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Q3 FY23 Update: Momentum Continues For Pricing And Demand, Lower Volumes

New Zealand seafood company Sanford Limited (NZX:SAN) has released its third quarter update for FY23 (for the three months ended June 2023). The strong prices in Wildcatch, Salmon and Mussels experienced in earlier months of the year have been maintained, but volumes were impacted by reduced squid and ling catch and reduced mussel volume caused by adverse climatic and water conditions.

Notable results include:

- **Wildcatch:** Pricing up 30.9% on the prior comparable period (pcp) of Q3 FY22. Sales volumes in this quarter were down 6.1k GWT on pcp, due to reduced squid and ling catch, as well as some timing of sales. The higher overall pricing was driven in part by mix with improved scampi prices and reduced lower priced squid sales.
- **Mussels:** Pricing up 35.9% up on pcp. Q3 FY22 had been impacted by the lag effect of lower priced contracts (covid driven), which have now been settled. Q3 FY23 had a more favourable mix of product with an increased percentage of target sized half shell mussels and less lower-priced meat products. However, sales volumes were down 20.7% because of extreme weather conditions impacting harvesting days in the Coromandel, and water space closures in some parts of both islands due to the presence of biotoxins.
- **Salmon:** Pricing remains strong for the Salmon division, up 20.3% on pcp. Sales volumes remain consistent with the same quarter in FY22 and with pre-covid sales levels.

CEO Craig Ellison says: “Pricing remains encouraging for all divisions, and it is pleasing that demand, particularly in export markets, is strong.”

“However sales volumes are down across the group on the same quarter last year.”

“**Salmon** continues to be the standout for the group with strong demand for King Salmon and the Big Glory Bay brand. Risk mitigation initiatives introduced earlier in the year have also helped keep the salmon healthy and reduce the impact of mortalities.”

“We expect the Salmon division to continue this momentum into Q4 this year.”

The **Mussel** division continues to lag the other businesses and has been adversely impacted this quarter by increased water space closures and inclement weather.

Mr Ellison says the mussel division is seeing early signs of recovery now there is a full complement of staff at both North and South Island factories. The fourth quarter is when mussel spawning usually occurs, and annual factory shutdowns are timed to match this event, so full production levels are not expected until the new season.

“In the last couple of months labour constraints in the mussel division have been largely addressed and we look forward to increased production once the factories reopen in September.”

“The new bioactives plant, commissioned earlier in the year, continues to experience productivity issues and is behind expectations. This is an area of focus for the business.”

Wildcatch has been impacted by the reduced squid and ling catch this quarter and only partially offset by redirecting vessels to catch alternative species. Demand and prices for whitefish remain strong, however the inshore business continues to underperform and a decision from the Commerce Commission is due in September. If favourable, and the other condition is satisfied, the decision will result in the sale of inshore ACE to Moana and improved profitability for Sanford.

Mr Ellison says that “the Sanford team continues to focus on optimising operations to take advantage of the favourable seafood market conditions, including strong demand for our products.”

See the accompanying pages for graphs containing divisional data.

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