Sanford Ltd
22 Jellicoe Street, Auckland 1010
PO Box 443, Shortland Street, Auckland 1140
www.sanford.co.nz

Sanford announces an improved half year result

Sanford announced today an unaudited NPAT of $16.2m, a 46% uplift on the prior comparative period (pcp), and its highest half year adjusted earnings result in recent times.

Key highlights for the six months ended 31 March 2024:

- Revenue of $276.0m was on par with pcp (HY23: $277.6m)
- Adjusted EBIT[1] of $38.5m, up 45% on pcp, (HY23: $26.6m)
- Net profit after tax of $16.2m, up 46% on pcp (HY23: $11.1m)
- Interim dividend declared of 5.0 cents per share (HY23: 6.0cps)

Newly appointed Managing Director, David Mair, said: "Our first half performance is pleasing with our highest recent half year adjusted EBIT result. Our improvement has been driven by a continuing strong performance from the Salmon business; an improving Mussel result; and a positive result for Wildcatch following the sale of the North Island inshore ACE and related assets in October 2023.

The commoditisation of some nutraceutical products has led to a challenging performance in our 50% held Two Islands investment. As a result, Sanford has written down the value of this business by $3.3m."

Gross margin increased from 21% to 25% because of strong pricing across an array of products and a more targeted sales mix.

Profit after tax was up 46% to $16.2m and includes a $1.0m gain on the sale of assets as part of the Moana transaction, as well as a reduction in IT implementation costs post the rollout of Sancore (Sanford's new IT system).

Net debt increased to $220.5m as at 31 March 2024 (from $183.6m pcp) reflecting capital expenditure of approximately $24m and funding of increased inventory.

Sanford continues to invest in initiatives to support growth, including the new scampi vessel due early in the next calendar year. Early-stage sales of marine extracts are now gaining traction but are not yet at desired performance and profit levels.

[1] Adjusted Earnings Before Interest and Tax (EBIT) is EBIT adjusted for net gain on sale of property, plant and equipment and intangibles, impairment, restructuring costs, software as a service expenditure, other one-off items and gain from surrender of lease.

Business Performance

HY24	Revenue $m	Profit Contribution[2] $m	Sales volume GWT[3]
Salmon	55.0	23.3	2.5
Mussels	64.8	9.2	14.7
Wildcatch	139.5	26.6	25.3

Salmon

The Salmon business continues to excel, with investment in oxygenation equipment and new netting enabling Sanford to keep mortalities at low levels and helping meet growing global demand for Sanford's high-quality salmon. Pricing remains high and margins have further improved as Sanford focuses on product mix, smart farming and cost management. Revenue was up 18% on pcp, with a profit contribution of $23.3m, up 32%.

Mussels

Strong pricing and demand have continued for Sanford's Greenshell mussels, with a sales shift towards higher margin half shell product. However, as previously advised, low seeding, particularly in Coromandel in 2023, is affecting 2024 volumes. Sanford's earlier investment into the SPATnz mussel hatchery provides around 20% of Sanford's requirements, helping to mitigate some of this risk. Early-stage sales of marine extracts are now gaining traction and the facility is operating more effectively; however, the opportunity remains challenging and is an area of focus. Revenue was up 16% on pcp, with a solid 338% increase in profit contribution to $9.2m.

Wildcatch

The Wildcatch business remains the primary revenue generator for Sanford and delivered a slightly improved profit result. Overall catch volume was down 11% compared to the prior half-year, partially offset by strong pricing in our most profitable species, scampi. Planned maintenance saw two vessels in dry dock for a total of 10 weeks, affecting hoki and orange roughy catch. In addition, reduced US demand for New Zealand orange roughy is impacting export demand. The squid catch remains challenging across the industry, as was the 2023/24 toothfish season. Lower scampi volumes, due to an unplanned vessel outage and reduced scampi quotas, were mostly offset by higher pricing. Sanford's new scampi vessel is expected to be operational in early 2025. While revenue was down 9% on pcp, profit contribution increased by 6% to $26.6m.

Outlook

Chair of Sanford, Sir Rob McLeod, commented: "We are making excellent progress on our strategy and Sanford is moving forward with an experienced board and leadership team. We were pleased to welcome John Strowger and Tom McClurg to the Board in the last six months, and recently announced new leadership for Sanford with Director, David Mair, taking up the Managing Director role.

[2] Profit contribution is Adjusted EBIT before head office overheads.

[3] Greenweight tonnes (000's).

The new Government is supportive of the seafood and fishing industries, which should assist our growth ambitions, as we look to expand our farms and increase our harvest, catch and export of quality seafood to the world.

Following a healthy first half result, we expect a more moderate second half performance in line with capacity and available inventory. We remain on track to deliver another improved full year performance in FY24."

ENDS

For further information, please contact:

David Mair
Managing Director
021 708 021
dmair@sanford.co.nz

Paul Alston
CFO
021 918 033
palston@sanford.co.nz