

Namoi Cotton Limited (Namoi Cotton) Records Strong Half-Year 2018/19 Financial Results

Namoi Cotton recorded a net profit after tax of \$14.3m for the half year ended 31 August 2018, compared with a net profit after tax of \$15.8m in the previous corresponding half year. As the majority of revenues are recorded in the first half of the year with ginning maintenance expenses incurred in the second half of the year, Namoi Cotton expects its financial results for the full year to be a net profit after tax of between \$4.0m to \$7.0m.

Mr Jeremy Callachor, CEO, commented: “A 20% increase in the 2018 Australian crop has contributed to Namoi Cotton’s strong underlying financial performance with the impact of our 15% investment in the Cargill Oilseeds Australia partnership and Cargill Processing Limited negatively impacting the results by \$3.1m due to challenging cotton seed pricing parameters. Namoi Cotton’s ginning and cotton seed volumes along with Namoi Cotton Alliance’s (NCA) lint procurement volumes all benefited from the increased crop size, improving from the prior half year. Improved ginning throughputs associated with better quality seed cotton delivered stronger ginning margins through reduced variable costs. Cotton seed trading margins were again a strong contributor to the financial results achieved through effective position and supply chain management. The contribution from Namoi Cotton’s investment in NCA was broadly consistent with the prior half year with improved lint marketing volumes offset by lower commodity packing volumes, lower trading margins and increased finance costs. These factors all combined to deliver a \$4.7m improvement from the prior half year in net cash flows from operating activities. Our forecast full year net cash flows from operating activities is expected to be within our previous market guidance range of between \$18m and \$21m.”

Key operational highlights in these half year results, include:

- Ginning volumes, including 100% of joint venture bales were 1,202,000 bales (2017: 1,015,000 bales);
- The cotton seed business shipped 214,000mt (2017: 224,000mt);
- NCA procured total marketing volumes of 812,000 bales (2017: 634,000 bales); and
- NCA’s packing volumes were 43,000mt (2017: 114,500mt)

Mr Tim Watson, Chairman, commented: “We are extremely pleased with this half year result which has been well supported through increased volumes in our core business areas. Our attention is however firmly focused on next year and with the lack of general rainfall since planting of the 2018 crop water supplies on farm and in public water storages have dwindled and this has impacted allocations of available irrigation water for the 2019 crop. The most severe of these reduced irrigation water supplies is in the Northern basin of the Murray Darling System. Based on the current available irrigation water, our current estimate of the 2019 Australian crop will approximate 2.1m bales, down 53% from the 2018 crop. It is noted there is a large volume of country prepared for planting should a rainfall event occur between now and the beginning of December which could potentially result in a large dryland crop plant which may benefit Namoi Cotton.”

The directors have elected not to declare an interim dividend (2017: nil).

For further information, please contact:

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