



ANALYST RESULT BRIEFING FINANCIAL YEAR ENDING 30 SEPTEMBER 2018



BIG GLORY BAY
OCEAN-FARMED
KING
SALMON
STEWART ISLAND / NEW ZEALAND
BIGGLORYBAY.CO.NZ



DISCLAIMER

This presentation contains not only a review of operations, but also some forward looking statements about Sanford Limited and the environment in which the company operates. Because these statements are forward looking, Sanford Limited's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the previous results announcement, are all available on the company's website and contain additional information about matters which could cause Sanford Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Sanford Limited.



INTEGRATED ANNUAL REPORT 2018

- 2018 integrated report 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 their role in helping to deliver on our goals
- We strive to inform in a transparent and open approach and welcome feedback from our stakeholders throughout the year



SOLID BUSINESS PERFORMANCE DESPITE ADVERSE CLIMATIC CONDITIONS

CATCH/HARVEST VOLUME

118k GWT

↓ 5.6%

REVENUE

\$515M

↑ 7.7%

ADJUSTED EBIT

\$64.7M

↑ 1.5%

EBIT GWT kg

54c*

↑ +\$0.02/kg

RETURN ON AVERAGE
TOTAL EQUITY

7.3 %

↑ Up from 6.6%

NPAT

\$42.3M**

↑ 12.9%

EPS

45c

↑ +5c

ANNUAL DIVIDEND

23CPS

Stable

Wild Catch GWT	↓ 2%
Deepwater	↓ 2%
Inshore	↓ 9%
Fishing partners	↑ 5%

Aquaculture GWT	↓ 14%
Salmon	↓ 4%
Mussels	↓ 15%

Revenue per PW kg	↑ 8%
9.2% fresh sales (from 8.3%)	
Hoki product cascade	
Salmon price achievement	
Ling swim bladders	

* Excluding third party partner catches, EBIT is \$0.57/kg to \$0.63/kg up 6 cents

** Including Havelock insurance settlement of \$6.8m net of repair cost

STRONG CASH FLOW AND BALANCE SHEET

GEARING

26.6%

↓ down from 32.3%

NET DEBT

\$152.4M

↓ 16%

EBITDA*

\$84.4M

↑ 2%

TOTAL EQUITY

\$582M

↑ 1%

DEBT / EBITDA

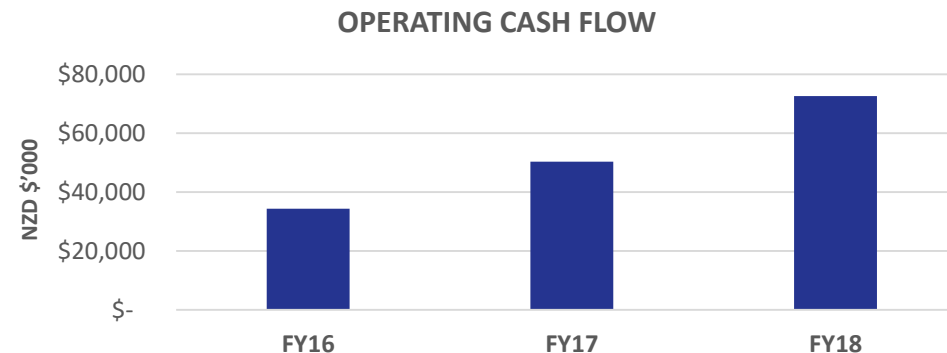
1.81x

↓ FY17 2.25x

Operating Cash Flow

\$72.6m

↑ 44%

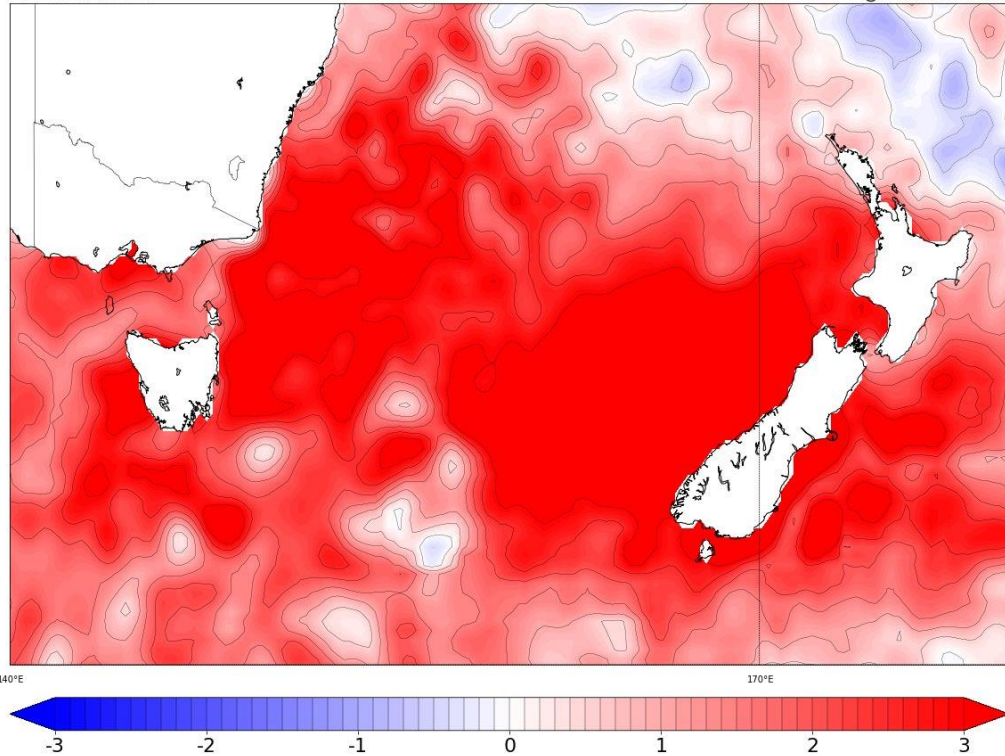


*EBITDA: Earnings before interest, taxation, non trading currency exchange gain/(loss), depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets

FY18 HEADWINDS

Sea Surface Temperature Anomaly (°C)
28 Nov 2017

Data: NOAA OISSTv2
@BenNollWeather



- Marine heatwave impacted salmon growth and mortality rates- led to suspended sales for 10 weeks
- Algal bloom impacted mussels growth and yields in Marlborough
- Extended shut down of Havelock plant for earthquake repairs
- Lower Hoki catch volumes
 leading to voluntary Hoki shelving of West Coast ACE in 2018/19 season
- In shore fleet impacted by poor weather conditions and reduced fleet size, mitigated by engaging private fishing partners

CLIMATE CHANGE: MITIGATING THE RISK

Mussels

Sanford's no. 1 species

- Spat NZ
- Geographically diverse
- Development of nutraceuticals (powder & oil) and cosmeceuticals



Salmon

Creating value with the fish we have

- Branding
- Oxygenation systems
- Net cleaning tech.
- Antibiotics-free
- Stewart Is. location
- Fallowing plan, cage configuration and lower stock density



Wild Catch

Diversity of species

- Volume independent
- Hoki product cascade
- Consumer proximity
- Consumer education
- Product innovation (hoki skin collagen)
- Sanford Black for premium species (asset rejuvenation)
- Precision seafood harvesting
- Whole fish utilisation
- NZ's large EEZ

2018 STRATEGY IN ACTION – PROGRESS AND DELIVERY ON KEY FOCUS AREAS

INNOVATION

- Developed *Sea to Me* nutraceuticals range
- Marine collagen nano-fibre for skin care products
- Selective spat breeding at SPAT_{NZ}
- Further rollout of PSH across our deep water fleet
- Created awareness on plastics pollution



BRANDING

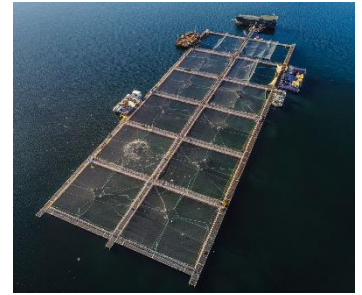
- Investment in brand development
 - *Big Glory Bay, Sanford Blue and Sanford Black*
- Auckland Fish Market Development in Wynyard Quarter
- Acquired Auckland based home-delivery E-platform *Fresh Catch*
- Focus on end customer, replacing third party distributors
- “Focus on Fresh” - 9.2% of Sales are now fresh, up from 8.3%



2018 STRATEGY IN ACTION – PROGRESS AND DELIVERY ON KEY FOCUS AREAS

OPERATIONAL EXCELLENCE

- Salmon - Infrastructure investment, volume growth
- Havelock facility upgraded for earthquake strengthening
- Hoki product cascade improvements moving from fillet block to individual fillet
- San Granit reaching expected levels of operational capability
- Vessel improvement programme underway



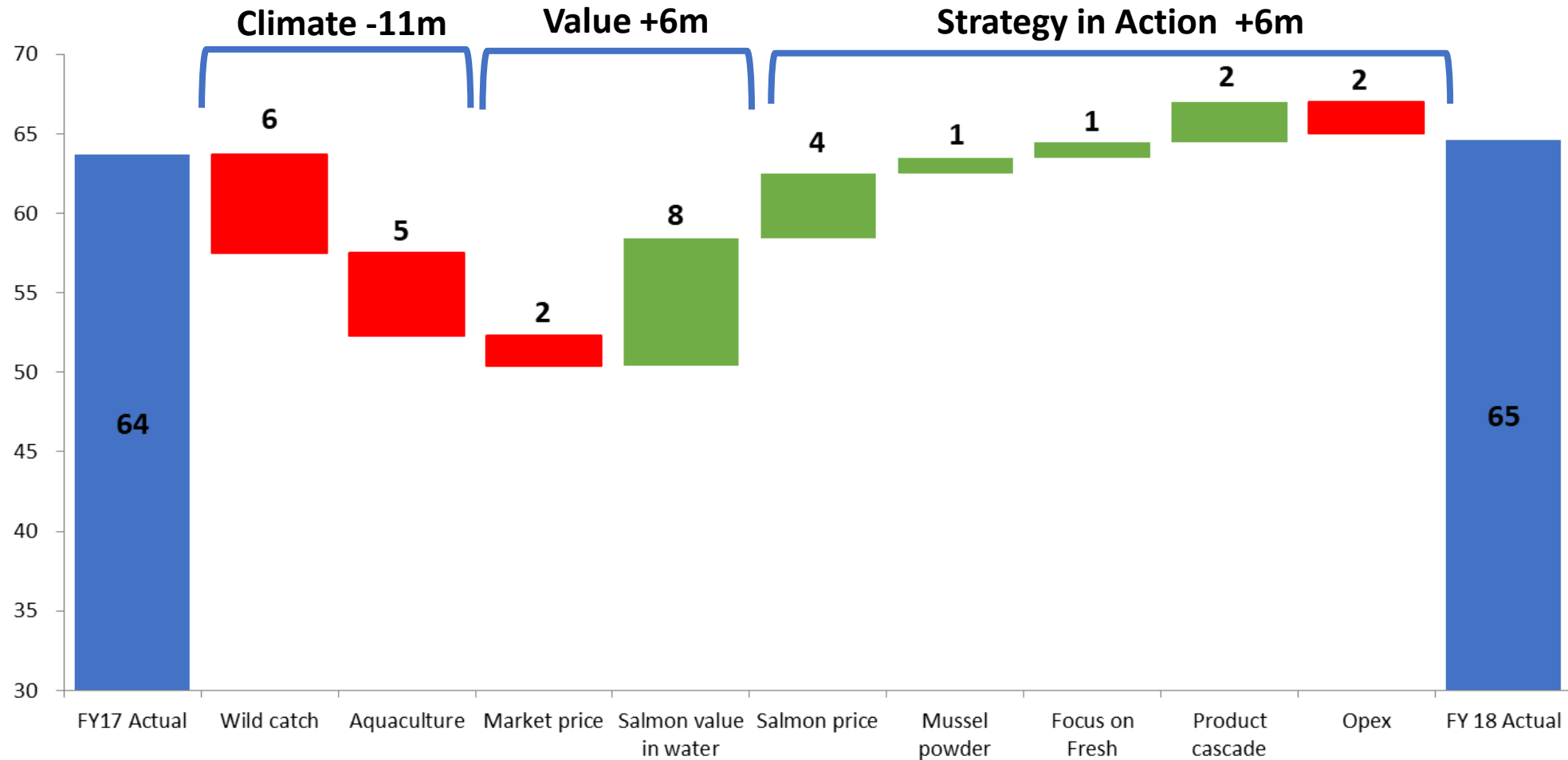
ORGANISATIONAL CAPABILITY

- Huge success with “Keeping it Fresh”, “San Ignite”, and “San Activate” development programmes. ‘Highly commended Employer’ by Tertiary Education Commission Skills Highway for our “Keeping it Fresh” programme
- Structure supporting strategy -Cross functional teams to drive strategy execution
- Engagement score static

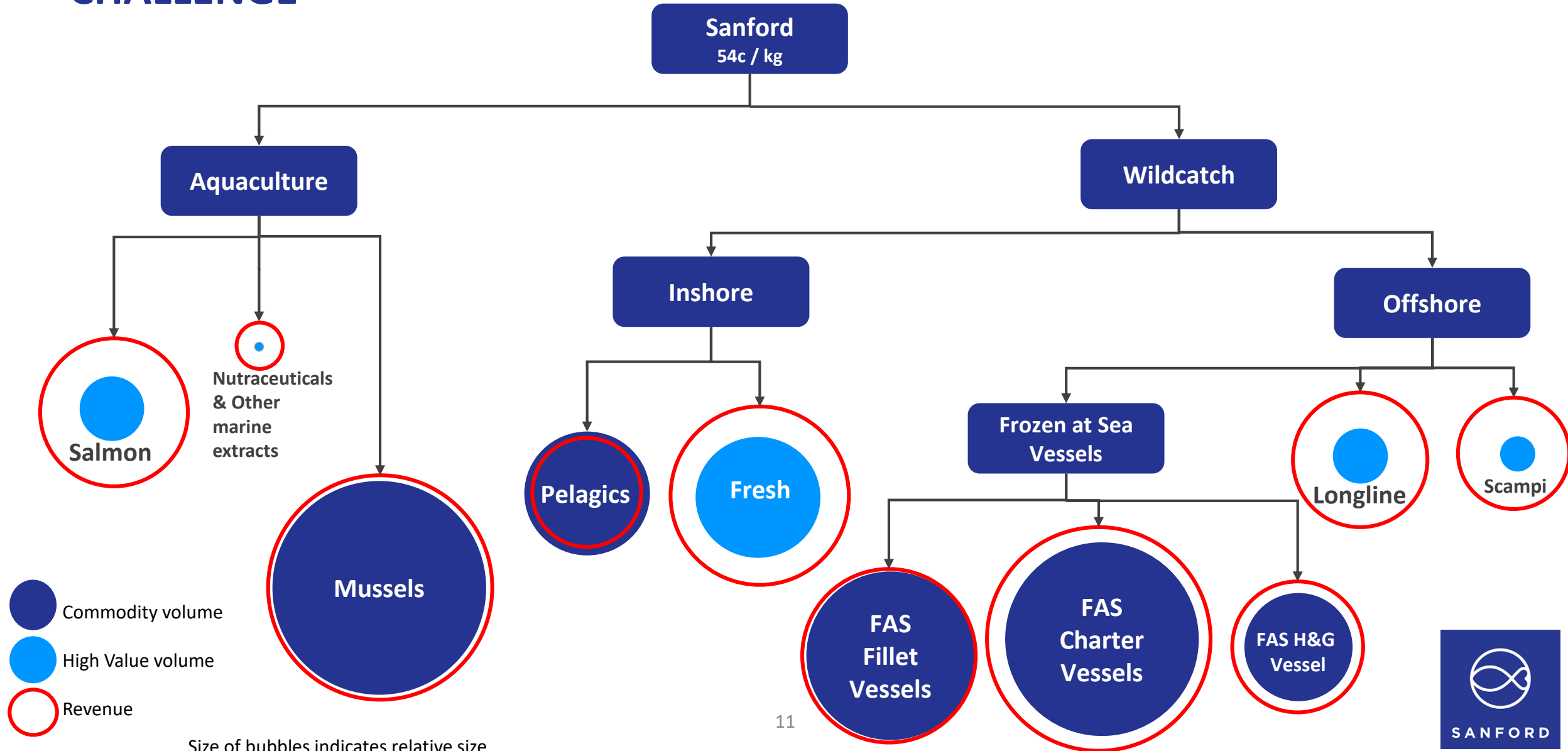


VALUE STRATEGY DRIVING ADJUSTED EBIT IMPROVEMENT

Key Drivers of YOY ADJUSTED EBIT change
\$ m



PORTFOLIO DIVERSITY IS BOTH OUR COMPETITIVE ADVANTAGE AND OUR CHALLENGE



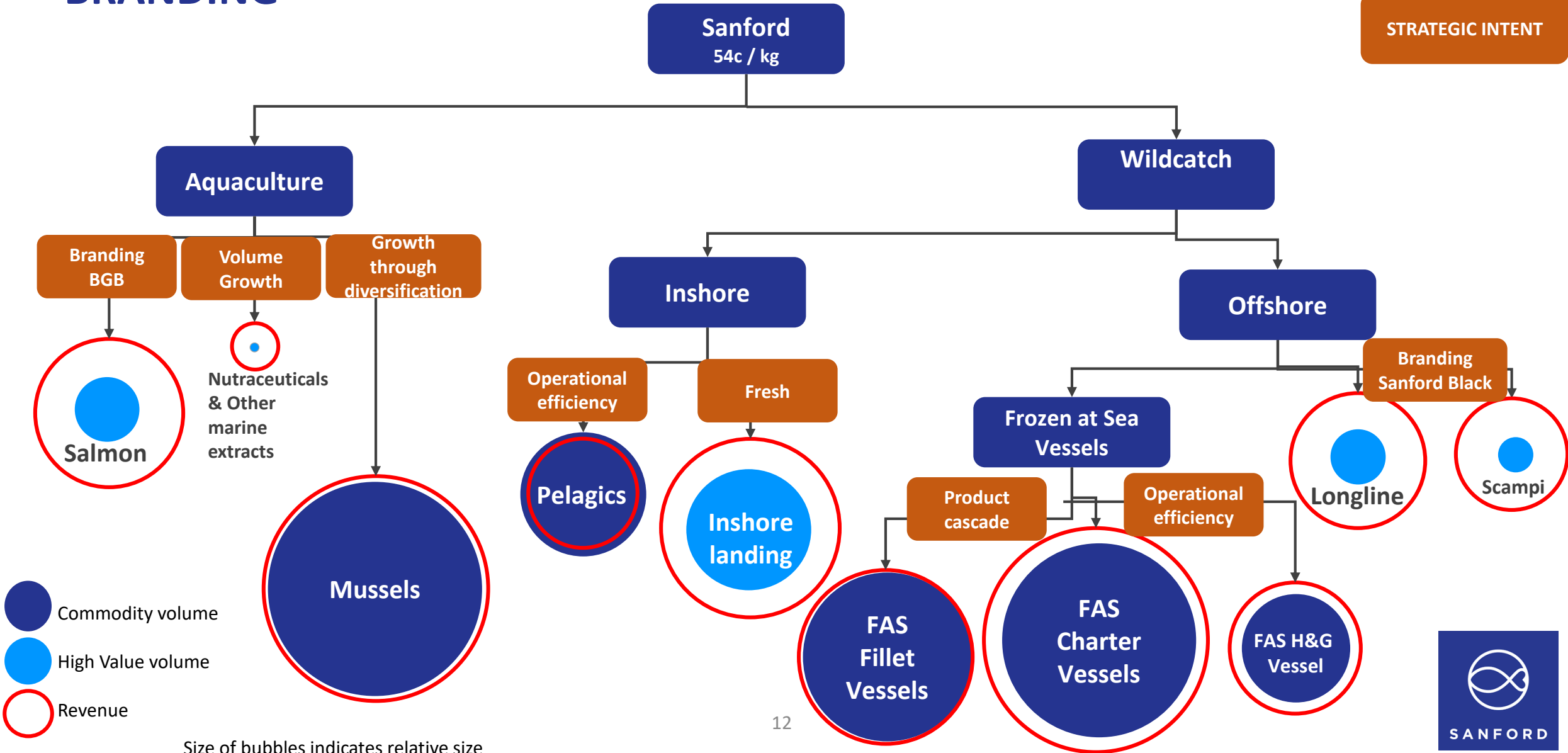
- Commodity volume
- High Value volume
- Revenue

Size of bubbles indicates relative size



VOLUME VS. VALUE: OPERATIONAL EFFICIENCY VS. INNOVATION & BRANDING

STRATEGIC INTENT



WE REFRESHED OUR STRATEGY

VISION
To be the Best
Seafood Company
in the world



PURPOSE
We share the natural
goodness of our oceans
with uncompromising care



AMBITION
\$1 EBIT/KG
2023

Business Excellence Framework



-  Building a sustainable seafood business
-  Supporting enduring communities and partnerships
-  Creating a safe and high performing workplace culture
-  Ensuring healthy oceans
-  Leading the way to healthy food and marine extracts
-  Protecting and enhancing the environment

Strategic Thrusts



- Channel Development
- Brand Development
- Product & Technology Innovation
- Operational Excellence
- Organisational Capability
- SanCore
- Social License Development
- Investment Plan

FY19 Key Activities



- Consumer Proximity
 - Auckland Fish Market, Fresh Catch
- Big Glory Bay roll-out, Sanford Black
- Beyond Food
 - Nutraceuticals, Cosmeceuticals, Oils
 - Product cascade improvement
- Processing Plant Rejuvenation
- Scampi vessel replacement
- Mid-life rebuilds for several vessels
- Inshore Fleet Replacement
- Leadership training
- Core System Replacement
- Business Intelligence Upgrade
- Community Investment
- Communication
- \$100m investment over two years

Execution

Cross Functional Business Teams



SALMON



FRESH



MUSSELS



FROZEN



INNOVATION





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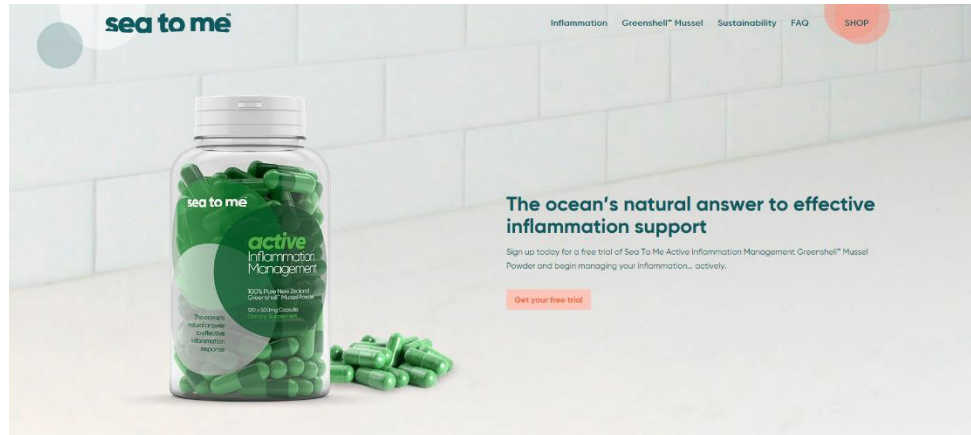
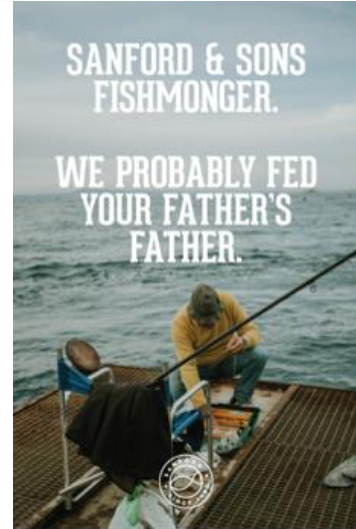


WILD ABOUT WILD
1904
AUCKLAND FISH MARKET

IN PARTNERSHIP WITH THE SEA

MANAGED BY  SANFORD LTD

WYNARD QUARTER
NEW ZEALAND



OSTRO

Menu by Josh Emett

MAINS

AGRIA POTATO GNOCCHI

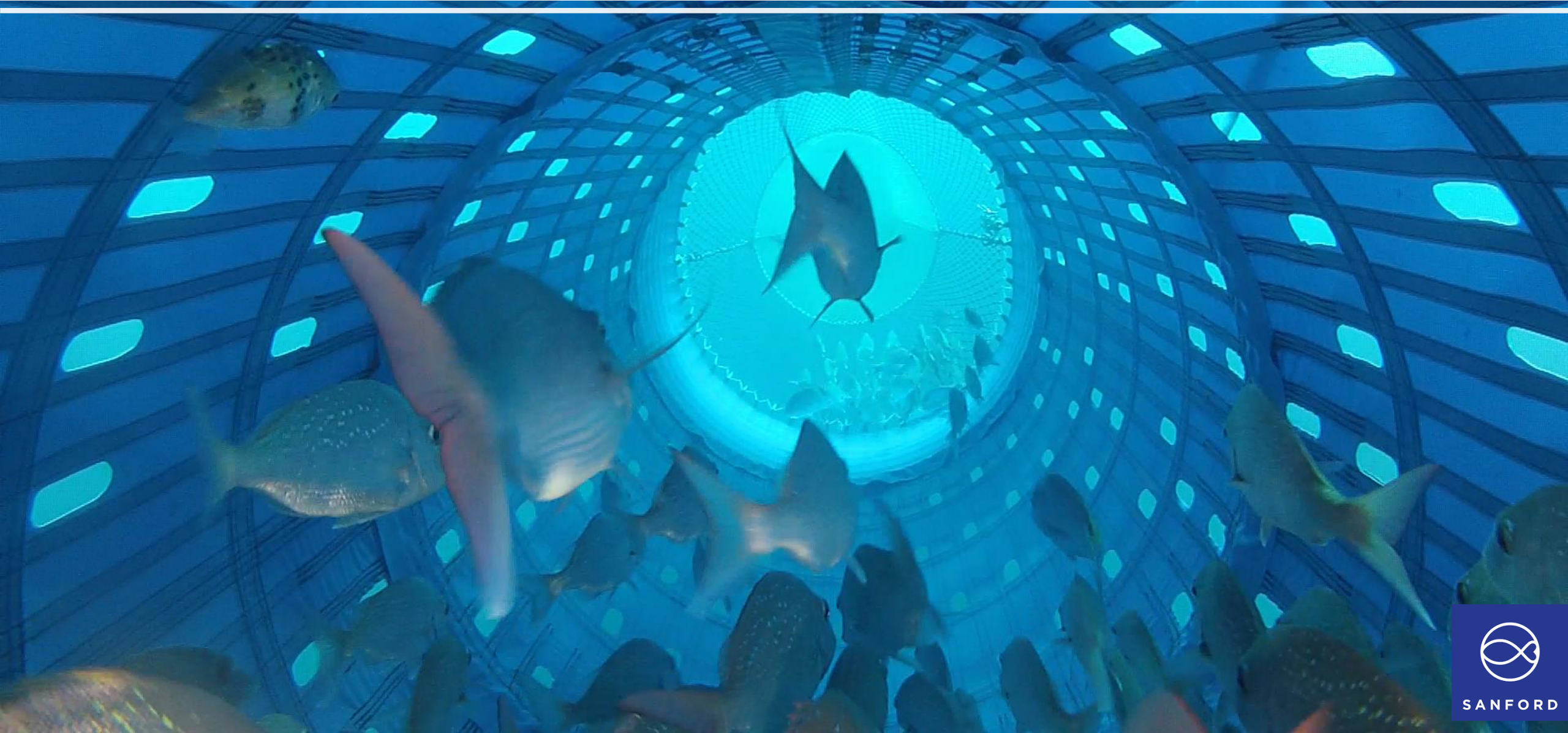
Spring greens, buffalo ricotta, burnt butter, confit lemon, toasted almonds - 32

CRISPY SKIN BIG GLORY BAY SALMON

Asparagus, salmon caviar, miso blanc, lobster oil - 36



APPENDICES



GAAP TO NON-GAAP RECONCILIATION

	2018	2017
	(\$m)	(\$m)
Reported net profit for the period (GAAP)	42.3	37.5
<u>Add back:</u>		
Income tax expense	17.7	14.2
Net interest	8.1	8.5
Non-trading currency exchange losses	0.1	-
Net (gain) loss on sale of investments, property, plant & equipment	(0.5)	0.5
Reported EBIT	67.6	60.7
<u>Adjustments:</u>		
Havelock earthquake insurance settlement	(6.8)	-
Impairment of assets	3.4	2.1
Provision for one off vessel disposal costs	0.1	0.5
Restructuring costs	0.4	0.4
Total one off items	(2.9)	3.0
Adjusted EBIT	64.7	63.7
D&A	19.7	18.8
EBITDA	84.4	82.5

Non-GAAP Profit measures

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 International 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 gain/(loss) and gain (loss) on sales of investments, intangible and long term assets

Adjusted EBIT: Reported EBIT adjusted for impairments, restructuring and other one off items

EBITDA: Earnings before interest, taxation, non trading currency exchange gain/(loss), depreciation, amortisation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets

USD FX HEDGING PATTERN FOR YEAR

