



SANFORD

14 November 2023

## Sanford 2023 Full Year Results

### Strong revenue recovery and continuing improvement in adjusted profit

#### Summary:

- Highest revenue result in five years, at \$553.4m, despite lower volumes
- Net Profit After Tax of \$10.0m
- Adjusted earnings (EBIT) of \$49.4m, continuing positive climb back to pre-covid levels
- Final dividend of 6 cents per share, taking total FY23 dividends to 12cps

Sanford Limited (NZX: SAN) has reported its results for the financial year ended 30 September 2023, delivering its highest revenue result in the past five years and a continuing improvement in adjusted profit as momentum progresses towards pre-covid profit levels.

The company continues to execute on its five year strategy to 'recover, rebuild and outperform' following the impact of the pandemic on the business. The commercial focus is on three pathways – Grow Salmon, Grow Mussels and Strengthen Wildcatch. Good progress has been made over the financial year, despite headwinds for the business and the industry.

Sanford Chair, Sir Rob McLeod, said: "We have a clear view of the commercial pathways for our business and are seeing positive benefits from our strategy, which was refreshed in 2023. Many of the headwinds seen over the past few years are now easing and we expect the trend of annual improvement to be repeated in FY24."

"This year has seen the implementation of a new organisational structure, new technology platforms and new leadership. On behalf of the Board, we thank our people for their commitment and support of these key reforms, and their contributions to our performance."

"Our primary goal remains improved profitability. We are clearly on the path to recovery, and it is pleasing to deliver a stronger result for our shareholders."

#### Commercial Progress

The Salmon business continued to perform strongly in FY23 with profitability ahead of schedule. This was supported by strong branding and pricing, and improved efficiencies. The focus is on both growing farm volumes within existing limits, as well as seeking the opportunity to expand capacity. Investment has been made in state of the art facilities, fleet and technologies to meet the growing global demand for this exceptional product.

The Mussel business has been slower to recover post-covid, with labour issues, particularly processing staff, at the fore. This limited Sanford's ability to take advantage of higher levels of demand during the year. Teams have now been rebuilt to full strength, positioning the business well to maximise the season ahead. Water space closures and inclement weather also adversely impacted the Mussel business in FY23. However, the upcoming change in weather patterns is expected to assist mussel performance, although low seeding, particularly in Coromandel in

2023, will affect 2024 volumes. Market demand has continued to grow and Sanford has invested to expand mussel production to ensure a reliable supply of top-quality Greenshell mussels. The Wildcatch business is being transformed, with the simplification of inshore operations and creation of an annuity-like revenue stream through the sale of much of Sanford's North Island inshore Annual Catch Entitlement (ACE) to Moana New Zealand. Sanford will continue its focus on deepwater (which remains the largest business segment), South Island inshore fishing and Australia.

FY23 sales volumes were affected by seasonal factors impacting on squid catch, which was down 58% year on year. Margins were also under pressure from increasing fuel costs and labour shortages. The focus is on improving operational efficiencies and maximising customer demand.

## **Financial Performance**

FY23 revenue of \$553.4m reflects strong pricing and customer demand, as well as improved operating conditions across all three divisions. The year-on-year increase was despite a reduction in volumes driven by seasonal factors resulting in a lower squid catch, the planned moderation in the inshore business and lower mussel volumes due to labour shortages.

Adjusted EBIT of \$49.4m was up 23%, as earnings continue their positive climb back to pre-covid levels. This excludes \$18.4m of non-trading adjustments, compared to \$12.6m in the prior year. In particular, FY23 included \$5.5m in restructuring costs as the North Island inshore business closed, as well as a \$2.2m gain following the surrender of a lease at the Port of Tauranga.

Sanford's FY23 reported EBIT was \$31.0m, up 12.3% on \$27.6m in the prior year.

Reported Net Profit After Tax (NPAT) includes non-trading adjustments and unusual transactions. In the prior year, NPAT included a one-off \$43.7m gain on the sale of crayfish quota. FY23 NPAT was \$10.0m.

Net debt increased by \$51m to \$196m, with ongoing capital investment, particularly the new scampi vessel, the Sancore technology programme and the Sanford Bioactives facility. A two year, major maintenance programme has been approved on four wildcatch vessels, which will commence in FY24. Gearing at 22.9% remains within the parameters set by the Board, reflecting a prudent and strategic financial management approach. Sanford has total facilities of \$250m, providing sufficient headroom for continued investment in capital projects (including fleet and technology) and to explore growth initiatives.

Operating cashflow of \$41.1m remained at strong levels.

A final, fully imputed dividend of 6 cents per share was declared by the Board, taking full year dividends to 12 cents per share.

## **Outlook**

Sanford anticipates a stronger year in FY24, as it continues to focus on achievement of commercial and profit goals.

Wildcatch profitability is expected to improve with the focus on operational efficiency and following the North Island inshore ACE sale.

Strong mussel pricing and demand is expected to continue into 2024, although the ability to maximise this will be partly restricted due to low seeding in 2023 as a result of weather conditions. The new Sanford Bioactives facility, commissioned earlier in the year, continues to experience productivity issues and is behind expectations. This is an area of focus for the business. Sanford's Mussel business remains in a strong position with water space and infrastructure, and with processing teams now back to full strength.

Salmon is expected to continue its positive momentum, with strong demand for King salmon and Sanford's Big Glory Bay brand. The focus will be on sustaining margins through 'smart farming' and the business is exploring the use of AI and automation. A new feed barge is arriving in March 2024, which will benefit farm infrastructure.

Sir Rob commented: "Sanford has been at the forefront of the New Zealand's seafood industry for over a century and we remain committed to fishing, harvesting, processing and delivering quality seafood in a sustainable manner. We have a clear strategy and pathways to rebuild our profitability and outperform over the next three years. Our team is working hard and we look forward to delivering increasing value to our shareholders."

For further information, please contact:

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