



# FY 2023 FULL YEAR RESULTS

*(un-audited)*

August 2023

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# Executive Summary

## ➤ Operational highlights

- Gross profit increased by 20%
- Distribution business unit revenue increased 12.7%
- Farmgate oyster price increased 26%
- Strategic decision to use 100% hatchery spat, which gives us; timing certainty, quality improvements, operational cost improvement and the ability in the long term to improve genetic performance
- Investment in hatchery equipment and people to support future growth
- Farm productivity improvements resulting from focus on upgrading system functionality & focus on streamlining life cycle management
- Improvements in workplace safety practices and culture

## ➤ Recovery from QX and floods continuing

- Biological assets increasing in value, confirmed by independent audit
- Improvements to oyster inventory management system to improve accuracy

## ➤ Better debt facility

- Refinancing of debt (occurred 28<sup>th</sup> August 2023)
- Ability to meet RCPS liabilities when they fall due
- Financial covenants that better match the future profit profile

## ➤ Management & board

- Appointment of experienced CEO, Dr Justin Welsh (to commence in October 2023)
- Appointment of experienced independent director, Ms Veronica Papacosta in July 2023
- Majority independent board with extensive skill set

## ➤ Outlook

- Price and volume forecast to increase through improved farming practices
- Employee costs reduction through improved efficiencies and rationalisation
- Further investment and productivity gains in hatchery
- Steady recovery in biological inventory
- Focus on realising scalable benefits of consolidated group



# Results Summary



# Profit & Loss *(unaudited)*



\$ Million	12 months to June 23	12 months to June 22	Commentary
<b>Group Revenue</b>	<b>24.6</b>	<b>22.6</b>	Uplift in revenue driven by price increases introduced in September 2022 in both farming and distribution units
<b>Cost of Sales</b>	<b>(17.3)</b>	<b>(16.5)</b>	Farm gate prices increased following adverse effects on the industry caused by QX and floods
Gross Profit	7.3	6.1	Gross profit increase by 20% driven by uplift in prices
Gross profit margin	30%	27%	
Other income and change in fair value of biological assets	3.5	(3.4)	Oyster growth recovery accounting for the uplift in fair value in FY23
Fair value adjustments	(0.3)	3.9	Represented by the revaluation of redeemable convertible preference shares in issue
Operating costs	(13.9)	(12.7)	Wages account for the increase in operating costs while other overheads remained flat. The increase in wages includes one-off redundancy costs and is expected to reverse in FY24
<b>EBITDA</b>	<b>(3.4)</b>	<b>(6.1)</b>	
Impairment, depreciation and amortization	(4.9)	(2)	Goodwill impairments driven by higher interest rates were recorded in both Distribution (\$1.5M) and Farming (\$1.4M) units
<b>EBIT</b>	<b>(8.3)</b>	<b>(8.1)</b>	
Interest expense	(0.9)	(0.9)	Interest expenses remained flat despite multiple increase in interest rates.
<b>Net loss before tax</b>	<b>(9.2)</b>	<b>(9)</b>	



# Balance Sheet *(unaudited)*

\$Million	June 23	June 22	Commentary
Current Assets	5.8	7.9	Includes cash of \$0.9 m and Trade Receivables of \$1.5 m at June 23
Current liabilities (excl NAB loan and RCPS)	(3.6)	(3)	Reflects trading liabilities
Net current Assets (excl NAB loan and RCPS)	2.2	4.9	
NAB Loan	(4.3)	(0.5)	Loan from NAB disclosed as current due to interest covenant breach. NAB had provided a letter stating no action to be taken at this time. At June 22 the loan was shown as a non-current liability.
RCPS	(5.9)	-	RCPS class A due to be repaid January 24. RCPS class B will be converted to equity. At June 22 the RCPS were shown as a non-current liability.
<b>Net current (liability)/ assets</b>	<b>(8.0)</b>	<b>4.4</b>	
Non-Current Assets	42.7	47.2	The decrease reflects the continued amortisation of assets and goodwill impairment in the farming and distribution segments
Non-current Liabilities	(3.7)	(18.7)	NAB loan, RCPS and Vendor balances transitioned from non-current liabilities at June 22 to current liabilities at June 23
<b>Net Equity</b>	<b>31</b>	<b>32.9</b>	

## COMMENTS

- Net Assets per share **7 cents**
- NAB debt refinanced in August 2023
- RCPS mature January 2024

# Cash Flow *(unaudited)*



\$Million	12 months to June 23	12 months to June 22	Commentary
Receipts from customers and grants	24.7	22.9	Increased primarily as a result of higher prices within both distribution and farming units
Net operating costs (including financing)	(28.9)	(26)	Increased primarily as a result of higher distribution cost of sale and higher labor costs
Cash used in operations	(4.2)	(3.1)	Operating cash impacted by higher labor costs
Net cash invested in new assets	0.5	(2.5)	Continued investment primarily into the farm segment funded by sale of non-core assets
Cash invested in business acquisitions	(0.7)	(21.2)	No further business acquisitions made in FY23
Net funding cash flows from equity and debt	1.9	29.4	Cash from new equity offset against NAB loan to minimise interest
Opening Cash	3.4	0.8	
Closing cash	0.9	3.4	



# Price & Production Metrics *(unaudited)*

Key Trading Metric	12 months to June 23	12 months to June 22	% Change	Commentary
Distribution sales revenue	\$21.2M	\$18.8M	12.7%	Reduction in industry production due to QX outbreak and flooding triggered a significant farm gate price increase
Distribution sales volume (mature pieces)	16.2M	17.1M	(5.3%)	
Group Operating Revenue (\$)	24.6M	22.6M	9.0%	
Farm Harvest Volume (mature pieces)	5.97M	7.5M	(20.8%)	QX event in FY22 impacted mature oysters available for harvest in FY23
Average Distribution Sales Price Per Dozen	\$15.70	\$13.02	20.6%	Average sell price per piece continues to trend upwards
Average Farm Gate Price per dozen	\$10.09	\$8.00	26.1%	



# Operational Update: Farming

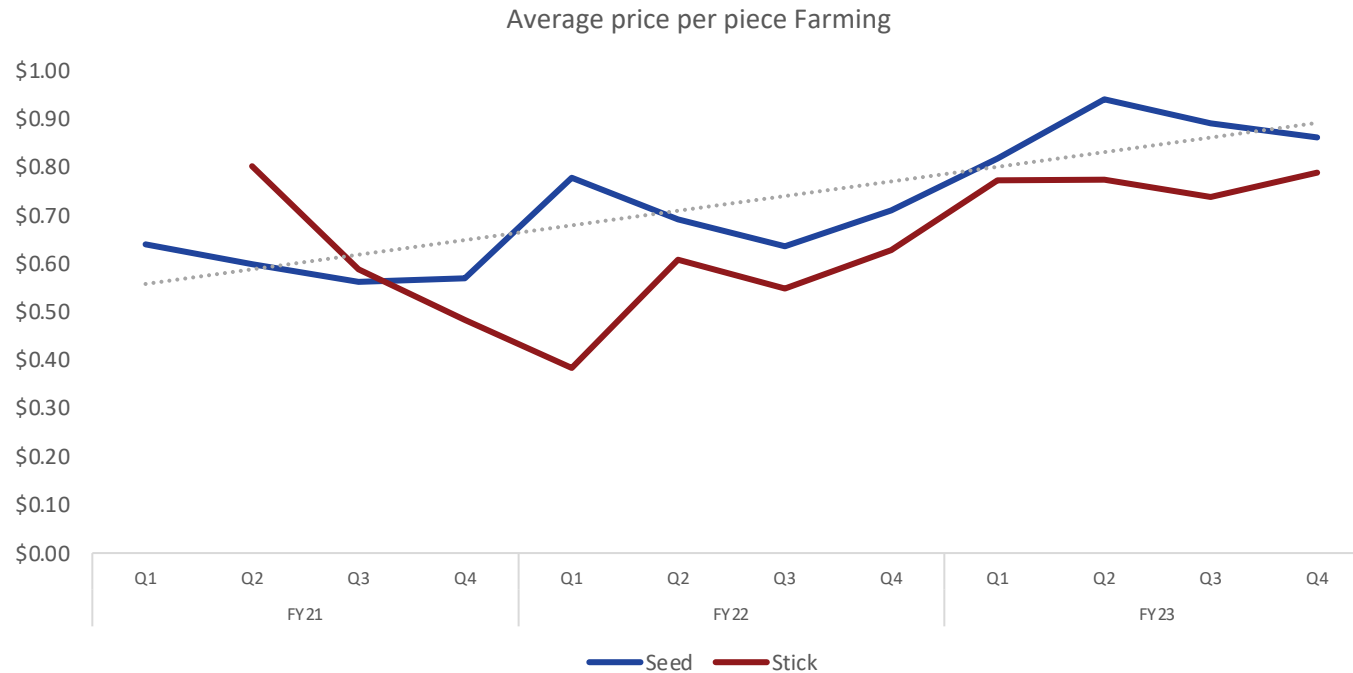


# Farming highlights

- **Producing higher quality oysters**
  - Improved stocking densities
  - Smarter utilisation of leases
  - Better over-catch management
- **Strategic decision - moving to 100% hatchery spat**
  - Production certainty
  - Quality improvements
  - Oyster consistency
  - Operational cost improvement
  - The ability in the long term to improve genetic performance
  - Phasing out of wild-caught, which is very labour intensive
- **Improved tracking of biological assets**
  - Increased functionality in OysterCloud underpinning smarter farming decisions
- **Leadership for the future**
  - Young leadership team backed by decades of experience is delivering operational and cultural improvement
- **Wage control**
  - Headcount reduction in FY23 with further practice improvements set to yield greater efficiency



# Price improvement



Average sell price producing an upward trend, which is expected to continue with improved animal husbandry practices targeting larger, higher value oysters in FY24

Moving away from sticks as a farming method will also allow Farming to continue to generate a higher average sell price per oyster

# Hatchery highlights



- Increased production with 21m SRO produced in FY23
- Investment in pasteurisation, algae bag system
  - Delivering increased production capacity and better survival rate
- Investment in broodstock heater/chiller system
  - Used when conditioning broodstock for spawning
  - Delivering year-round production
- Use of selective broodstock to improve genetic performance
- Opportunity to increase and diversify revenue streams via sales and services to third parties, underpinned by increased production
- Underpinning the re-stocking of farms at Wallis Lake and Port Stephens after impact of QX and flooding

# Operational Update: Distribution



# Distribution highlights

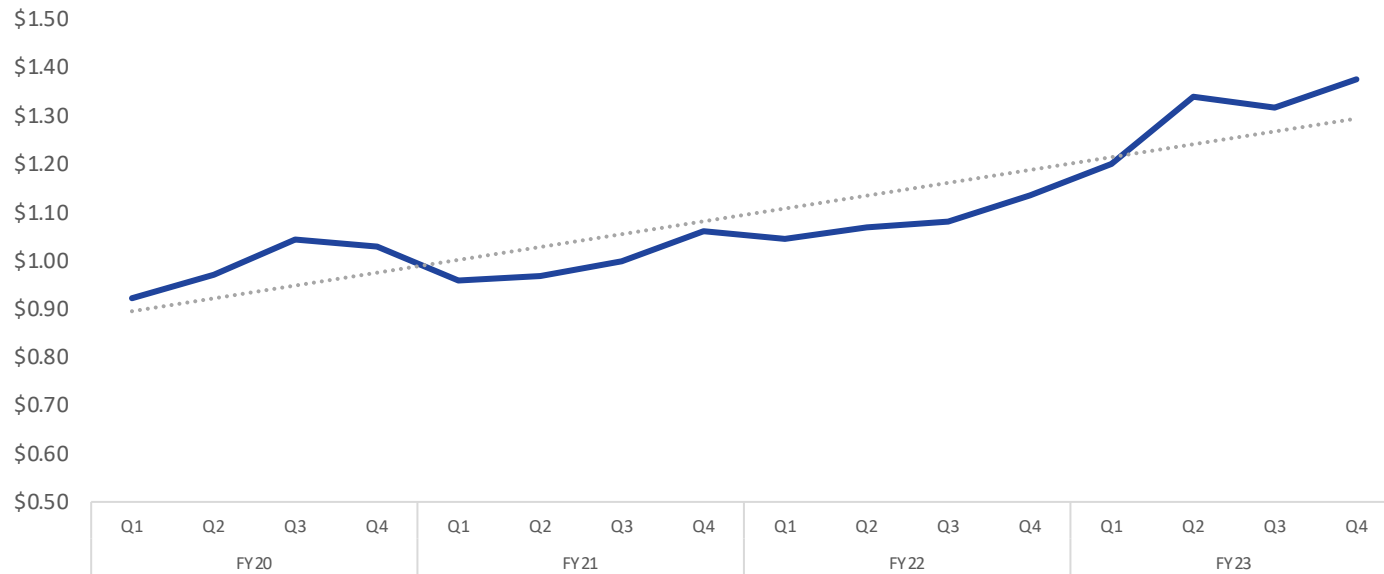
- Increased price per oyster sold
- Strong supply
  - Strong relationships with farmers resulting in consistent supply year-round
- Investment in customer platform
  - Introduction of “Fresho” ordering system which has streamlined customer engagement, removed manual handling of orders and is delivering better management reporting
- Tighter receivables management
  - More robust practices to improve working capital and minimise bad debts
- Sales Team targeting higher value sales channels and selling premium East 33 brand
  - Increased percentage of sales into Restaurant channel - up by 5.3% over FY23
  - Premium brand accounts for 10% of Sydney Rock oyster sales – up by 7.7% over FY23
- Tightened credit control procedures & use of credit terms
  - Average debtor days reduced from 23.7 days FY22 to 20.5 days FY23



# Consistent price improvement



Average price per piece Distribution



*Average sell price  
consistently trending  
upwards and so focus  
remains on margin*

# Operational Update: Corporate





# Valuing safety

- Full safety reviews at all operations completed
  - Training for leaders to support safety capability and awareness – formal training planned for Q2 FY24
  - Full time maintenance manager employed
- Improvements to our distribution and warehouse safety, through digitisation of safety systems
  - Inspections and audits
  - Maintenance reports
  - Licences and certifications.
- Utilising independent auditor to validate safety systems



# Investing in our people



- Leadership pathways developed
  - 4 leadership promotions in FY23
  - Future leaders identified for succession planning
- Key focus on inclusion, ensuring all documents and materials are translated as necessary
- Enabling of full self serve HR system, creating more visibility and connection for team members
- FY23 Staff survey, completed with a 4% increase in staff satisfaction
- Skills training for operational team members, including tickets, qualifications and licenses

Looking forward



# The 18 months ahead

- *New CEO to commence*
- *Increasing biological stock levels*
- *Strict wage control with further cost savings to be realised*
- *Higher farmgate volumes and prices*
- *Targeting margin improvement*
- *Larger and more diversified customer base*

*“Continue our path to build a sustainable, diversified and growing oyster company that produces an exceptional product for customers, values its workforce, is resilient to external shocks and delivers value to its shareholders “*



About East 33



# About East 33



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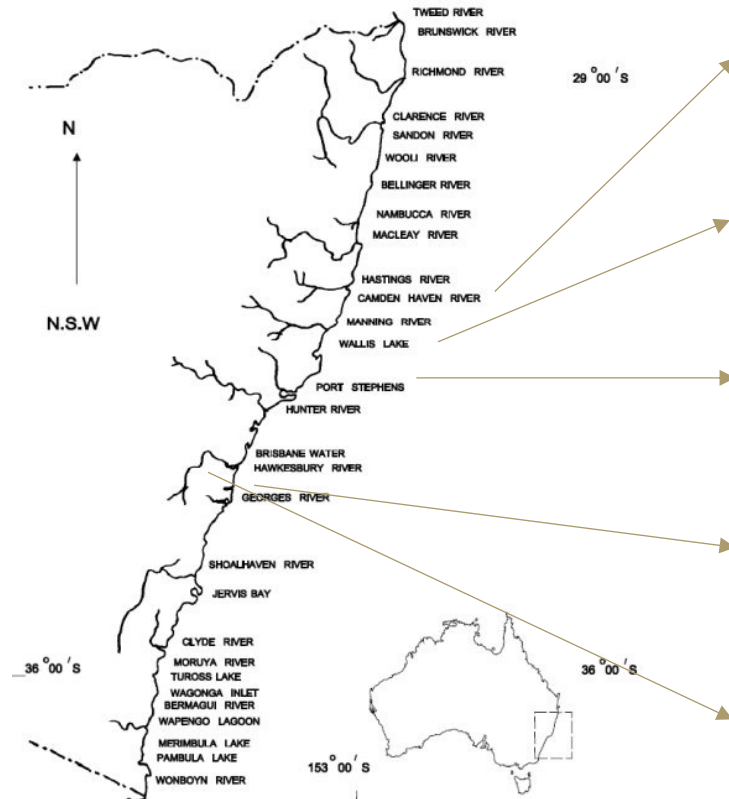
East 33 is dedicated to pioneering the world's best oyster culture, by empowering the people behind it, caring for the places that support it, and delivering moments to be savoured. East 33 represents quality, a dedication to the authentic and an inspired future, focused on delivering a moment of joy.

East 33 is a vertically integrated Sydney Rock Oyster producer, processor, and supplier. Operations span all elements of the Sydney Rock Oyster industry from hatchery, nursery, and production farmers to processing facilities.

East 33's current operations are based in the Wallis Lake, Port Stephens and the Camden Haven River regions of NSW, and over 130 years of collective of farming knowledge. Learnings are being harnessed to deliver the next stage of improved breeding, technology, and sustainable farming techniques to propel the industry for generations to come.

Sydney Rock Oysters are extremely rare natively thriving in just 41 locations on the east coast of Australia centred on latitude 33 degrees – providing the namesake for East 33 Limited.

# Operational locations



## Camden Haven

- Hatchery and nursery (land and on-water)

## Wallis Lake

- Nursery (land and on-water) and grow-out

## Port Stephens

- Nursery (on-water) and grow-out

## North Sydney

- Corporate functions

## Bankstown

- Shucking, packing and distribution

# Vertically integrated

