



16 December 2020

Sanford Limited 2020 Annual Meeting
Mr Andre Gargiulo
Acting Chief Executive Officer's Address

1st slide

Nau mai, haere mai. Tena koutou, tena koutou, tena koutou katoa.

Good afternoon and thank you for joining us at Sanford's Annual Meeting for 2020. Thank you, Sir Rob, for your words today and thank you to all our Directors. And to all of you, our shareholders, thank you for being with us today.

It was a privilege to be asked to act as CEO after Volker's resignation in September, but it was certainly not something I was expecting to do this time last year.

However, this has been a year for the unexpected.

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With Covid impacting our results, as Sir Rob has outlined, 2020 became a year of demands and disappointment.

Yes, we were disappointed in our result.

Sir Rob has covered the headline numbers for Sanford Limited, and I will not repeat them. But let me give you a little detail around how the three main divisions of the business performed.

Our wildcatch division is the largest part of our business – the strong, commodity base which Sir Rob has talked about and a key part of our strategy.

Wildcatch was down 3-percent in tonnage of sales volumes from 2019 but down 45-percent in terms of its profit contribution. This is a story of lower demand leading to lower pricing, seriously affecting margins.

In Greenshell mussels we had a strong production year and revenue was up 12-percent. Overall profit contribution was up 30-percent, driven by a strong first half in pricing and volume. However, mussels are a challenge in 2021 because they are heavily exposed to the foodservice market, in particular banqueting, which continues to be hit so hard worldwide. Salmon saw sales volumes and revenue up 3 and 4 percent respectively. But its profit contribution was down 9-percent. That was because salmon was also vulnerable to foodservice downturns. Fortunately, we've been able to switch much of our supply to retail,

both domestic and international. That switch saw our revenue from the New Zealand market grow 14% over the year.

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While we are disappointed by the numbers, there is another story from 2020 at Sanford. I am intensely proud of the way our people responded to the numerous challenges of the pandemic – they worked in a determined and unified way to keep us functioning as an essential service throughout the first New Zealand lockdown. And then, in Auckland, they managed a second lockdown just as smoothly.

I believe it would be fair to say we have controlled what we could control through this incredibly demanding situation. Our aim was to continue to feed New Zealand and the world, while keeping our people safe and secure. We did that.

We took brave decisions. When it became obvious we needed to shut our sites for three days to put new Covid protection measures in place, we did that.

When it was clear we would have to send a vessel through the Southern Ocean to retrieve a crew trapped in South Georgia by Covid-related shut downs, we did that too.

And our people saw and appreciated what was being done to keep them safe and secure. They, in turn, stepped up.

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Our total recordable injury rate was down 41% in 2020.

No cases of Covid-19 touched our sites.

We are proud to report that our people's engagement increased from 72% in 2019 to 76% in 2020. After the brief site closures to put additional safety measures in place, we saw our people return to work in numbers that outpaced many other companies in the food production sector. Many of them told us they were proud to step up as providers of an essential service.

Our team in Melbourne deserve to be mentioned here. They worked through three months of lockdowns in their city, continuing to provide seafood to customers throughout.

We have learned valuable lessons and honed our ability to manage challenge.

We could control how we responded, but we could not control how the rest of the world responded to Covid-19.

As the Chairman has mentioned, the pandemic hit tourism and out of home consumption in many of our key markets including China, the US and Europe.

Seafood's strength became its vulnerability, given that more than 70% of seafood is consumed out of home. That meant our higher value products were in less demand, reducing our margins and increasing our cost base, such as the increased cost of air freight.

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You can see from a selection of recent headlines from the global seafood press that the challenging times aren't over yet. For those who read international publications like Intrafish or Seafood Source, you can see that the pattern we've experienced at Sanford is repeated all over the world. Firms with strong retail channels have benefitted from changing demand patterns. Those with stronger links into foodservice are now playing catch up, as our customers themselves look for alternative ways to adapt their own businesses to survive through this Covid challenge.

I saw this in person in January when I visited 8 cities in 10 days across the US. I met with some of the most amazing chefs at incredible restaurants who were using our products. They were so positive about our beautiful seafood and excited about the future opportunities. Three months later they had closed and were now reinventing themselves.

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So how did we respond?

Here in New Zealand, we were able to swiftly move to establish online sales direct to consumers. This channel saw strong triple digit percentage growth during the 2020 financial year. However, we simply could not replicate this agility internationally. We didn't have the people on the ground to access sales in new areas of demand, such as consumer retail. That has now changed as we addressed this issue head-on. We have restructured our sales network and strengthened our ability to work with local partners. We now have Sanford people based both in America and in China. Yes, it took time to do this, but we're now much better placed for growth in the new financial year.

You have a management team at Sanford which understands the need to move with urgency.

We get it – we are not afraid to take the decisions which will strengthen Sanford's profitability and protect its future. That is what we are doing, and we are learning how to act faster going forward, guided by our strategy and our values of care, passion, integrity and achieving together.

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I agree with Sir Rob that our strategy is the right one. The management team is wholly committed to advancing our value creation opportunities in addition to maintaining our strong commodity base. That strong base helps make our growth possible.

We continue to work on getting closer to the customer and consumer and on extracting more value from the precious resources we have available from the sea. And importantly we are doing this sustainably.

Sustainability is an essential component in our positive story. Our customers and consumers expect nothing less from us. They know we are here for the long haul and that we respect the resources which support us.

I have said this publicly before, but it is worth saying again – Sanford has survived two World Wars and a previous pandemic. We are determined not to be blown off course by Covid-19 nor its impacts, and we will not lose sight of our history, or our future, as we work hard to make 2021 a better year.

So, as we seek to control costs in the year ahead, sustainability will not be compromised. Safety will not be compromised. Both are non-negotiable.

We have made it clear to our leaders throughout the business that there is no cutting corners on the safety of our teams. We want to continue to see a downward trend in the accident rate and we are working actively throughout the business to achieve that.

What will change, and what you will see, is a move towards a simplicity of focus and making clear choices about which projects we prioritise. Controlling costs is the right thing to do. Being prudent, while not compromising our ability to grow.

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For example, we fully intend to work on our replacement scampi vessels, which will significantly upgrade our fleet and offer excellent working conditions at sea and sustainability benefits. However, this is work we've decided to do slightly slower, to ensure we're not compromised in how we manage our debt and liquidity levels.

Another example is we are looking into the possibility of moving from an ownership model for our Marine Extracts Centre in Blenheim to a lease model. Our plans to continue to expand this highly profitable area of the business have not changed. Who owns the building in which it is housed will not impact its future growth potential.

Sadly, we needed to take the decision to close our Tauranga processing plant during 2020. We acknowledge and thank the staff who contributed much to the business from that site, but it was an action we needed to take. The reduction in volumes through that plant started

with the sale of our pelagic fleet but were exacerbated by Covid-19. It meant it was no longer practical for us to run two North Island wet fish processing sites. Tauranga was shown to have seismic issues, which meant we could not keep that site running.

As well as keeping a close eye on costs, you will also see concrete examples in the next 12 months, of our strategy in action to create value and get closer to consumers. In the US for example, we will be providing orange roughly in a bag format to Costco customers.

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As we say goodbye, perhaps with a sense of relief, to 2020, we need to thank and acknowledge the people who have made it possible to maintain our strong position as New Zealand's oldest and largest seafood company.

Firstly, I would like to acknowledge our departed CEO Volker Kuntzsch. The Chairman has already noted his contribution and the ongoing role he's played assisting the business since his departure. He has made himself available to me in the last few months whenever I have needed it. We wish Volker all the best in his new life and ventures.

I wish to acknowledge and thank our board. Their guidance and focus has been invaluable. Their understanding of the seriousness of the issues we have faced in 2020 has given us the support we needed to take the necessary decisions to keep the business strong.

I want to express my gratitude to you, our shareholders. Your continued support is what makes Sanford a business which I believe all New Zealander's can be proud of.

I want to thank our loyal suppliers, customers and the consumers who value the beautiful New Zealand seafood we produce. Many of them have faced difficult times in 2020. We are with them and we appreciate how they have stuck with us. Partnerships like that make a difference, and will help lift all of us to better times in the year ahead.

And finally, I need to thank the Sanford people, all of whom have worked so exceptionally hard through a year of adversity.

This has been a truly hard year, but it has brought out the best in us. We have come together as a strong, confident and caring team.

This extends from the exceptional executive team I have around me, to our people who get up every day and sometimes in the middle of the night and come to work, wanting to do their bit to make the world a better place by feeding New Zealand and the world with a product that is second to none. Thank you also to the family members of our people who support and understand the work they do.

We have begun the new financial year with renewed confidence, despite the continuing influence of Covid on our daily lives.

Our priorities are clear, and we will continue the 130-year legacy that is Sanford by honouring our values and knowing we are in this together and we are achieving together.

Finally, I want to wish all of you a very Merry Christmas and a safe, prosperous and healthy New Year.

Thank you.