



SANFORD

FY21 RESULTS BRIEFING

For the 12 months ended 30 September 2021

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AGENDA TODAY

1. Summary
2. FY21 Results
3. Update by Division
4. Strategic transition
5. Questions

1. SUMMARY



KEY MESSAGES

1. FY21 Results:

- Substantial impact on profitability from Covid-19 again for the full year.
- Starting to come out the other side during H2.

2. Business segments:

- Recovery uneven across three divisions.
- Salmon and Wildcatch continue to improve, mussels lagging.

3. Strategic transition:

- New CEO and CFO are in place.
- We're clear on our priorities for FY22.
- Strategic plan refresh communicated to the market in the first half of CY22.

FY21 RESULTS SNAPSHOT

A continuation of the impacts of Covid-19

Catch/Harvest Volume	Sales Volume	Revenue	Adjusted EBIT ¹
103.0k GWT	113.5k GWT	\$489.6 M	\$23.3 M
▼ -8.2 %	▲ + 7.4%	▲ 4.4%	▼ -39.1 %

EBIT GW kg	Adjusted EBITDA ¹	NPAT ²	EPS	No Final Dividend
21 ¢	\$52.6 M	\$16.2 M	17 CPS	— Flat
▼ -15¢ /kg	▼ -20.6%	▼ -16.5%	▼ -3¢	

1. See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT of \$16.2m

2. NPAT comparative has been adjusted as per note 14 in the integrated report

Note: Comparative is FY20

FY21 RESULTS SUMMARY

Market conditions remain challenging, but some improvement in Q4:

- **Conditions** slightly ahead of our August market update, as the world starts to reopen.
- **Momentum starting to improve:** Some seasonal improvement in H2, coupled with Q4 improvement.
- **Supply chain remains challenging:** Similar issues to H1.

Recovery remains uneven across three divisions:

- **Wildcatch:** Still well below pre-Covid levels, but signs of demand recovery as global foodservice starts to reopen.
- **Mussels:** Lagging other segments. But inventory returned to pre-Covid levels and pricing starting to improve.
- **Salmon:** Improving revenue, relatively stable profit versus pre-Covid. Benefits from move to high end retail channels in US and greater in-home consumption.

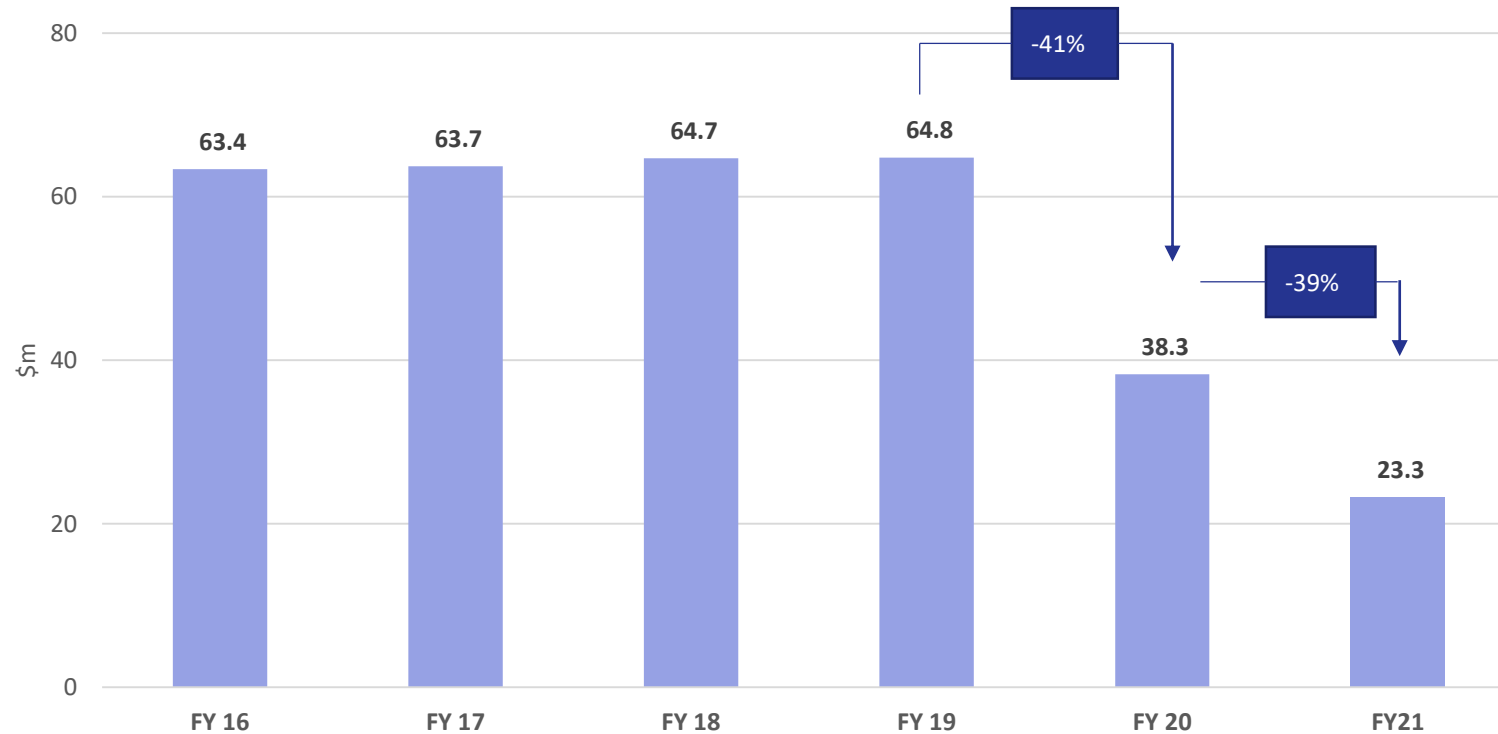
FY21 RESULTS SUMMARY CONTINUED

Achievements during FY21:

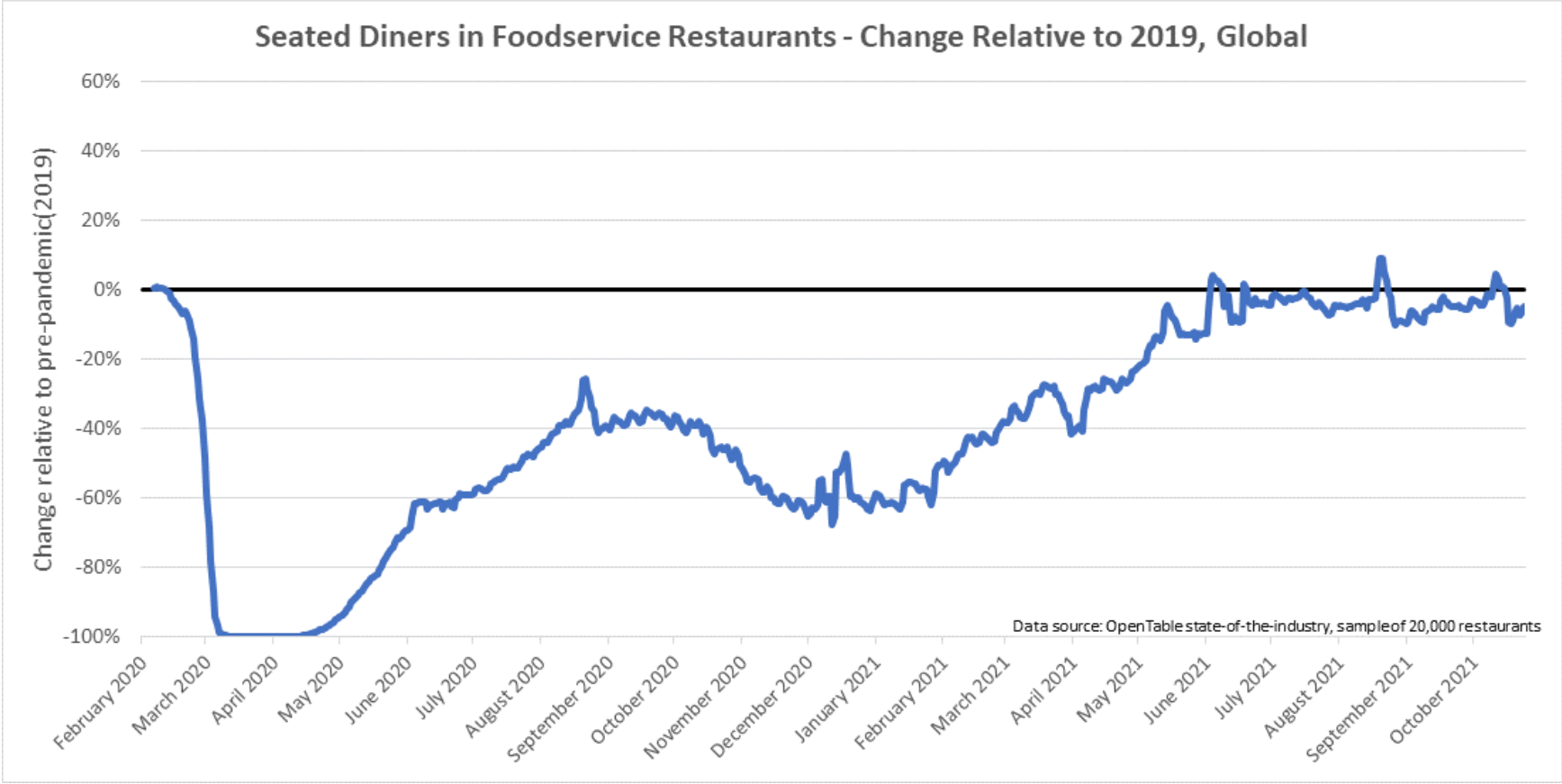
- Managed inventory, improved price points by year end.
- Consent granted for marine extracts facility, stood up alternative processing pending new plant consent & build.
- Agreed deal with Kotahi to handle all Sanford frozen export capacity.
- ESG: Development of emissions profile baseline.

COVID CAUSED A SUDDEN DROP TO PREVIOUSLY STABLE EARNINGS

Adjusted EBIT by financial year

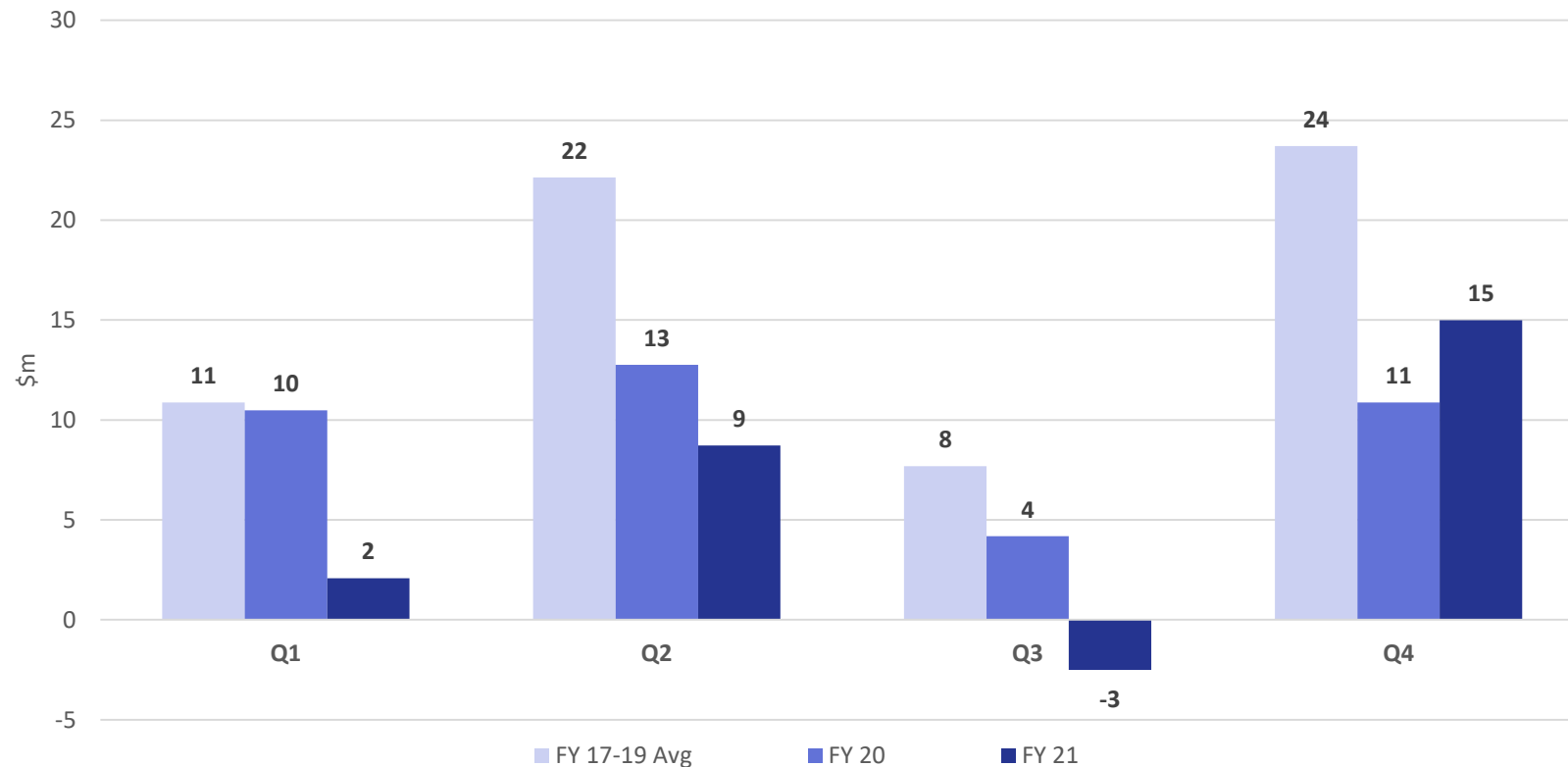


COVID HAD A DRAMATIC IMPACT ON GLOBAL FOODSERVICE CHANNELS



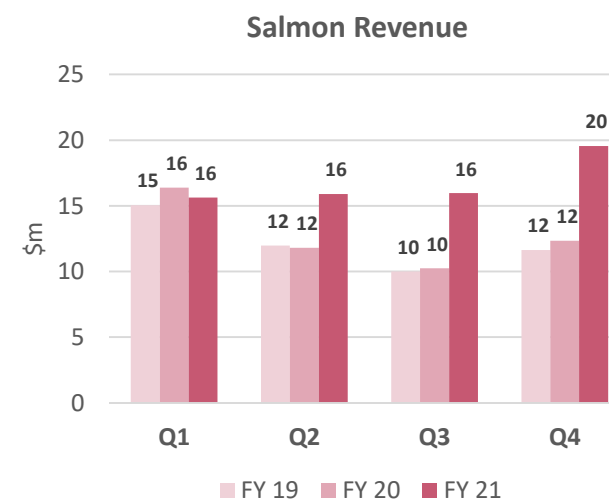
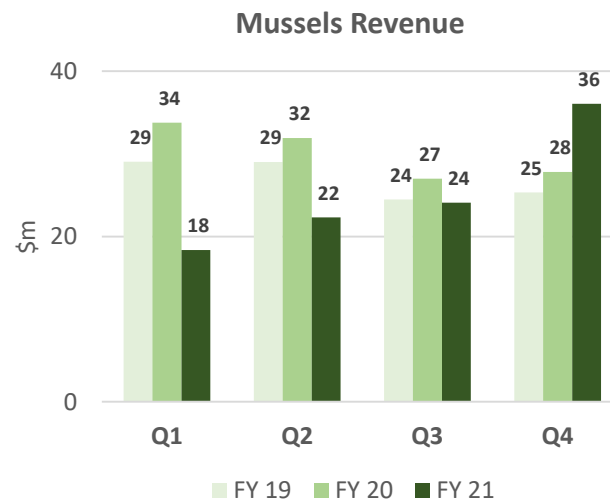
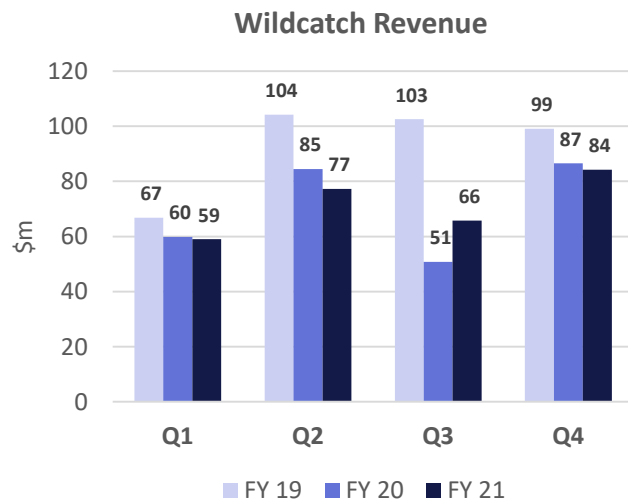
Q4 STARTED TO IMPROVE AS GLOBAL FOODSERVICE REOPENED

Adjusted EBIT by Quarter



REVENUE (+4% YOY) IS RECOVERING BUT TIMING VARIES BY DIVISION

- **Wildcatch:** annual growth +2%; H2 growth +9%; Commodity prices recovering but not yet back to pre Covid levels.
- **Mussels:** annual growth -16%; Covid impacts later than other divisions but recovery seen in Q4 in both volume and price.
- **Salmon:** annual growth +32%; excluding sell down of frozen stock (due to Covid) growth was +24%; recovery started in Q2.

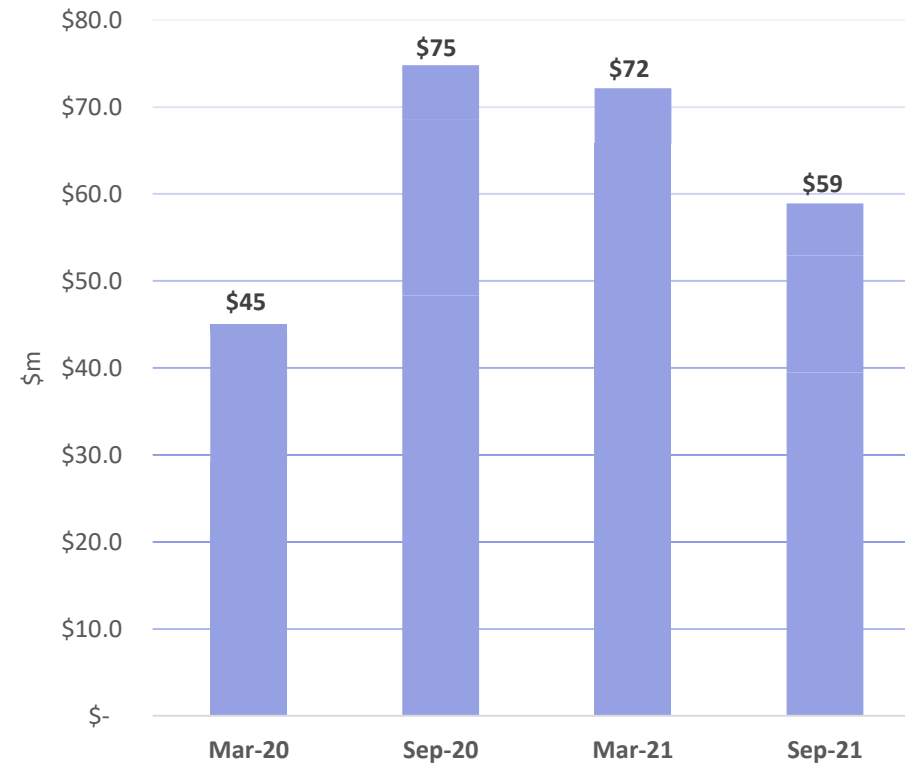


DEBT AND INVENTORY MANAGED, DRIVING IMPROVED OPERATING CASHFLOW

Net Debt



Inventory



ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) FY21 HIGHLIGHTS*

Climate

- Science aligned emissions reduction pathway prepared.**
- Seafood sector wide climate adaptation strategy underway.
- Climate risk planning and TCFD a focus for FY22.
- Opportunities - Seafood's light carbon footprint.

Ocean and Environment

- Habitat restoration: >30 tonne Greenshell Mussels – Kenepuru Sound & Auckland.
- Waste recycling: >8,500 tonnes re-purposed or re-used (57% of all wastes).

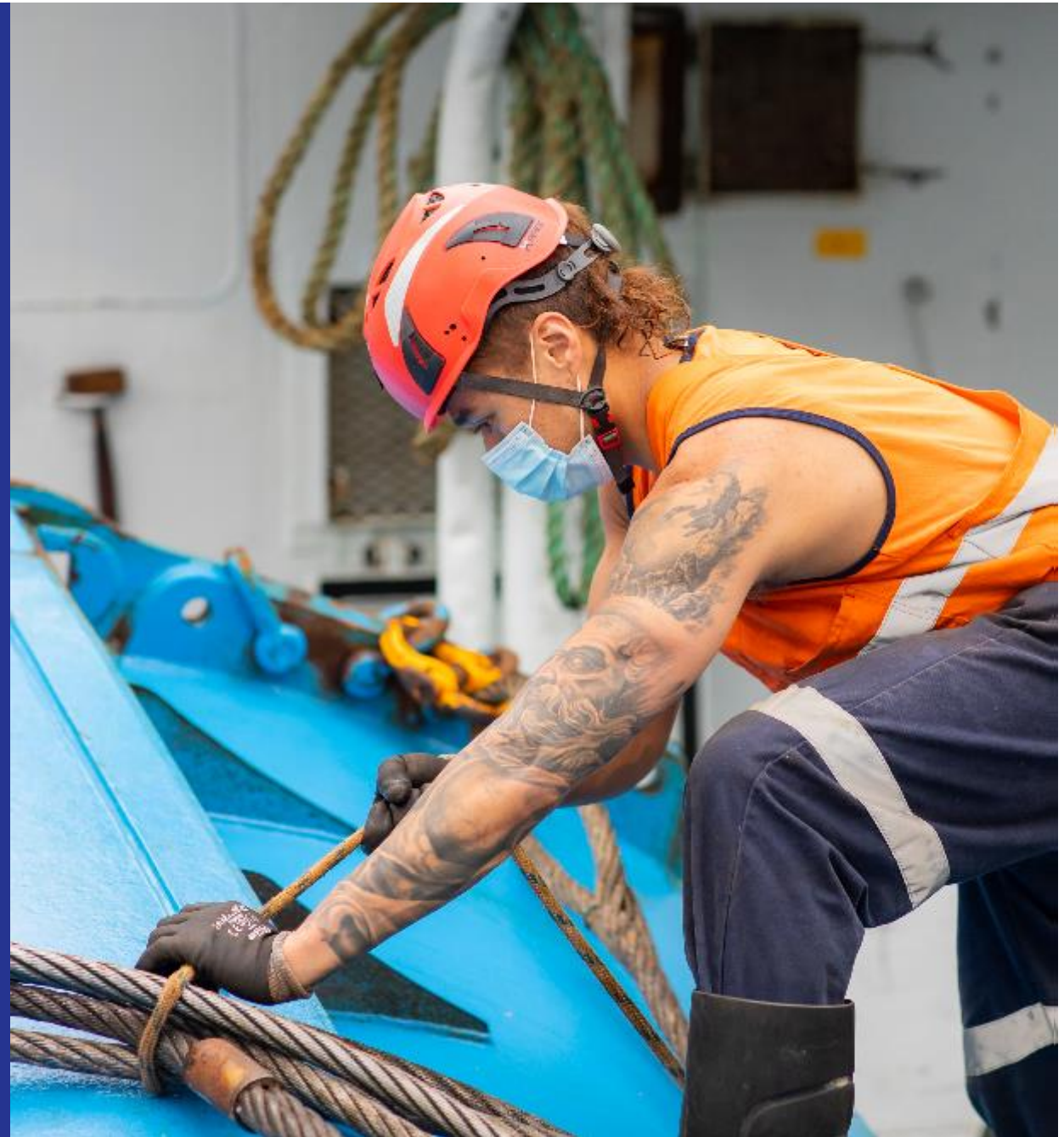
People and Community

- Health and safety culture, +49% near miss reporting.
- Salmon Fund: \$79k of support for community initiatives in Stewart Island & Bluff.
- Continuity of partnership with Graeme Dingle Foundation, building youth resilience.
- Initiated community donations of fish heads and frames.



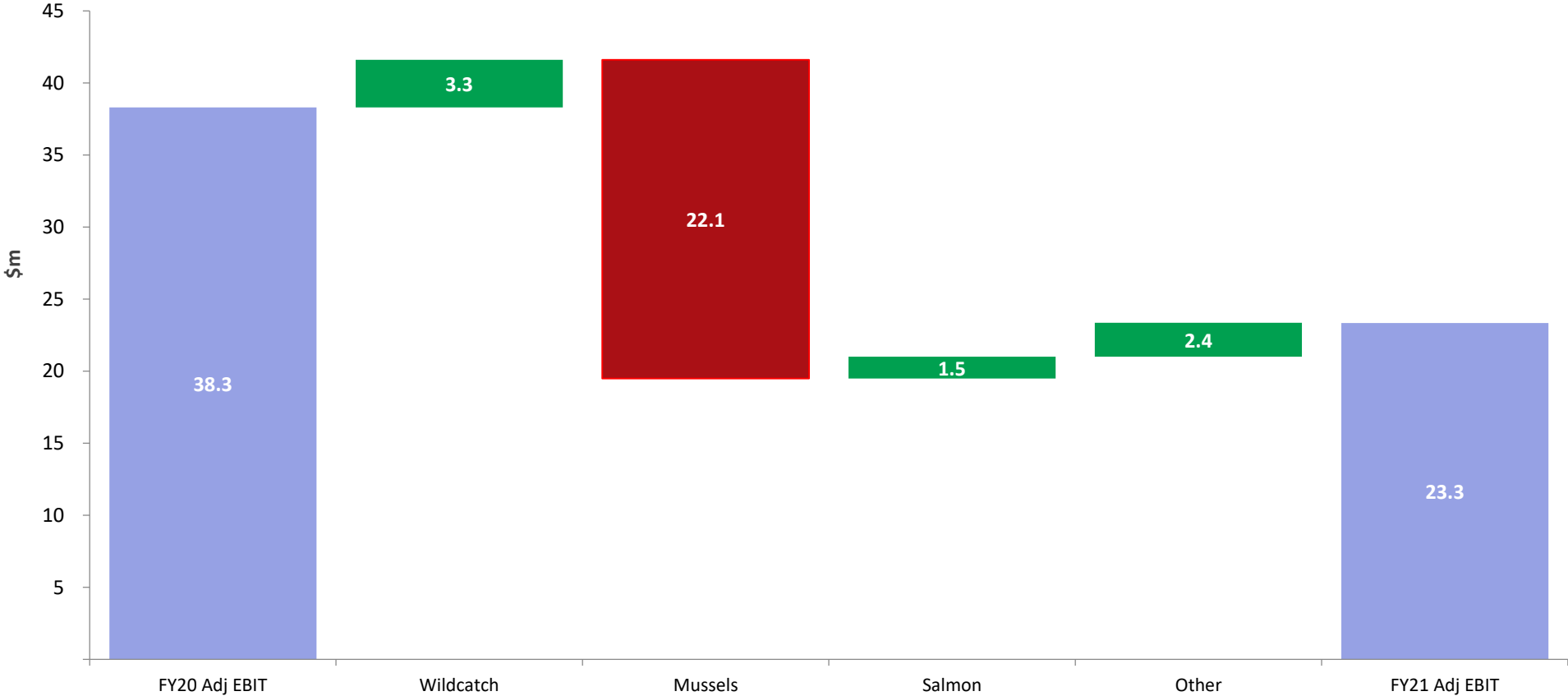
Blue cod, swimming on a restored mussel bed in Kenepuru Sound.

2. FY21 RESULTS



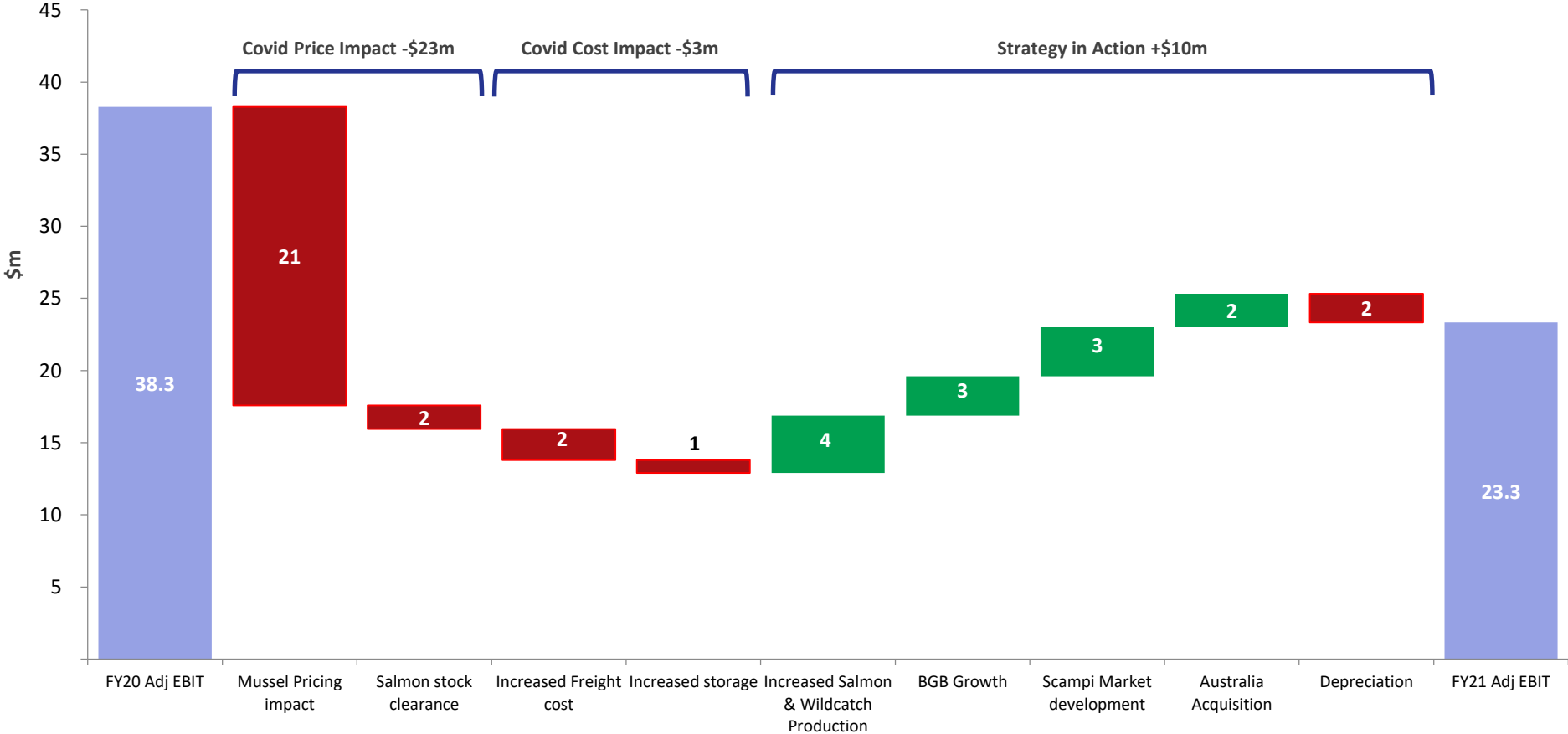
EBIT PERFORMANCE DOMINATED BY FALL IN MUSSEL PRICING

Key drivers of Adjusted EBIT change



EBIT PERFORMANCE HEAVILY IMPACTED BY FOODSERVICE EXPOSURE OVER FIRST 3 QUARTERS

Key drivers of Adjusted EBIT change



BALANCE SHEET AND CASH FLOW

Balance Sheet remains strong, debt levels contained

Gearing

22.3%

▼ Sep 20 | 23.6%

Net Debt

\$178.6M ▼ -3.1% vs Sep 20

Total Equity

\$634M ▲ +4.4% vs Sep 20

Net Debt / Adjusted EBITDA

3.4x ▲ Sep 20 | 2.8x

Return on Average Total Equity

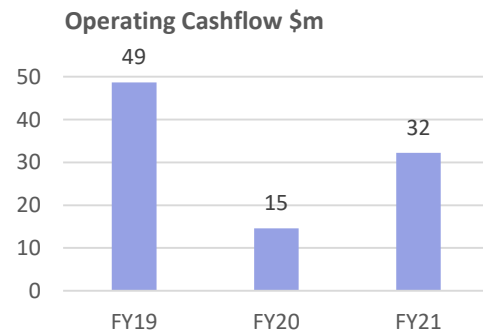
2.6% ▼ Sep 20 | 3.2%



Operating Cashflow

\$32.2m

▲ Sep 20 | \$15m



Free Cashflow¹

\$16.8m

▲ Sep 20 | -\$24.9m

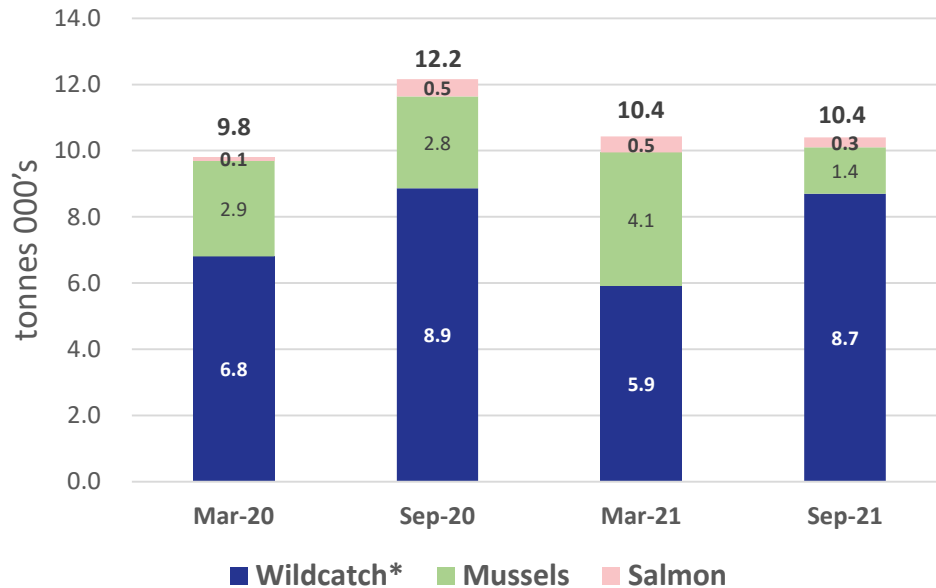
Debt Facility Headroom²

\$87.5m

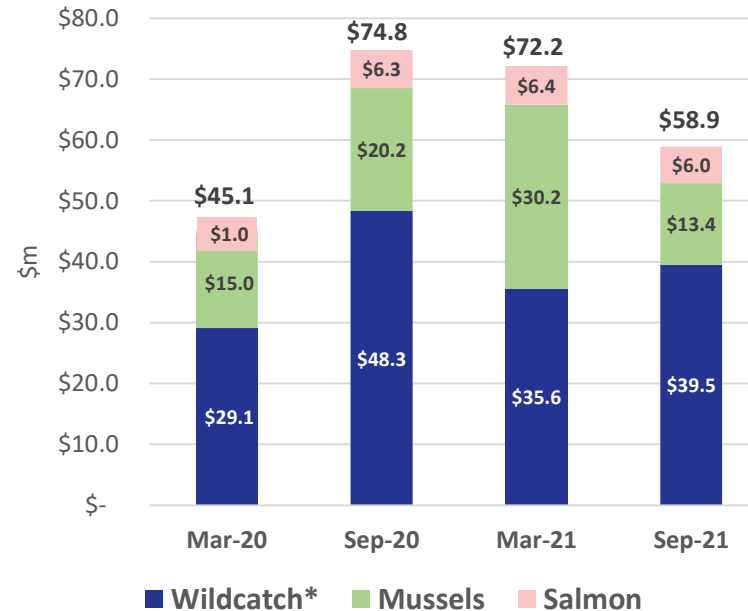
▲ Sep 20 | \$82.8m

SEAFOOD INVENTORY VALUE REDUCED, PARTICULARLY FOR MUSSELS

Inventory volume (PWT)
YOY decrease -14%



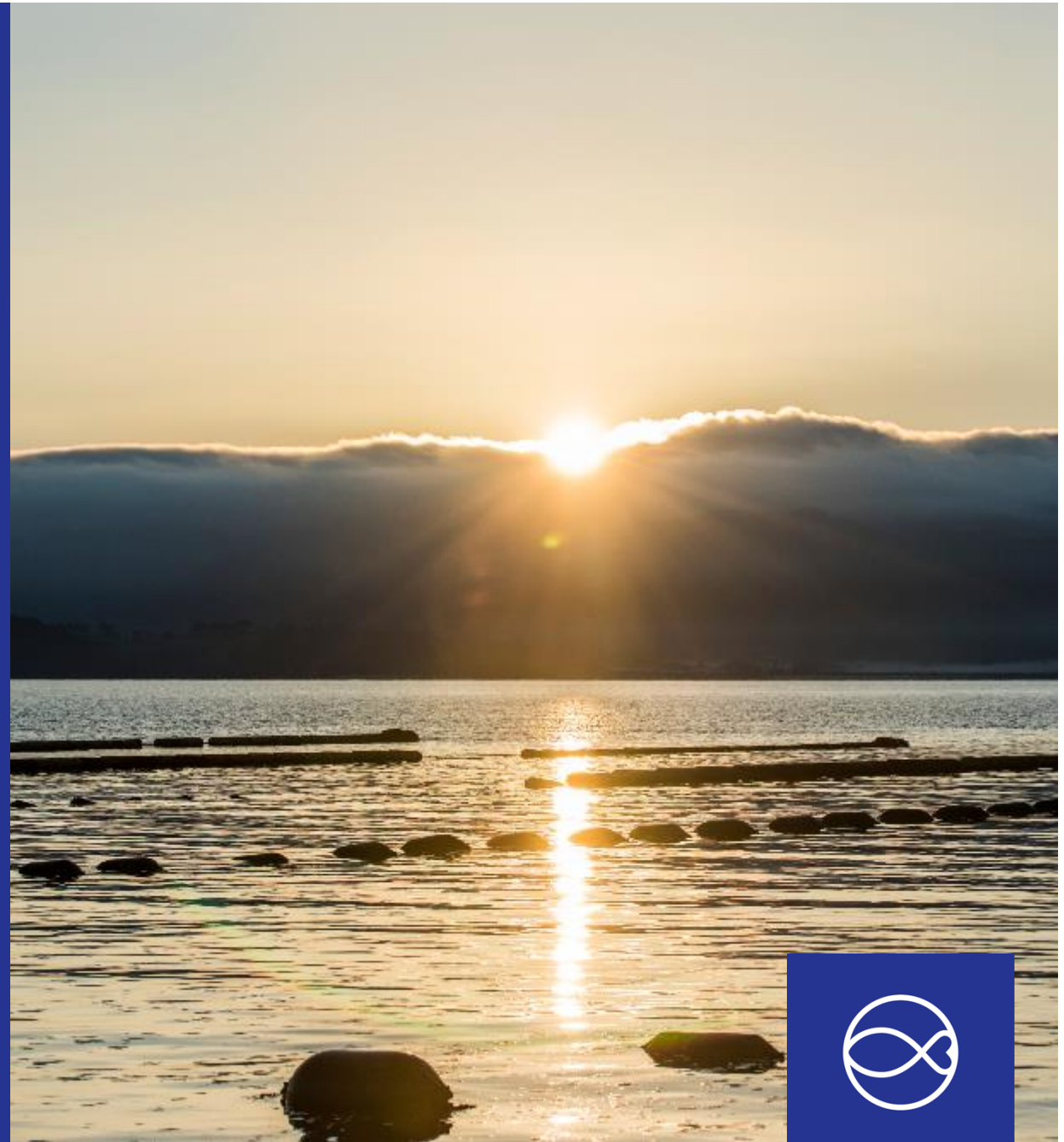
Inventory value**
YOY decrease -21%



*Wildcatch inventory includes stock on board vessels not yet available for sale
**Inventory value differs to financial statements as above excludes non-seafood inventory

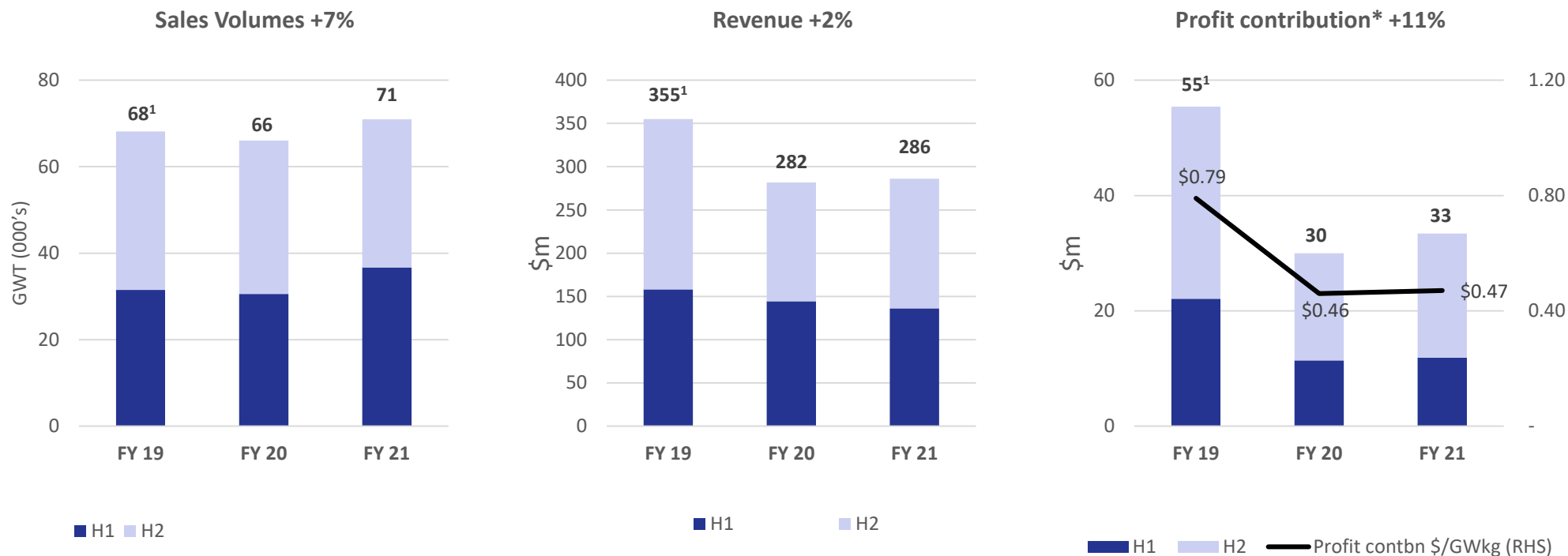


3. UPDATE BY DIVISION



WILDCATCH FY21

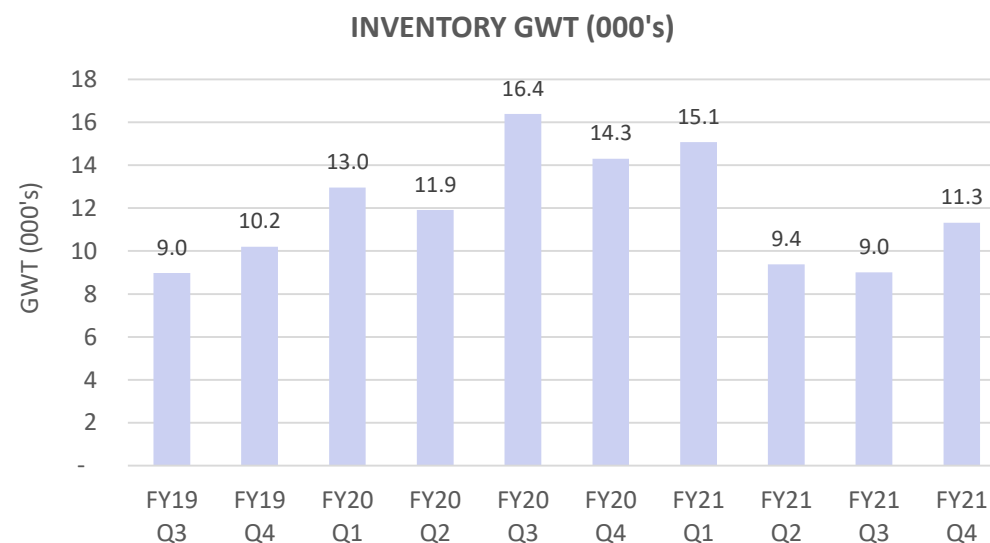
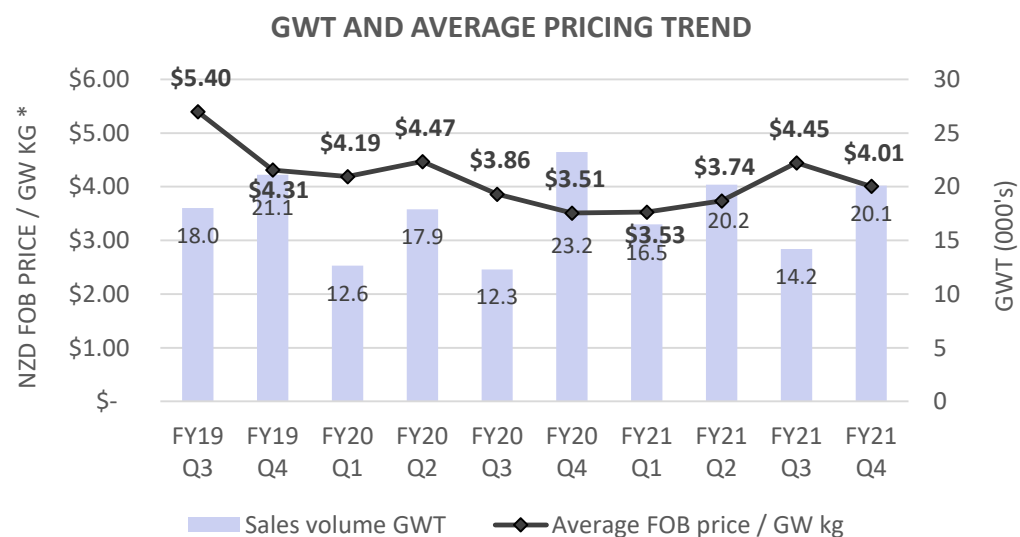
Covid recovery started during H2, Scampi leading recovery



1. Excluding Pelagics business sold March-19. Including Pelagics FY19 sales volume 78kGWT, Revenue \$373m, EBIT 61m
 *Profit contribution is Adjusted EBIT before head office overheads

WILDCATCH FY21

H2 pricing starting to recover. Inventory has returned to pre-Covid levels.

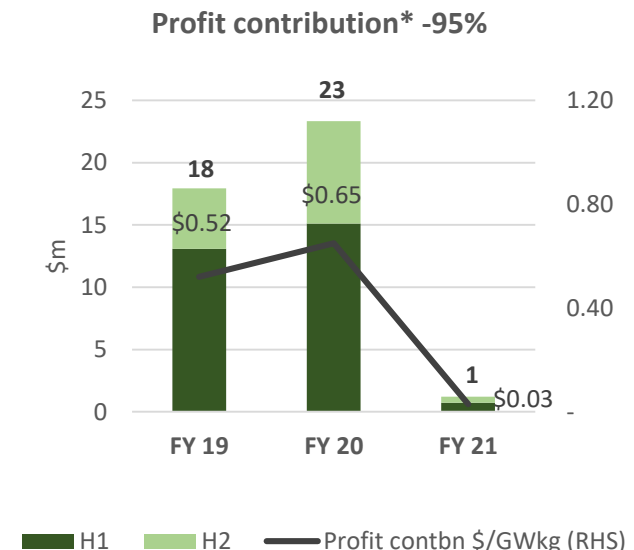
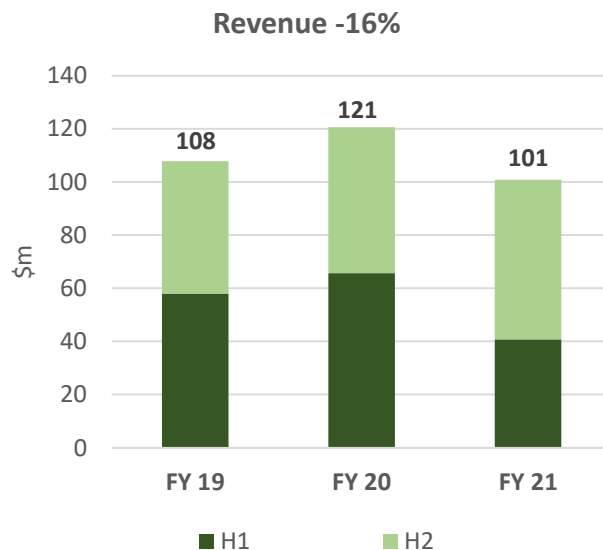
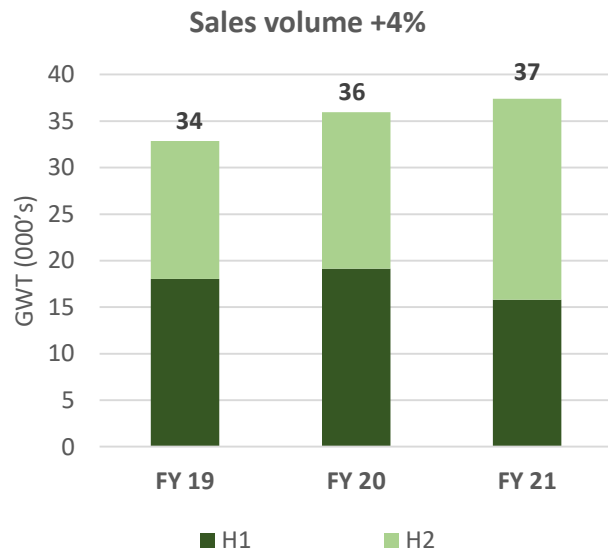


*Average FOB Price/GWkg is calculated on Seafood Products only (previous presentations FOB price/GWkg included non-Seafood sales, eg ACE income)



GREENSHELL MUSSELS FY21

Closure of global foodservice resulted in very low profit contribution



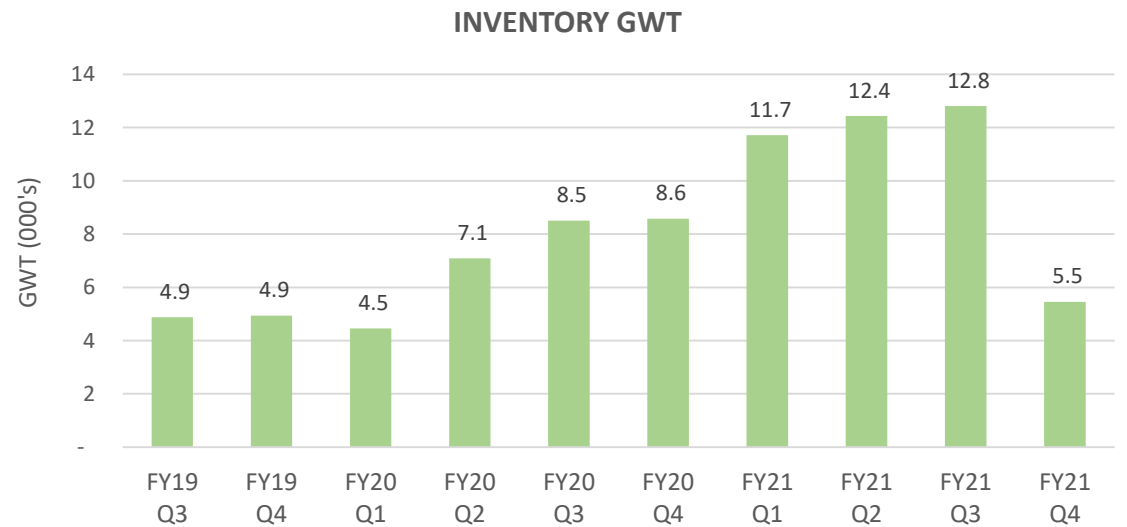
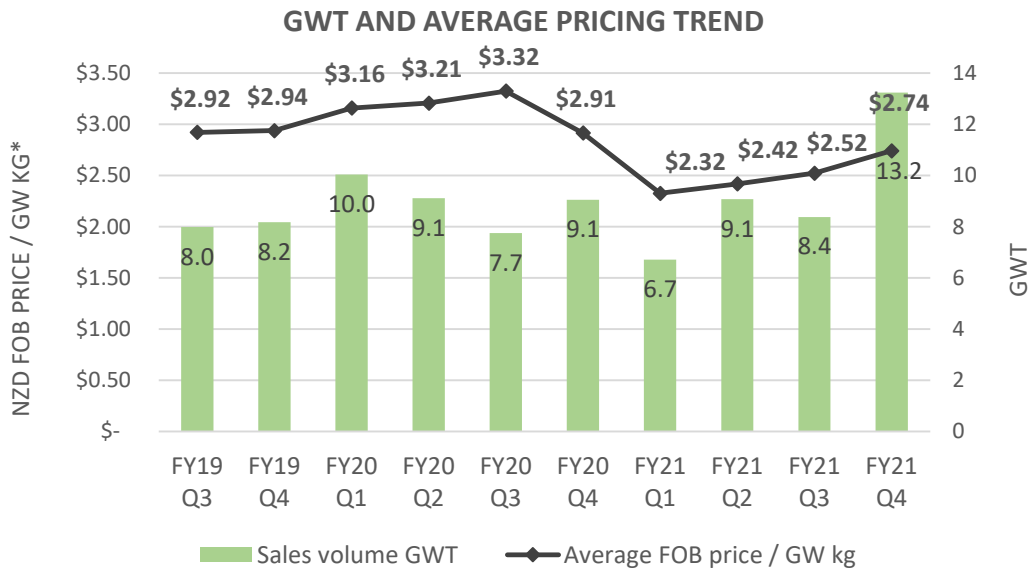
*Profit contribution is Adjusted EBIT before head office overheads





GREENSHELL MUSSELS FY21

Strong Q4 sales returned inventory to pre Covid levels. Pricing starting to improve.

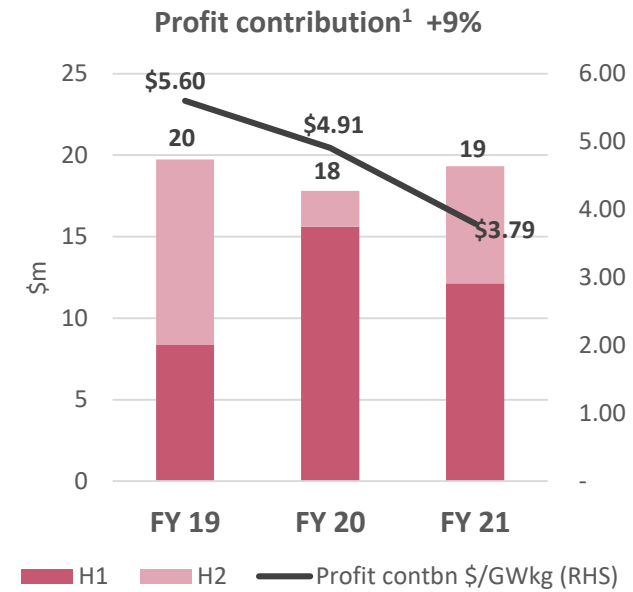
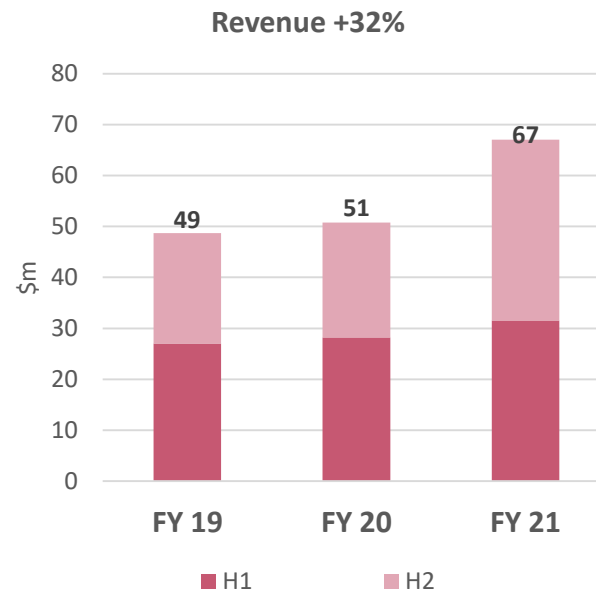
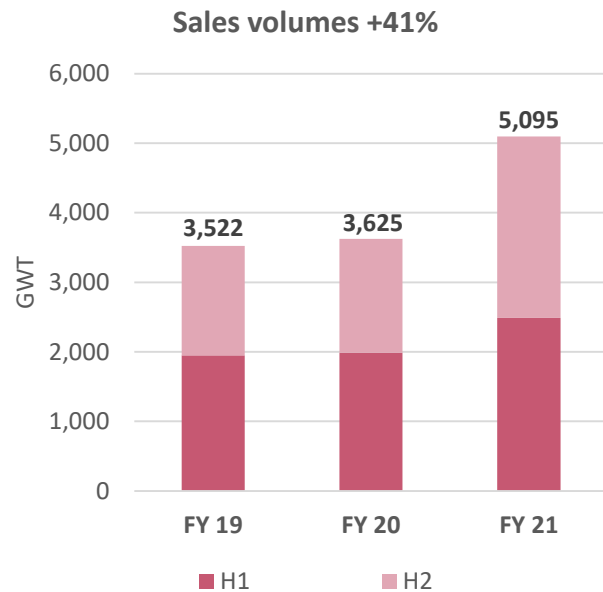


*Average FOB Price/GWkg is calculated on Seafood Products only (previous presentations FOB price/GWkg included non-Seafood sales, eg farm services income)



SALMON FY21

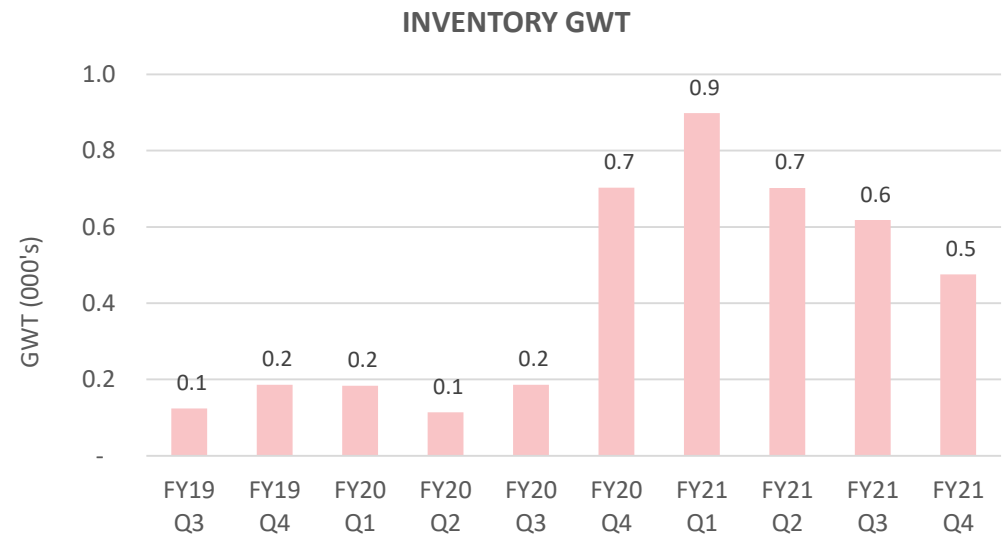
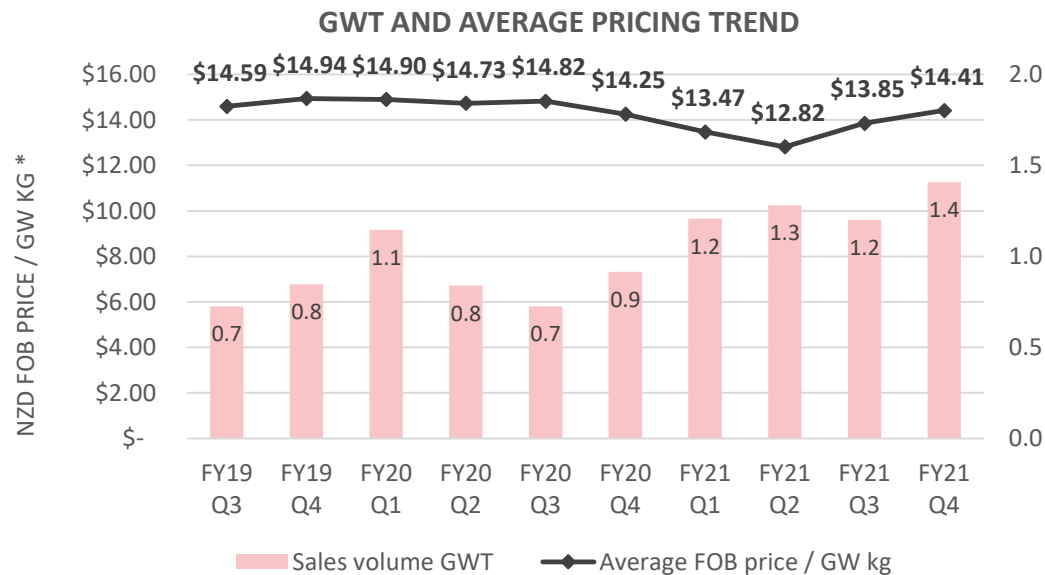
Higher revenues in 2H21, incl market/channel diversification.
 Profit contribution impacted by inventory management in Q1 to Q3.



¹Profit contribution is Adjusted EBIT before head office overheads

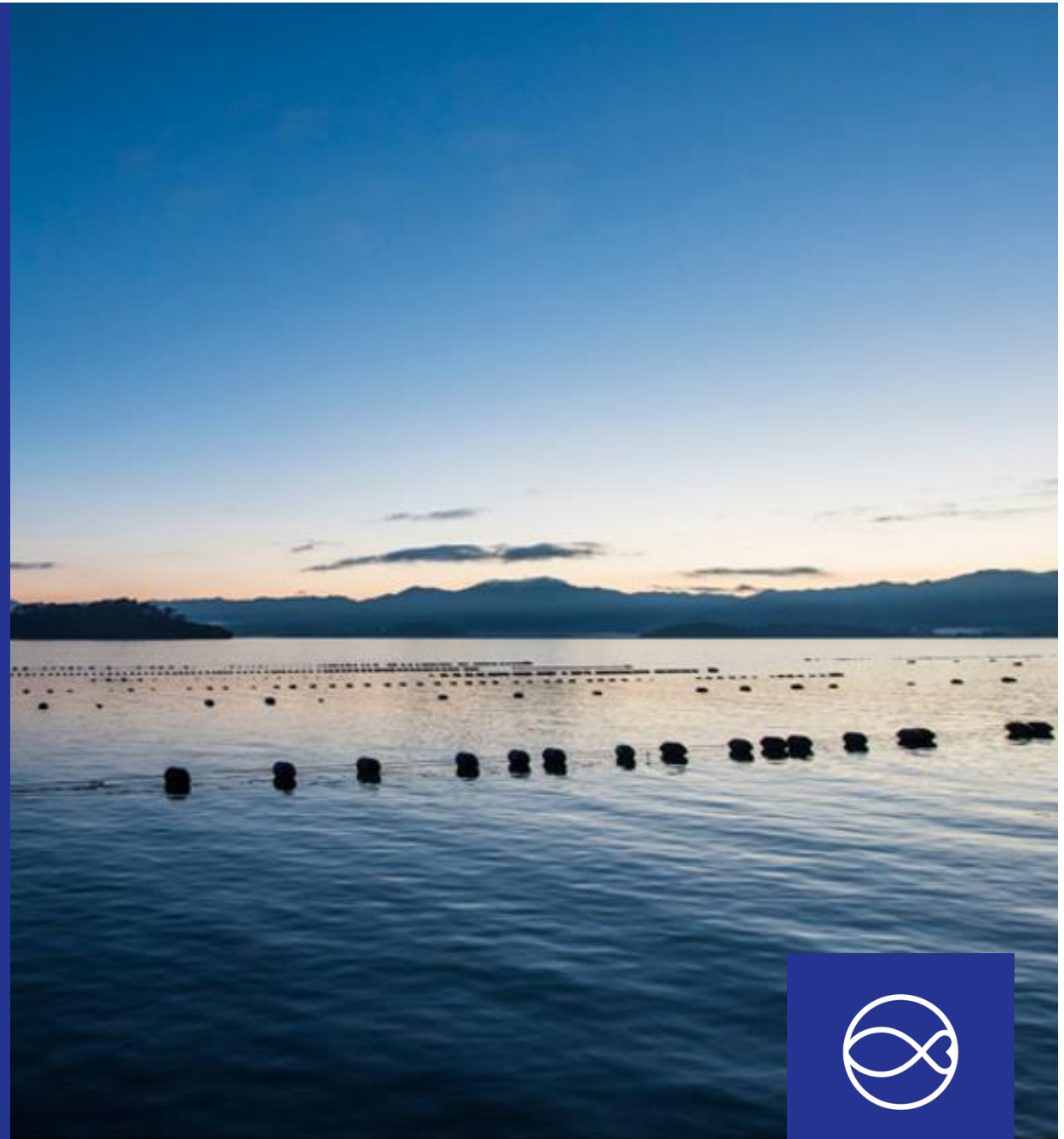
SALMON FY21

Sales pricing is steadily increasing to pre-Covid levels with a positive outlook

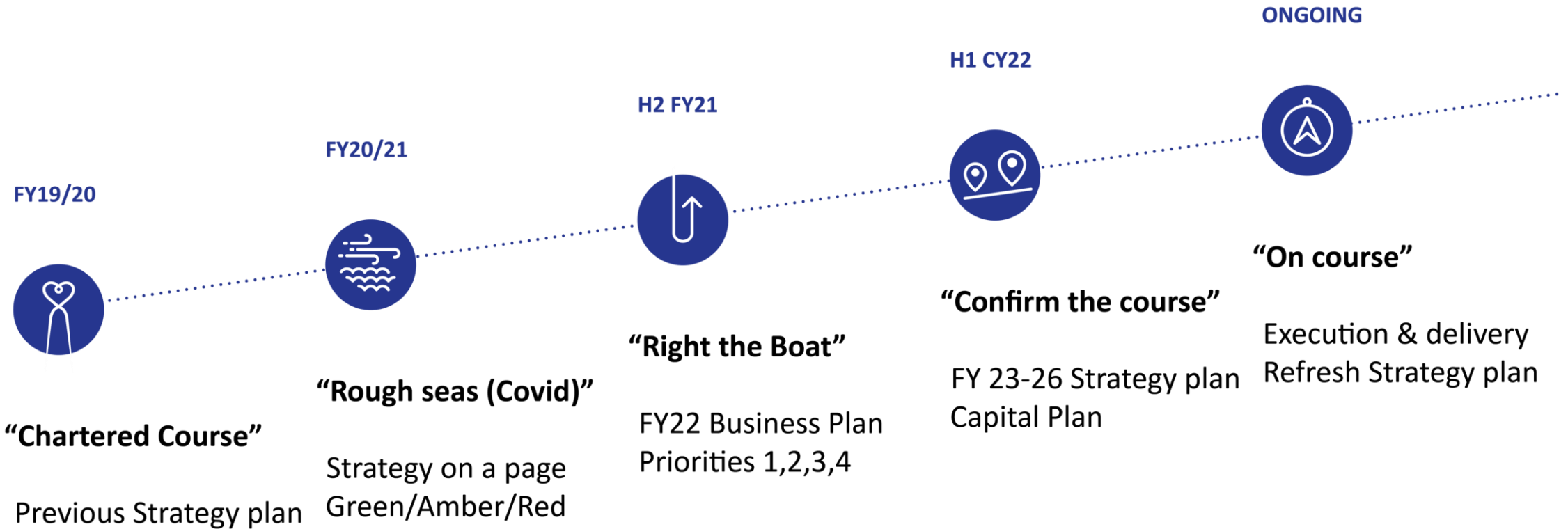


*Average FOB Price/GWkg is calculated on Seafood Products only (previous presentations FOB price/GWkg included non-Seafood sales)

4. STRATEGIC TRANSITION



FRAMEWORK FOR STRATEGIC PLANNING



FY22 BUSINESS PLANNING FRAMEWORK – STRATEGY ON A PAGE

VISION	Leadership in New Zealand Seafood (#1 in value, quality, reputation)						
PURPOSE	Sustainably Harvest New Zealand’s Oceans to provide outstanding food						
IMPERATIVES	NZ Seafood Experts	Sustainable Optimal Resource Utilisation	Outstanding at Risk Management	Customer Partner of Choice	Great Engaged People		
STRATEGIES	1. ——— Ensure the welfare and growth of our people – Economic, physical, emotional 2. ——— Build & sustain customer partners who have a differentiated consumer offer, consistent with our own 3. ——— Utilise knowledge & insight to drive asset utilisation, profit, value, quality and reputation 4. ——— Improve value utilisation of whole fish 5. ——— Develop differentiation - product story, scarcity, source, quality, fishing method, sustainability, science 6. ——— Implement a world class risk management system, capability and focus						
KEY METRICS	Consumer	Customer	People	Process	Financial	Shareholder Value	Social Licence
VALUES	ACHIEVING TOGETHER		CARE	PASSION		INTEGRITY	



FY22 BUSINESS PLAN – STEPS TO ENABLE OUR RECOVERY

Covid has been a shock to the Business
– FY22 is about business recovery

PRIORITIES FOR FY22

1. Rebuild mussel profitability

2. Grow developing opportunities in wildcatch

3. Retain salmon profitability and prepare for future growth

4. Establish cross-business fundamentals

FY22 BUSINESS PLAN – INITIATIVES TO ENABLE OUR RECOVERY

PRIORITIES

KEY INITIATIVES

1. Rebuild mussel profitability	<ul style="list-style-type: none">• Continue momentum in the US, Asia & Europe building market and country diversification• Develop alternate revenue streams – marine extracts• Partner with Kotahi to improve supply chain efficiency & effectiveness
2. Grow developing opportunities in wildcatch	<ul style="list-style-type: none">• Develop further direct channels in high value products e.g. Scampi• Sanford & Sons frozen product development & channel diversification• Continue momentum of Sanford Australia model (increase sales direct to distributor)
3. Retain salmon profitability and prepare for future growth	<ul style="list-style-type: none">• Big Glory Bay product development, Foodservice focus and US & China retail expansion• Initiate RAS Hatchery build
4. Establish cross-business fundamentals	<ul style="list-style-type: none">• Performance culture• Risk management• Executional excellence

FY22 OUTLOOK

Positives

- Expect to see further price recovery.
- Key capital initiatives:
 - Marine Extracts build
 - RAS Hatchery confirmation
 - Continued vessel refurbishment
- Increased volumes of Hoki & Snapper.
- Continued momentum in Australia, Marine Extracts and Big Glory Bay salmon brand.
- Strengthening partnership with Foodstuffs North Island.

Challenges

- Ongoing supply chain cost & performance.
- Loss of access to the South Georgia toothfish fishery.
- Covid impact risk including operational/people risks and demand side rate of recovery.
- Bedding in leadership changes.

CAPITAL EXPENDITURE FY20 – FY21

- Deep water vessels undergoing significant mid-life refurbishment commencing in FY21 & continuing in FY22.
- Marine Extracts investment delayed due to resource consent issues now resolved.

	FY20	FY21
Integrity	\$31m	\$30m
	<i>Includes:</i> Vessel capex Processing equipment, Golden Bay Mussel Farm acquisition, IT equipment	<i>Includes:</i> Vessel capex Processing equipment, IT equipment
Growth	\$13m	\$9m
	<i>Includes:</i> Marine extracts Salmon development Saltwater purchase	<i>Includes:</i> Marine extracts Salmon development Mussel development
Total	\$44m	\$39m



CAPITAL EXPENDITURE FY22

- Spend aligned to business performance, with integrity capex prioritised. We maintain an eye on the future and will respond accordingly.
- Continuation of deep water vessels mid-life refurbishment.
- Increased investment in Salmon to support future growth.
- Scampi project remains on hold for now.
- SanCore business systems significant one off investment now expensed under SaaS accounting rules (see separate slide).

FY22	
Integrity	~\$40m
	<i>Includes:</i> Vessel surveys & equipment Processing equipment Mussel farming IT equipment Equipment & critical risks
Growth	~\$10m
	<i>Includes:</i> Marine extracts Salmon RAS Hatchery and growth
Total	~\$50m

SANCORE BUSINESS SYSTEMS TRANSFORMATION

Status:

- Havelock Mussel operation went live in July with MPS (Innova)
- Timaru factory and one of the deep water vessels will go live in December 21.
- D365 financial system scheduled to go live in Q4 FY22.

Accounting Treatment:

- Revised accounting policy in relation to configuration and customisation costs incurred in implementing software as a service arrangements (SaaS), in response to a recently issued IFRIC Agenda Decision.
- Historically these costs have been capitalised, the revised approach for these arrangements, where control does not exist, is for costs to be expensed to the P&L.
- \$6.2m one-off opex cost included in FY21 result (note, this cost has been excluded from adjusted EBIT).

SanCore Spend Summary

- Total project spend is forecast to be \$28m.
- Spend to date is \$15m split between opex and capex as follows:

\$	FY19	FY20	FY21
Spend - Opex	\$1.4m	\$4.2m	\$6.2m
Spend - Capex	nil	\$0.3m	\$2.9m



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5. QUESTIONS?





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FY21 INTEGRATED REPORT



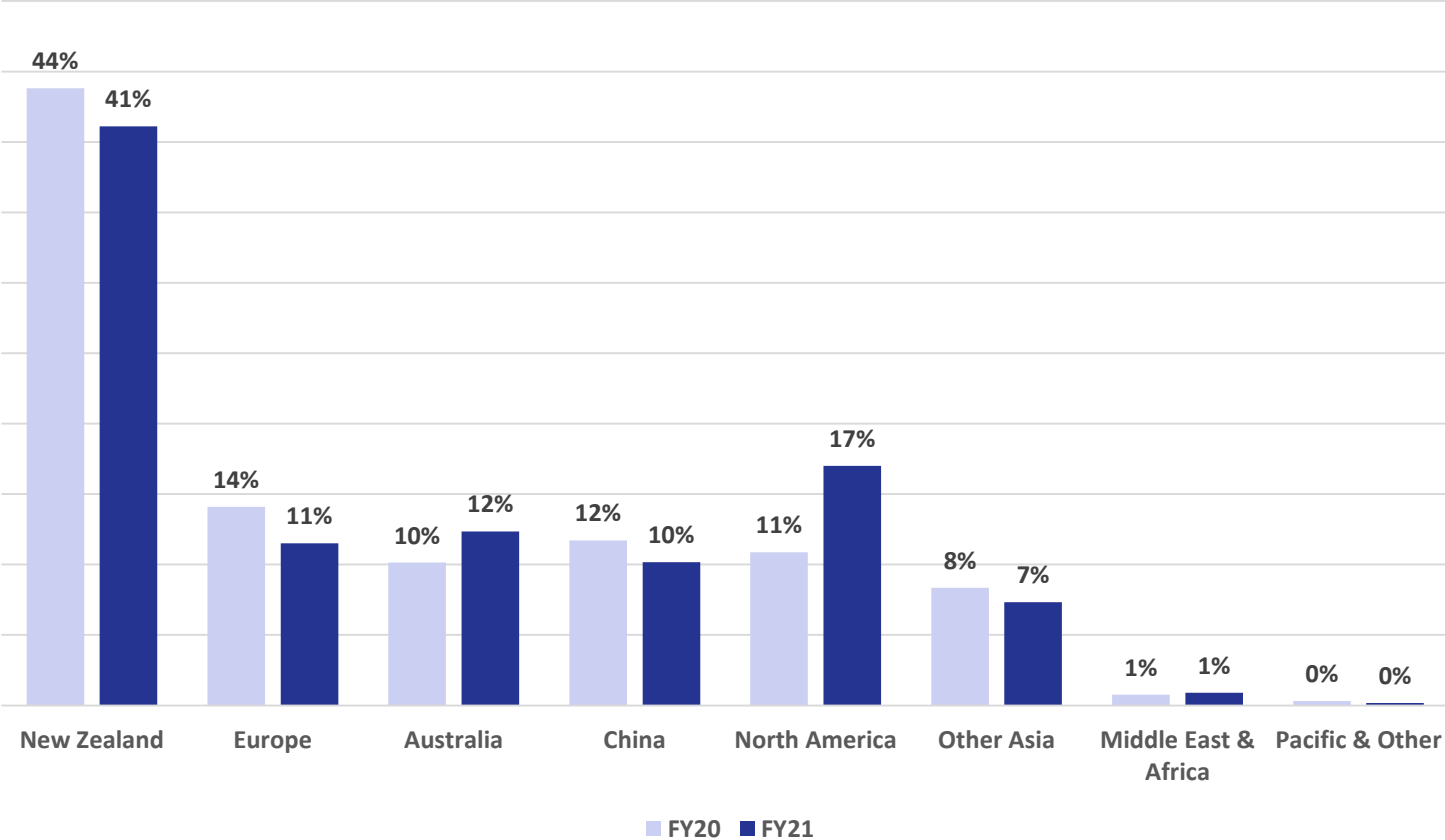
- Sanford's FY21 integrated report is available at <https://www.sanford.co.nz/investors/>
- The report outlines Sanford's Business Excellence Framework – this enables each part of the business to map out its role in helping to deliver on our goals
- We strive to inform in a transparent and open manner and welcome feedback from our stakeholders throughout the year



Business Excellence Framework
Five Outcomes driving a
Sustainable Business

DIVERSE FOOTPRINT GIVES OPTIONALITY WITH SHIFTING COVID RESTRICTIONS

Geographic distribution of revenue - FY21 vs. FY20

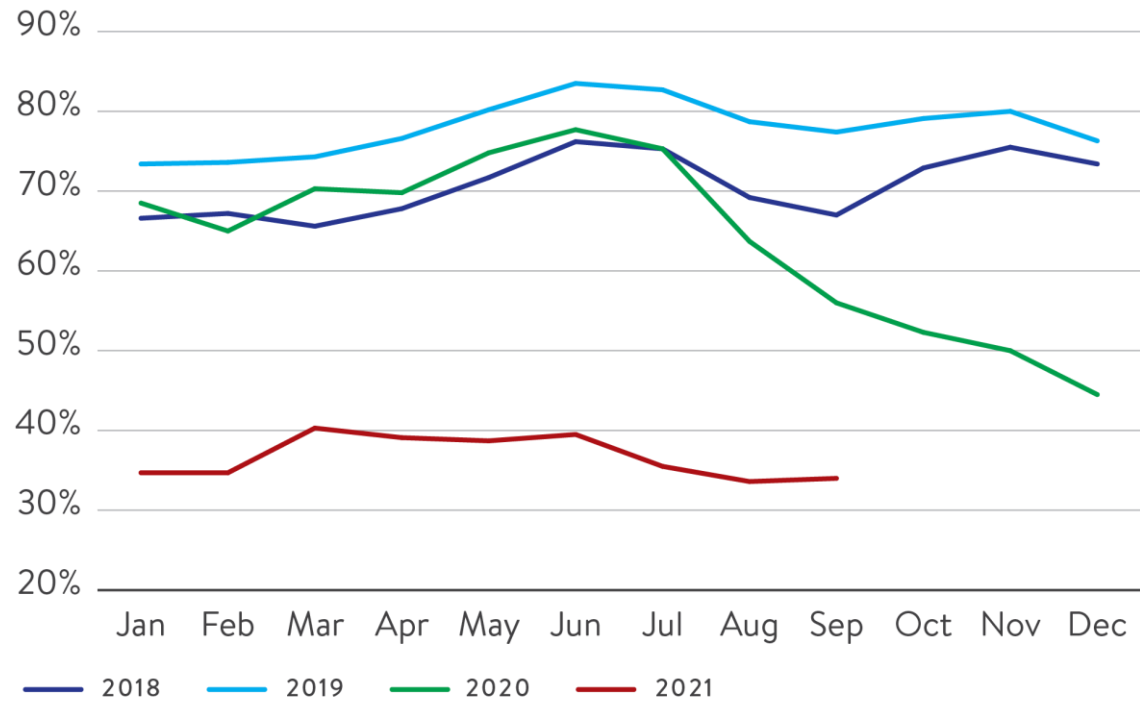


- Diverse footprint allows us to move sales around as markets change
- **North America** mussel pricing impact negated by strong BGB growth and Q4 recovery in mussels
- Full year post Saltwater acquisition growing **Australia**
- **Europe** Covid-19 recovery from lockdowns continues to be slow



GLOBAL SUPPLY CHAIN DISRUPTIONS CREATING SIGNIFICANT CHALLENGES

Global Schedule Reliability



Source: Sea-Intelligence, GLP report issue 121



FRESH



FROZEN

WILDCATCH FY21

Wildcatch demand is building. H2 pricing started to recover

Positives

- Scampi market development & getting closer to customer is driving strong price growth.
- Toothfish pricing recovering strongly through move to retail and strong foodservice recovery.
- Strong hoki catches have helped Q4 sales.

Challenges

- Access to the South Georgia fishery.
- Reduced pricing for Ling Sounds as market recovery has lagged other products.
- Inshore business continues to be impacted by Covid and staffing availability.





FRESH



FROZEN



BANGKOK'S LATEST JAPANESE FINE-DINING EXPERIENCE 'KYO-TEI' HAS DEBUTED



June 9 at 9:09 PM · 🌐

#ลองแล้วจะรัก กับกุ้งสแกนปีระดาพรีเมียมนำเข้าจากนิวซีแลนด์ เนื้อกุ้งมีความหวานที่โดดเด่น และมีรสสัมผัสที่นุ่มๆละมุนลิ้นและละลายในปาก สามารถทานสดแบบซาซิมิ หรือ ทานแบบเทปซันยากิ ก็อร่อยไม่ซ้ำกัน

ลิ้มรสความหวานละมุนของกุ้งสแกนปีได้ที่ #kyotei
 สำรองโต๊ะที่ <https://lin.ee/yidxlm> หรือ โทร 063-306-3636

... See More



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GREENSHELL MUSSELS FY21

Half shell mussel pricing drives the poor result

Positives

- Quarter 4 market demand and pricing has driven a significant drop in inventory levels.
- Future pricing looking stronger.
- Marine Extracts facility build underway.
- Clear plan for continued product diversification.

Challenges

- The poor mussel pricing over quarters 1 through 3 has had a significant impact on the business.
- Reliance on foodservice channel has limited the ability of Sanford to switch channel.
- SPAT_{NZ} production has been negatively impacted by some spawning failures.
- Delayed build of marine extract plant has impacted ability to expand this business.



MUSSELS

GREENSHELL MUSSELS HIGHLIGHT: MARINE EXTRACTS



Concept Marine Extracts Plant

- Milestones:
 - Resource and Building Consent approved in September
 - Construction began in November 2021, scheduled for completion and commissioning in July 2022
- First revenue generated from the facility in September 2022.
- Interim collagen manufacturing facility has been in production from March 2021 and has exceeded production targets throughout the year, converting low value hoki skins, into high value collagen.



SALMON FY21

Growth of Big Glory Bay product across H2 has driven significant improvement

Positives

- Big Glory Bay sales have grown to 21% (3% in PY) of all salmon volume and 25% of value driven by North American market.
- Strong year class growth has the outlook for fish size looking positive.
- US, China and Asia retail demand growing strongly.
- Demand outstripping supply again in Q4.
- Open ocean consenting process tracking to plan.

Challenges

- Large stock levels of H&G were sold at low margin in the year.
- Ageing processing facility with limited flexibility to respond to shelf-ready retail.



SALMON



Premium Sashimi kits in Shanghai retail.



Big Glory Bay Salmon retail display in Washington, USA.



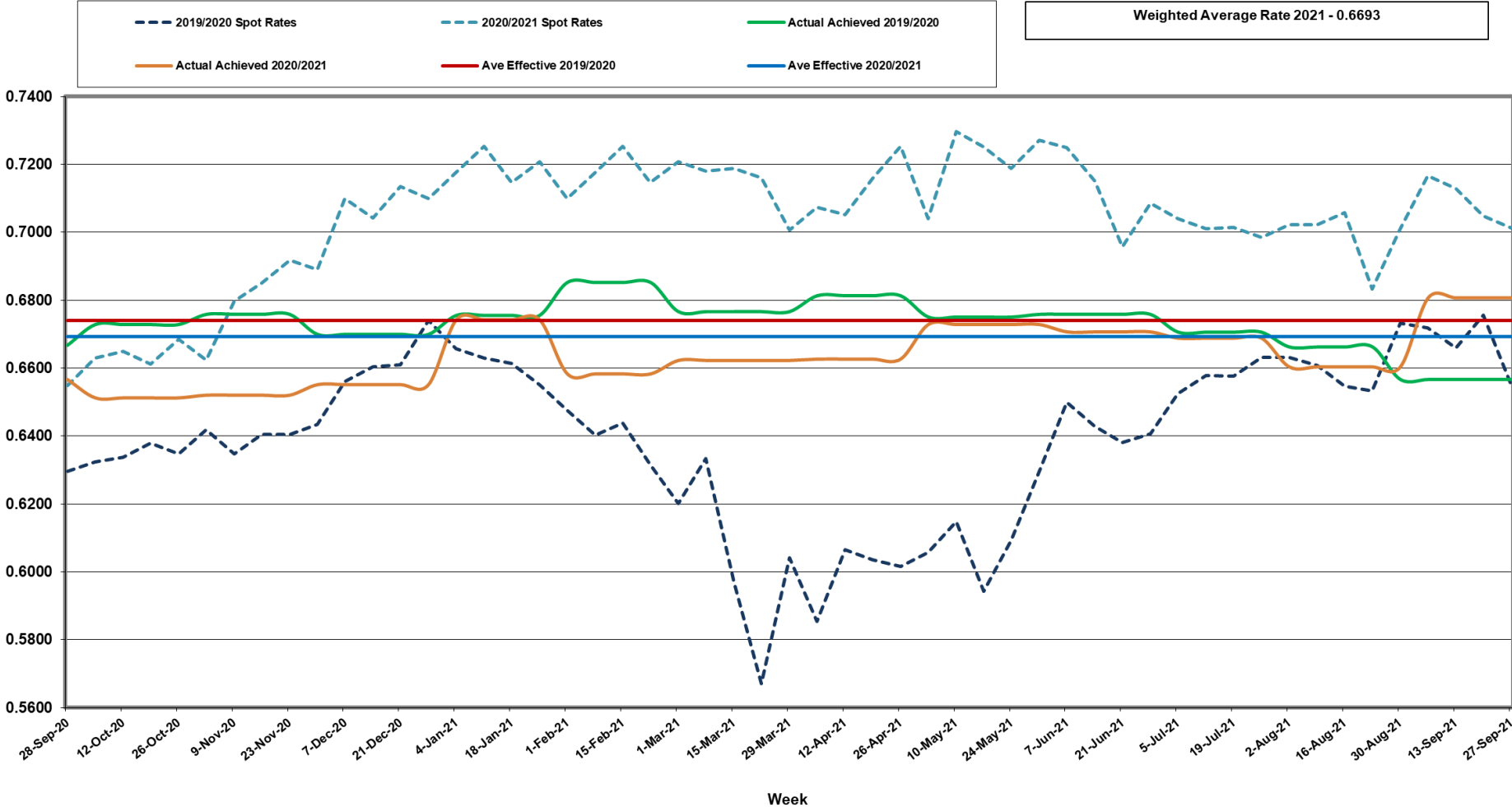
Marel flexi cut portions for Harris Teeter, USA retailer.



Frozen inventory moved with positive margins to Japanese retail.

USD FX HEDGING PATTERN FOR THE YEAR

USD Exchange Rate
2020 Year compared to 2021 Year



FY21 FINANCIAL RESULTS - GAAP TO NON GAAP

	FY21 \$m	FY20 \$m
Revenue	489.6	468.8
Gross Profit	68.8	82.5
%	14.0%	17.6%
Reported net profit (GAAP)	16.2	19.4 *
Add back:		
Net interest and tax expense	12.8	16.1
Net gain on sale of investments, property, plant and equipment and intangibles	(12.9)	(4.0)
Reported EBIT	16.1	31.5 *
Adjustments:		
Impairment of assets and restructuring costs	0.3	4.6
Other one-off items	0.7	(2.1)
Software as a Service (SaaS) expenditure	6.2	4.2
Total one off items	7.2	6.8
Adjusted EBIT	23.3	38.3
Depreciation and amortisation	29.3	28.0
Adjusted EBITDA	52.6	66.3

* comparative has been restated as per note 14 in the integrated report

Non-GAAP Profit measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford has 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

Adjusted EBITDA: Earnings before interest, taxation, depreciation, amortisation, restructuring, one-off adjusting items, impairment and net gain (loss) on sale of investments, intangible and long-term assets.

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

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