



Market Announcement

September 30, 2021

NZK - NEW ZEALAND KING SALMON ANNOUNCES 1H22 RESULT

New Zealand King Salmon Investments Ltd (NZX & ASX: NZK) reports its financial performance for the six months period ended 31 July 2021 (1H22). Key points include:

- Small fish size and compensating restrictions on harvest have negatively impacted our result
- The effects of Covid-19 disruptions have been largely overcome with the exception of freight availability and cost
- Revenue of \$80.1m, up from \$67.0m in 1H21, reflecting clearance of excess inventory and sales recovery (\$4.2m clearance).
- Sales volume of 3,629 tonnes compared with 2,745 tonnes in 1H21 (470t clearance).
- Statutory NPAT of (\$5.6m), compares with (\$5.6m) in 1H21.
- Pro Forma Operating EBITDA of \$3.3m, compared with \$7.1m in 1H21.
- The main differences between Statutory and Proforma EBITDA profit measurement being (\$13.5) FX close-out profits, \$8.1m inventory fair value adjustment, and \$0.98m FRS16 leases.

Chairman John Ryder said: “Unfortunately it’s been a challenging six months, but we have now initiated our Prescient Aquaculture Model, built on decades of farming King salmon and the experience of our own in-house team. Since the beginning of our new financial year, we have returned to demand exceeding supply”.

“Our premium brands continue to show great strength in building customer relationships and supporting margin growth, focusing on diversification across categories and markets to build resilience.”

New Zealand King Salmon CEO Grant Rosewarne acknowledged it had been a tough period. “During the first four months we made losses, more than fully offset by closing out excess foreign exchange contracts. In June we were back to break even, followed by incremental gains in July of \$1.3m (proforma EBITDA), continuing into 2H, with August at \$1.6m.

“We are forecasting harvest volumes in the second half of 2022 of over 4,000 tonnes delivering the usual premium prices. We have consistently maintained prices for the core branded portfolio, even through the Covid pandemic. Excess unbranded stock, mainly whole frozen fish, continues to be sold to international customers outside of established branded channels.

“During Covid FY21 we refocused on NZ retail (with heavy price promotions) and developed additional fresh speciality and e-commerce business in the US, which helped get us through FY21.

Now, in FY22, we have seen the return of the US foodservice sector whilst retaining the incremental fresh business to deliver improving returns.

“Continuing our innovation program for Ōra King, we launched a limited edition of our new Ōra King Keiji product, which is our interpretation of the famed Japanese Keiji, a premium sashimi or plate-size salmon enjoyed for its unique flavour and delicate texture.

“We also premiered the Ōra King Documentary to offer chefs around the world a virtual experience of our brand, despite the closure of our borders. The documentary <https://orakingsalmon.co.nz/documentary/> deepens the story of Ōra King with material filmed across our egg to plate operation.

“Internationally, we have continued to drive demand for our Regal smoked salmon products, and secured three international accolades for our Regal range, including Best New Product across all categories at the 2021 sofi awards with the Speciality Food Association of North America.

“Furthermore, our Omega Plus pet food range continues to show rapid growth with the launch into Animates stores around New Zealand. Annualised revenue is currently running at about \$4m pa” Mr Rosewarne added.

“Our aquaculture team continues to investigate and implement solutions for improved fish health outcomes at our sea farm sites. This work is underpinned by our new production model, our own fish health vet, Dr Zac Waddington, and independent science providers.

“In terms of future growth, a hearing has been set in Blenheim, the week beginning October 18 for our open ocean Blue Endeavour application, 7kms north of Cape Lambert in the Cook Strait. This project has multiple benefits - an improved environmental outcome, increase in scale, reduction in operating costs, improvements in fish health and a lift in unit values. If successful, we would expect a harvest in 2024.”

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

“It’s undoubtedly an exciting time for the industry as the future for salmon farming is in the open ocean. We will need the continued support from all levels of Government and the community to achieve this. We firmly believe that Aquaculture could become New Zealand’s most valuable industry and its greenest primary sector” Mr Rosewarne added.

New Zealand King Salmon will update market guidance over the coming months. The company has not paid a dividend since the Covid pandemic started and this will remain under review.

Ends

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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 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 around 400 of the 2,900 shareholders from Top of the South.

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