



Market Announcement

September 28, 2022

NZK - NEW ZEALAND KING SALMON ANNOUNCES 1HY23 RESULT

New Zealand King Salmon Investments Ltd (NZX & ASX: NZK) reports its financial performance for the six months period ended 31 July 2022 (1HY23). Key points include:

- We reaffirm full year earnings guidance given in April 2022 of an \$8m - \$12m pro forma EBITDA loss.
- Net loss after tax of \$24.5m, following a challenging start to the year with sea farm mortalities, lower harvest and a decline in biomass at sea.
- Revenues are consistent with the prior comparable period (PCP) at ~\$80m as a combination of price increases and customer mix have offset reduced sales volumes through 1HY23.
- Sales volumes decreased from 3,669mt in 1HY22 to 2,886mt 1HY23 (a decrease of 21%) consistent with the consequences of a reduced harvest.
- The mortality event in January 2022 continued into 1HY23 and increased mortality cost by \$11.9m from \$10.4m in 1HY22 to \$22.3m.
- Pro-forma EBITDA for 1HY23 was a loss of \$13.7m compared to profit of \$3.3m for the 1HY22. This is predominately due to the mortality event affecting the first half of FY23, while 1HY22 included \$13.5m of early forex close-outs included in other income.
- Finished goods inventories continue to be managed down sensibly following the build-up which occurred through COVID disruptions.
- Post the equity raise in May 2022 net bank (debt)/cash position has improved from a debt position of \$44.1m on 31 January 2022 to a net cash position of \$15.6m at 31 July 2022. In addition to cash on hand, NZ King Salmon has access to a \$6.5m revolving debt facility which remains undrawn.

New Zealand King Salmon Chairman John Ryder said: "As previously indicated we had a disappointing start to the year because of high mortality and the cost of this was \$22m for 1HY23. We then had to begin rebuilding our biomass and accordingly we restricted our harvest and sales. We introduced a number of cost-saving initiatives, and our financial performance has improved although there is more work to do. Our recovery progress is in line with previously communicated guidance."

CEO Grant Rosewarne acknowledged it had been a tough start to the financial year, but the outlook was improving with price increases implemented across all markets. "We introduced our new aquaculture strategy as outlined at full year with three farms in the Pelorus already followed. We also made the decision to mothball our Waiau freshwater facility which is surplus to current requirements."

“We successfully completed a \$60.1 million pro rata rights offer and proceeds were used to repay debt which has left us with net cash of \$15.6 million. We now have to rebuild biomass from 3,700MT back up to around 5,000MT.

“As outlined previously, we downsized the company, which was necessary to align with the reduced harvest, which was not an easy decision to make. We have been fortunate that there are a number of staff shortages in other businesses, so only 23 positions were made redundant as our business reduced from 580 team members to 452, largely through attrition,” Mr Rosewarne said.

“We sensibly reduced capex and we are forecasting capex spend of \$6.5m to \$7.5m, compared to \$13m last year. Much of the capex relates to pre committed projects, such as a new barge and net cleaner and work on our Blue Endeavour application.”

“Along with introducing price increases across all markets, we have made improvements to our customer and product mix, and we have reduced our promotional budget. There has been a large focus on supply and demand this year following a reduced harvest. Our strong markets remain North America for Ōra King and domestically our Regal brand remains New Zealand’s most preferred smoked salmon,” Mr Rosewarne added.

Recent media articles have indicated the potential for another marine heatwave this summer. The change in our aquaculture model is designed to provide strong mitigation against the effects of warmer temperatures.

“The hearing for our open ocean Blue Endeavour application, 7kms north of Cape Lambert in the Cook Strait, was formally closed at the beginning of September and a decision is now expected by the end of the year. This project is expected to have multiple benefits including increase in scale of operations, reduction in operating costs and improvements in fish health.”

Blue Endeavour would provide an opportunity to recommence farming at three of the fallowed farms in the Pelorus Sound, which will be used as nursery sites for 9 months of the year, avoiding the summer months with fish being transferred to Blue Endeavour at ~1.5kgs for full grow out to ~4.2kgs average weight. This represents an efficient use of assets, capital, and resources.

The application is aligned with the Government’s Aquaculture Strategy which was launched in late 2019 and now has an accelerated objective of the industry achieving \$3 billion revenue by 2030.

Ends

Grant Rosewarne, CEO, New Zealand King Salmon Investments Ltd,

grant.rosewarne@kingsalmon.co.nz

Ben Rodgers, CFO and Company Secretary, New Zealand King Salmon Investments Ltd,

ben.rodgers@kingsalmon.co.nz

About New Zealand King Salmon

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 our New Zealand King Salmon label. We have been growing and selling King salmon to consumers for more than 30 years.

More information can be found at www.kingsalmon.co.nz