

5th June 2018

NZ King Salmon reaffirms FY18 forecast and provides guidance for FY19

The directors of New Zealand King Salmon Investments Limited (NZX and ASX: NZK) have indicated that pro-forma operating EBITDA¹, for the twelve months to 30 June 2018, is likely to be at the upper end or slightly above the guidance range of \$24.5m to \$26.0m previously provided to the market.

The business is expected to deliver a resilient result in light of challenging summer fish performance. Key 2018 highlights include:

- Sales volume of about 7,750 metric tonnes with harvest of approximately 8,000 metric tonnes
- Sales prices have continued to lift with strong brand positioning as we have faced extremely positive demand and limitations in supply
- Higher than average summer temperature has significantly impacted survival rates with consequent reduction in both FY18 and FY19 volumes available for sale.

Managing Director Grant Rosewarne says “this is a very pleasing outcome especially taking into account the many on-farm challenges, offset by highly successful export sales and marketing efforts and the continuing development of our premium Ōra King and Regal brands.”

He notes “we are also continuing our positive discussions with the Government regarding MPI plans for potential relocation of some of our farms to cooler, deeper waters. These plans are important because they would help mitigate the effects of seasonal temperature fluctuations. They would improve environmental, social and economic outcomes, and allow testing of new technologies as we plan for the next 30 years of salmon farming in New Zealand.”

Looking ahead to the 2019 financial year, the directors have provided EBITDA guidance for the full year result, of between \$25.0m and \$28.5m.

It should be noted the following assumptions have been agreed for the 2019 year:

- Harvest volumes in line with the 2018 year at around 8,000 metric tonnes;
- Due to limited fish availability sales will be slightly weighted to the second six month period;
- Mortality rates significantly below 2018 although above rates used in the Product Disclosure Statement, and assumes average summer seasonal temperatures;
- Continuation of the current annual level of capital expenditure for the next three years, reflecting the additional investment required to improve overall fish performance / quality and unlock the full environmental and economic potential from the existing farm consents;
- Capital expenditure for 2019 is scheduled to be a minimum of \$13.0m versus depreciation of \$7.2m;

¹ Pro-Forma Operating EBITDA is a non-GAAP profit measure used by NZ King Salmon. Pro-Forma Operating EBITDA reverses out fair value gains associated with the revaluation of livestock pursuant to NZ IAS 41-*Agriculture* and NZ IAS 2-*Inventory*. The application of NZ IAS 41-*Agriculture*, and NZ IAS 2-*Inventory* effectively results in the NZ King Salmon Group recognising expected profits from the sale of livestock prior to sale. Other international listed salmon companies will typically present ‘Operating’ results which remove the impact of these gains or losses. NZ King Salmon therefore believes that Operating results enable a better comparison of financial performance between its peers and between periods.

- During this three year capital investment phase the dividend ratio is expected to be maintained at 50% of normalised net profit after tax. This is in line with the 2017 and 2018 year, and at the lower end of the 50-65% forecast in the IPO Product Disclosure Statement;
- On-going information will be provided as part of the 2018 year end results announcement in late August 2018.

ENDS

Contact information:

Grant Rosewarne, CEO, Mob: 027 246 0980, email: grant.rosewarne@kingsalmon.co.nz

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 more than 400 of the 2,300 shareholders from top of the South. More information can be found at www.kingsalmon.co.nz