

# Buderim Group Limited

## FY18 Results Commentary



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# Buderim Group – Key Achievements

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## Macadamias

Becoming the largest orchard to retail macadamia business in the USA and No.1 marketer in continental USA, with supply security and distribution to over 37,000 stores.

## Ginger

Validation and launch into China offline market, and well advanced strategic review to rejuvenate essence of Buderim Ginger, the premium ginger brand from Australia.

## Tourism

Laid foundations for a greater focus on international tourism, likely to see increased visitor numbers in 2019 and further emphasis on being the home of Buderim Ginger.



# Buderim Group – Strategic Focus of FY19

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## Macadamias

- Leverage strategic position to further penetrate USA market, and enter China.
- Further focus on gross margin and increase yield on product.
- Investment in orchard to further improve kernel production.

## Ginger

- Establish a market presence in China through working closely with our strategic partners.
- Product rationalisation to focus on premium products with acceptable returns.
- All new products will have emphasis on the essence and goodness of ginger.

## Tourism

- Better utilisation of property to maximise tourism visitation and revenue streams.
- Realising international tourism opportunities and increasing spend per visit.



# Financial Results

	30/06/18		30/06/17 Restated*	
	Revenues \$'000	Results** \$'000	Revenues \$'000	Results** \$'000
<b>Business segments</b>				
Ginger operations	27,098	(9,984)	29,314	(833)
Macadamia operations	28,514	(2,147)	22,018	(2,284)
Tourism operations	5,750	296	4,691	(275)
<b>Total</b>	<b>61,362</b>	<b>(11,835)</b>	<b>56,023</b>	<b>(3,392)</b>
Consolidation adjustments	(1,872)	-	(6,151)	-
Corporate overhead expenses	-	(2,026)	-	(1,744)
Share of profit/(loss) of joint controlled entities and associates	-	30	-	62
<b>Group income and loss from continuing operations before income tax</b>	<b>59,490</b>	<b>(13,831)</b>	<b>49,872</b>	<b>(5,074)</b>
Income tax (expense)/benefit		(2,675)		(3,573)
<b>Net Loss From Continuing Operations</b>		<b>(16,506)</b>		<b>(8,647)</b>

\*Restated for discontinued operations

\*\*Business segment results represent profit before corporate overheads, interest and tax

- Statutory result includes \$8.0m of non-cash items comprising, fair value adjustments, impairments, business combination accounting, share based payments, convertible note costs and tax effect accounting including de-recognition of deferred tax assets.
- Statutory loss before tax of -\$13.8m / -\$7.4m underlying.
- Cash & cash equivalents \$4.3m at 30 June 2018.







# Macadamias – The Year in Review

## Macadamia farming, processing and marketing operations located in USA

- Acquired Royal Hawaiian Orchards branded retail business in March 2018 to become the leading marketer of macadamias in continental USA.
- Revenue from sale of goods up 20% to \$26.15m (2017 \$21.86m).
- EBITDA \$(2.0m) (2017 \$(1.91m)). Includes \$2.05m intersegment revenue. Reduced harvest frequency impacted adversely on the quality of the crop and saleable kernel production was affected leading to higher processing costs, less kernel available for sale and ultimately lower profits.



## Revenue drivers

- Earnings accretive acquisition of the Royal Hawaiian Orchards branded retail business.
- MacFarms & RHO products distributed to over 37,000 stores across US market, further sales potential into Asia, including China.
- RHO business successfully integrated with MacFarms business.



# Macadamias – Vertically Integrated Operation in USA



Production/Farming

Processing

Sales & Marketing

Buderim Intake

Buderim owned 20%

HMNC\* - Strategic Offtake 8%

Independents 4%

22,430t Hawaiian production

20%

45%

35%



Capability in Hawaii

Retail

Over 37,000 stores in USA



Industrial



\*Hawaiian Macadamia Nut Company

Buderim  
Group

# Ginger – The Year in Review



## Ginger processing and marketing operations located in Australia and Fiji

- 2018 Australian ginger intake 1,735 tonnes, approximately 54% of crop supplied to processors.
- 2018 Fiji ginger intake 821 tonnes, approximately 50% of early harvest crop.
- Obtained approval for our non-alcoholic Ginger Beer, Ginger Beer & Pear soft drinks and Dark Chocolate Ginger for import into China, increasing the number of SKU's approved to five including the Alcoholic Ginger Beer & Spiced Rum and Ginger Beer & Vodka products.
- November - May sales testing and sampling programs in selected Chun stores in Shanghai and online platforms such as Jessica's Suitcase. June first full container of non-alcoholic Ginger Beer left warehouse.
- January - refurbishments undertaken at the Frespac factory in Fiji lead to developing and winning new business.
- March - launched Buderim Ginger Original Energy drink in the Australian market, a unique ginger based product in the fast growing energy drinks category.
- Revenue from sale of goods down 2.5% to \$24.59m (2017 \$25.21m).
- EBITDA \$(7.44)m included impairments of \$4.66m and intersegment charges of \$2.05m, (2017 \$0.34m).

## Profit improvement

- Cost reduction initiatives undertaken during the year including reduction of labour resources, installation of warehouse racking and processing improvements to reduce wastage.
- Some relief in input costs with sugar prices pulling back from their recent highs and ginger prices remaining stable.





# Tourism – The Year in Review

The Ginger Factory - iconic Sunshine Coast, Queensland attraction established in 1980, promotes awareness of our brands and products, providing a platform for sales growth both locally and internationally

- Profitability restored through top line sales growth and cost reductions.
- Revenue up 22% to \$5.75m (2017 \$4.69m).
- EBITDA \$403,000 (2017 \$(197,000)).

## Revenue drivers

- Visitor numbers up 1.8% to just under 300,000.
- Earnings accretive acquisition of the remaining fifty percent share of the Ginger Head Quarters joint-venture comprising the Overboard and Moreton train rides.
- Increased spend per head.



