



SANFORD

22 May 2023

Sanford Interim Results Show Improving Profitability, On Track for Further Growth

Sanford Limited (NZX: SAN) has reported further improvement in its financial performance for the six months ending 31st March 2023. **Key highlights** include:

- Net Profit After Tax (NPAT) for H1 2023 is \$11.1 million, which compares favourably to NPAT for H1 2022 (\$6.1 million).
- Adjusted EBIT for H1 2023 is \$26.6 million, a 38.7% increase on the same period last year (\$19.2 million).
- Revenue of \$277.6 million is up 2.5% versus H1 2022 (\$270.9 million).
- Salmon division particularly strong with a 45% increase in profit, whilst Wildcatch again remained steady, and Mussels continues to lag expectations.
- North Island inshore catch rights to be sold to Moana New Zealand through a new long-term arrangement.

Sanford CEO Peter Reidie says that despite these improvements, labour shortages and cost pressures have meant the seafood company has not yet returned to pre-Covid levels of profitability.

Sanford is New Zealand's largest and oldest seafood company and has a diverse range of interests across fishing and aquaculture. Its profits were heavily impacted by Covid, but Mr Reidie says that has now changed.

"We have seen very encouraging growth in global sales. There is strong demand across the board. This ranges from our highly valued scampi and salmon to more everyday products such as hoki and squid. We have seen record pricing in the period for all these species and more."

Given the improved performance, Sanford's Board is pleased to announce an interim dividend of six cents per share.

Led by our strategy, a focus of the first half of 2023, has been to restructure the business into three divisions: Wildcatch, Salmon and Mussels, results for which are reported below.

Divisional Highlights

Salmon continues to outperform

Sanford's Salmon division continues to outperform, with an increase in profit contribution of 45.2% or \$5.5m and revenue growth of 8.6% versus the prior comparable period (pcp).

Mr Reidie notes that "pricing and demand are strong and harvest volumes are stable compared to the first half of 2022. The reduction of volume is driven by clearance of frozen volume in the prior comparable period. We can also report that mortalities are low (at 2.9% for H1) and are well managed with new initiatives such as pen relocation, increased net cleaning and the option to add oxygenation when required."

Mussels lagging expectations

Performance in the Mussels division is improving but is below expectations for the half, despite delivering an increase in profit contribution and revenue relative to H1 2022.

Mr Reidie says “pricing and demand have been strong, but improvements have been limited by our ability to supply the desired volumes to market. We saw a 13.0% reduction in sales volumes versus H1 2022. Revenue has risen, despite the volume reduction, partly because we have sold more half shell format mussels in H1 2023, which is a higher value product of lower weight. In the prior comparable period, we sold more whole mussels, at lower prices.

“Holding us back has been the slow commissioning of our new Bioactives (marine extracts) plant, labour shortages in our processing plant in Havelock and difficult weather patterns which have impacted mussel growth. We are optimistic these three factors will improve in H2 2023.”

Wildcatch steady, inshore performance in focus

Sales volumes in Wildcatch have been consistent with the prior comparable period (down 1.2%). Revenue for this division is up by 8.6% versus H1 2022 and the profit contribution is also relatively consistent with H1 2022, up 2.3%. While squid catch volumes were down for the first six months of our 2023 year, hoki and toothfish harvest volumes were up, hence the relatively flat performance in this business unit.

Mr Reidie says that “while the deepwater part of the business is stable and profitable, unfortunately the inshore area of Sanford’s Wildcatch division has been underperforming for some time. Following a review into this division, we have now agreed to sell much of our North Island inshore Annual Catch Entitlement (ACE) to Moana New Zealand through a new long-term agreement. Sanford retains ownership of the North Island inshore quota. This will simplify our operations and establish a lower-risk passive revenue stream for our North Island inshore ACE.”

This arrangement is subject to two conditions, including the Commerce Commission granting Moana a clearance in respect of the transaction. Settlement is expected to occur in Q4 of FY23, but this will depend on when the conditions are satisfied.

More details about this transaction can be found in the separate announcement that accompanies this interim results release [on Sanford’s website](#).

People, Supply Chain and Outlook

Engagement scores remain consistent at 7.5 (out of 10) overall, representing strong engagement with our work and culture across all areas of our business, with a 59% participation rate.

We continue to see great results from our focus on Food Safety and Quality. Substantiated complaints are down 42% in 2023 versus H1 2022.

The supply chain for frozen exports remains challenged by both local and global issues. Sanford has continued to work hard with all its partners to keep product moving to customers. Our sea freight rates were contracted in mid-2022 and therefore a premium is being paid for current shipments. These rates will soften for FY24. Supply chain cost increases are being passed to customers.

There have been notable achievements in sustainability with significant emissions upgrades approved for two large vessels in our deepwater fleet. These will deliver transport energy efficiency improvement of 7-11% per vessel.

Peter Reidie says that overall, there have been significant performance improvements for the first half of 2023, but the company is focused on achieving more, and on mitigating or eliminating the issues that have held back a more rapid return to desired profitability. “We thank our investors for their patience and our people for their hard work. With the restructure underway and significant projects such as Bioactives progressing, we look forward to seeing the benefits of that hard work in H2.”

For further information, please contact:

Peter Reidie
Chief Executive Officer
info@sanford.co.nz
+64 (9) 379 4720

For media enquiries, please contact:

Fiona MacMillan
GM Corporate Communications
fmacmillan@sanford.co.nz
+64 (0)21 513 522