12 November 2020

Name of Listed Issuer: SANFORD LIMITED (SAN)
FINANCIAL RESULTS for the year ended 30 September 2020

Sanford's Full Year Results Reflect Impact of Covid-19

Year to 30 September	2020	vs 2019
Harvest Volumes (000 GW tonne)	113	+7%*
Sales Volumes (000 GW tonne)	106	0%*
	$m	
Revenue	469	-14% (-11%*)
Gross Profit	82	-23%
Adjusted EBIT	38	-41%
Net Profit After Tax	22	-46%
Earnings per Share	24 cents	
Dividend per Share	5 cents	

*on a comparable basis i.e. excluding pelagics business from 2019 figures. Sold in March 2020.

New Zealand seafood company Sanford Limited (NZX:SAN) has reported total revenue of $468.8m for the financial year ending September 30, 2020, a 14% decrease on 2019 ($545.1m). The business sees this decrease as directly attributable to the Covid-19 pandemic and its impact on food service globally.

However, the company says it has learned from the challenges and is adjusting to pandemic conditions, making the business better prepared for the year ahead, and remains confident that its longer-term strategy is the right one.

Sanford's Adjusted (underlying) Earnings Before Interest and Tax (Adjusted EBIT[1]) for the year to 30 September 2020 was $38.3m (versus $64.8m for the prior year), representing a 41% decrease. Reported Net Profit After Tax (NPAT) 2020 was $22.4m, compared to $41.7m for the previous year, a 46% decrease.

Sanford, like many seafood companies globally, has been primarily reliant on food service as a sales channel, an area which has been hit hard by the lockdowns resulting from the Covid-19 pandemic response. For example, the company saw sales into North America fall by 30% compared to last year.

[1] For reconciliation of the GAAP and non-GAAP performance measures in this document, refer to page 89 of the company's Integrated Annual Report for the year ended 30 September 2020.

Acting CEO Andre Gargiulo says recent changes to sales tactics in global markets, to facilitate more consumer facing sales, means Sanford has a path to increased profitability in 2021.

“While we acknowledge this is a disappointing result, we are confident that our strategy to get closer to our consumers and maximise the value of our products is the right one. We are adjusting to changing market conditions and are putting in place a plan to more flexibly respond to changing environments, while protecting profits through an appropriate cost structure.

“It is a tribute to the hard work of our people that we have continued to operate profitably in 2020 despite the substantial challenges. The business has learned a great deal and we continue to develop alternative product formats and build a stronger presence in channels that have proved more resilient.”

CFO Katherine Turner says the numbers reflect the challenge of rapidly adapting a business which works on long time horizons for supply, for example seeding mussels or putting salmon smolt in the water two years ahead of harvesting.

“Pleasingly, we harvested more fish and shellfish than last year (with the exception of toothfish), but because of Covid-19, more stock than usual has gone to inventory.

“The pandemic’s impact on food service also meant that high value products were less in demand, reducing our margins further and increasing our cost base.

“Despite the challenges, our balance sheet and liquidity remain robust, with a gearing ratio at 31% compared to 24% last year and we will continue to make careful choices as we manage our asset rejuvenation programme, balancing investment needs with cashflow realities.”

Board Chair Sir Robert McLeod says the board is currently making good progress in the process to recruit a new CEO, replacing Volker Kuntzsch, who left on September 18, 2020.

Due to uncertainty caused by the impact of Covid-19, the ongoing asset rejuvenation programme and wish to ensure prudent cash availability, the Board has taken the decision not to pay a final dividend in respect of the 2020 financial year.

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