



# Half Year FY22 Financial Results

29 October 2021



SIMPLIFY, STRENGTHEN & STRATEGY

# Disclaimer

## **Forward looking statements**

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## **Non-International Financial Reporting Standards (Non-IFRS) information**

This presentation may make reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor.

## **Notes**

Numbers in this document are subject to rounding and stated in Australian dollars unless otherwise noted.

References to “Namoi” or the “Company”, are references to Namoi Cotton Limited ABN 76 010 485 588, or its subsidiaries.

# Namoi Cotton is more than a ginner

Namoi's cotton business spans fibre, feed, supply chain and marketing with ginning being at its core



(1) 10 year average (FY12-FY21) excluding closed Ashley gin  
(2) Estimated based on ~6 month ginning period

(3) Includes new shed under construction at Boggabri for 202  
(4) Co-products with cotton lint from ginning

(5) NCA JV with Louis Dreyfus Company (LDC) - Namoi has 51% interest  
(6) NCMA JV with LDC - Namoi has 15% interest

# Business highlights

Return to profitability with increased volume and benefits from restructuring and cost saving initiatives

Improved performance	Positive outlook	Delivering 4PP Strategy
<b>Ginning volume</b> <ul style="list-style-type: none"><li>0.5 million bales<sup>(1)</sup></li><li>Improving seasonal conditions</li><li>40% below 10 year average</li></ul> <b>Half Year Earnings and Net Debt</b> <ul style="list-style-type: none"><li>\$9m EBITDA</li><li>Reduced net debt and gearing</li></ul>	<b>FY22 (Full Year)</b> <ul style="list-style-type: none"><li>Forecasting positive EBITDA</li></ul> <b>FY23 (2022 Season)</b> <ul style="list-style-type: none"><li>Forecast above average cotton production of 4.6 million bales<sup>(2)</sup></li><li>Estimated ginning volume of 1.0-1.2m bales</li></ul>	<b>4PP Strategy initiatives</b> <ul style="list-style-type: none"><li>Strengthened balance sheet</li><li>Gin-ready for 2022 season</li><li>Gin upgrade commenced</li><li>Quality optimisation</li><li>Planned new grower products</li><li>Diversify into northern Australia</li></ul>

Ginned Bales <sup>(1)</sup>	EBITDA <sup>(3)</sup>	NPAT <sup>(4)</sup>	Net Debt <sup>(5)</sup>	LTIFR <sup>(6)</sup>
<b>0.49mb</b> ↑ from 0.12mb (Full Year) (FY21)	<b>\$9.0m</b> ↑ from \$(3.2)m (H1FY21)	<b>\$4.7m</b> ↑ from \$(4.3)m (H1FY21)	<b>\$35m</b> ↓ from \$51m (H1Y21)	<b>13</b> ↑ from 9 (FY21)

(1) 100% of bales at joint venture gin. Full year ginning volume to end of cotton ginning season (26 September 2021). Half Year ginning volume to 31 August 2021 is 456,000 bales

(2) ABARES forecast (September 2021)

(3) EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortization

(4) Net Profit after Tax

(5) Net debt is total interest-bearing liabilities less cash and cash equivalents

(6) Lost Time Injury Frequency Rate

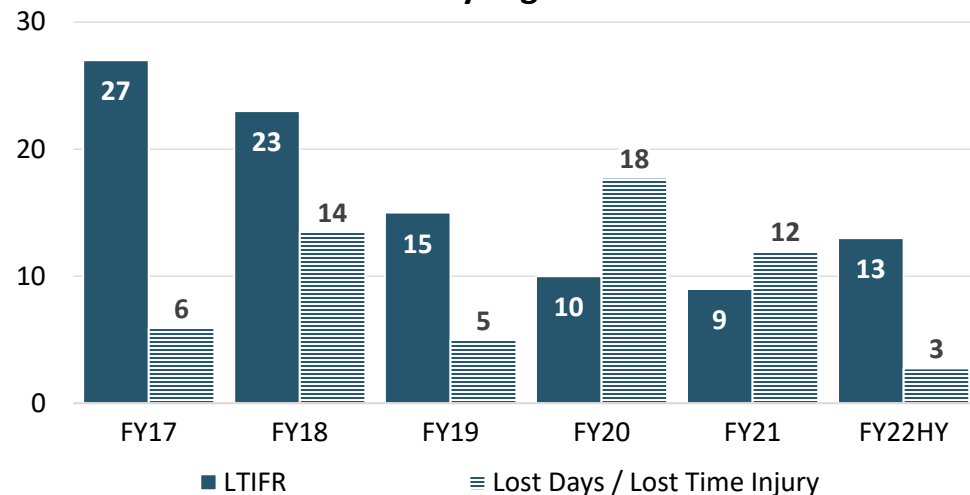
# Safety and Values

Namoi is committed to a safe workplace and engaged culture for all employees, visitors and contractors

## Commitment to Safety

- Increased focus on risk and hazard reduction
- Program to update safety systems and risk controls
- LTIFR<sup>(1)</sup> of 13 to 31 August 2021
  - 4 lost time injuries (LTI)
  - Reduction in average lost days per LTI<sup>(2)</sup>

Safety Lag Indicators



(1) LTIFR - Number of lost time injuries in the financial year / total hours worked in the financial year × 1,000,000

(2) Average duration of lost days from a lost time injury (Total lost days / Total lost time injuries)

## Commitment to Values

Common purpose in how we work with each other, growers, merchants, suppliers and communities we live in



### Safety

We place safety and health first



### Teamwork

We build strong partnerships with our customers and each other



### Integrity

We keep our promises



### Excellence

We are efficient and effective and get the job done



# Half Year performance



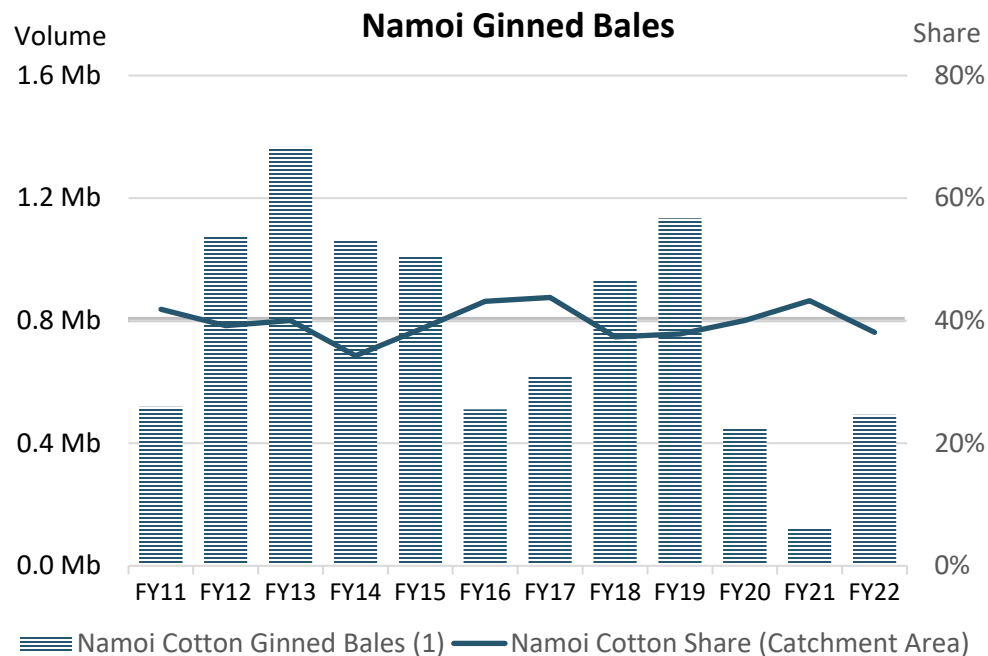
# Volume drivers

Increase in ginning volume in 2021 with improving seasonal conditions but 40% below average volume

## 2021 ginning season

Ginning completed on 26 September 2021

- 456,000 bales ginned to 31 August 2021
- 492,000 bales ginned for 2021 season
- ~40% share of Namoi's catchment areas



## Volume drivers

### Cotton production

#### Australia<sup>(2)</sup>

2.7m bales

0.5m bales

5.4x

#### Catchment Area<sup>(2)</sup>

1.3m bales

0.3m bales

4.3x

### Namoi Cotton volumes

#### Ginned cotton

492,000 bales<sup>(4)</sup>

124,000 bales

4.0x

#### Cottonseed out loaded

68,000 tonnes

34,000 tonnes

#### Warehoused out loaded<sup>(3)</sup>

326,000 bales

131,000 bales

#### Grain out loaded<sup>(3)</sup>

62,000 tonnes

100,000 tonnes

(1) Namoi ginning bale volume exclude closed Ashley gin

(2) Full year production. ABARES – Australia. Cotton Compass - Namoi catchment areas

(3) Managed by NCA – 51% owned by Namoi Cotton

(4) Full year ginning volume. (Half Year is 456,000 bales)

# 2021 season operating overview

Re-opened gins after drought whilst managing industry operating constraints and optimising service to growers

## Ginning

- Operated 8 out of 9 gins
  - Commitment and flexibility by our team
  - Secured labour and managed Covid-19 restrictions
- Increase in gin operating cost
  - Maintenance with the reopening of gins
  - Additional cotton cleaning for growers with delivered quality impacted by late rains

## Growers and Customers

- Ginned cotton for ~140 growers
  - Strong grower satisfaction with NPS score of 71
  - Record bales ginned at Bourke
  - Established cotton traceability at Wathagar
  - Custom ginning to optimise quality at Boggabri
- Re-engaged export consumers for cottonseed
  - >30 domestic and overseas consumers

## Engineering & Maintenance

- Completed 3 major projects
  - Upgraded Bourke ginning capacity by 20%
  - New cotton press built for a 3<sup>rd</sup> party
  - Removed gin equipment from closed Ashley gin for future deployment

## Supply Chain (NCA)

- Increase in supply chain cost with logistics constraints
- Near record bales warehoused and managed
  - Broadened customer base
  - Reopened Warren warehouse
  - Worked with 3<sup>rd</sup> party warehouses



# Income statement

\$12.2m turnaround in EBITDA with increased volume and benefits from restructuring and cost saving initiatives

Income Statement (\$m)	H1FY22	H1FY21	Movement
<b>Ginned cotton volume</b>	0.46m bales	0.12m bales	0.34m bales
<b>Profit after tax</b>	4.7	(4.3)	9.0
<b>Profit before tax</b>	4.7	(6.1)	10.8
<b>EBITDA</b>	<b>9.0</b>	<b>(3.2)</b>	<b>12.2</b>
<b>Ginning &amp; Co-products<sup>(1)</sup></b>	11.3	3.4	7.9
<b>Marketing &amp; Commodities<sup>(2)</sup></b>	1.2	(4.0)	5.2
<b>Unallocated / Other</b>	(3.5)	(2.6)	(0.9)

Note: See Namoi Cotton FY22 Half Year Report for definitions and explanations of terms and number

(1) Ginning and Co-products include earnings from ginning and sale of cottonseed and mote

(2) Earnings of JVs & associates included in Marketing & Commodities - NCA (Namoi Cotton Alliance – 51% interest), NCPS (NC Packing Services Pty Ltd – 51% interest) and NCMA (Namoi Cotton Marketing Alliance – 15% interest)

(3) Ginning & Co-products segment EBITDA divided by ginned bales

## Forecasting positive EBITDA for FY22

- Ginning completed September 2021
- Preparation expenses in second half FY22 for large 2022 season

## Ginning & Co-products

- Improved EBITDA of \$11.3m
- Increased ginning volume

## Marketing & Commodities

- Improved EBITDA of \$1.2m
- JV restructure and higher volume

## Unallocated & Other

- Increased cost (\$0.9m)
- H1FY21 include \$0.8m Job Keeper support (\$0.2m in H1FY22)

# Balance sheet and cashflow

Capital raising and net cashflow provide strong balance sheet capacity to support increased volumes in 2022

Balance Sheet (\$m)	H1FY22	H2FY21	Movement
Ginning & other assets	120.9	123.3	(2.4)
Investment in JVs	22.0	24.3	(2.3)
Capital Employed <sup>(1)</sup>	157.4	157.7	(0.3)
Equity	121.9	106.8	15.1
Net Debt <sup>(2)</sup>	35.0	50.8	(15.8)
Gearing Ratio <sup>(3)</sup>	22%	32%	(10)%
Net tangible asset / share	\$0.71	\$0.76	\$(0.05)
Cashflow (\$m)	H1FY22	H1FY21	Movement
Operating inflow/(outflow)	5.6	(8.7)	14.3
Net cash inflow/(outflow) <sup>(4)</sup>	5.5	(8.1)	13.6

## Strengthened balance sheet

- Equity increased by \$15.1m
- \$10.3m capital raising

## Strong asset backing

- NTA of \$0.71 per share

## Improving cash flow

- Positive cashflow with strong conversion from EBITDA
- Fund growth capex in second half for large 2022 season

## Reduced net debt

- Net debt reduced by \$15.8m with 22% gearing

Note: See Namoi Cotton FY22 Half Year Report for definitions and explanations of terms and numbers

(1) Capital employed - non current assets plus working capital (excluding interest bearing liabilities)

(2) Net Debt - Current plus non current interest bearing liabilities plus lease liabilities and equipment loans less cash

(3) Gearing Ratio - Net Debt / (Net Debt plus Equity)

(4) Net cash inflow/(outflow) - Net cash from operating activities plus investing activities

# Strengthened balance sheet

Capital raising and improved business operation have reduced net and core debt

## Net Debt Bridge

Net Debt<sup>(1)</sup> reduced to \$35m

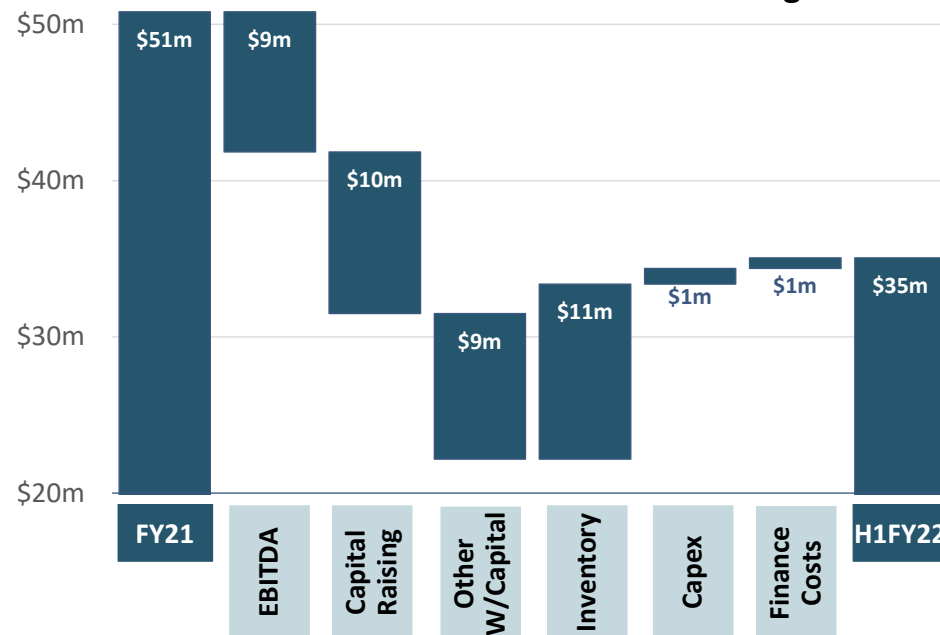
- \$10.3m from capital raising in May 2021
- \$5.5m from operating and investing cash inflow

## Core Debt

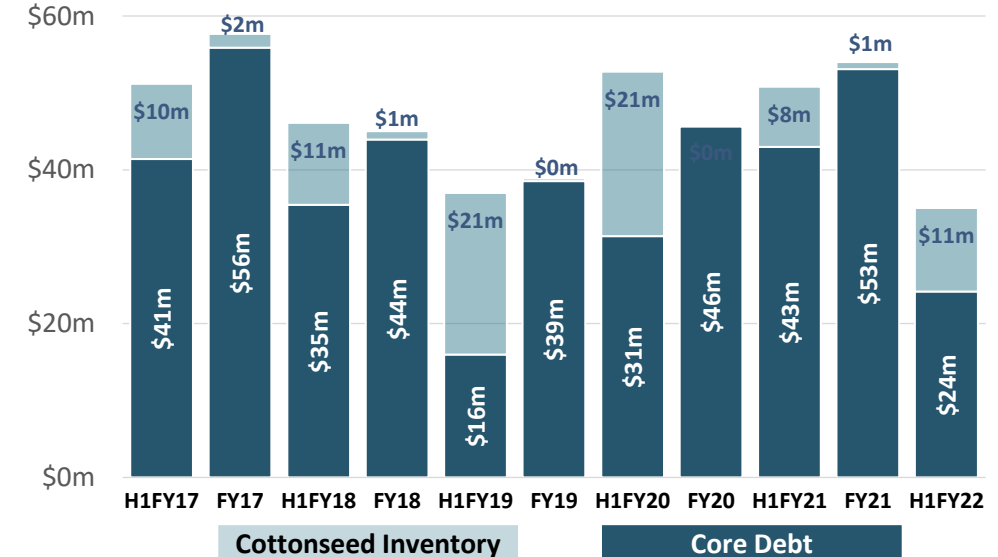
Core Debt<sup>(2)</sup> reduced to \$24.1m

- Exclude cottonseed inventory of \$10.9m
- Working capital for seasonal trading of cottonseed

### FY21 to H1FY22 Net Debt Bridge



### Net and Core Debt



(1) Net Debt – Interest bearing liabilities less cash

(2) Core Debt – Net debt less seasonal cottonseed inventory held for trading. More relevant metric for agribusinesses given the marketable and liquid characteristics of traded cottonseed

# Renewed debt facilities

Aligned debt facilities to support 2022 and future seasons and position the company for growth

## Overview of renewed debt facilities

Renewed facilities with Commonwealth Bank

- 3-year term to 31 October 2024
  - \$67.0m committed facilities for FY23
  - \$56.5m committed facilities at end FY24
- Flexible facilities aligned with use of funds
  - \$27.5m committed and un-committed working capital for cottonseed and other inventories
  - \$5m un-committed trade finance
- Key debt facility terms
  - \$42m term debt amortising to \$32.5m by 2024
  - Similar terms with standard financial covenants

CBA facilities	Previous	Renewed (1 Oct 2021)
Term Debt	\$42.0m	\$42.0m (amortising to \$32.5m)
Working Capital	\$10.0m	\$17.5m (committed) \$10.0m (un-committed)
Overdraft	\$2.5m	\$5.0m
Equipment Finance	\$3.0m	\$1.5m
Trade Finance	NA	\$5.0m (un-committed)
<b>Total</b>	<b>\$57.5m</b>	<b>\$81.0m</b> (\$67.0m committed)







# Business and strategy update



# 4PP Strategy

Strengthen and differentiate Namoi's business to increase margin and manage variability through the cycle

4 Strategic Pillars	Initiatives commenced in 2021
 <b>1. Leading service and cost position</b> Partner growers with a superior network → deliver a premium ginning service	<ul style="list-style-type: none"><li>• Gin upgrade program to increase ginning speed by &gt;20%<ul style="list-style-type: none"><li>- Merah North gin for 2022 season (capex \$2.2m)</li></ul></li><li>• Smart ginning with end-to-end quality monitoring<ul style="list-style-type: none"><li>- Planned at 5 gins for 2022 season</li></ul></li></ul>
 <b>2. Innovative and sustainable solutions</b> Empower growers with differentiated products → unlock the value of cotton	<ul style="list-style-type: none"><li>• Planned new grower products for 2022 season<ul style="list-style-type: none"><li>- Module cash advance against cotton sales to NCMA</li><li>- Real time quality information through the Grower Portal</li></ul></li></ul>
 <b>3. Broaden revenue base</b> Geographically diversify network and grow the core → manage variability	<ul style="list-style-type: none"><li>• Access new domestic cottonseed markets<ul style="list-style-type: none"><li>- Boggabri new shed and weighbridge (capex \$2.3m)</li></ul></li><li>• Diversify into Ord River WA - Kimberley Cotton Company<ul style="list-style-type: none"><li>- Gin operations and 10% investment (equity \$1m)</li></ul></li></ul>
 <b>4. Great place to work</b> Attract and retain talented staff → safe and engaging environment	<ul style="list-style-type: none"><li>• New Safety Management System</li><li>• Staff engagement program</li><li>• Operations workforce program<ul style="list-style-type: none"><li>- Attracting and retaining stable and flexible workforce</li></ul></li></ul>

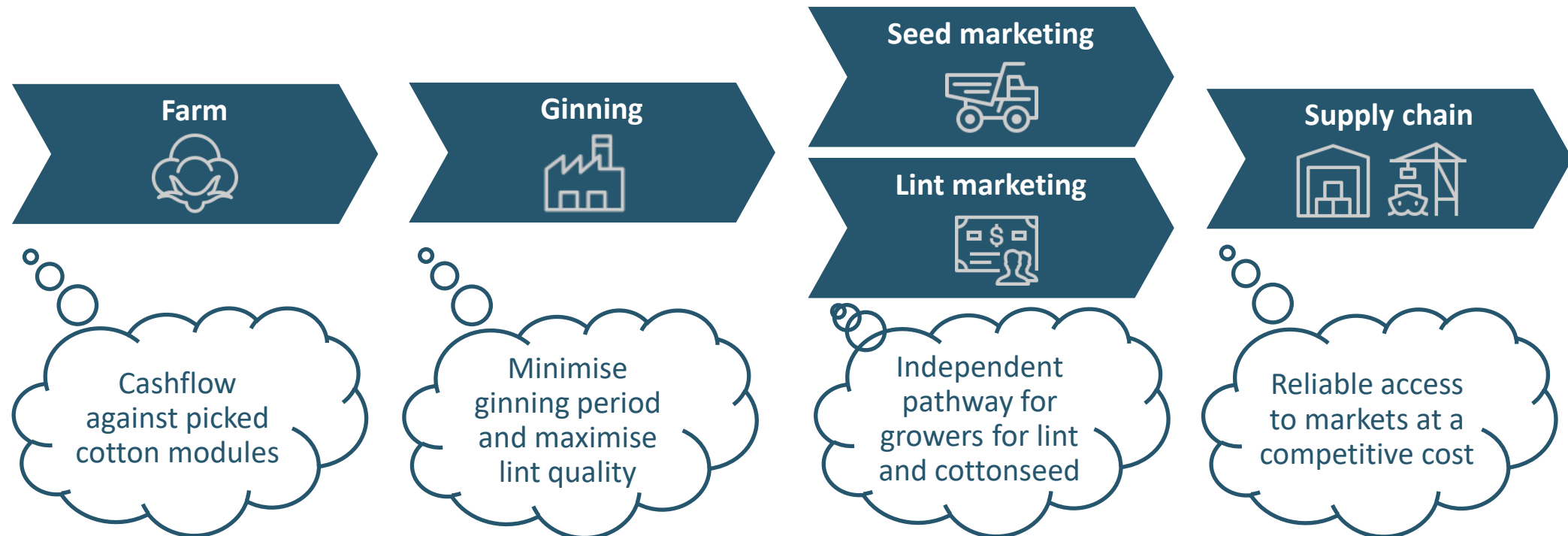
# 2022 season gin-ready program

Initiatives to manage the large 2022 season and create and share additional value along the cotton chain

## Gin-ready grower objectives for 2022 season

Introduce module cash advance	Increase ginning capability	Access new buyers and markets	Increase supply chain capacity
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## Creating value for growers along the cotton chain





# 2022 Season Prospects





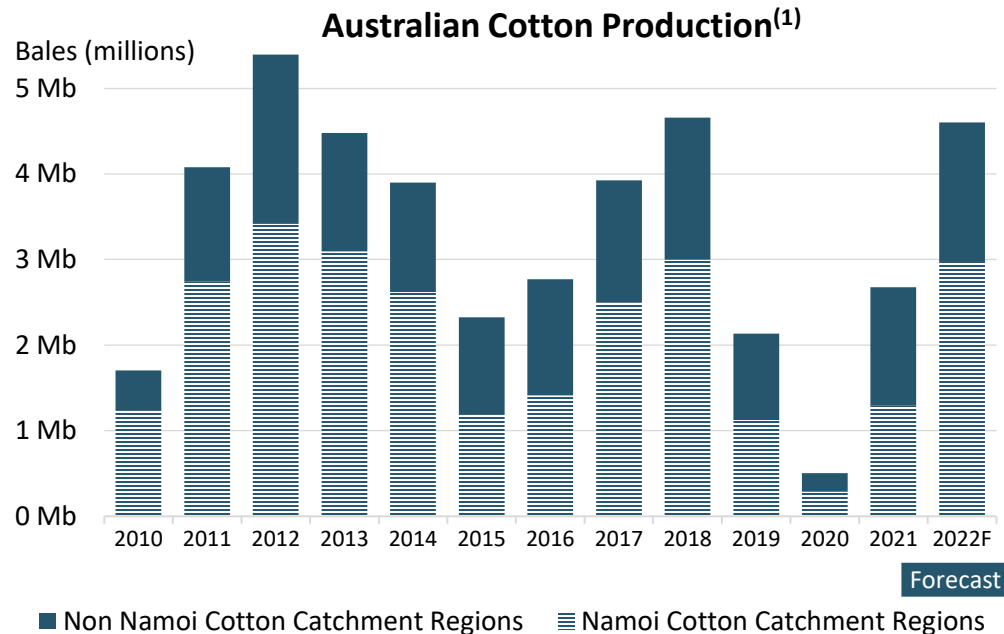
# Excellent seasonal conditions for 2022

ABARES<sup>(1)</sup> forecasting near 10 year record cotton production and strong cotton prices into 2022

## Increased cotton production

Forecast Australian production of 4.6m bales<sup>(2)</sup> in 2022 (FY23) with good water availability and cotton prices

- Australia: 70% increase over 2021
- Namoi catchment area: 130% increase over 2021



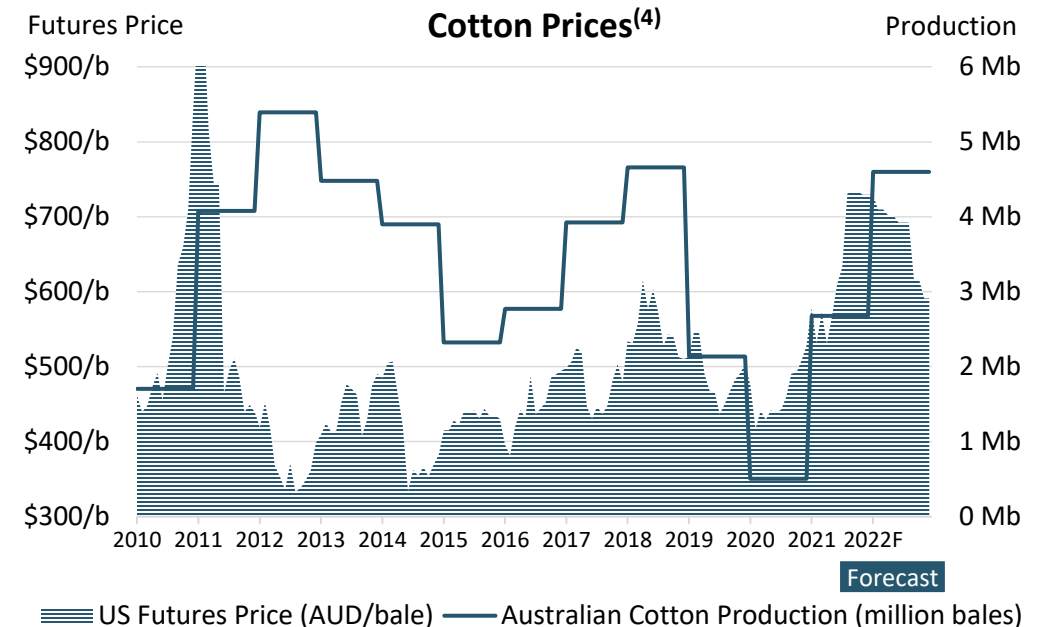
(1) Australian Bureau of Agricultural and Resource Economics and Sciences

(2) ABARES forecast (September 2021). Cotton Compass forecast (August 2021) for Namoi's catchment areas

## Strong cotton prices

Forecast prices in excess of \$600/bale in 2022

- Increased demand for textiles post Covid-19, particularly China, and tight global stocks<sup>(3)</sup>
- Additional ~\$100/bale premium to mid-2022



(3) ABARES – September Quarter 2021 Natural Fibre update

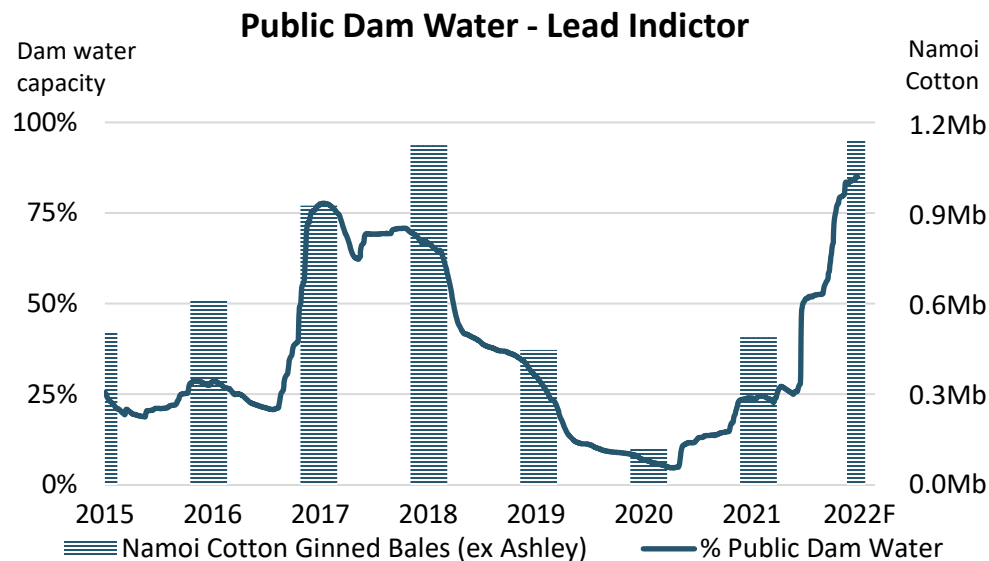
(4) Global cotton prices - US Cotton #2 Futures CTZ1 (Oct 2021) US\$/lb converted to AUD and bales

# Strong prospects for FY23

Good water availability expected to support near record ginning volume in 2022 season and beyond

## Increased water availability

- Estimated ginning volume of 1.0-1.2m bales in 2022
- Good water availability in our catchment areas expected to support an increase in planted hectares
  - 5-year high in public dam water at 85% capacity <sup>(1)</sup>
  - Should support 2022 and 2023 production



(1) Bureau of Meteorology (BOM) – weighted average water capacity in rural system public dams in Namoi catchment valleys (BOM rural systems of Border Rivers, Macintyre, Gwydir, Namoi, Macquarie, Lachlan) as at October 2021

## Ginning volume drivers and planned operations

- Gin-ready program to maximise gin productivity
- Target to gin majority cotton within 5-6 months

	FY23F	FY22	
<b>Cotton production</b>			
<b>Australia <sup>(2)</sup></b>	4.6m bales	2.7m bales	1.7x
<b>Catchment area <sup>(2)</sup></b>	3.0m bales	1.3m bales	2.3x
<b>Namoi planned</b>			
<b>Ginned Cotton</b>	1.0-1.2m bales	0.5m bales	~2.3x
<b>Gins operated</b>	9	8	
<b>24-hour gins</b>	9	2-3	

(2) ABARES (Sept 2021) total production. Cotton Compass (Aug 2021) estimate for Namoi catchment areas

