



**Sanford  
Covid-19 Briefing**

**Investors & Analysts  
11am, 2<sup>nd</sup> September, 2020**

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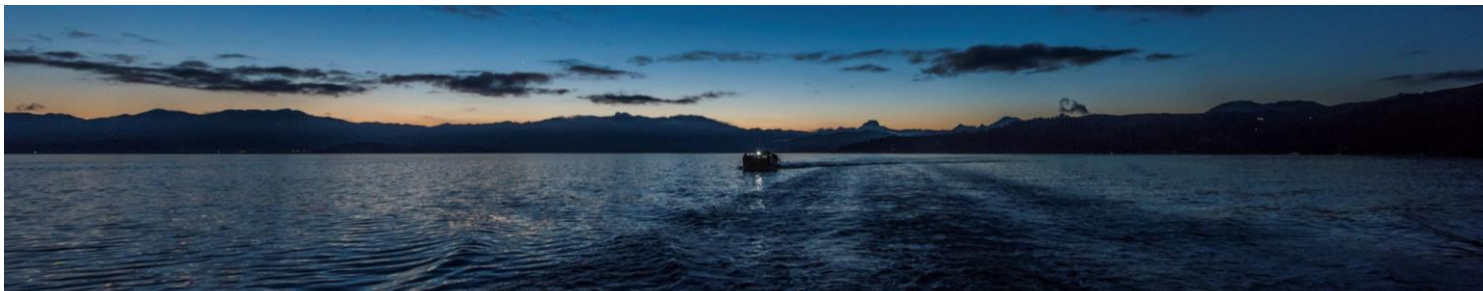
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Please note : All financial metrics provided in this document are management figures and are unaudited.

# Sanford and the Impact of Covid-19 – September 2020 Update

- Overview and challenges Volker Kuntzsch
- Financial position and performance Katherine Turner
- Mitigations and Strategic Focus Volker Kuntzsch
- Q&A



# Covid-19 Trading Update - Overview



- International markets remain volatile with foodservice channels seriously impacted and only partially replaced by retail demand
- Sanford's Q3 sales revenue down 15% on PY (excluding product caught by fishing partners)
- Operations performed well during lockdown and H2 generally
- Actions are in place to combat downturn, focusing on developing markets and alternative channels, moving emphasis from foodservice to retail and online

# Challenging Market Conditions Due to Covid-19

- Supply chain interruptions including border and freight issues
  - Price pressure on seafood commodities
  - Consumer fear, association of virus with fish/packaging
- ➔ Sales revenue is volatile

Sales % vs LY (\$ million)	Q3	July	10 months -July YTD
<b>Total (excluding Fishing Partners)</b>	<b>- 15 %</b>	<b>+ 2 %</b>	<b>-8 %</b>
Wild-catch (excluding Fishing Partners)	- 33 %	+7 %	-20 %
Mussels	+ 9 %	- 36 %	+ 8 %
Salmon	+ 2 %	+ 27 %	+ 6 %

**Total sales revenue vs LY for Q4 potentially similar or worse than Q3 (-15%), but forecasting is more challenging than usual due to Covid-19 uncertainties**

# Strategy and Financial Strength to Weather Covid-19

- Strong balance sheet (July FY20 gearing 22%) and cash collection remains satisfactory
- Sufficient headroom in borrowing facilities and have additional levers if required to withstand shocks (July FY20 headroom \$98 million)
- Ongoing liquidity scenario planning
- Capital spend has been slowed to approx. \$45 to \$50 million for FY20 and for FY21 we maintain a watching brief
- Cost measures are in place to adapt to the economic volatility and provide some assurance for the year ahead
  - Hiring is on hold and remuneration under review
  - Reduction in all discretionary expenditure



# FY20 Result Significantly Impacted by Covid-19



- While aquaculture (salmon and mussels) is doing well compared to last year, these areas will fall short of pre-Covid expectations
- Improved second half fishing, but commodity sales are impacted and there will be a deferral of margin into next year through product in inventory. This includes Patagonian toothfish, usually sold in Q4, which we are deferring to 2021 to achieve greater value in exports

**Overall, our pre-Covid expectations are not being met, even though pockets of growth are visible, the landscape remains very challenging**



# Strategy and Actions

## Existing strengths and weaknesses in a Covid-19 environment

- ✓ Operational excellence
- ✓ Already focused on moving up the value chain, closer to consumer
- ✓ Branding and Innovation teams in place and already adapting
- ✗ Foodservice focus, very limited retail presence
- ✗ Very limited Sanford feet on the ground internationally



## Actions to limit impact and build resilience

- Adjusted operations, e.g. moved back from hoki fillet to block production
- Restructuring sales function to align to a clear global strategy and enable the necessary change in sales focus to offset patchy recovery in foodservice
- Progressing our plans to pivot to online and in-store retail
- Developing new product formats (some will take time)
- Utilising the diversity of our markets, strength of our relationships and support of organisations like NZTE
- Managing higher inventories through robust sales and operational planning processes
- Implementing cost reduction and control measures



# Outlook

## Opportunities

- Ongoing: New Zealand seafood's image internationally as healthy and sustainable protein
- Short term and beyond: seeing market resilience in NZ, AUS and many parts of Asia
- Short term and beyond: domestic seafood gains in retail
- Medium and long term: channel and market diversification globally
- Longer term: growing presence in nutraceuticals across markets and channels

**FY21 Outlook: likely challenging and tough to predict. However pockets of growth and our operational excellence give us confidence in our strategy, customers and our people to deliver improving results through this unprecedented period.**



**Thank you!  
Questions?**

