



SANFORD



FY23 RESULTS BRIEFING

For the 12 months ended 30 September 2023

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AGENDA TODAY

1. Market and highlights
2. FY23 results
3. Business unit performance
4. Outlook
5. Questions



FY23 MARKET CONDITIONS

- **Strong pricing and customer demand** across most business units.
- **Inflationary cost pressures** across the business – salary and wage pressure. Fuel, feed and general cost increases.
- **Easing of supply chain constraints and international freight rates**; however, rates remain elevated.
- **Water space closures, weather events and tight labour supply** adversely impacting operations, particularly in the Mussel business. Labour constraints easing in Q4.
- **Lowering NZD foreign exchange rate against USD** – assisting export sales and providing longer term hedging opportunities.
- **Increased interest rates** impacting cost of funds.

FY23 RESULTS SNAPSHOT

Catch/Harvest Volume	Sales Volume	Revenue	Adjusted EBIT ¹
112.5k <small>GWT</small>	92.0k <small>GWT</small>	\$553.4 <small>M</small>	\$49.4 <small>M</small>
▲ +2.8%	▼ -12.1%	▲ +4.0%	▲ +22.9%

EBIT <small>GW kg</small>	Adjusted EBITDA ¹	NPAT ²	EPS	Final Dividend
54¢	\$81.5 <small>M</small>	\$10.0 <small>M</small>	10.7 <small>CPS</small>	6.0 <small>CPS</small>
▲ +16¢ /kg	▲ +19.4%	▼ -82.1%	▼ -49¢	▼ -4.0¢

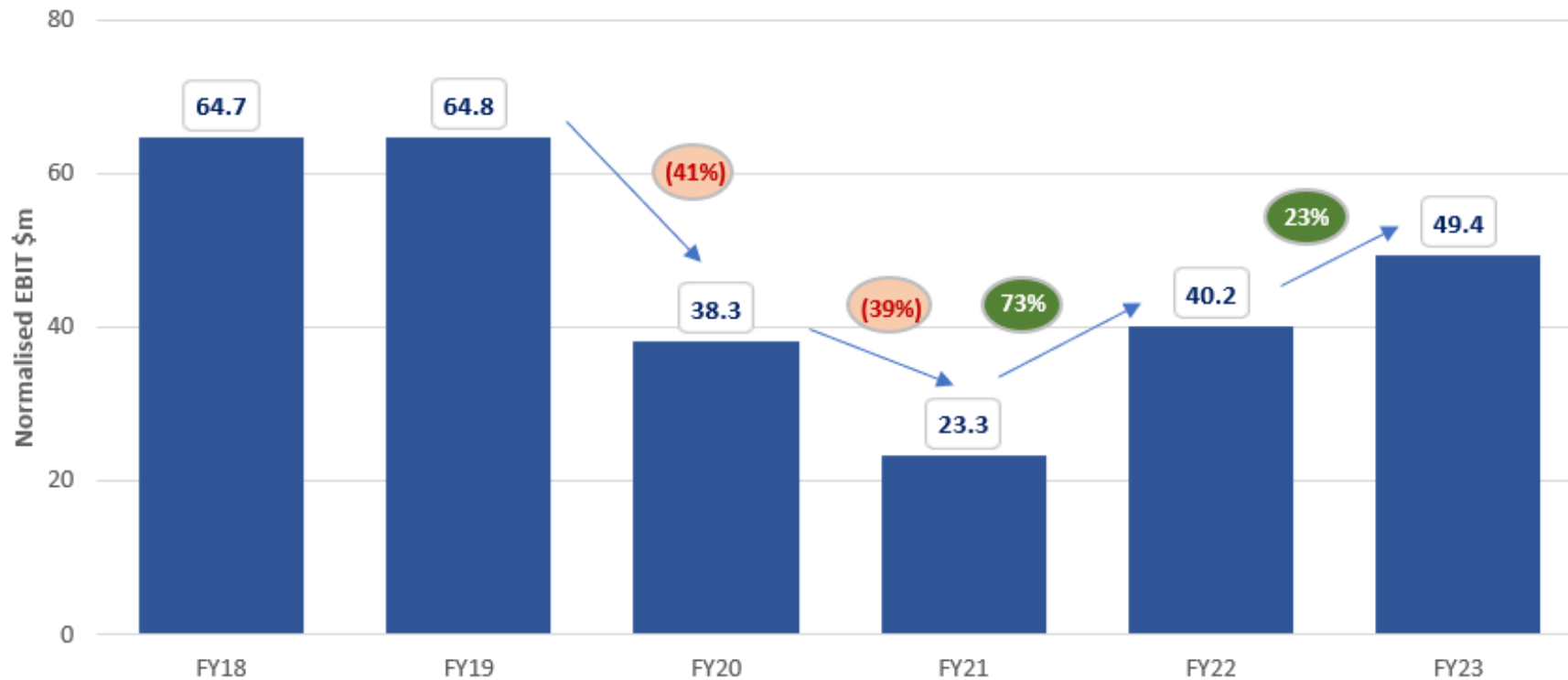
- See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT
- FY22 NPAT included one-off gain on sale of crayfish quota of \$43.7m

GROUP FINANCIAL SUMMARY

- Revenue increase of 4.0% to \$553.4m; highest result for 5 years reflecting good demand and strong in-market prices.
- Adjusted EBIT of \$49.4m, a 22.9% increase on FY22.
- Catch/harvest volume at 112.5k GWT, up 2.8% on FY22.
- Sales volume down 12.1% due to reduced squid catch as a result of seasonal factors, execution of the North Island arrangement with Moana and increased stock holdings.
- Reported NPAT of \$10.0m, down \$45.8m on FY22 which included a one-off \$43.7m gain on the sale of Sanford's crayfish quota.
- Improved operating profit with Adjusted EBIT continuing positive recovery towards pre-covid levels.
- EBIT per GWT increased 16c to 54c.
- Dividend declared at 6cps bringing the total FY23 dividend to 12cps.

CONTINUATION OF EARNINGS IMPROVEMENT IN FY23

Sanford Limited - Adjusted EBIT Trend: FY18 to FY23



OUR VISION

**NEW ZEALAND'S
SEAFOOD LEADER
FOR QUALITY, VALUE
AND REPUTATION**

PURPOSE

**PROVIDING EXCEPTIONAL NUTRITIOUS
FOOD FROM HEALTHY OCEANS**

CULTURE

ACHIEVING TOGETHER

VALUES

CARE – PASSION – INTEGRITY



OUR STRATEGY

**RECOVER, REBUILD
AND OUTPERFORM**

COMMERCIAL FOCUS



SUSTAIN WILDCATCH



GROW SALMON



GROW MUSSELS

PEOPLE

Trusted Customer
Partnerships

Our Team

PLACE

Safeguarding
our Environment

Positive Community
Engagement

PERFORMANCE

Operational
Excellence

Shareholder Value

FY23 KEY EVENTS AND HIGHLIGHTS

- **Wildcatch delivering consistent earnings – material decrease in squid catch.**
- **Outperformance in Salmon business.**
- **Reset of Mussel business to meet strong demand – profitability improving.**
- Announced sale of North Island inshore Annual Catch Entitlement (ACE) to Moana New Zealand. Transaction settled 31 October 2023.
- Challenges in the commissioning of the Sanford Bioactives centre.
- Implemented the company wide Sancore ERP system change programme.
- Focus on integrity capital expenditure; construction of new scampi vessel underway and due to launch in Q1 2025.
- Leadership change with resignation of CEO Peter Reidie in August 2023 and appointment of director, Craig Ellison, as Acting CEO.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) FY23 HIGHLIGHTS¹

Climate

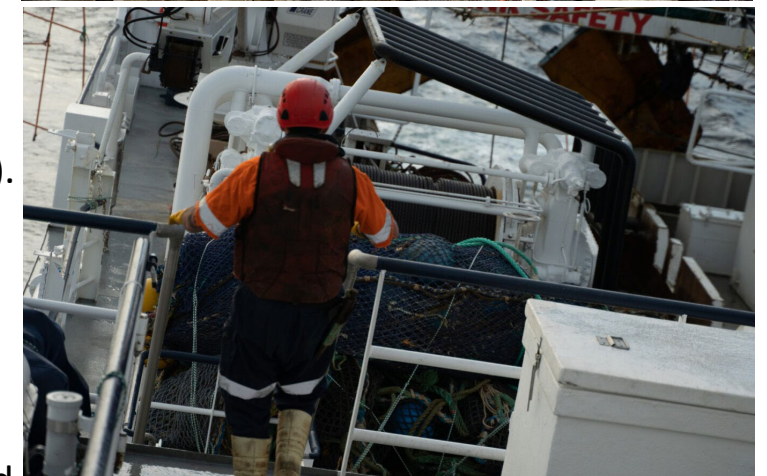
- 8.7% reduction in absolute Greenhouse Gas emissions relative to base year (2020)².
- Climate scenario analysis complete, voluntary climate related disclosure issued³.
- NZ seafood sector climate adaptation strategy implementation progressing with industry, government and researchers collaborating.

Environment

- Reductions in operational waste volumes to landfill (FY23: 3,667t, FY20: 9,627t).
- Reuse & recycling of wastes a continued focus (diversion rate, FY23: 65%, FY20: 40%).
- Successful process wastewater improvements at Havelock processing site.

Community

- \$362k paid to support community organisations and programmes, including Graeme Dingle Foundation and 10c salmon fund.
- Foodbank seafood donations equivalent to 178,000 meals –to regional areas affected by climate events during the year.



¹ Refer to Integrated Report for further details

² Sanford emissions target is a reduction in absolute GHG of 25% by 2030 from a 2020 base year. (Scope 1 & 2 emissions)

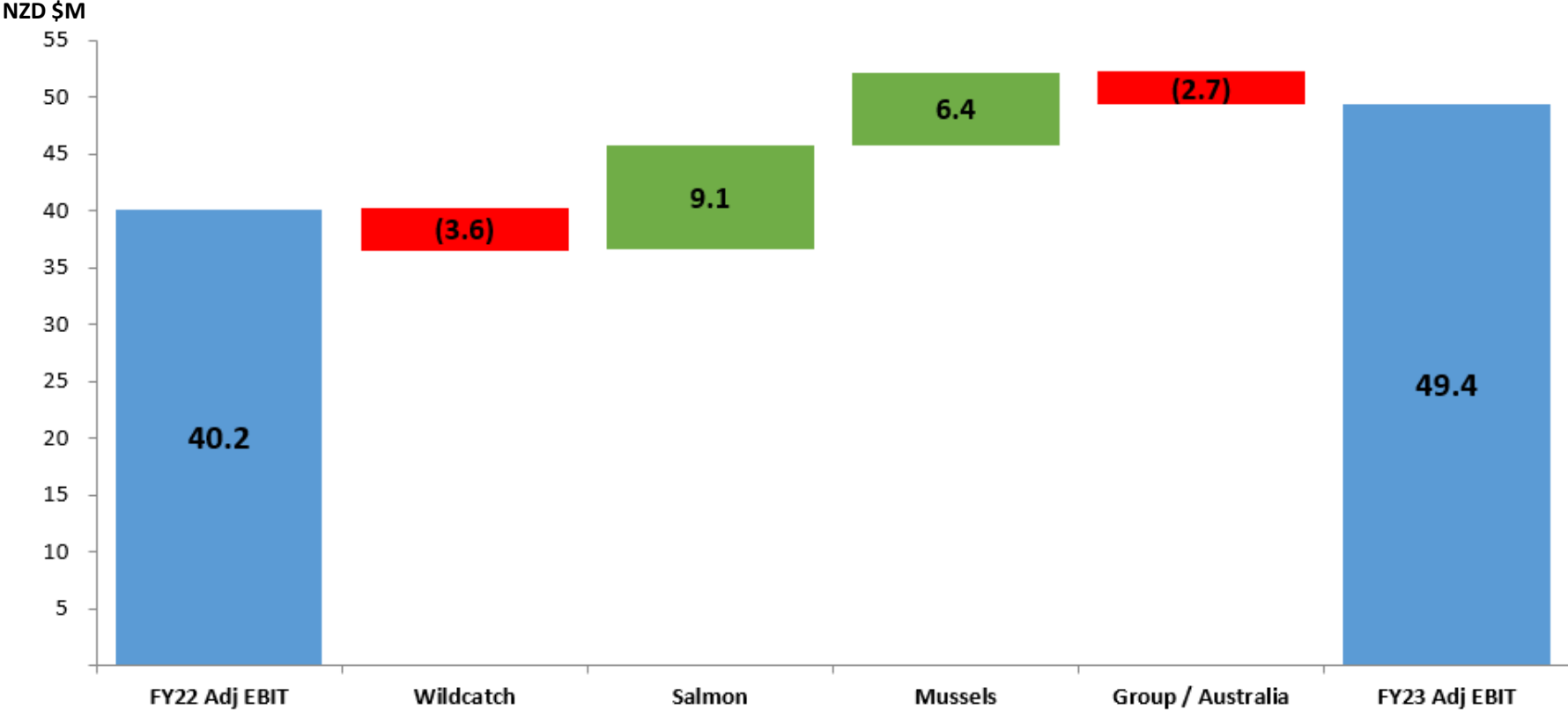
³ Aligned with the XRB standards (NZCS1-3); Sanford's first mandatory period for reporting is FY24

2. FINANCIAL RESULTS



IMPROVED PROFITABILITY DRIVEN BY SALMON & MUSSELS

Key drivers of Adjusted EBIT change vs FY22



BALANCE SHEET AND CASH FLOW

Gearing¹

22.9%

▲ Sep 22 18.9%

Net Debt

\$196.2M ▲ +34.8%

Total Equity

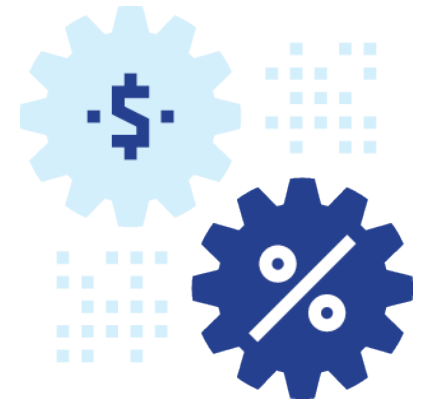
\$685M ▲ +3.0%

Net Debt / Adjusted EBITDA

2.4x ▲ Sept 22 2.1x

Return on Average Total Equity

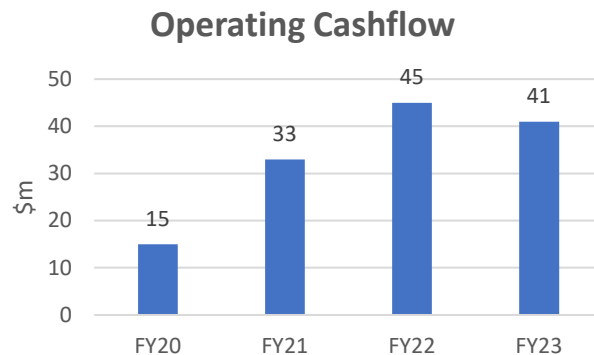
1.5% ▼ Sept 22 8.6%



Operating Cashflow

\$41.1m

▼ -\$3.8m



Free Cashflow²

-\$23.0m

▼ -\$67.6m

Debt Facility Headroom³

\$47m

▼ Sep 22 \$115m

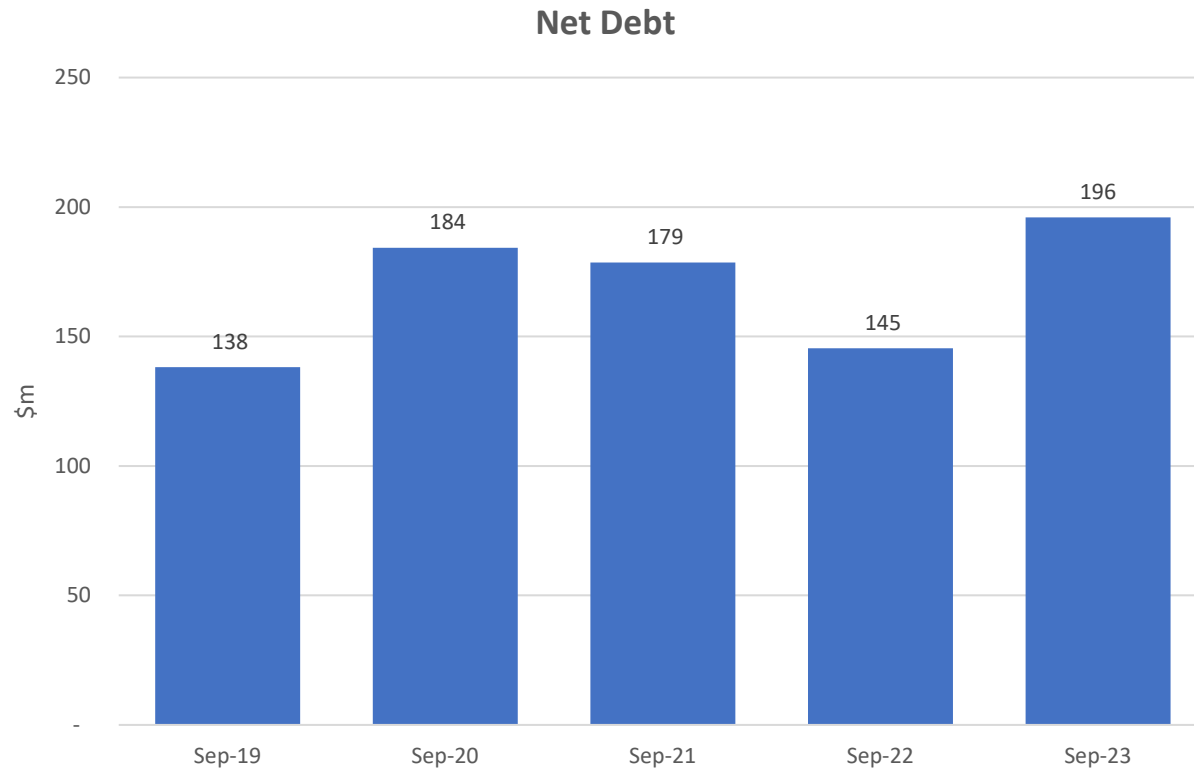
1. Debt/(Debt+Equity)

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

3. Total available facility – total drawn facility

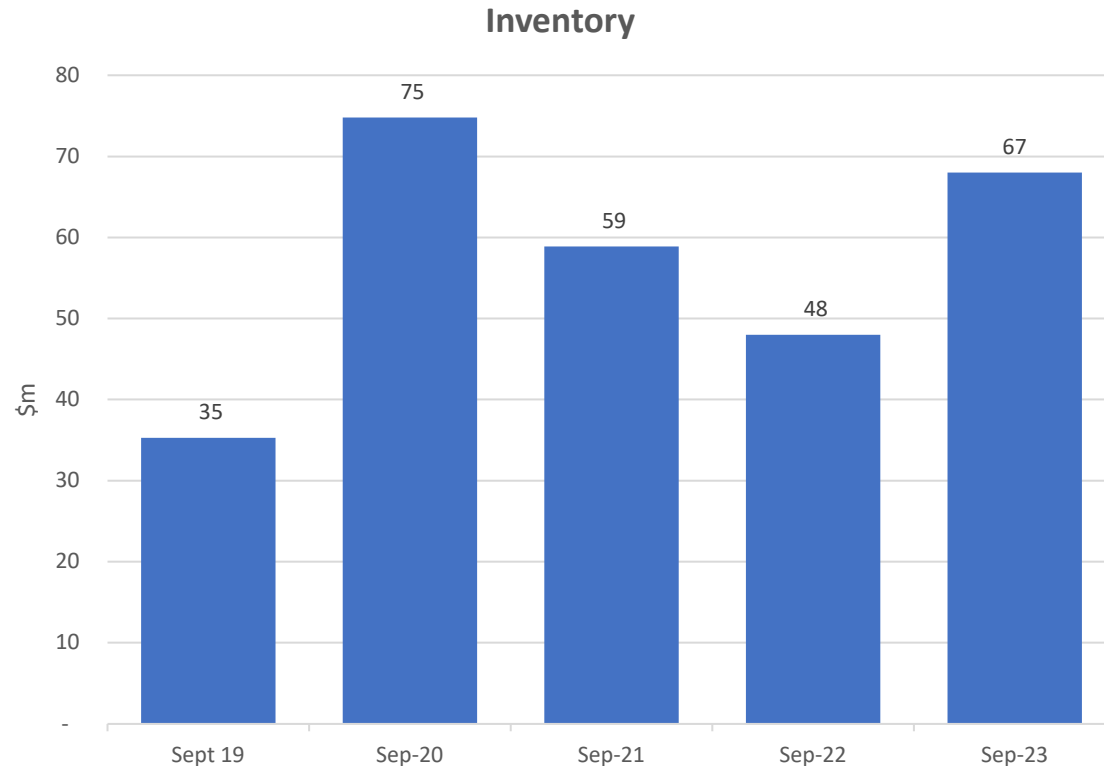
Note comparatives are FY22

NET DEBT



- Net debt increased by \$51m to \$196m.
- Increased capital spend (including progress payments on the new scampi vessel).
- Investment in the Sancore technology programme and Bioactives centre.
- Interest rates increasing.
- Continued dividend payments in FY23.
- Current year does not have benefit of \$53m cash from of one-off sale of crayfish quota, per 2022.
- Reduction in facility from \$270m to \$250m in FY23 to reduce unnecessary costs.

SEAFOOD INVENTORY



- Seafood inventory has increased by \$19m from last year.
- Increased inventories in wildcatch (orange roughy and hoki), will be sold through in H1 2024.
- Mussel inventory has also increased in all three categories (meat, powder and half shell). Focus on selling all stock in H1.

CAPITAL EXPENDITURE

	FY22	FY23
Integrity & H&S	\$31.3m	\$51.1m
	Vessel surveys \$13.8m Vessel Capex \$3.3m Processing equipment \$3.3m Mussels \$4.7m Salmon \$6.2m	Vessel surveys \$7.6m Vessel Capex \$10.6m Processing equipment \$4.8m Mussels \$5.5m Salmon \$3.3m Scampi Vessel \$19.3m
Growth	\$16.8m	\$11.0m
	Marine extracts \$11.4m Salmon development \$3.9m Mussel development \$1.5m	Marine extracts \$4.4m Salmon development \$5.1m Mussel development \$1.5m
Sancore	\$5.7m	\$1.7m
Total	\$53.8m	\$63.8m

- Total FY23 capital spend \$64m.
- Sancore capitalised spend of \$1.7m.
- 80% of the capital spend was on integrity projects and H&S.
- Scampi vessel spend \$19.3m for FY23.

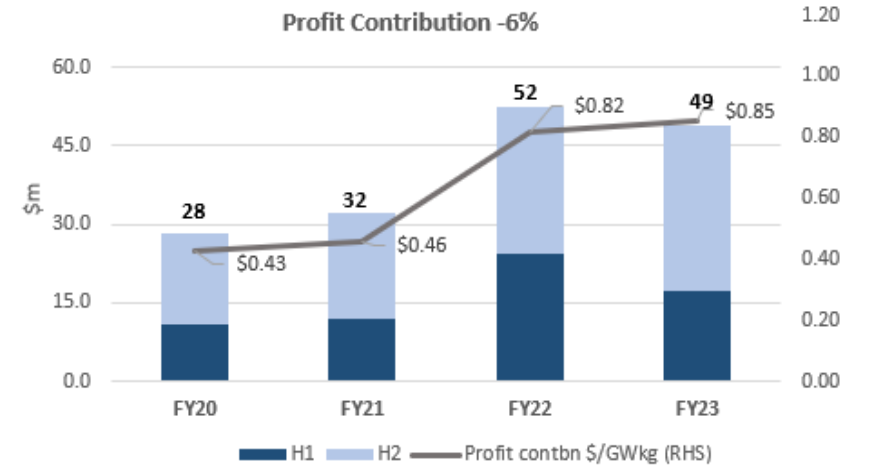
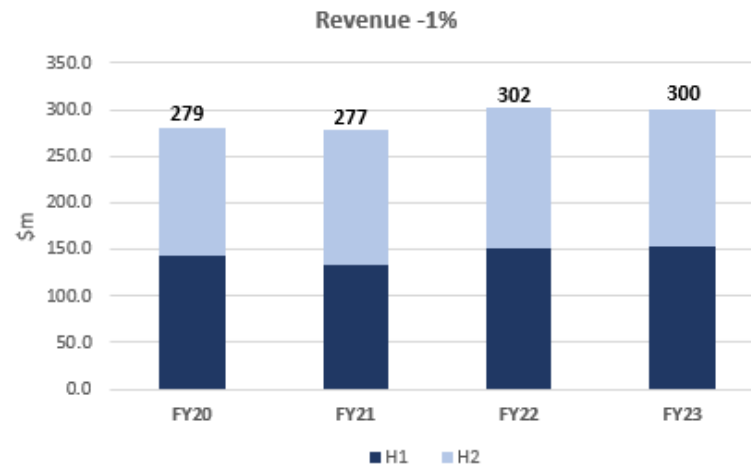
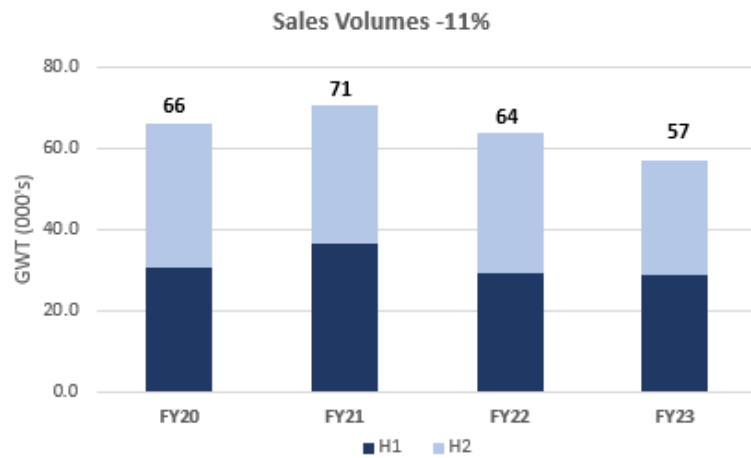
3. BUSINESS PERFORMANCE



STRENGTHEN WILDCATCH

WILDCATCH FY23

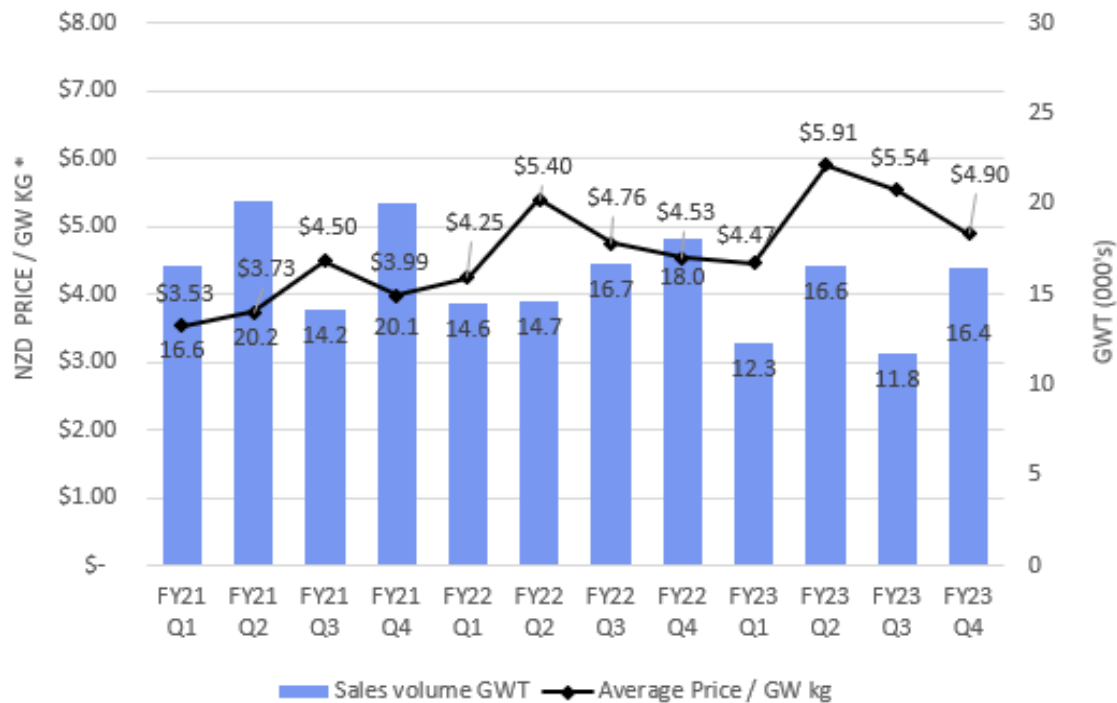
Performance impacted by low squid catch, partly mitigated by strong pricing on other key species.



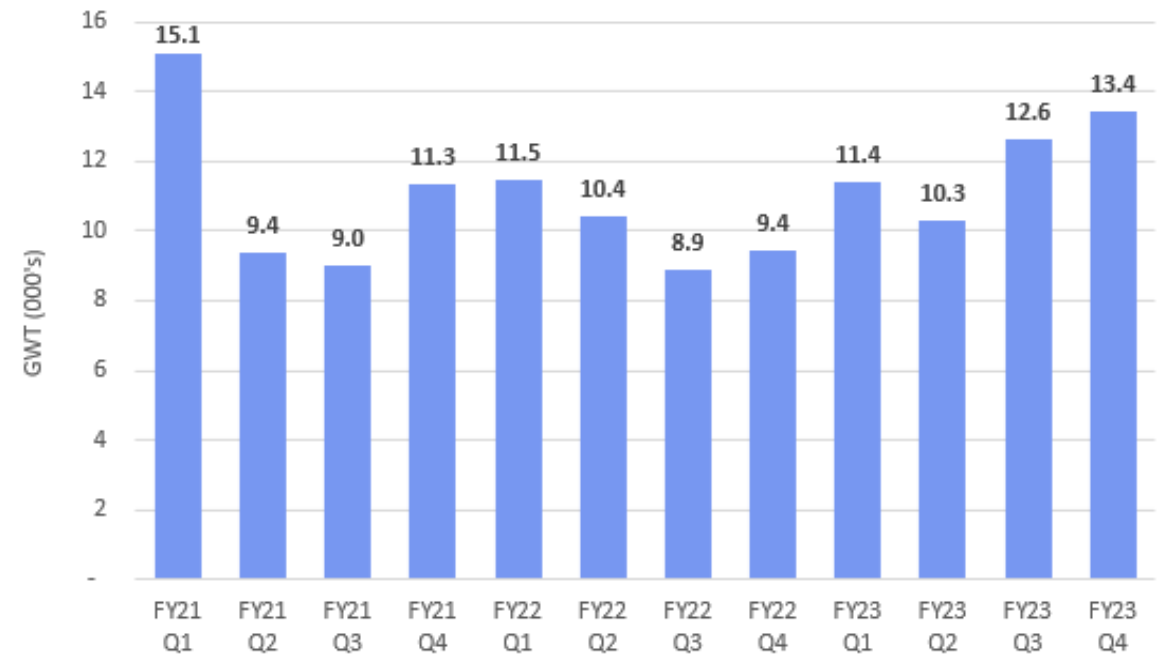
WILDCATCH FY23

Pricing mix improving across key species.

GWT AND AVERAGE PRICING TREND



INVENTORY GWT (000's)



WILDCATCH YEAR IN REVIEW

- Strong offshore prices and demand for wildcatch, particularly scampi, hoki and squid.
- Sales volumes reduced due to lower squid catch (down 58% year on year) which affected the entire industry. The lack of squid resulted in shift to alternative, less profitable species.
- Economic headwinds, including increasing fuel costs and labour shortages affecting productivity and ability to maximise margin from product cascade.
- Investment in integrity capital remains a priority, with capital requirements on ageing fleet and infrastructure.
- Commenced construction of new, more efficient and lower emission scampi vessel as part of fleet replacement strategy.



WILDCATCH: OUTLOOK

- Demand and prices expected to be maintained, with continued pressure on operational costs. Some relief from FY23 peak fuel prices and freight costs.
- Continue integrity capital investment programme to update fleet and infrastructure.
- Focus on improving operational efficiency.
- Forecasting a lower-than-average squid catch for FY24 based on historical trends.
- Future industry collaboration initiatives will be investigated.



INSHORE UPDATE (WILDCATCH)

- Announced sale of Annual Catch Entitlement for much of the North Island inshore species to Moana New Zealand through a new long-term agreement. Commerce Commission clearance received and transaction settled on 31 October 2023.
- Assets being transferred and processing now passed to Moana.
- Will result in improved profitability for Sanford.

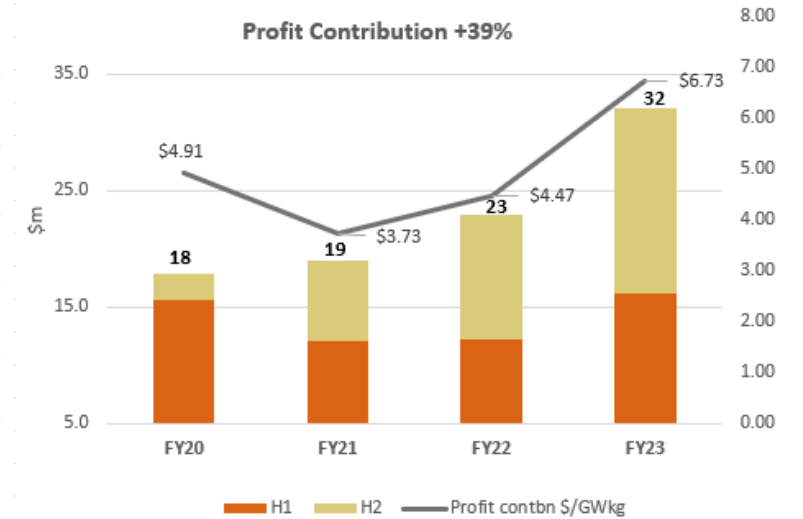
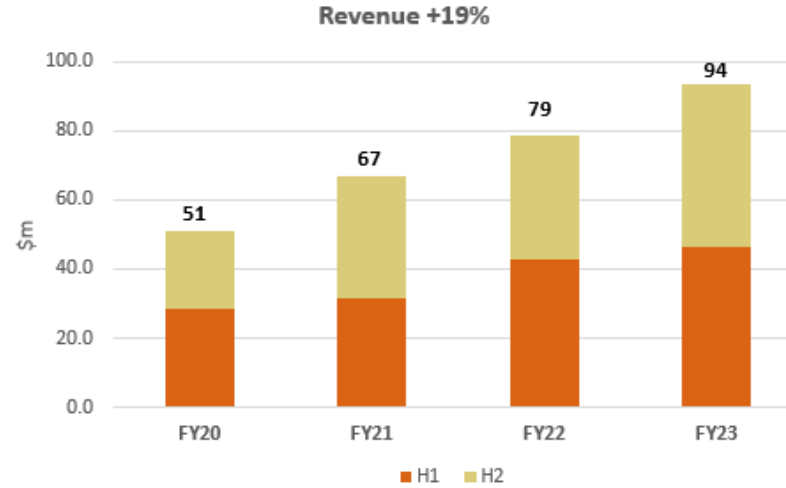
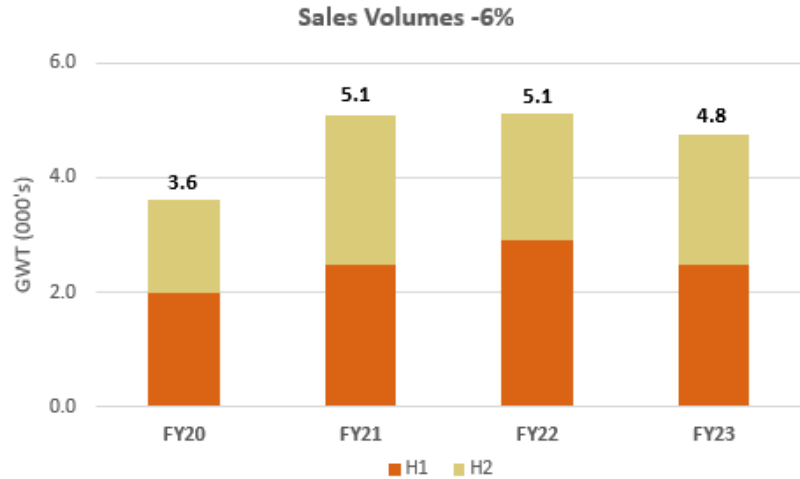


GROW SALMON



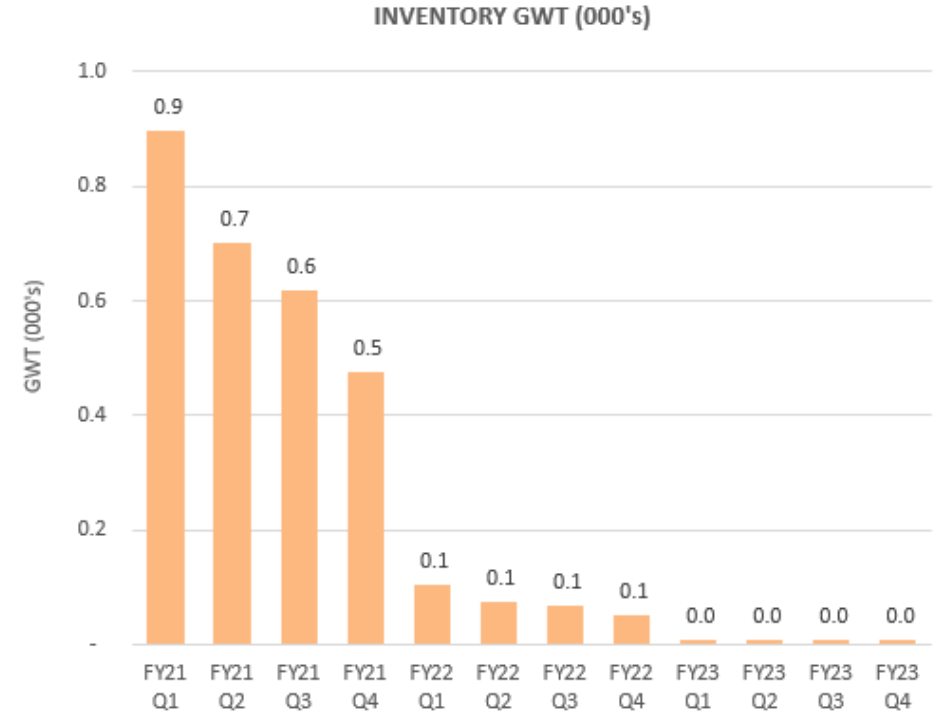
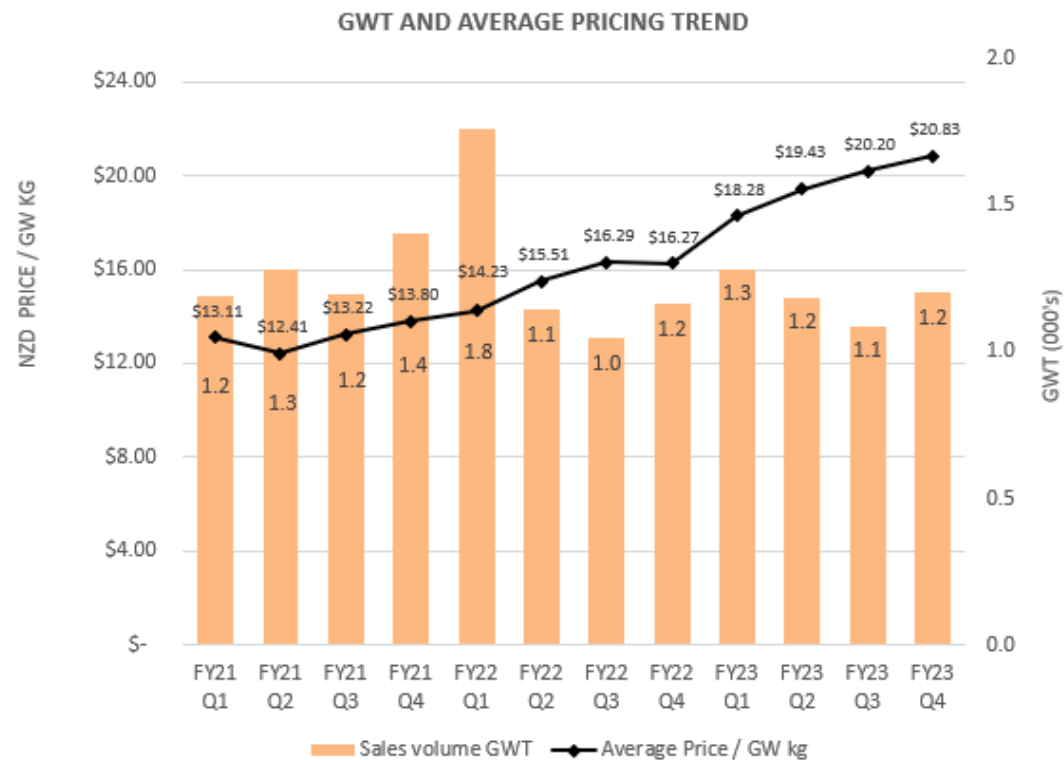
SALMON FY23

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



SALMON FY23

Pricing uplift driven by favourable mix/BGB growth. Inventory levels well managed.



SALMON YEAR IN REVIEW

- Outperformed FY23 expectations, with profit growth ahead of schedule.
- Strong pricing continues and demand is high for premium product. Big Glory Bay branded product is 51% of our volume.
- Challenging summer conditions offset by new farm and oxygenation equipment - mortalities down 41% from prior year (4.8%).
- Rising costs, particularly around feed and freight.
- Investment in new farm infrastructure and improved technology to support growth.
- Received several prestigious food industry awards for both the product and sustainability.



SALMON: OUTLOOK

- Strong pricing and demand expected to continue, although pricing growth likely to moderate in 2024.
- Continued volume focus and managing through El Nino summer conditions.
- Focus on sustaining margins and cost management, through lean and efficient 'smart farming'.
- New feed barge arriving in March 2024 which will enhance Sanford's farm infrastructure.
- RAS hatchery business case under review due to cost and production model considerations.
- Volume growth limited with current waterspace.

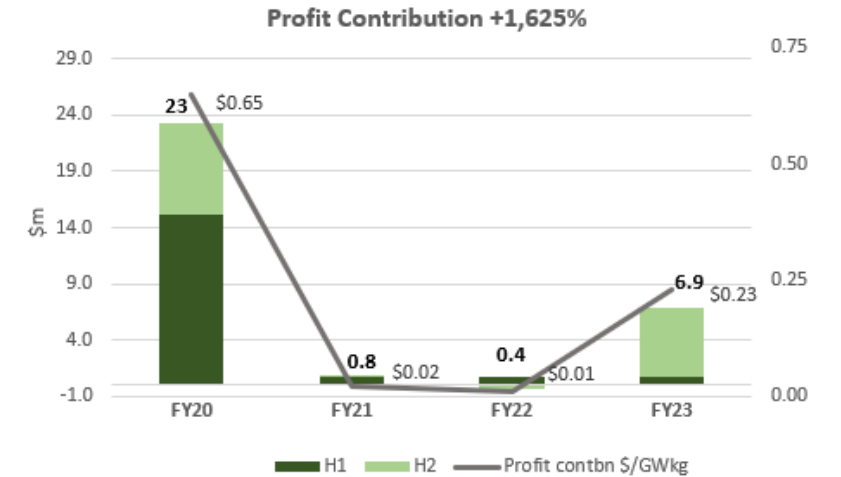
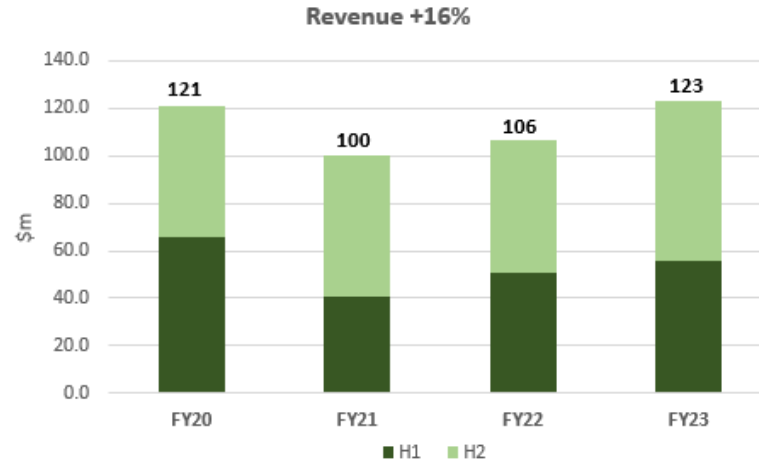
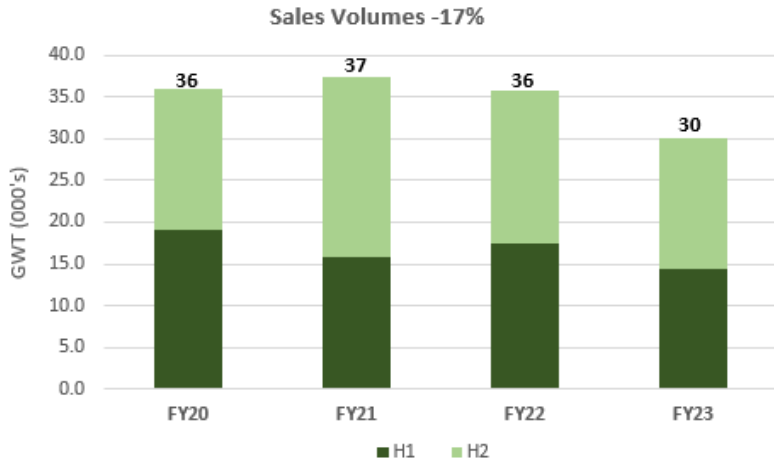




GROW MUSSELS

MUSSELS FY23

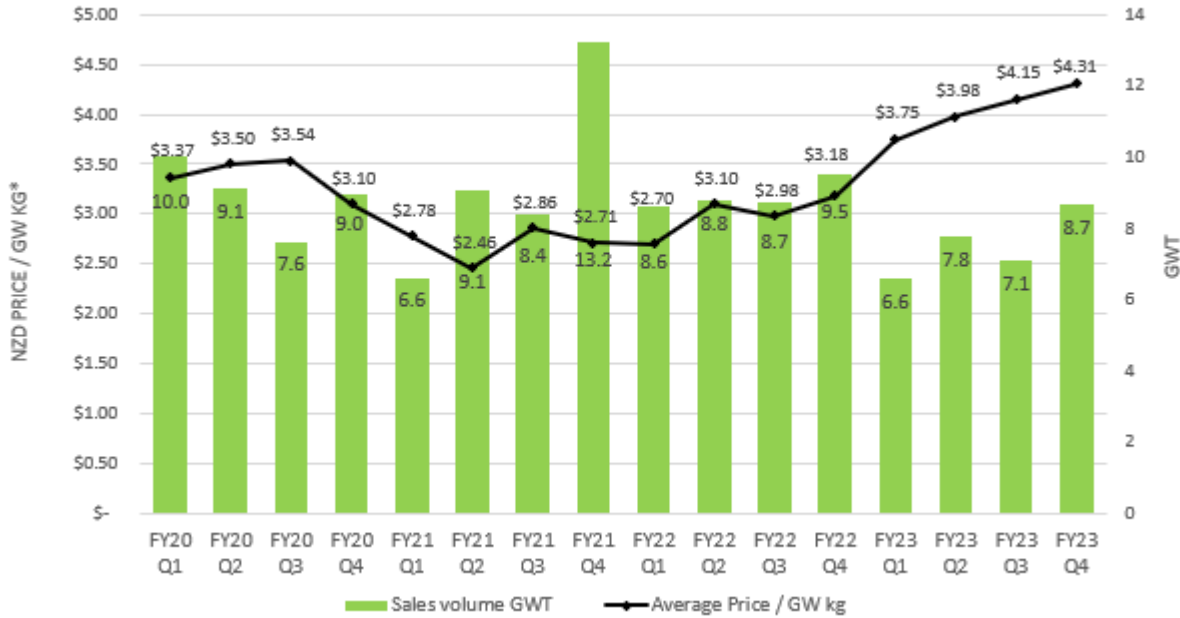
Profit improved supported by strong pricing. Volumes impacted by operational constraints.



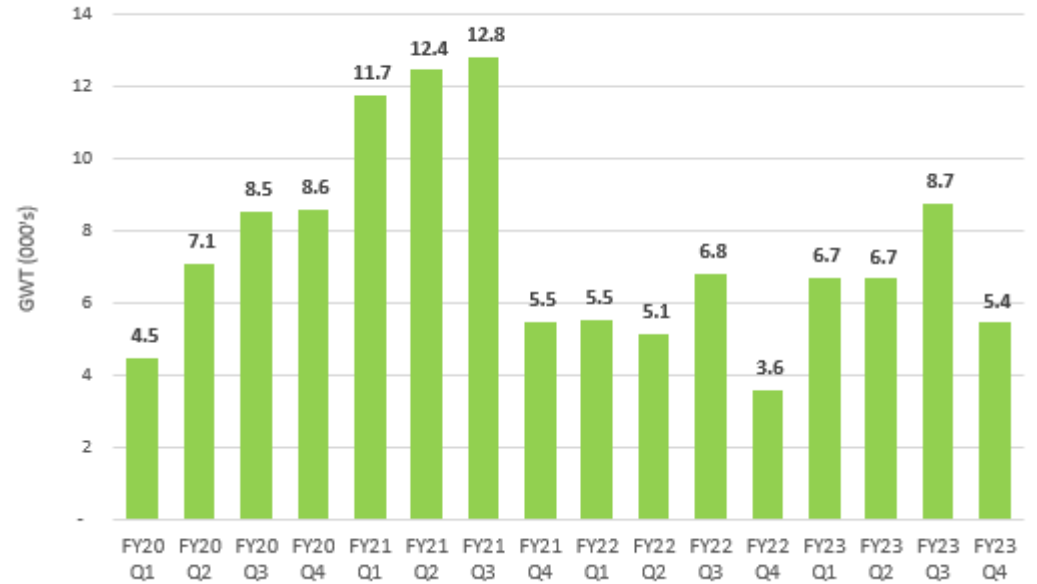
MUSSELS FY23

Pricing continues on strong growth trajectory. Inventory levels remain normalised.

GWT AND AVERAGE PRICING TREND



INVENTORY GWT (000's)



MUSSELS YEAR IN REVIEW

- Strong demand and pricing for half shell mussels.
- Labour shortages impacted ability to leverage the strong demand. Now resolved with processing teams close to being fully resourced.
- Challenging year in the Coromandel for NIML (50% JV in North Island Mussel Ltd) with extreme weather and increased biotoxin events negatively impacting harvesting downtime.
- Expanded SPATnz mussel hatchery, providing a guaranteed source of high quality spat and seed.
- Commissioning challenges with Bioactives facility.



MUSSELS: OUTLOOK

- Strong demand and pricing for half shell mussels expected to continue in 2024.
- Labour shortages largely resolved and expecting a full compliment of staff in 2024.
- Change in weather patterns (El Nino) expected to assist mussel performance, although low seeding, particularly in Coromandel in 2023, will affect 2024 volumes.
- In a strong position with water space and infrastructure (growth aspirations achievable with existing waterspace).
- Focus on improvements in Bioactives plant and restructuring of NIML JV for stronger performance.



4. OUTLOOK



FY24 OUTLOOK

- Wildcatch improvement following the arrangement with Moana for the inshore business.
- Squid catch expected to remain below historical averages.
- Salmon expected to perform well and maintain current profitability.
- Mussel improvement planned – low volume year in the North Island and Bioactives challenges continue.
- Market prices and demand expected to remain at current strong levels.
- Reduction in fuel and freight costs from 2023 peaks.
- Continued pressure on labour rates.
- More favourable exchange rates for exporting, particularly NZD/USD.
- Increased labour availability, particularly for the mussel operation.





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5. QUESTIONS?





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KIA ORA



FY23 FINANCIAL RESULTS - GAAP TO NON-GAAP

GAAP to Non-GAAP Reconciliation		
	30-Sep-23	30-Sep-22
	\$000	\$000
Reported net profit for the period (GAAP)	10,011	55,772
<i>Add back:</i>		
Income tax expense	7,471	6,692
Net interest expense	13,522	8,731
Net (gain) on sale of investments, property, plant and equipment and intangibles	(35)	(43,616)
Reported EBIT	30,969	27,579
<i>Adjustments</i>		
Impairment of assets	1,418	1,301
Restructuring costs	5,544	345
Software as a Service (SaaS) expenditure	12,714	10,312
Receipt from surrender of lease	(2,200)	
Other one-off items	947	639
Adjusted EBIT	49,392	40,176
<i>Add back:</i>		
Depreciation and amortisation	32,142	28,086
Adjusted EBITDA	81,534	68,262

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, property, plant and equipment and intangibles.

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

Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.