



**ANALYST RESULT BRIEFING
FOR THE SIX MONTHS ENDED
31 MARCH 2020**

DISCLAIMER

This presentation contains not only a review of operations, but also some forward looking statements about Sanford Limited and the environment in which the company operates. Because these statements are forward looking, Sanford Limited's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the previous results announcement, are all available on the company's website and contain additional information about matters which could cause Sanford Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Sanford Limited.



COVID-19: Impacts

- Asian trade impacted in January
- More widespread impacts from end of March



Operational Impact

- Nervous staff
- Travel restrictions
- Supply chain interruption (borders, freight)
- Some closures (Enzaq, our retail stores)

Demand Impact

- Food service ceased (home and abroad)
- Fresh fish sales restricted (less air freight)
- Domestic retail and online grew



COVID-19: Mitigation

- Sanford responded rapidly to changing operational requirements and market conditions



Operational Mitigation

- Distancing measures
- Enhanced hygiene and PPE
- Innovative thinking
- Successful working from home

Demand Mitigation

- New retail product mix and packaging options
- New retail and online market opportunities



SANFORD

H1 FY20: Antarctic toothfish and impacts of Covid-19 pandemic drove a result short on expectations, not without positives

CATCH/HARVEST VOLUME

52k GWT

↓ -7 %

Excluding
FY19 pelagic

↑ +10 %

SALES VOLUME

51k GWT

↓ -13 %

Excluding
FY19 pelagic

↓ -3 %

REVENUE

\$246M

↓ -7%

Excluding
FY19 pelagic

↓ -4 %

ADJUSTED EBIT

\$23.2M

↓ -29 %

Excluding
FY19 pelagic

↓ -16 %

EBIT GW kg

46c

↓ -11c /kg

NPAT

\$19.0M

↓ -17 %

GROSS PROFIT

19.4%

↓ Down from 20.4%

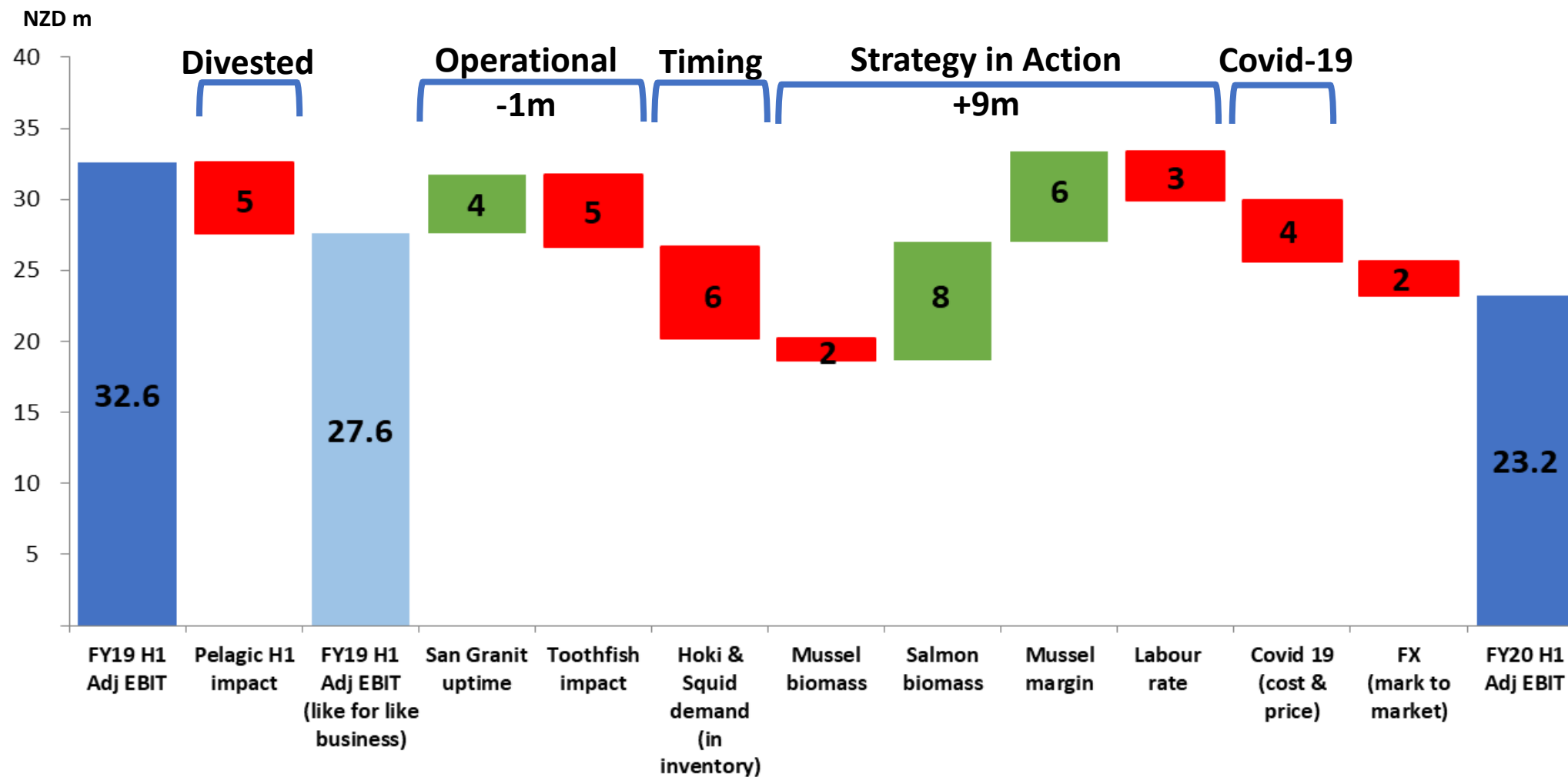
INTERIM DIVIDEND

5 CPS

↓ Down 4c

Mixed performance across the business with aquaculture doing very well

Key drivers of H1 Adjusted EBIT change



Wild Catch



H1 profit contribution (excl. Pelagics) vs H1 LY 48% down

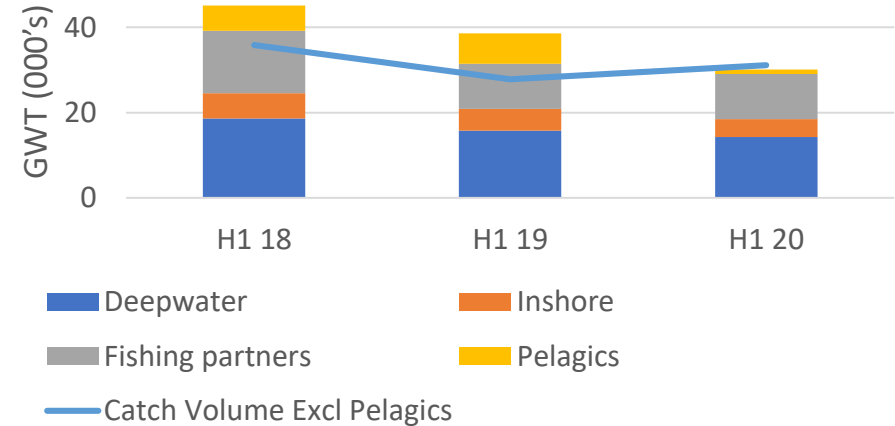
Positives

- *San Granit* in full operation. Deepwater fleet catch up 18% vs H1 LY
- Vessel optimization program progressing well with increased uptime
- Crew retention significantly improved
- Strong demand in USA for orange roughy along with improving pricing
- Extra Patagonian Toothfish quota in H2
- Acquisition of Australian business and new site in Melbourne impacted positively at the end of H1

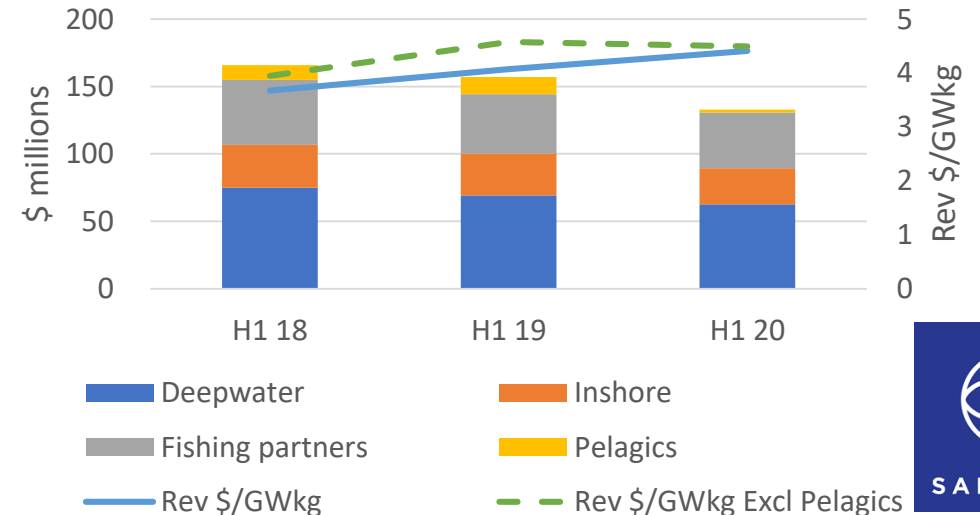
Headwinds

- High value Antarctic toothfish catch 240 GWT less than prior year (-39%), plus softening prices due to Covid-19
- Smaller squid suppressed average margins
- Lower hoki demand and smaller squid led to an inventory build (availability for sale in H2 is potential upside)

Wild catch GWT sales volume
excl. Pelagics -8%



Wild catch sales revenue
excl. Pelagics -9%



King Salmon



H1 profit contribution vs H1 LY up +86%

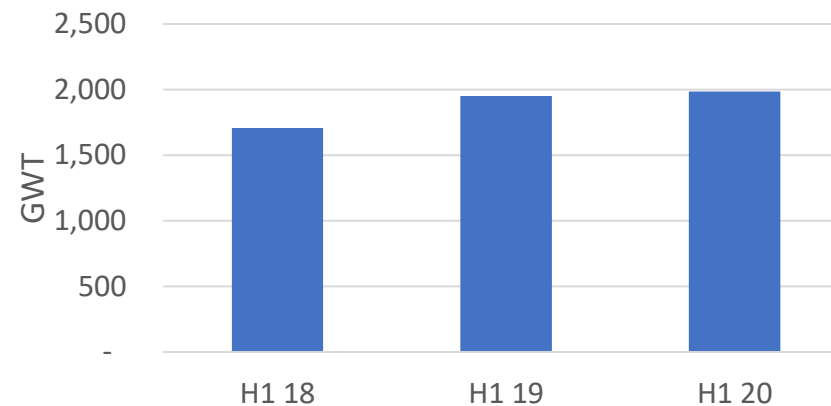
Positives

- Excellent growth of the fish over the half-year has added to an increased biomass of stock in water aligning with increased consent limits. Oxygenation of water has proven successful
- Low mortalities due to the lack of algal blooms this year. Aeration equipment installed to mitigate future risk
- With the introduction of out-of-season smolt, more consistent sizing of fish has been appreciated by our customers, particularly BGB branded salmon in the US
- Execution of stage 1 farm growth programme is ahead of schedule and open ocean waterspace application lodged

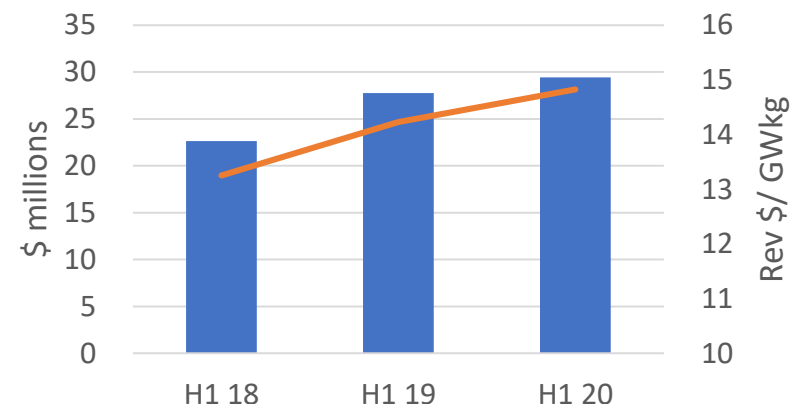
Headwinds

- The impact of Covid 19 in Q2, particularly on Chinese demand
- Big Glory Bay branded product sales largely stopped towards the end of March (foodservice channel effectively closed)

Salmon GWT sales volume +2%



Salmon sales revenue +6%



Greenshell Mussels



H1 profit contribution vs H1 LY up +16%

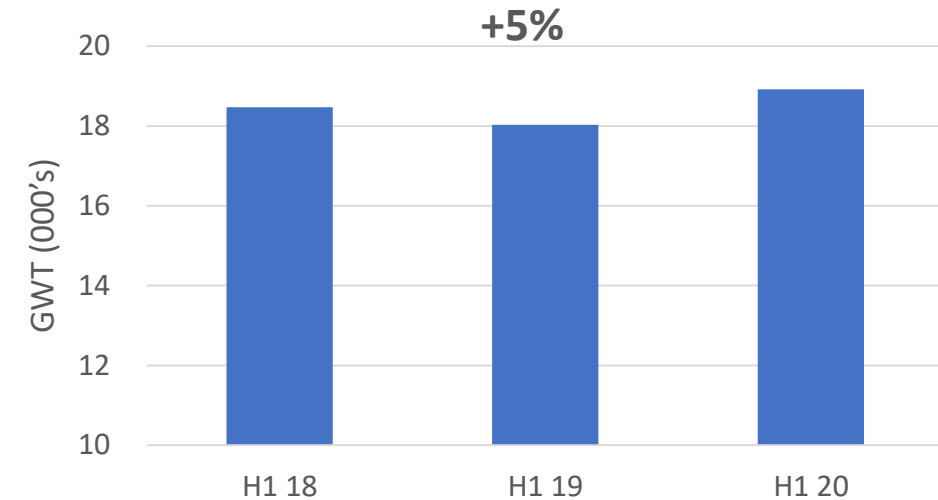
Positives

- Diversifying market mix strategy continuing to drive strong pricing for half shell product supporting improved EBIT per kg
- Favourable South Island growing conditions with no toxic algal blooms and higher proportion of SPATNZ mussels led to a strong harvest season (+8%) and excellent yields and production efficiencies in both plants which enabled sales volume growth
- Covid-19 environment enabling product diversification with MAP mussels into NZ retail
- Further Spat NZ development
- Marine extracts and mussel powder growth

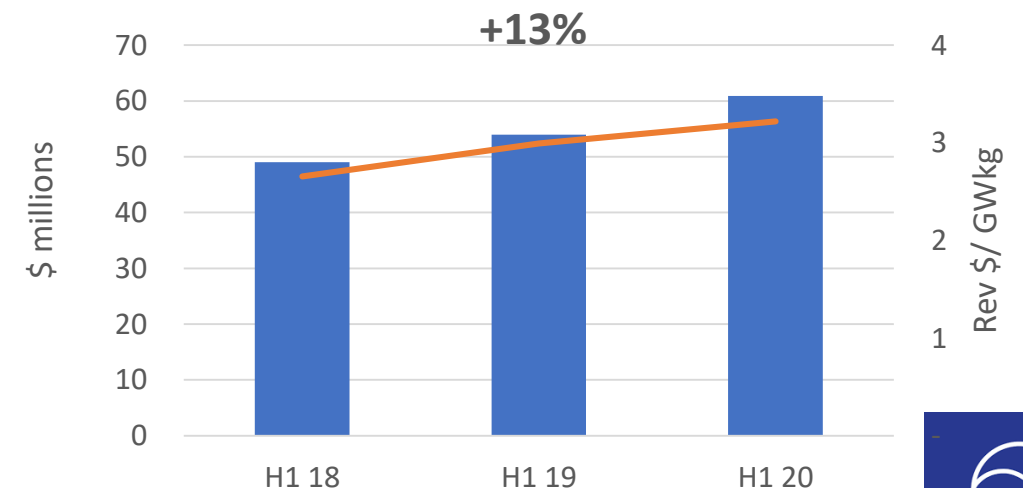
Headwinds

- Mussel growth in the Coromandel was slow, impacting on the recoveries at our Tauranga production facility
- Mussel meat market has seen falling demand and softening prices
- Throughput impacted at end of March by shutdown of Sanford production facilities to ready the factories for Covid 19 distancing standards

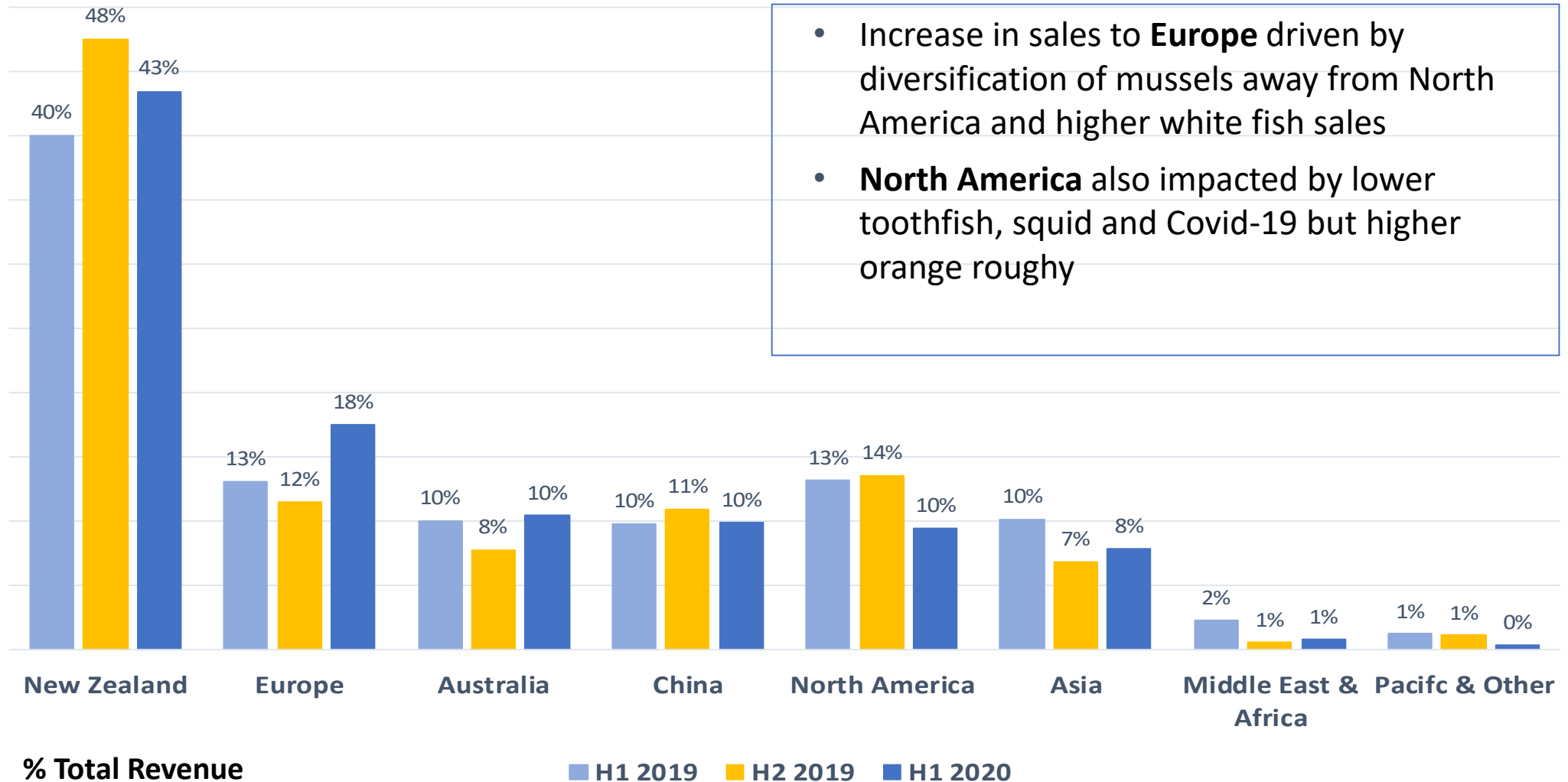
Greenshell mussel GWT sales volume



Greenshell mussel sales revenue



Geographical spread a benefit against Covid-19 implications



Integrated thinking and delivery across our businesses

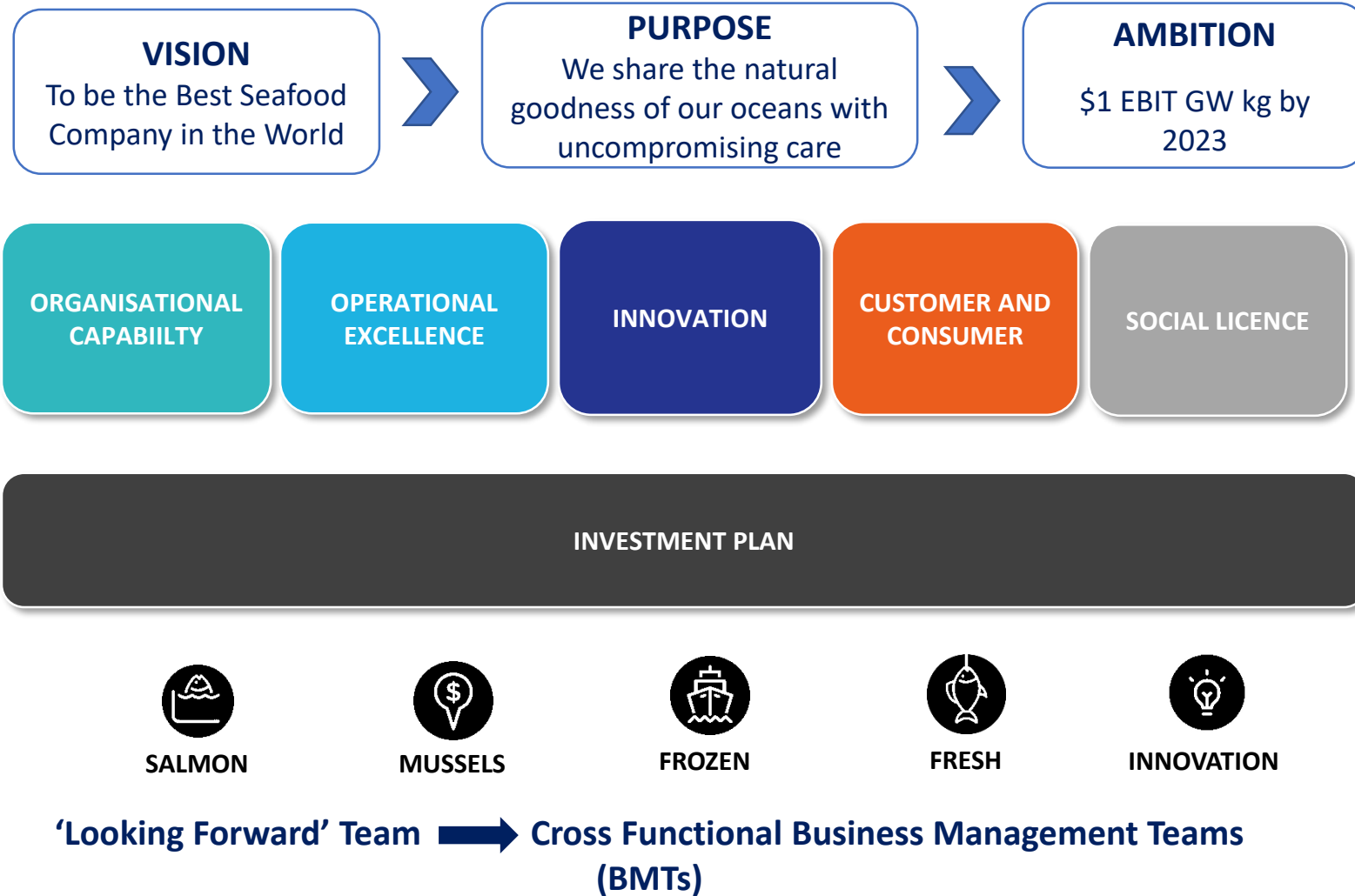


Business Excellence Framework Sustainability as the Foundation



- ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT
- CREATING A SAFE AND HIGH PERFORMING WORKPLACE
- SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS
- LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS
- DELIVERING CONSUMERS' EXPECTATIONS
- BUILDING A SUSTAINABLE SEAFOOD BUSINESS

Sanford Strategy



Strategic priorities unchanged – Rejuvenation, Innovation, Channel Focus

Key projects for H2

INNOVATION

CUSTOMER AND
CONSUMER

OPERATIONAL
EXCELLENCE

SOCIAL LICENSE

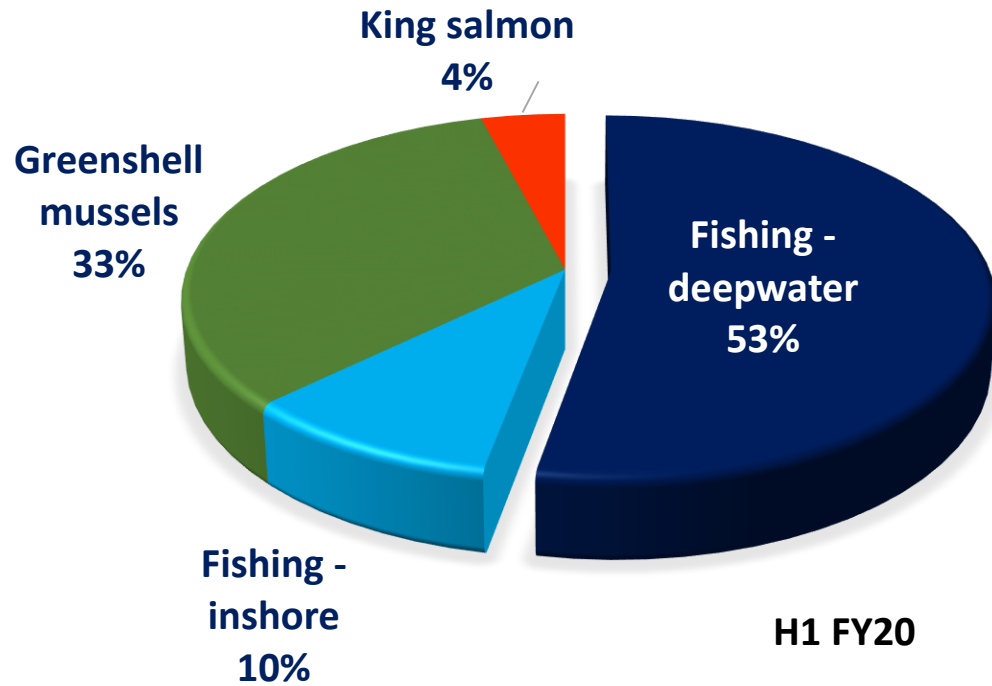
ORGANISATIONAL
CAPABILITY

- New Marine Extracts Centre construction has commenced – enables nutraceutical NPD pipeline using a variety of marine based sources
- Growing online sales, new packaging formats
- Big Glory Bay brand expansion in domestic market with export expansion focus post-Covid
- Salmon farming infrastructure investment to increase volume, mitigate risk and improve consistency, sizing and quality of fish
- Scampi vessel replacement and toothfish longline vessel improvements
- Development of mussel farms in order to meet strategic growth goals
- Optimising land-based processing automation, climate control
- San Core (systems replacement) project remains a critical area of development necessary to drive data and system led shifts in business performance
- Working with government, councils and communities to provide agreed and cost-effective outcomes for marine farm renewals

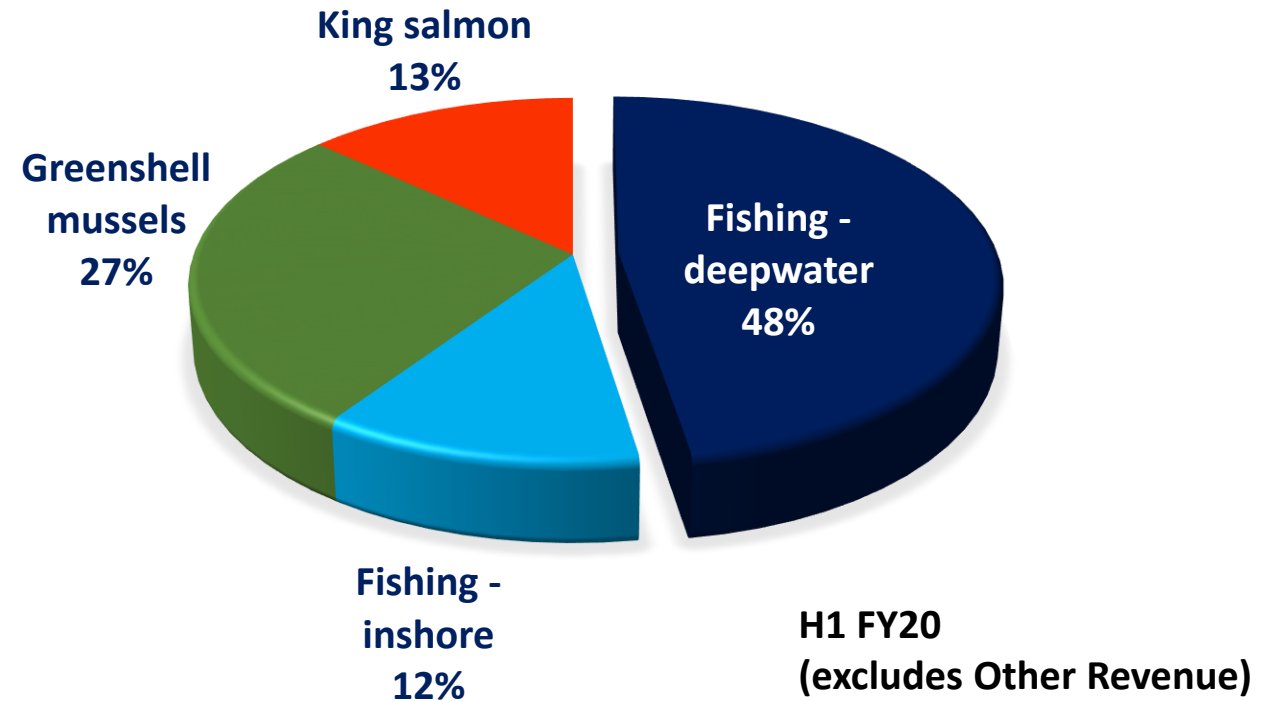


Diversity across fishing and aquaculture, in volume and value

HARVEST VOLUME

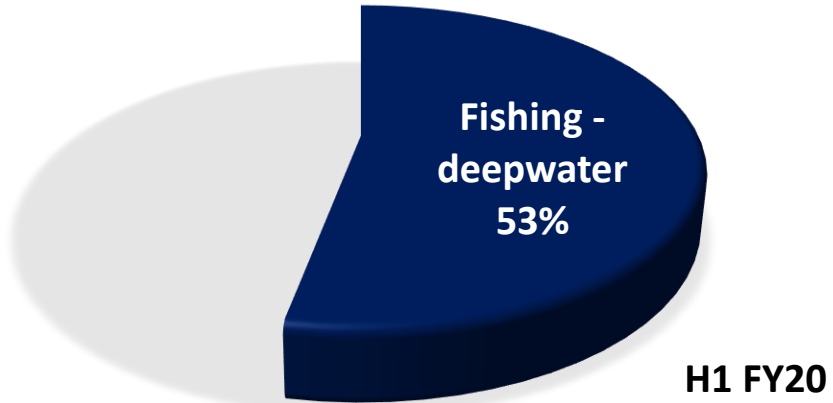


SALES REVENUE

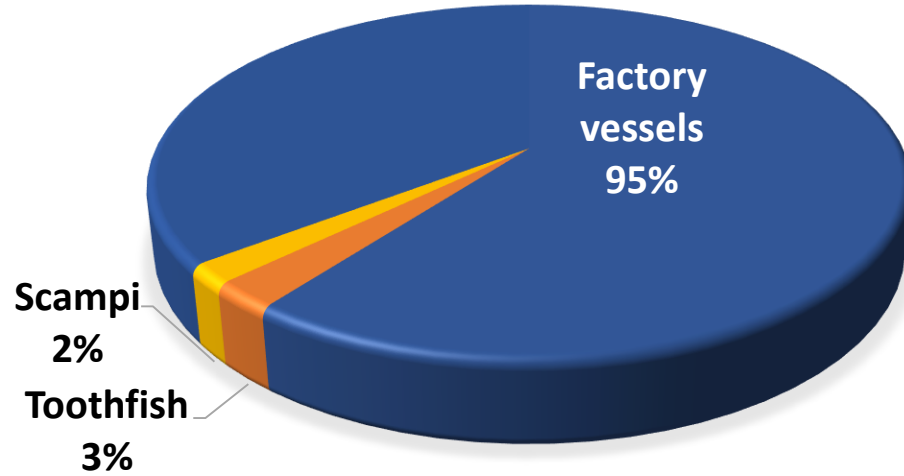


Diversity across fishing, in volume and value

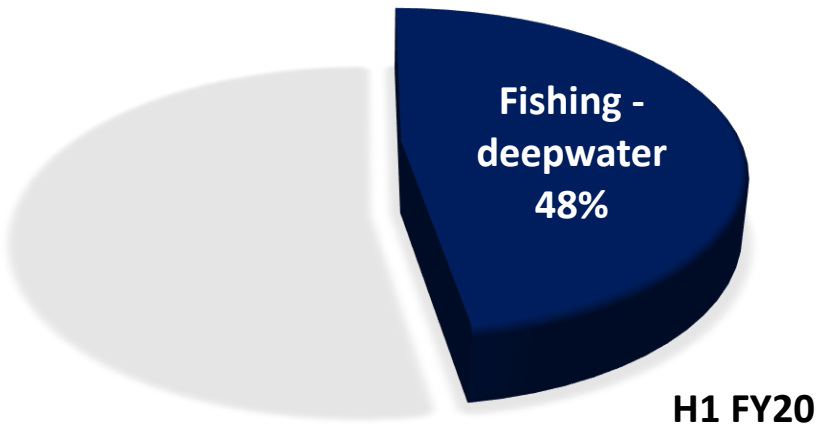
HARVEST VOLUME



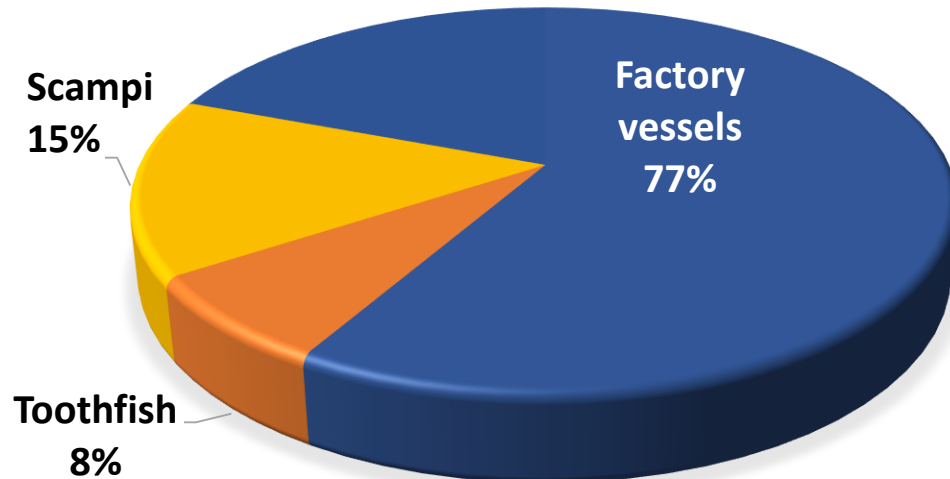
DEEPWATER VOLUME



REVENUE



DEEPWATER REVENUE



Opportunities in the Face of Covid-19

- Sanford culture experiencing new pride and purpose
- The image of seafood as a healthy and sustainable protein
- Momentum encouraging agility and speed in innovation
- Channel and market diversification
- Market resilience in Australia, NZ and many parts of Asia
- Potential acquisition opportunities in support of strategy
- Increased community appreciation and stakeholder engagement
- Potential Government support driving faster implementation of opportunities



Market Outlook in the Face of Covid-19

- Mixed but with green shoots as some European markets and US states begin to open up
- Online a clear area of growth
- 'Looking Forward Team' formed in April, highlighted possible new 'norm' and how best to serve our customers
- Freight costs likely to be ongoing issue, particularly airfreight availability at sensible commercial price
- Buy local sentiments go both ways for Sanford
- Risk of downward price pressure in some markets
- Volatile demand and the uncertain future across our export markets makes it unlikely that the first half earnings shortfall will be made up in the second half of the year



**THANK YOU
QUESTIONS?**





APPENDICES

Solid gearing and falling debt vs H1 FY19

GEARING

28.4%

→ Flat

ROCE[^]

6.4%

→ Flat

[^]Rolling 12 mth average

DEBT

\$165.9M

↓ -2%

TOTAL EQUITY

\$585M

↓ -1%

Net DEBT / EBITDA*

1.93x

↓ FY19 1.91x

* Rolling basis and adjusted for IFRS16 in comparatives

Liquidity Ratio**

139%

↑ FY19 136%

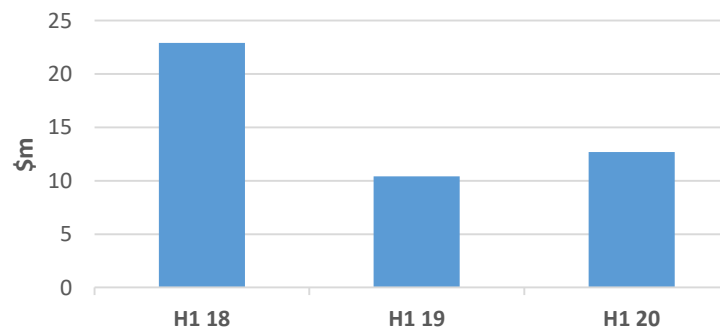
** Available bank facilities vs used facilities

OPERATING CASHFLOW

\$12.7m

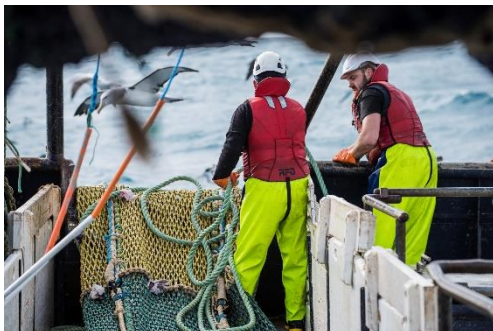
↑ +22%

Largely driven by less income tax paid



YTD Capital Investments

- **Capital expenditure of \$23.8m in H1** up 18% on last year's interim period spend
- Focus has been on:
 - **'Beyond food' strategy** – Commenced groundwork for new marine extract plant in Blenheim
 - **Vessel optimisation improvements** such as the half-life rebuild of the San Ikawai, an inshore fresh fish catching vessel with PSH
 - **Value add initiatives** - New Orange Roughy processing line in Timaru and packaging line in Tauranga
 - **Salmon farm optimisation** - new feed barge near completion, additional cages
 - **Channel diversity growth** - acquisition of Saltwater business in Melbourne along with development and move to new trading site.



HY20 Financial Results - GAAP to Non GAAP reconciliation

Financial half year	Unaudited	
	2020	2019
	\$m	\$m
Revenue	245.5	265.0
Gross Profit	47.6	54.2
%	19.4%	20.4%
Net Expenses & Other Income	(28.6)	(31.3)
Reported net profit (GAAP)	19.0	22.9
Add back:		
Net interest and tax expense	9.5	13.2
Net (gain) on sale of investments, property, plant and equipment and intangibles	(4.0)	(3.6)
Reported EBIT	24.4	32.5
Adjustments:		
Impairment of assets	0.5	0.1
Other one-off items	(1.7)	-
Total one off items	(1.2)	0.1
Adjusted EBIT	23.2	32.6
Depreciation and amortisation	13.4	10.3
Adjusted EBITDA	36.7	42.9



GAAP To Non-GAAP Reconciliation

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 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

EBITDA: Earnings before interest, taxation, non-trading currency exchange losses, depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets.

Reported EBIT: Earnings before interest, taxation, non-trading currency exchange losses and gain (loss) on sale of investments, intangible and long term assets.

Adjusted EBIT: Reported EBIT adjusted for impairment, restructuring and other one off items.