



18 December 2023

## Sanford 2023 Annual Meeting – Chair and Acting Chief Executive Speeches

**CHAIR: SIR ROB MCLEOD**

### **Our Board**

I would like to introduce my co-directors, David Mair and Craig Ellison. Also joining us is Paul Alston, Sanford's Chief Financial Officer. We have an apology from Fiona Mackenzie who is unable to attend. As previously announced, Fiona has advised that she will be stepping down from the end of this meeting.

I would like to thank Craig for stepping into the Acting CEO role at short notice in August this year. This has ensured stability and a smooth continuity of our operations. Craig has extensive seafood sector, managerial and governance experience, which has well enabled him to serve as our interim chief executive.

We are looking to recruit a permanent CEO and will commence a search process in the new year.

As shareholders will be aware, there has been considerable change in Sanford's board in the last two years. This can be attributed to a variety of factors including where a director has reached the end of their term and has chosen not to stand for re-election.

We are committed to maintaining a diverse and skilled board that supports the long-term success of the company. Our preference is for six directors, which I believe is appropriate for a company the size of Sanford. As such, we are actively seeking new directors with appropriate skills and experience.

We are pleased to welcome John Strowger to our meeting.

John has been nominated as a director and will be standing for election by shareholders today. John was a corporate law partner at Chapman Tripp and has deep governance experience. He sits on the boards and advisory committees of a number of private businesses, and is also Chair of Skellerup Holdings Limited. You will have an opportunity to hear from John later in the meeting.

John has been nominated by Tasman Equity Holdings Limited, a significant shareholder in Sanford. Due to John's association with that shareholder, the Board has determined that, if elected, he will serve as a non-independent director. The very factors that may make a director non-independent can also add a unique perspective to Board decision making.

The concept of director independence is an important governance matter for your Board and we do not take it lightly.

We follow a thorough process when determining the status of a director as independent or not. While that determination is ultimately a matter for the Board, where appropriate it includes seeking technical legal advice and it always involves the Board considering the relevant factors set out in the

NZX Corporate Governance Code and the Listing Rules. This includes taking into account any personal, social and business relationships.

At its core, the key question we must ask ourselves is whether these relationships, if any, are such that they might interfere with, or might reasonably be seen to interfere with, the ability of any director to exercise independent judgement and act in the best interests of the company.

We are very comfortable that the independence of Sanford's existing directors will not be compromised if John is elected by shareholders today.

The Board believes John would bring significant value to Sanford and supports his election.

I regard shareholders as the owners of our business, and so shareholders views are very important. However, we recognise that the activism of shareholders and their actions can, in some circumstances, make it more challenging to attract and retain high quality directors. I've observed in recent years that this dynamic is not unique to Sanford.

I want to emphasise that I see the legal and commercial role of a Board as representing the interests of all shareholders, and not a subset of them. Your Board considers that positive and constructive engagement with any shareholder is in the best interests of the company and all shareholders generally.

## **Our Strategy**

We continue to implement our strategy – to recover and rebuild to where we were before the pandemic, and then to grow from there.

We have a clear focus on three commercial goals – strengthen Wildcatch, grow Salmon and grow Mussels.

I would like to touch on the Moana transaction. The profitability of our inshore business has been challenging for a number of years. The long term lease of much our North Island inshore Annual Catch Entitlement has simplified our operations and established a lower-risk revenue stream, as well as delivering improved profitability for the Wildcatch division. We remain focused on our deepwater operations which are central to our sales revenue.

## **Financial Performance**

Our primary commercial goal remains to improve and maximise profitability and share value. While we still have not exceeded our pre-covid profit results, we have exceeded pre-covid sales and are not far off reaching pre-covid levels of profit.

In FY23, we reported our highest revenue result in five years, and a year-on-year improvement in our adjusted EBIT. We expect this annual trend to continue for the current financial year. The board declared a total dividend of 12 cents per share in FY23, an increase in the total dividend payment over the prior year.

We still have some catch up to do in integrity capital expenditure, with higher spend in both the last financial year and the current year as we maintain our existing assets, particularly vessels.

We have also invested in a new group-wide technology platform, a new state of the art scampi vessel and the Bioactives facility in pursuit of new profit opportunities.

## **Our People**

Essential to our success are our people. FY23 was a year of change, with a new business unit structure, technology platform and leadership. I'd like to thank every person in the Sanford team for their efforts in meeting challenges and achieving year on year performance improvements.

## **Looking To The Future**

New Zealand is a very small supplier on the international stage. However, as a country, we have a reputation for high quality, sustainable, delicious seafood. For Sanford, this means that everything we can extract from the water, we can sell. But one of the only ways we can grow to meet local and international demand, is by increasing our farm footprint.

The new government has indicated its support for enterprises and industries that support growth. We hope that this will see increased support for the New Zealand aquaculture industry and initiatives which enable proven companies to further grow and generate wealth.

We remain committed to the NZ quota management system which ensures that our waters can be sustainably fished, monitored and managed to safeguard over-fishing New Zealand's oceans.

## **ACTING CEO: CRAIG ELLISON**

I am delighted to be talking to you today as Sanford's Acting CEO. Having been involved in the fisheries sector for most of my life, and a director of Sanford since 2021, I am passionate about our company, its heritage and the opportunities ahead.

I was able to visit some of our international markets this year which reaffirmed the excitement and demand for our key species, including salmon and scampi, and for New Zealand produce in general.

## **FY23 Snapshot**

Our FY23 performance and progress has been well laid out in our annual report and investor presentation.

In summary:

- Sales and profitability of the Wildcatch and Mussels businesses were challenging, however the Salmon business outperformed expectations, with strong demand and pricing for our premium product.
- The Mussel business was hampered by labour shortages during the processing season, so we were unable to take full advantage of higher levels of demand. These teams have now been rebuilt to full strength and there is strong demand for half shell mussels.
- Wildcatch delivered consistent earnings, however, sales volumes were down year on year, mainly due to seasonal factors impacting on squid catch.

- The Moana transaction settled 31 October 2023. This allows us to focus our attention on our deepwater business.
- There were challenges in commissioning of the Bioactives centre but steady improvements have been made.
- We delivered on the Sancore technology programme, which will enhance our operations and improve our capabilities.
- We also continued to invest in the protection and update of our assets, particularly our vessels. Construction of the new scampi vessel is now underway and due to launch in Q1 2025.

Turning now to each of our three focus areas ...

### **Grow Salmon**

Our Salmon business is going from strength to strength under the Big Glory Bay brand.

King salmon from New Zealand is a premium and prized product and there is significant demand, particularly in international markets such as the USA and China.

Our focus is on growing and delivering an exceptional quality product to market. We are now coming into the heat of El Nino summer conditions, when salmon is at most risk. We have taken steps to safeguard the business with oxygenation technology, the separation of the farms in Big Glory Bay and intensive monitoring. We are also looking at improving handling and processing facilities, and cold chain management to control the 1 – 2 degrees that can make all the difference to quality.

We are continuing to look at how we can maximise our existing footprint through smart farming and will also be engaging with new Ministers to see how we can expand in order to create more export value for New Zealand.

### **Grow Mussels**

While warm weather is not so good for salmon, it's great for mussels. Pricing and demand is still strong for half shell mussels. We will be making the most of the conditions and are enjoying the benefits of the return to a full workforce. However, we expect less to be harvested in 2024 due to low seeding, particularly in Coromandel, in 2023.

Refinement of the technology at the Bioactives facility is now largely complete, however, we are still very much in start-up mode as we continue to assess and develop these new product opportunities.

### **Strengthen Wildcatch**

With the long term lease of much our North Island inshore Annual Catch Entitlement, our focus is on deepwater fishing. We expect to see a continuation of the strong demand and prices for key species including hoki, scampi, and toothfish and are looking to rebuild markets for other species such as orange roughy and oreo dories. We are forecasting a lower-than-average squid catch for FY24 based on historical trends, but we are not concerned for the long-term viability of the species.

Every year at about this time, we send two long liners to the Ross Sea to catch Antarctic Toothfish – this is highly prized by chefs for its versatility, taste and texture. The Ross Sea Antarctic Toothfish

fishery is one of the most well-managed fisheries in the world, and only authorised vessels are allowed to fish here. Only about 3% of the Ross Sea is commercially fished, and under strict rules. The conditions are challenging and there is just a 90 to 100-day window when the sea ice clears enough for fishing. We have very experienced crews working on the boats, lifting each fish on board, hook after hook and making sure everything we do is within rules. Our vessels also contribute to research in the Ross Sea, tagging and releasing fish.

As our largest division, the deep water fleet requires a significant amount of integrity capital investment. This year, for example, one of our longline vessels was put into dry dock for a five-year survey. This can take several months and cost millions of dollars, however, it enables us to go to the Ross Sea in the Southern Ocean with confidence. There is a high cost to maintain and replace vessels so future industry collaboration initiatives will be investigated.

We work closely with our fishing partners from Japan and Korea and I'd like to acknowledge their contribution and efforts.

### **People, Place, Performance**

We remain committed to the fundamental elements on which our business is built and which underpin our business – our customers, our team, safeguarding our environment, positive engagement with our communities, operational excellence and shareholder value.

In our Annual Report, you can read about our focus areas, initiatives and investment into these essential areas.

A few highlights from the past year include the following:

- We continued to build on our trusted customer partnerships in new and existing markets.
- We rebuilt our team back to full force and were proud to see them embrace the change in our business as we move to become future-fit.
- We reported a significant drop in waste going to landfill and remain on track to achieve our 2030 target of a 25% reduction in carbon emissions from the FY20 base year.
- We continued to support our communities, through food donations and financial contributions.
- We received a number of industry Awards in recognition of our innovative thinking, quality products and commitment to sustainable farming practices.
- Operational excellence remained front of mind with a new business unit organisational structure, the delivery of the Sancore technology system programme, and smart thinking to make our operations more efficient and cost effective.

### **FY24 Outlook and Q1 Update**

We are now three months into the 2024 financial year and we are seeing continuing strong markets and pricing for premium species, particularly scampi, mussels and salmon.

Economic headwinds continue with inflation and cost of living pressures. We adamantly believe that healthy nutritious seafood should be available to all and are responding by providing customers with products in a range of price points, from premium fillets at the top of the range to mussel meat and lower demand species at different value points.

While we are still experiencing inflationary pressures, we expect to see a softening of fuel costs in FY24, as well as a more favourable currency cross with the USD and improved freight availability.

Global economic conditions can be variable with many countries attempting to bring inflation down so we are monitoring in-market conditions closely. At this stage, there has been limited impact on the demand for New Zealand seafood which remains positive.

**CHAIR CLOSING REMARKS:**

Sanford continues to improve on its road to recovery. We anticipate a stronger year in FY24 as we implement our strategy in our three businesses.

Our long-term vision remains unchanged - to create value for all stakeholders consistent with share value and dividend maximisation. Your board is very confident of Sanford's future.