



SANFORD

18 November 2021

Name of Listed Issuer: SANFORD LIMITED (SAN)
FINANCIAL RESULTS for the year ended 30 September 2021

Sanford 2021 Full Year Results: Covid Impacts Continue but Signs of Recovery in Key Markets

Financial results summary:

- Sanford's profitability significantly hit by Covid-19 impacts
- NPAT of \$16.2m, down 16% on restated FY20¹
- Revenue of \$489.6m in FY21, up 4% from \$468.8m in FY20
- Adjusted EBIT of \$23.3m in FY21, down 39% from \$38.3m in FY20²
- Challenges remain but in late 2021, wildcatch and salmon profitability have started to improve and mussels inventory has normalised
- Clear strategic priorities for 2022, and a new CEO and CFO in place
- Timeline to complete a strategic plan refresh by first half of calendar year 2022
- Dividends remain suspended

New Zealand's largest seafood company Sanford Limited (NZX: SAN) says it has faced a second year of Covid-19 related impacts on profitability, although its full year results to September 30, 2021 show signs of improvement in key markets.

Sanford is reporting 2021 sales revenue of \$489.6 million, up 4% from revenue of \$468.8 million in the 2020 financial year. Net Profit After Tax (NPAT) was \$16.2 million, down 16% on the previous 12 months. Adjusted EBIT for 2021 was \$23.3 million, down 39% from the previous year's \$38.3 million.

Board Chair Sir Robert McLeod says the key cause of the reduced profitability is the impact of Covid-19 lockdowns around the world.

"This has hit the foodservice sector where the majority of the world's seafood is consumed. The most significant impact this year has been to our mussels division, which depends on the half-shell format for its volume-based sales."

CEO Peter Reidie says the impact of Covid-19 has been uneven across our three divisions and the recovery is too.

"While we have seen a lag in the recovery of our mussels division, we have also seen our wildcatch and salmon divisions beginning to improve and mussels inventory finally normalising in the latter part of 2021, as the pandemic response has evolved globally."

Mr Reidie says supply chain reliability and costs remain challenging and the costs to supply have eroded margins.

“But we have been actively working to minimise supply chain risks and have recently agreed a two year arrangement with supply chain collaboration group Kotahi, which will take responsibility for all our frozen export capacity. This makes us much more confident about access to shipping.”

“We have managed what we could control in 2021. The overall result is disappointing however we feel positive about some aspects of the past year. We continued to deliver operationally through the pandemic, we managed net debt (\$178.6 million in 2021 versus \$184.3 million in 2020) and we reduced inventory levels.

Sanford welcomed an increase in the shareholding by Ngāi Tahu in September, taking its holding to 19.9%, which Sir Robert says is a very positive development for Sanford.

“Ngāi Tahu one of New Zealand’s largest and most successful iwi investors, with a substantial stake in and knowledge of the seafood sector. We share important common values and a long-term view which recognises the importance of a sustainable approach.”

Strategic transition

Peter Reidie says “looking forward, we see continuing recovery in all divisions as the world reopens and demand returns, but we do not discount ongoing Covid-19 related risks such as further supply chain disruption. We have clear strategic priorities for 2022, which will rebuild profitability and prepare us for future growth.”

These priorities in the months ahead are to: rebuild mussel profitability; grow developing opportunities in wildcatch; retain salmon profitability and prepare for future growth and establish cross-business fundamentals such as performance culture, risk management, executional excellence and more.

Sanford’s management is developing its strategy through till 2026 and will present this to the market in the first half of the calendar year 2022. This process will be assisted by the appointment of a new CFO, Paul Alston, who joined the Executive Leadership Team in October.

CEO Peter Reidie says there are many positives on the longer-term horizon.

“We provide healthy, sustainable seafood to a world which needs more of it. We have an outstanding product. We have incredible experience, knowledge and 150 years of history. We are committed to sustainability. This is a great platform we can use to move past the effects of Covid and produce better results in future for our investors and stakeholders.”

Sanford’s board has decided it is prudent not to pay a dividend for the 2021 financial year, although it intends to return to doing so as soon as is feasible.

Divisional Summary

Wildcatch

- Largest segment of Sanford's business, providing around 58% of full year revenue, up 2% year-on-year.
- Sales volumes in wildcatch at 71.0k GWT (including deepwater and inshore species) was up 7% on 2020.
- Stronger sales volume was partially negated by lower pricing.

Mussels

- This division provided around 20% of full year revenue in 2021
- Weakest performing division as the timing of contracts and deliveries mean it was the last to be hit by Covid impacts and is also the last to recover
- Sales volumes up by 4% on 2020 but revenue was down 16% as we sought to clear inventory

Salmon

- Recorded a strong fourth quarter driving revenue for this division up 32% on 2020
- Sales volumes up 41% on 2020 as we sought to clear frozen inventory, a lower margin product
- As foodservice opens again in the US, Australia and Asia, we are seeing good growth in demand
- The proportion of our salmon sold as our super-premium Big Glory Bay brand increased to 21% of total salmon greenweight sales volume in 2021

¹ FY20 financial results have been restated in accordance with the accounting policy change relating to expenditure on implementation costs associated with software as a service IT projects. For further detail refer to note 14 of the financial statements in the Integrated Annual Report published today.

² Reconciliation of Reported Net Profit (GAAP) to Adjusted EBIT can be found in the appendix to Sanford's investor presentation, also published today.

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