

# FY23 Full Year Financial Results

(Full year ended 28 February 2023)



28 April 2023

Our Experience. Our Future

# 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.

### Change in accounting policies

During FY23, the Company in conjunction with its auditor has reassessed its accounting policies:

- Ginning and cottonseed contracts to be in scope of AASB 15 Revenue from Contracts with Customers with no component accounted for under AASB 9 Financial Instruments.
- Change in accounting for the NCA joint venture from an equity to a proportional consolidated basis. As a consequence, a number of items have been restated to reflect the proportional consolidation of the Company's interest in NCA.

## Notes

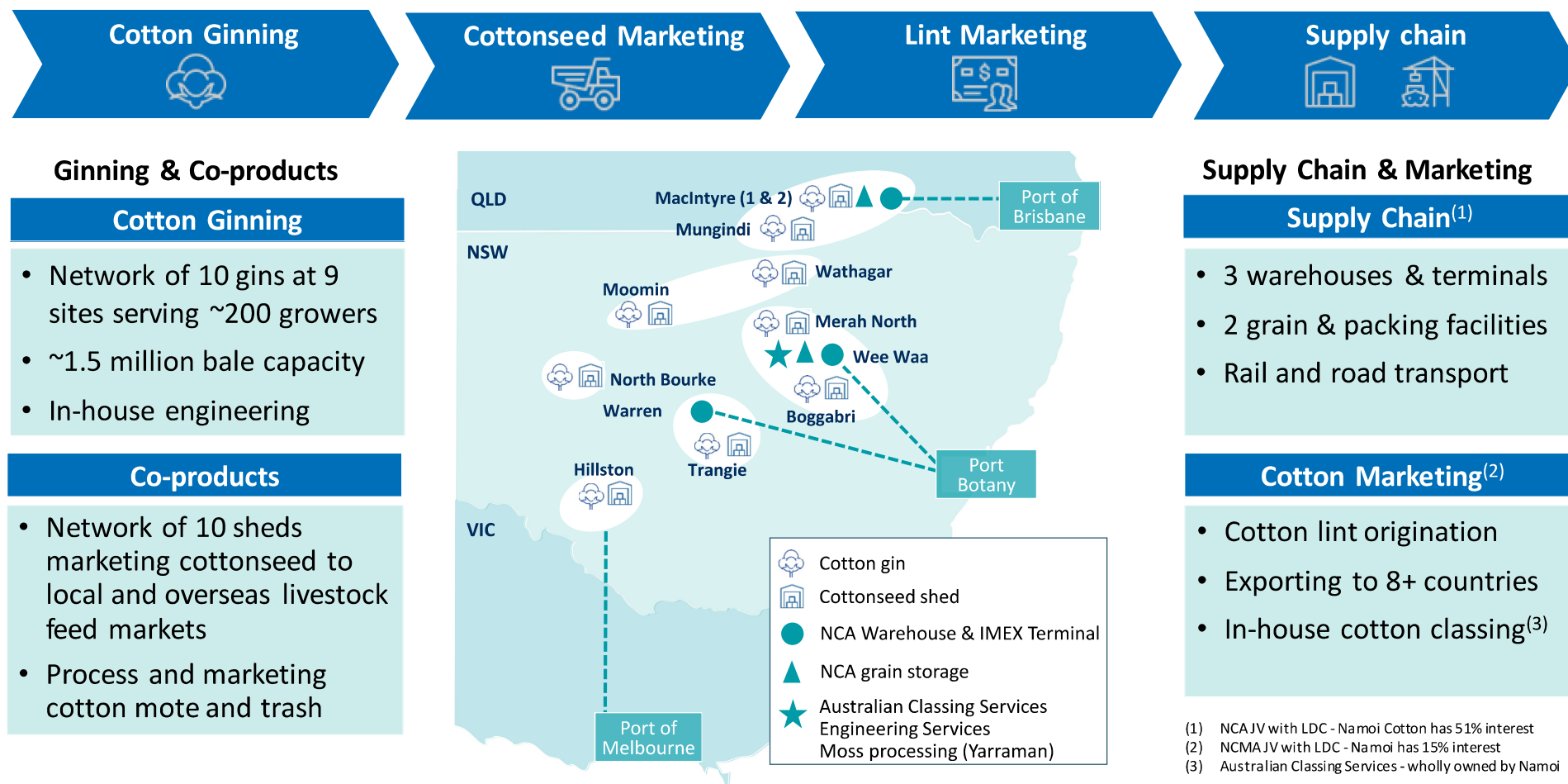
References to "FY23" is full year to 28 February 2023 and "FY22" is full year to 28 February 2022.

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

References to "Namoi", "Namoi Cotton" 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 Cotton's business spans fibre, feed, supply chain and marketing with ginning being at its core





# Business highlights

Return to profitability and strengthened balance sheet in FY23 with above average ginning volume

Full Year Highlights - FY23 vs FY22				
<b>Ginned Bales<sup>(1)</sup></b> <b>1.17mb</b> ↑ 0.68mb [FY22: 0.49mb]	<b>EBITDA<sup>(2)</sup></b> <b>\$18.3m</b> ↑ \$15.7m [FY22: \$2.6m]	<b>NPBT<sup>(3)</sup></b> <b>\$4.0m</b> ↑ \$10.7m [FY22: \$(6.7)m]	<b>Core Debt<sup>(4)</sup></b> <b>\$33.7m</b> ↓ \$10.9m [FY22: \$44.6m]	<b>LTIFR<sup>(5)</sup></b> <b>7.5</b> ↓ 7.1 [FY22: 14.6]
Challenging season	Executing 4PP Strategy		Outlook	
<b>Ginning services</b> <ul style="list-style-type: none"> <li>Managed near record volume</li> <li>Contribution impacted by <ul style="list-style-type: none"> <li>Wet weather</li> <li>Ginning revenue not keeping pace with cost inflation</li> <li>Lower cottonseed margin</li> </ul> </li> <li>Portion of earnings delayed to FY24</li> </ul> <b>Supply chain &amp; marketing</b> <ul style="list-style-type: none"> <li>Strong contribution from restructured joint ventures<sup>(6)</sup></li> </ul>	<b>Strengthened balance sheet</b> <ul style="list-style-type: none"> <li>Term Debt reduced by \$9.9m<sup>(7)</sup></li> </ul> <b>2022 initiatives</b> <ul style="list-style-type: none"> <li>Merah North gin upgrade completed (for 2022 season)</li> <li>Boggabri cottonseed shed completed (for 2023 season)</li> </ul> <b>2023 initiatives</b> <ul style="list-style-type: none"> <li>Trangie gin upgrade (2023 season)</li> </ul> <b>Northern Australia</b> <ul style="list-style-type: none"> <li>Kimberley Cotton Company</li> </ul>		<b>FY24 (2023 season)</b> <ul style="list-style-type: none"> <li>Forecast Australian production range of 4.9-5.3 million bales<sup>(8)</sup></li> <li>Forecast ginning volume of 0.9-1.1 million bales</li> <li>Targeting above inflation increase in ginning fee</li> </ul> <b>FY25 (2024 season)</b> <ul style="list-style-type: none"> <li>Good water availability</li> <li>Forecast Australian production similar to 2023 of 4.7 million bales<sup>(9)</sup></li> </ul>	

(1) Include 100% of bales at joint venture gin ('mb' is million bales)

(2) EBITDA - Non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation (including share of EBITDA from NCA and share of profit from NCMA and NCPSE excluding impairments and revaluation decrements on property, plant and equipment held at fair value)

(3) Net Profit before Tax

(4) Core debt is Net Debt (total interest-bearing liabilities less cash and cash equivalents) less cottonseed inventory. More relevant debt metric for agribusinesses given the marketable and liquid characteristics of traded cottonseed

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

(6) NCA, NC Packing Services Pty Ltd and NCMA joint ventures with Louis Dreyfus Company

(7) Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business

(8) Cotton Compass (Feb 2023) - 4.9 million bales & ABARES (March 2023) - 5.3 million bales

(9) Cotton Compass (March 2023)



# Our values, safety and sustainability

Commitment to a safe workplace and engaged culture for all employees, contractors and customers

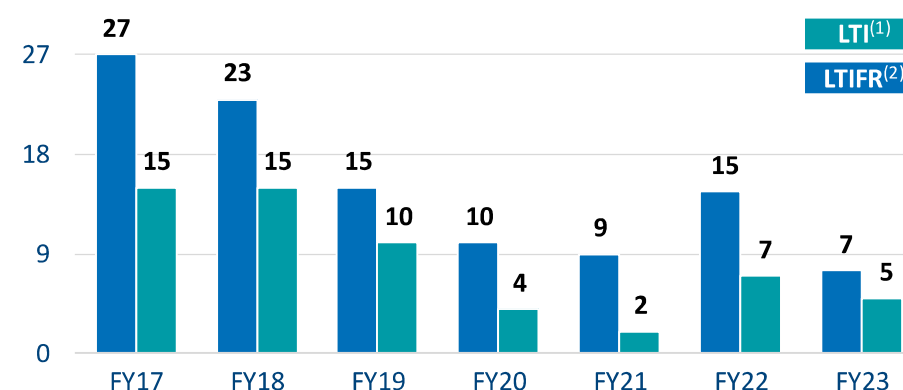
## Commitment to safety

- Building a resilient and sustainable safety culture where our people choose to work safely
- Improved safety lag metrics in FY23
  - 30% reduction in LTIs<sup>(1)</sup> to 5 [FY22: 7] with a 130% increase in gin operating shifts
  - 50% reduction in LTIFR<sup>(2)</sup> to 7.5 [FY22: 14.6]
- Supporting safety initiatives implemented in FY23
  - DoneSafe providing staff a user-friendly platform to report hazards and incidents and manage controls
  - Online induction and training courses for staff
  - Early intervention program to support injured staff through their rehabilitation and return to work

## Environmental, Social and Governance (ESG)

- Launched our inaugural Sustainability Report, outlining key indicators and targets for our ESG footprint

## Safety lag indicators



## Our Values



### 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

(1) LTI – Lost time injury

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

# Business performance



MacIntyre Gin



# Business drivers

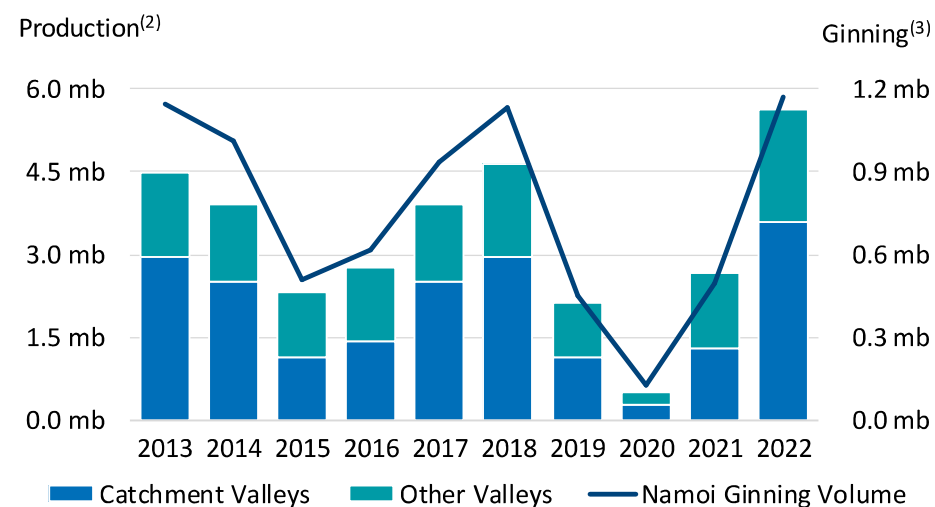
Above average 1.17 million bales ginned in a challenging season

## 2022 ginning season

- Operating excellence, following 3 years of drought, in a challenging season with wet weather and floods
- Our dedicated people delivered a premium service
  - Ginning team optimised cotton quality outturn
  - Maintenance team maximised gin uptime
- Managed challenging labour conditions
  - Operated all 10 gins on 24 hour operation<sup>(1)</sup>
  - Contracted 14 ginners from overseas
  - Overseas casual labour from labour hire
- Managed challenging wet conditions
  - Ginning commencement delayed 2 weeks
  - Ginning season extended by 6 weeks to end of October with stop-start weather conditions
  - High cotton moisture reduced gin productivity

## Production and ginning volume

- Near record cotton production
  - 5.6 million bales in Australia
  - 3.6 million bales in our catchment area
- Ginned 1.17 million bales
  - Contracted with >200 growers
  - ~33% share of our catchment area



(1) Excluding North Bourke gin that operated 12 hours a day

(2) Total production - ABARES. Catchment Valleys - Cotton Compass

(3) Namoi Ginning Volume – 100% of JV gins excluding closed Ashley gin



# Earning drivers

Return to profitability after 3 years of drought with margins impacted by wet weather and cost inflation

## Ginning

- Increased contribution with increased ginning volume
  - Ginning margin impacted by wet weather events and cost inflation environment
- Wet weather reduced productivity in 2022 season
  - 10% additional gin shifts<sup>(1)</sup> to process cotton with stop start ginning and extended ginning season
  - 180% increase in gas consumption<sup>(1)</sup> to dry higher moisture cotton
- Cost inflation environment
  - Higher energy and labour cost base
- Ginning fees did not keep pace with cost inflation
  - Fee discipline and focus on service to increase ginning fees from FY22 with loss of some share
  - Competition from integrated ginners, leveraging lint trading margin, placed pressure on ginning fees

## Co-products<sup>(2)</sup>

- Sound contribution from marketing of co-products
  - Record cottonseed volume executed
  - Margin under pressure from one-off drivers
- Delayed ginning season delayed execution
  - Portion of earnings and cashflow deferred into FY24
- Reduced margin with increased distribution costs
  - Increase in shipping and port related costs
  - Additional supply chain cost with flood disruption

## Joint Ventures<sup>(3)</sup>

- Strong \$4.5m contribution from restructured JVs
  - NCA<sup>(4)</sup>: Record warehouse and packing volume with increased demand and extended season
  - NCMA<sup>(5)</sup>: Above average cotton lint margin from trading positions and increased volume

(1) Compared to FY19 (2018 season) with similar ginning volume

(2) Cottonseed marketing and sale of processed mote (moss)

(3) NCA (and NC Packing Services Pty Ltd) and NCMA joint ventures with Louis Dreyfus Company

(4) NCA and NC Packing Services: 51% owned by Namoi Cotton

(5) NCMA: 15% owned by Namoi Cotton

# Full year performance



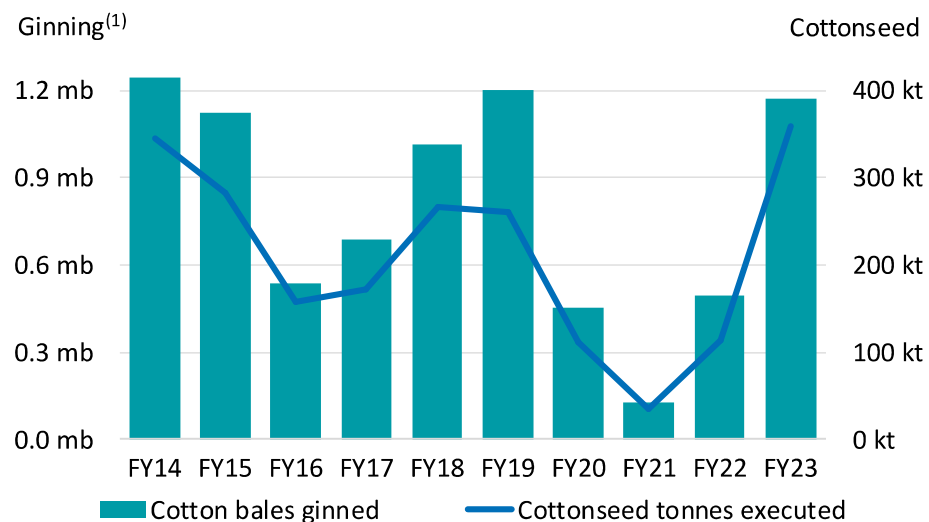
Boggabri Gin

# Volume

Above average volumes in 2022 season (FY23) with increased cotton production

## 2022 season volume

- 1.17m bales ginned – 40% above average
- Record 360k tonnes of cottonseed executed
- Record 836k bales of cotton lint warehoused



	FY23	FY22		
Cotton production	2022 season	2021 season		
Australia <sup>(2)</sup>	5.6m bales	2.7m bales	2.1x	
Catchment area <sup>(3)</sup>	3.6m bales	1.3m bales	2.8x	
Namoï volume	Cotton ginned <sup>(1)</sup>	1,173,000 bales	493,000 bales	2.4x
	Cottonseed executed	360,000 tonnes	113,000 tonnes	3.2x
	Warehouse shipped <sup>(4)</sup>	836,000 bales	677,000 bales	1.2x
	Commodities packed <sup>(4)</sup>	159,000 tonne	124,000 tonnes	1.3x

(1) Namoï ginned bale volume (100% of JV gins)

(2) Australian production - ABARES March 2023

(3) Namoï catchment area - Cotton Compass November 2022 (Macintyre, Mungindi, Gwydir, Walgett, Bourke, Lower Namoï, Upper Namoï, Macquarie and Lachlan production valleys)

(4) Managed by NCA - 51% owned by Namoï Cotton



# Earnings

Return to profitability with increased volumes and contribution from joint ventures

	FY23	FY22	Movement
<b>Income Statement (\$m)</b>			
<b>EBITDA<sup>(1)</sup></b>	<b>18.3</b>	<b>2.6</b>	<b>15.7</b>
<b>Depreciation<sup>(2)</sup></b>	(11.1)	(6.5)	(4.6)
<b>Finance costs</b>	(3.2)	(2.8)	(0.4)
<b>Profit before tax</b>	4.0	(6.7)	10.7
<b>Profit after tax</b>	4.0	(5.4)	9.4
<b>Business Segments (\$m)</b>			
<b>Ginning Services<sup>(3)</sup></b>	21.3	8.7	12.6
<b>Supply Chain &amp; Marketing<sup>(4)</sup></b>	4.5	2.1	2.4
<b>Unallocated<sup>(5)</sup></b>	(7.5)	(8.2)	0.7
<b>EBITDA<sup>(1)</sup></b>	<b>18.3</b>	<b>2.6</b>	<b>15.7</b>

Note: Refer to Namoi Cotton FY23 Full Year Report for definitions and explanations of terms and numbers:

- (1) EBITDA - Non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation (including share of EBITDA from NCA and share of profit from NCMA and NCPS excluding impairments and revaluation decrements on property, plant and equipment held at fair value) [NCA (Namoi Cotton Alliance – 51% interest), NCMA (Namoi Cotton Marketing Alliance – 15% interest), NCPS (NC Packing Services Pty Ltd – 51% interest)]
- (2) Ginning infrastructure assets depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales
- (3) Ginning Services - earnings from ginning and sale of co-products (cottonseed and moss)
- (4) Supply Chain & Marketing - predominately share of NCA EBITDA and earnings from JVs and associates (NCMA and NCPS)
- (5) Unallocated - predominately corporate support cost
- (6) Australian tax losses do not expire, however, any losses carried forward to future years are subject to loss integrity provisions

## Highlights

- EBITDA \$18.3m<sup>(1)</sup> - increase of \$15.7m
- NPAT \$4.0m - increase of \$9.4m
  - Increased depreciation with volume<sup>(2)</sup>
  - No tax payable (with \$27.7m in tax losses carried forward<sup>(6)</sup>)

## Segment EBITDA performance

- \$21.3m - Ginning Services<sup>(3)</sup>
  - Increased volumes
  - Wet weather reduced productivity
  - Lower cottonseed margin
- \$4.5m - Supply Chain & Marketing<sup>(4)</sup>
  - Strong contribution from joint ventures
- \$(7.5)m - Unallocated costs<sup>(5)</sup>
  - Reduced salaries and other expenses

Note: FY22 restated with consolidation of NCA and revenue treatment of cottonseed

# Balance sheet and cashflow

Operating cashflow and capital raising funded capex program and reduced core debt

	FY23	FY22	Movement
<b>Balance Sheet (\$m)</b>			
<b>Net Assets</b>	<b>133.7</b>	<b>113.2</b>	<b>20.5</b>
<b>Net Assets / Share</b>	65.2 cents	65.8 cents	(0.6) cents
<b>Net Debt<sup>(1)</sup></b>	<b>47.2</b>	<b>46.8</b>	<b>0.4</b>
<b>Cottonseed inventory<sup>(2)</sup></b>	<b>13.4</b>	<b>2.2</b>	<b>11.2</b>
<b>Core Debt<sup>(3)</sup></b>	<b>33.7</b>	<b>44.6</b>	<b>(10.9)</b>
<b>Cashflow (\$m)</b>			
<b>Operating cashflow<sup>(4)</sup></b>	<b>(2.4)</b>	<b>14.4</b>	<b>(16.8)</b>
<b>Cottonseed inventory<sup>(2)</sup></b>	<b>13.4</b>	<b>2.2</b>	<b>11.2</b>
<b>NCA restructure<sup>(5)</sup></b>		<b>(18.3)</b>	
<b>Adjusted operating cashflow</b>	<b>11.1</b>	<b>(1.8)</b>	<b>12.9</b>

## Highlights

- Net Assets \$133.7m
- Core Debt \$33.7m<sup>(3)</sup>
- Adjusted operating cashflow \$11.1m<sup>(2)(5)</sup>

## Commentary

- \$20.5m increase in Net Assets
  - \$0.65 per share
- \$10.9m reduction in Core Debt<sup>(3)</sup>
- Adjusted operating cashflow (\$11.1m) and capital raising (\$13.2m) funded
  - Capex program of \$11.2m<sup>(6)</sup>
  - Reduction in Term Debt by \$9.9m to \$32.6m<sup>(7)</sup>

Note: FY22 restated with consolidation of NCA and revenue treatment of cottonseed

Note: Refer to Namoi Cotton FY23 Full Year Report for definitions and explanations of terms and numbers

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

(2) Exclude cottonseed inventory is carried at the lower of cost and net realisable value

(3) Core debt - Net Debt less cottonseed inventory. (More relevant metric for agribusinesses given marketable and liquid characteristics of traded cottonseed)

(4) Operating cashflow - Net cash inflow/(outflow) from operating activities

(5) Exclude estimated FY22 operating cashflow impact from the restructure of the NCA joint venture involving the transfer of lint trading and associated assets and liabilities from NCA to NCMA.

NCA's FY2023 operating cashflow does not include any impact from the restructure

(6) Capital expenditure includes investment in Kimberley Cotton Company

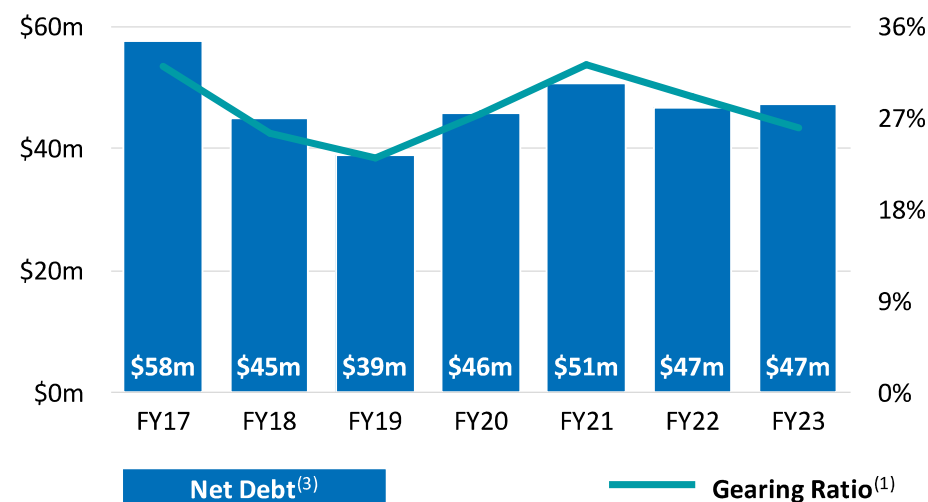
(7) Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business

# Strengthened balance sheet

Operating cashflow and capital raisings has returned core debt and gearing to pre-drought levels

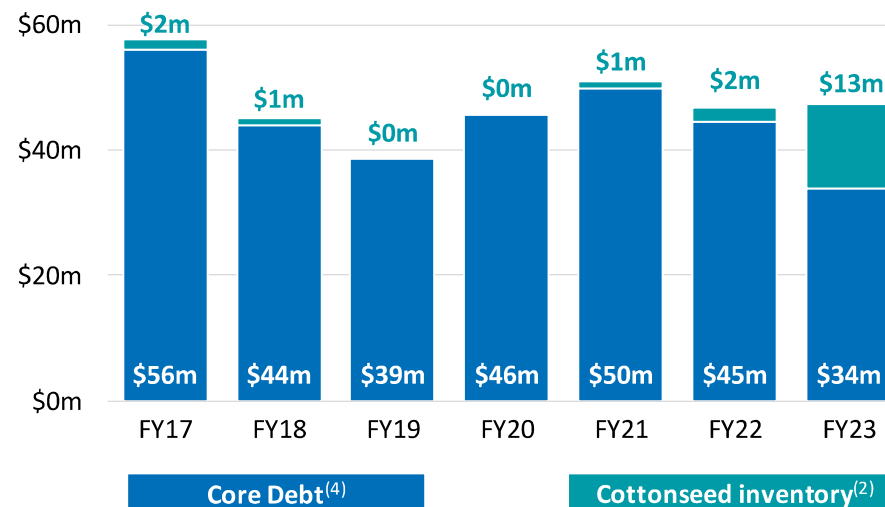
## Gearing

- Net Debt and gearing returned to pre-drought levels
- Gearing<sup>(1)</sup> reduced from 29% in FY22 to 26%
  - Increased equity from capital raising proceeds



## Core Debt

- Core Debt reduced to lowest level since FY10
- \$33.7m Core Debt<sup>(4)</sup> excluding cottonseed inventory
  - \$13.4m cottonseed inventory carried into FY24



Note: Refer to Namoi Cotton FY23 Full Year Report for definitions and explanations of terms and numbers

(1) Gearing ratio - Net Debt divided by Net Debt plus Total Equity

(2) Cottonseed inventory is carried at the lower of cost and net realisable value

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

(4) Core Debt - Net debt less seasonal cottonseed inventory held for marketing (More relevant metric given the marketable and liquid characteristics of traded cottonseed)



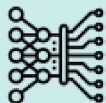



# Strategy update



Trangie Gin

# 4PP Strategy

Target to increase through the cycle EBITDA by \$5m by investing \$21m<sup>(1)</sup> in our existing network and capability

	4-Point Plan	Initiatives	Creating value
1	<b>Leading service &amp; cost position</b>	<ul style="list-style-type: none"> <li>• Reduce ginning period and cost</li> <li>• Optimise cotton quality outturn</li> <li>• Variable cost structure</li> </ul>	4PP Strategy leverages our: <ul style="list-style-type: none"> <li>• Strong customer relationships</li> <li>• Established network of ginning facilities</li> <li>• Value-add from processed lint and co-products from ginning</li> <li>• Synergies between our network of gins</li> <li>• End-to-end capability and systems</li> <li>• 60 year of ginning and engineering experience</li> </ul>
	Partner growers with a superior network and service		
2	<b>Innovative &amp; sustainable solutions</b>	<ul style="list-style-type: none"> <li>• Digital platform</li> <li>• New grower products</li> <li>• Re-shape and optimise supply chain</li> </ul>	
	Empower growers with differentiated products		
3	<b>Broaden revenue base</b>	<ul style="list-style-type: none"> <li>• Grow value from co-products</li> <li>• Diversify network into new production valleys</li> </ul>	
	Geographically diversify network and grow the core		
4	<b>Great place to work</b>	<ul style="list-style-type: none"> <li>• Safe and engaged workforce</li> <li>• Ginning talent pipeline</li> <li>• Transformation readiness</li> </ul>	
	Attract and retain talented staff		

(1) Over a 5-year period. Exclude EBITDA and capex for potential northern Australia opportunities. Growth capex is in addition to stay in business capex

# 4PP Strategy

4PP Strategy projects have delivered tangible cost savings from FY23

## FY23 delivered projects - \$4.9 million

1. Merah North gin equipment upgrade to increase ginning speed and improve outturn cotton quality
  - Reduce operating cost by ~10% from 2022 season
2. Boggabri new cottonseed shed to better service nearby local feedlot market
  - Reduce transport costs by >10% from 2023 season

Boggabri cottonseed shed



## FY24 planned projects - \$3.8 million

- Trangie Gin equipment upgrade to speed up ginning, automation with better gin lower quality cotton
  - Reduce operating cost by ~10% from 2023 season
- Boggabri Gin mote recovery
  - Increase co-product earnings from 2024 season
- New Stocks/R&M and Classing system for 2024 season

Trangie gin upgrade





# Northern Australia

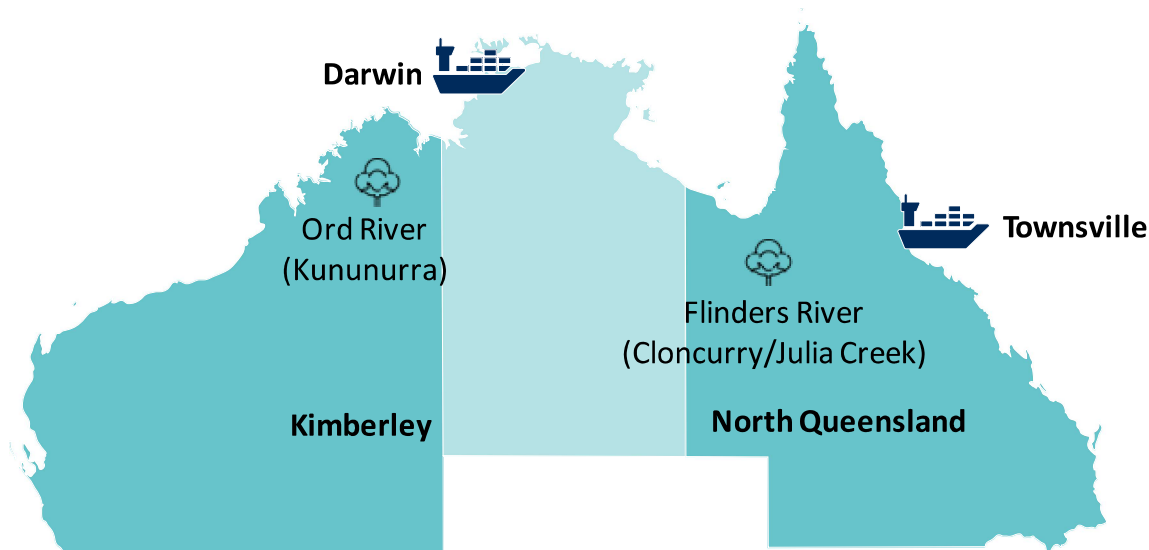
Developing new cotton gin opportunities in northern Australia to grow and diversify our footprint and earnings

## Kimberley Cotton Company (KCC)

- 20% shareholder in KCC with local growers
  - Namoi Cotton to build and operate Kununurra gin
- Development and other approvals obtained
- Project delayed with additional funding sought given increased construction cost to meet approval conditions

## North Queensland

- Promoting a joint venture gin to local stakeholders
  - Leverage learnings from KCC gin project
- Focus on Flinders River catchment area
  - Expanding cotton production
  - Preferred site dependent on electricity solution



## Expected cotton production

- Ord River, WA
  - 2022 season: ~20,000 bales<sup>(1)</sup>
  - Future: 75-150,000 bales<sup>(2)</sup>
- Flinders River, QLD
  - 2022 season: ~15,000 bales<sup>(1)</sup>
  - Future: 75-150,000 bales<sup>(3)</sup>

(1) Cotton Compass – August 2022

(2) Kimberley Cotton Company estimates

(3) North QLD Cotton Gin Assessment and Feasibility Study (MITEZ 2021)

# FY24 & FY25 Outlook





# 2023 season (FY24) outlook

Cotton production expected to support above average ginning volume of 0.9-1.1 million bales in 2023 season

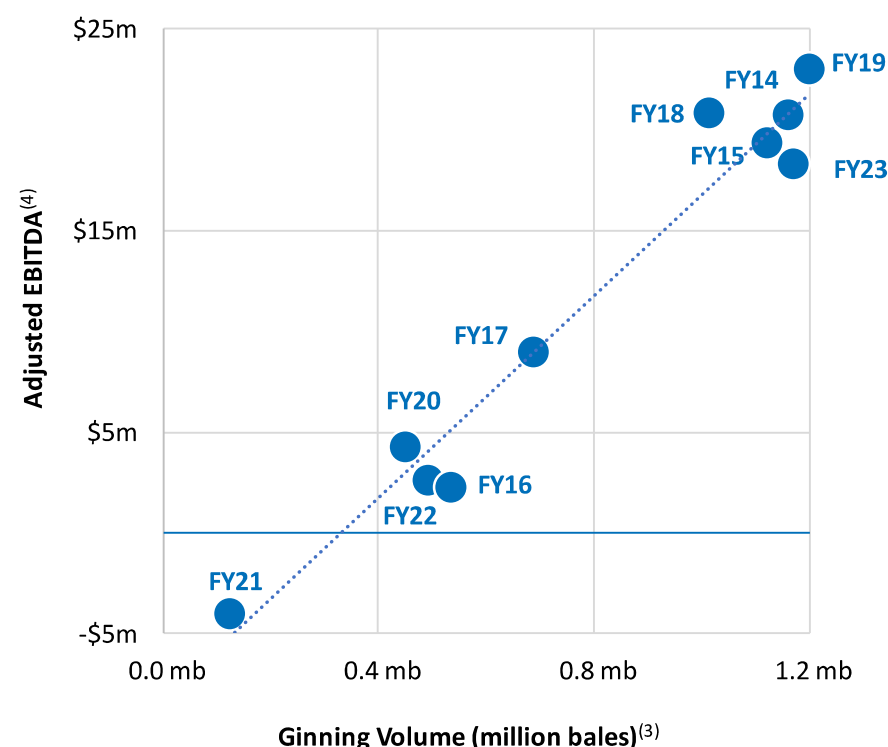
## Volume drivers

- Forecast Australian 2023 season cotton production
  - ABARES forecast 5.3 million bales<sup>(1)</sup>
  - Cotton Compass forecast 4.9 million bales<sup>(2)</sup>
- Expect 0.9-1.1 million ginned bales for 2023 season<sup>(3)</sup>
  - Above average production in northern valleys
  - Below average production in central and southern valleys due to wet weather during planting

## Earning drivers

- In excess of 85% of ginning volume contracted
  - Target above inflation increase in ginning fee to recover increased operating cost & improve margin
  - Expected pressure on cottonseed marketing margin and volume with lower commodity prices
- Ginning to commence from late April and May

## Historical Adjusted EBITDA<sup>(4)</sup> vs Ginning Volume<sup>(3)</sup>



(1) ABARES – March 2023

(2) Cotton Compass – February 2023

(3) Ginning volume 100% of JV gins

(4) Adjusted EBITDA that exclude:

- Impairments and decrements
- Contribution from JVs and Associates in FY21 and prior financial years (prior to the restructure of NCA and NCMA in 2020)

# 2024 season (FY25) outlook

Good water availability expected to support above average cotton production in 2024 season

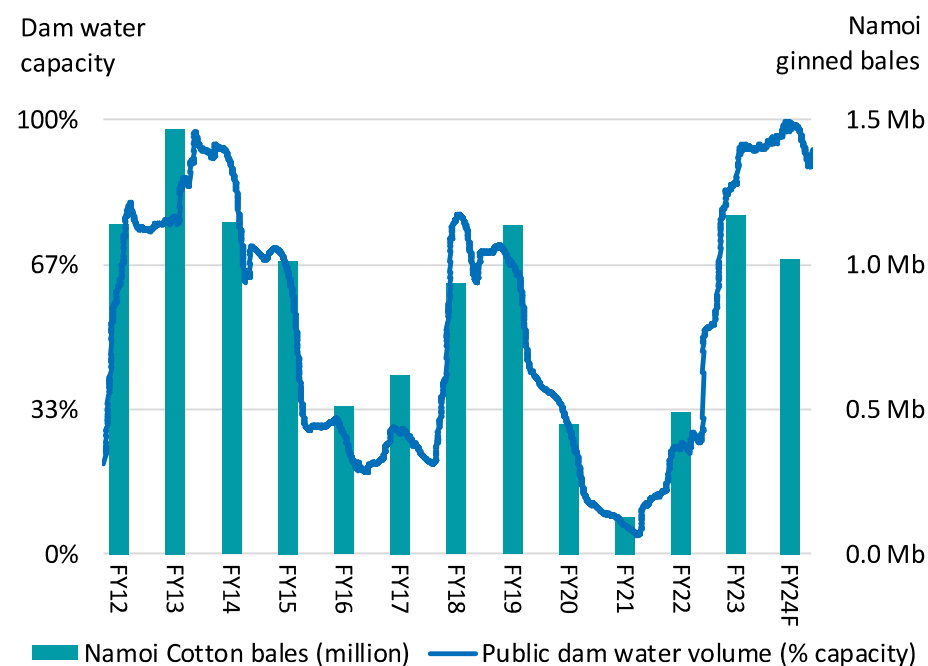
## Water availability

- Public dam water at above average of 93% capacity<sup>(1)</sup>
- Good water availability expected to support above average cotton plantings for 2024 season (FY25)

## 2024 season outlook

- First 2024 season forecast for Australian cotton production is 4.7 million bales<sup>(2)</sup>
  - 35% above average cotton production
  - Similar forecast cotton production in our catchment area as 2023 season
  - Lower forecast production in northern valleys and higher forecast production in southern valleys

## Lead indicator - regional system dam water<sup>(1)</sup>



(1) Bureau of Meteorology (BOM) as at end March 2023 – weighted average water capacity in rural system public dams in Namoi catchment valleys (BOM rural systems of Border Rivers, Macintyre, Gwydir, Namoi, Macquarie, Lachlan)  
 (2) Cotton Compass – 27 March 2023