

# Acquisition of Pacifica Seafoods' Greenshell™ mussel business

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**SANFORD LIMITED**  
SUSTAINABLE SEAFOOD



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# Transaction Overview

- Acquisition of Pacifica Seafoods' Greenshell™ mussel business for \$85 million (includes Pacifica Oyster business but excludes Salmon assets)
- Combines New Zealand's two largest Greenshell™ mussel producers
- Consistent with Sanford's aquaculture strategy outlined in May 2010
- Significant potential synergies, particularly in terms of farming operations, processing automation and export marketing
- Fully debt funded through new 3-year bank facilities
- Earnings accretive from the time of acquisition
- Already received clearance from Commerce Commission
- Plan to complete acquisition on 30 November 2010 subject to satisfaction of remaining conditions



# Overview of Acquired Businesses

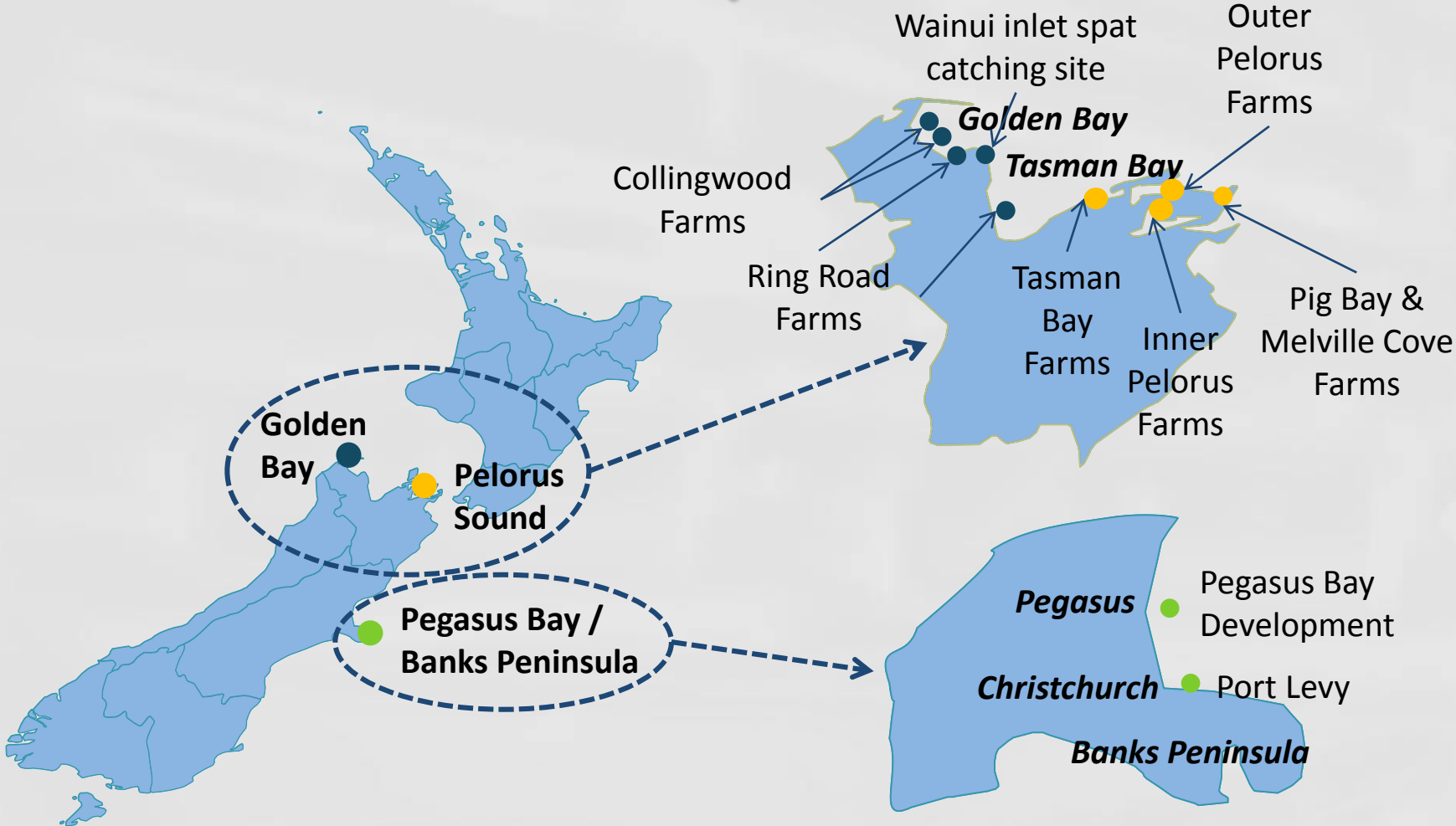


# Businesses and Assets Acquired

| Greenshell™ Mussels   | Pacific Oysters   |
|---|---|
| <p><b>Operations</b></p> <ul style="list-style-type: none"> <li>• 2nd largest producer in New Zealand with approximately 20% market share</li> <li>• 2011 production volume of approximately 18,000 greenweight tonnes</li> <li>• Marine farms in Marlborough Sounds and Banks Peninsula covering 532ha of water space (392ha wholly-owned, 140ha share-farmed or leased)</li> <li>• 40% interest in consented 2,695ha Pegasus Bay development, with rights to farm and process 100% of mussels grown at the site</li> <li>• Modern processing facility in Christchurch</li> <li>• 7 service vessels</li> <li>• Various properties near Marlborough Sounds and in Christchurch</li> <li>• Pacifica’s interest in Pure New Zealand Greenshell Mussels joint Chinese marketing initiative (Sanford has existing interest 35%)</li> <li>• Interest in industry JV to build and operate large spat hatchery in Nelson</li> <li>• Early stage growth opportunity in branded retail products</li> </ul> | <p><b>Operations</b></p> <ul style="list-style-type: none"> <li>• Completing first commercial harvest this financial year, approximately 20mt</li> <li>• Approximately 1% market share by 2011</li> </ul> |
| <p><b>Staff</b></p> <ul style="list-style-type: none"> <li>• Farms: 45 personnel</li> <li>• Processing: 250 personnel (peak season)</li> </ul>  | <p><b>Staff</b></p> <ul style="list-style-type: none"> <li>• Within mussels</li> </ul>  |



# Pacifica's Mussel Operations



# Strategic Fit with Sanford





# Acquisition Rationale

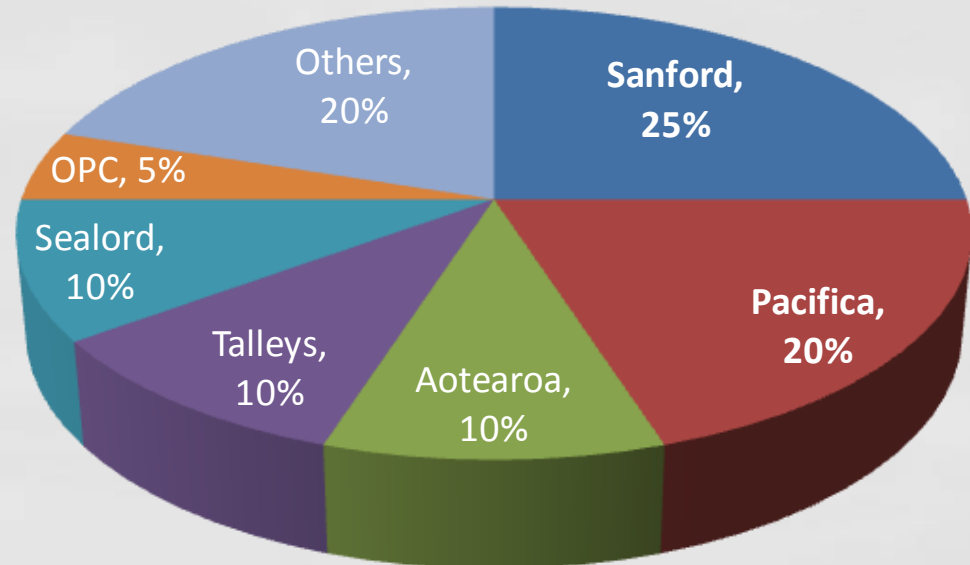
- Increases Sanford's presence in New Zealand aquaculture sector
  - Combines New Zealand's two largest Greenshell™ mussel producers
  - Consolidates #1 position in New Zealand aquaculture
  - Enhanced footprint in export markets
- Attractive growth prospects
  - Increases exposure to sector with significant growth potential
  - Access to 2,695ha Pegasus Bay development
- Significant synergy potential
  - Better coordination of export marketing
  - Processing automation
  - New rope technology
  - Cost savings



# Aquaculture is Key Part of Sanford's Growth Strategy

- Aquaculture is New Zealand's fastest growing seafood sector and a major export contributor
- Globally, FAO predicts seafood consumption will increase 35% over next 10 years and aquaculture will increase from 42% to 58% of global seafood production by 2020

**Greenshell™ mussels (estimated NZ industry share)**



# Coordinated Industry with Strong Government Support

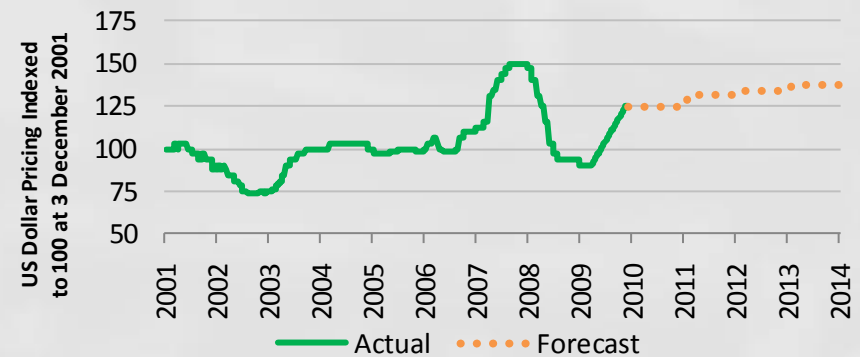
- Significant coordination across New Zealand aquaculture industry
- Strong government support for aquaculture industry
- Coastal Policy Statement announced in October
  - Councils must now consider the potential value of aquaculture and plan for it where appropriate
  - Protects biodiversity and water quality – critical to aquaculture development
- Aquaculture Amendment Bill introduced to Parliament on 9 November
  - Intended to promote creation of new aquaculture space
  - Streamlined planning and consenting process
  - Reduced cost, complexity and uncertainty



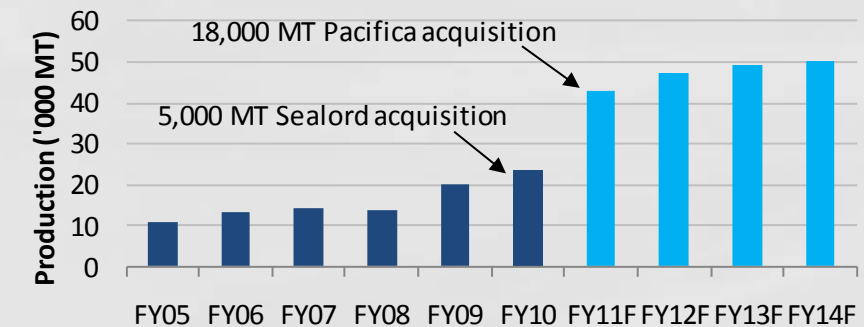
# Increased Exposure to Attractive Mussel Outlook

- Favourable outlook for Greenshell™ mussel pricing and volumes
- Export mussel prices now back above US\$2.00/lb
- Pure New Zealand Greenshell Mussels initiative in China is now operational with product already in market and significant customer commitment to the brand. Orders ahead of forecasts.

## Mussel prices recovering from lows<sup>1</sup>



## Forecast Sanford Mussel Volumes



Source: 1. ANZ Seafood Commodity Index. Forecasts based on Industry estimates.



# Financial Information



# Financial Impact of Acquisition

- Acquisition price represents book value of assets
  - Marine farm licenses and structures and crop - \$62m
  - Fixed assets (Properties, vessels, other P&E, investments) - \$20m
  - Stock (finished goods, raw materials) - \$3m
- Financial outlook for acquired businesses and assets
  - Annualised 2011F revenue approximately \$47m
  - Annualised 2011F EBITDA approximately \$10m (excluding synergies)
- Significant potential synergy benefits
  - Farming efficiencies in the Marlborough Sounds
  - Processing automation potential
  - Improved coordination of export marketing
  - Cost savings from aggregated purchasing



# Financial Impact of Acquisition (cont'd)

- Fully debt funded through new 3-year bank facilities
  - \$90m facility provided by ANZ and Rabobank
  - Pro forma gearing expected to be approximately 2.2x (Net Debt/EBITDA) post-acquisition
  - Well within covenants post-acquisition
- Earnings accretive from the time of acquisition
  - Transaction expected to close on 30 November
  - 10 month contribution to FY11 result

