



20 December 2021

Sanford Limited 2021 Annual Shareholder Meeting
Sir Robert McLeod
Chairman's Address

Slide one: welcome

Kia ora koutou.
Nei te mihi maioha ki a tātou katoa
E hui tahi nei i tēnei rā.
E aro hoki nei ki ngā kaupapa o te rā.
Tae tonu atu ki te whakataukī –
He waka kōtuia, e kore e tukua ngā mimira.

Welcome everyone, and a warm greeting to all of you present today.

The whakatauki I just recited says “a boat that is expertly lashed together will not come undone in rough seas”. I think this is apt to describe the Sanford situation.

This is our 117th annual shareholder meeting, which is testimony to our longevity, and some would say, our tenacity. The pandemic has given us our share of rough seas.

But we are now experiencing better conditions, and although a swallow does not a summer make, we have reasons to think we are on a path to recovery.

Slide two: summary

For the second consecutive year, our business has been impacted by Covid-19.

Both our revenue and profitability have been significantly affected. Global demand was impacted due to the widespread restrictions on foodservice industry. Over 70% of seafood is consumed out of home.

As the financial year concluded, we began experiencing positive signs of recovery across our Wildcatch and Salmon divisions.

Unfortunately, however, our Mussels performance has lagged in its recovery, with the continued influence of the pandemic in foodservice demand, both nationally and globally.

Slide three: FY21 Results snapshot

This slide tells the story.

While our catch and harvest volumes were down (-8.2%), our sales volumes increased by 7.4%.

Our sales revenue also increased by 4% to \$489.6 million.

However, higher freight costs and supply chain uncertainties eroded margins.

Adjusted EBIT for 2021 was \$23.3 million, down 39% from the previous year's \$38.3 million.

Net Profit After Tax (NPAT) was \$16.2 million, down 16% on the previous 12 months.

Earnings per share were down 3c at 17 cents.

Our CEO Peter Reidie will add some detail to this overview.

Slide four: dividend

We are disappointed not to be paying a dividend in the 2021 financial year.

It is prudent to retain profits on the balance sheet under current conditions.

We are determined to resume dividend payments as soon as it is feasible. We think this is in the best interests of the company and appreciate your patience with our conservatism.

Slide five: V not W

The Board and management agree that the adverse impact of Covid is waning.

We believe that demand conditions will return to pre-Covid levels in the classical U or V formation. We do not predict the future format as a W.

We have good reason to predict that market demand will return to its pre-Covid level at a faster rate than new revenue has grown in the past, although not as fast as it declined.

Not only is this concept reflected by the steeper northern slopes of the standard U and V - recoveries, but that is also the nature of market demand which has been suppressed by the pandemic and is latent.

Slide six: Q4 improvements

There are signs that dormant demand is recovering. We are well placed to capitalise on that trend – though we are taking nothing for granted. You can see from the slide on screen now that the fourth quarter of our 2021 financial year saw an improvement in our adjusted EBIT as we see signs of recovery in global markets.

Slide seven: our core is strong

Our core is strong. Our \$23.7 million investment in vessel upgrades and refurbishments is enabling us to extract more value from our wildcatch harvests, while making the vessels safer.

Our overall workforce engagement score is a positive 76%. In February we recorded a two per cent rise to 74% in our deepwater fleet score. This positive signal from our sharefisher contractors is contributing to improved operational results and retention.

SanCore, our business systems upgrade will be completed in 2022. It is already delivering wide-ranging improvements across multiple areas from health and safety and environmental reporting through to financial reporting quality control and production planning.

Slide eight: assets and challenges

Through our share of New Zealand fishing quota, worth an estimated one billion dollars, we also have access to an abundant supply of a natural, healthy protein that will continue to be demanded domestically and globally. We have opportunities to diversify our revenue over time.

There are some clouds on the horizon. The Government has signalled fisheries reforms. We support moves to protect the health of the marine environment, but sustainable management of the oceans must be based on science, not sentiment. Collaboration is working and must be given the chance to continue.

Migrant workers are an important part of our workforce in processing and in specialist trades like engineering. Policies aiming to reduce reliance on migrant talent need careful thought given the potential for unintended economic and environmental impacts. Labour is already in short supply.

Slide nine: strategy

The Board and our CEO Peter Reidie have worked closely together this year to review and refresh our strategy.

We are clear on the priorities for the new financial year and what we need to do to recover. We intend to share our strategy with you in the coming months.

Our goals and your interests can only be achieved and protected by Sanford having effective and successful relationships with all our stakeholders – investors, customers, our people, our suppliers and the community, which includes the regulators who collectively provide our license to operate.

By focusing on their interests, we can create value for all. Our annual report this year holds many examples of this value creation, from the creation of new channels to market to the growth of our salmon farms and hatcheries. We are poised to develop our Marine Extract Centre in Blenheim, unlocking new revenue streams through innovation in resources such as collagen and mussel oils.

We have good reason for optimism, even if it is tinged with caution in these unpredictable times.

Slide ten: management

Our people are integral to our performance. Peter Reidie has immersed himself in our business since joining us in April. Peter is pragmatic and practical and is winning respect across the business. We have every confidence in him.

I also wish to acknowledge our management team who have shown great flexibility during the year, managing changes while keep their people focused on our performance. They have the Board's full support.

Slide eleven: Ngāi Tahu

In September Ngāi Tahu Investments increased their shareholding in Sanford to 19.9%.

This is positive for Sanford. Ngāi Tahu is one of New Zealand's largest and most successful iwi investors, with a substantial stake in and knowledge of the seafood sector. We believe the investment shows their recognition of our quality and our long-term performance.

At today's meeting you will be asked to ratify the Board's recommendation that Craig Ellison be appointed as a Director. Mr Ellison is Ngāi Tahu Holding's CEO and the former chair of Ngāi Tahu Seafood.

We are fortunate we can recommend to you someone with deep experience in the seafood sector – and a long-term investment perspective about the importance of sustainable returns benefitting all stakeholders. I will speak further about his election at the appropriate time.

I also wish to introduce and welcome Mark Cairns. He will be well known to you as the former CEO of the Port of Tauranga. Mark has already made his presence felt. His considerable knowledge in important areas such as supply chains and global freight logistics is valued and he is passionate about sustainability and healthy oceans.

As we welcome Mark, we are farewelling a long-serving and very loyal director in Peter Goodfellow. Peter has made a long and significant contribution to our governance since joining the Board in 2006. He has given unfailing commitment to Sanford as a director and an investor and has been a valued member of our audit, financial and risk committee. He was also previous chair of our People committee. A year ago Peter signalled his intention to retire at this meeting. I know you will all join me in wishing Peter and his family well for the years ahead.

Slide 12 – wrap up

Ladies and gentlemen, on behalf of our Board, management team and the Sanford family, I express our thanks for your loyalty and support through this difficult year.

It is reassuring – and motivating – to know we have your backing. We believe the worst is over and we look forward to building on the gains we have made this year. As a board we are certainly keen to return to our dividend policy of sustainably sharing our profits. May I also take this opportunity to wish you all the compliments of the season.

Thank you.