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Sanford and the Impact of COVID-19

SOCIAL LICENSE

BRANDING

INNOVATION

OPERATIONAL EXCELLENCE

ORGANISATIONAL CAPABILITY

INVESTMENT

- Welcome, introduction, facilitation
- Overview and business continuity/operational focus
- Sales and customer trends
- Financial position and performance
- Q&A

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Overview

A Focussed Strategic Intent

- To retain our ability to feed New Zealand and the world while keeping our people safe and secure

The Learnings through March 2020

- Seafood remains in demand and business fundamentals remain strong
- Immensely proud of our people, their engagement, motivation and agility
- Consumer behaviour changing significantly, which has impacted performance in recent weeks
 - Foodservice in NZ and USA non-existent
 - Huge increase in Online
- H1 result (31 March)
 - Pleased with how Aquaculture business has performed
 - Reduction in Antarctic toothfish volume impacting wildcatch, somewhat mitigated by increase in quota for Patagonian toothfish in South Georgia in H2
 - Result will reflect absence of pelagic business vs H1 2019

FY20 Outlook : Opaque

- Avoiding knee-jerk reactions, developing understanding of the 'now normal' and the impacts on the global economy, NZ and Sanford business

Business Continuity and Operational Focus

Recent Priorities

- Establishing systems and new ways of working to ensure safe working areas across the business (distancing rules and PPE), and meet MPI requirements
- Establishing clear communications with our people to alleviate fear, safety at home, importance of the bubble

Main effort – 5 streams

- **People and communication** – Keeping people safe, communicating purpose, maintaining open lines of communication with government
- **Land based operations and farming** – temp. closure of plants, re-induction of staff
- **Fishing operations** – ensuring safe turn-arounds of vessels and safety bubble
- **Sales and Supply chain** – keeping product moving
- **Finance** – scenario planning and cash-flow

FY20 Priorities

- Scenario planning to mitigate impact
- Embed new ways of working and mitigate risk of complacency
- Developing alternative product formats and sales channels
- Strategic review in context of future landscape



Sales and Consumer Trends

Trends

- Globally consumer trends have followed a clear pattern as COVID related lock downs have sent 2billion + consumers into isolation/lockdown
- Retail and e-commerce are the clear winners across all markets as foodservice collapses
- In the USA fresh seafood sales are up ~35% and frozen ~100% + reflecting previously low in-home consumption of fresh fish and a (global) trend of frozen in retail being the big winner
- E-commerce and meal kit delivery businesses continue to soar off the back of this channel switch including Sanford and Sons in NZ with a 10 fold increase in sales and climbing

Key market focus

- NZ, continue to feed NZ and pivot our offer to online and retail
- Australia, grow our frozen offer margin through our new business model in Melbourne
- USA, pivot both volume and premium lines to retail for the long term
- China, increase sales of frozen lines to offset short term impact in other markets, without long term damage to market diversification



FY20 Go Forward

- Developing alternative product formats and sales channels

Financial Position and Cash Flow

Balance Sheet and Cash Flow

- Strong balance sheet (September FY19 gearing: 23.6%)
- Sufficient headroom in borrowing facilities to withstand shocks

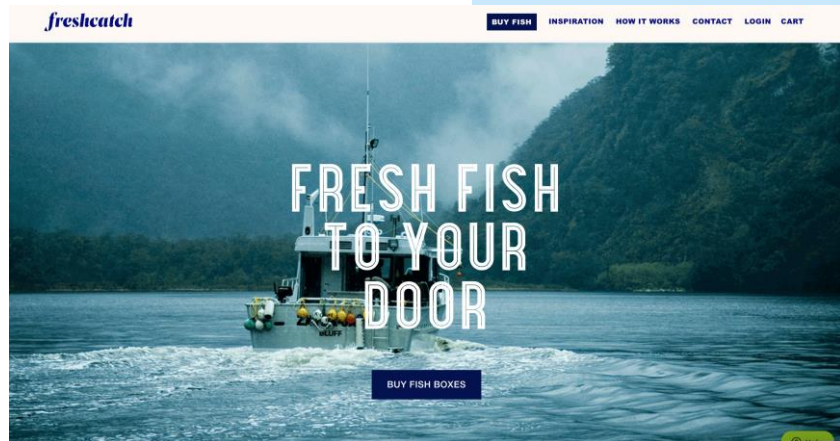
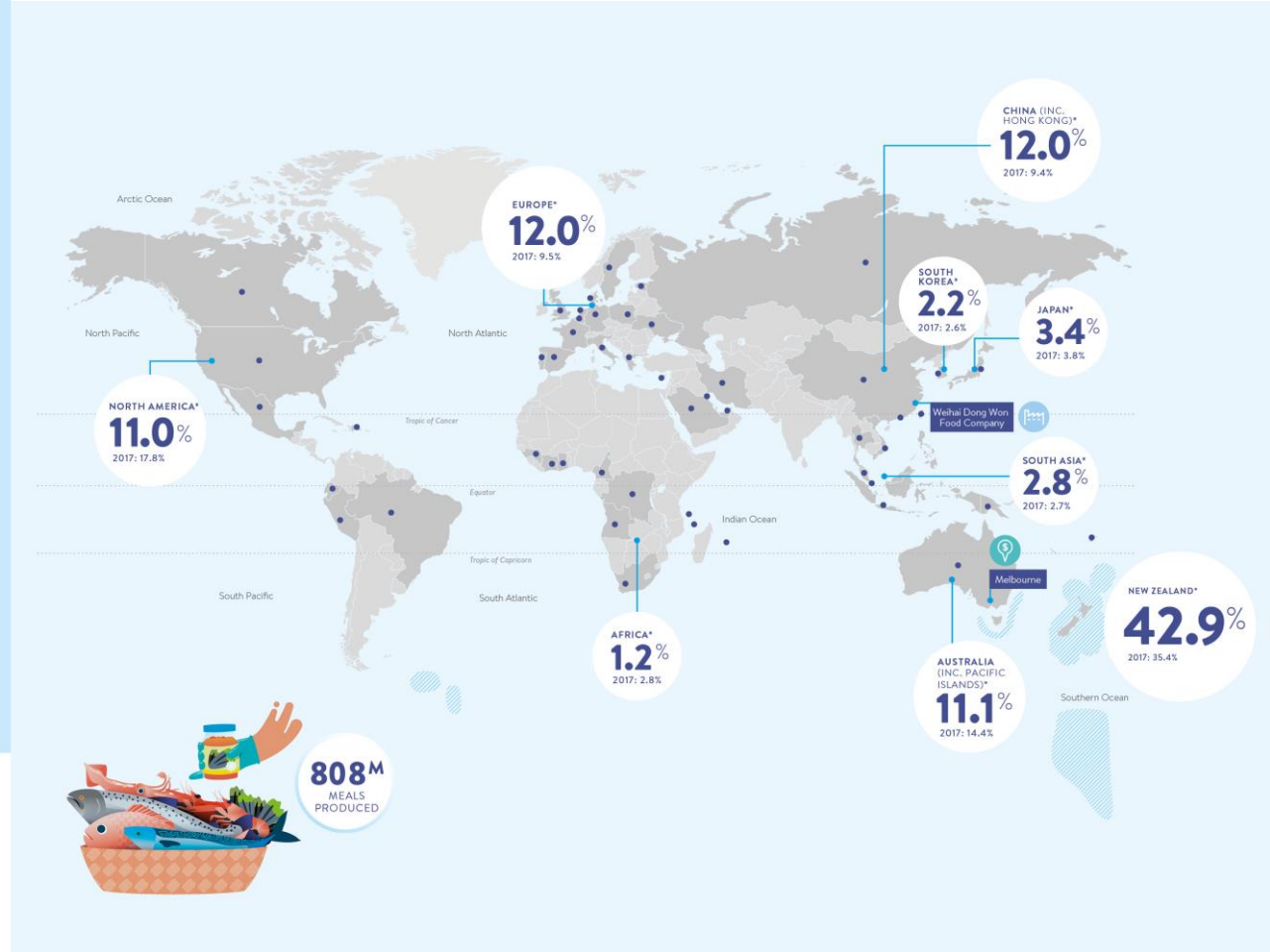
Scenario Planning

- A number of different scenarios between worst (not expected), likely and best case
- Criteria (amongst others):
 - Duration of foodservice channel closure in NZ and USA
 - Timing of China re-opening to air-freighting salmon
 - Potential Covid-19 outbreak forcing closure of one or several of our sites and/or vessels
 - Speed at which new sales channels can be established
- Note: Sanford's diversification of sales channels, markets, products and geographical location across NZ provides a natural hedge against significant downside

FY20 Outlook : Challenging

- H1 will be impacted by toothfish volume and Covid-19 situation
- Not able to foresee H2, however fundamentals are strong and product is moving through
- FX and oil upsides – more information at half year briefing – timing to be confirmed

Mitigating risk through geographic spread, diversity and innovation





Thank you!
Questions?