

Market Announcement

February 24, 2021

NEW ZEALAND KING SALMON ANNOUNCES 1H21 RESULT

New Zealand King Salmon Investments Ltd (NZX & ASX:NZK) reports its financial performance for the six month period ended 31 December 2020 (1H21). Key points include:

- Covid-19 disruptions to both domestic and export markets have impacted profitability.
- Mitigation strategies include a global rebalancing of sales towards retail and the prioritisation of premium customer opportunities.
- Clearing excess inventory with retail price promotions and selective foodservice sales impacted margins but did improve cashflow.
- Average price achieved of \$23.90/kg, slightly down from \$24.46/kg in 1H20.
- Revenue of \$82.4m, down from \$84.2m in 1H20, reflecting lower average pricing.
- Sales volume of 3,441 tonnes was equal to 1H20.
- Pro Forma Operating EBITDA of \$10.5m, compared with \$16.5m in 1H20.
- Statutory NPAT of (\$4.3m), down from \$20.8m in 1H20.
- No interim dividend is declared.

Chairman John Ryder said: “Despite a challenging year with the Covid-19 pandemic still affecting our business, sales volumes in the six months were almost identical to the previous year. This result is encouraging considering the ongoing restrictions on foodservice, particularly in the US and Europe.

“Re-establishing our global sales incurred higher costs with expensive air freight being a significant factor.

“In the US, it’s excellent to see our Ōra King salmon now being sold via new channels, including speciality seafood online, and an increased retail presence for our Regal smoked salmon. In addition to premium branded sales recovering, we believe we have sufficient indications of positive demand to ensure clearance of all surplus fish by around mid CY21.”

New Zealand King Salmon CEO Grant Rosewarne acknowledged it had been a tough period following the continued impact of the lockdown but anticipates that sales demand will again be greater than the company’s ability to supply later in the year.

“Necessary changes to our sales strategies have impacted profitability and this has increased our determination to build resilience through channel, category and geographic diversity. Core sales have recovered better than expected – now we need to rebuild value.

“We have already paved the way for incremental demand by keeping our premium brands prominent in the mind of the consumer. In New Zealand, for example, we have chosen to promote our new Regal Maple range to encourage trial, grow the market and build Regal brand awareness. Customers around the world are still eager for our King salmon products which fit well into the growing global demand for healthy and safe food products.

“We continue to evolve our aquaculture model with upwelling being used on the farms where we have seen warmer water temperatures, particularly on lower flow sites.

“We’re optimistic that our plans to farm in the open ocean, 7kms north of Cape Lambert in the Cook Strait are progressing well. Our Blue Endeavour application is now expected to have a hearing in July/August this year. If successful, we would expect a harvest in mid CY24.”

The application is aligned with the Government’s Aquaculture Strategy which was launched in late 2019 with the objective to have the industry achieve \$3 billion by 2035.

“Blue Endeavour will play a critical role in our future with climate change continuing to impact our farms.

“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 it. We firmly believe that Aquaculture could become New Zealand’s most valuable industry and its greenest primary sector” Mr Rosewarne added.

Following the change in the company’s balance date to 31 January, further information on the outlook will be provided at the full year results announcement at the end of March.

Ends

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About New Zealand King Salmon

New Zealand King Salmon is the world’s largest producer of the premium King salmon species. We operate under four key brands: Ora King, Regal, Southern Ocean and Omega Plus, and the New Zealand King Salmon label. We have been growing and selling salmon to consumers for more than 30 years. Today we employ over 500 people. New Zealand investors make up a significant percentage of the ownership of NZ King Salmon, and the communities of Marlborough, Nelson and Tasman are well represented with around 400 of the approximately 2,900 shareholders being from the Top of the South.

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