



20 December 2021

Sanford Limited 2021 Annual Shareholders Meeting
Mr Peter Reidie
Chief Executive Officer's Address

SLIDE 1 – welcome

E ngā mana
E ngā reo
E ngā karanga
Maha o te wā
Tēnā koutou katoa

Thank you Sir Rob.

Welcome to our 2021 Sanford Annual Shareholders Meeting. Thank you for joining us virtually on this platform.

SLIDE 2 – numbers

2021 has been another “character building” year at Sanford, with the continued impact of Covid-19 on our business. Our numbers have not been what we wanted, as Sir Rob has outlined. The main driver of this was the performance of our mussel business which had limited negative impact in the 2020 financial year as we continued to fulfil contracted orders at good prices. But, due to the frozen nature of these products and the way our contracts are timed, mussels have been more severely impacted in FY21. They have been slower to recover as our customers had to clear the stock they were contracted to buy but had no outlet for during the initial covid lockdowns.

SLIDE 3 – restaurant openings

The chart you can see on the screen now gives a very graphic illustration of what we have been through. Seafood consumption worldwide is heavily skewed to out of home or in restaurant dining. This chart is a global survey of the number of people being seated at restaurants. The percentage comparison is the change in number versus the attendance against the baseline year of 2019.

The -100% line says that in March of last year across the 20,000 restaurants surveyed, there were 100-percent fewer seats being utilised than in 2019. I.e. zero – no people in restaurants or food service venues. Since that time the numbers have improved but were still down 80-percent, then 60-percent, then 40 and by July of this year we are starting to see the numbers get reasonably close to the zero line, meaning they are matching the numbers of people in restaurants in 2019. This is good news.

The shape of this curve reflects how our food service business has performed. With our fresh business, notably salmon, performing consistently with this chart. Our frozen business, particularly mussels, has performed in a similar way although with a significant lag. Our existing contracts meant we held volume and price through the initial covid lockdown but we have taken more time to recover as our customers have had to clear that volume.

SLIDE 4 – supply chain

Covid has also impacted us in other ways. Our supply chain team has been constantly challenged with late schedule changes, freight cost increases and capacity constraints. We have also struggled to maintain appropriate manning levels at our land base plants, particularly Havelock and Timaru.

We have had to address these challenges with moves to the grocery channel and by re-arranging our export freight through Kotahi, New Zealand's largest supply chain collaboration group, which gives us significantly more scale and greater access.

SLIDE 5 – EBIT over time

Sanford has had a good track record of consistent earnings and dividends prior to the advent of Covid-19. Our job now is to bring the business back to that performance level and then take it beyond.

The severe curtailment of demand on the back of the worldwide lockdowns from Covid has meant significant volume loss, price deterioration and cost impost. Profit deterioration has been unavoidable, but we have remained profitable and focused on what we could control given these circumstances. Over the last two years we have managed our cost base, sought and developed alternate channels, held stock in water, strived to clear volume to ensure we weren't creating a problem for our future and managed our investments to ensure we have been living within our means.

I would also like to acknowledge that our vessel, the San Waitaki, which has continued to be operational, has been released from forfeiture and a redemption fee paid, after it unintentionally fished in a benthic protection area.

SLIDE 6 – volume and revenue in quarters

As the world works its way through Covid, we will see a recovery in demand for seafood which will drive a recovery in price. In fact, our last quarter performance is demonstrating that we are seeing that. Our last quarter revenues and volumes have exceeded the same quarter for the previous year... the first time we have done this since the beginning of Covid lockdowns. I am confident we will demonstrate a consistent trend when we review our 1st quarter performance in February.

SLIDE 7 – inventory slide

This good lift in volumes has seen us finish the year with inventory in a good place well below the highs of a year ago. This is a credit to our people who have had to work through these challenging times to deliver this outcome. Given the variability of the markets for seafood, to come out of the year with our inventory position as it is, is a credit to the team.

SLIDE 8 – EBIT waterfall

Our performance by division has been mixed with the standout negative, as we've mentioned, being the performance of mussels. The reliance on food service, the fact that we were still selling into a largely closed market at the end of last year, and the ongoing suppressed market demand has meant we've had a challenging 12 months in this area of our business.

What I like about this slide on your screen now, is it clearly shows where our problem is and the benefit of focusing on the things we have been focusing on – Our Big Glory Bay salmon brand, salmon into retail, Scampi, Australia. If Covid had not happened and affected mussels in this year in the way it has, we would have grown our profitability.

I realise that is not the reality, and we have had to address the challenges Covid presents. But this chart gives us reasons to believe we can return to profitable growth and that is what we intend to deliver.

SLIDE 9 – debt over time

Another area where I believe we have done well, in the context of the year, is in managing our debt levels. We have still completed critical capex. Our 12-million dollar refurbishment of the San Granit is an example of this, and we have committed to programmes that will help us grow in the future. These include our new marine extracts plant for mussels and a RAS hatchery for salmon. To be able to do these critical spends and support key growth opportunities while maintaining debt levels at below year ago is again a reflection of the good decisions the Sanford team has been making.

SLIDE 10 – planning

I joined Sanford in April and have spent my time being a “sponge” in order to build knowledge of what is a very complex and diverse business. In terms of planning, there had been a well-articulated strategy that there is no doubt Covid has affected. The analogy I have used is Covid has meant we have hit “Rough Seas” and we need to be in a position to ensure our ship is equipped to sail in these waters.

This has been the outcome of the FY22 Business Plan. We got to this plan by looking at our previous strategy, identifying what was different, given our last two years performance and determining what we need to keep doing, what we need to stop doing and what we need further clarity on. Clearly, we built our FY22 Business Plan on what we need to keep doing.

SLIDE 11 – Business Plan

Out of that we have four key initiatives to “Right our Boat”.

1. **Rebuild mussel profitability** by continuing momentum in the US, Asia & Europe and building channel and country diversification, developing alternate revenue streams such as marine extracts, plus partnering with Kotahi to improve supply chain efficiency and effectiveness.
2. **Grow developing opportunities in wildcatch.** For example, developing further direct channels in high value products like scampi, Sanford & Sons frozen product development and channel diversification, plus continuing the momentum of Sanford Australia.
3. **Retain salmon profitability and prepare for future growth.** This will be achieved through Big Glory Bay product development, a foodservice focus, US and China retail expansion and initiating the RAS Hatchery build.
4. **Establish cross business fundamentals** of performance management, risk management and executional excellence.

These are drivers to returning this business to growing profitability and getting it back to the levels it has consistently operated at.

The next step is to “refresh” our strategic plan where we look beyond next year and confirm the course we are setting for this business. We have a programme of work against this and have committed to articulating this strategy by the end of the first half of the calendar year 2022.

SLIDE 12 – ESG

Through all of this, we recognize it’s a privilege to be able to fish and farm in the areas we do. We have been in the fishing business for 150 years and we’re committed to being in it for at least 150 more. To do this we know we have to protect and conserve the environment we operate in and we prioritise doing this.

We are also strongly focused on our role within the communities we operate in and want to be a valued contributor to these communities. Key programmes like our Southland Salmon Community Fund, our support of the Graham Dingle Foundation and our pro-activity around harbour rejuvenation are examples of the ways we go about this.

I look forward to the opportunity that Ngai Tahu brings to us, as a significant shareholder seeking similar outcomes for environment and community.

SLIDE 13 – people montage

This is a year where we have to feel for our people. The reality is, in 2021 the hard work and efforts of our people have not been reflected in the numbers we have reported.

Our teams, day in and day out have strived to produce an outstanding product, which covid has constrained the demand for. They have also had to work in different ways, as we have had different Alert Levels and different Traffic Light Levels to contend with as an essential service where we are producing food for our country and for the world.

I greatly admire and appreciate the efforts and resilience of our people, through what has been a year I think most of us will be glad to leave behind.

SLIDE 14 – executive team (previous)

In my own team we have also had some change. I once again want to thank Andre Gargiulo for standing up and being the interim CEO for seven months and setting the course through some very challenging times.

At the end of the financial year we had CFO Katherine Turner depart our organisation. Katherine has been a major contributor to Sanford and I wish her all the best in her future endeavours.

Since our year-end close we have also had the resignation of Clement Chia our Chief Operating Officer. Clement has been a long-term contributor to our business and we will miss his skills and experience. I thank him for all his work and for the development of his excellent team, which leaves us in safe hands.

SLIDE 15 – exec new team

From these changes comes opportunity and it is exciting to be bringing to the organisation a highly skilled and experienced CFO in Paul Alston and to be appointing two internal people from within Sanford to replace Clement as we have split his role into two due to the breadth and complexity of the role and a need to put some additional weight behind our supply chain.

We have just announced Louise Wood as Chief Supply Chain Officer, a new role for Sanford and one to which Louise brings great experience and skill. We are also in the process of appointing an Interim Chief Operations Manager to the Executive Team. We have some excellent candidates for this role and we will make this announcement soon.

SLIDE 16 – Peter on the San Granit

This is my first Annual Shareholder Meeting with Sanford. I feel privileged to be the CEO of this great company. As part of my induction, I had the experience of being at sea on the San Granit, seeing first-hand what goes on in the real world of fishing.

SLIDE 17 – fishing and product

When the first thing you see each day is the sun coming up over the horizon and the last thing you see is the sun going down over the same ocean horizon with no sight of land in any direction.

When you see first-hand the team-work and pride required to successfully operate a fishing vessel.

When you work on the packing line with the crew, and you see the effort they put into produce an amazing product consistently.

When you see the net brought up and within an hour you know that the fish has been filleted, packed and is going into a hold to be frozen at sea... within an hour!

You get to appreciate how special it is.

How special is the bounty of the sea, how special is the teamwork and pride of the people and how special is the wonderful product that we have produced to take to the world.

This voyage gave me huge confidence in Sanford. We have a product the world wants. We have a team of people who are engaged in making that product as good as it can possibly be. We are full of opportunity to tell this story and deliver to our customers what no one else can.

As we do this, we will be more successful, and the numbers will follow.

I look forward to demonstrating to you how we have done this in future Sanford Annual Shareholder Meetings.

SLIDE 18 – thank you

Thank you.