



SANFORD

RESULTS BRIEFING

FOR THE SIX MONTHS ENDED
31 MARCH 2023

22.05.23

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HALF YEAR (H1 FY23) RESULTS SUMMARY



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H1 FY23 SUMMARY

Market Conditions remain positive

- **In-market** prices and demand remain strong across most products and geographic locations.
- **Revenue up** 3% to \$277m from \$271m last half year.
- **NPAT** of \$11.1m, a 82% increase on the same period last year of \$6.1 million.
- **Adjusted EBIT** of \$26.6m vs \$19.2m, a 39% increase on H1 FY22.

Domestic Supply Challenges Continue

- **Increased costs** including fuel, freight, feed and labour impacting returns.
- **Labour shortages**, particularly in mussels, slowing down recovery.
- **Marine extracts** plant commissioning taking longer than anticipated.

HY 23 Achievements

- **Salmon** the standout performer with high demand, reduced mortalities and good growth.
- **Wildcatch** profit contribution in line with last year.
- **Mussels** increased profitability off a low base. Still tracking behind expectations.

H1 FY23 RESULTS SNAPSHOT

Growth on prior half year performance

Catch/Harvest Volume

56.1k GWT

▲ 8.7%

Sales Volume

45.8k GWT

▼ -6%

Revenue

\$277.6M

▲ 3%

Adjusted EBIT¹

\$26.6M

▲ 39%

NPAT

\$11.1M

▲ +82%²

Adjusted EBITDA¹

\$42.1M

▲ 30%

Adjusted EBIT / GW kg

58¢/kg

▲ 19¢/kg

EPS

12CPS

▲ +5¢²

Interim Dividend

6 Cents

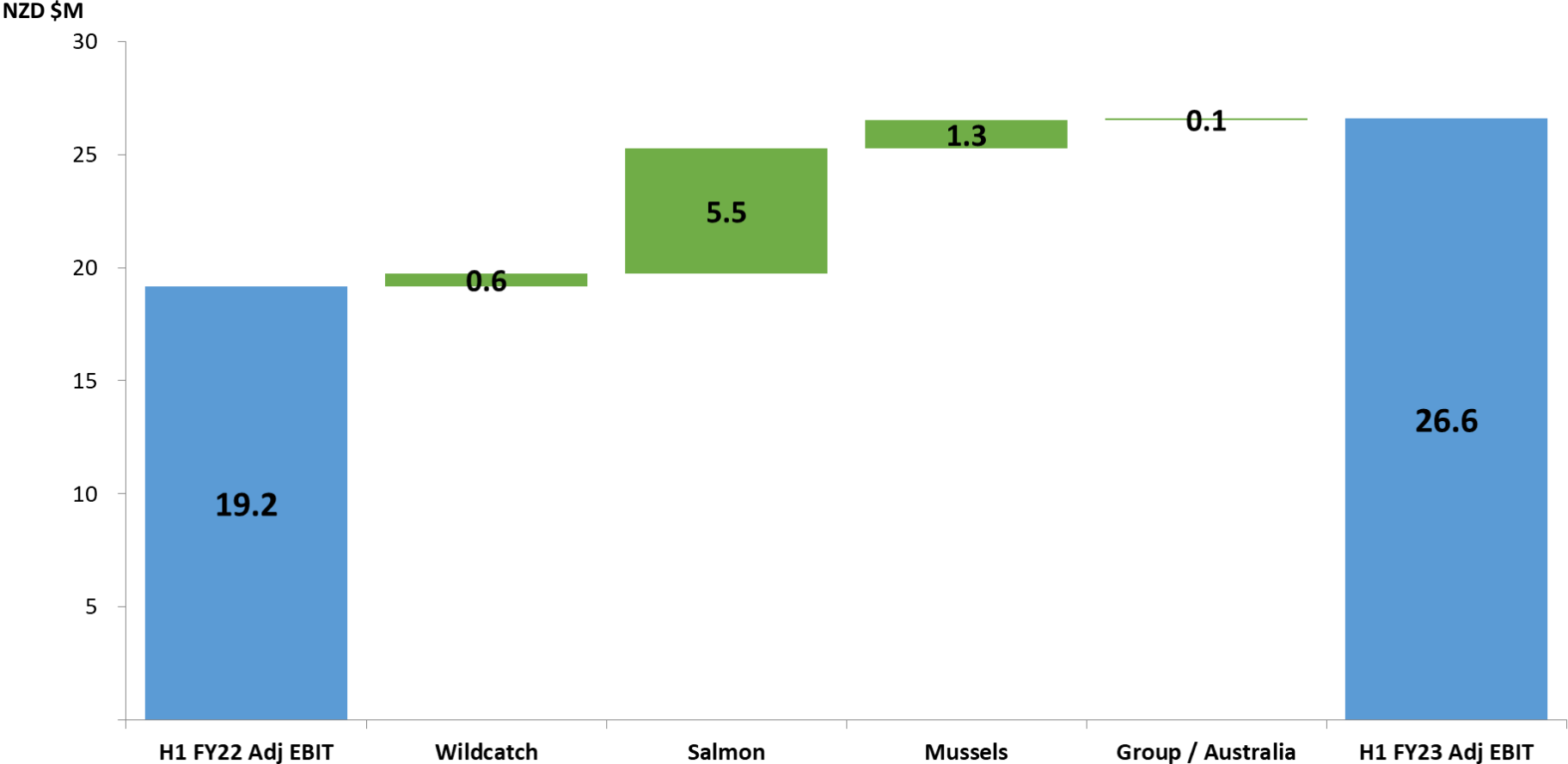
▲ +6¢

Note: Comparative is HY22

¹ See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT

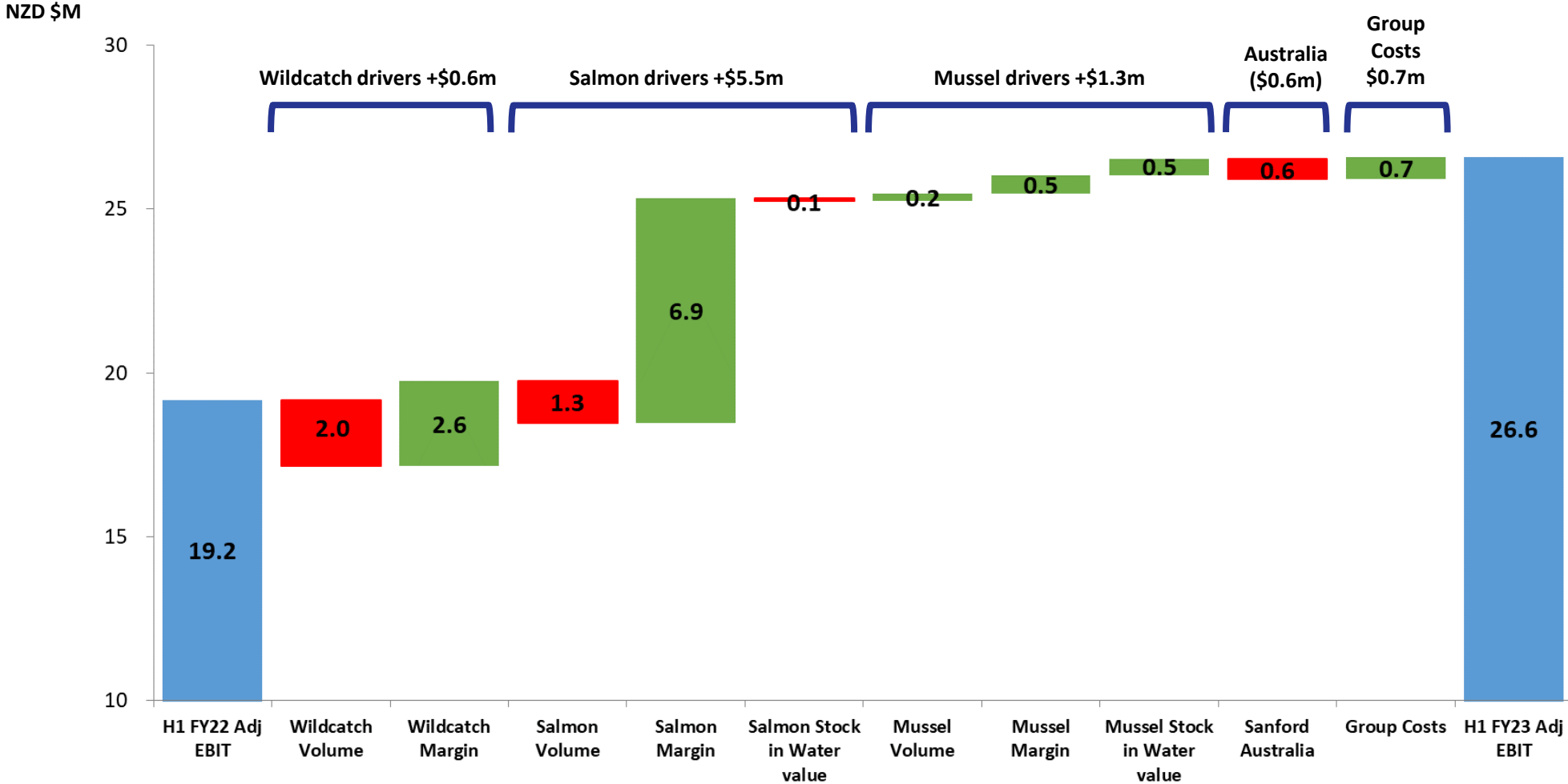
IMPROVED PROFITABILITY DRIVEN BY SALMON

Key drivers of Adjusted EBIT change vs H1 FY22

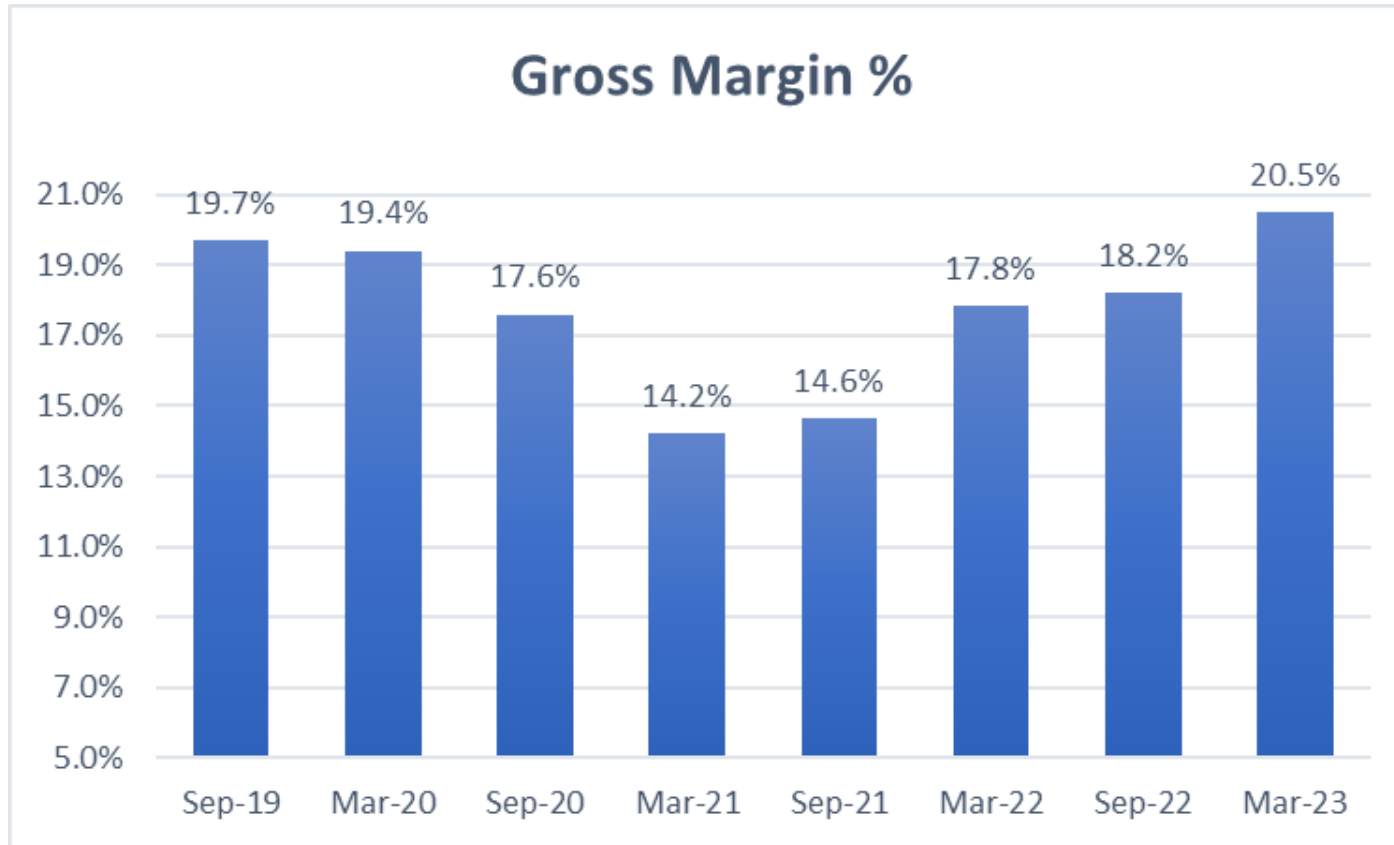


IMPROVED PROFITABILITY DRIVEN BY SALMON

Key drivers of Adjusted EBIT change vs H1 FY22

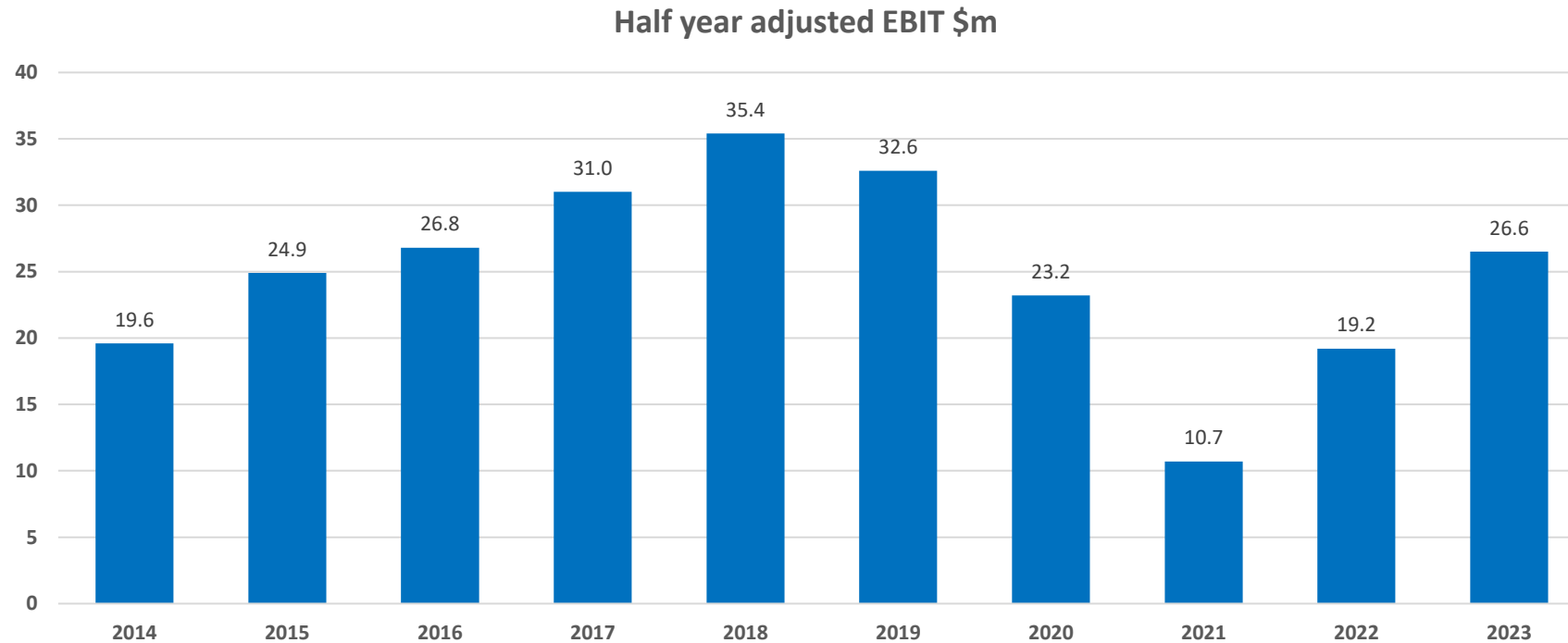


GROSS MARGIN IMPROVING



- Gross margin is above pre-Covid levels.
- Rising global seafood prices key driver of increase
- Margin increase is tempered by higher costs, principally for fuel, labour and feed for salmon

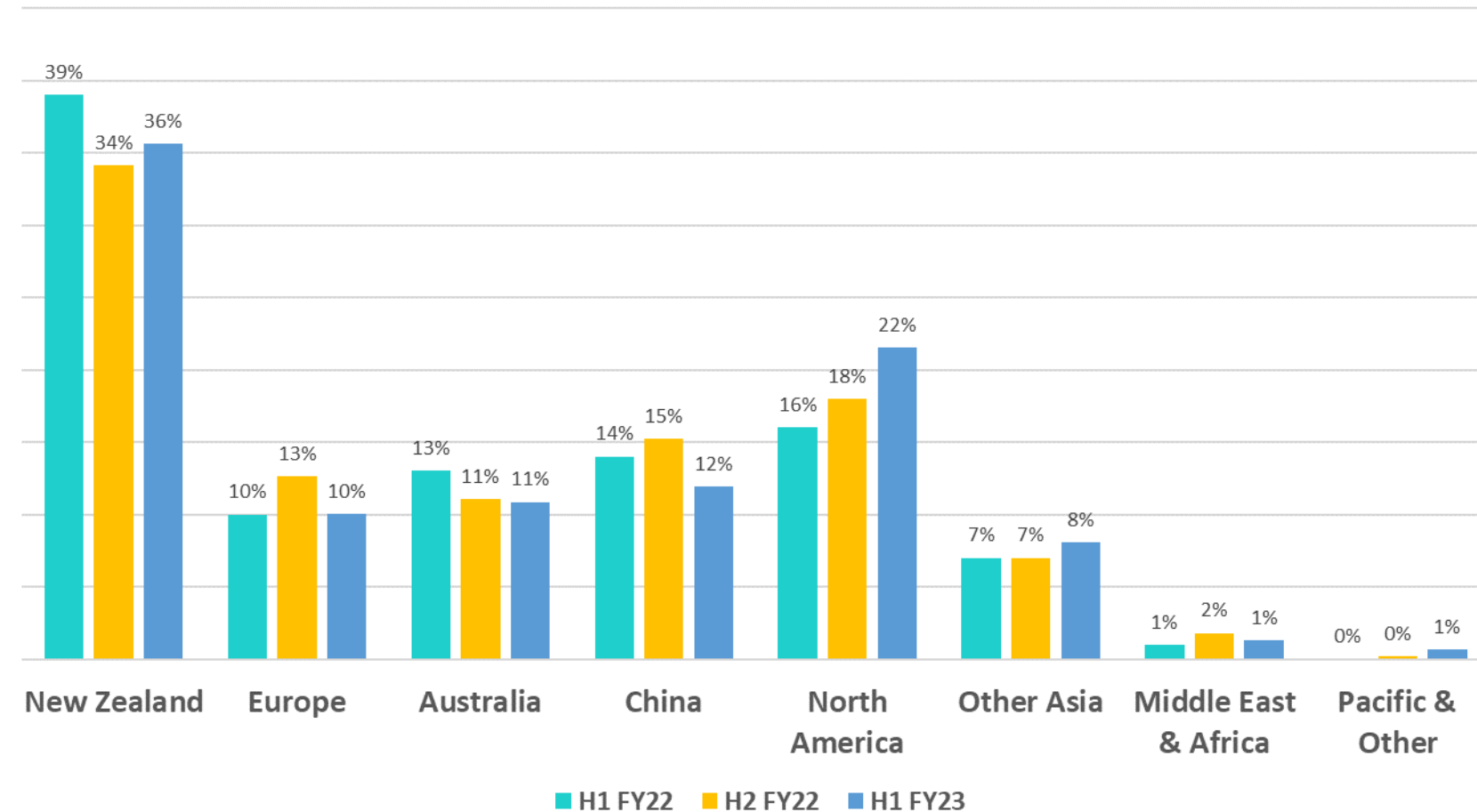
HISTORICAL ADJUSTED EBIT COMPARISON



- Objective is to increase performance to historical EBIT highs which peaked for the three years 2017-2019 and further improve on that base.
- The trend is heading in the right direction. Inshore initiative and improved mussel performance expected to enable return to historical highs.

GEOGRAPHIC DIVERSITY OF SALES BY REVENUE (\$)

Geographic distribution of revenue - H1 FY23 vs. H1 & H2 FY22



- Diverse footprint
- Sales to NZ and North America increased
- Good geographic spread

HY23 BALANCE SHEET AND CASH FLOW

Balance Sheet remains strong, debt levels have risen with increased costs

Gearing¹

21.9%

— Mar 22 | 21.9%

Net Debt

\$183.6M

▲ +4.6 % vs Mar 22

Total Equity

\$692.4M

▲ +49% vs Mar 22

Net Debt / Adjusted EBITDA

2.36x

▼ Mar 22 | 3.0x

Return on Average Total Equity

10%

▲ Mar 22 | 1.0%

Operating Cashflow

\$13.5m

▼ -62% vs Mar 22

Free Cashflow²

-\$19.1m

▼ -260% vs Mar 22

Debt Facility Headroom³

\$75m

▼ Mar 22 | \$89m

¹ Debt/(Debt + Equity)

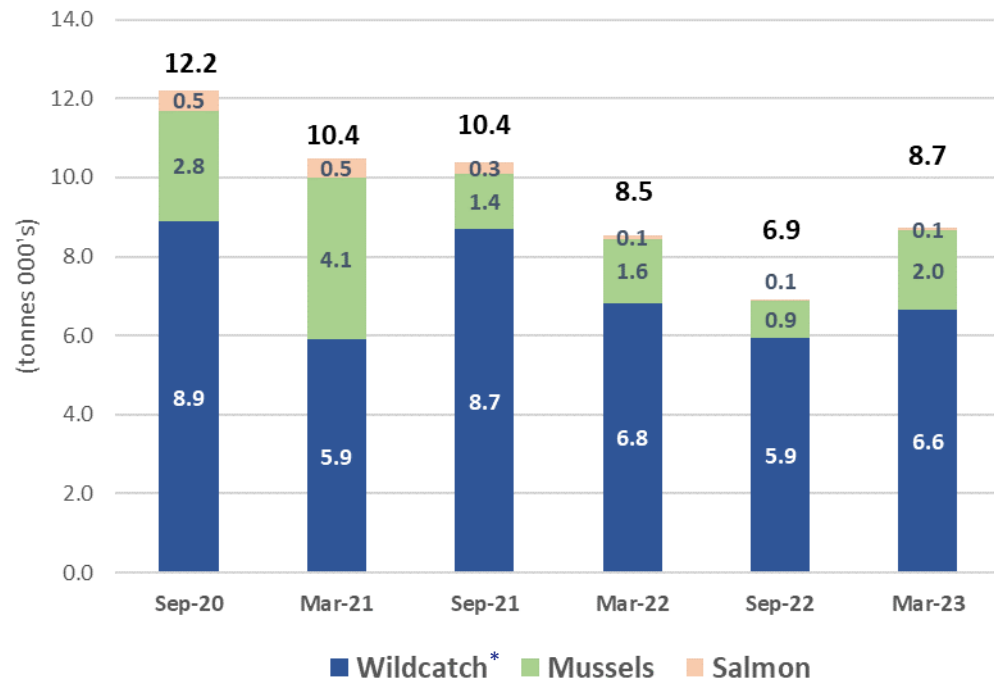
² Net cash flows from operating activities + net cash flows used in investing activities

³ Total available facility – total drawn facility

SEAFOOD INVENTORY NORMALISED

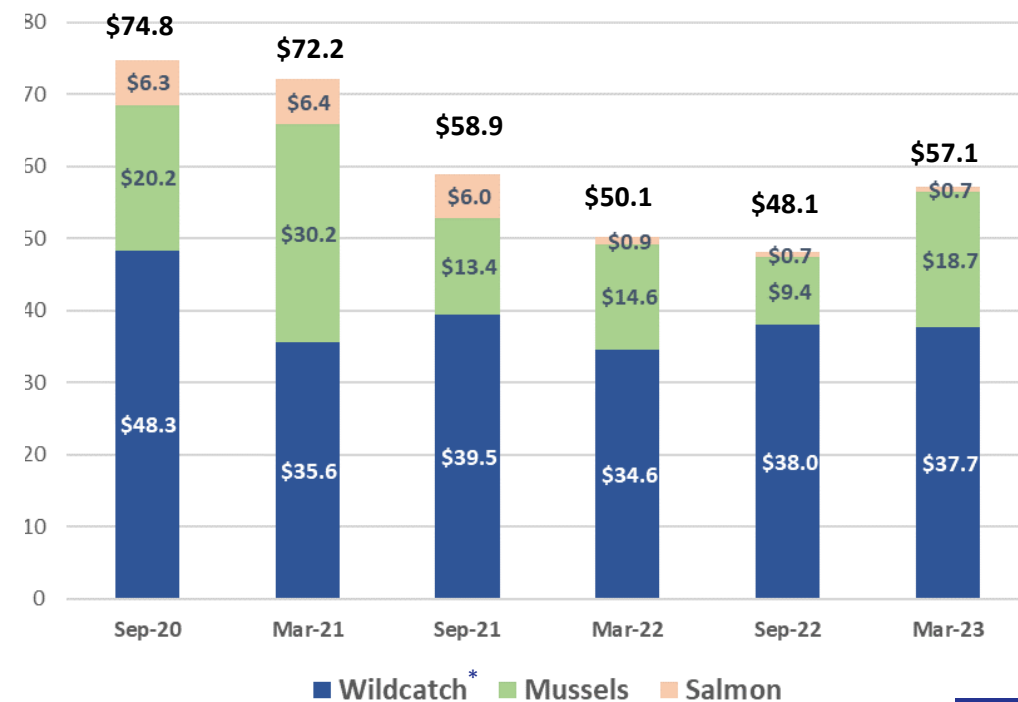
Inventory Volume (PWT)

H1 FY23 vs H1 FY22 increase +2.4%



Inventory Value (\$m)**

H1 FY23 vs H1 FY22 YOY increase +14%



* Wildcatch Inventory includes stock on board vessels

** Inventory value differs to financial statements as above excludes non-seafood inventory

CAPITAL EXPENDITURE IN H1 FY23 VS H1 FY22

	H1 FY23	H1 FY22
Integrity	\$15m	\$16m
	Vessel surveys (incl. San Discovery) \$7m Processing equipment \$1m IT system "SanCore" \$2m IT systems - Business \$1m Aquaculture \$4m	Vessel surveys (incl. San Discovery) \$11m Processing equipment \$2m IT system "SanCore" \$3m
Growth	\$17m	\$8m
	Marine extracts \$4m Salmon development \$4m Mussels development \$1m Wildcatch Scampi Boat (deposit) \$8m	Marine extracts \$4m Salmon development \$4m
Total	\$32m	\$24m

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

– H1 FY23 SUMMARY

Climate

- Sanford climate workshops held; future climate scenarios assessed.
- **Commenced:** Implementation phase for sector wide climate adaptation strategy.
- **Approved:** significant emissions upgrades for 2 large DWF vessels (props, nozzles, auxiliaries) to deliver up to 7-11% efficiency gains per vessel across FY23 and FY24.

Environment and Biodiversity

- Successful recert. for ISO 14001 Environmental Management System
- “Super baffler” seabird mitigation devices being deployed across a further 3 large DWF vessels.

People and Community

- 116,000 seafood meal equivalents donated to those affected and displaced by Jan/Feb flooding and cyclone events.
- Held engagement score at 7.5 during the period of change.

ESG Transparency

- ESG World Platform – maintained and updated.

DIVISIONAL PERFORMANCE AND H2 PRIORITIES



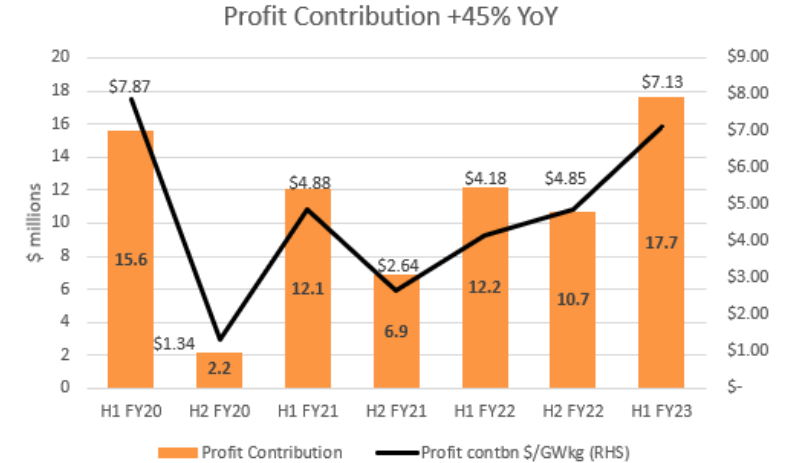
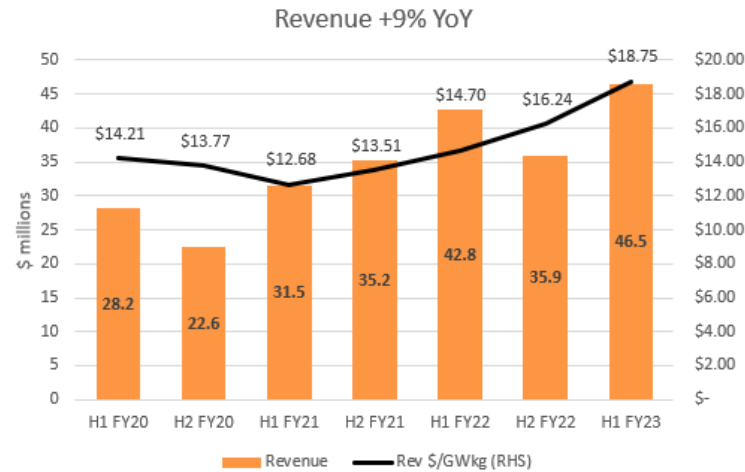
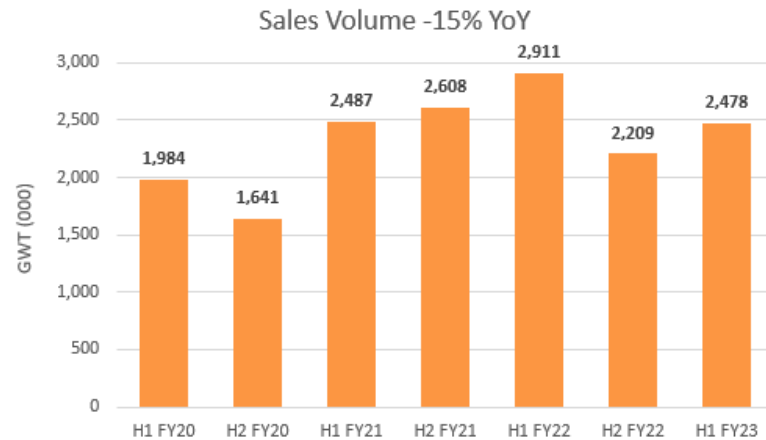
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SALMON



SALMON H1 FY23

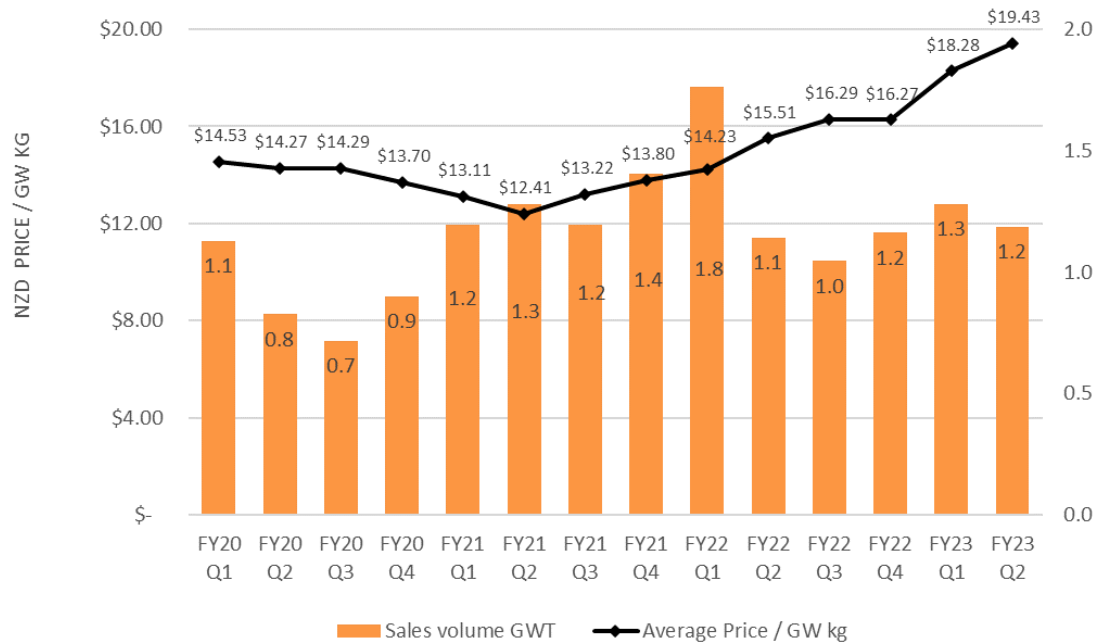
Sales and pricing continue to perform strongly. Mortality mitigations in place.



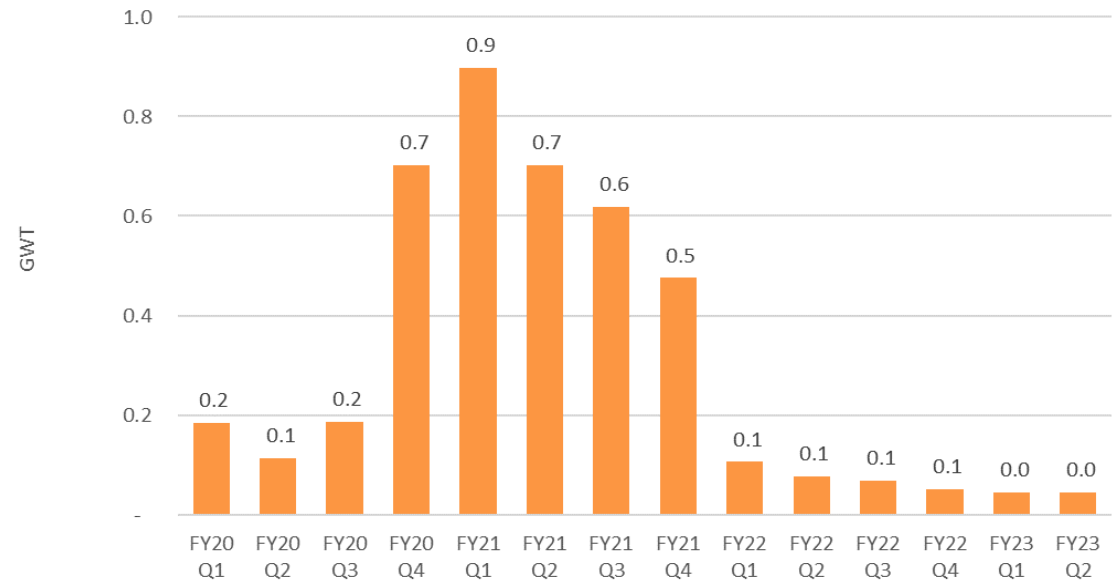
SALMON H1 FY23

Pricing uplift driven by favourable mix/BGB growth. Inventory levels well managed.

GWT AND AVERAGE PRICING TREND



INVENTORY GWT (000's)



SALMON H1 FY23

H1 Achievements:

- Positive first half performance with Adjusted EBIT 45% up on last year.
- Prices and demand are strong and harvest volumes stable.
- Separation of farms and oxygenation equipment introduced helping reduce mortalities in high risk late summer months. H1 FY22 impacted by higher mortalities.
- Strong feed driven growth.
- Fish size in line with expectations.
- Increased nitrogen allocation in Big Glory Bay facilitating future growth.
- Channel diversification helping with varying fish size and good prices.

H2 Priorities

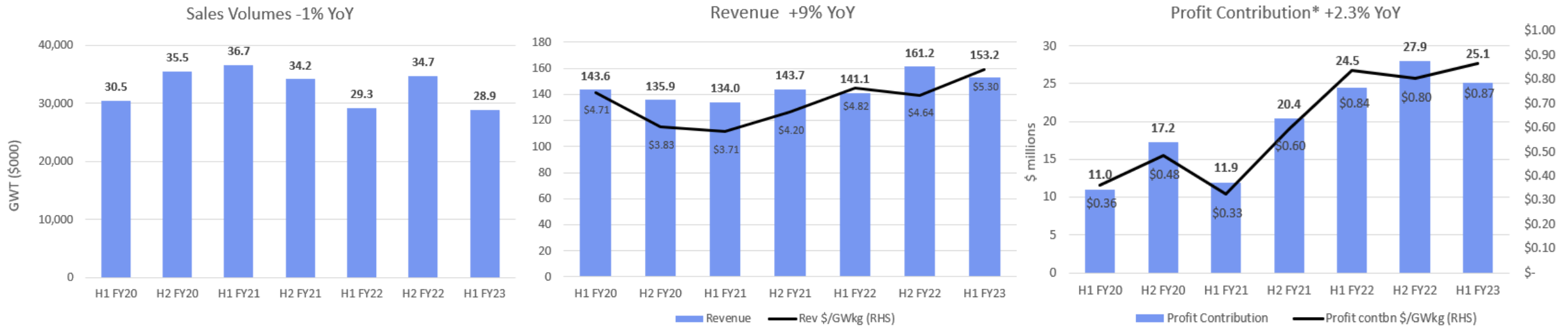
- Balancing strong market demand with supply.
- Mitigating increased costs – in particularly feed and fuel.
- Investigating and evaluating growth opportunities such as investment in a new RAS hatchery.
- Carbon emission review on fuel and boats about to commence.
- Maintaining prices and continued promotion of the BGB brand.

WILDCATCH



WILDCATCH H1 FY23

Flat volume and improved pricing on H1 FY22.

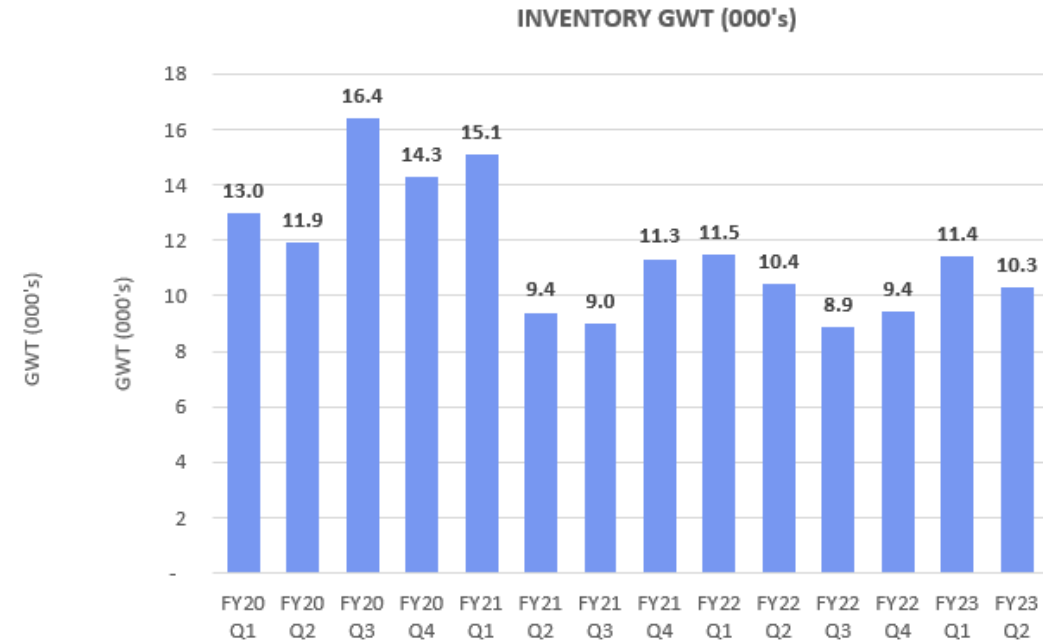
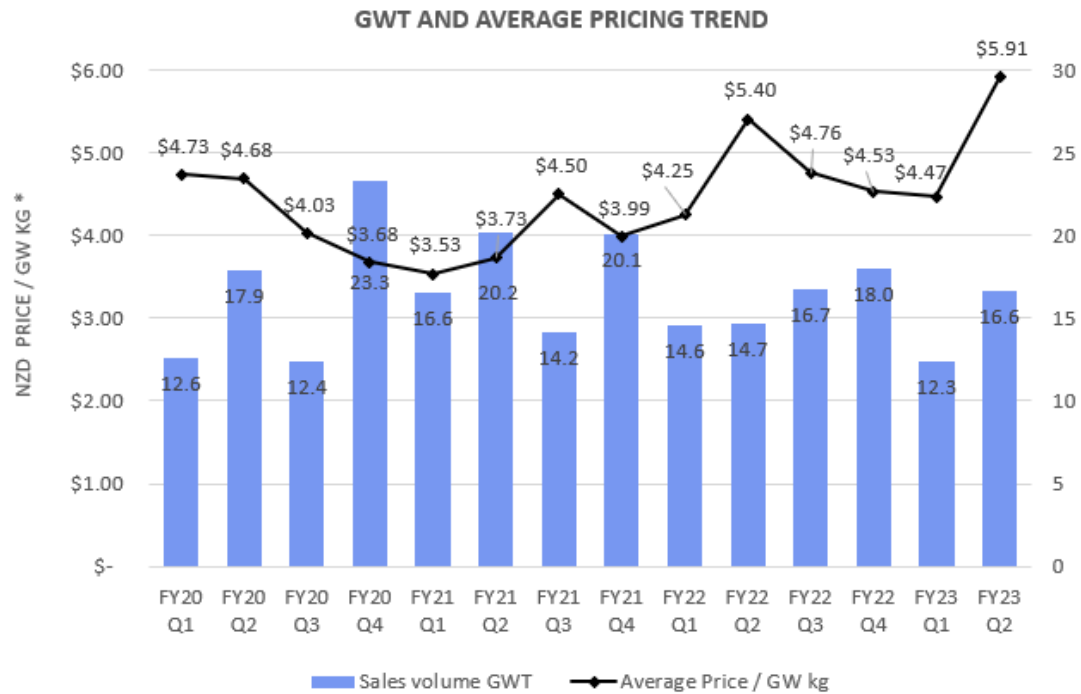


* Profit contribution is Adjusted EBIT before head office overheads



WILDCATCH H1 FY23

Pricing significantly improving across key species. Inventory normalised.



WILDCATCH H1 FY23

H1 Achievements:

- Adjusted EBIT consistent and in line with H1 FY22.
- Prices and demand remain strong (particularly scampi and hoki).
- Maintaining profitability with increased fixed costs, particularly fuel.
- Attraction and retention of staff.
- Contract for new scampi vessel agreed with ship builder and construction about to commence.
- Hoki and ATO (toothfish) catch strong in the first half, offsetting reduced squid volumes.

H2 Priorities:

- Adapt operations to compensate for reduced squid catch and availability.
- Vessel reliability – maintaining fleet and managing unplanned outages.
- Managing increased costs of the business in particular fuel price, supply chain, logistics and labour.
- Adjusting to longer lead times in capital spend programme.
- Minimising the impact on low squid catch on H2 margin.

INSHORE UPDATE



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INSHORE OPTIMISATION - (AGREEMENT WITH MOANA NEW ZEALAND)



- Inshore business has been delivering a negative contribution.
- Increased costs, Covid impacts, lack of labour and a factory located in what is now a high density residential area, all contributing factors to a poor performance and challenges to ongoing ability to operate effectively.
- A number of options considered, including building a new modern site, partnering with another industry player and exiting the business completely. Cost to redevelop and relocate the factory is prohibitive and will not deliver an acceptable return on investment.
- The option identified is to retain the asset (quota), lease for an extended period, sell inshore fishing fleet and close Auckland processing site. Provides lower-risk passive return, while ensuring supply to the parts of the business that still require product (Australia and Sanford & Sons).
- Sanford has agreed to sell the Annual Catch Entitlement (ACE) for much of its quota of North Island inshore species to Moana New Zealand through a new long-term agreement. The arrangement is for a minimum term of approximately 10 years.
- Moana is the identified partner as they already have a processing facility in Auckland, and with increased volume throughput provides increased economies of scale.
- The value for this package of ACE starts at nearly \$11m (annualised) for the first year and scales up to \$13m over the next five years before increasing in fixed increments of 1.5% per annum.
- Approval required from Commerce Commission.
- If approved will deliver a meaningful turnaround in profitability and an important deliverable to achieve and exceed pre-covid profitability.

INSHORE OPTIMISATION – NEXT STEPS

- Commerce Commission approval required for the transaction to complete.
- Application to Com Com end of May. Process to take approximately 4 months (that could vary).
- Intention is to facilitate employment at Moana for Sanford staff affected by these changes.
- Supply will continue to other parts of the business (Australia and retail).
- Sanford retains quota asset and generates a low risk income stream. Focus will move to parts of the business with stronger growth potential.
- Future of Auckland site is being evaluated.
- Transaction expected to be complete by Q4 this year.



MUSSELS

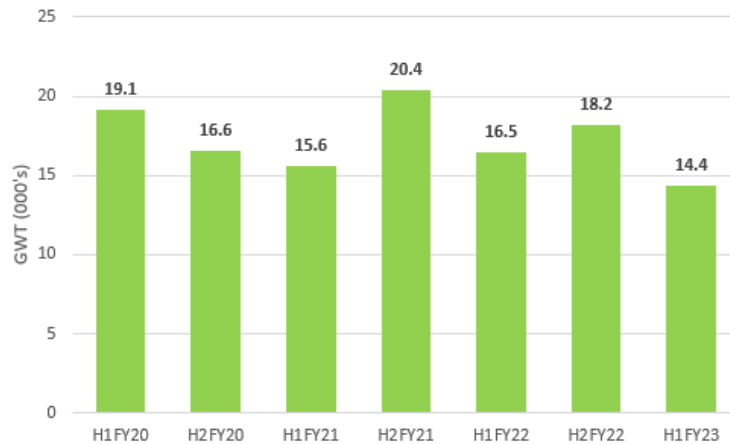


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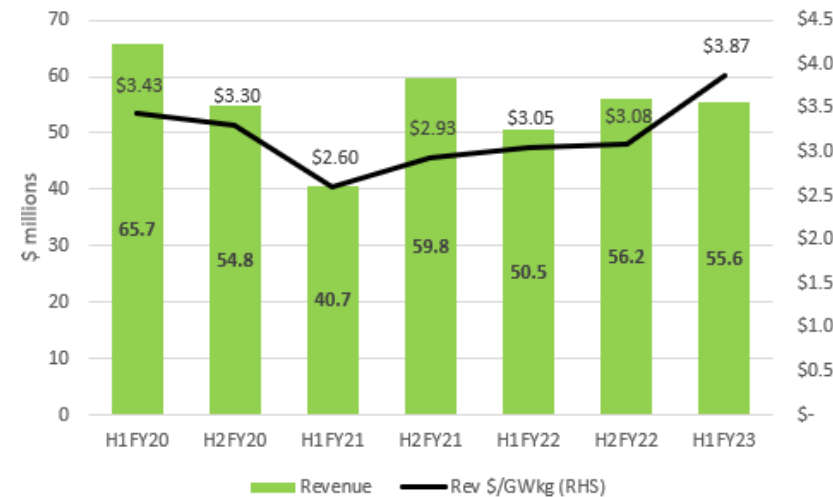
GREENSHELL MUSSELS H1 FY23

Pricing improved as global food service channel recovering. Volume uplift partly restrained by processing capacity constraints.

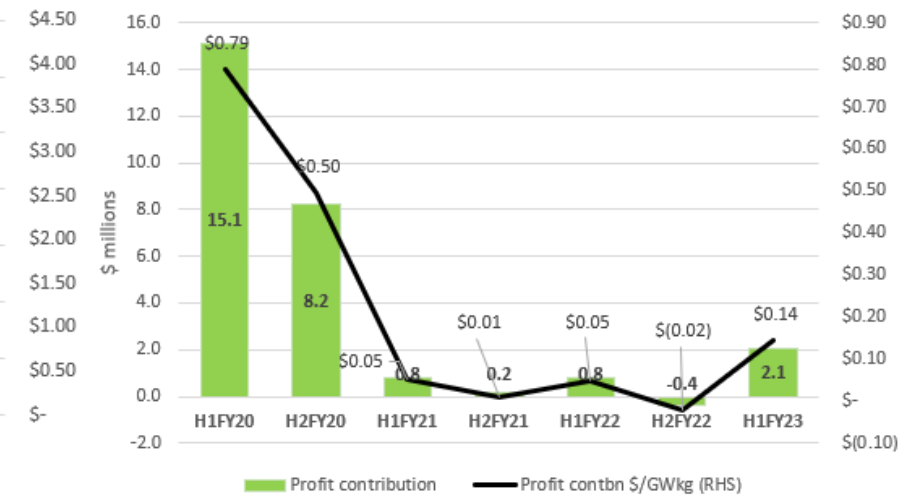
Sales Volume -13% YoY



Revenue +10% YoY



Profit Contribution* +160% YOY



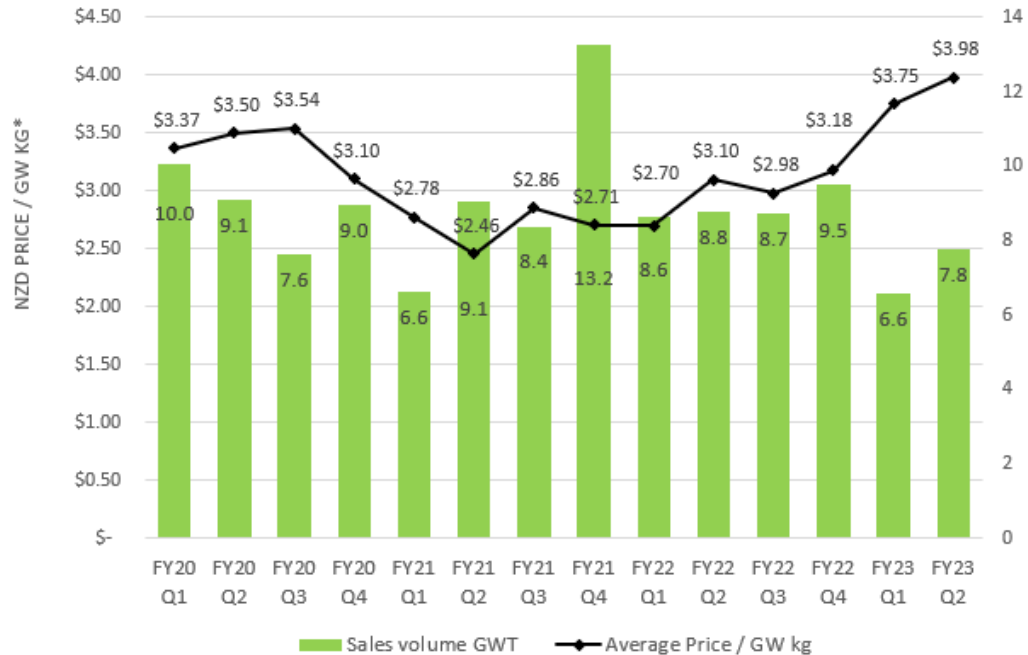
* Profit contribution is Adjusted EBIT before head office overheads



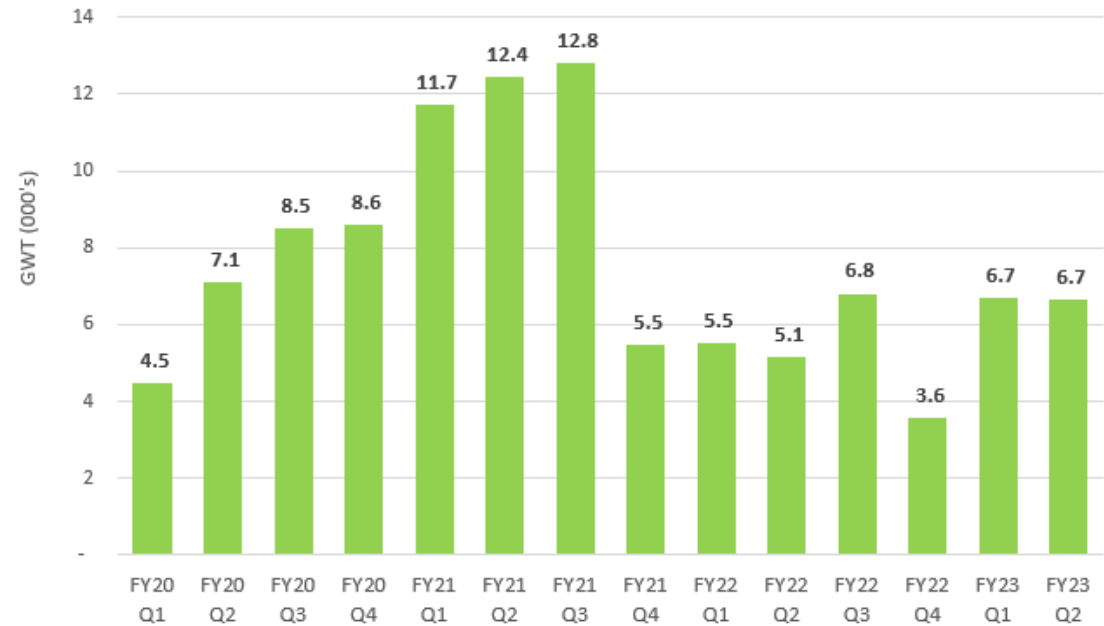
MUSSELS H1 FY23

Pricing uplift relative to Covid impacted lows. Inventory levels normalised.

GWT AND AVERAGE PRICING TREND



INVENTORY GWT (000's)



MUSSELS H1 FY23

H1 Achievements:

- Adjusted EBIT up 160% on last year (off a low base and behind expectations) but sales volumes down 13% (partly mix related).
- Sales revenues positive up 10% on last year.
- Sales volumes constrained due to processing output, reduced volumes to third party processing, meat sales decline and marine extracts production.
- Solomon Island workers introduced to NIML.
- Mussel powder demand remains strong.

H2 priorities:

- Staff shortages remain the biggest challenge for the business and a priority - this is impacting our ability to meet demand.
- Delays in commissioning the Bioactives plant (marine extracts), taking longer than anticipated to get the plant operating optimally. High focus for H2.
- Weather conditions, particularly in the Coromandel, impacting performance.
- Managing the business around expected spawning is also a priority.
- La Nina weather patterns still impacting growth rates.

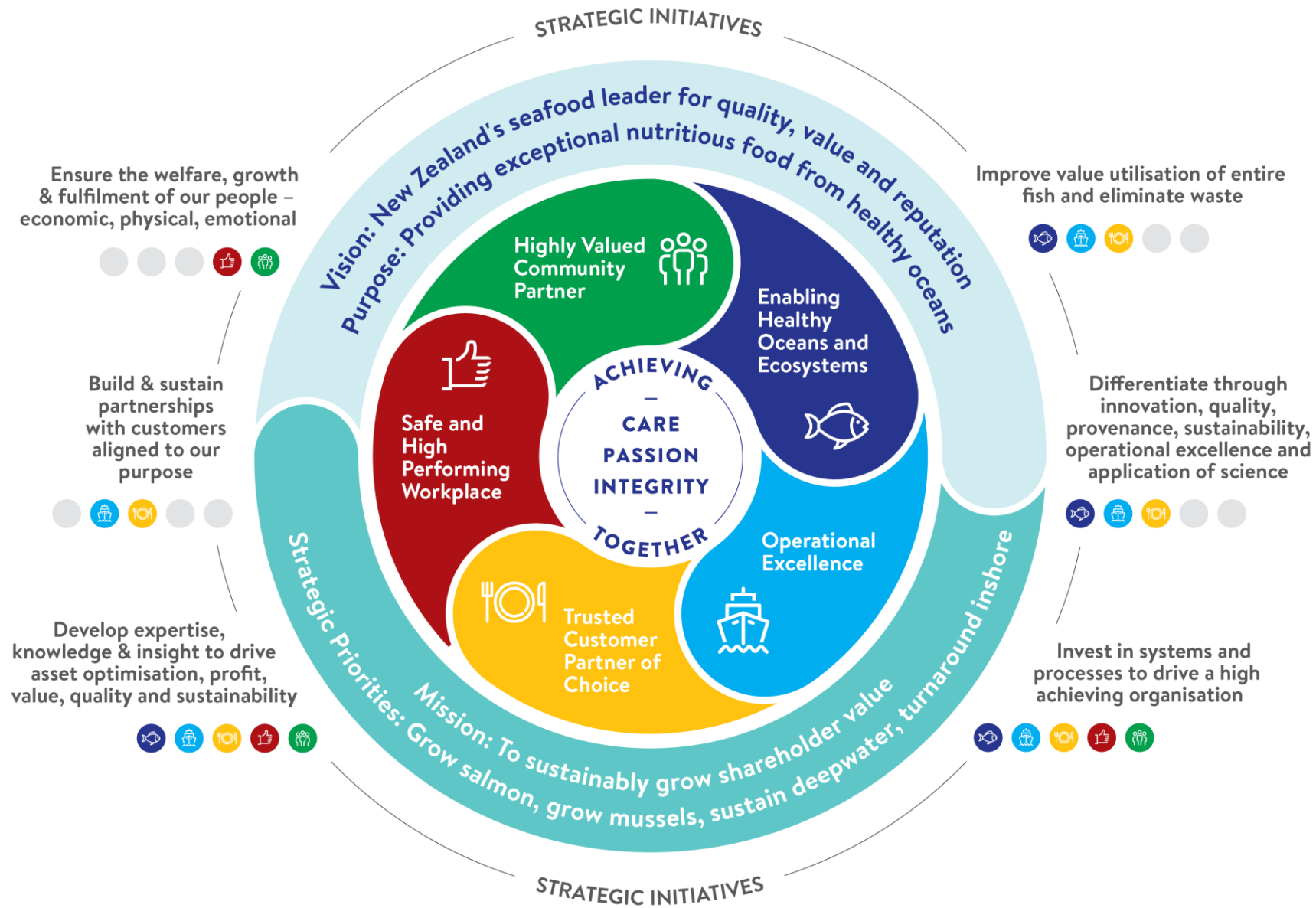
A person wearing a white lab coat is shown from the chest down, leaning over a metal tray filled with numerous small, round, orange pills. The person's hands are visible, and they appear to be inspecting or handling the pills. The background is a blurred laboratory environment with blue lighting. The text "LOOKING FORWARD" is overlaid in the center of the image.

LOOKING FORWARD



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STRATEGIC INITIATIVES



BUILD AND SUSTAIN PARTNERSHIPS WITH CUSTOMERS ALIGNED TO OUR PURPOSE

- Launch of Big Glory Bay fresh tray packed product with Foodstuffs.
- Continued diversification of our global customer base, bringing on eight new retail partners within the last six months.
- Further extension of our portfolio with key customers across Europe, Asia and US markets. For example one customer has expanded their Sanford product range from two to five products in a key Asian market.
- New customer partnership in China to expand scampi business.



DEVELOP EXPERTISE, KNOWLEDGE AND INSIGHT TO DRIVE ASSET OPTIMISATION, PROFIT, VALUE, QUALITY AND SUSTAINABILITY

- Appointment of Group Enterprise Risk Manager.
- Results from first of three mussel powder studies showing positive outcomes in alleviating knee pain.
- Climate futures workshopped with our divisional businesses to prioritise risks, opportunities and ultimately build further climate resilience into our strategy and planning.
- Investment in SPATnz and Bioactives skills & capability.



DIFFERENTIATE THROUGH INNOVATION, QUALITY, PROVENANCE, SUSTAINABILITY, OPERATIONAL EXCELLENCE AND APPLICATION OF SCIENCE

- Adoption of super baffler bird mitigation on fishing vessels.
- Ongoing work on Big Glory Bay brand including winning NZ Outstanding Food Producer Awards for our portions product (BGB now 56% of salmon sales).
- Initiated implementation of seafood sector climate adaptation strategy.
- Approved significant emissions reduction upgrades for deepwater fleet vessels which will deliver up to 11% improved energy efficiency.
- Contracted the design and build process for a new diesel-electric scampi vessel to improve our efficiency and environmental performance.
- Substantiated customer complaints are down 42% in 2023 versus H1 FY22, focusing on our quality strategy of Fast, Cold, Clean and Labelling.



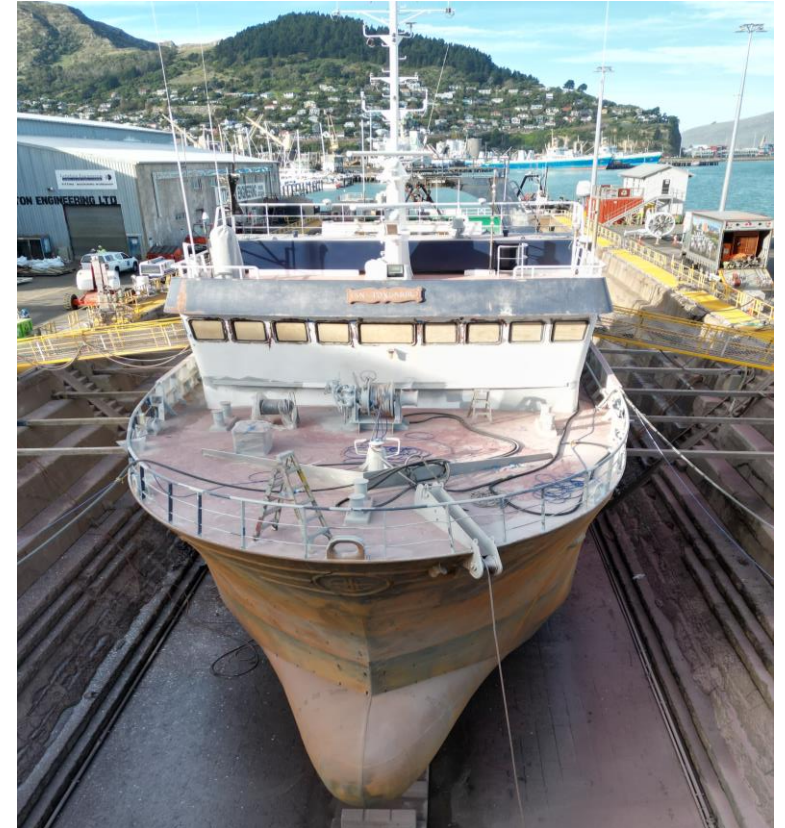
IMPROVE VALUE UTILISATION OF ENTIRE FISH AND ELIMINATE WASTE

- Opening of Sanford Bioactives in Blenheim and ongoing work on delivery of mussel oil and powder processing.
- Changed cascade of frozen at sea ling catch to improve quality of value adding products and utilisation of whole fish. For example heads being sold instead of sent to fishmeal.
- Launch of salmon fish portions enabling use of higher proportion of fish.
- Circular benefit of wildcatch fishmeal to producers of feed for our salmon.



INVEST IN SYSTEMS AND PROCESSES TO DRIVE A HIGH ACHIEVING ORGANISATION

- SanCore programme advances with progress on implementation of our D365 system to manage core finance and supply chain processes.
- Adoption of Marel Innova product tracking system at Sanford Bioactives plant and on vessels in our deepwater fleet with 7 out of 12 vessels adopting this system by end of H1 and the rest on track to be converted by end May 2023.
- Salmon mortalities well managed using relocated pens, pen cleaning and oxygenation systems on our Stewart Island salmon farms.



ENSURE THE WELFARE, GROWTH AND FULFILMENT OF OUR PEOPLE – ECONOMIC, PHYSICAL, EMOTIONAL

- Move to a divisional structure to take decision making closer to the drivers of P&L performance.
- Appointment of new CPO.
- Donated 116,000 meal equivalents of seafood to those affected and displaced by January flooding and Cyclone Gabrielle.
- Focus on talent attraction and retention with good progress in Bluff and Stewart Island (Salmon division) and programmes ongoing in Mussels and Wildcatch.
- LTI (Lost Time Injuries) improvement from 51 in H1 FY22 to 19 in H1 FY23, a 63% reduction.



A person wearing a white protective suit, hairnet, and face shield is working in a laboratory or cleanroom. They are wearing blue gloves and are positioned in front of a large piece of equipment with a yellow and black hazard stripe. The word "QUESTIONS?" is overlaid in white text on the image.

QUESTIONS?



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CONCLUSION

- Delivering improved profitability.
- Cost and supply challenges remain, however, looking to improve.
- Incremental growth to be delivered through further recovery of mussels and delivering Inshore proposal
- Team committed to getting to Pre-Covid profitability and beyond.

A close-up photograph of a plated salmon fillet. The salmon is cooked to a golden-brown crust and is garnished with a slice of lemon, dill, and other fresh herbs. It is served on a bed of steamed broccoli. The dish is presented on a light-colored, textured ceramic plate. The background is softly blurred, showing a kitchen or dining area with warm lighting.

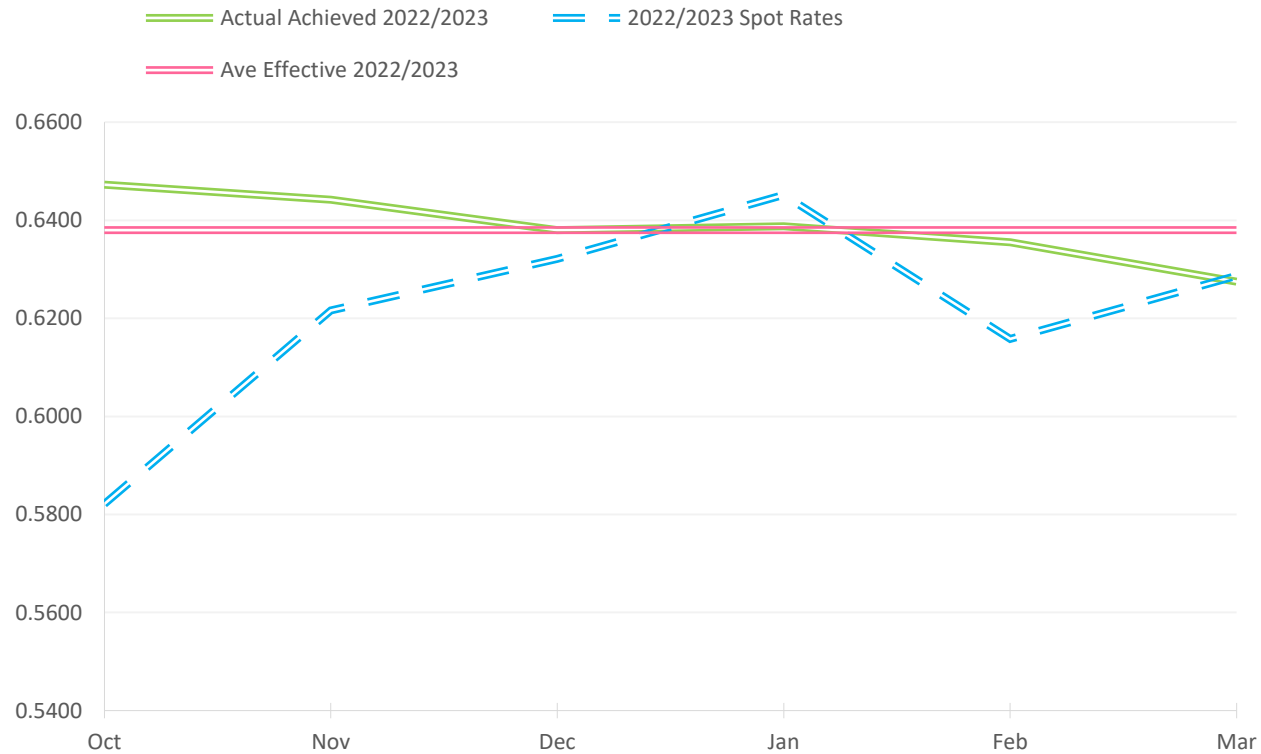
THANK YOU



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APPENDIX 1 : USD FX HEDGING PATTERN FOR THE YEAR

USD EXCHANGE RATE 2023 HALF YEAR



HY23 FINANCIAL RESULTS - GAAP TO NON GAAP

GAAP to Non-GAAP Reconciliation	Unaudited 6 months ended 31 March 23 per consol	Unaudited 6 months ended 31 March 22	Audited 12 months ended 30 September 2022
	\$000	\$000	\$000
Reported net profit for the period (GAAP)	11,109	6,120	55,772
<i>Add back:</i>			
Income tax expense	4,409	3,171	6,692
Net interest expense	5,849	4,291	8,731
Net (gain) on sale of property, plant, and equipment and intangibles	(15)	-	(43,616)
Reported EBIT	21,352	13,582	27,579
<i>Adjustments:</i>			
Impairment of assets	-	-	1,301
Restructuring costs	341	91	345
Software as a Service (SaaS) expenditure	7,074	5,078	10,312
Gain from termination of lease	(2,200)	-	-
Other one-off items	31	428	639
Adjusted EBIT	26,598	19,179	40,176
<i>Add back:</i>			
Depreciation and amortisation	15,529	13,274	28,086
Adjusted EBITDA	42,127	32,453	68,262

Non-GAAP Profit measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS

Definitions

Reported EBIT: Earnings before interest, taxation, net gain on sale of intangible and long-term assets.

Adjusted EBIT: Reported EBIT adjusted for impairment, restructuring and other one-off items, software as a service (SaaS) expenditure, and gain from termination of lease.

Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.