



SANFORD

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NZX Continuous Disclosure

Sanford Sees Ongoing Challenges in Foodservice Markets Impacted by Covid-19, Remains Confident in Long-term Strategy

New Zealand seafood company Sanford Limited (NZX: SAN) says volatility in global markets, as a result of Covid-19, is an ongoing challenge for the significant foodservice component of its business. But the company says it is making good progress on the strategic changes needed to meet the new market conditions.

Sanford has outlined the impact of Covid-19 in an update for the market today: sales revenue for product harvested by the company was down 15% for the third quarter of FY20 versus the previous year.

CEO Volker Kuntzsch says lockdowns around the world have had an inevitable effect.

“In many of our major markets, seafood is typically consumed out-of-home and the lockdowns unavoidably impact on restaurants, hotels and any eating occasions where there is a need for social distancing.”

The company has seen the impact most in its fisheries portfolio, where commodities like squid have suffered from price and volume reductions and hoki production had to return to a fillet block focus for retail, reversing the previously undertaken shift to higher value fillet production for foodservice.

However, Mr Kuntzsch says there are encouraging bright spots for New Zealand’s largest seafood company.

“Our aquaculture business fared better during most of this period and we can see our long-term strategy to move our focus up the value chain is working, because this business unit continues to outperform prior years. However, even that is not meeting our ambitious pre-Covid expectations despite the pockets of growth we are seeing. The changes we are making will pay off, but it will take some time to see the benefits.

“Until recently Sanford did not have a directly employed representative in some of its larger markets, but we are addressing this by making rapid adjustments to our sales team and appointing partners who are more focused on retail. And despite the challenging environment, we are confident that our focus on innovation, branding, getting closer to the consumer via sales channel and market diversification and new product formats will deliver the results we want and a valuable and sustainable world-class seafood business for the medium and long term.”

While these steps are being taken to mitigate the ongoing impacts from Covid-19, Sanford acknowledges the outlook remains challenging and its short-term expectations are subdued.

CFO Katherine Turner says “for Q4 of FY20 we are currently expecting a similar revenue drop versus last year as we have seen in the third quarter of around 15%. In the meantime, our production remains strong and our inventory levels, while manageable, are increasing, which will lead to margin being pushed into the 2021 financial year.

“Our balance sheet is strong, and we have considerable headroom in our borrowing facilities.

“Forecasting with certainty is always difficult in the seafood business, and Covid-19 has made that harder than usual. However, we have confidence in our strategy to deliver improving results in the medium and long term.”

Mr Kuntzsch says there have been upsides to the challenges of 2020.

“As demanding as this year has been for all involved, it has also provided opportunities to refocus and re-prioritise. Operationally we are performing well and all our people are highly engaged and working hard to help Sanford adjust to a new normal.”

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