

## **NZK - NEW ZEALAND KING SALMON ANNOUNCES FY22 RESULT AND \$60.1M RIGHTS OFFER**

New Zealand King Salmon Investments Limited (NZX & ASX: NZK) reports its financial performance for the 12 months ended 31 January 2022 (FY22). The past financial year has been challenging for the company, due to issues with the wider environment, including increased mortalities and the ongoing Covid-19 pandemic.

Key points include:

- Net loss after tax of \$73m, following a difficult year including an increase in sea farm mortalities, continued freight headwinds and impairments to plant, equipment and intangibles.
- Sales volumes increased from 6,380mt FY21 (12 months) to 7,672mt FY22 (an increase of 20.3%).
- Revenues increased from \$156.1m FY21 (12 months) to \$174.5m FY22 (an increase of 11.8%).
- Mortality event in January 2022 increased mortality cost by \$4.7m (29%) from \$16.1m in FY21 (12 months) to \$20.8m.
- Pro-forma EBITDA for FY22 was \$6.7m, a decrease of \$8.7m (or 56.6%) on FY21 (12 months) of \$15.4m. This result includes \$13.5m of forex close-outs included in other income.
- Finished goods inventories continue to be managed down following a build-up in inventory principally due to Covid disruptions across foodservice markets. The majority of frozen whole fish stock was cleared in FY22 at discounted prices.
- Freight costs on a per kg basis increased during FY22 due to ongoing disruptions to the global logistics environment.
- Following an annual impairment test \$59m of impairments have been recognised across Goodwill (\$39m) and plant, equipment, and intangibles (\$20m)
- NZ King Salmon has today announced an underwritten NZ\$60.1 million 2.85 for 1 pro rata renounceable rights offer at an issue price of NZ\$0.15 per share. The proceeds of the rights offer will be used to deleverage the balance sheet and provide liquidity for medium term operating requirements.

Chairman John Ryder said: “The issues facing the company over the last year have caused us to reassess our strategies to create a more secure platform for future expansion. The company is undergoing a capital raise to strengthen its balance sheet and we are initiating structural changes to our farming model to combat rising fish mortalities. These initiatives should put us on a better footing and we remain positive about the future.”

New Zealand King Salmon CEO Grant Rosewarne acknowledged it had been a tough period. “Unusually early elevated seawater temperatures were a major factor behind high mortality rates, with the marine heatwave during summer associated with a La Niña event. It resulted in a \$20.8m negative impact on profitability, from high fish mortalities.

“Ongoing supply chain disruptions, soaring freight charges and mortalities continue to impact our business. Our hospitality customers also continue to be affected by lockdowns and social disruptions,” he said.

The Board and Management are deeply disappointed with the results for the year and the significant mortalities experienced. We are very aware of the effect on the company and all stakeholders whose support is valued in achieving our growth and success. We remain convinced that we have

the product, the distribution, the brands and demand to be very successful and to reward that support. Our efforts to identify and counter the factors that aggravate the climate effect on our King salmon have been intensified. Concurrently we have reorganised our grow-out in the Sounds as we seek to regain a reliable base.

The company has traditionally farmed salmon all year round in the Pelorus and Queen Charlotte Sounds, as well as Tory Channel, in the Marlborough Sounds. The bulk of mortalities have occurred when it has farmed through the summer in the Pelorus or Queen Charlotte Sounds.

“To combat the continuing effects of climate change we plan to fallow three farms in the Pelorus Sound. This will result in reduced harvest volumes but lower mortality costs, thereby giving us a more stable, predictable operation” Mr Rosewarne said.

“These measures will result in a forecast decline in production in FY23 and FY24 to 5,700 and 6,500 tonnes respectively, with a 200-tonne predicted increase in 2025. This reduction in output will be partially offset by a rigorous review of overheads and a downsizing of the company.”

“The hearing for our open ocean Blue Endeavour application, 7kms north of Cape Lambert in the Cook Strait, is due to be completed at the end of April and we are hopeful for a decision mid-year. This project is expected to have multiple benefits including increase in scale of operations, reduction in operating costs and improvements in fish health.”

If Blue Endeavour is approved, the three fallowed farms in the Pelorus Sound 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.

“It was heartening to see the Government acknowledge some of the reasons for our current difficulties when Minister David Parker said our situation was a ‘sharp reminder that resource management system reforms are needed to deliver better management for aquaculture’,” Mr Rosewarne said.

“Our company remains the world’s largest producer of the premier King salmon species with brands that attract premium prices across the globe, and the Blue Endeavour opportunity exists for us to sustainably increase our scale and value proposition.”

### **Pro Rata Renounceable Rights Offer**

Alongside our FY22 results, NZ King Salmon is also launching an underwritten NZ\$60.1m, 2.85 for 1 pro rata renounceable rights offer at an issue price of NZ\$0.15 per share (**Rights Offer**). The proceeds of the Rights Offer will be used to deleverage NZ King Salmon’s balance sheet and provide liquidity for medium term operating requirements.

Post the Rights Offer, the company will have total liquidity of NZ\$13.2m, with no debt on the balance sheet, providing NZ King Salmon with significant flexibility as it transitions its farming model and navigates the ongoing impacts of the Covid-19 pandemic.

The Rights Offer price represents a:

- 82.6% discount to last close on Tuesday, 12 April 2022 of NZ\$0.86; and
- 55.1% discount to TERP (the theoretical ex-rights price) of NZ\$0.33

Individual entitlement letters will be sent to eligible shareholders on the opening of the Rights Offer on 27 April 2022. Applications will only be accepted online at [www.shareoffer.co.nz/nzks](http://www.shareoffer.co.nz/nzks). The Rights Offer will close at 5:00pm (NZST) on 6 May 2022, unless extended. NZ King Salmon is also pleased to offer Eligible Retail Shareholders who take up their rights in full the opportunity to apply for additional New Shares attributable to any unexercised rights up to 100% of their entitlements.

Oregon Group has pre-committed to take up NZ\$23.8m of its rights (representing 100% of its entitlement), and the directors of NZ King Salmon have pre-committed to subscribe for a further NZ\$2.5m of shares, with the balance of the Rights Offer fully underwritten by Jarden Partners Limited on customary terms for an offer of this nature.

#### **Rights Offer Timetable**

<b>Event</b>	<b>Date</b>
Announcement of FY22 results and the equity raise	Wednesday, 13 April 2022
Record date for the Rights Offer	7.00pm NZST on Tuesday, 26 April 2022
Rights Offer opens	Wednesday, 27 April 2022
Offer Document despatched to Eligible Shareholders	Wednesday, 27 April 2022
Rights Offer closes	5.00pm NZST on Friday, 6 May 2022
Announce results of the Rights Offer	Wednesday, 11 May 2022
Settlement and allotment of new shares on NZX	Thursday, 12 May 2022
Settlement and allotment of new shares on ASX	Friday, 13 May 2022

For further information in respect of the Rights Offer, please refer to the investor presentation and offer document that accompanies this NZX announcement.

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 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](http://www.kingsalmon.co.nz)

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