



ANNUAL SHAREHOLDERS MEETING  
16 JUNE 2021

# AGENDA

- Welcome
- Chair's Review
- Managing Director's Review
- Ordinary Business and Resolutions
- Voting and Questions

# WELCOME

- Welcome to all shareholders and stakeholders.
- Second online meeting, future meetings in hybrid format.
- Review of a shorter period (given change in balance date) including the business's recovery from the impact of COVID-19.

# QUESTION PROCESS

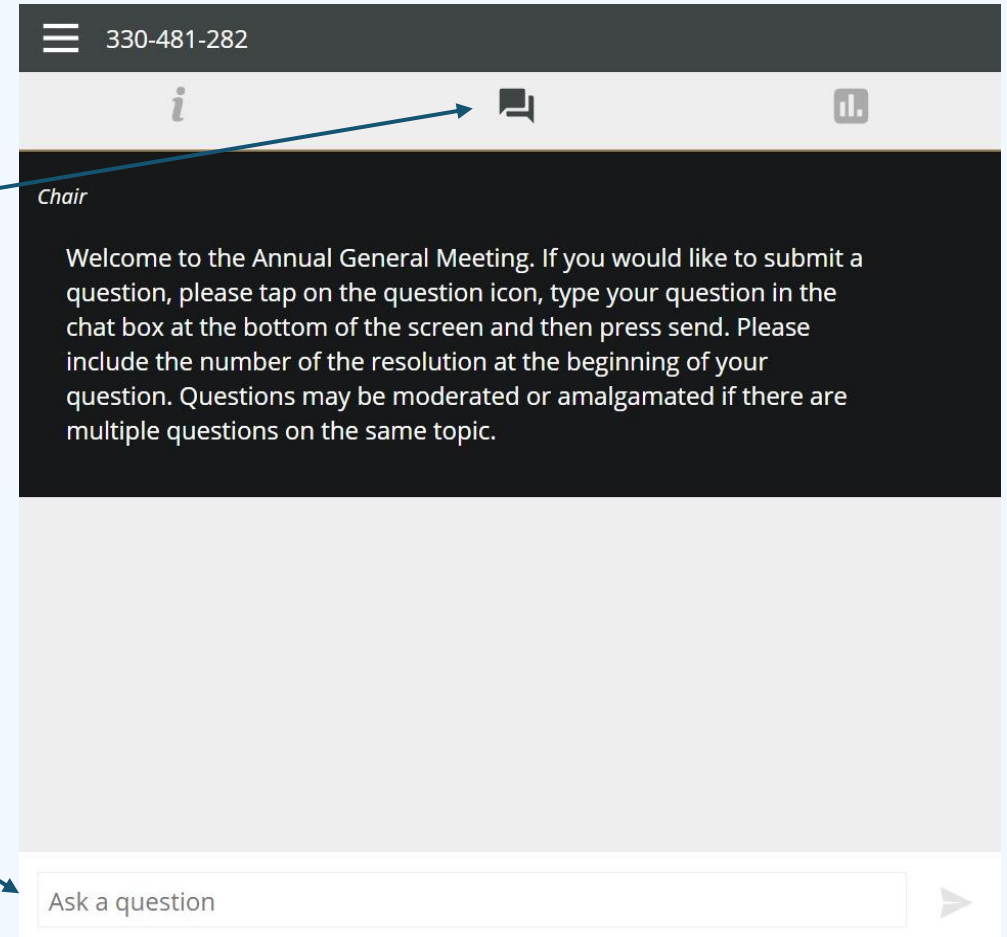
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- Your question will be sent immediately for review.



# VOTING PROCESS

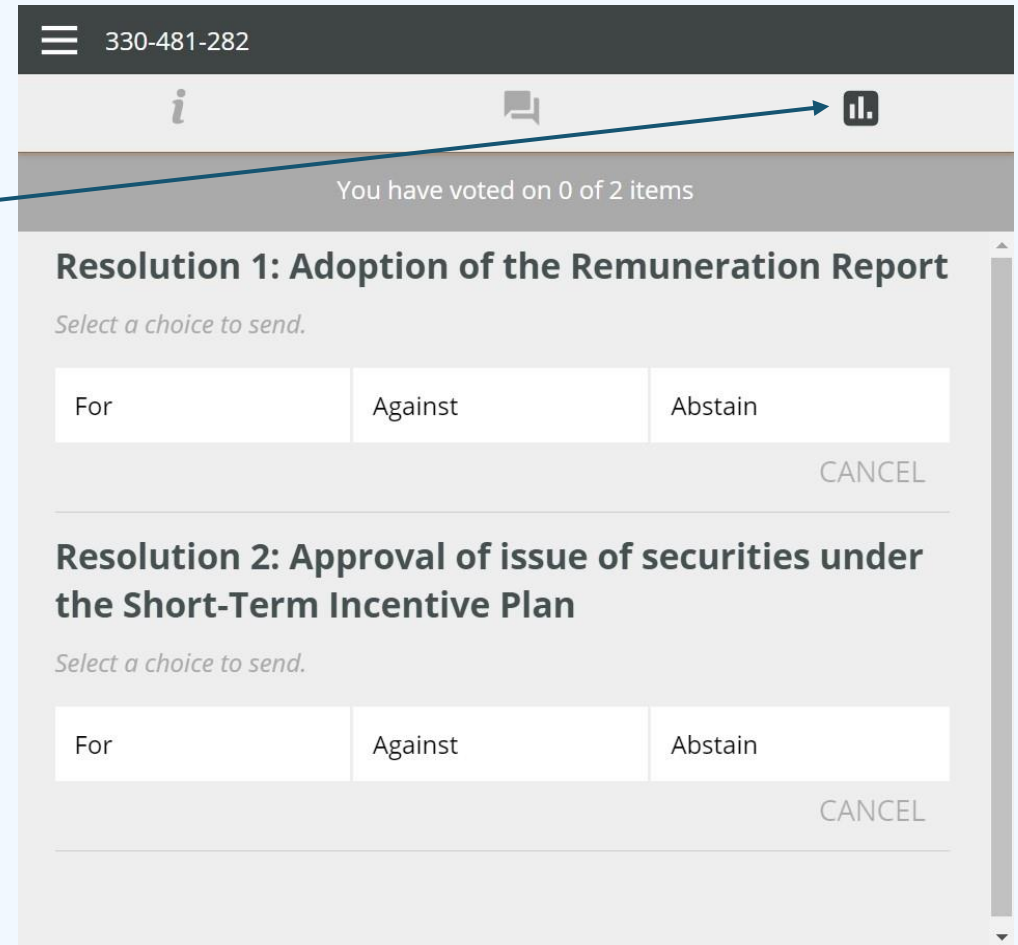
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## CHAIR'S OVERVIEW

- Change in balance date to 31 January, the summer period now falls in Q1:
  - ▶ Resulting in upfront certainty of the summer result.
  - ▶ FY21 therefore a 7 month reporting period.
- FY21 profitability impacted by COVID-19 together with related clearance of excess inventory at lower prices.
- Trading in the first half of FY22 (Feb to July 21) has been problematic, with smaller fish size and reduced biomass progressively becoming more apparent.
- Fish size is expected to recover by July, with biomass improving by October 2021.
- Longer term outlook remains sound.

# MANAGING DIRECTOR'S REVIEW

- FY21 Highlights
- Sustainability
- Business Update
- Outlook
- Future Farming



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# FY21 HIGHLIGHTS





# FINANCIAL SUMMARY

## For the 7 month period to 31 January 2021:

- Revenue of \$95.2m, is 6% down on \$101.1m for FY20 (7mos)\*.
- Pro Forma\*\* EBITDA of \$10.0m, compared to \$19.6m for FY20 (7mos).
- Results impacted by:
  - ▶ COVID-related lost sales.
  - ▶ COVID-related expenses and clearance of excess inventory at lower prices.
  - ▶ Fair value adjustments on livestock due to COVID margin impact.
  - ▶ Treatment of foreign exchange close-outs.
- GAAP NPAT loss of \$7.1m, compared to FY20 (7mos) profit of \$18.0m.

\* 7 month period to 31 January 2020.

\*\* A full reconciliation between GAAP and Pro Forma results is shown in Appendix II of this presentation.

# FACTS AND FIGURES

FY21 (7mos) REVENUE OF

**\$95.2**  
MILLION

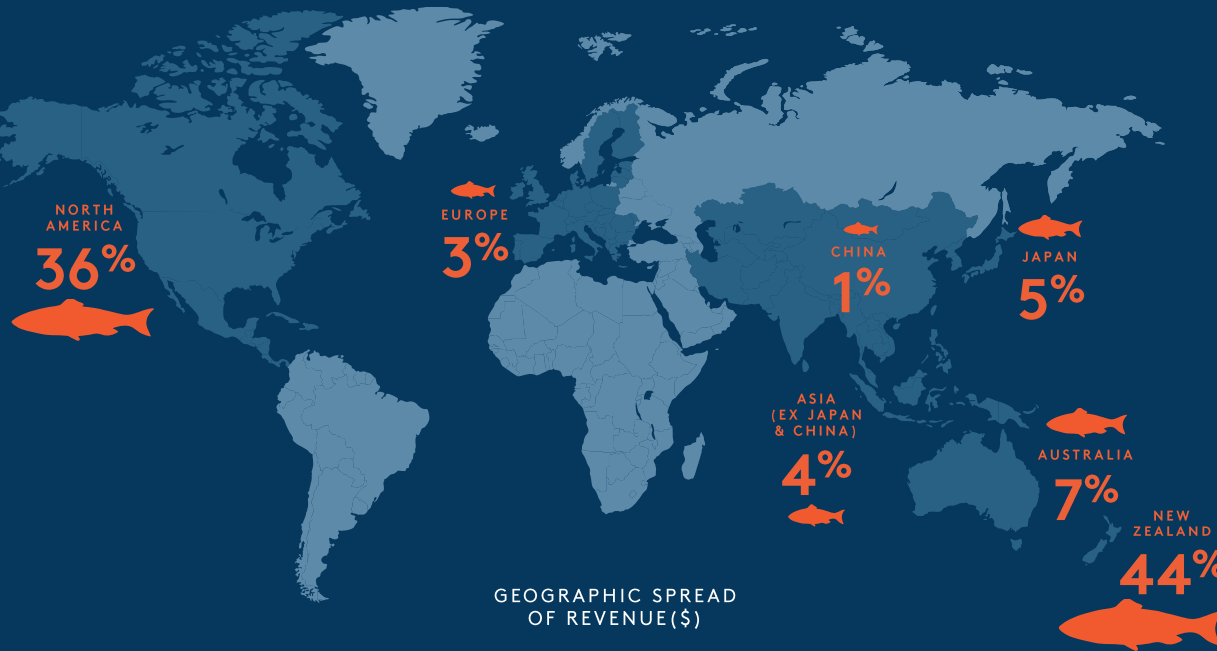
TOTAL SALES

**44%** NZ

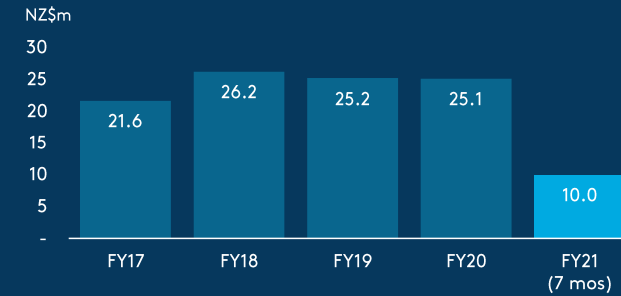
**56%** EXPORT



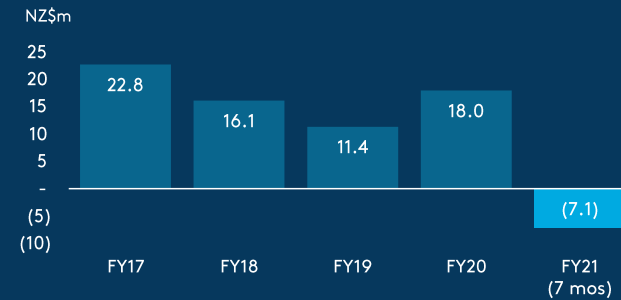
METRIC TONNES HARVESTED  
DURING FY21 (7mos)



PRO-FORMA OPERATING EBITDA



STATUTORY NPAT



# VISION, PURPOSE, MISSION AND VALUES

## VISION

TO BE ONE OF THE TOP OF THE SOUTH'S MOST VALUED ORGANISATIONS AND THE WORLD'S MOST INSPIRATIONAL 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 / BETTER EVERYDAY / INTEGRITY / TEAMWORK & CULTURE / QUALITY AND INNOVATION

# SUPPORTING STRATEGIES



HEALTH & SAFETY INCLUDING FOOD SAFETY



FARM ONE SPECIES: KING SALMON



COST EFFICIENT



DOMINATE PREMIUM SALMON NICHES WORLDWIDE



100% BRANDED



ENGAGED PEOPLE



COMMUNITY ENGAGEMENT



SUSTAINABILITY

# SUSTAINABILITY



# INDEPENDENT COMMITMENTS TO SUSTAINABILITY

To independently verify our operations and activities, we continue to participate in leading accreditation programmes for the aquaculture industry.

We also continue with our reporting commitments to the Global Salmon Initiative (GSI) and the UN Global Compact.



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



# OUR SUSTAINABILITY DEVELOPMENTS

## We continue to progress on our sustainability journey:

- Completed a TCFD\* gap analysis for future climate reporting.
- Published our first modern slavery statement.
- Continued Environmental, Social and Governance (ESG) reporting.
- Launching an internal Go Green fund for team contribution to sustainability.
- Continued participation in various community stakeholder groups and the National Environment Plan.
- Community consultations and engagement for our major water space projects.
- Broader Top of the South community engagement through our sponsorship and events programme.
- Committed to 100% reusable, recyclable or compostable packaging across our business by 2025 - currently at 47%

Achievements include:

- ▶ Improving recyclability of various packaging components
- ▶ Clearer communication of recyclability of packaging



\* Task Force on Climate-related Financial Disclosures.

# BUSINESS UPDATE



# THE IMPACT OF COVID-19

## Effect on our FY21 results:

- Provisions made against frozen whole fish inventories.
- Additional airfreight expenses.
- NZ retail price promotions.
- Sales of excess frozen fish at a loss.
- Additional storage and distribution costs on excess frozen inventory.
- Increased mortality rates due to increased time at sea.

## Noticeable supply chain disruptions:

- Partly mitigated by the government subsidised air cargo scheme - allowed volumes to key markets to be secured.
- Reduction in availability of chilled sea freight containers - resulted in significant increases in freezer requirements.

## Seafood Stars Awards 2020 COVID-19 Response Award



We were proud to be presented with this award in recognition of our health and safety initiatives and commitment to our team members during the pandemic

# THE LONG TAIL OF COVID-19

Anticipate ongoing uncertainty and ripple-effects of COVID will continue to impact operations during FY22.

- Sales resource rebalanced between retail, foodservice and pet channels to ensure diversification of customer base:
  - ▶ Demand from North America remains strong, with foodservice recovering.
  - ▶ NZ retail promotions increased sales volumes to above pre-COVID levels towards the end of FY21, demonstrating resilience of our business model. We will continue with market development activity globally for smoked salmon and pet food opportunities in retail.
- Clearance sales of excess frozen inventory expected to be finalised during first half of CY21, then expect demand to exceed supply late-CY21:
  - ▶ Opportunity for price increases to recover lost margins.
  - ▶ Ongoing effect on margins due to increased operating expenses.



# FISH HEALTH AND WELFARE

Space constraints and access to cooler waters are the biggest influences on fish health and welfare.

Recent appointment of Zac Waddington, NZ and Canadian licenced Doctor of Veterinary Medicine.

- Currently New Zealand's only licenced, dedicated clinical aquaculture veterinarian.



To give our fish the best chance to reach their potential, we continue to follow two key management plans:

- **Biosecurity management plan:** Developed to coordinate a well-informed timely response to the detection of risks faced across operations. It is designed to manage pathogen pathways between and within control zones, as well as develop a proactive 'hygiene culture' of on-farm and vector-based management measures, to reduce the spread of pests and diseases.
- **Fish health management plan:** This is in place to reduce, prevent and control the impact from any disease that affects or may affect our King salmon population.

Rapid response, routine health monitoring, philosophy of continuous improvement, early investigation



# EVOLVING OUR AQUACULTURE MODEL

During FY20 and FY21, we focused on the protection of fish health and improved survival rates while maintaining good biosecurity as permitted by available water space.

- Upwelling systems.
- Additional net cleaning.
- Fish management.
- Reduced handling of stock.
- Feed management.

We have 'wound back' some practices which had unintended negative consequences on fish size

**We have also introduced a Prescient Aquaculture Model:**

- **A focus on having the right sized fish in the best locations to optimise existing inshore space.**

Whilst we encountered higher mortality levels in FY21 due to the delay in harvest and warmer water temperatures, fish performance continues to be a key focus for the business.

Summer update: mortality for 3 months to April 2021 was \$6.8m compared to April 2020 at \$5.8m.

# KEEPING OUR BRANDS PROMINENT

## Creating innovative strategies for our markets:

- Connecting with our end-users through:
  - ▶ Launch of the Ōra King Global Ambassador Programme.
  - ▶ Regal consumer research – identifying new consumer segments for expansion.
- Product innovation momentum maintained through:
  - ▶ Regal Maple Smoked Salmon range.
  - ▶ Ōra King June Hog – a brand developed around larger Ōra King fish.
  - ▶ Ōra King Keiji.

## Recognition received through awards:

- ▶ Value of Design award from the Designer’s Institute of NZ for Ōra King.
- ▶ Omega Plus team recognised by AVA Digital Awards for their innovative TV advert created during the first lockdown.
- ▶ Three international wins for Regal recently :sofi award, ITI Superior Taste award, ‘Prevention’ publication health award



## DIVERSIFYING OUR BRANDS

### Continued geographical, category and channel diversification:

- Sale of Regal Fresh in the US through a multi-store premium retailer.
- Launch of Ōra King speciality range (100g cold smoked) into high-end European retail stores.
- E-commerce and new US geographies, e.g. the record sale of the Ōra King TYEE salmon via Goldbelly.com.
- Imminent US launch of Omega Plus petfood treats.



# ŌRA KING SALMON DOCUMENTARY

- A short teaser clip will play shortly
- Auckland-based chef and restaurateur Geoff Scott will introduce Ōra King salmon



An underwater photograph with a dark blue background. The scene is filled with numerous small, bright bubbles rising from the surface. Scattered throughout the water are many small, reddish-brown spherical objects, possibly seeds or beads. The lighting is dramatic, highlighting the textures of the bubbles and the individual spheres.

ORAKING®



# CAPITAL EXPENDITURE

## We prioritised key capital expenditure projects:

- Hatchery facilities including a 'first-feeding' and incubation facility at Tentburn:
  - ▶ The incubation and office facilities are now finished, with completion of the tank room expected towards the end of CY21.
- Resource Consent application for our Blue Endeavour project.



Tentburn Hatchery – aerial view



Entrance to new first feeding and incubation facility

# OUTLOOK

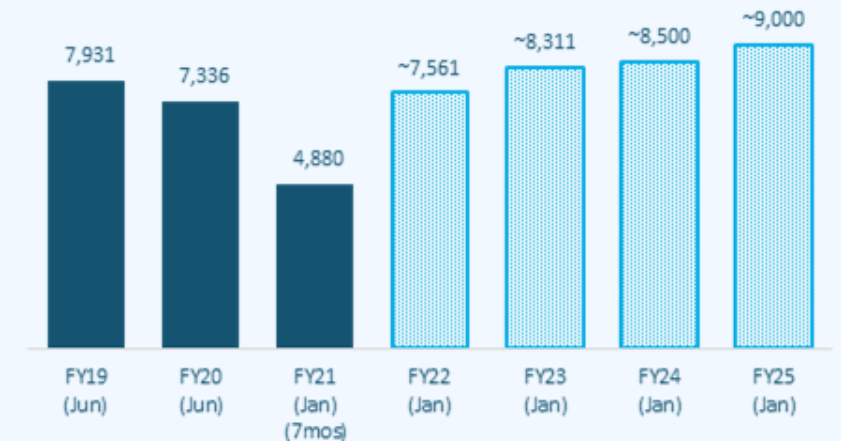


# OUTLOOK

## Expectations for FY22 onwards

- Forecast FY22 harvest volumes of ~7,500MT, lower than prior guidance due to:
  - ▶ Production model refinements.
  - ▶ Ensuring the most beneficial location of fish over the summer period.
- COVID-19 continues to disrupt sales markets and shipping:
  - ▶ After clearance of remaining lower value, frozen stock, we anticipate that we will achieve average prices above pre COVID levels.
  - ▶ Margins likely to be affected by higher freight and distribution costs, in addition to other general increases.
- Hopeful of a decision on our Blue Endeavour Open Ocean resource consent application and the MPI farm relocation during CY21.
- FY22 capital expenditure forecast at ~\$11.6m.
- Dividend policy remains under review.

Harvest Volumes (tonnes) \*



\* Harvest volumes have been forecast based on utilisation of existing resource consents, historic performance and our new aquaculture model. They do not include any impact of farm relocation or open ocean initiatives.



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# FUTURE FARMING



# NZ AQUACULTURE STRATEGY



Aquaculture Strategy launched by the NZ Government in September 2019.  
Sets an annual sales target for the industry of \$3 billion as early as 2030.  
Revenue of over \$650m in 2020 and growing\*.

Open Ocean Aquaculture can play a significant role in converting this aspiration into reality.

## THE BENEFITS



MINIMAL  
SEABED IMPACT



DISTANCE FROM  
COMMUNITIES



REGIONAL  
ECONOMY



FISH QUALITY



BIOSECURITY



GROWTH  
OPPORTUNITIES

\* Source: [aquaculture.org.nz](http://aquaculture.org.nz)



# FUTURE FARMING – BLUE ENDEAVOUR

**FY22, a year of opportunity to achieve our future farming vision.**

Blue Endeavour open ocean farm:

- Represents a step towards the long term sustainability of the industry.
- Application for our first open ocean farm comprising two blocks of pens, in the Cook Strait.
- RMA consenting process is underway and submitter meetings are expected in 2021, with a hearing to follow later in the year.
- Earliest possible harvest from the region would be in the middle of CY24.
- Capital costs for the infrastructure estimated at ~\$30m and associated services ~ \$25m - with some ability for this spend to be staged.
- This investment would be expected to generate an eventual production volume of ~4,000MT per site per 18 month cycle.



# NEW ZEALAND KING SALMON SEAFARMS

 **Active Sites** (as at 30 June 2021)

- A** Waihinou Bay
- B** Waitata
- C** Kopāua
- D** Ruakaka
- E** Otanerau
- F** Te Pangu
- G** Clay Point
- H** Ngamahau

 **Blue Endeavour**

## MARINE FEATURES

-  Marine light
-  Anchorage
-  Shipwreck
-  Harbour limit
-  Pilotage limit
-  Cable protection zone boundary
-  Ferry route
-  Marine reserve boundary
-  Marine mammal sanctuary boundary
-  Road





# FUTURE FARMING – FARM RELOCATION

**FY22, a year of opportunity to achieve our future farming vision**

Farm relocation (MPI Salmon Relocation Process):

- New model uses inshore farms as nursery sites to supply Blue Endeavour with large fish
- As such, relocation becomes more important but can be delayed
- Working with participating Marlborough iwi and MPI to achieve a positive outcome

# ORDINARY BUSINESS AND RESOLUTIONS



## RESOLUTION 1

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

## RESOLUTION 2

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



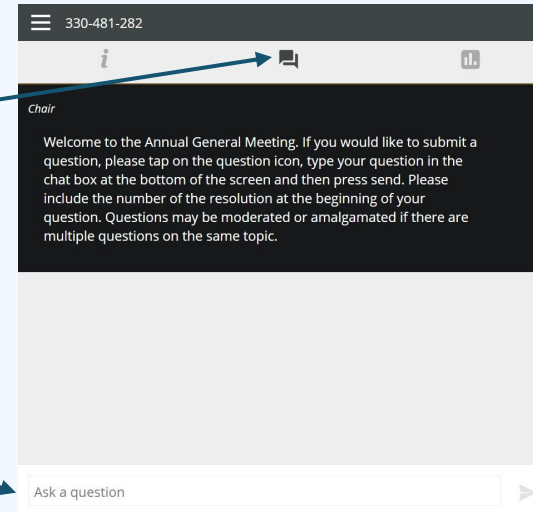
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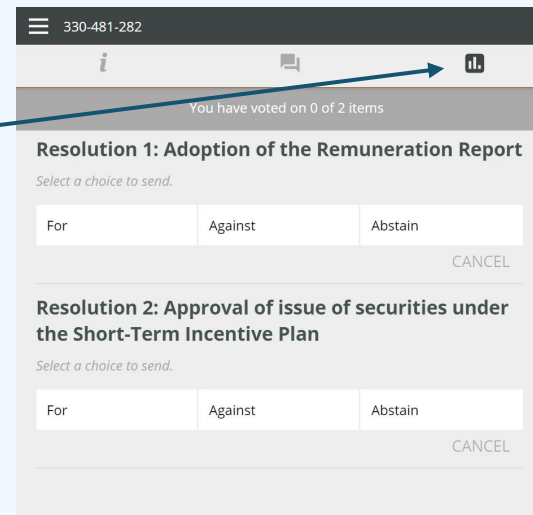


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# APPENDICES AND DISCLAIMER





# APPENDIX I -FY21 (7 MONTHS) RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

FY21 NZD 000s	Statutory Financial Statements	Fair Value Adjustments	IFRS 16 Lease Adjustments	FX Close- Outs	Pro Forma Operating Financial Information
Revenue	95,239				95,239
Cost of goods sold	(98,820)	36,562	(984)		(63,243)
Fair value gain / (loss) on biological transformation	29,350	(29,350)			-
Freight costs to market	(11,616)				(11,616)
<b>Gross Profit</b>	<b>14,152</b>	<b>7,212</b>	<b>(984)</b>		<b>20,380</b>
Other operating income	541			5,744	6,285
<b>Overheads</b>					
Sales, marketing and advertising	(7,702)				(7,702)
Distribution overheads	(3,131)				(3,131)
Corporate expenses	(4,979)				(4,979)
Other expenses	(889)				(889)
<b>EBITDA</b>	<b>(2,008)</b>	<b>7,212</b>	<b>(984)</b>	<b>5,744</b>	<b>9,964</b>
Depreciation and amortisation	(5,969)		981		(4,988)
<b>EBIT</b>	<b>(7,977)</b>	<b>7,212</b>	<b>(3)</b>	<b>5,744</b>	<b>4,975</b>
Finance income	5				5
Finance costs	(1,353)		140		(1,213)
Net finance costs	(1,349)	-	140	-	(1,208)
<b>Profit / (loss) before Tax</b>	<b>(9,326)</b>	<b>7,212</b>	<b>137</b>	<b>5,744</b>	<b>3,767</b>
Income tax (expense) / credit	2,247	(2,019)	(38)	(1,608)	(1,419)
<b>Net Profit / (loss) for the Year</b>	<b>(7,079)</b>	<b>5,193</b>	<b>98</b>	<b>4,136</b>	<b>2,348</b>

# APPENDIX II - FY20 (12 MONTHS) RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

FY20	Statutory Financial Statements	NZ IAS-41 and NZ IAS-2 Fair Value Adjustments	NZ IFRS-16 Lease Adjustments	Pro Forma Operating Financial Information
<b>NZD 000s</b>				
Revenue	155,344			155,344
Cost of goods sold	(145,768)	54,705	(1,584)	(92,647)
Fair value gain / (loss) on biological transformation	64,124	(64,124)		(0)
Freight costs to market	(15,351)			(15,351)
<b>Gross Profit</b>	<b>58,349</b>	<b>(9,419)</b>	<b>(1,584)</b>	<b>47,346</b>
Other operating income	4,247			4,247
Overheads				
Sales, marketing and advertising	(12,473)			(12,473)
Distribution overheads	(4,131)			(4,131)
Corporate expenses	(9,012)			(9,012)
Other expenses	(906)			(906)
<b>EBITDA</b>	<b>36,074</b>	<b>(9,419)</b>	<b>(1,584)</b>	<b>25,071</b>
Depreciation and amortisation	(9,385)		1,437	(7,948)
<b>EBIT</b>	<b>26,689</b>	<b>(9,419)</b>	<b>(147)</b>	<b>17,123</b>
Finance income	12			12
Finance costs	(1,748)		171	(1,577)
Net finance costs	(1,736)	-	171	(1,565)
<b>Profit / (loss) before Tax</b>	<b>24,953</b>	<b>(9,419)</b>	<b>24</b>	<b>15,558</b>
Income tax (expense) / credit	(6,949)	2,637	(7)	(4,319)
<b>Net Profit / (loss) for the Year</b>	<b>18,004</b>	<b>(6,782)</b>	<b>17</b>	<b>11,240</b>

## APPENDIX III - GLOSSARY OF TERMS

CY21	Calendar year 2021
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY20	Financial results for the 12 months from 1 July 2019 to 30 June 2020
FY20 (7mos)	Financial results for the 7 months from 1 July 2019 to 31 January 2020
FY21 / FY21 (7 mos)	Financial results for the 7 months from 1 July 2020 to 31 January 2021
GAAP	Generally Accepted Accounting Practice
LTIFR	Lost Time Injury Frequency Rate
Mortality / Mortality Rate	The percentage mortality of salmon in seawater, calculated as the biomass of salmon mortalities in kg divided by the growth of salmon in kg
MPI	Ministry of Primary Industries
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

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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.
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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.

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New Zealand King Salmon

FY21 ANNUAL SHAREHOLDERS MEETING