

6 May 2020

New Zealand King Salmon – Post-Summer Fish Performance Update

Each year the Board of New Zealand King Salmon Investments Ltd (NZX and ASX:NZK), provides an update on fish performance post the key summer period. This year's update also provides commentary on the significant disruption being caused to our business by the Covid-19 virus.

With water temperatures lower than the last two years, the 2020 summer season saw an improvement in overall fish performance, resulting in better survival and thus lower mortality cost than either of the last two years. In addition to the benefits of a cooler summer, we have seen gains from our new aquaculture model.

Directors affirm previous guidance that expected FY20 Pro-Forma Operating EBITDA will be between \$25.0 million and \$28.5 million. Due to the restricted sales in the Covid-19 affected Q4, the FY20 forecast sales volume is now expected to be 6,300-6,400 tonnes.

The company has adapted to the Covid-19 challenges in the following ways:

- As an essential food production business, NZ King Salmon (NZKS) continued to operate throughout Level 4, and now during Level 3, with increased protective measures in place to keep team members safe.
- The wage subsidy for our team has allowed us to protect jobs during this difficult period.
- Sales are beginning to recover, albeit off a reduced base, as we reorientate NZKS more towards retail, and as foodservice recovers. During this transition period there will inevitably be some sales at lower margins, for example, caused by the increased cost of delivering to market via airfreight charters.
- With foodservice channels in various states of recovery around the world, a 6-18 month period of lower foodservice sales is anticipated, with positive new revenue streams secured or under development in retail, food delivery and e-commerce channels.
- To help manage variable demand, NZKS has some flexibility to either leave fish longer in sea water, or store them as frozen inventory. The company has funding lines in place to manage the resulting temporary increase in working capital.
- Although slightly delayed, a freshwater hatchery improvement and seawater barge upgrade have resumed at Level 3, with FY20 capex now likely to be restrained to around \$18m.

Grant Rosewarne, Managing Director and CEO, says "There are many positive measures we are putting in place, despite the challenges we face during the Covid-19 crisis. I'm extremely proud of our team for the work they have done as an essential business throughout the Level 4 lockdown. Our flexibility, and global reach and recognition has provided a positive response to the global market challenges.

"In line with the Government's Aquaculture Strategy, we believe there are huge opportunities for our industry to create sustainable growth and employment. We are hopeful that our Blue Endeavour open ocean application will be facilitated as part of the Government's search for 'shovel ready' projects to reboot the economy. It would bring a much-needed lift to the Top of the South region and provide hundreds of green jobs."

While the directors cannot currently provide guidance for FY21 due to the significant disruption in the foodservice industry globally, they are confident that the medium to long term picture remains positive for aquaculture and NZKS, with strong demand anticipated for safe, sustainable and healthy protein from New Zealand. FY20 sales and harvest volumes have been reduced from original expectations, which will result in more fish available to us in FY21, albeit anticipating some margin reduction as a result of the Covid-19 situation.



John Ryder, Chairman of New Zealand King Salmon, says “The Board wants to acknowledge the commitment of all NZKS team members during this time. There are undoubtedly challenges but also opportunities for our company and the industry. We are also pleased that fish performance has improved significantly from last summer.”

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About NZKS:

New Zealand King Salmon is the world’s largest aquaculture producer of the premium King salmon species. We operate under our four key brands: Ōra King, Regal, Southern Ocean, and Omega Plus, as well as the New Zealand King Salmon label. We have been growing and selling salmon to consumers for more than 30 years. Today we employ around 500 people. New Zealand investors make up a significant percentage of the ownership of NZ King Salmon and the communities of Marlborough, Nelson Bays and Tasman are well represented with nearly 400 of the 2,800 shareholders from the Top of the South. More information can be found at www.kingsalmon.co.nz