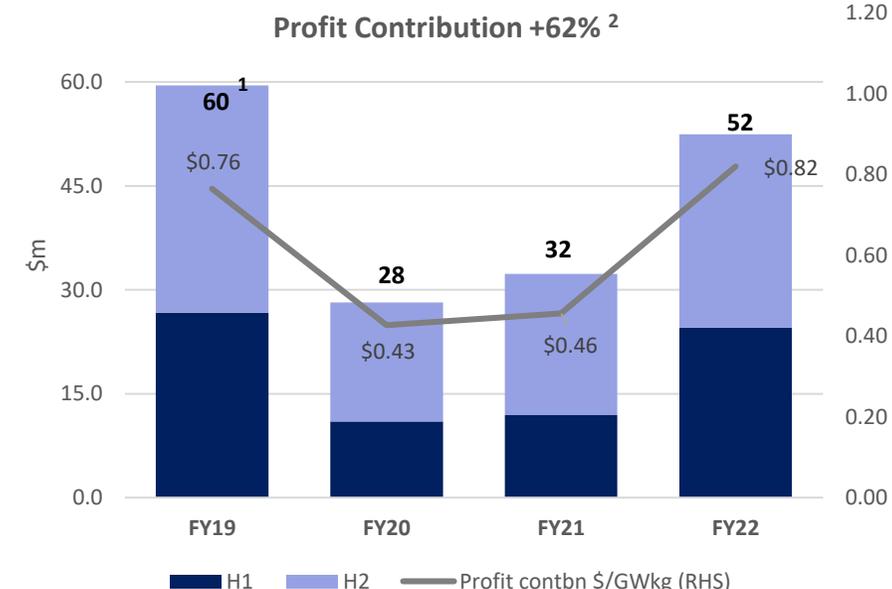
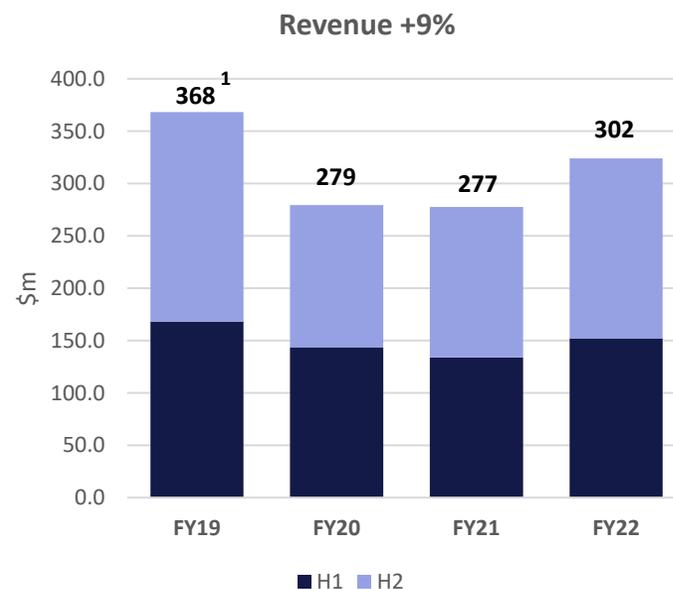
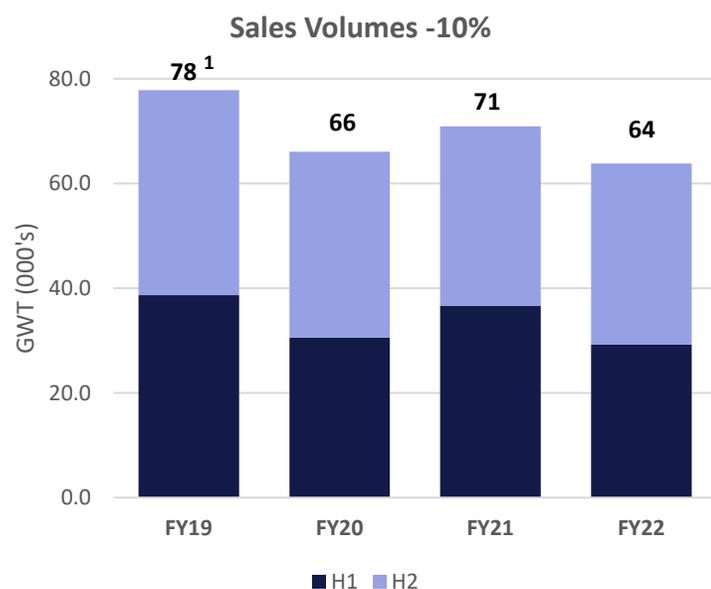


1. Average FOB Price/GWkg is calculated with reference to total division revenue (previous presentations FOB price/GWkg included was on Seafood Sales only)



# WILDCATCH FY22

## Strong pricing driving increased revenue and improved profitability

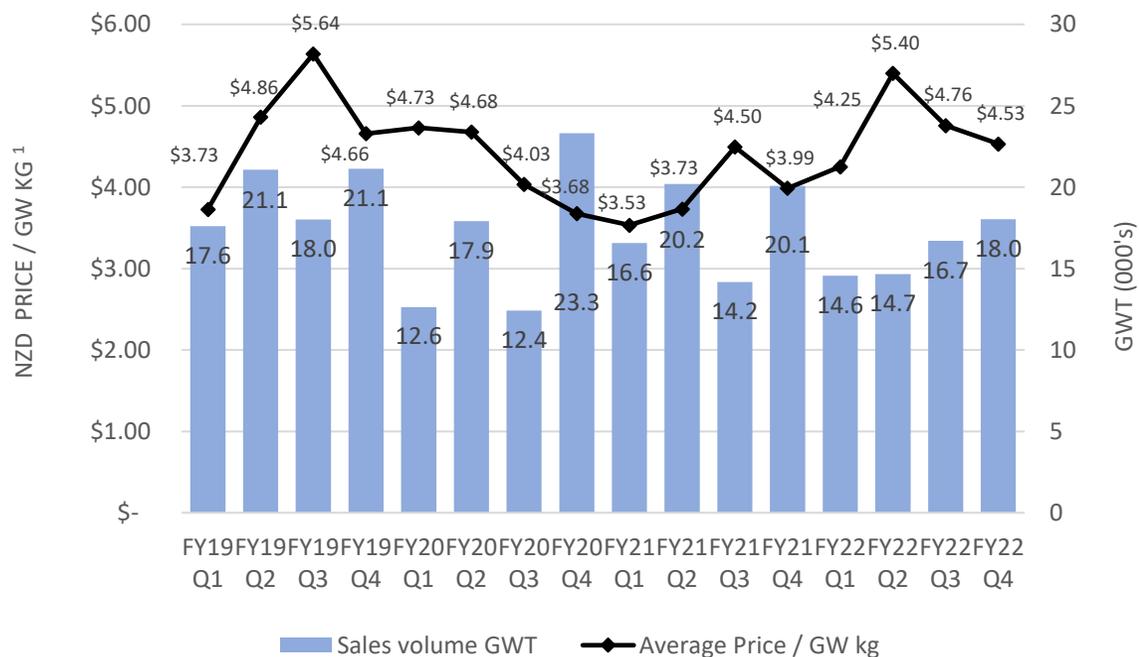


1. Note FY19 includes the Pelagics business which was sold in March of that year. Profit contribution from Pelagics in FY19 was \$5.0m.  
 2. Profit contribution is Adjusted EBIT before head office overheads

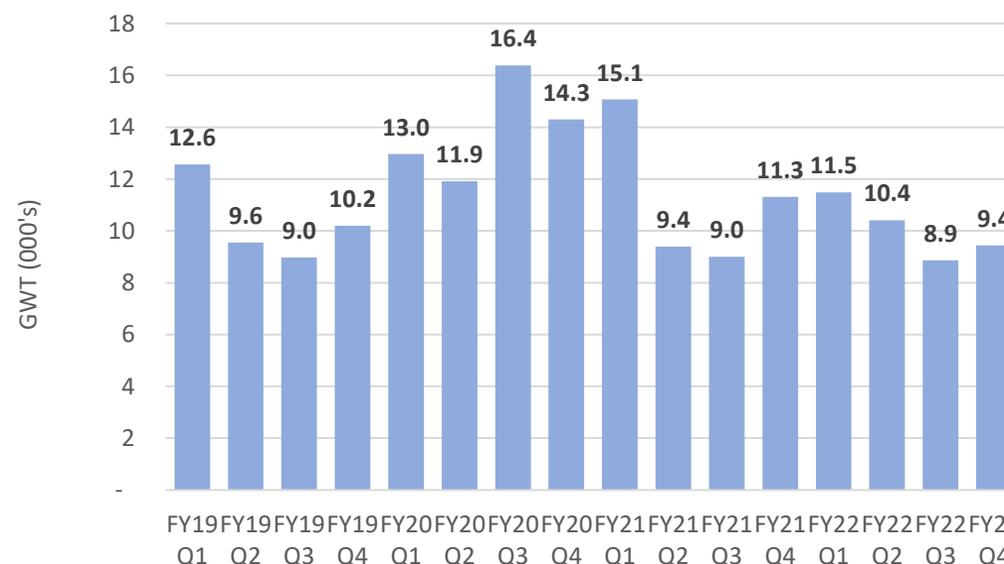
# WILDCATCH FY22

Strong pricing growth across FY22. Inventory continues to be managed in line or below pre-Covid levels

GWT AND AVERAGE PRICING TREND



INVENTORY GWT (000's)



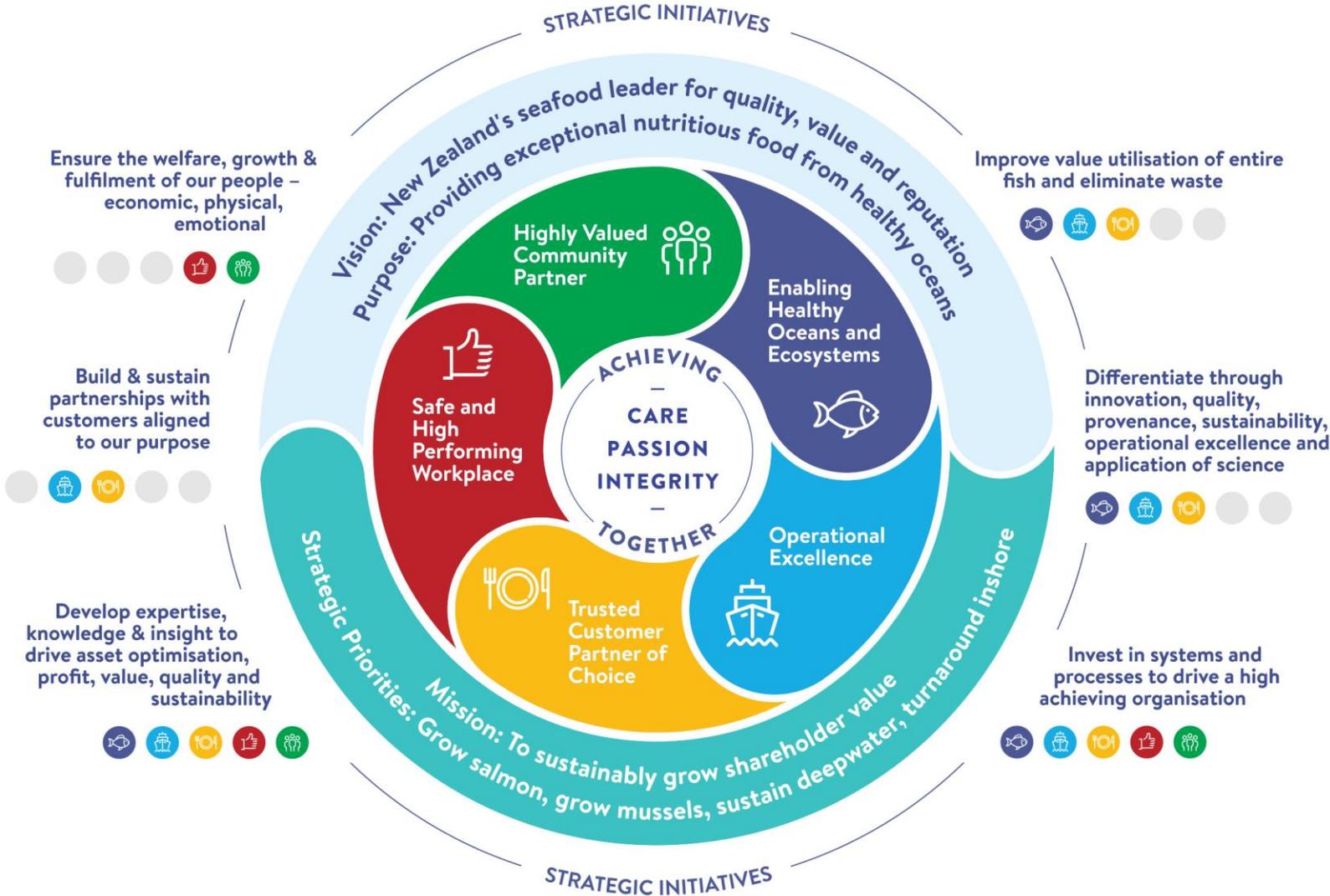
1. Average FOB Price/GWkg is calculated with reference to total division revenue (previous presentations FOB price/GWkg included was on Seafood Sales only)

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## 4. STRATEGIC TRANSITION



# FY22 BUSINESS PLANNING FRAMEWORK – STRATEGY ON A PAGE



# FOUR STRATEGIC PRIORITIES

STRATEGIC PRIORITIES	
<u>1.</u> Grow Salmon	<u>2.</u> Grow Mussels
<u>3.</u> Sustain Deepwater (Wildcatch)	<u>4.</u> Turnaround Inshore (Wildcatch)

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# GROW SALMON

## What have we done in FY22:

- Continued price improvement. Average price increase for Q4 up 17.8% compared to Q4 2021
- Continued growth of BGB brand reaching 42.7% of our volume vs 25.1% in FY21
- Maintained volume despite higher-than-average summer temperatures
- Automation – introduced water jet cutting packaging equipment to deliver on portion control packaging and more effective utilisation of every fish
- Investment in additional equipment with end-of-year addition of new leased feed barge, oxygenation system and support vessels
- Maintained low levels of inventory





**KEY**

- Existing Site locations
- New Site locations
- .... Pens with oxygen support
- Feeding Barge

# GROW SALMON

## What are we doing in FY23:

- Split main growing farm in Big Glory Bay and introduce modern oxygenation equipment to de-risk site
- Gain consent and start building a RAS Hatchery (facilitating increased growth)
- Launch portion control pack into Foodstuffs
- Explore further utilisation of salmon by-product through our new Bioactives plant in Blenheim
- Continue growth of the Big Glory Bay brand
- Investment in new vessels and farm infrastructure to support growth aspirations



# GROW MUSSELS

## What have we done in FY22:

- Focussed on getting people into our plants through increasing pay rates and providing accommodation (Havelock), plus streamlining, outsourcing and using contract manufacturing
- Operational improvements at our mussel hatchery, SPAT<sub>NZ</sub> to increase spat reliability
- Completed the build of our Bioactives innovation centre in Blenheim
- Maintained strong mussel powder demand
- Continued price improvement. Average price for fourth quarter up 17.3% compared to Q4 2021
- Completed sell down of lower priced 2021 contracted sales



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# GROW MUSSELS

## What are we doing in FY23:

- Diversify revenue sources through continuing growth in mussel powders and oils at our Bioactives plant
- Design and initiation of packaging automation
- Expand our SPAT<sub>NZ</sub> mussel hatchery
- Investment in on-water infrastructure
- Take advantage of higher prices and increased mussel production
- Trial a US retail format
- Increased focus on attracting staff (biggest operating challenge for FY23)



## MARINE EXTRACTS

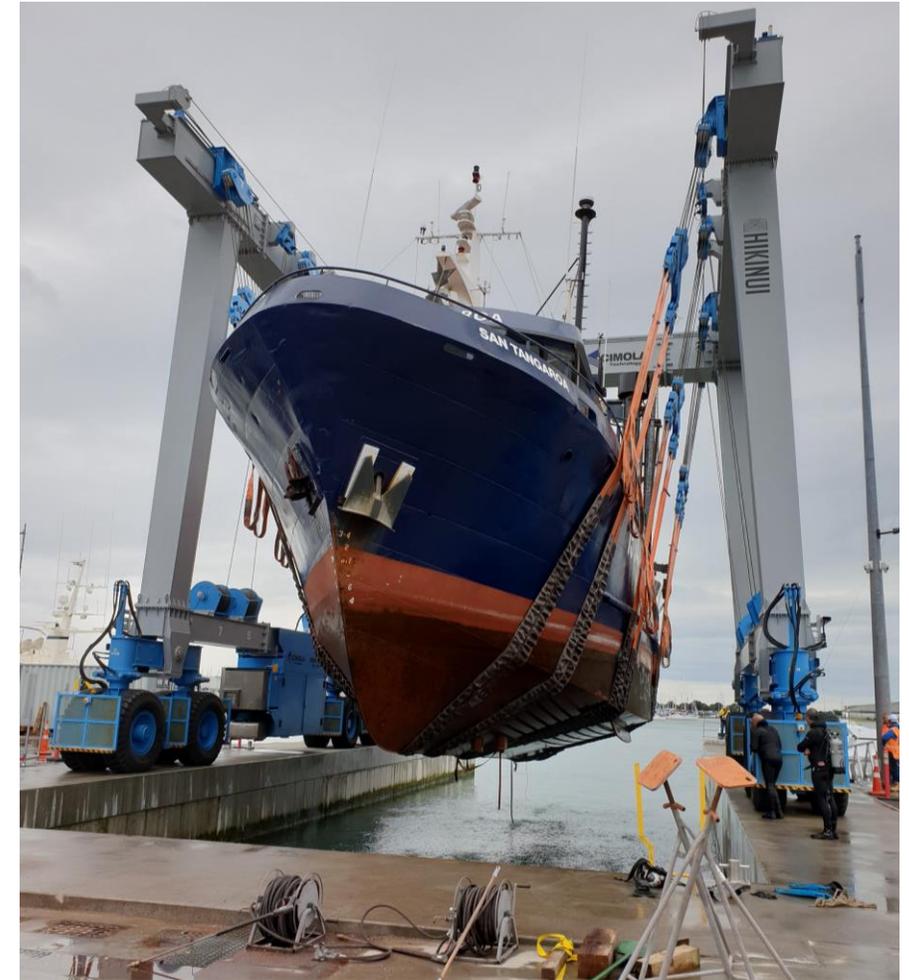
- New marine extracts Centre of Innovation build completed in September, commissioning currently underway
- New ingredients brand soft launched in the market, “Sanford Bioactives”, including trademarked ingredients
- Further product diversification a key pillar for growth
- Strong partnership and collaboration opportunities across the industry and research bodies to provide scaled up facilities, providing further product utilisation opportunities



# SUSTAIN DEEPWATER (WILDCATCH)

## What have we done in FY22:

- Major surveys (inspections, maintenance and upgrades) on five wildcatch vessels
- Continued growth of retail pack white fish in the USA
- Invested in development of skills and capabilities for critical at sea positions
- Scampi performing strongly with increased volume and pricing
- Average price improvement for Q4 up 13.5% compared to Q4 2021. Pricing back to pre-Covid levels
- Maintained operations and supply through Covid disruptions
- Managed to visit important offshore customers in FY22 (Covid restricted for the past 2 years)



# SUSTAIN DEEPWATER (WILDCATCH)

## What are we doing in FY23 :

- Further major surveys on four wildcatch vessels
- Contract the building of one new scampi vessel (delaying two) – spreading capital and de-risking implementation
- Evolution of USA market model with continuation of move to more direct customers versus wholesalers
- Development of Sanford Fishmongers brand into retail formats in New Zealand, USA and Australia
- Maintain higher pricing at current (and pre Covid) levels



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## TURNAROUND INSHORE (WILDCATCH) - CONTEXT

- Underperforming business that requires focus
- Inshore is the fresh component of the deepwater segment
- Processing factory located in downtown Auckland – Wynyard Quarter opposite Head Office
- Dedicated inshore fleet that includes four vessels
- Provides fresh fish to NZ customers, the fish auction, retail outlets and fresh exports offshore (mostly Australia and the USA)
- Options are being considered / developed



# CAPITAL EXPENDITURE – FY22

- FY22 capital expenditure of \$54m within target for the year
- Sancore capitalised spend of \$5.7m takes this asset to \$8.9m
- Spend in FY22 and beyond aligned to strategic growth priorities for salmon and mussels and integrity capital to support the wild catch fleet

	FY21	FY22
<b>Integrity &amp; H&amp;S</b>	<b>\$27.1m</b>	<b>\$31.3m</b>
	Vessel surveys (incl. San Granit) \$17.7m Vessel Capex \$6m Processing equipment \$1m Other \$2.4m	Vessel surveys \$13.8m Vessel Capex \$3.3m Processing equipment \$3.3m Mussels \$4.7m Salmon \$6.2m
<b>Growth</b>	<b>\$8.8m</b>	<b>\$16.8m</b>
	Marine extracts \$2.1m Salmon development \$3.4m Mussel development \$3.3m	Marine extracts \$11.4m Salmon development \$3.9m Mussel development \$1.5m
<b>Sancore</b>	<b>\$3.2m</b>	<b>\$5.7m</b>
<b>Total</b>	<b>\$39.1m</b>	<b>\$53.8m</b>



# CAPITAL EXPENDITURE FY23

- Maintaining fleet a necessity and requires investment
- Scampi investment limited initially to the deposit and progress payments of one vessel in FY23, however, two more will be required at some point in the future to replace the end-of-life fleet
- Growth Capex includes a Salmon RAS hatchery and SPATnz expansion – both required to support growth aspirations
- FY23 estimated to be \$66m

FY23	
<b>Integrity / Business support</b>	<b>~\$44m</b>
	<i>Includes:</i> Vessel surveys & equipment Mussel farming IT equipment Equipment & critical risks
<b>Growth</b>	<b>~\$22m</b>
	<i>Includes:</i> Salmon RAS hatchery Scampi Vessel – deposit and progress payments SPATnz expansion Infrastructure for growth in Aquaculture Processing innovation
<b>Total</b>	<b>~\$66m</b>

# CAPITAL EXPENDITURE (FY23-FY27)

- The FY22 strategic update presented to the market in June 22 included a 5-year capex range between \$300m - \$395m
- This has been streamlined incorporating the spreading of scampi vessel purchases (initially one only) and a further prioritisation exercise
- Estimated range is now between \$280m and \$340m out to FY27
- Capital requirements over the next 5 years include significant integrity investments, including mid-life fleet extensions (a requirement to maintain fishing) and growth and diversification investments aligned with strategic plans

Division	Initiative	5-year capex estimate range (\$m)	
		Min	Max
Mussels	Growth	25	31
Mussels	Integrity	23	29
<b>Total Mussels</b>		<b>48</b>	<b>60</b>
Salmon	Growth	43	54
Salmon	Integrity	21	26
<b>Total Salmon</b>		<b>64</b>	<b>80</b>
Wildcatch	Growth	13	16
Wildcatch	Integrity	144	171
<b>Total Wildcatch</b>		<b>157</b>	<b>187</b>
Other	Growth	2	4
Other	Integrity	8	9
<b>Total Other</b>		<b>10</b>	<b>13</b>
<b>Total Growth</b>		<b>84</b>	<b>105</b>
<b>Total Integrity</b>		<b>196</b>	<b>235</b>
<b>Total Capex</b>		<b>280</b>	<b>340</b>

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# NEW DIVISIONAL STRUCTURE

- A new business unit structure will be introduced in FY23 that is designed to build greater efficiency, effectiveness and profitability
- This new structure more closely aligns with our strategic goals
- Will drive increased accountability and P&L and balance sheet ownership down through the organisation
- Creates greater visibility on products and flow
- Allows increased agility and responsiveness
- Create more career mobility and opportunities for our people as a direct outcome of the change

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# FY23 OUTLOOK

## Positives

- Higher export prices and demand to continue
- Sanford Bioactives plant commissioned and will deliver increased revenue and profits
- Capital investment in infrastructure and growth initiatives at lower levels than previously indicated
- Continued momentum in Australia, USA and the Big Glory Bay salmon brand
- Resumption of shareholder dividend
- Reduced Covid impact, particularly on export markets
- Trading benefit of a weaker NZ dollar on our exports

## Challenges

- Staffing shortages, particularly in processing across all divisions, will continue in 2023
- Increased costs, including feed, fuel, freight and people, are headwinds that require management
- Ongoing supply chain cost and performance
- Volatile foreign exchange markets
- Geo-political uncertainties
- Increased debt costs



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## 5. QUESTIONS?





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## 6. CONCLUSION



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## CONCLUSION

- Returning to growth with the unwinding of Covid impacts in market but remaining challenging on supply side – labour, fuel, freight and feed
- Continued strong performance in salmon, wildcatch driving growth and opportunities remain in mussels
- Addressing our priorities
- Challenges have occurred but we have been able to respond and deliver a strong growth outcome
- Our people have made an outstanding contribution to this turn around and their effort we greatly appreciate

# FY22 INTEGRATED REPORT



- Sanford's FY22 integrated report is available at <https://www.sanford.co.nz/investors/>
- The report outlines Sanford's Business Excellence Framework – this enables each part of the business to map out its role in helping to deliver on our goals
- We strive to inform in a transparent and open manner and welcome feedback from our stakeholders throughout the year



**Business Excellence Framework**  
**Five Outcomes driving a**  
**Sustainable Business**



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## 7. APPENDICES



# SANSCORE STATUS

## Status:

- Successful deployment of the Innova system (primary processing) in Havelock, Bluff, Timaru and all 6 of our deepwater vessels.
- Design and build complete for the D365 system (finance and supply chain).
- Completion of Crew Pay and CatchCast (Quota Management Solution) applications to support the unique aspects of fishing operations.

## SanCore Spend Summary

- Total project spend date is \$30.9m
- Spend to date is opex and capex as follows:

FY	FY19	FY20	FY21	FY22
Spend - Opex	\$1.4m	\$4.2m	\$6.2m	\$10.3
Spend - Capex	nil	\$0.3m	\$2.9m	\$5.7m



# FY22 FINANCIAL RESULTS - GAAP TO NON GAAP

	FY22 \$m	FY21 \$m
<b>Reported net profit (GAAP)</b>	<b>55.8</b>	<b>16.2</b>
<b>Add back:</b>		
Net interest and tax expense	15.4	12.8
Net gain on sale of investments, property, plant and equipment and intangibles	(43.6)	(12.9)
<b>Reported EBIT</b>	<b>27.6</b>	<b>16.1</b>
<b>Adjustments:</b>		
Impairment of assets and restructuring costs	1.6	0.3
Other one-off items	0.6	0.7
Software as a Service (SaaS) expenditure	10.3	6.2
<b>Total one off items</b>	<b>12.5</b>	<b>7.2</b>
<b>Adjusted EBIT</b>	<b>40.2</b>	<b>23.3</b>
Depreciation and amortisation	28.1	29.3
<b>Adjusted EBITDA</b>	<b>68.3</b>	<b>52.6</b>

## Non-GAAP Profit measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS

## Definitions

**Reported EBIT:** Earnings before interest, taxation, net gain on sale of investments, long-term assets and intangibles.

**Adjusted EBIT:** Reported EBIT adjusted for impairment, restructuring costs, other one-off items and software as a service (SaaS) expenditure.

**Adjusted EBITDA:** Earnings before interest, taxation, depreciation, amortisation, net gain on sale of investments, long-term assets and intangibles, impairment, restructuring costs, other one-off items and software as a service (SaaS) expenditure.



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THANK YOU

