



ANNUAL SHAREHOLDERS MEETING  
NOVEMBER 2019

# AGENDA

- Welcome
- Chairman's review
- Managing Director's review
- Ordinary business and resolutions

# CHAIRMAN'S REVIEW

Strong financial performance which benefited from improved pricing and revenue growth.

Our second-most profitable year despite challenging growing and climatic conditions.

The implementation of a new production model enabling further progress towards our aquaculture goals.

The progression of open ocean farming with an application of “Blue Endeavour” lodged.

# MANAGING DIRECTOR'S REVIEW

- FY19 Highlights
- Sustainability
- Business Update
- Outlook
- Future Farming

# HIGHLIGHTS



# FY19 HIGHLIGHTS

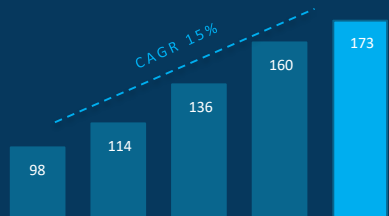
## **Strong financial performance, despite challenges:**

- Record revenue of \$172.6m, up 8% on FY18.
- Record price achieved of \$22.95/kg, up 11% on FY18.
- Sales volumes of 7,520mt, down 3% on FY18.
- Solid Pro Forma Operating EBITDA of \$25.2m\*, down 4% on FY18 but within the FY19 earnings guidance range.
- GAAP NPAT of \$11.3m, down 33% on FY18.

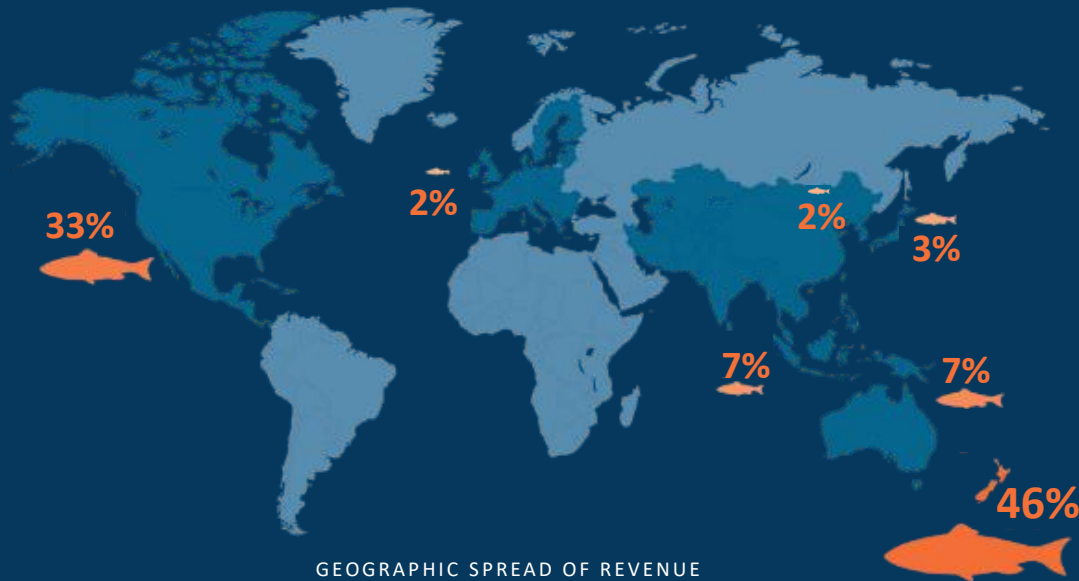
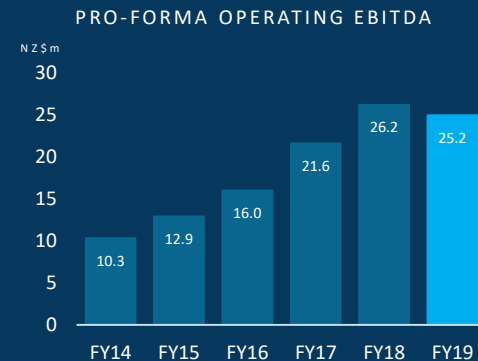
\* A full reconciliation between GAAP and Pro Forma results is shown on page 31 of our full year results announcement available at [www.kingsalmon.co.nz/investors](http://www.kingsalmon.co.nz/investors) .

# FACTS AND FIGURES

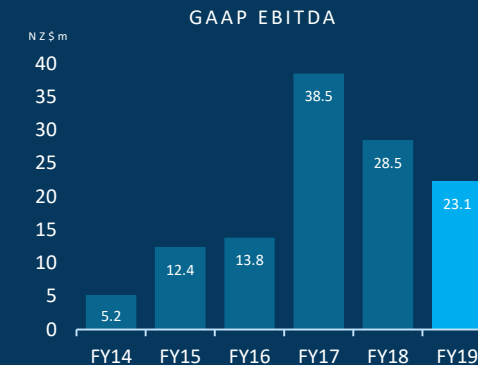
REVENUE OF  
**\$173**  
MILLION



METRIC TONNES HARVESTED  
DURING FY19



GEOGRAPHIC SPREAD OF REVENUE





219

FEMALE  
TEAM MEMBERS



326

MALE  
TEAM MEMBERS



TOTAL SALES

46%

NEW ZEALAND

54%

EXPORT

4



STAR BAP CERTIFIED

PLANTED UP TO

1000

NATIVE TREES



KING SHAG  
NUMBERS UP

25%

6300

LITRES DAILY REDUCTION IN  
WATER USE



545

TEAM MEMBERS



344

LOCAL SHAREHOLDERS

0

SERIOUS HARM  
(NOTIFIABLE)  
INJURIES



28

BEACH CLEAN UPS

COMMITMENT TO  
ENSURING

100%

REUSABLE / RECYCLABLE  
FOR COMPOSTABLE  
PACKAGING BY 2025



# VISION, PURPOSE, MISSION AND VALUES

## VISION

TO BE THE TOP OF THE SOUTH'S MOST VALUABLE ORGANISATION AND THE WORLD'S MOST INSPIRING SALMON COMPANY

## PURPOSE

CREATING THE **ULTIMATE SALMON EXPERIENCE**

## MISSION

WE WANT ALL NZKS / STAKEHOLDER INTERACTIONS TO LEAVE STAKEHOLDERS BETTER OFF AS A RESULT

## VALUES

MAXIMISATION OF VALUE / CONTINUOUS IMPROVEMENT / INTEGRITY / TEAMWORK & CULTURE

## SUPPORTING STRATEGIES



HEALTH & SAFETY  
INCLUDING FOOD  
SAFETY



FARM ONE SPECIES:  
KING SALMON



DOMINATE PREMIUM SALMON  
NICHES



BRANDS



PEOPLE



COMMUNITY  
ENGAGEMENT



SUSTAINABILITY



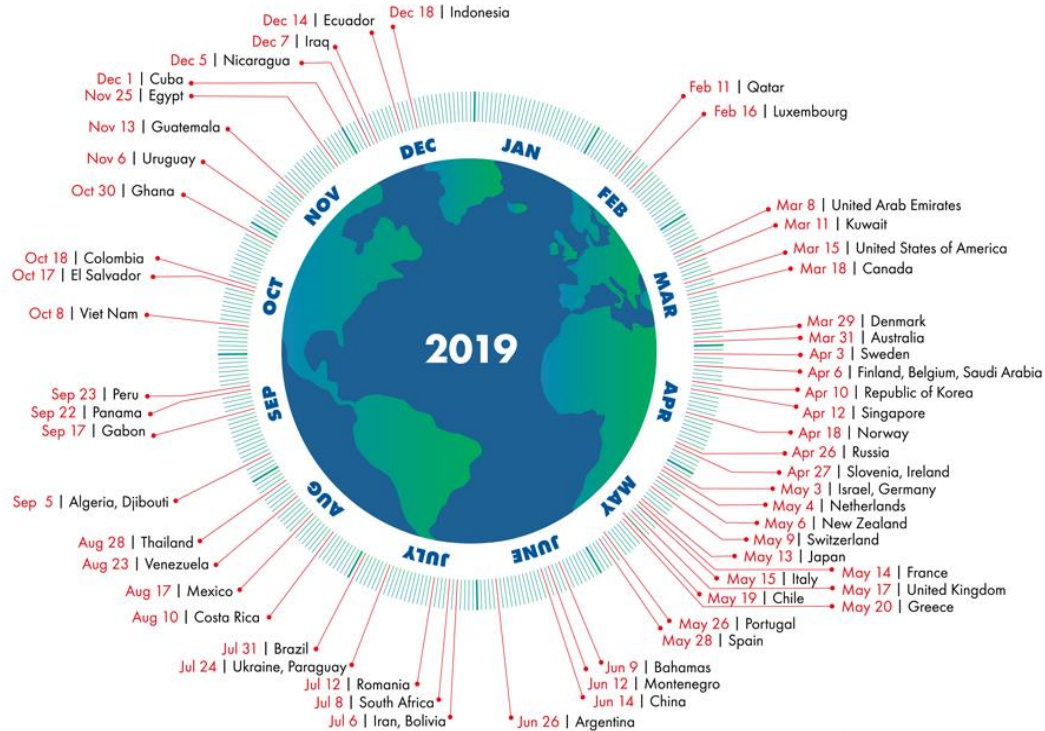
COST COMPETITIVE

SUSTAINABILITY



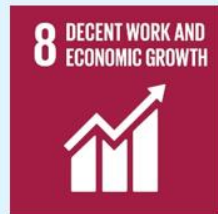
# Country Overshoot Days 2019

When would Earth Overshoot Day land if the world's population lived like...



# SUSTAINABLE DEVELOPMENT

We are focused on five United Nations' Sustainable Development Goals



# OPERATING SUSTAINABLY

We aim to pass on our land and water environments to the next generation and beyond in the same or better condition than we inherited them.



We work to fulfil salmon aquaculture's potential as a **positive force** for the health of people, nature and our company.



We are committed to **caring for water** in our region.



We are a trustworthy and transparent neighbour and **community partner**.



We are committed to **using resources responsibly** and reducing our impacts wherever possible.



We attract and develop **talented people** across our diverse roles and teams.

# SALMON FARMING IS HIGHLY PRODUCTIVE

## NORWAY



AQUACULTURE		AGRICULTURE
420	AREA (KM <sup>2</sup> )	10,000
1,300,000	PRODUCTION (MT)	500,000
3,095	PRODUCTIVITY (MT / KM <sup>2</sup> )	50

**62 x** MORE PRODUCTIVE

**\$25M** REVENUE PER SURFACE  
HECTARE

# SUSTAINABILITY OF SALMON FARMING

Salmon farming has a substantially lower environmental impact than other proteins.



Global production 1	3.2m	107.1m	118.2m	66.0m
Carbon Footprint	0.60	0.88	1.30	5.92
Protein retention	28%	37%	21%	14%
Yield	68%	46%		No data

**\*Production:** Global production of farmed salmon and livestock primary products, measured in tonnes. **Carbon:** CO<sub>2</sub>e is calculated by multiplying the emissions of each of the six greenhouse gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>) by its 100-year global warming potential (GWP). **Protein:** Protein retention describes the gain in edible protein as a percentage of the protein intake from food. It is calculated as a percentage (grams protein in edible portion / grams protein in feed). **Yield:** Edible yield is calculated by dividing edible meat by total body weight. – Global Salmon Initiative

# ACCREDITATIONS / ENDORSEMENTS



First in Australasia to achieve 4 star Best Aquaculture Practices (BAP) certification

# BUSINESS UPDATE



# AQUACULTURE

Our new production model – site single year class is the key initiative for the FY20 and FY21 years for existing seafarm sites. It targets the protection of fish health, improved survival rates and the adoption of the **best possible biosecurity** practices.

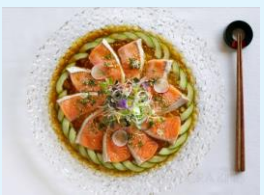
The new production model also includes the following to be implemented:

- Reduced handling of stock – all stock entered in their eventual harvest pen.
- Upwelling systems to be installed on all farms, providing cooler water from depth and improving waterflow.
- Passive grading systems to reduce biomass before summer periods.
- All nets removed post harvest (predator and grower), returned to land, cleaned of all biofouling, disinfected and repaired before being reinstalled prior to smolt entry.

# BRANDS

Our five leading brands

ŌRA KING™  
A UNIQUE BREED OF KING SALMON FOR CULINARY EXCELLENCE



ULTRA-PREMIUM  
FOODSERVICE



MARLBOROUGH  
KING SALMON



PREMIUM RETAIL



VALUE RETAIL

OMEGA PLUS+

ESSENTIAL MARINE-BASED NUTRITION



PETFOOD RETAIL



ZERO WASTE VALUE  
ADDING

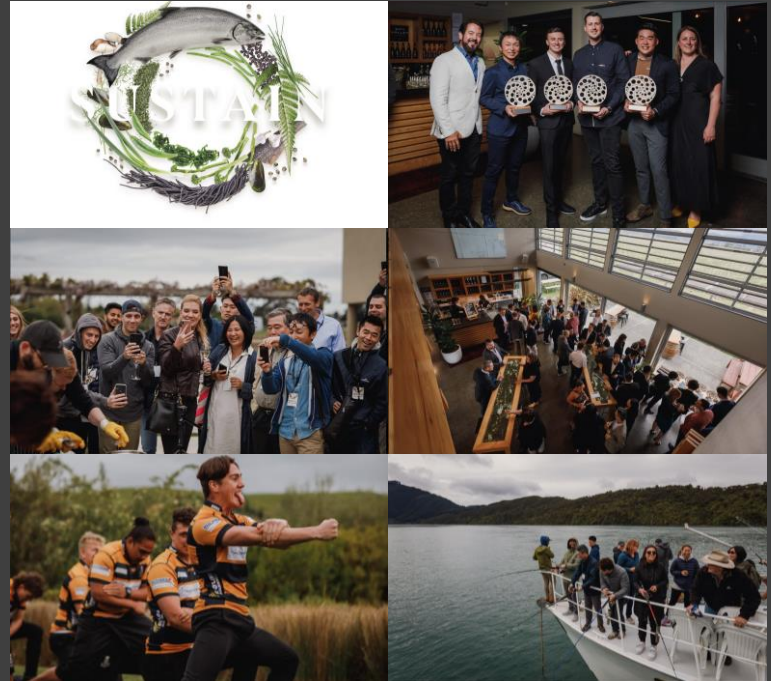
# ŌRA KING

Ōra King demand, our premium foodservice brand, continues to grow.

- Featured on more than 1,200 restaurant menus.
- Profiled in international media – Bloomberg, Intrafish.
- Over 10,000 followers in Instagram.

Ōra King awards our biggest campaign to date

- We focussed on one of our central pillars, Sustainability.
- Chefs from all over the world shared their sustainability stories.



# OMEGA PLUS



- Highest long-chain Omega 3 content of any pet food products domestically.
- Anti-inflammatory properties and great for shiny coats.
- Domestic distribution is increasing with plans to extend brand offerings.
- Launched internationally with further export opportunities being evaluated.

OUTLOOK



# OUTLOOK

## **Expectations for FY20**

- Harvest volumes are likely to be in line with FY19 at around 8,000 MT.
- Demand remains very supportive, especially in export markets.
- Investment in the new aquaculture production model with capital expenditure for FY20 is expected to be ~\$20m.
- FY20 Operating EBITDA of between \$25.0m and \$28.5m.
- Open Ocean resource consent application within FY20, with a farm relocation decision likely to be made in FY21.

FUTURE FARMING



# WHAT ARE WE DOING?

To fulfil our future farming vision, we must seek out the most suitable waterspace to grow our King salmon sustainably. Our two key strategic initiatives to achieve this goal are

1. Farm relocation
2. Open ocean farming

- *Proposed low flow sites for relocation*
- *Proposed new high flow sites*
- *Active sites*
- *Proposed open ocean sites*  
*(farms not to scale)*

## THE OCEAN OPPORTUNITY

COVERS

71%

OF THE  
WORLD'S  
SURFACE



PRODUCES

2%

OF THE  
WORLD'S  
PROTEIN

NZ'S MARINE  
ENVIRONMENT  
IS OVER

21x

LARGER  
THAN OUR  
LAND MASS

\$34.3 million  
PER HECTARE  
REVENUE EXISTING HIGH FLOW SITES



\$623 million

REVENUE GENERATED BY  
AQUACULTURE IN NEW ZEALAND



# NZ GOVT – AQUACULTURE STRATEGY

Vision : New Zealand is globally recognised as a world leader in sustainable and innovative aquaculture management across the value chain.

Goal : \$3 billion in annual sales by 2035.



# MPI SALMON RELOCATION PROCESS

- Adoption of the 2017 Panel recommendation would be unlikely to have any material impact on site capacity however it may result in modest fish performance improvements.
- A revised proposal from Iwi and NZKS was provided to MPI in June 2019, including use of the proposed site at Mid Waitata.
- Any potential production benefit from relocation would be achieved in FY23 or beyond due to process timing.

## THE BENEFITS



MINIMAL  
SEABED IMPACT



DISTANCE FROM  
COMMUNITIES



REGIONAL  
ECONOMY



FISH QUALITY



BIOSECURITY



GROWTH  
OPPORTUNITIES

Blue Endeavour: First  
open ocean salmon  
farming region in NZ



# OPEN OCEAN – “BLUE ENDEAVOUR”

**Open Ocean Farming - NZKS applied for its first open ocean farming consent mid October 2019 with this comprising two farm sites, in the Marlborough region:**

- The region has been named “Blue Endeavour” representing a step towards the long term sustainability of the industry.
- The consenting process is expected to involve a public hearing in Feb / Mar 2020.
- The earliest possible harvest from the region would be in the 4<sup>th</sup> quarter of the 2022 calendar year.
- Capital costs for the infrastructure associated with Blue Endeavour are estimated at \$25 - \$35m with some ability for this spend to be staged. This investment would be expected to generate an eventual production volume of ~4,000 MT per site per 18 month cycle.

The notified period for submissions ends on Monday the 16<sup>th</sup> of December.

# BLUE ENDEAVOUR – UNDERWATER VIDEO



An underwater photograph showing a dense field of seagrass or similar aquatic plants. Sunlight rays penetrate the water from the upper right, creating a shimmering effect. The plants are green and brown, with some showing signs of decay or damage. The overall atmosphere is serene and natural.

ORDINARY / SPECIAL RESOLUTIONS

# RESOLUTION 1

That the Board is authorised to fix the auditor's remuneration for the coming year.

# RESOLUTION 2

Having been appointed during the year by the Board and holding office only until the Annual Meeting, that Tomakin Lai (Po Sing Lai) be elected as a Director.



## RESOLUTION 3

Having been appointed during the year by the Board and holding office only until the Annual Meeting, that Chiong Yong Tiong be elected as a Director.



# RESOLUTION 4

Having retired in accordance with NZX Listing Rule 2.7.1, that Grant Rosewarne be elected as a Director.



# RETIRING DIRECTOR

The Chairman and Board members would like to thank retiring Director Mark Hutton for his service.



# THOMAS SONG

In memoriam: Thomas Song – 15 April 2019



## RESOLUTION 5

That the maximum total pool of Director's remuneration payable by NZKS to Directors (in their capacity as Directors) be increased by \$55,000 per annum from \$465,000 per annum to \$520,000 per annum with immediate effect, with such sum to be divided amongst the Directors as the Board may from time to time determine.

## SPECIAL RESOLUTION 6

That, effective from the close of the Annual Meeting, the constitution of NZKS be amended in the form and manner described in the Explanatory Notes.

# VOTING AND QUESTIONS



# APPENDIX – GLOSSARY OF TERMS

FY19	Financial results for the 2019 financial year covering the period 1 July 2018 to 30 June 2019
CAGR	Compounding annual growth rate
EBITDA	Earnings before interest, tax, depreciation and amortisation
G&G	Gilled and gutted. Note that all volumetric information presented is on a gilled and gutted basis unless otherwise stated
GAAP	Generally Accepted Accounting Practice
MT	Metric tonnes
NPAT	Net profit after tax, also reported as net profit for the period in our published financial results
NZKS	New Zealand King Salmon
Pro Forma Operating EBITDA	Pro Forma Operating EBITDA refers to earnings before interest, tax, depreciation, amortisation after allowing for pro forma adjustments as described in the Appendix to this document. Pro Forma Operating EBITDA is a non-GAAP profit measure
Upwelling System	A system that allows dense cooler water to be moved towards the ocean surface, displacing the warmer water and increasing water flow.

# DISCLAIMER

The information in this presentation has been prepared by New Zealand King Salmon Investments Limited with due care and attention. However, neither New Zealand King Salmon Investments Limited nor any of its directors, employees, shareholders nor any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, uncertainties and assumptions. There is no assurance that results contemplated in any projections and forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about New Zealand King Salmon Investments Limited.

Our results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- EBITDA. We calculate EBITDA by adding back (or deducting) depreciation, amortisation, finance expense / (income), and taxation expense to net earnings / (loss) from continuing operations.
- EBIT. We calculate EBIT by adding back (or deducting) finance expense / (income), and taxation expense to net earnings / (loss) from continuing operations.
- Pro Forma Operating EBITDA refers to earnings before interest, tax, depreciation and amortisation after allowing for pro forma adjustments as described in the Appendix to this document.

We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies. Forward-looking statements are subject to any material adverse events, significant one-off expenses or other unforeseeable circumstances.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.



THANK YOU FOR YOUR SUPPORT