

NEW ZEALAND KING SALMON – 2023 ANNUAL SHAREHOLDERS’ MEETING

The attached presentation will be given at New Zealand King Salmon Investments Limited’s Annual Shareholders’ Meeting starting held at:

Tides Hotel
66 Trafalgar Street, Nelson 7010,
Wednesday 14 June 2023
2:00 pm NZT and online at:

<https://vimeo.com/event/3389741>
Password: KingSalmon23

- 2023 New Zealand King Salmon Investments Limited Annual Shareholders’ Meeting – Chair and CEO’s Address
- 2023 New Zealand King Salmon Investments Limited Annual Shareholders’ Meeting – Presentation

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Annual Shareholders' Meeting

14th June 2023

Address by the active Chair: Paul Steere

Tihei Mauri ora

E nga mana e nga reo e nga lwi

tena koutou

E ko nga Rangatira e huihui mai nei ki te karanga o tenei kaupapa nunui

Nua mai, haere mai, haere mai

Kia ora everybody, both present here at the Tides Hotel and online through Vimeo.

Welcome to the seventh annual shareholders meeting of New Zealand King Salmon.

My name is Paul Steere, and I am an independent director of the company. Unfortunately, our Chair, John Ryder, is unable to be with us, although he is present online. In his physical absence, I will chair the meeting.

Firstly, some housekeeping points in the case of an emergency an alarm will sound. Please exit the building and assemble in the far end of the Hotel carpark (by the large sign). The nearest fire exit is at the reception end of the conference room, but there are multiple external exit doors in the conference room. In an earthquake, drop, cover and hold. Remain inside until shaking has stopped.

I'll now introduce my Board colleagues.

Joining us here in Nelson is Ms Victoria Taylor. Joining us online is Mrs Carol Chen in Hong Kong, Professor Catriona Macleod in Hobart and Mr Chiong Yong Tiong who is travelling in Asia. Jack Porus is travelling in Europe and is an apology today

I am pleased to also introduce members of our Senior Management team present today, starting with our acting-Chief Executive Graeme Tregidga, our Chief Financial Officer Ben Rogers, General Manager Aquaculture Grant Lovell and Fish Health and Welfare Manager, Dr Zachery Waddington.

There are other staff with specific expertise in our company also present and all can later assist in answering any questions

Brendan Summerfield, the audit partner from Ernst and Young is also with us today and able to respond to any questions on the financial statements you have received.

Also present is Mr Mark Dewdney who this morning accepted an invitation from our Board to join as a Director, and was confirmed as taking over John Ryder's role of Chairman from tomorrow. More about that later

(Slide 4 – Agenda)

I will now provide a concise overview of the year under review plus the period ahead, then Graeme will take you through a more detailed presentation of our operations and intentions.

We will then have the opportunity for questions which will then be followed by the more procedural ASM requirements, and I'll finish up with a few comments on our Governance.

(Slide 5 – Chair's Update)

They say, "what a difference a year makes"

A year ago, we were recording your, and our, bitter disappointment at the financial result as a consequence of the substantial and early marine heatwave that pervaded our marine farms, especially in the Pelorus Sound.

We outlined the strategies we had developed and would deploy in the summer of 2023, essentially to husband our marine growout stocks by placing the most vulnerable of them along with harvest priorities, within the traditionally cooler waters of the Tory Channel. We could not change the summer mortality losses which spread into the 1st quarter.

A lot of work was needed and there were many challenges within that 12 months to now.

After 13 years our Chief Executive resigned, and we wished him well. Graeme Tregidga our long-standing General Manager of Sales was appointed Acting Chief Executive and a search for replacement was commenced.

Our sales market intelligence provided scope for further increases in price. Management looked again at the staff needed to manage efficiently the production and processing needs, plus worked on the culling of lower performing costs. As you have seen from the full year result, we managed to reverse the previous year's loss of \$73million, to a small profit of \$2m in the Fiscal 23 year.

What was remarkable about that result is that our sales volume was down 24%, some 1,800mt but sales value only down 4%.

Summer Mortalities were at their lowest level in 6 years

In addition, the management team focussed on cost savings initiatives.

The average FOB price rose 32%, a little skewed by less frozen sales compared to previous year, but strong demand gave us stronger pricing.

Furthermore, a year ago we had some questions around the sustainability of our Omega Plus petfood business especially as we underwent the crucial company rebuild. But today we can report this division is making a fully costed return contribution and while small, has the potential for good profitable growth, not just domestically but also in the USA, China and Australia.

So a significant turnaround, and it continues.

Globally demand is high and challenged. The world's largest producing country, Norway, has had a 25% additional tax levied on salmon producers as has neighbouring producers in the Faroe Islands, Canada is limiting and looking to contract production, and Chile is struggling with a range of production issues.

It is a credit to the team that the company's fortunes are stronger across the divisions, and we particularly commend Graeme as the acting Chief Executive, who has marshalled his committed team to that end with strong morale demonstrated.

We farm Chinook salmon, aptly called King Salmon given its size and high nutritional properties.

Globally no one understands the husbandry and biological nuances of this species better than Grant Lovell and his team, Richard Smith leads a processing team able to maximise the variability of harvests and multiplexity of product skews to ensure correct and timely delivery.

No one knows better how to connect and ensure value from the best restaurants and consumers around the world than Graeme's sales team.

And all are very well served by the back room needs of Health & Safety, Compliance & Food Safety, Marketing, IT, HR, Climate Mitigation, and not least the reporting, analytical and measuring functions provided by Finance, Treasury and Accounting under Ben's leadership.

The company is doing well at present and our outlook is positive.

For the first quarter, our unaudited results indicate sales revenue up 12% to \$47.3 million on prior year and an EBITDA of \$6m compared to a loss of \$15m a year ago.

However, we do have 7 1/2 months to complete the year, so at this stage we will maintain our market guidance for an EBITDA of between \$21 to \$25million.

We were pleased to notify the market that the appeals against our Blue Endeavour licence have now been settled, and subject to a formal acknowledgement of that outcome, we can exercise the resource consent that has been granted.

Blue Endeavour was the largest, most expensive application under the RMA ever in any form of NZ Aquaculture.

It was first lodged in July 2019 after some 18 months of preparatory work by your company in scoping the needs, monitoring the proposed and other possible sites for their conditions and suitability, studying the technology already being used in the northern hemisphere and engaging with interested 3rd parties both supportive and some, maybe a little concerned.

The three learned Commissioners appointed by the Marlborough District Council called for public submissions on the 18th October 2019 – 56 were received, of which 39 supported the application, 14 were opposed and 3 neutral.

The commissioners had 5 periods of meetings totalling 11 days – a significant amount of work was done by correspondence between the commission with the parties involved. Some 26 witnesses gave evidence from the company and of the submitters, 26 also gave evidence, as did 9 council officers. We are very grateful to the company team, especially to Grant, Mark Preece, Mark Gillard and Zac Waddington plus the legal team of Gascoigne Wicks led by Quentin Davis, for their combined diligence, application and aptitude in seeing this through to a positive conclusion.

Approval of the application was released by the commissioners on behalf of the Council on the 10th of November 2022 – the decision runs to 199 pages including appendices.

So over 5 years in the making, \$7million in fees and research by your company to say nothing of the distraction from the teams day jobs, and subject to the formal lodgement, we now have the resource consent for two farms under acceptable conditions, within an area of 1,000 hectares just 5km north of point Lambert in the north Marlborough Sounds.

The real work begins now as they say.

We will be taking a measured approach to the utilisation of Blue Endeavour.

Some of it will be back to the drawing boards, looking at the new generation of technology, nets, anchors, walkways, feed discharge, cameras and logistics being proven elsewhere. Further monitoring and measurements over reasonable time periods will be required and likely we will start with small cohorts to test and assure that we have optimised the performance before scale – up.

This will all take time, and we will regularly report progress.

In addition, we will continue to consider other options for looking to grow under established farms and conditions including genetic thermal improvement, larger more resilient smolt input and further focus on the Tory Channel along with other opportunities.

So a lot of work to be done.

We have the team that can do it and your board and Management remain confident that we can continue to grow our profits in our strategic approach, while preparing the way for Blue Endeavour

Tena koutou

I will now ask Graeme to take the meeting through his presentation.

(Slide 6 – CEO’s Address)

Nau mai, Haere mai.

Thank you, Paul. My name is Graeme Tregidga, and I am the Acting CEO for NZ King Salmon. I am going to take you through:

- The highlights for the last financial year, FY23, and also update you on our efforts around -
- Sustainability
- Our business and operations update
- Outlook for the coming year; and
- Blue Endeavour and growth opportunities

(Slide 8 – Financial Summary)

This slide provides a bridge in how we got to our FY23 pro-forma result from the FY22 year. The Financial highlights for FY23 include:

Revenue, which is down on the prior period due to a reduction in available harvest volume post the summer mortality event. But we were able to partially offset that by improvements in the pricing and product mix sold.

Cost of goods benefitted from a decrease in harvest volume on a total basis, however this benefit was partially offset by the rising cost of raw materials. Like many global producers we incurred rising costs related to feed, labour etc. Also scale inefficiencies caused by fixed or semi-variable costs which needed to be covered by the lower harvest volume.

The increase in mortality on 1HY23 reflects the previous summers mortality event which started at the end of FY22 and carried on into 1HY23. This past summer mortality is significantly down from prior year and has been our lowest in the past 6 years.

Freight is favourable due to a reduction in available harvest post the summer mortality event, on a kg basis freight rates have continued to improve slightly. However, rates are still well above pre covid levels.

There have been no early close outs of FX contracts in FY23 compared to FY22.

(Slide 9 – Facts & Figures)

On this slide you can see our harvest for the FY23 year was 6,014 tonnes. The lower volume represents the fallowing of three farms in the Pelorus and reduced biomass from the mortality that occurred in the previous years summer. We have a good geographic market spread, operating in about 20 countries but New Zealand and the USA remain centrally important. We have also resumed sales of fresh chilled salmon to China.

The two charts on the right show our GAAP NPAT and pro forma EBITDA results. NPAT turn around was predominately due to:

- goodwill and asset impairments in FY22
- An increase in the Fair value of our biological assets (salmon) in FY23; and
- An increase in our operational performance as a result of price increases in all markets and good cost discipline

The previous slide spoke to the various ups and downs across FY23 that led to our FY23 pro-forma EBITDA result.

(Slide 11 – Our Sustainability Developments)

Within NZ King Salmon Cultural Values there are 3 core principles.

- Safety Always – we look after our people
- Food Safety – pride in the quality, consistency, and safety of the products we produce
- Sustainability – minimise the impacts on the environment in how and where we operate.

We remain committed to reusable, recyclable or compostable packaging across our business - currently at 52%.

We are preparing for the incoming Aotearoa New Zealand Climate Reporting Standards (effective for financial year 2024) which will be a major focus for us throughout the business.

We have again achieved Best Aquaculture Practices 4-star certification (highest rating) in FY23.

We were proud to receive the Sustainability Award at the Marlborough Chamber of Commerce Business Awards endorsing that we are on the right pathway with our Sustainability strategy.

(Slide 12 – Fish Health & Welfare)

NZKS fish health has improved dramatically in the past 12 months. This has been driven by the recognition of risk factors for adverse fish health outcomes. We have employed targeted strategies to support the improvement of our fish health.

Temperature: The single biggest risk factor affecting fish health has been shown to be sustained warmer water temperatures. As result, in 2022 the company made the decision to avoid stocking fish at sites with this temperature profile wherever possible. This meant following 3 of our Pelorus sites and undertaking seasonal harvest at other sites. To address this risk longer term we have also revamped our breeding program to aggressively select for both summer survival in challenging environments, and breeding highly thermotolerant fish, both of which have shown promise.

Stress: We have additionally looked at minimising other stress factors to support our fish welfare. These include the optimisation of our net cleaning process, predator exclusion and rigorous feed quality assurance and feed quality control.

Vaccine: Continued work on immune resilience has also been a focus for the team, with a new vaccine having shown good effect in both laboratory and field settings. Other efforts in improved nutrition and the above mentioned mitigators are also helping the immune function of our fish.

NZKS employs a New Zealand licensed specialist aquatic veterinarian to oversee the health and welfare program. We also involve numerous academic and governmental research agencies within NZ and internationally to ensure we get the best advice available on fish health and welfare.

(Slide 14 – Our Summer Farming Strategy)

Changes to the farming model via our summer farming strategy, have now been implemented. As a reminder, NZKS is now avoiding farming warm water sites through the summer months with the intention of more reliable and consistent production. Also, to note, as Paul has already mentioned the Blue Endeavour site decision has been reached and subsequent mediation has been resolved.

(Slide 15 – Resilient Brands)

Navigating the Covid era necessitated that we trim back on our marketing investment. Through FY24 we will embark on rebuilding our brand equity and seeking out the higher value opportunities. We will be connecting with key chef advocates through the Ōra King Global Ambassador Program and holding in market events.

For our retail brand Regal, we will predominately engage with consumers via social and digital media.

Our Omega Plus range of petfood products sales strategy has moved more towards specialty retail outlets.

Resumption of International travel has seen our customers return to New Zealand for family visits. These successful visits result in a huge reach across social media channels as they post updates on their travels.

Inflation pressure and cost of living crisis saw us reduce the 200gm Hot Smoke range to a 100gm size. This has been extremely well received by consumers after a successful launch.

(Slide 16 – Operational Updates)

Moving to our operational highlights.

The first shipment of feed via the new direct shipping route from Tasmania, Australia arrived this year increasing the surety of our feed supply.

Takaka freshwater site undertook the largest harvest of Ōra King Tyee. These very rare and highly sought-after fish which are greater than 13.6kg and sell for over \$75.00 per kilogram each.

Our new 320MT barge Kai Hāmana is operational at our Clay Point farm and our new net cleaning vessel Ika Mā is also operational

We introduced fish to Tentburn's new first feeding facility and we have sold our Waiiau freshwater facility.

We have also just completed construction on our new plant for the Regal smoked salmon dips range. *Note – for those present here today there is a pottle each from one of the first production runs.*

(Slide 18 - Outlook)

We remain focussed on optimising the core business to maximise earnings.

The seasonal harvest and fish management in FY23 proved a successful strategy and we need to ensure the learnings provide an adaptive tool for future changing summer conditions.

Globally demand remains strong and limited supply has provided strong price support.

Freight and Supply Chain Challenges easing but still prevalent. As a positive example, for the first time in 3 years we resume sending a container of \$0.5M of product direct from Nelson to a North American customer.

Forecast FY24 harvest volumes of ~6,600MT. Our forecast FY24 EBITDA guidance of \$21m to \$25 remains.

Our Growth Capex for FY24 is focussed on further optimising the core business. However, we are continuing to investigate several growth options, including Blue Endeavour.

Slide 19 (Blue Endeavour)

Our ambition to significantly grow our fish volumes remains. Blue Endeavour is a part of this ambition, and we are delighted that this has passed its final hurdle to become a reality.

We will progress the project in a structured manner to minimise risk. This will include using the knowledge gained from our recent summer farming strategy changes. The global focus on offshore fish farming has seen significant technological advances in recent years.

Blue Endeavour has the potential to add up to 10,000MT of harvest volume in conjunction with our nursery sites when it is fully developed. Full capacity of existing sites plus Blue Endeavour is ~17,000MT.

We believe that other initiatives and opportunities exist for further volume growth over the next 5 to 8 years. We will be exploring these throughout the next year to evaluate the potential in realising these opportunities.

I would like to call out the entire team of 450 hardworking people at NZ King Salmon who contribute and make great things happen. Their tireless work and passion have set the business on the right track to attain our guidance for FY24 of \$21-\$25M.

I would also like to thank you, the shareholders for your continued support and belief in our business.

We are also grateful and wish to recognise the services and consumable products that our supply partners provide to NZ King Salmon. We value these relationships to ensure our finest king salmon are grown and reach our customers in pristine condition.

To our customers and community – we thank you and recognise your support for our business and products.

I would also like to take this opportunity to thank our chairman Mr John Ryder for his 13 years of service to NZ King Salmon. John has been a guiding force for our business over these years as we navigated some of the most challenging times. We have valued and respected his immense business experience. Thankyou John for your leadership and guidance – we wish you all the very best for your future focus on your other business interests.

End – back to Paul