SANFORD

Results Briefing

For the six months ended 31 March 2024

Disclaimer

Important Notice

This presentation contains not only a review of operations and information about Sanford Limited (the *Company*), but also contains some forward-looking statements about the Company and the environment in which it operates. This disclaimer applies to this presentation and any written or verbal communications in relation to it.

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This presentation contains financial information taken from management accounts and from the Company's unaudited results for the six months ended 31 March 2024.

This presentation also contains forward-looking statements regarding a variety of items. Such forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances on the Company. There is no assurance that results contemplated in any of these forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those forward-looking statements are reasonable. The Company's actual results may differ materially from the forward-looking statements in this presentation. No person is under any obligation to update this presentation at any time after its release. Investors are strongly cautioned not to place undue reliance on forward-looking statements.

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

Half Year (HY24) Results Summary

HY24 Summary

NPAT of $16.2m, up 46% on PCP.

- Salmon division continues to perform strongly.
- Improvement in mussel profitability.
- Wildcatch steady – positive impact from inshore restructure.

Adjusted EBIT at $38.5m up 45% on the HY23.

- Highest adjusted EBIT in recent history.
- Significantly reduced Sancore development costs.
- Market conditions improvement – strong prices, reduced fuel costs and improved labour availability.

Operating cashflow of $8.3m down 39% on PCP.

- Timing of working capital.
- Increased inventory to be sold through in H2.

Interim dividend of 5.0 cents per share.

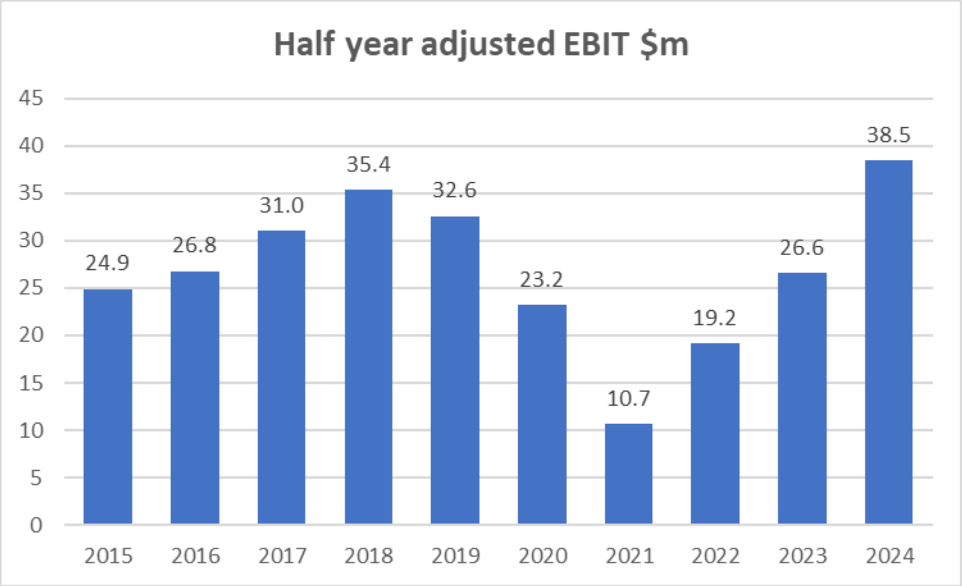
- Reduction of 1.0 cent per share on HY23, having regard to H2 capital requirements and current debt levels.

Net debt at $220.5m up 20% on $183.6m in HY23

- Reflects capex spend of $23.2m and funding of increased working capital (inventory).

Capital spend for first half mostly integrity related.

Focus on simplification of sales channels.



HY24 Key Financials

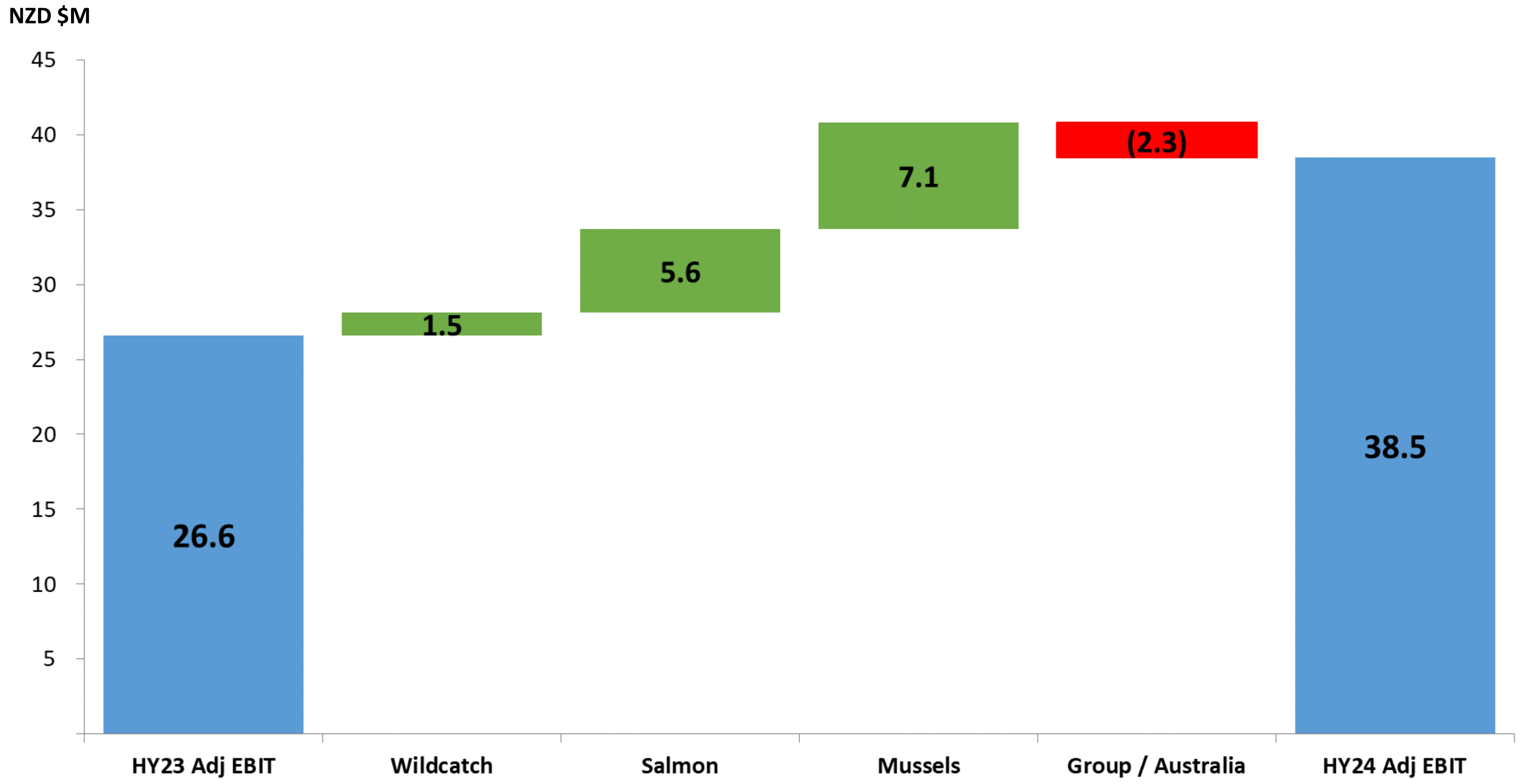
Sanford-half year results										
NZ$ Million	**HY15**	**HY16**	**HY17**	**HY18**	**HY19**	**HY20**	**HY21**	**HY22**	**HY23**	**HY24**
Revenue	**226.0**	**215.6**	**230.4**	**272.8**	**265.0**	**245.5**	**233.5**	**270.9**	**277.6**	**276.0**
Adjusted EBIT	**24.9**	**26.8**	**31.0**	**35.4**	**32.6**	**23.2**	**10.7**	**19.2**	**26.6**	**38.5**
Adjustments	(6.7)	3.0	(0.8)	7.1	3.5	5.3	12.7	(5.6)	(5.2)	(3.3)
EBIT	**18.2**	**29.8**	**30.2**	**42.5**	**36.1**	**28.5**	**23.4**	**13.6**	**21.4**	**35.2**
Interest	4.9	4.0	4.2	4.2	4.2	4.4	4.7	4.3	5.8	9.2
PBT	**13.3**	**25.8**	**26.0**	**38.4**	**31.9**	**24.1**	**18.8**	**9.3**	**15.5**	**26.0**
Tax	3.8	7.0	7.0	11.1	9.0	5.1	2.6	3.2	4.4	9.8
Reported Profit	**9.6**	**18.8**	**19.0**	**27.3**	**22.9**	**19.0**	**16.2**	**6.1**	**11.1**	**16.2**
Earnings (cents per share)	10.2	20.1	20.4	29.2	24.4	20.3	14.7	6.5	11.9	17.3
Dividend (cents per share)	9.0	9.0	9.0	9.0	9.0	5.0	0.0	0.0	6.0	5.0
Net debt	185.3	170.0	195.9	181.1	165.1	157.8	181.0	175.6	183.6	220.5
Operating cashflow	1.7	1.6	10.7	22.8	10.4	12.7	4.5	35.8	13.5	8.3
Capital expenditure	9.8	9.6	20.7	9.6	20.3	23.8	20.0	24.3	32.5	23.2
Total equity	537.6	537.5	563.5	588.1	593.6	584.7	635.3	646.1	692.4	694.5
Gearing (%)	26.2%	24.9%	26.3%	24.0%	22.1%	22.1%	23.9%	21.9%	22.0%	24.6%

An improved result for HY24. Strong salmon performance, improved mussel result and a positive return from the inshore business.

- Revenue slightly down on pcp (exit of inshore business).
- EBIT up $13.8m or 64% on pcp.
- NPAT up $5.1m or 46% on pcp.
- Earnings per share increase from 11.9c to 17.3c.
- Net debt at $220.5m, up $36.9m on HY23 reflecting the capital spend of approx. $23.2m and the funding of working capital (inventory) in the period.
- Operating cashflow at $8.3m for the 6 months, funding capital expenditure of $23.2m.
- Gearing increase to 25%, reflecting the increased debt for the period.

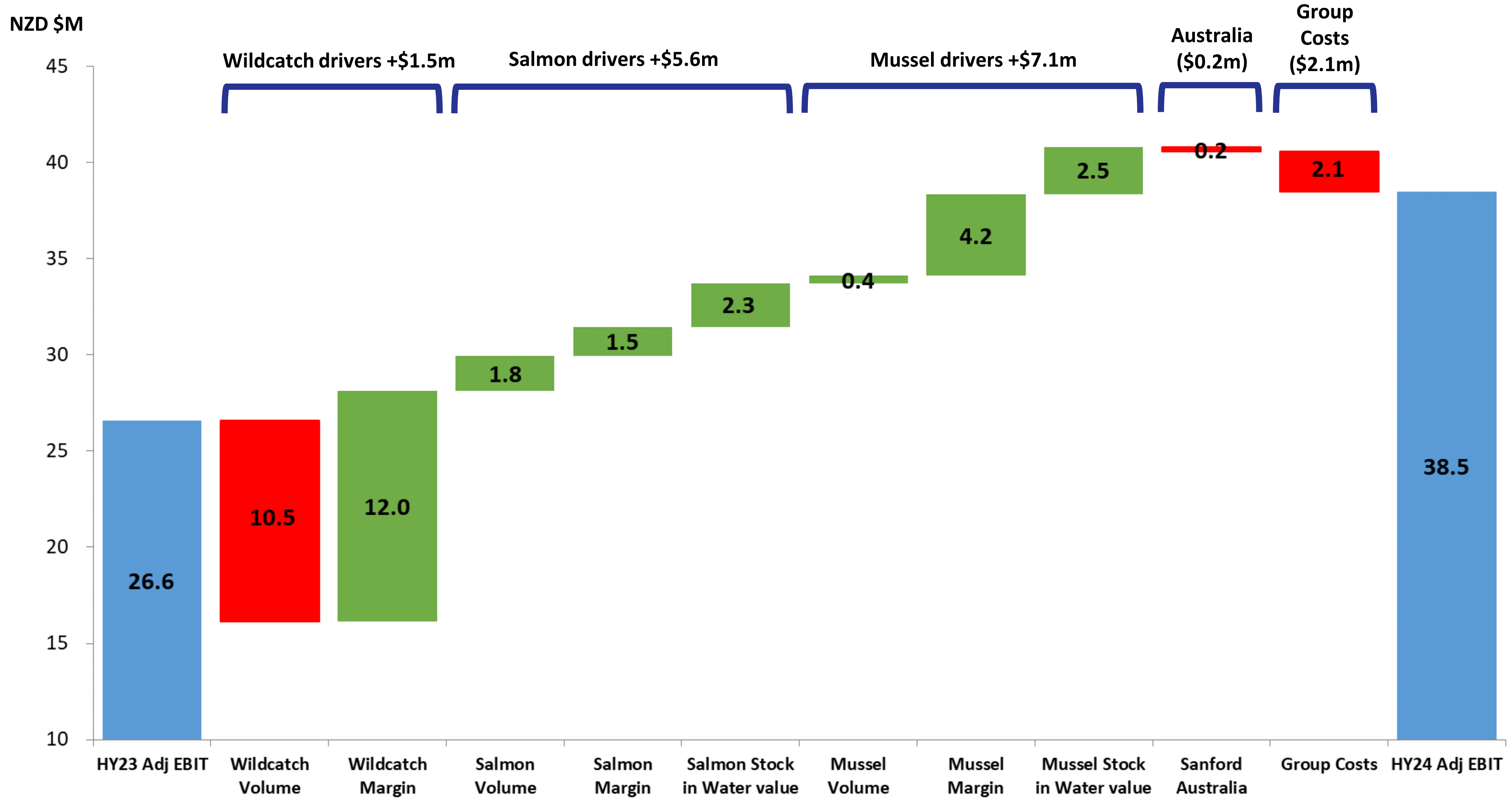
Improved Profitability driven by Salmon & Mussels

Key drivers of Adjusted EBIT change vs HY23

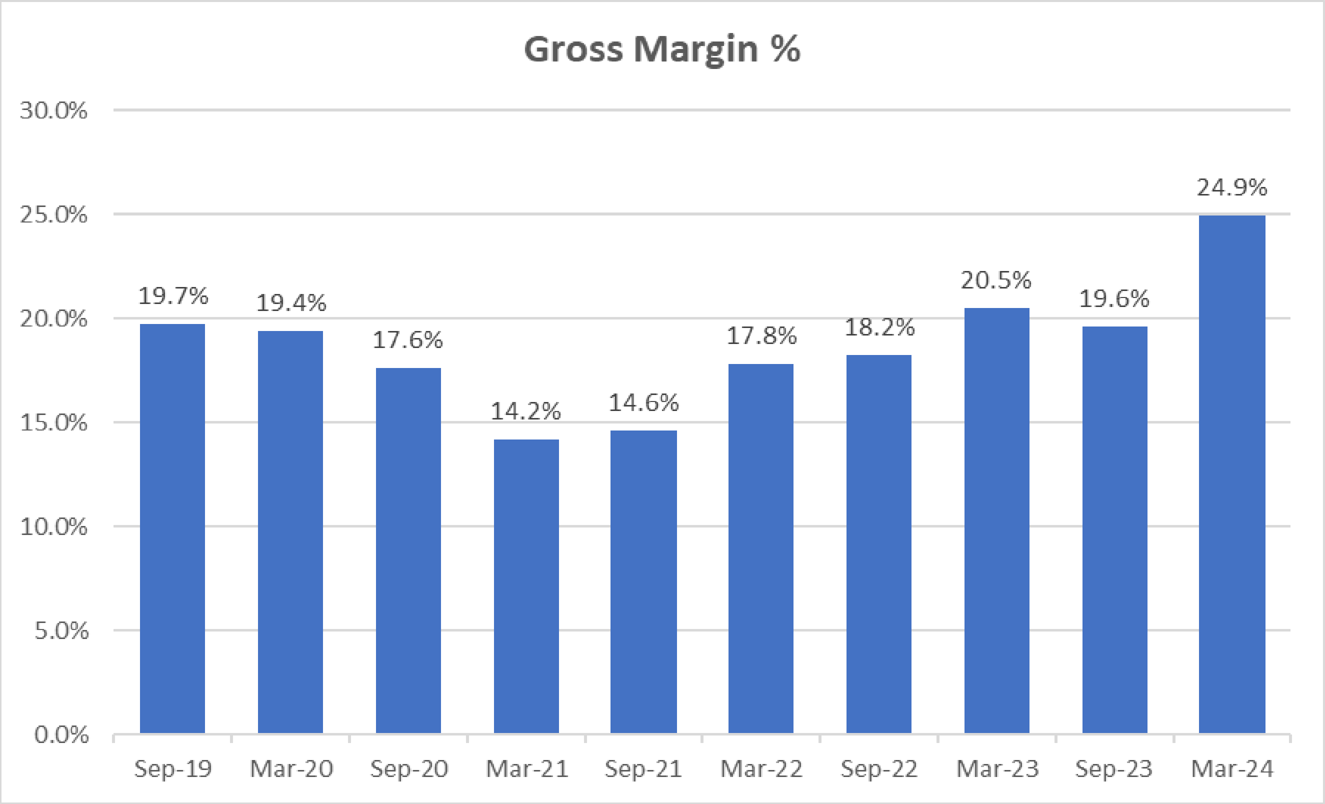


Improved Profitability driven by Salmon & Mussels

Key drivers of Adjusted EBIT change vs HY23



Gross Margin Positive Movement

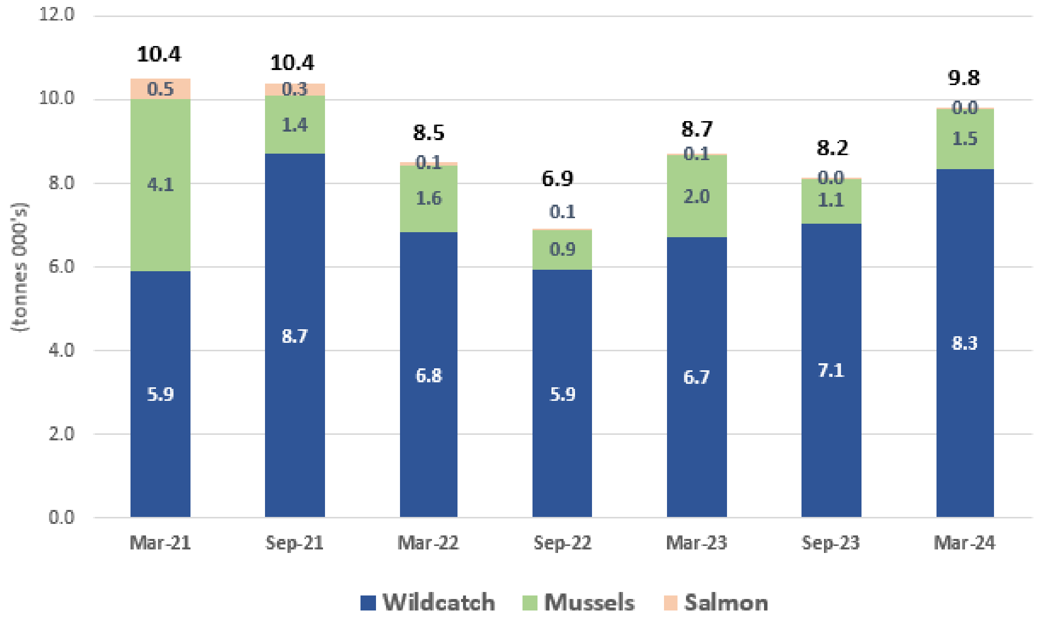


- Gross margin improvement reflecting positive in-market prices and channel simplification with reduced fuel prices and positive mix changes.
- Reduction in sales costs also a driver of improved margins.

Seafood Inventory

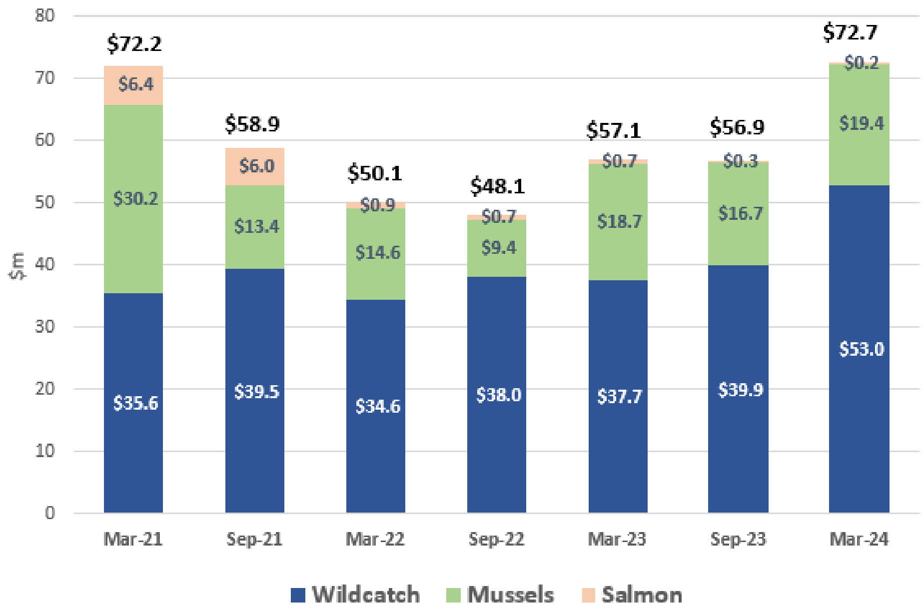
Inventory Volume (PWT)

HY24 vs HY23 increase +12.6%



Inventory Value ($m)*

HY24 vs HY23 YOY increase +27.3%



- Increase in inventory - mainly in wildcatch. Plans in place to reduce in 2H.

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

Capital Expenditure

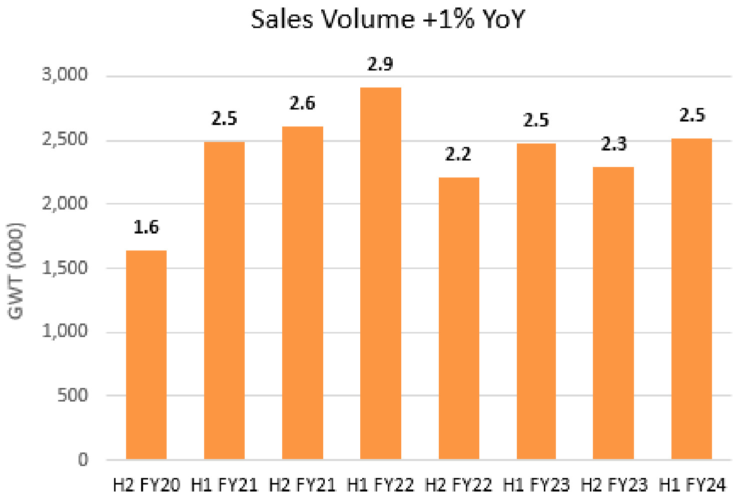
	HY24	HY23
Integrity	**$20.7m**	**$20.7m**
	Vessel surveys $12.7m Processing equipment $0.5m Mussels $1.1m Salmon $1.3m Wildcatch Scampi Boat $5.1m	Vessel surveys $7.4m Processing equipment $1.3m Mussels $1.5m Salmon $1.5m Wildcatch Scampi Boat $7.8m IT systems - Business $1.2m
Growth	**$2.5m**	**$8.7m**
	Salmon development $1.2m Mussel development $1.3m	Salmon development $3.9m Mussels development $0.8m Marine extracts $4.0m
Sancore	**$0**	**$2.1m**
Total	**$23.2m**	**$31.5m**

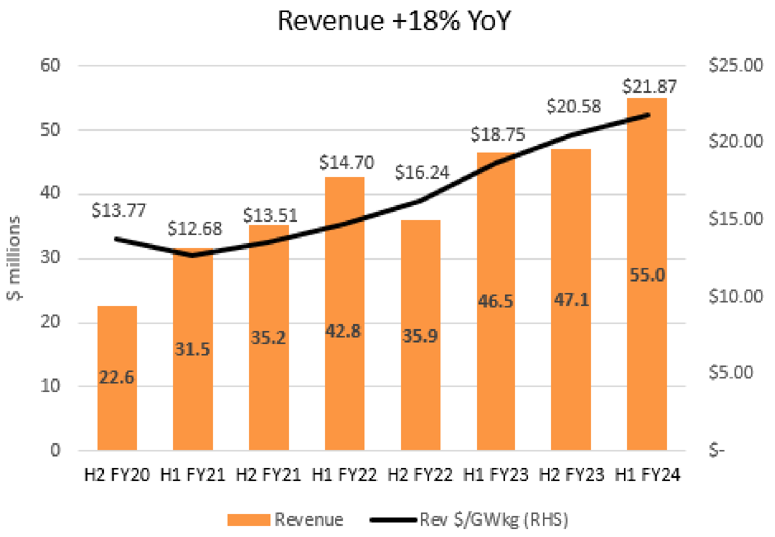
- 91% of the capital spend on integrity projects and Health and Safety.
- No further costs capitalised for the Sancore IT project.
- Vessel surveys are the main spend for the first half and are stay in business capex.
- Progress payments on Scampi vessel other large cost.

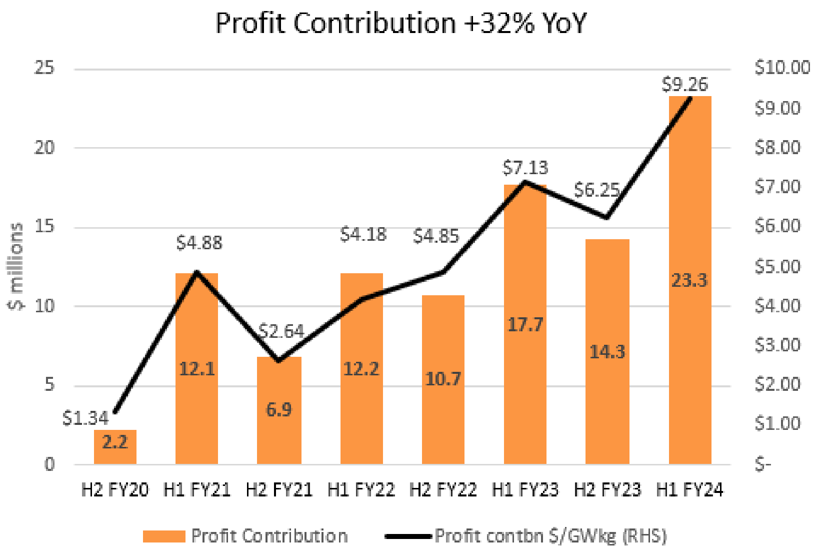
Divisional Performance

Salmon HY24

Strong pricing and ongoing growth in Big Glory Bay driving improved revenue and profit contribution



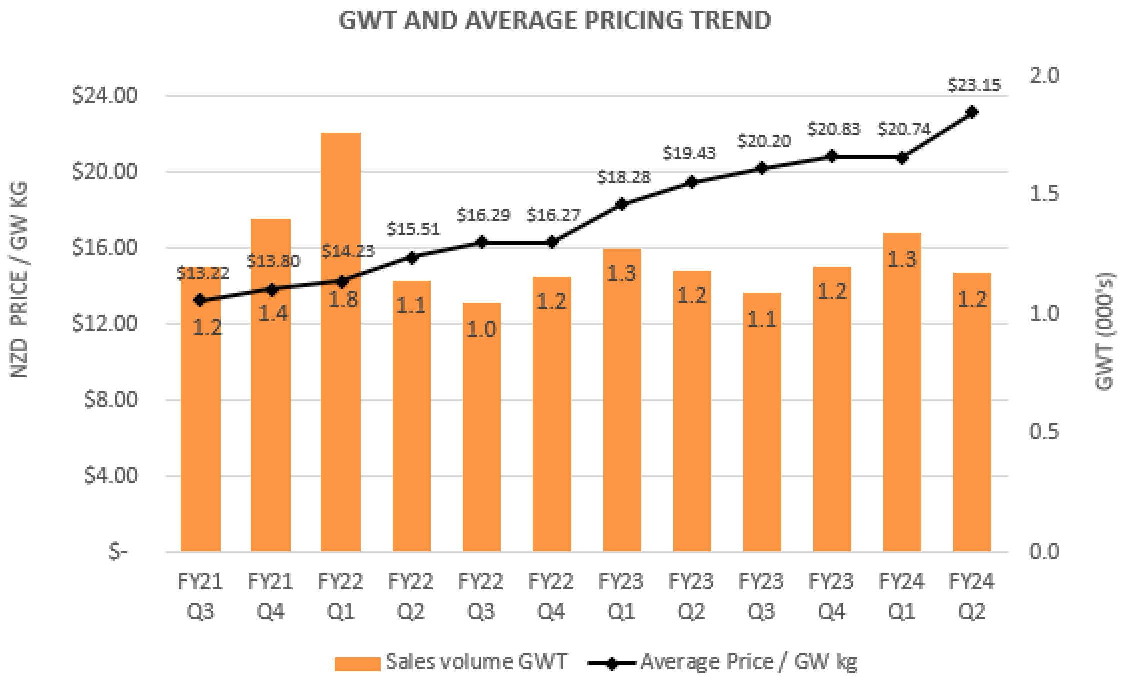


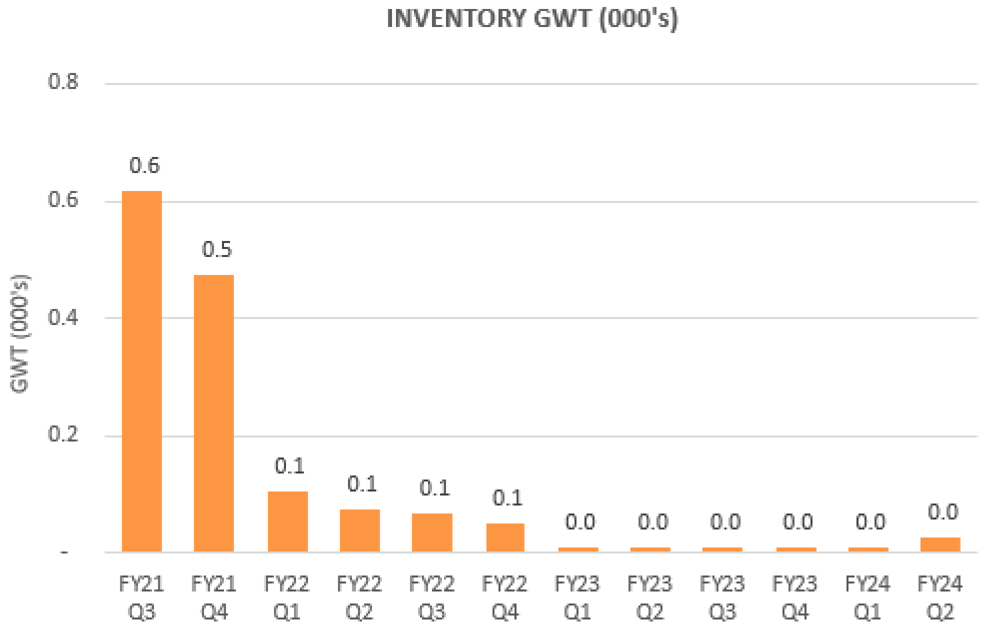


- Volume remains steady – up 1% on pcp.
- Revenue increase due to strong in-market pricing, favourable mix and further growth in Big Glory Bay.
- Profit contribution up 32% on pcp.

Salmon HY24

Pricing uplift driven by favourable mix, BGB growth and strong pricing. Inventory levels well managed.





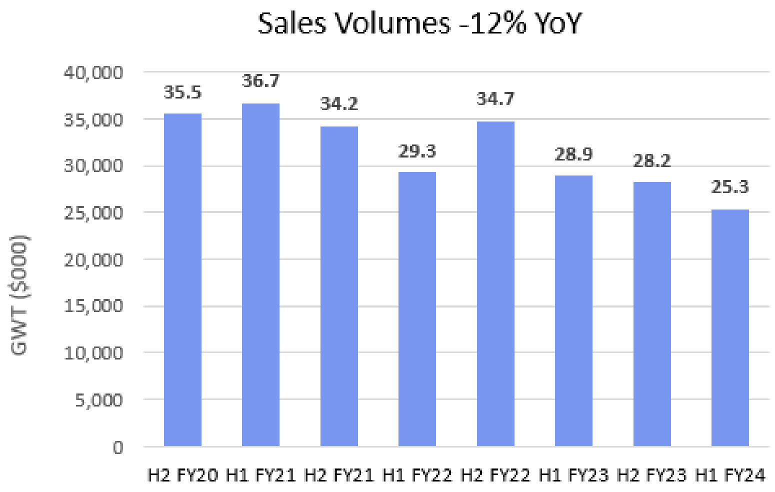
- Low inventory levels. Predominantly a fresh business with low stock holdings.
- Q2 lift in prices due to a change in mix.

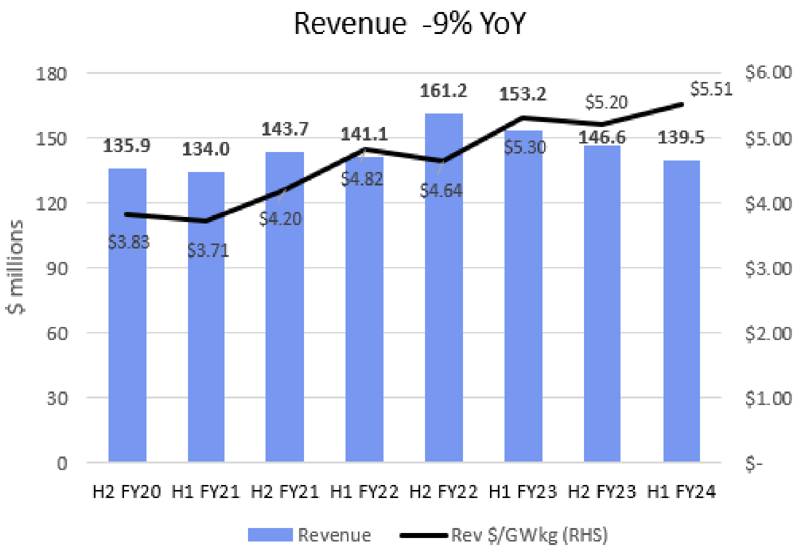
Salmon HY24

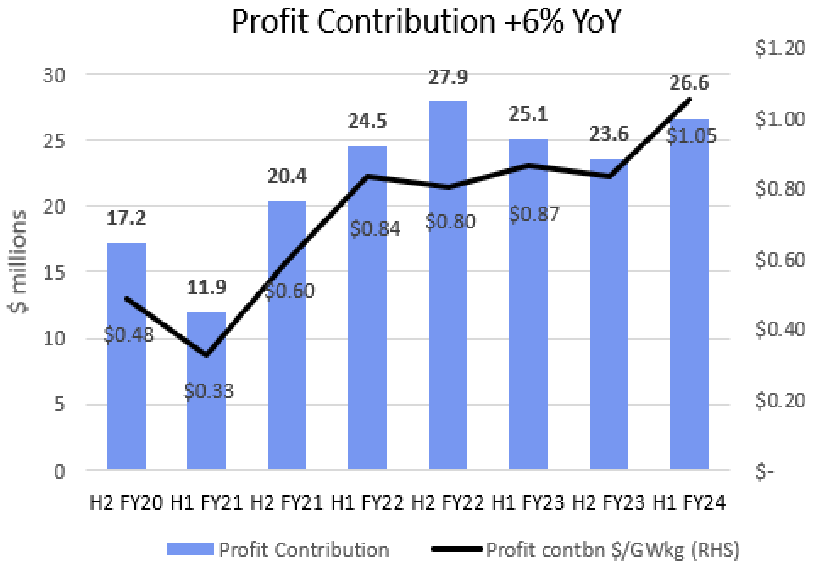
- Year on year profit growth.
- Prices up across most categories, Big Glory Bay volume increase.
- Mix changes away from portions, maximising returns.
- Reduced and stable mortalities; positive impact of mitigation measures on farms.
- Reduction of freight costs and more favourable foreign exchange rates.
- Fish growth rates and feed conversion rate improvement.
- New feed barge arrives in Q3 that will improve efficiencies.
- Farms in Stewart Island close to maximum capacity – limited growth opportunities within existing infrastructure.
- Consent process for new water space continuing.

Wildcatch HY24

Strong performance post inshore divestment, strong Scampi pricing.



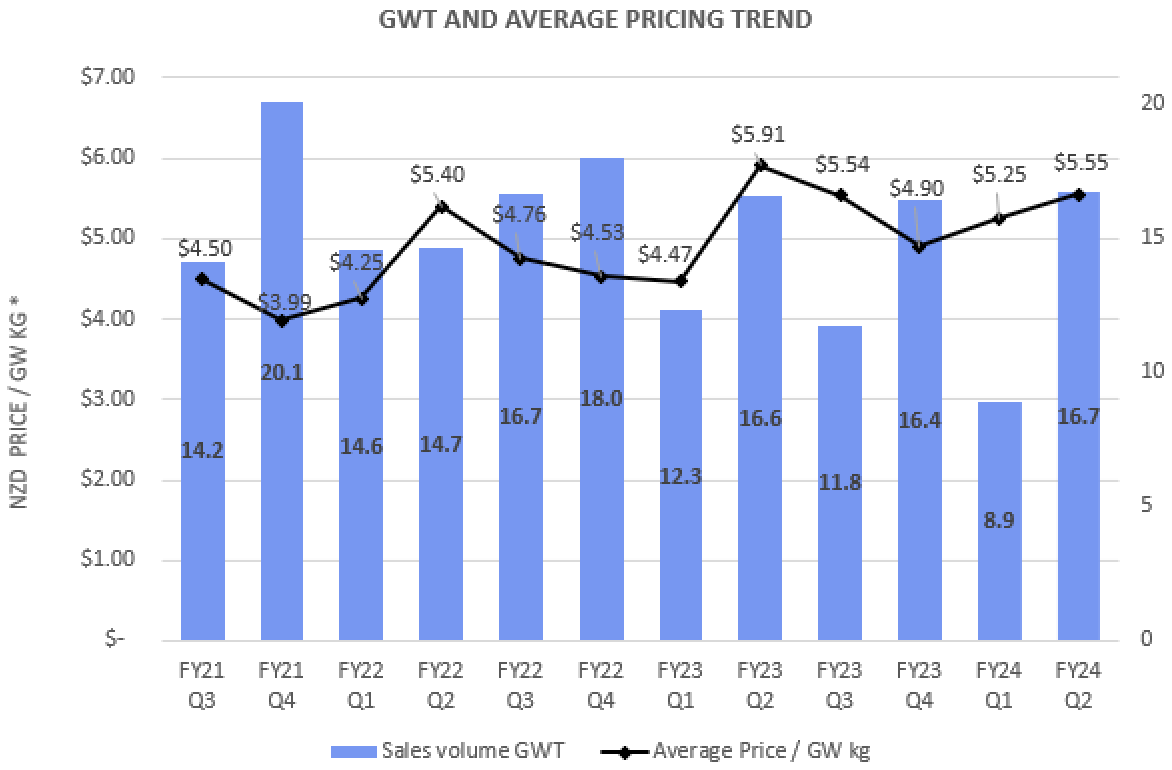


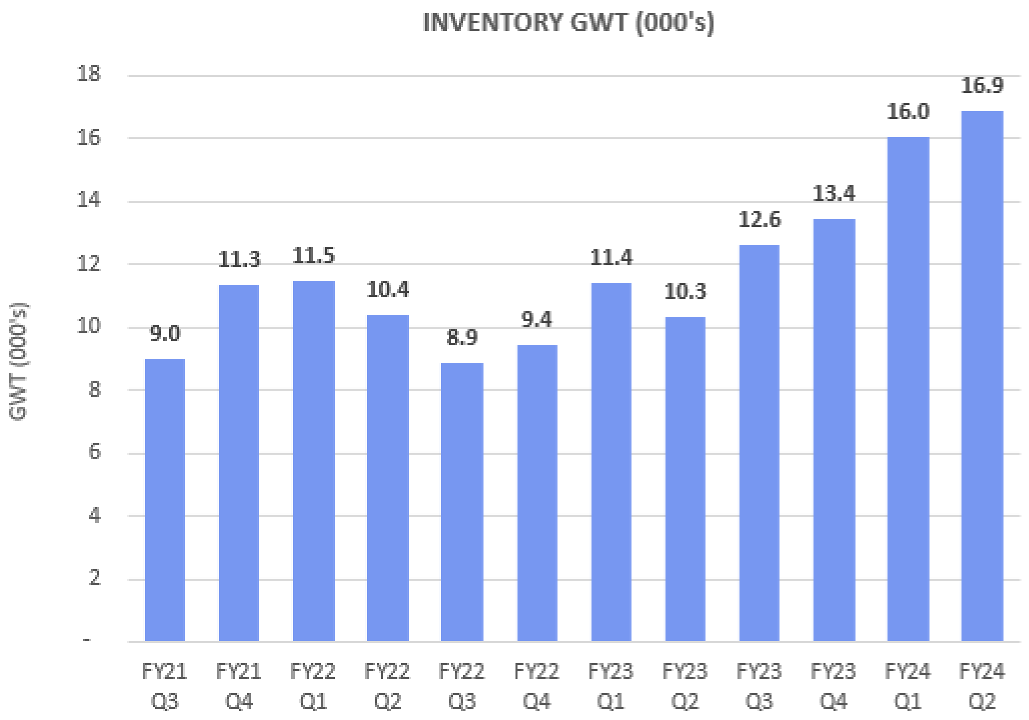


- Reduced volumes and revenue mainly as a result from the exit from the inshore business.
- Profit contribution up 6% on HY23 from strong pricing on key species and improved inshore profitability.

Wildcatch HY24

Pricing improvement across most key species. Inventory build with plans to reduce.





- Increase in inventory from past four quarters.
- Increase mainly in Hoki, orange roughy and squid – Demand still positive and plans to sell through and reduce holdings by end of financial year.

Wildcatch HY24

- Inshore divestment completed in October 23 - reduction in sales volume, but increase in profitability.
- Good demand for scampi with improved prices, but total volume will be reduced due to failure to secure crown ACE for the year.
- Fishmeal sales and price increases.
- Delayed ATO toothfish catch impacting H1 – will flow through into H2.
- Squid catch has been slow – recent catch has improved and likely a small increase from last year.
- Inventory being monitored closely and aim to reduced working capital and debt by year end.
- New scampi vessel (San Koura Rangi) build progress in line with expectations, with completion by end of calendar year and delivery by Q1 2025.

Mussels HY24

Profit Contribution recovery driven by stronger pricing and operational efficiencies.

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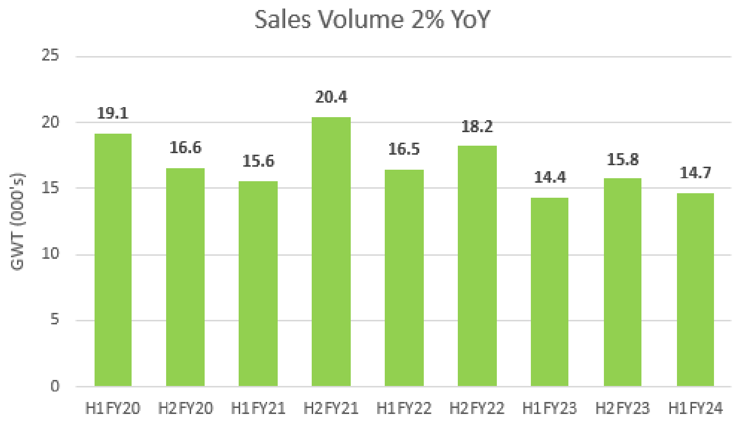
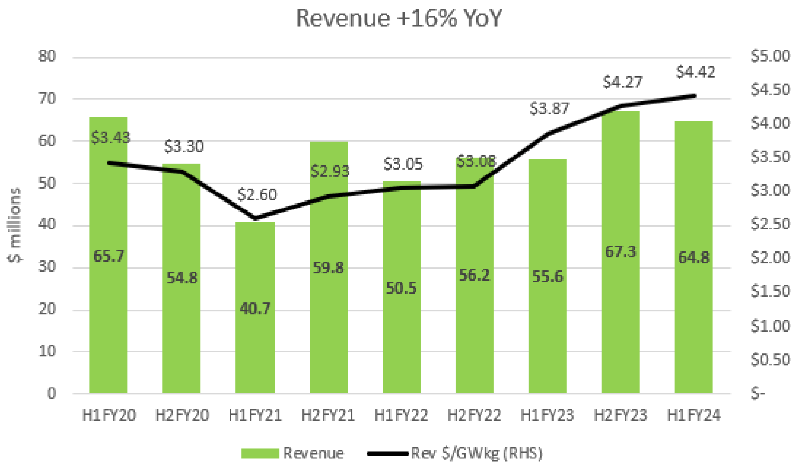
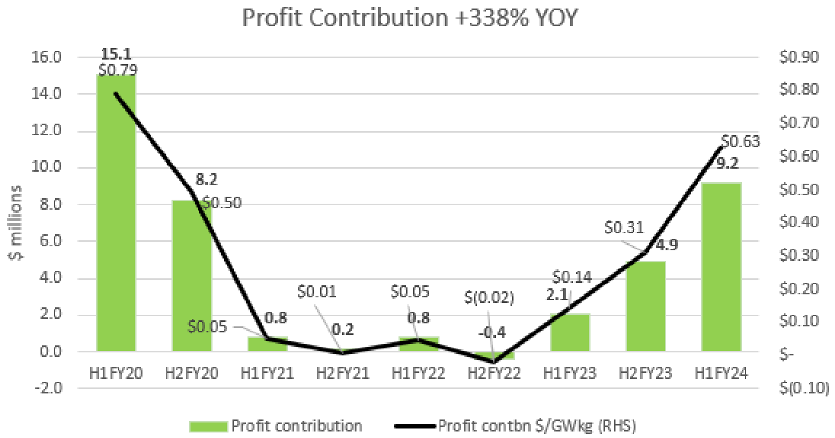


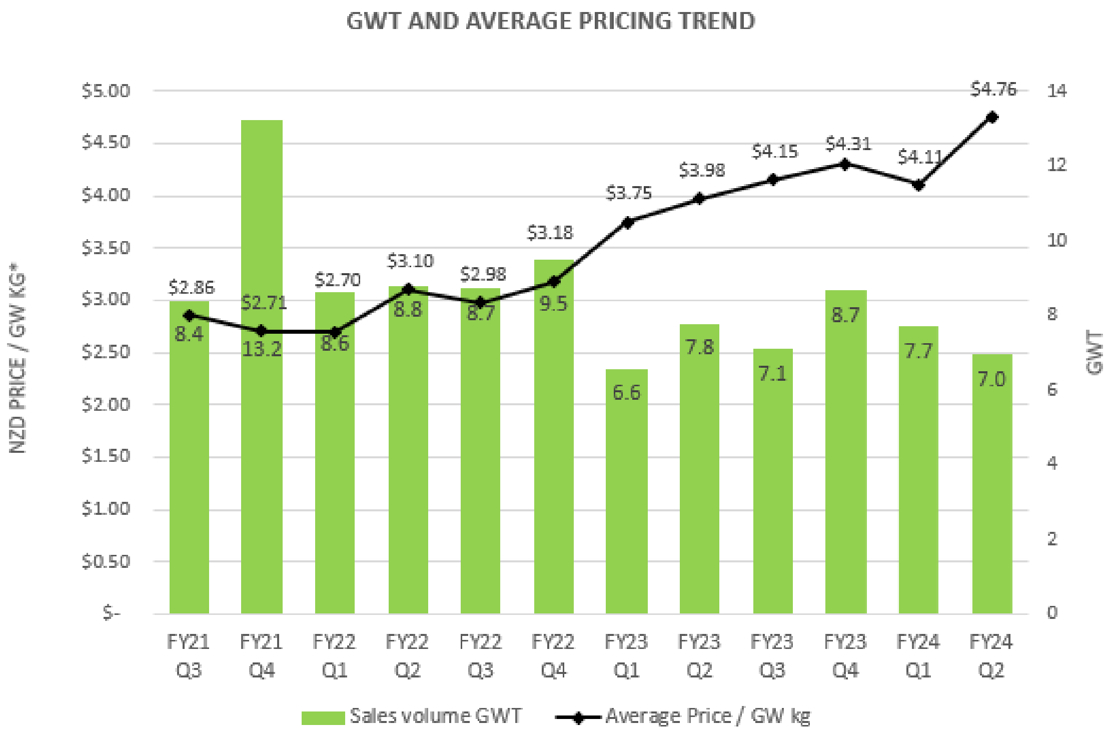


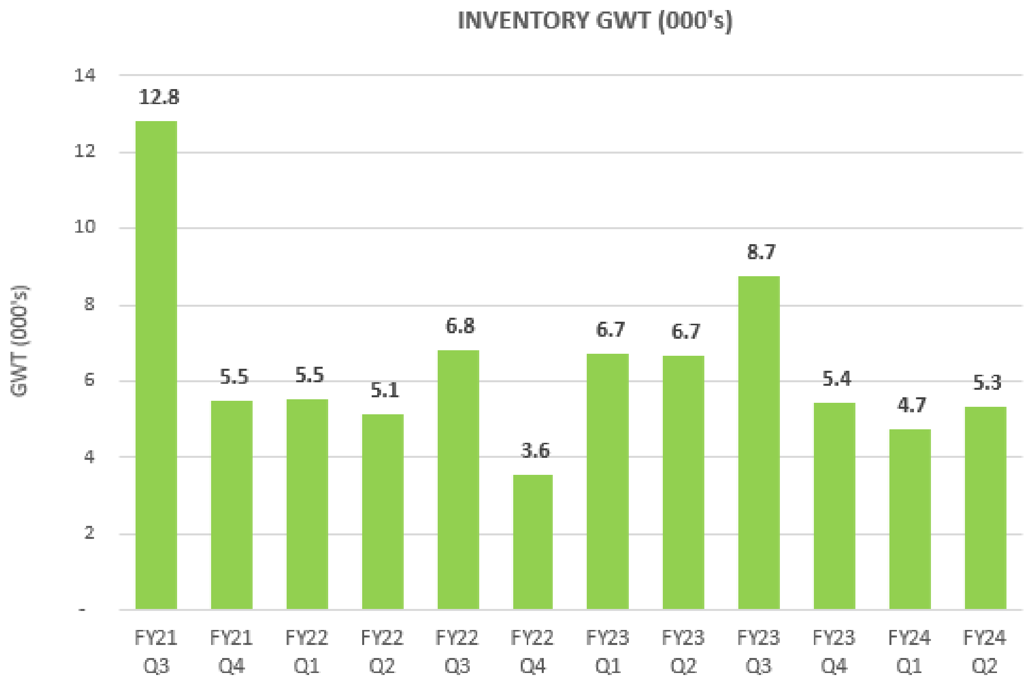


- Volume in line with pcp.
- Strong in-market prices and positive mix change towards half shell mussels away from meat and whole mussels.
- Contribution improvement reflecting better pricing, mix and improved efficiencies.

Mussels HY24

Pricing continues on strong growth trajectory. Inventory levels remain normalised.





- Inventory at consistent levels in last 3 quarters, reduction by 21% from pcp.
- Half shell demand remains high.

Mussels HY24

- Mussel stronger performance helped by operational improvements and more favourable in-market conditions. Labour and productivity challenges experienced in the prior year have been mostly resolved.
- Pausing of operations at the Coromandel NIML processing plant to third party tolling due to low volumes in the region. Low seeding and spat volumes in Coromandel will impact for the next 18 months to two years.
- SPATnz mussel hatchery provides around 20% of Sanford's requirements, helping to mitigate some of this risk. Constant improvements being made in this business.
- 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 for the company.
- Commoditisation of some nutraceutical products has led to a challenging performance in our 50% held Two Islands investment. Written down the investment of this business by $3.3m.
- The mussel division has enough waterspace to expand significantly, viability of spat and seed an ongoing issue, particularly in the Coromandel.

Summary

- An improved year with increased profitability and a positive outlook for the full financial year.
- Gross margin improvements reflecting good pricing, channel simplification and favourable in-market conditions.
- Capital spend for the year is mostly integrity related and has to be managed carefully within operating cashflows, dividend payments and debt levels.
- Inventory levels have increased. Some is timing related and expectations are that there will be a reduction in H2.
- A new Managing Director and refreshed board now in place with a focus on growth and improved shareholder returns.
- There will also a focus in the second half on overheads and efficiencies.
- Continue to advocate for sustainable commercial fishing and farming practices and focus on reducing our carbon footprint.

Directors and Executives

Sir Robert McLeod
Chairman, Independent Non-Executive Director
Appointed to the Board in 2016, appointed Deputy Chair 2018, appointed Chairman in 2019

John Strowger
Non-Executive Director
Appointed to the Board in 2023

Tom McClurg
Independent Non-Executive Director
Appointed to the Board in 2024

Craig Ellison
Independent Non-Executive Director
Appointed to the Board in 2021

David Mair
Managing Director
Appointed to the Board in 2022


Questions?
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HY24 GAAP TO NON-GAAP RECONCILIATION

GAAP TO NON-GAAP RECONCILIATION

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

EBIT: Earnings before interest and taxation.

Adjusted EBIT: EBIT adjusted for net gain on sale of property, plant and equipment and intangibles, impairment, restructuring costs, software as a service (SaaS) expenditure, other one-off items and gain from surrender of lease.

Adjusted EBITDA: Adjusted EBIT before depreciation and amortisation.

GAAP TO NON-GAAP RECONCILIATION

	6 Months ended 31 March 2024 $000	6 Months ended 31 March 2023 $000	12 Months ended 30 September 2023 $000
Reported net profit for the period (GAAP)	**16,154**	**11,109**	**10,011**
Add back:			
Income tax expense	9,833	4,409	7,471
Net interest expense	9,200	5,849	13,522
EBIT	**35,187**	**21,367**	**31,004**
Adjustments:			
Net gain on sale of North Island inshore assets	(964)	–	–
Net loss/(gain) on sale of property, plant and equipment and intangibles	6	(15)	(35)
Impairment of investment in Two Islands NZ Co Limited	3,333	–	–
Restructuring costs	659	341	5,544
Other one-off items	257	31	947
Software as a Service (SaaS) expenditure	–	7,074	12,714
Impairment of assets	–	–	1,418
Receipt from surrender of lease	–	(2,200)	(2,200)
Adjusted EBIT	**38,478**	**26,598**	**49,392**
Add back:			
Depreciation and amortisation	17,542	15,529	32,142
Adjusted EBITDA	**56,020**	**42,127**	**81,534**

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