



# ANNUAL RESULT FOR THE YEAR ENDED 30 SEPT 2020



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



# FY20 RESULTS SUMMARY

# FY20 Summary

## **Covid-19 had a major impact on this year's performance**

- Result reflects impact of global lockdowns
- Demand dropped significantly in both third and fourth quarter – Covid-19 seriously impacted global foodservice
- Near to medium-term tactical adjustments required to navigate the challenging environment

## **Our priority during the pandemic has been to keep our people safe while feeding NZ and the world**

- Covid-19 operational challenges were overcome, and our people remained highly engaged
- Supply was strong – good hoki season and aquaculture harvest

## **Looking ahead**

- Strong balance sheet and adaptability will help business recover from Covid-19 impacts
- Long term strategy remains appropriate

# FY20: Results snapshot

Toothfish and impacts of Covid-19 pandemic drove a disappointing result

CATCH/HARVEST VOLUME

**113k** GWT

↓ -1%

Like-for-Like<sup>2</sup>  
↑ + 7 %

SALES VOLUME

**106k** GWT

↓ -9%

Like-for-Like<sup>2</sup>  
Flat

REVENUE

**\$469**M

↓ -14%

Like-for-Like<sup>2</sup>  
↓ -11 %

ADJUSTED EBIT<sup>1</sup>

**\$38.3**M

↓ -41 %

Like-for-Like<sup>2</sup>  
↓ - 34 %

EBIT GW kg

**36c**

↓ -20c/kg

ADJUSTED EBITDA<sup>1, 3</sup>

**\$66.3**M

↓ -23%

NPAT

**\$22.4**M

↓ -46%

EPS

**24**CPS

↓ -21c

ANNUAL DIVIDEND

**5**CPS

No final dividend

<sup>1</sup> See Appendix for Adjusted EBIT and Adjusted EBITDA reconciliation to GAAP Reported NPAT \$22.4m

<sup>2</sup> Excluding the pelagics business which was sold in March 2019

<sup>3</sup> Not like-for-like as FY19 comparable not adjusted for NZ IFRS 16 leases



# Covid-19 Response

Our response promoted a more flexible culture to navigate the new environment

## People

- Health & Safety remained paramount
- Response teams rapidly established and highly effective
- People Engagement score increased throughout this period (73% Feb 20, 75% Jun 20, 76% Oct 20)

## Customers

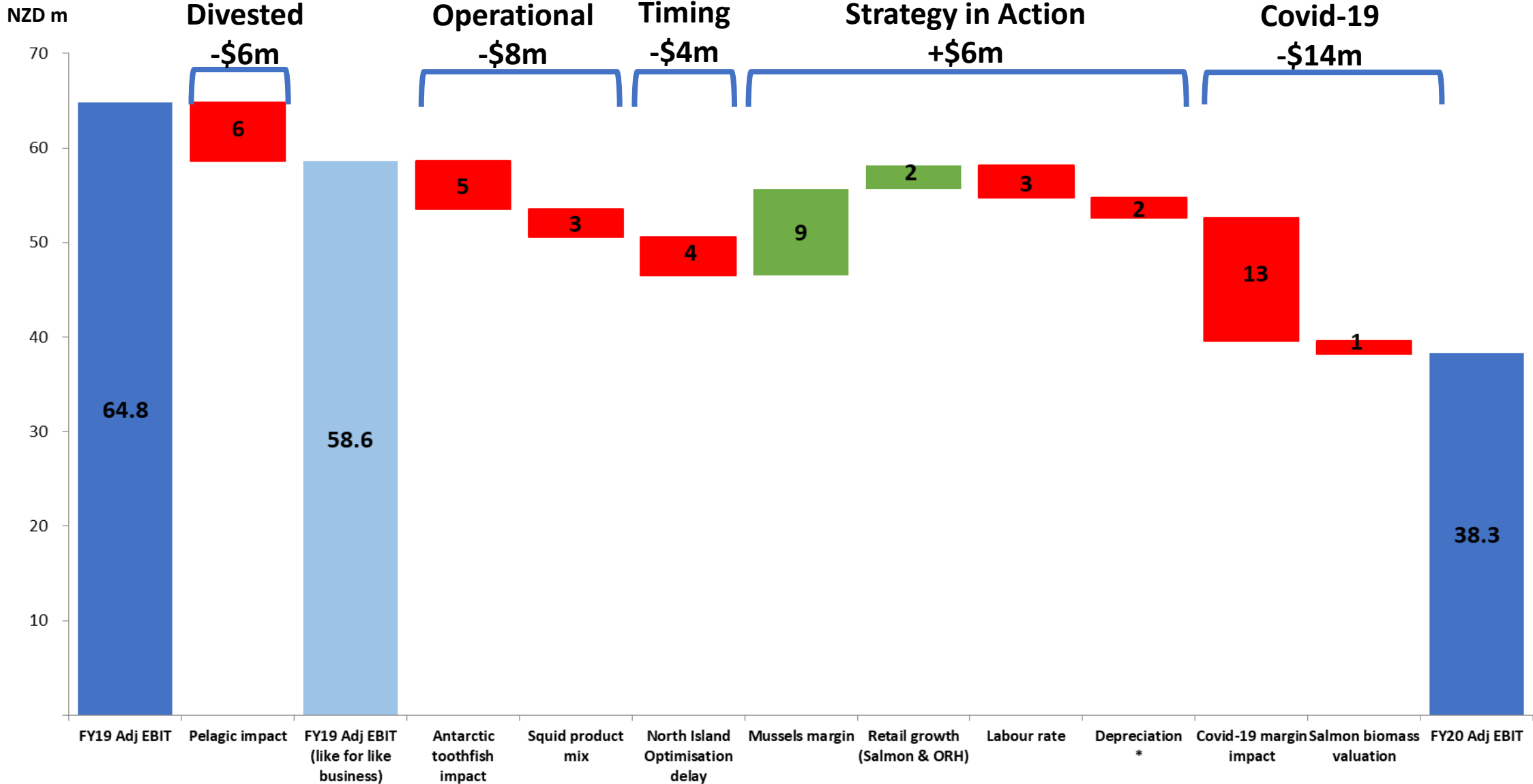
- Rapid shift from eating out to in-home dining for seafood industry
- Already focused on getting closer to consumer, Covid-19 accelerated this trend
- Refocussed on bulk commodity lines
- Transition into retail has been a focus in the response. Examples:
  - Appointed in-market retail channel focussed partners
  - Restructured sales function
  - Bagged Orange Roughy into US retail

## Financial

- Robust balance sheet – gearing of 30.6% at 30 September
- Sufficient headroom in borrowing facilities, \$83m at 30 Sep 2020
- Ongoing liquidity scenario planning
- Operating expenditure: hiring on hold, reduction in discretionary spend to be maintained in H1 21
- Capex: slowed in FY20; FY21 prioritising committed and integrity capex; maintain a watching brief on cashflow

# EBIT performance heavily impacted by fall in foodservice demand

## Key drivers of Adjusted EBIT change



\*Excludes the impact of NZ IFRS 16 leases



# FY20 Balance sheet

## Balance Sheet remains strong but debt has increased

GEARING\*

30.6%

↑ up from 23.7%

NET DEBT

\$184.3M

↑ +41%

TOTAL EQUITY

\$612M

↑ +4%

NET DEBT / ADJUSTED EBITDA

2.8x

↑ FY19 1.52x

RETURN ON AVERAGE  
TOTAL EQUITY

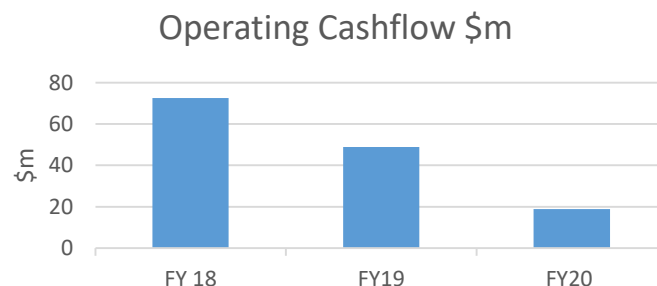
3.7 %

↓ Down from 7.1%

OPERATING CASHFLOW

\$18.8m

↓ -61%



LIQUIDITY RATIO

145%

↓ -28%

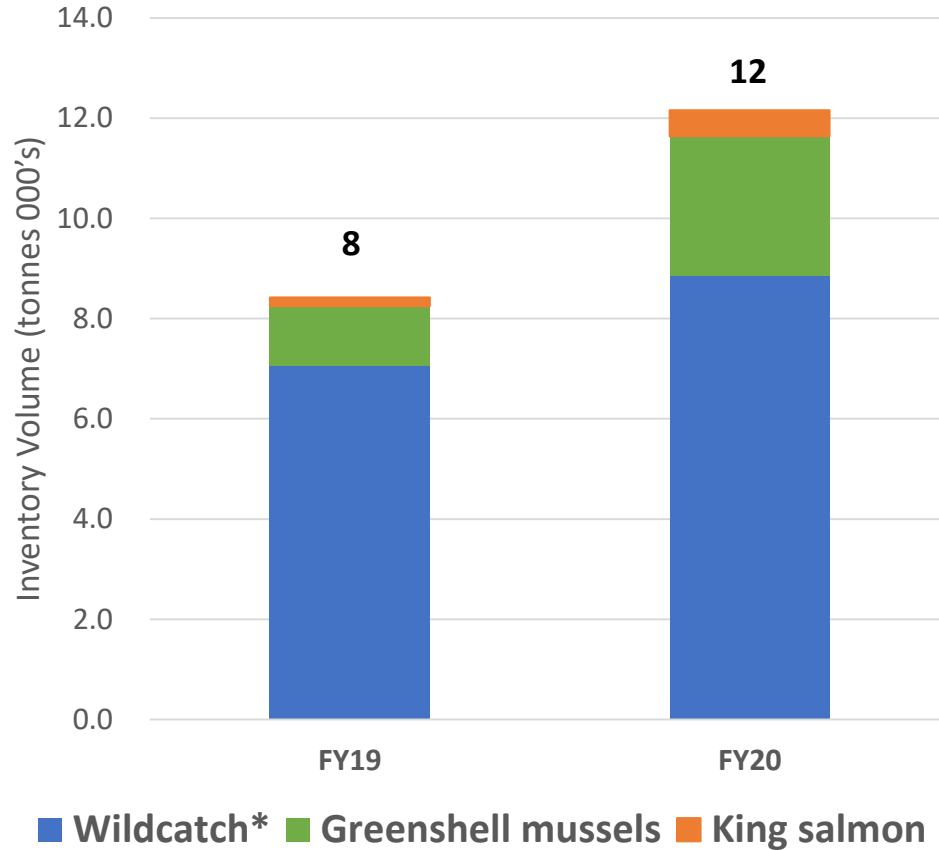
\* Debt/Equity



# Seafood inventory build in FY20

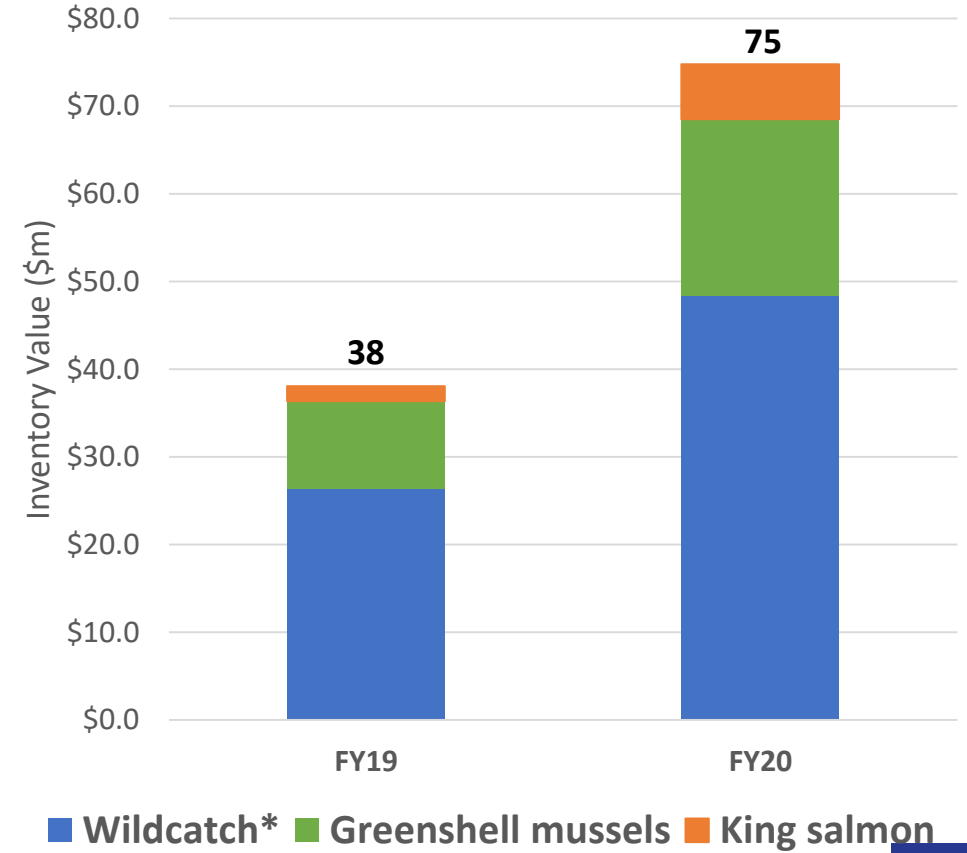
## VOLUME

YOY increase +44%



## VALUE

YOY increase +99%



\* Wildcatch inventory includes stock on board vessels not yet available for sale





# UPDATE BY BUSINESS

# Wild Catch FY20

Covid 19 caused a dramatic downturn for wild catch sold in foodservice globally

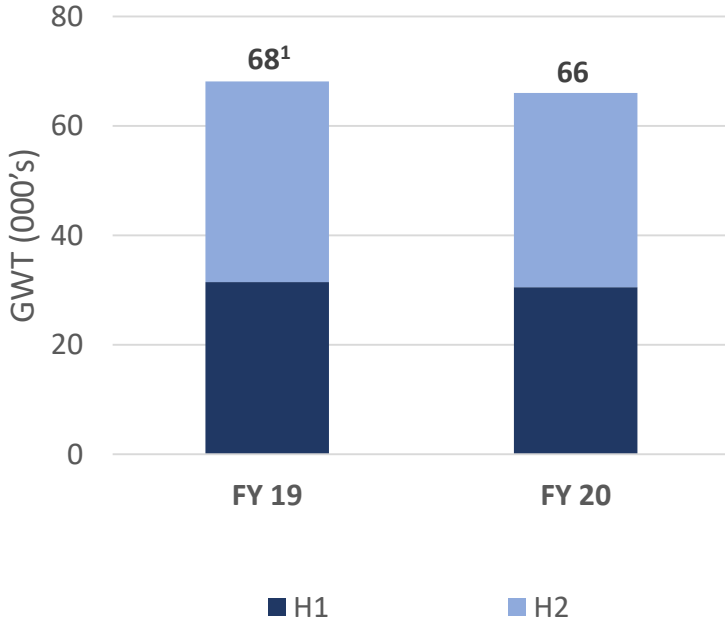


FRESH

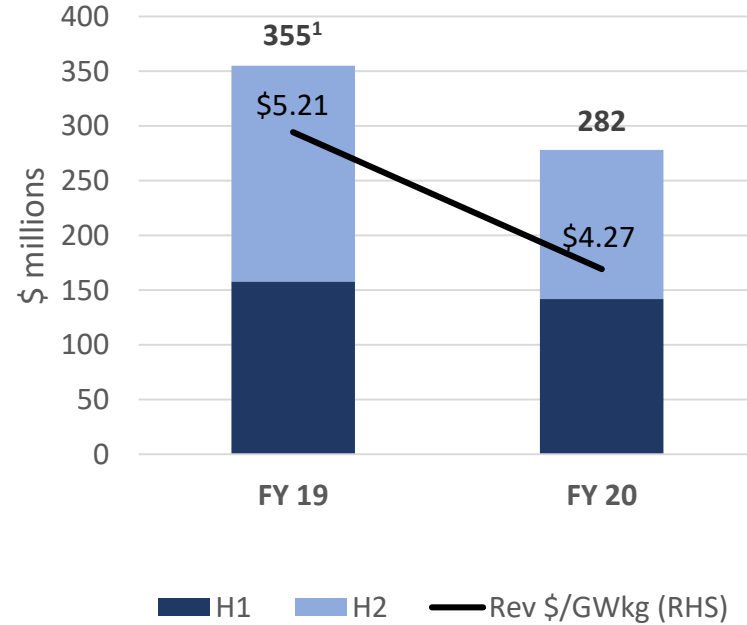


FROZEN

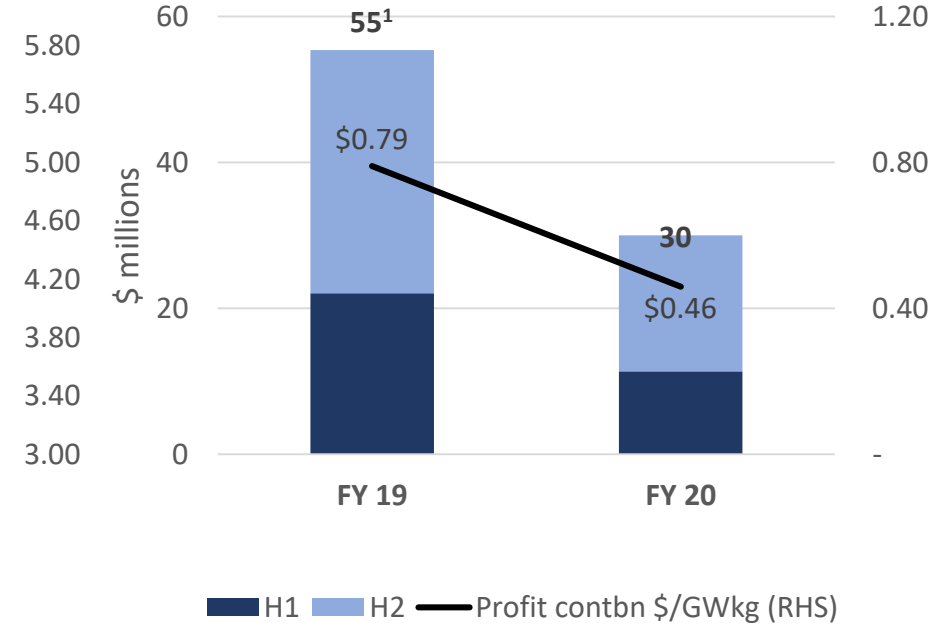
### Sales Volumes -3%



### Revenue -21%



### Profit contribution\* -45%



<sup>1</sup>excluding Pelagics business sold March-19. Including Pelagics FY19 sales volume 78kGWT, Revenue \$373m, EBIT 61m

\*Profit contribution is Adjusted EBIT before head office overheads



# Wild Catch FY20



FRESH



FROZEN

**Demand for both commodity and high value products fell, reducing sales margin**

## Positives

- 10% higher deepwater catch (reduced vessel downtime: vessel upgrades, improved crew retention)
- Strong demand into retail in USA for orange roughly along with improving pricing
- Margin recovery (albeit lower) expected when inventory sold

## Challenges

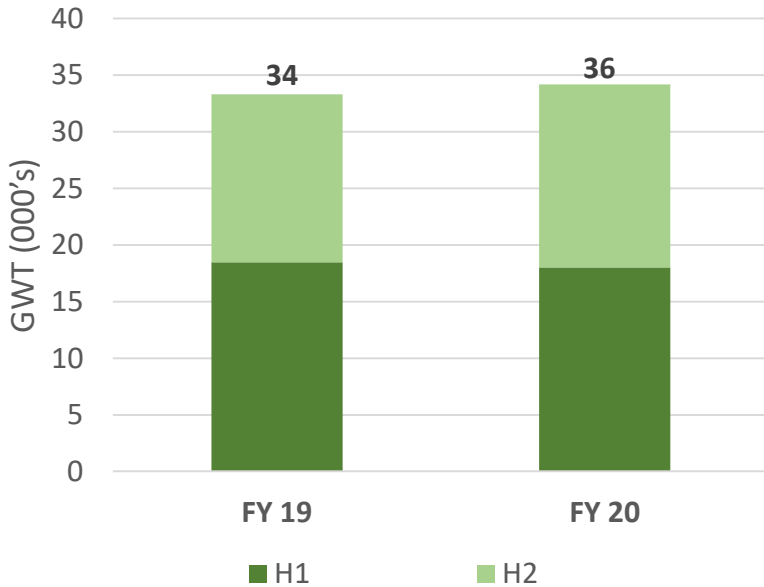
- Lower Toothfish catch and soft pricing
- Reduced pricing, smaller squid size and lower catches suppressed average margins
- Fresh sales impacted by Covid-19 leading to fixed processing cost under-recovery (which led to Tauranga site closing in August 2020)
- Hoki fillet demand fell leading to both an inventory build and a move back to fillet block to keep product moving.

# Greenshell Mussels FY20

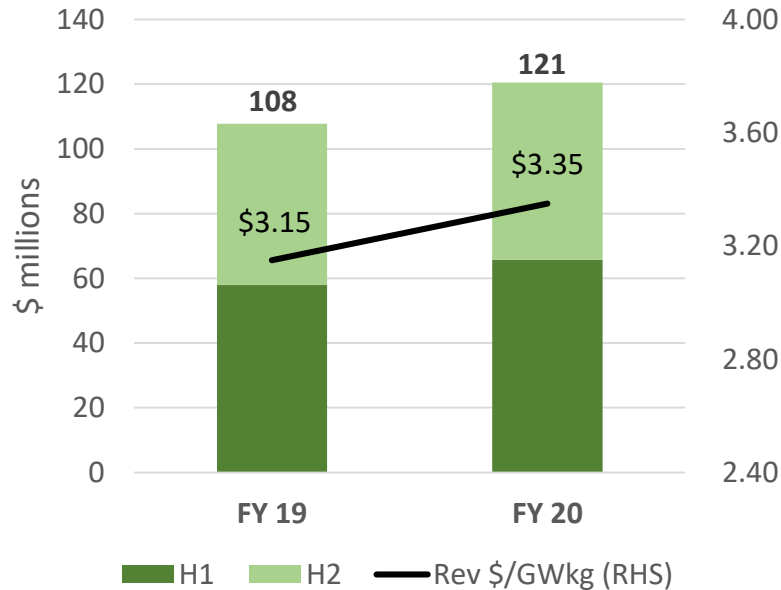
Half-shell volumes have heavy reliance on banqueting and buffet dining – more heavily impacted by Covid-19 than standard foodservice



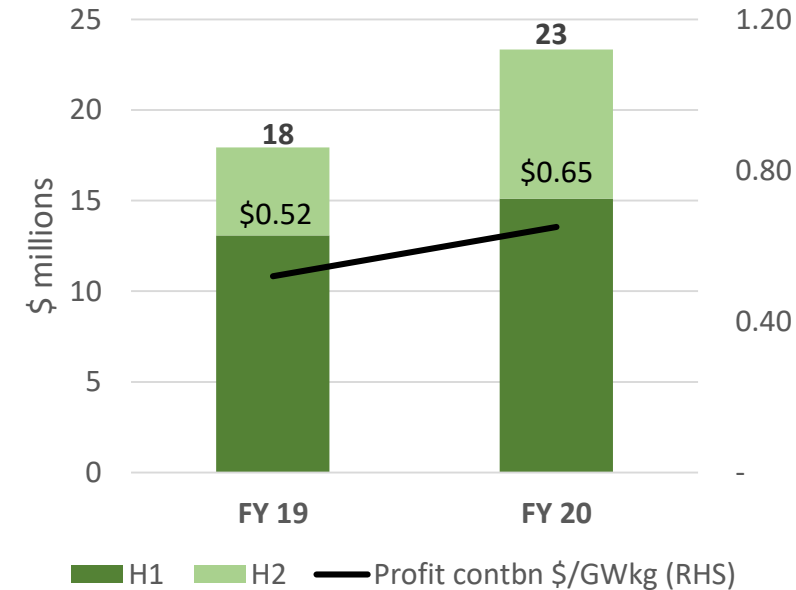
Sales volume +5%



Revenue +12%



Profit contribution\* +30%



\*Profit contribution is Adjusted EBIT before head office overheads



# Greenshell Mussels FY20

Pricing strong for first three quarters, but weakened in Q4



MUSSELS

## Positives

- Strong price, country and customer mix change driving margin
- Mussel powder pet market continues to grow and is resilient to the current climate
- Increased processing volumes also increased efficiencies
- Strong growth in SPATnz production capability

## Challenges

- Higher inventories in H2 as demand dropped
- Due to reliance on foodservice, the switch to retail is a challenge as consumers are reluctant to cook mussels at home
- Price drop in Q4 of 10% with supply far exceeding demand
- Mussel demand is a priority focus area for sales in H1 21



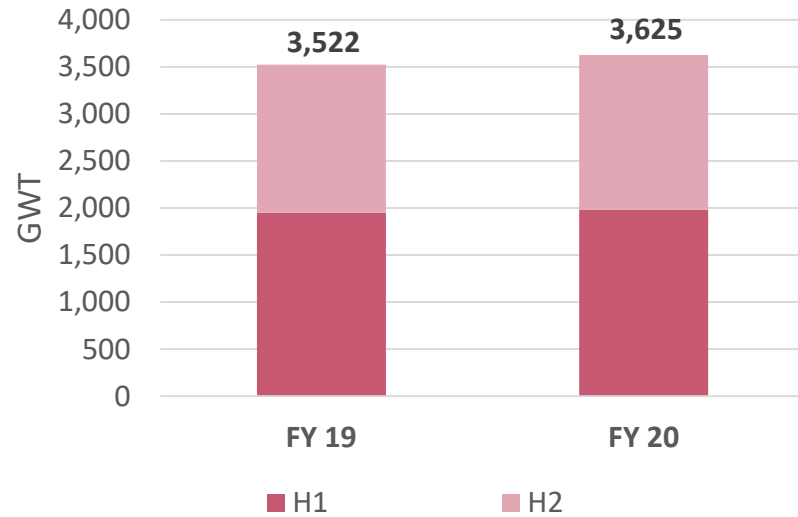
# King Salmon FY20

Covid-19 reversed the first half momentum

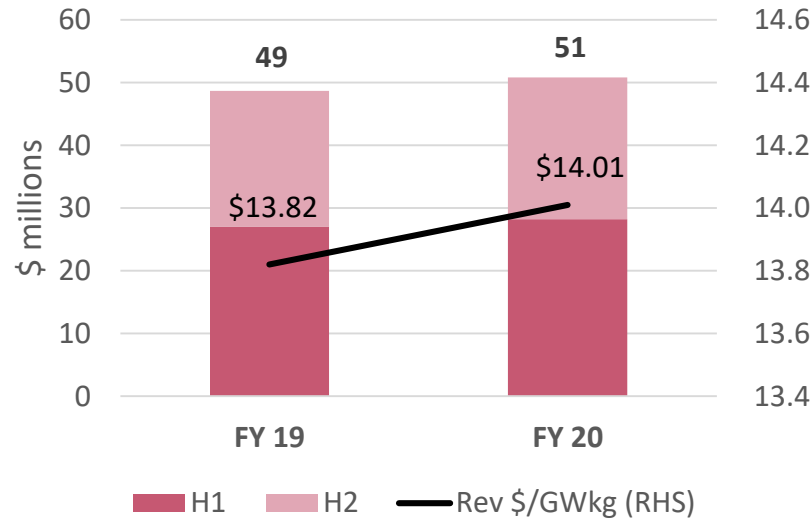
Needed to accelerate our retail programme placing pressure on margins



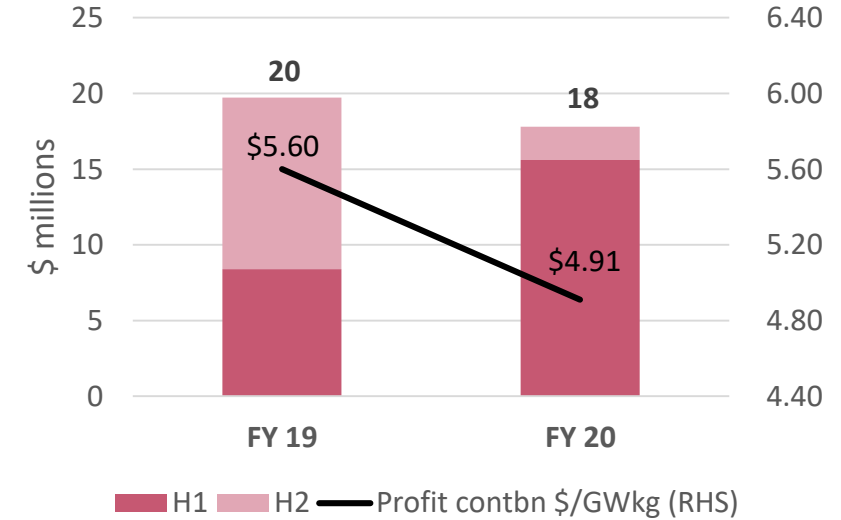
Sales volumes +3%



Revenue +4%



Profit contribution<sup>1,2</sup> -9%



<sup>1</sup>P&L impact of fair value movement in salmon biomass H1 +\$8m, H2 -\$9m, FY -\$1m

<sup>2</sup>Profit contribution is Adjusted EBIT before head office overheads



# King Salmon FY20

Long-term strategic opportunity validated, but responding to changing near-term environment



## Positives

- Strong interest and sales in North America from the Big Glory Bay brand pre Covid-19 disruption
- Fresh fillet sales growth into NZ retail
- Increased nitrogen allowance has enabled increased harvest volumes by 17%
- New US retail demand creates opportunity in FY21

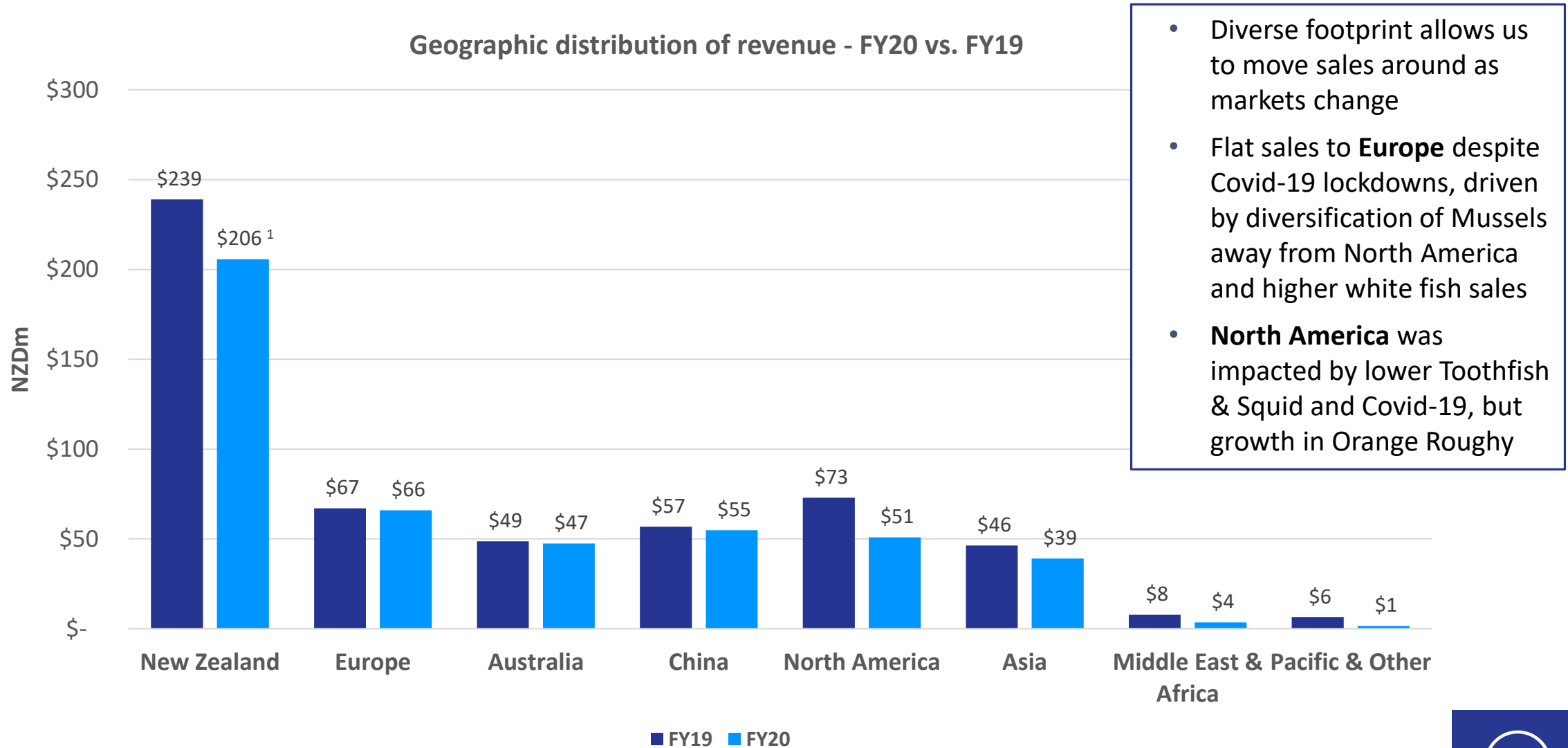
## Challenges

- Launch of Big Glory Bay into China was delayed by pandemic and US market suppressed
- Slowed down salmon biomass growth in Q4 in response to lower demand
- A lower fair value of salmon stock in water with expected future sales pricing under pressure
- Ageing facility with limited flexibility to respond to shelf-ready retail





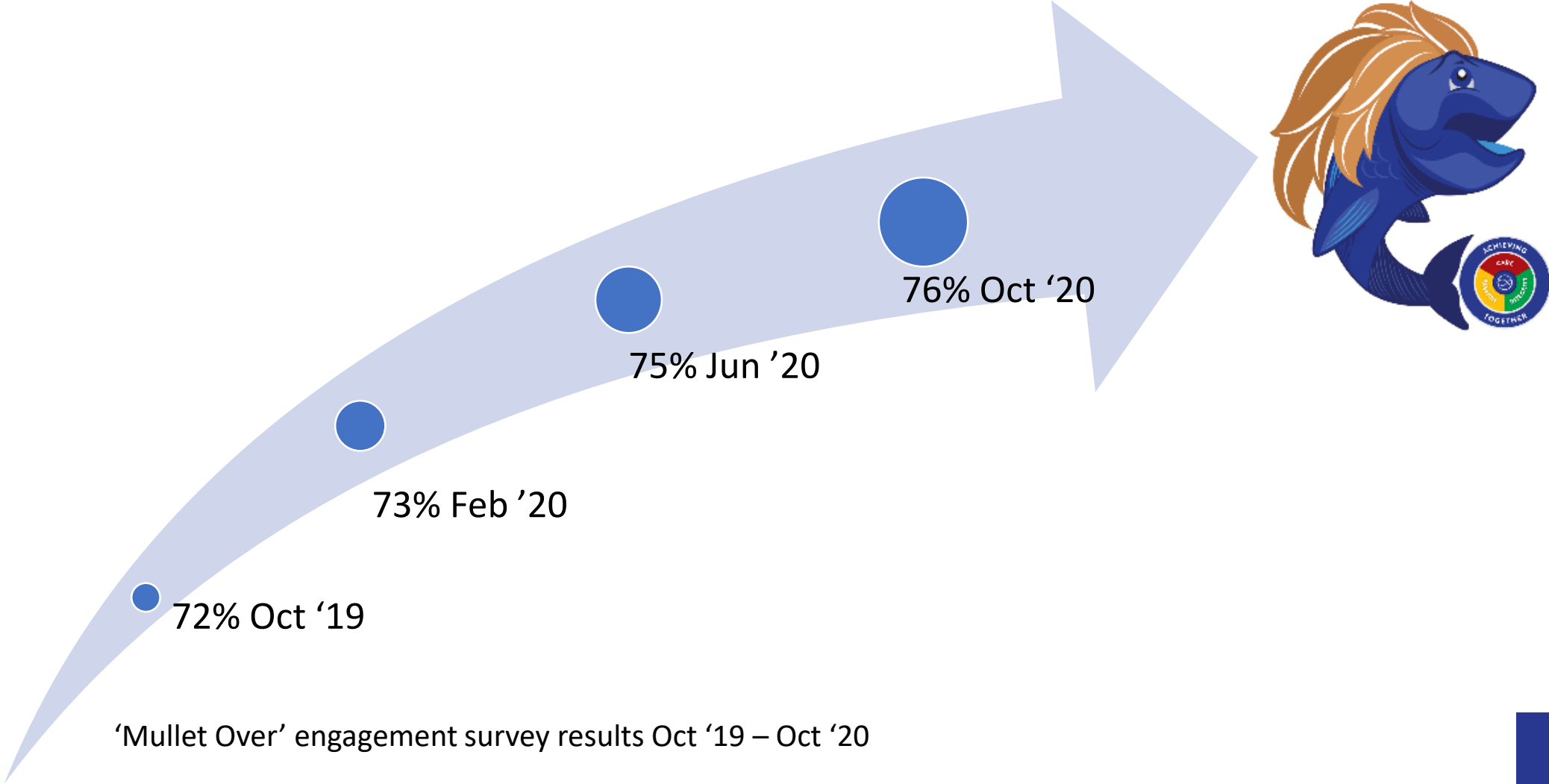
# Diversity of geography somewhat mitigates Covid-19 implications



<sup>1</sup> Revenue information above is based on the delivery destination of sales.



# High levels of commitment and increasing engagement of our people will support our recovery



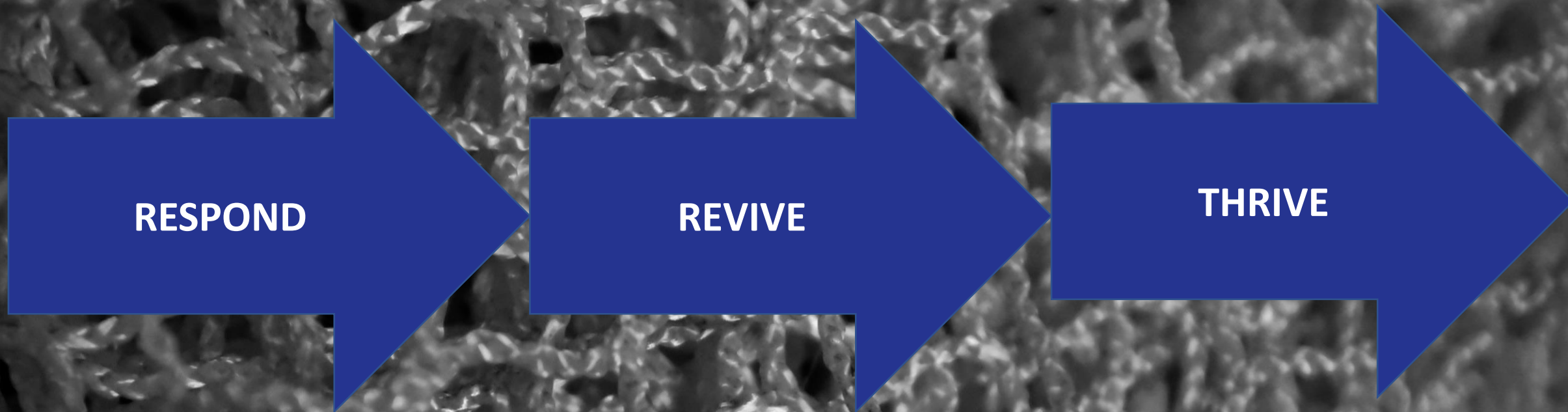
'Mullet Over' engagement survey results Oct '19 – Oct '20





**LOOKING FORWARD:  
FY21 FOCUS**

# Entering the “Revive” stage



# FY21 Focus

- Covid-19 tactical response plan:
  1. Focus on fundamentals
  2. Build agility to respond to change
  3. Spend aligned to integrity projects
  4. Reduce costs and protect EBIT
  5. Safe and high-performance culture
- Maintain the momentum that allows us to return to growth, and when the time is right to deploy our value creation strategy
- Leverage the commitment and talents of our people to respond to ongoing Covid-19 challenges and business opportunities



# FY21 Focus – by business

## Wildcatch

- Sell down inventory levels to ensure cashflow whilst protecting premium channels
- San Aspiring upgrade and San Granit mid-life survey
- Scampi vessels replacement delayed



## Greenshell Mussels

- New market and channel development to sell down inventory
- Complete the build of the marine extracts plant and growing the developing oil markets



## King Salmon

- Use Big Glory Bay brand to diversify channels and maximise value
- Investment in RAS (Recirculation Aquaculture System Hatchery) for increased smolt supply and security of supply
- Continued infrastructure investment to increase volumes, improve fish performance and quality



# Capital expenditure

- To retain financial flexibility during the pandemic, FY20 capital expenditure was reduced to \$48m (compared to ~\$80m outlook pre-Covid-19):
  - \$35m integrity (surveys, processing equipment etc)
  - \$13m growth
- Similar level expected in FY21 of ~\$45-55m
- Spend aligned to business performance for next 18 months with integrity capex prioritised
- We maintain an eye on the future and will respond accordingly



# Innovation pipeline

Products that allow us to respond to not only changing channels, but also high value consumer trends



- Marine Extracts facility delayed third quarter 2021





# WRAP-UP AND Q+A

Thank you!  
Questions?



A close-up photograph of a plated salmon fillet. The salmon is cooked to a golden-brown crust 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 plate. The background is blurred, showing a warm, yellow light source.

# APPENDICES

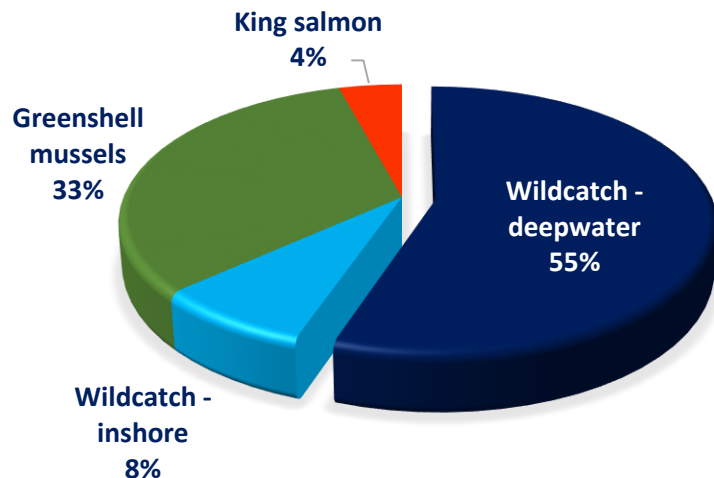
- Sanford's FY20 integrated report is available at <https://www.sanford.co.nz/investors/reports-1/company-reports/>
- The report outlines Sanford's Business Excellence Framework – this enables each part of the business to map out its role in helping to deliver on our goals
- We strive to inform in a transparent and open manner and welcome feedback from our stakeholders throughout the year



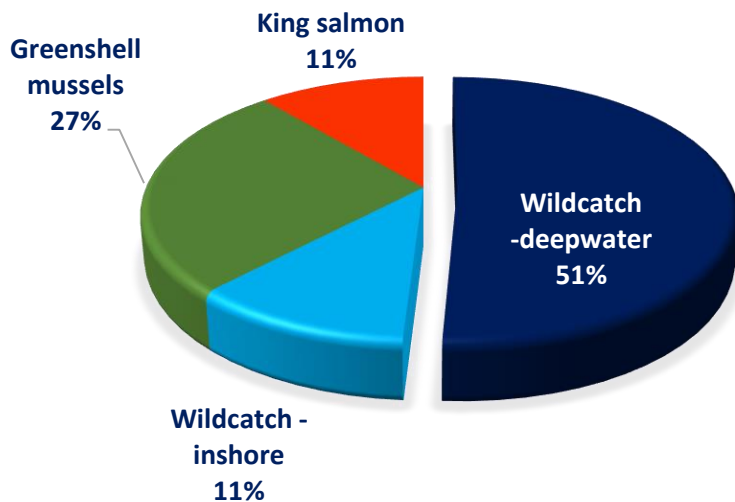
## Business Excellence Framework Six Outcomes driving a Sustainable Business

# Sanford's product portfolio – FY20

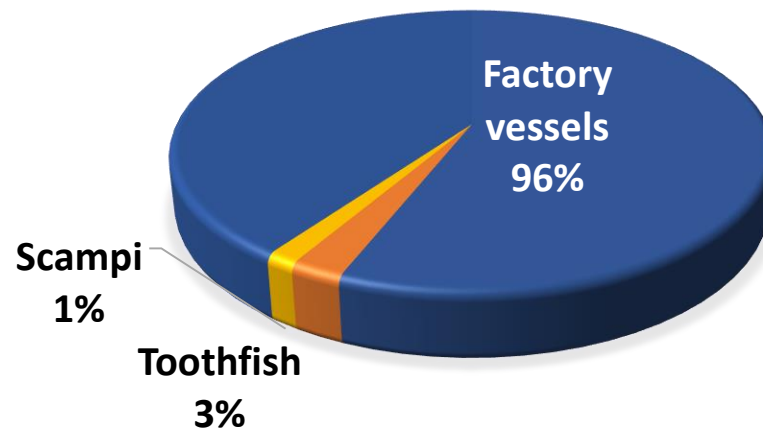
## HARVEST VOLUME



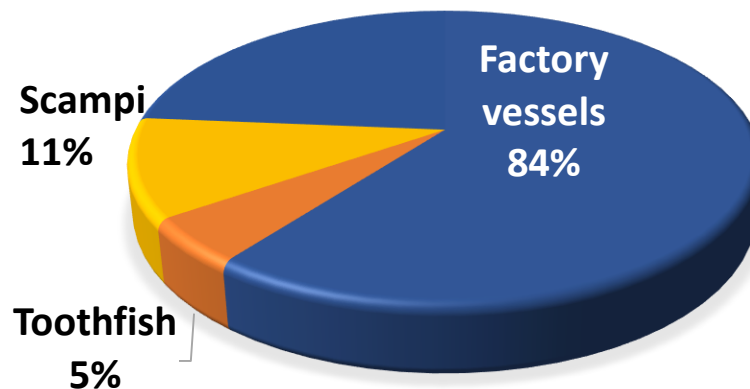
## SALES REVENUE



## DEEPWATER VOLUME

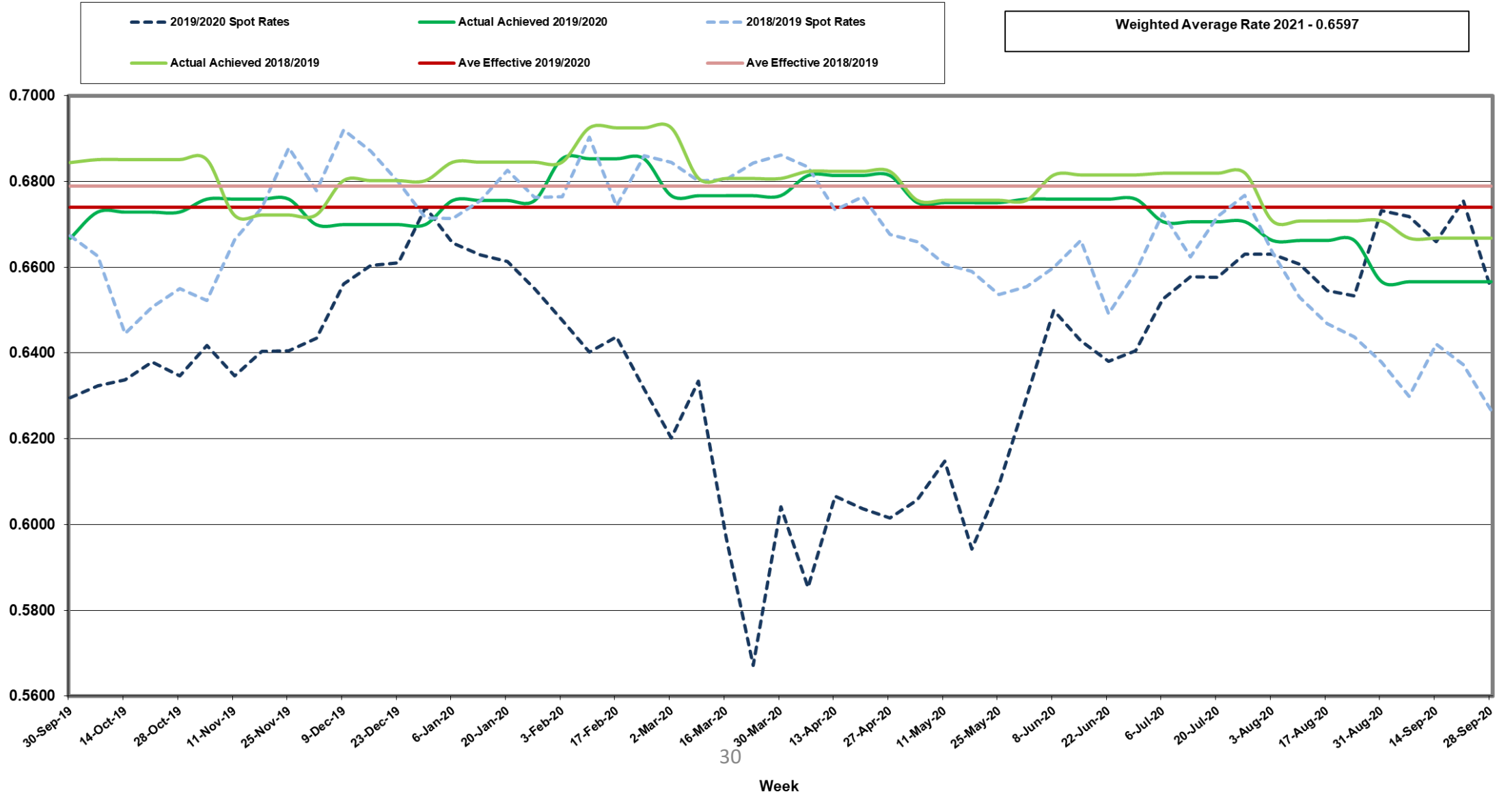


## DEEPWATER REVENUE



# USD FX HEDGING PATTERN FOR THE YEAR

USD Exchange Rate  
2019 Year compared to 2020 Year



# FY20 Financial Results - GAAP to Non GAAP reconciliation

	2020	2019
	\$m	\$m
Revenue	468.8	545.1
Gross Profit	82.5	107.4
%	17.6%	19.7%
<b>Reported net profit (GAAP)</b>	<b>22.4</b>	<b>41.7</b>
<b>Add back:</b>		
Net interest and tax expense	17.3	25.5
Net gain on sale of investments, property, plant and equipment and intangibles	(4.0)	(4.6)
<b>Reported EBIT</b>	<b>35.7</b>	<b>62.6</b>
<b>Adjustments:</b>		
Impairment of assets and restructuring costs	4.6	2.2
Other one-off items	(2.1)	-
<b>Total one off items</b>	<b>2.6</b>	<b>2.2</b>
<b>Adjusted EBIT</b>	<b>38.3</b>	<b>64.8</b>
Depreciation and amortisation	28.0	20.9
<b>Adjusted EBITDA</b>	<b>66.3</b>	<b>85.7</b>

## Non-GAAP Profit measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford has 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, non-trading currency exchange losses and gain (loss) on sales 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, non-trading currency exchange losses, depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets