



SANFORD

RESULTS BRIEFING

FOR THE SIX MONTHS ENDED
31 MARCH 2022

19.05.22

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HALF YEAR (HY22) RESULTS SUMMARY



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H1 FY22 SUMMARY

Market Conditions Have Improved

- **In-Market conditions** are improving with pricing and demand lifting across most categories
- **Revenue up** 16% to \$271m from \$234m last half year
- **NPAT** of \$6.1m vs \$13.8m for last year, which included a \$13.4m one off gain
- **Adjusted EBIT** of \$19.2m, a 79.4% increase on the same period last year of \$10.7 million

Supply Side Challenges Continue

- **Labour shortages** hampering a full recovery causing supply side constraints
- **Covid still impacting** domestic recovery with slow hospitality sector return
- **Cost pressures** on freight, fuel and feed costs

HY 22 Achievements

- **Wildcatch Deepwater** strong performance with profit contribution up 108% on last year
- **Salmon** maintaining a strong result in line with last year
- **Mussels** lagged recovery but price and demand continues to improve
- **Inventory managed** to pre Covid levels
- **Normalised EBIT growth** margin gains due to market demand lift, while continued pressure on supply volume and cost

HY22 RESULTS SNAPSHOT

Recovery in challenging conditions

Catch/Harvest Volume

51.6k GWT

— flat

Sales Volume

48.6k GWT

▼ -11%

Revenue

\$270.9M

▲ 16%

Adjusted EBIT¹

\$19.2M

▲ 79%

Adjusted EBIT / GW kg

39¢

▲ 20¢/kg

Adjusted EBITDA¹

\$32.5M

▲ 26%

NPAT

\$6.1M

▼ -56%²

EPS

7CPS

▼ -8¢²

No Interim
Dividend

— flat

Note: Comparative is HY21

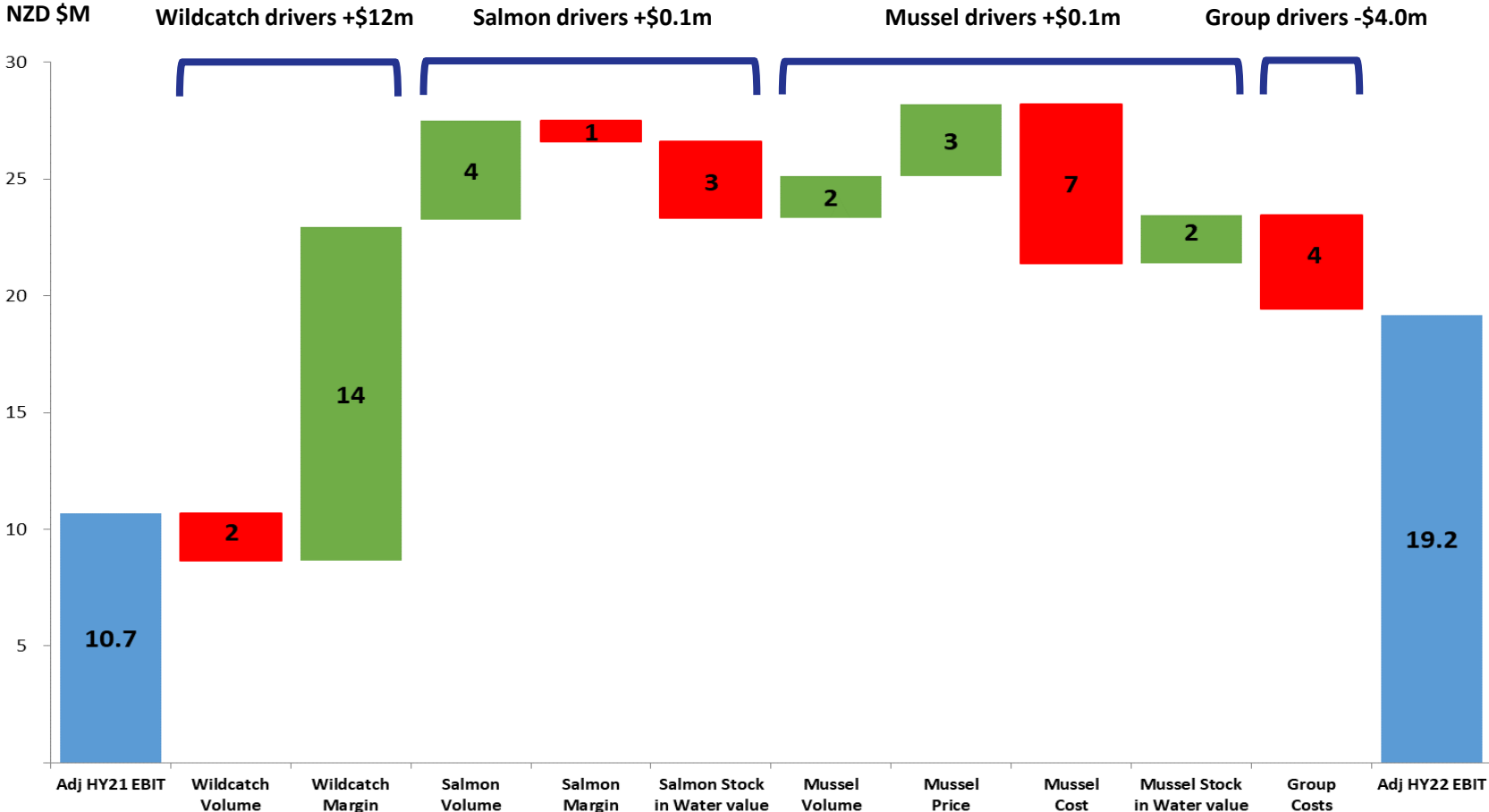
¹ See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT

² NPAT comparative has been adjusted per the IFRS Interpretations Committee findings in 2021 on the accounting for software as a service cloud computing arrangements. This is explained in note 2 of the Interim Report



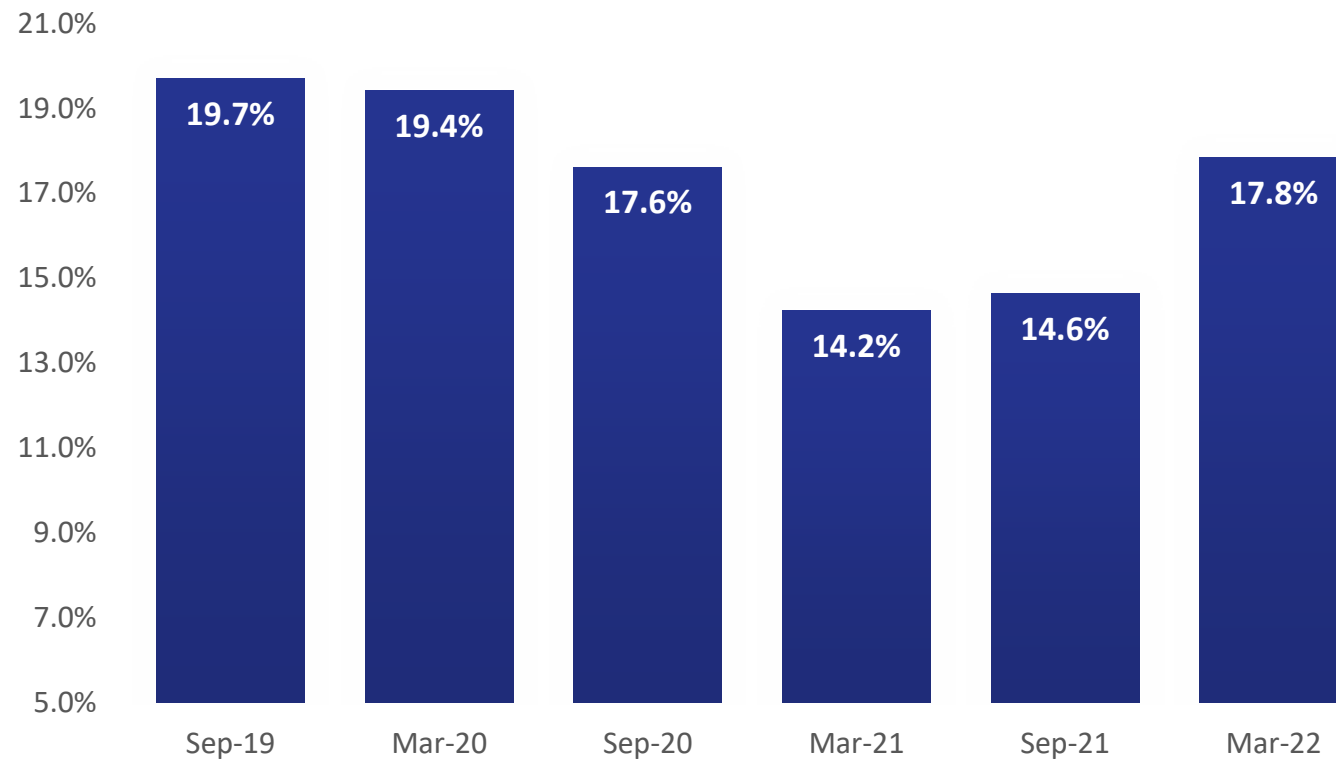
IMPROVED PROFITABILITY DRIVEN BY WILDCATCH

Key drivers of Adjusted EBIT change vs H1 FY21



GROSS MARGIN IMPROVING

Gross Margin %



- Gross margin is recovering
- Rising global seafood prices key driver of increase
- Growth constrained through rising costs
- Cost increases impacting business, predominantly:
 - labour costs, overhead recovery
 - freight
 - feed costs for salmon

HY22 BALANCE SHEET AND CASH FLOW

Balance Sheet remains strong, debt levels contained

Gearing¹

21.9%

▼ Mar 21 | 23.8%

Net Debt

\$175.6M

▼ -3% vs Mar 21

Net Debt / Adjusted EBITDA⁴

3.0x

▼ Mar 21 | 3.3x

Total Equity

\$646.1M

▲ 1.7% vs Mar 21

Return on Average Total Equity⁴

1.0%

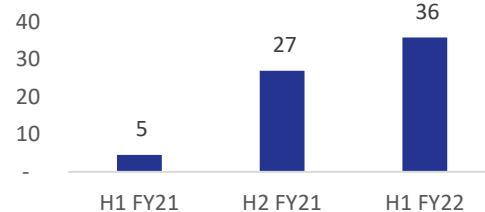
▼ Mar 21 | 2.2%

Operating Cashflow

\$35.8m

▲ 689% vs Mar 21

Operating cashflows \$m



Free Cashflow²

\$11.9m

▼ -2.5% vs Mar 21

Debt Facility Headroom³

\$89m

▲ Mar 21 | \$70m

¹ Debt/(Debt + Equity)

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

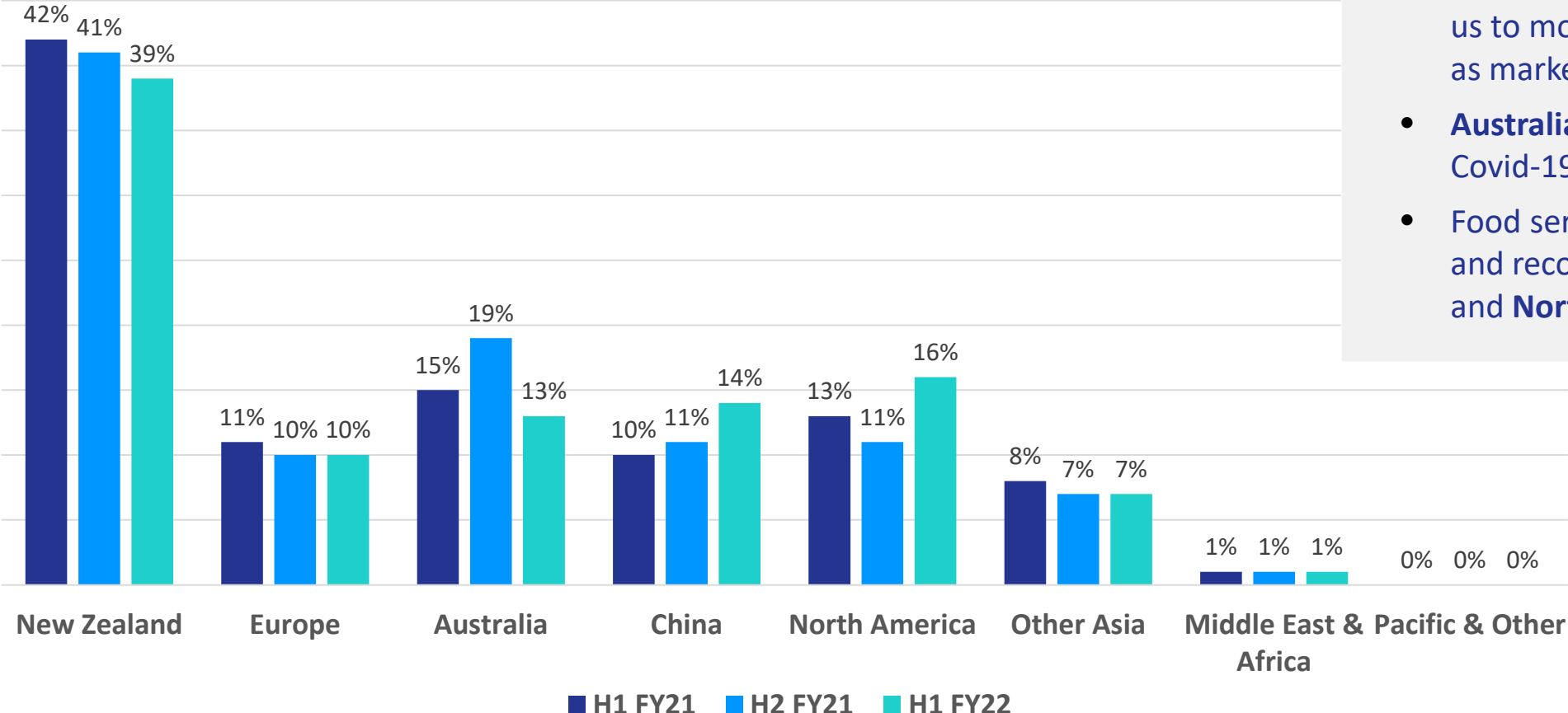
³ Total available facility – total drawn facility

⁴ Adjusted for restatement in HY21, see note 2 of the Interim Report



GEOGRAPHIC DIVERSITY OF SALES BY REVENUE (\$)

Revenue by geographic distribution - H1 FY22 vs. H1 & H2 FY21¹



- Diverse footprint allows us to move sales around as markets change
- **Australia** impacted by Covid-19 lockdowns
- Food services reopened and recovered in **China** and **North America**

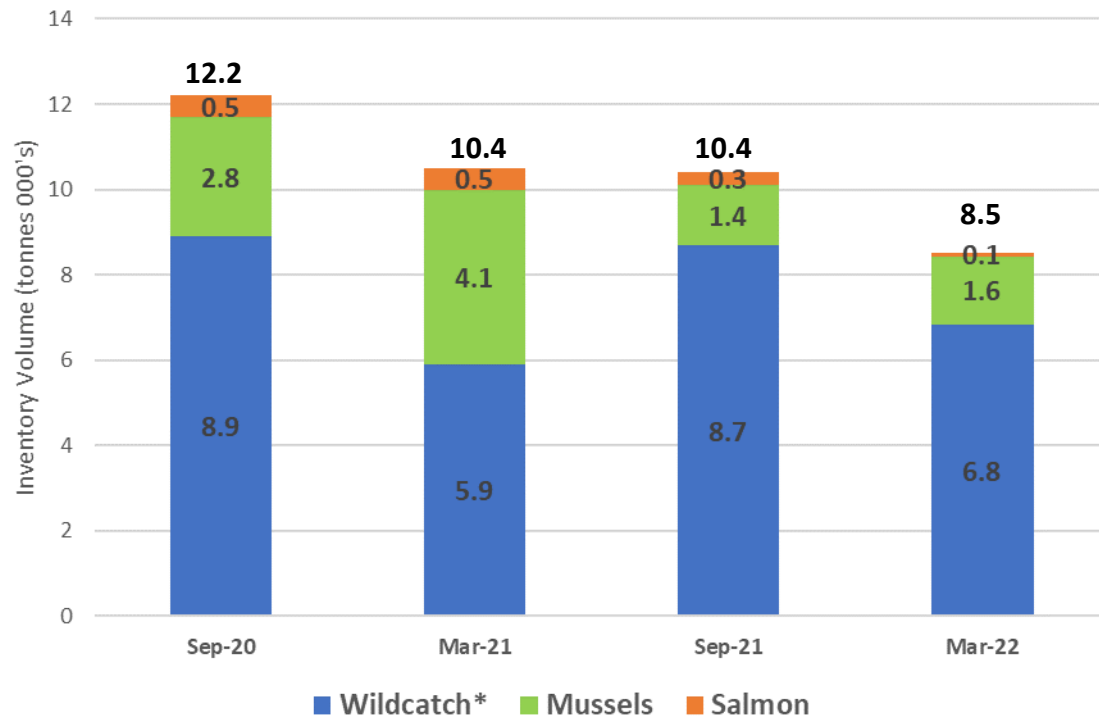
¹ Revenue information above is based on the delivery destination of sales.



SEAFOOD INVENTORY TRENDING DOWNWARD

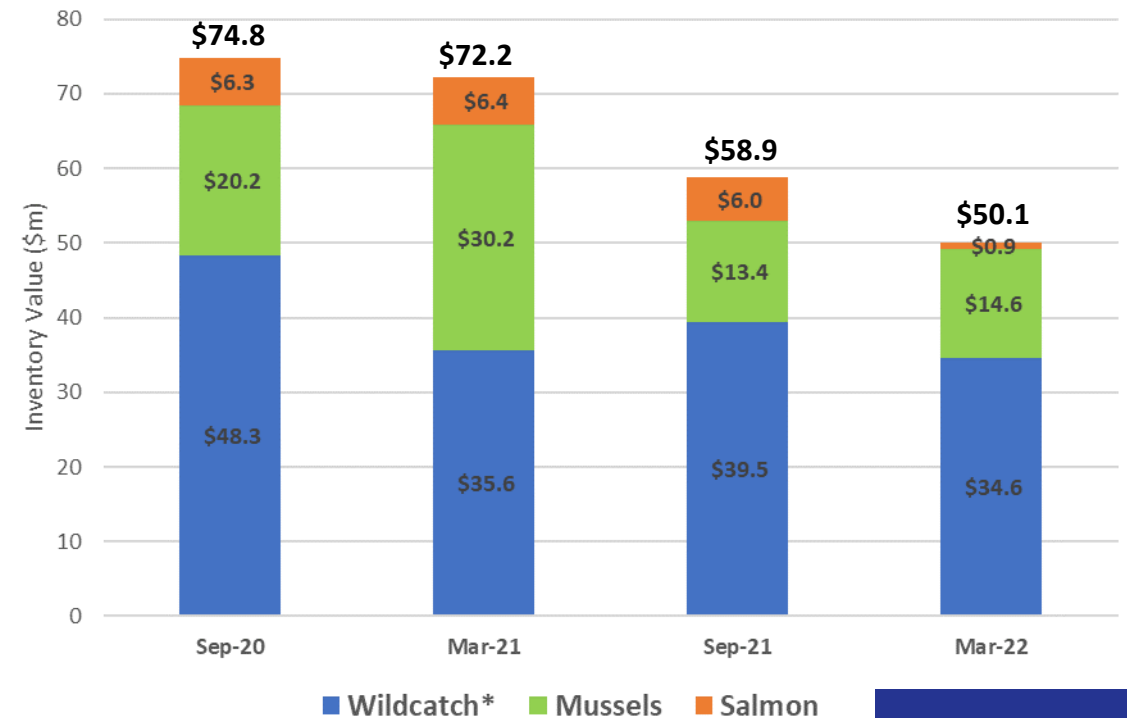
Inventory Volume (PWT)

H1 FY22 vs H1 FY21 decrease -18%



Inventory Value (\$m)**

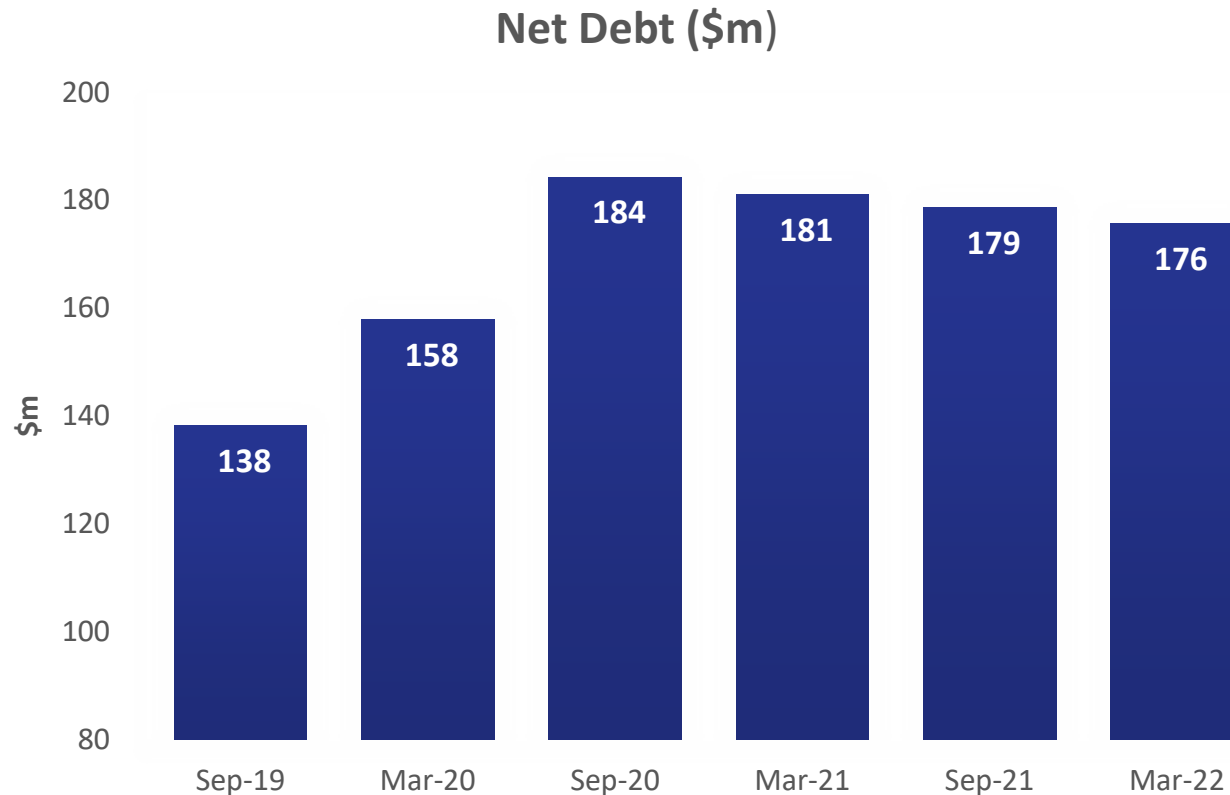
H1 FY22 vs H1 FY21 YOY decrease -31%



* Wildcatch Inventory includes stock on board vessels not yet available for sales

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

DEBT WELL MANAGED IN CHALLENGING TIMES



- Successful management of debt through Covid challenged trading period
- Strong headroom between debt used and available facilities
- Certain facilities renewed in period
- Positive position for the funding of planned capex for growth
- 7 x growth in operating cash flows to \$35.8 million compared to prior half-year

CAPITAL EXPENDITURE IN H1 FY22 VS FY21

- Spend aligned to business performance for next 18 months, with integrity capex prioritised
- We maintain an eye on the future and will respond accordingly

	H1 FY22	H1 FY21
Integrity	\$16m	\$15m
	Vessel surveys (incl. San Discovery) \$11m Processing equipment \$2m IT system "SanCore" \$3m	Vessel surveys (incl. San Aspiring + San Granit) \$10m Processing equipment \$2m IT system "SanCore" \$3m
Growth	\$8m	\$5m
	Marine extracts \$4m Salmon development \$4m	Marine extracts \$3m Salmon development \$2m
Total	\$24m	\$20m

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

– H1 FY22 SUMMARY

Climate

- Seafood sector wide climate adaptation strategy (2021-2030) launched
- Mapped our own emissions reduction pathway
- Emission reduction goal to reduce operational carbon emissions by 25% by 2030
- To be achieved through:
 - More energy efficient vessels in the fleet, and tier 3 engine replacements
 - Phased rollout of sustainable marine fuels
 - Operational improvements - more efficient boilers, waste treatment systems and modern refrigeration technologies used across the business

Ocean and Environment

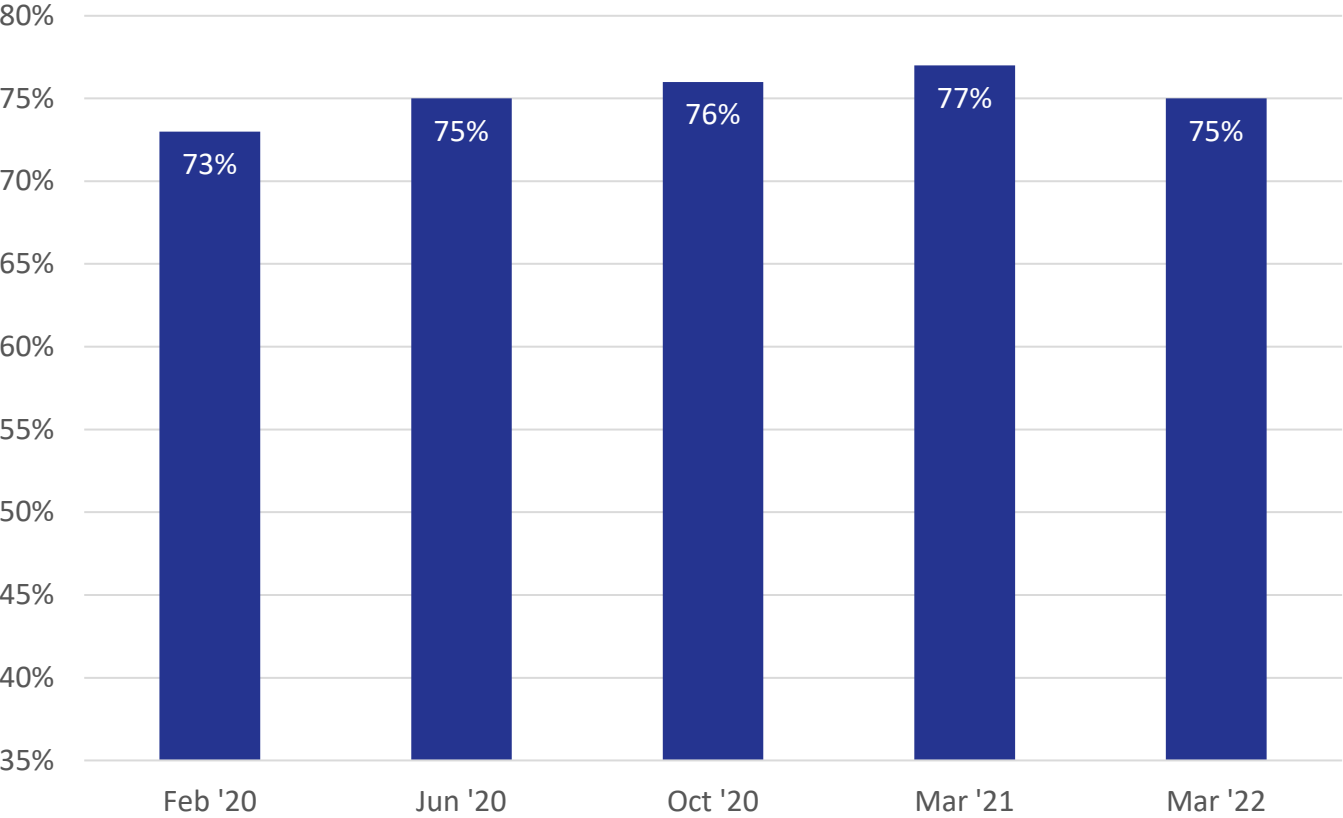
- Full support of cameras on fishing vessels to ensure transparency of our work to the community
- Expand the application of net technology (PSH) to ensure more targeted fishing practices

People and Community

- Focus on keeping people safe with strong Covid practices
- Supported numerous New Zealand charities as well as 10 tonnes of seafood donated over H1 (56k meals)

PEOPLE ENGAGEMENT SCORE IMPROVED THROUGH COVID

'Mullet Over' engagement survey results Feb 20 – Mar 22



- More engaged staff are more motivated and therefore safer and more productive
- Drives higher returns
- Attracts and retains talent
- Engagement remains strong though Covid



UPDATE BY DIVISION

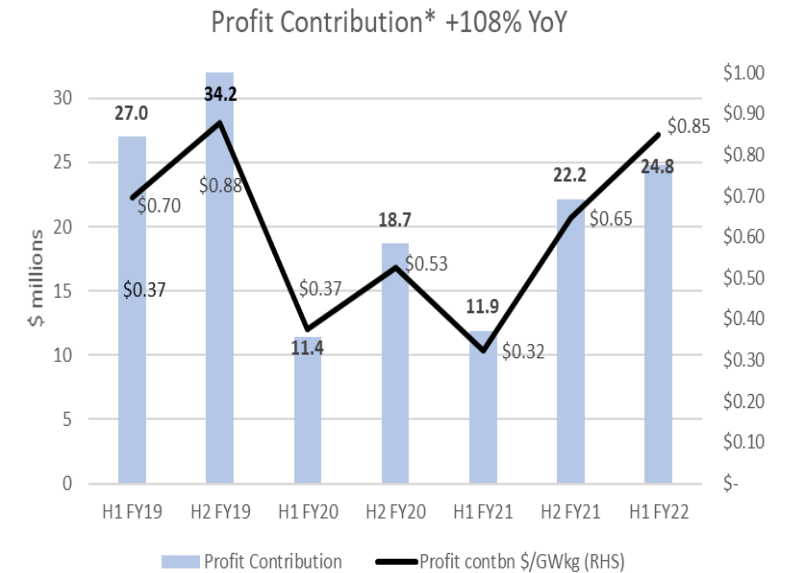
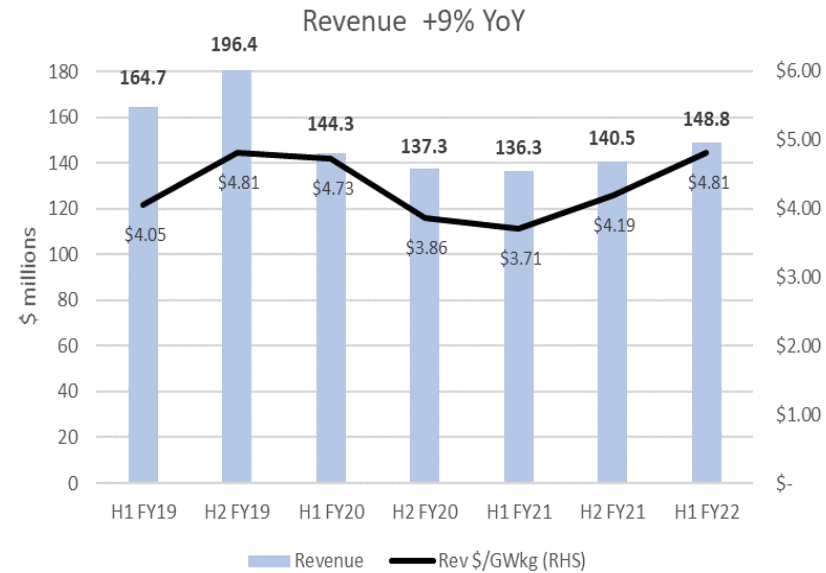
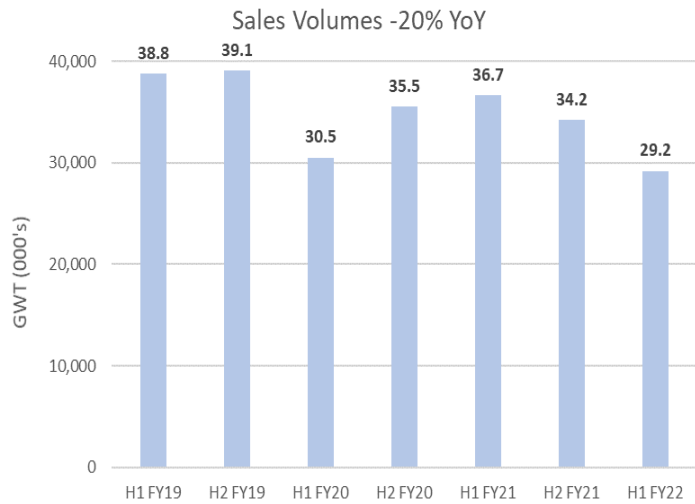
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WILDCATCH H1 FY22

Decline in volume offset by improved pricing



WILDCATCH H1 FY22

Positives

- Average wildcatch pricing +30% higher than HY21, driving improved margin
- Scampi performed strongly with volumes +22% and pricing +59%
- Strong pricing +81% for toothfish
- Ability to maintain supply despite Covid disruptions

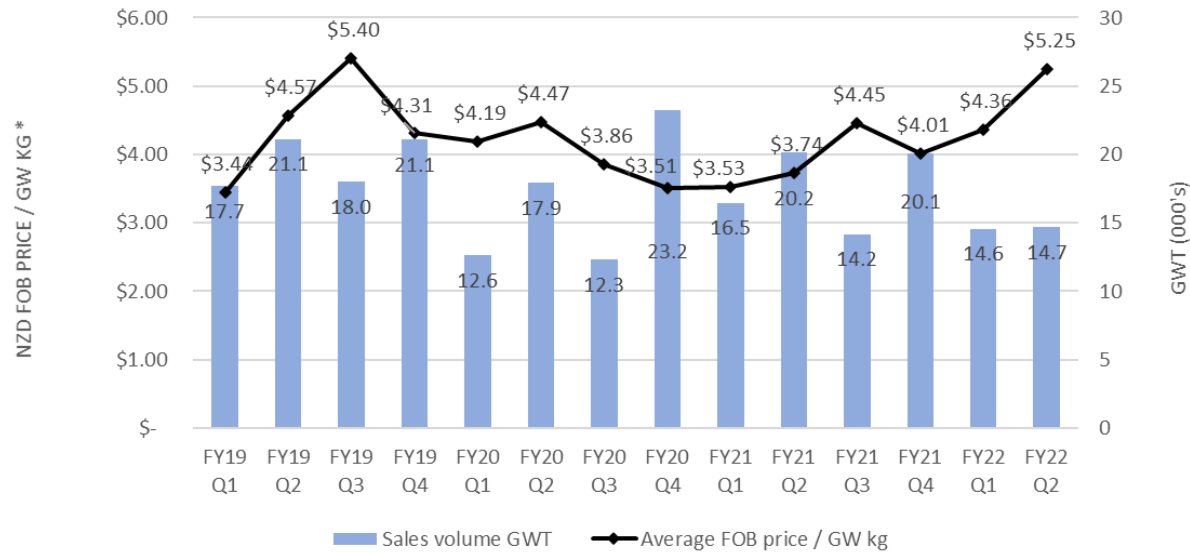
Challenges

- 20% decrease in sales volumes impacted by a late start to the squid season and lapping clearance of a year ago
- Impact of Covid on deepwater vessel crew availability, vessel departures and catch rates
- Covid disruption across processing sites, in particular Auckland, has affected fresh fish volume
- Slow start to the squid season impacting inventory available to be sold
- Access to future Patagonian toothfish catch

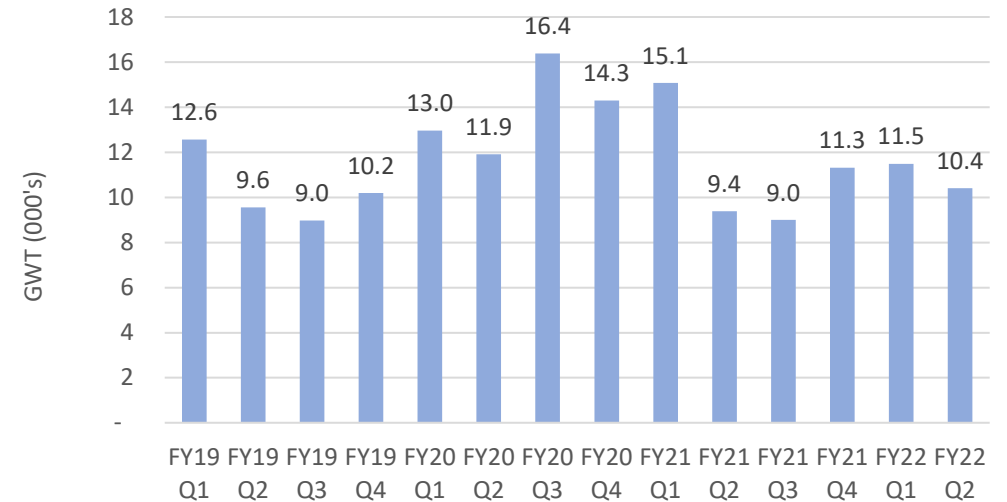
WILDCATCH H1 FY22

Pricing significantly improving across key species offsetting volume decline. Inventory normalised.

GWT AND AVERAGE PRICING TREND



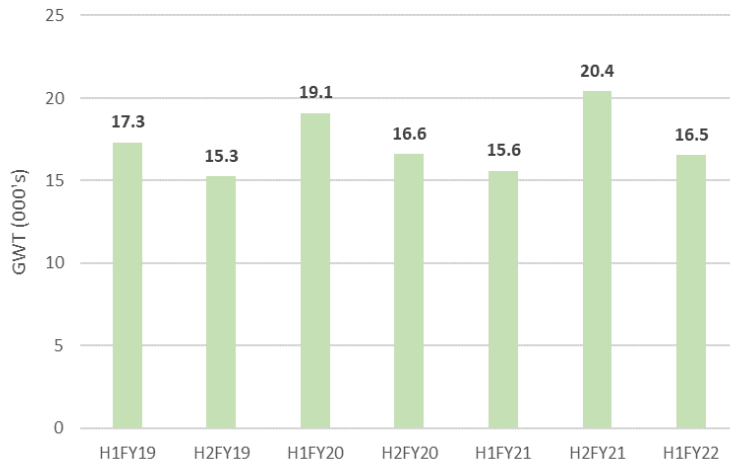
INVENTORY GWT (000's)



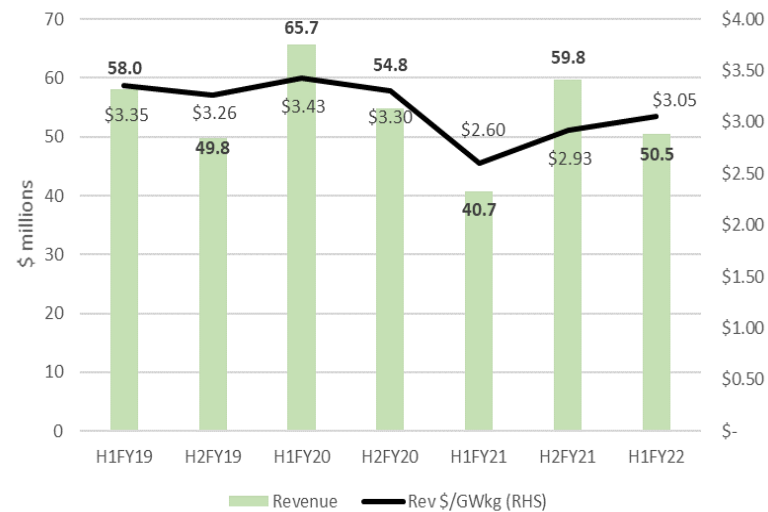
GREENSHELL MUSSELS H1 FY22

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

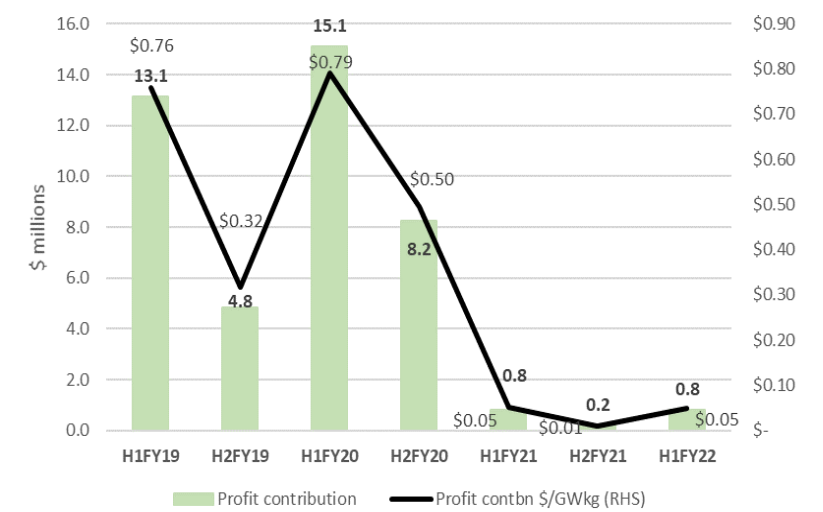
Sales Volume +6% YoY



Revenue +24% YoY



Profit Contribution * +5%



* Profit contribution is Adjusted EBIT before head office overheads



GREENSHELL MUSSELS H1 FY22

Positives

- Pricing +28% on a product weight basis, as global food service channels recover
- Halfshell (+21%) driving total volume recovery
- Mussel powder demand is strong with volume +89%
- Development underway of the ENZAQ Marine Extract site
- Arrested profitability decline

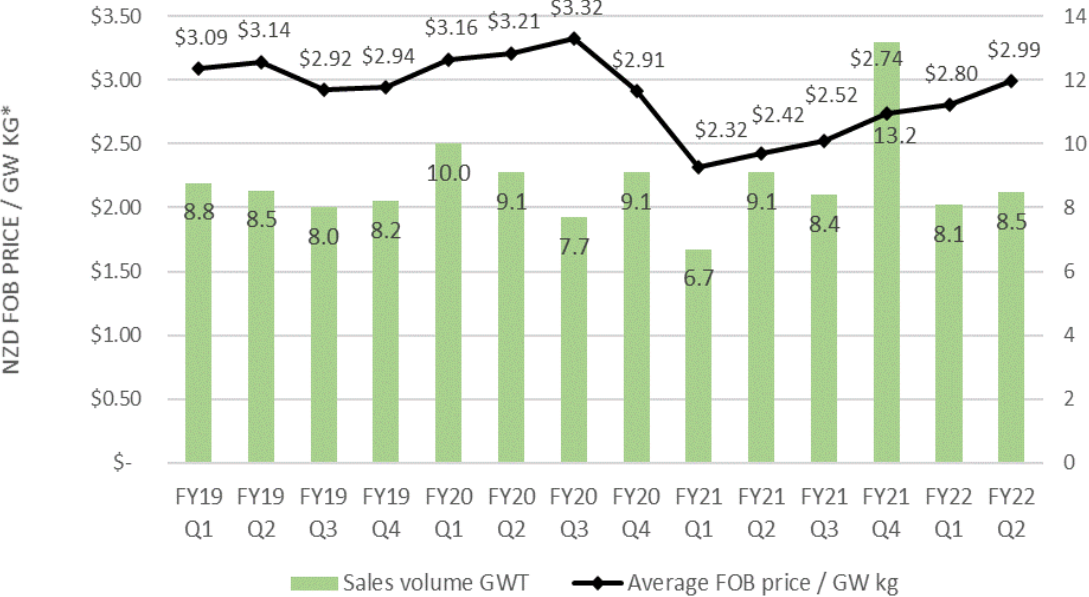
Challenges

- Impact of Covid on processing capacity due to limited labour availability, impacting potential growth in half shell volume. Total production volume down (7%) vs last year
- Adverse weather conditions/rain events across the summer impacting harvest capacity in the Marlborough region
- Harvest volumes constrained by labour supply, (20%) lower vs HY21

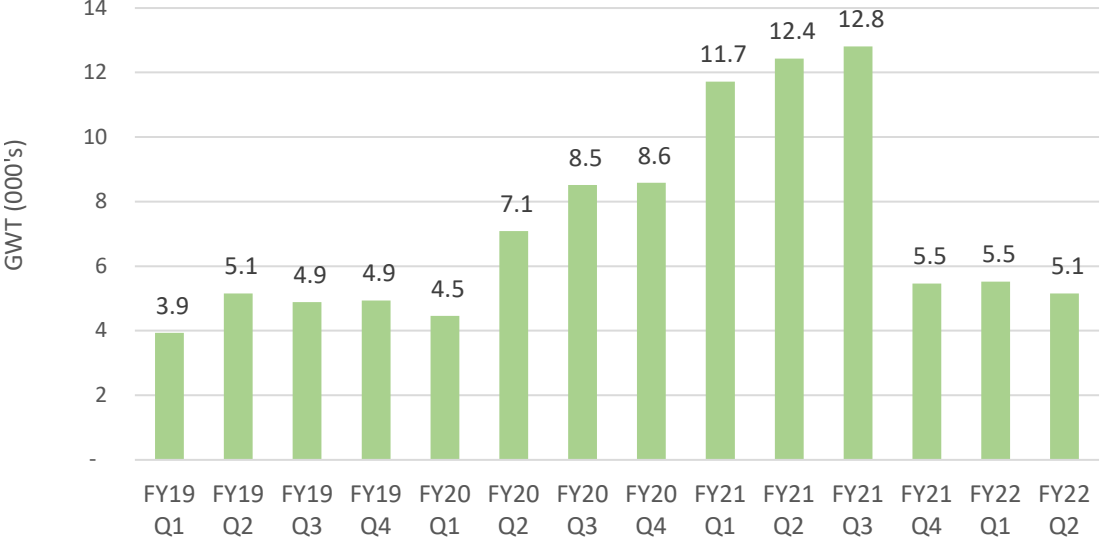
GREENSHELL MUSSELS H1 FY22

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

GWT AND AVERAGE PRICING TREND



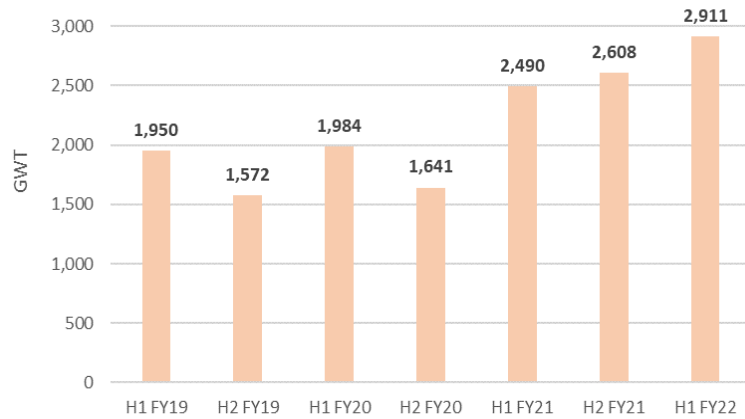
INVENTORY GWT



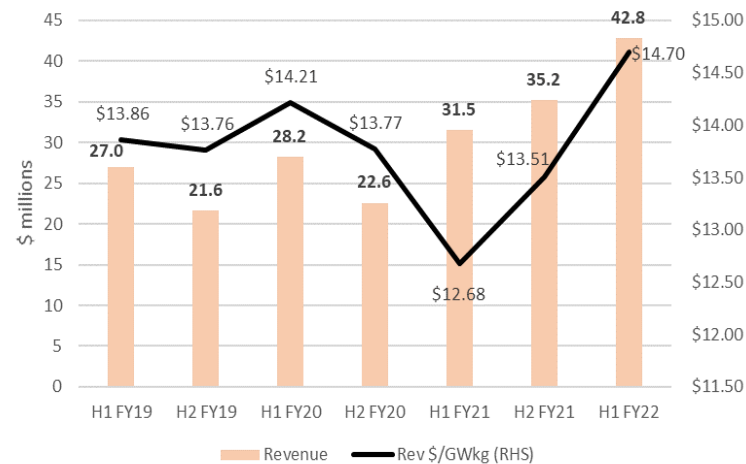
SALMON H1 FY22

Sales and pricing continue to perform strongly. Profitability constrained by biomass YOY movements largely attributable to timing.

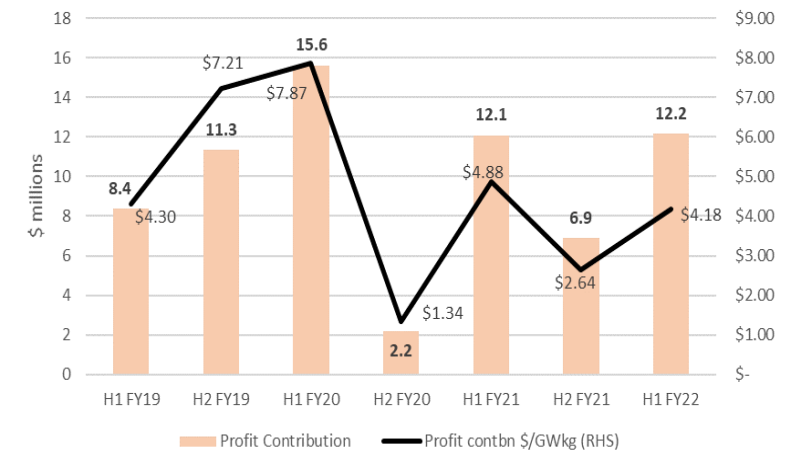
Sales Volume +17% YoY



Revenue +36% YoY



Profit Contribution +1% YoY



SALMON H1 FY22

Positives

- Strong volume growth +17% mainly from Big Glory Bay branded products
- Pricing +16% compared to HY21
- Installation of portioning machine opens new sales opportunities
- New primary line installed providing greater capacity and efficiency
- Decreased inventory levels lower due to strong demand

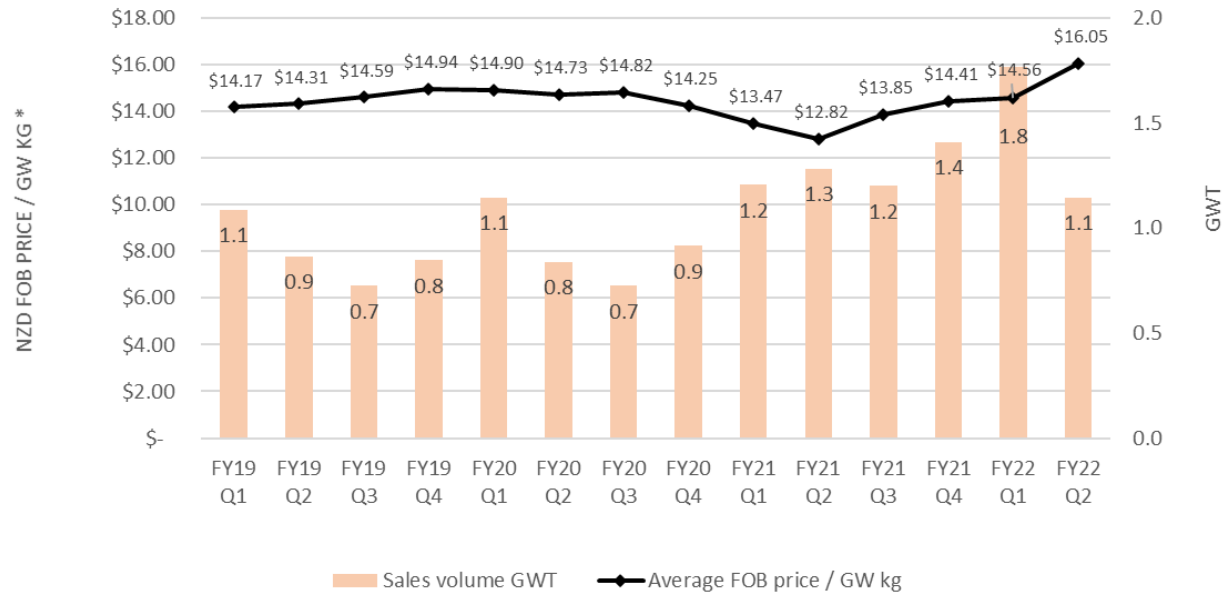
Challenges

- Elevated mortality and lower growth rates across the summer due adverse climatic conditions
- Increased feed cost due to inflation
- Covid impacts on production and staffing levels

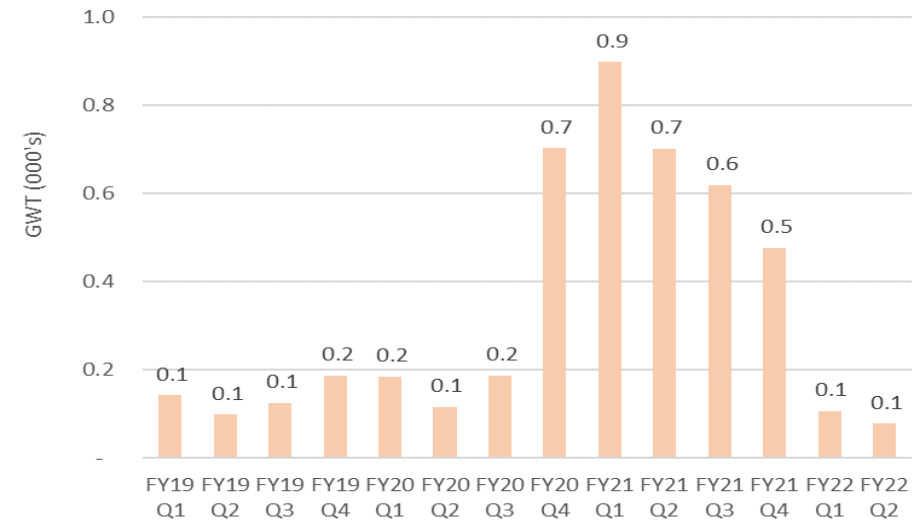
SALMON H1 FY22

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

GWT AND AVERAGE PRICING TREND



INVENTORY GWT



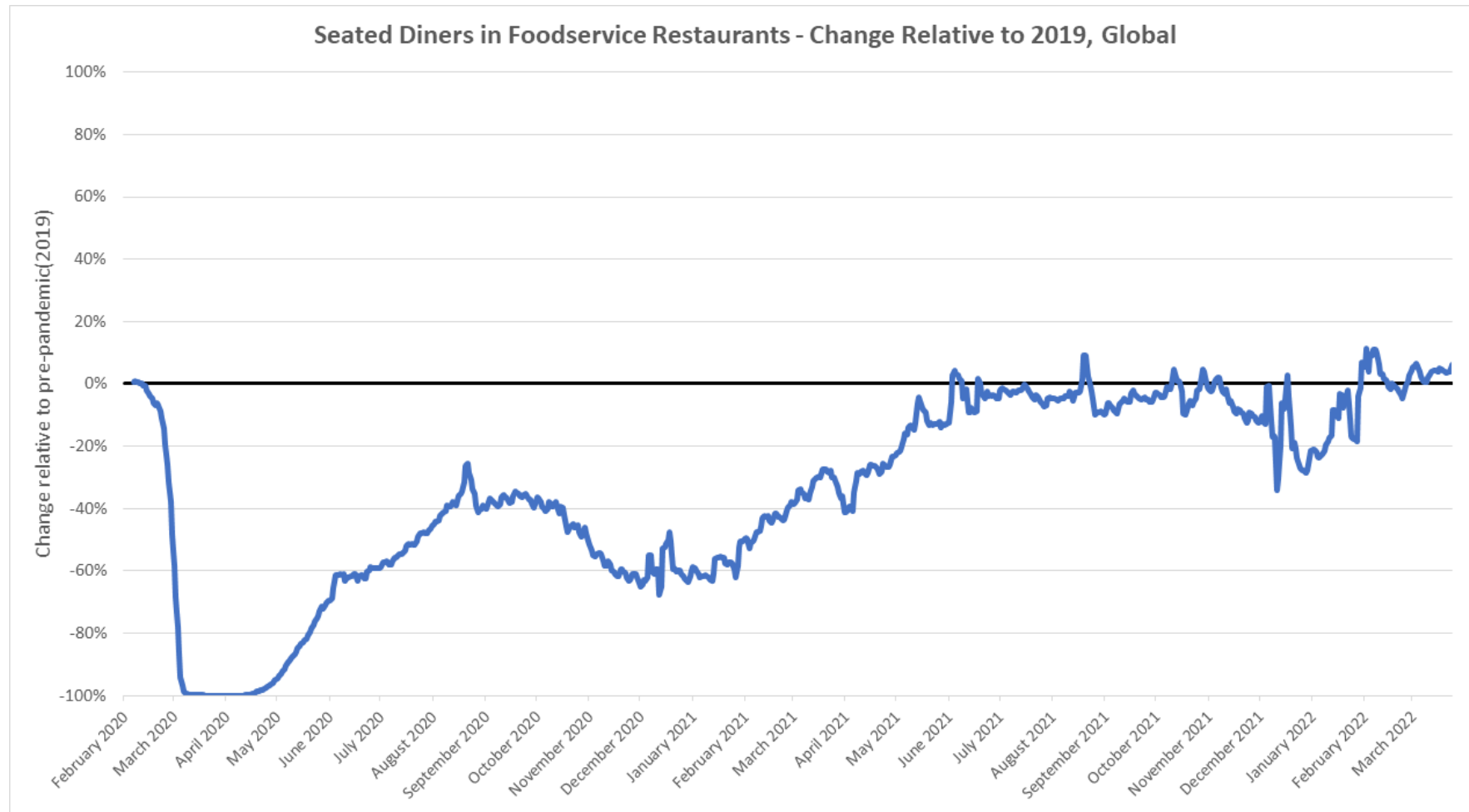
A photograph of three men standing on an offshore oil or gas platform. The man on the left is wearing an orange hard hat, an orange t-shirt, and a black tool belt with 'STORMLINE' written on it. The man in the center is wearing a black hard hat with the 'YAK' logo, a black polo shirt, and a high-visibility yellow safety vest. The man on the right is wearing a blue hard hat, a white t-shirt, and a high-visibility orange safety vest. They are all smiling and looking towards the camera. The background shows the complex structure of the platform with various pipes, ladders, and equipment.

LOOKING FOWARD



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GLOBAL DEMAND NOW BACK (SLIGHTLY ABOVE) PRE 2019 LEVELS



Data source: Open Table state-of-the-industry, sample of 20,000 restaurants

FY22 BUSINESS PLAN – STEPS TO ENABLE OUR RECOVERY

Covid has been a shock to the Business, FY22 is about **business recovery and investment for growth**

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



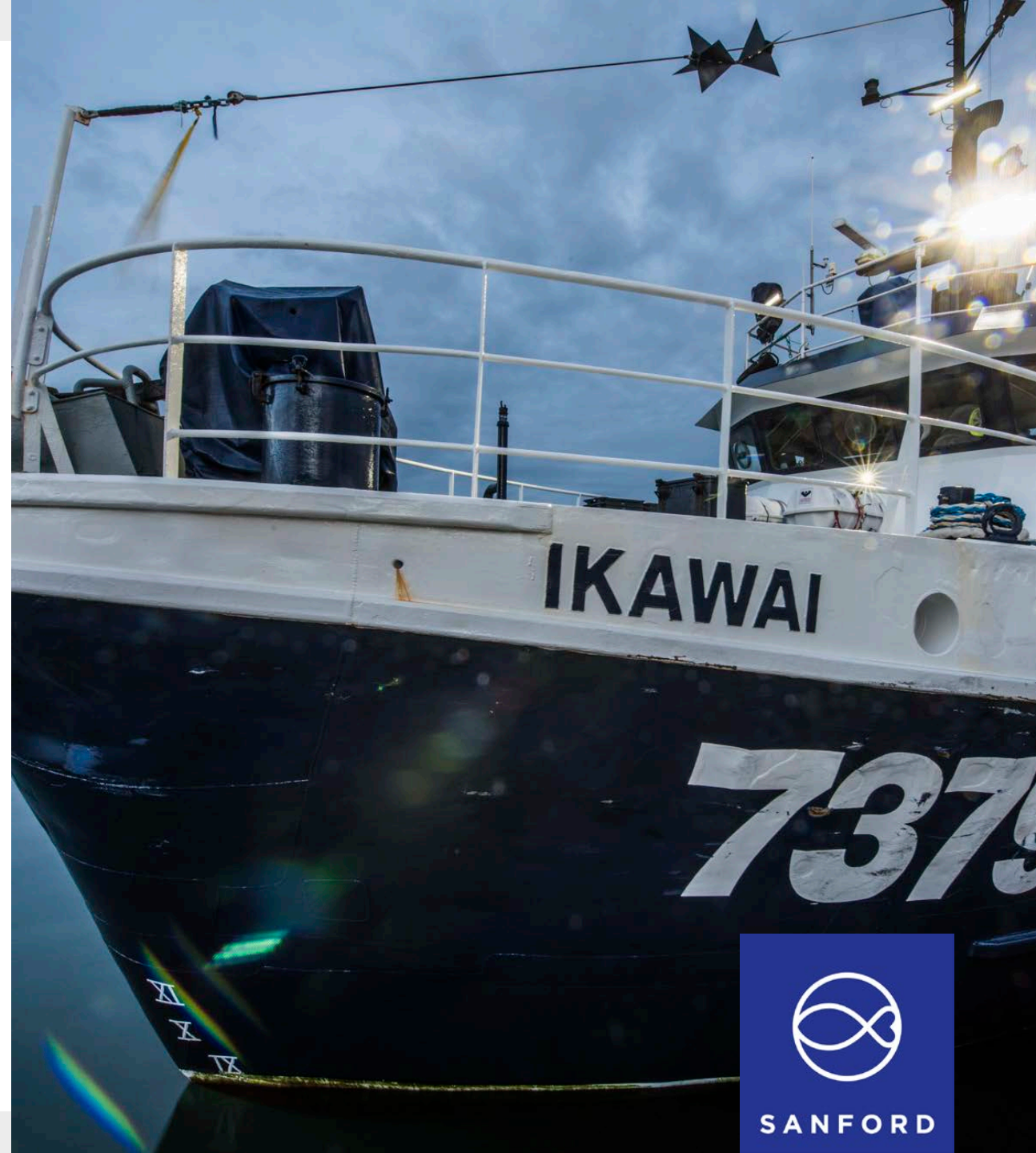
PRIORITY 1 – REBUILD MUSSEL PROFITABILITY

- Demand has increased across all international markets and prices are lifting from Covid low towards pre-Covid highs
- Alternate revenue streams - marine extracts facility under construction, completion expected 4th quarter 2022
- Lower value contracted sales largely complete in second quarter. Second half sales at higher rates
- Supply chain improvements through Kotahi partnership improving freight access
- Domestic labour constraints slowing recovery and ability to achieve full profit potential
- Labour issues to be addressed through wage rate adjustment, additional contractor packing, seasonal recruiting, providing accommodation and utilising return of the Working Holiday Visa
- Longer term - accelerating automation opportunities



PRIORITY 2 – GROW DEVELOPING OPPORTUNITIES IN WILDCATCH

- Development of direct scampi sales into China to fulfil strong latent demand
- Focus on diversification of sales by country and channel, targeting the higher value foodservice market
- Sanford and Sons frozen product development and channel diversification. Introducing 5 new SKUs for US retail, domestic and Australian markets
- Continued growth in Sanford Australia – expecting further growth through H2
- Further co-ordination of ocean to plate with better understanding customer base - catch cascade matching markets for optimal returns
- Longer term investment in a new scampi fleet likely



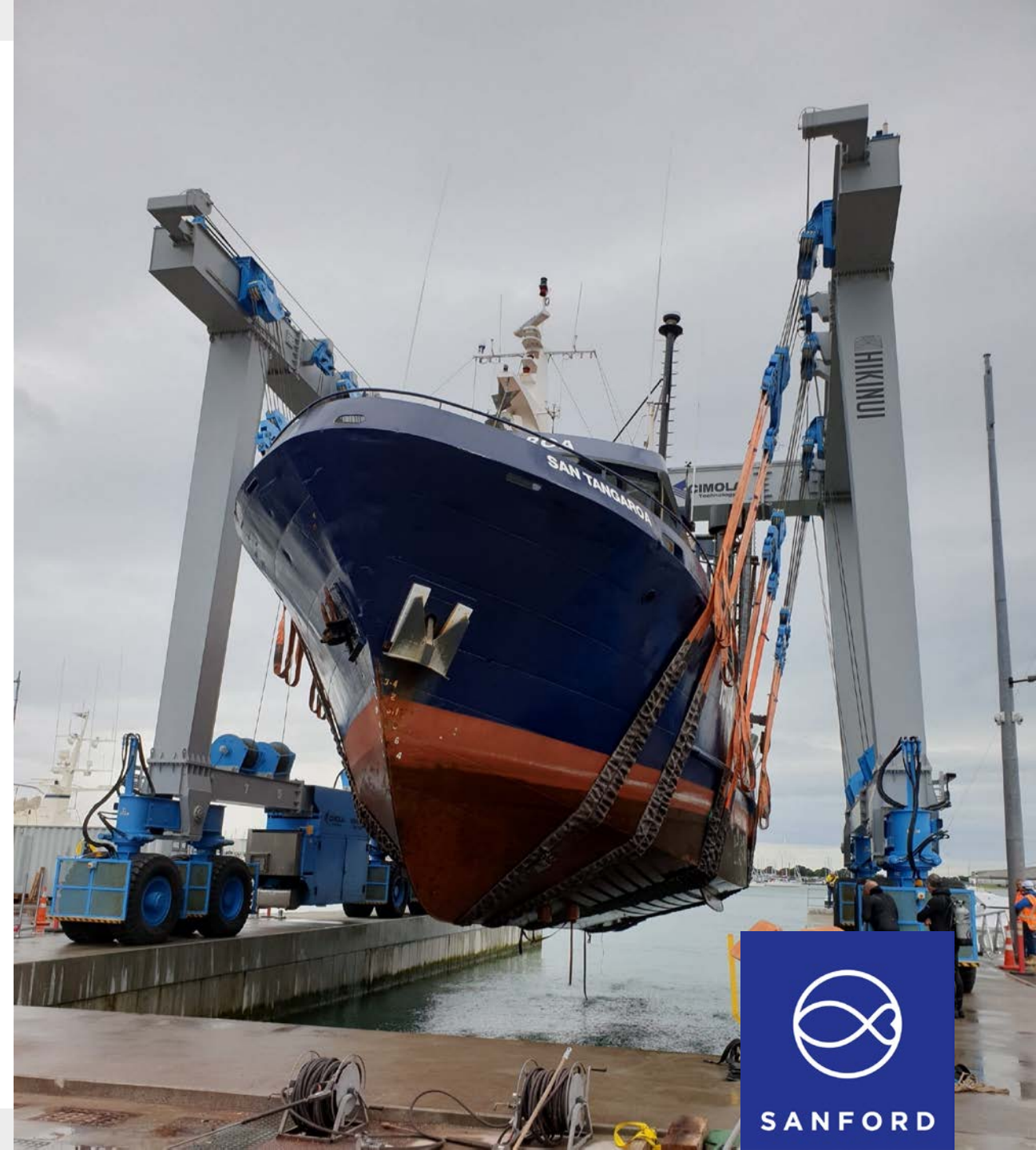
PRIORITY 3 – RETAIN SALMON PROFITABILITY AND PREPARE FOR FUTURE GROWTH

- Big Glory Bay investment and growth – now over 45% of salmon revenue
- Channel diversification now allowing sizing matched to markets (helps with smaller fish)
- Introduction of automation with deboning and portioning capability – more efficient which assists with labour/processing constraints
- Committed to RAS Hatchery build – site selection underway
- Demand increasing across all markets – plans to increase volume



PRIORITY 4 – ESTABLISH CROSS-BUSINESS FUNDAMENTALS

- Divisional management team introduced with increased accountability
- Project management function implemented – promoting executional excellence
- Developing a performance culture
- Risk management part of all investment decisions



LOOKING FORWARD - SECOND HALF 2022

Positives

- Strong export prices and demand continue
- Leadership changes embedded
- Increased Snapper 8 quota
- Key capital initiatives:
 - Marine Extracts build on track for completion pre-year-end
 - RAS hatchery site confirmation pending
 - Continued vessel refurbishment
 - Scampi fleet investment
- Continued momentum in Australia, Marine Extracts and Big Glory Bay salmon brand
- Early stage of recovery
- Committed to a modest final dividend
- Focused on returning to normalised dividend payments as soon as is financially prudent

Challenges

- Domestic labour challenges impacting ability to meet increased demand
- Inshore Covid impact risk including operational/people risks and demand side rate of recovery
- Salmon elevated mortality and lower growth rates due to adverse climatic conditions



QUESTIONS?



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A close-up photograph of a plated salmon fillet. The salmon is cooked to a golden-brown color and is garnished with a slice of lemon, a sprig of dill, and a slice of onion. It is served on a bed of steamed broccoli. The dish is presented on a light-colored, textured ceramic plate. The background is blurred, showing a kitchen setting with a yellow object and a white surface.

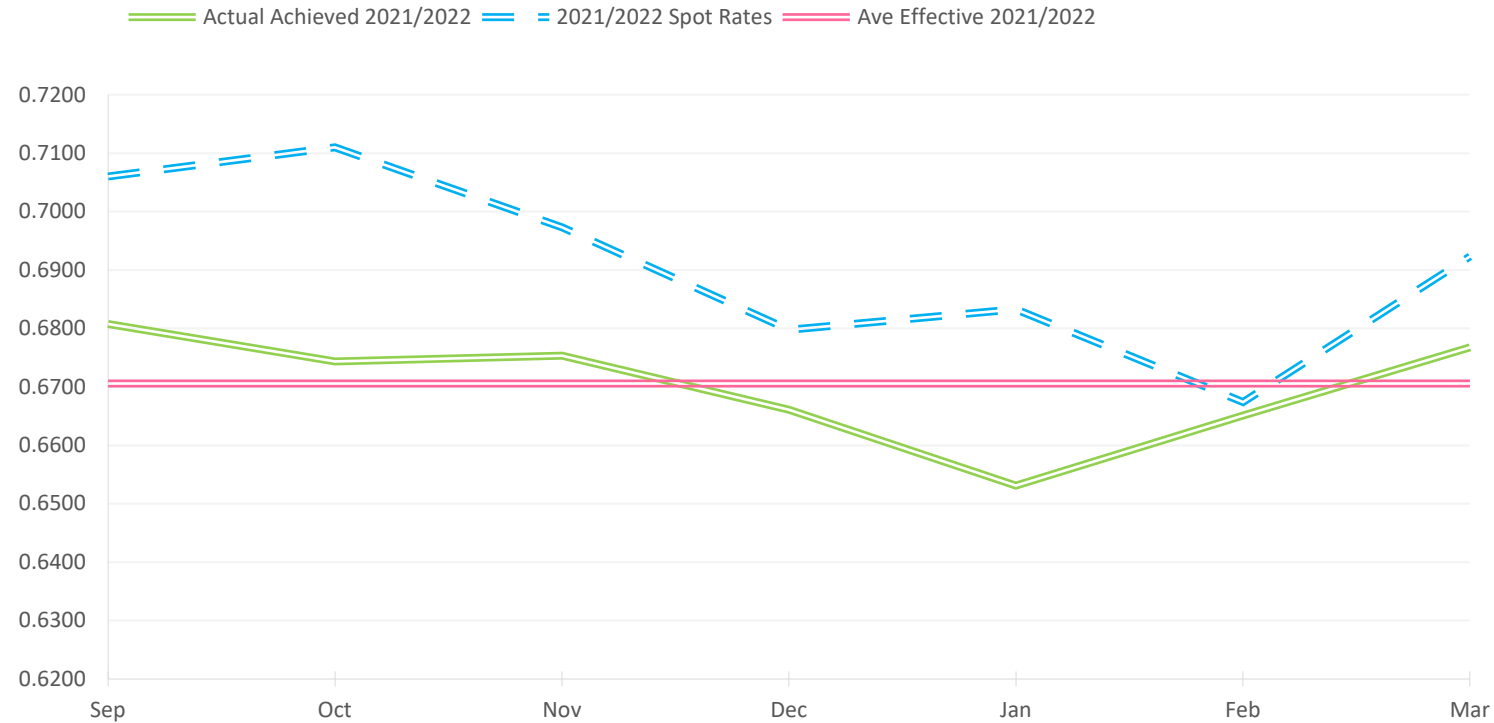
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APPENDIX 1 : USD FX HEDGING PATTERN FOR THE YEAR

USD EXCHANGE RATE 2022 HALF YEAR



APPENDIX 2 : HY22 FINANCIAL RESULTS

- GAAP TO NON GAAP RECONCILIATION

GAAP TO NON-GAAP RECONCILIATION

	Unaudited 6 Months ended 31 March 2022 dollars	Unaudited 6 Months ended 31 March 2021 (Restated) [*] \$000	Audited 12 Months ended 30 September 2021 \$000
Reported net profit for the period (GAAP)	6,120	13,753	16,235
<i>Add back:</i>			
Income tax expense	3,171	1,632	3,800
Net interest expense	4,291	4,656	9,011
Net gain on sale of investments, property, plant and equipment and intangibles	-	(13,221)	(12,935)
Reported EBIT	13,582	6,820	16,111
<i>Adjustments:</i>			
Restructuring costs	91	233	288
Software as a Service (SaaS) expenditure	5,078	3,402	6,183
Other one-off items	428	219	711
Adjusted EBIT	19,179	10,674	23,293
<i>Add back:</i>			
Depreciation and amortisation	13,274	15,140	29,310
Adjusted EBITDA	32,453	25,814	52,603

* Refer to note 2 of the interim financial statements for details on restatement for the period ended 31 March 2021

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 investments, intangible and long-term assets.

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

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



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THANK YOU

