



East 33 Limited

ASX ANNOUNCEMENT

For immediate release

29 February 2024

East 33 Limited – Half-Year Results Presentation Slides

East 33 Limited (ASX: **E33**) ("**East 33**" or "**Company**") wishes to release its Half Year Results presentation slides for the 6-months ended 31 December 2023.

This Announcement is authorised for release by the Directors of East 33 Limited.

Announcement Ends

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About East 33 Limited

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.



FY 2024 HALF YEAR RESULTS

February 2024

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Executive Summary



➤ Securing E33's future via Yumbah Finance Transaction*

- Strong platform to invest in future profitability
- Leveraging strong distribution platform
- Reducing debt (via debt-to-equity swap), as well as providing further working capital

➤ Strategic review identifying opportunities

- Findings demonstrate long-term value in Company
- Supply chain improvement plan along with harvest re-profile will deliver better profitability

➤ Operational highlights

- 10.5% increase in oyster sale price in distribution business
- Gross profit YoY improvements
- Volume and value of biological stock in water increasing

➤ Management & board

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

➤ Outlook

- Full-year harvest FY24 will be lower (circa 4m pieces) ahead of a rebound in FY25
- Expected increased margins in FY25 due to harvest reprofile
- Focus on delivering ESG outcomes across the business
- Employee costs reduction through improved efficiencies and rationalisation

Strategic Review – summary of findings



The purpose of the strategic review was to provide an assessment of East 33's vertically integrated supply with a view to identify challenges and opportunities for business profitability. The review is now complete and has identified four key area of focus:

- **Harvest Re-profiling:** Strategic delay of FY24 harvests to improve commercial outcomes in FY25 and beyond.
- **Supply Chain Improvement Plan:** Leverage our industry position to fast-track reaching steady state production.
- **Investments in Farming Infrastructure:** Strategic modest capital injections will enhance oyster production, capturing previously inaccessible market opportunities.
- **Organisation Re-alignment:** Streamlined management and processes will unlock East 33's potential, driving growth and efficiency across our integrated enterprise.

Recapitalisation Strategy*



KEY CHANGES

- Conversion of \$5m Yumbah Debt to Equity
- Additional capacity of \$5m to the current Yumbah Facility Agreement

OUTCOMES ACHIEVED

- Ability to re-pay \$5.5m short-term debt[^] due on 30 April 2024
- Further \$4.5m in working capital to fund outcomes of Strategic Review
- Waiver received for covenants at 30 June 2024
- Total Yumbah debt facility available at completion is \$15m plus capitalized interest

*subject to shareholder approval

[^]debt held by former RCPS A holders

Results Summary



Profit & Loss



| \$ Million | 6 mths to Dec 23 | 12 mths to June 23 | 6 mths to Dec 22 | 12 mths to June 22 | Commentary |
|--|------------------|--------------------|------------------|--------------------|---|
| Group Revenue | 12.5 | 24.6 | 13.7 | 22.6 | Revenue impacted in Dec 23 by reduced farming supply. Price increases helped to offset volume reduction. |
| Cost of Sales | (8.0) | (17.3) | (9.5) | (16.5) | Cost of sales reflects lower sales volumes for the 6 months to Dec 2023 |
| Gross Profit | 4.5 | 7.3 | 4.2 | 6.1 | |
| Gross profit margin | 36% | 30% | 30% | 27% | Gross profit margin increase driven by uplift in sale prices and operational efficiencies |
| Other income and change in fair value of biological assets | 1.1 | 3.5 | 2.6 | (3.4) | Oyster growth recovery accounting for the uplift in fair value in FY23. Bio-assets are recovering from QX losses incurred in prior years. |
| Fair value adjustments | (0.4) | (0.3) | (0.1) | 3.9 | Represented by the revaluation of redeemable convertible preference shares on issue |
| Operating costs | (5.8) | (13.9) | (7.1) | (12.7) | Overheads remained relatively flat. On a half year basis, wage control helped to reduce operating expenses |
| EBITDA | (0.6) | (3.4) | (0.4) | (6.1) | |
| Impairment, depreciation and amortization | (3.3) | (4.9) | (2.4) | (2) | Delayed future cashflows effected an impairment in the Farming unit (\$2.4M) |
| EBIT | (3.9) | (8.3) | (2.8) | (8.1) | |
| Interest expense | (0.7) | (0.9) | (0.4) | (0.9) | Interest expenses has increased in line with market interest rate movements |
| Net loss before tax | (4.6) | (9.2) | (3.3) | (9) | |

Balance Sheet



| \$Million | Dec 23 | June 23 | June 22 | Commentary |
|--|--------------|--------------|-------------|--|
| Current Assets | 9.9 | 5.8 | 7.9 | Includes cash of \$2.5 m and Trade Receivables of \$2.7 m at Dec 2023 |
| Current liabilities (excl borrowings and RCPS) | (3.8) | (3.6) | (3) | Reflects trading liabilities. |
| Net current Assets (excl borrowings and RCPS) | 0.1 | 2.2 | 4.9 | |
| Borrowings | (0.6) | (4.3) | (0.5) | During August 23, the loan from NAB was refinanced with Yumbah Finance. At June 23 the NAB loan was classified as a Current Liability. |
| RCPS | (6.0) | (5.9) | - | RCPS class A were redeemed in January 24. RCPS class B were be converted to equity in Nov 23. |
| Net current (liability)/ assets | (0.5) | (8.0) | 4.4 | |
| Non-Current Assets | 40.0 | 42.7 | 47.2 | The decrease reflects the continued amortisation of assets and goodwill impairment in the farming and distribution segments |
| Non-current Liabilities | (12.9) | (3.7) | (18.7) | Increase due to Yumbah Finance replacing the NAB funding and being classified as a non-current liability. |
| Net Equity | 26.8 | 31 | 32.9 | |

COMMENTS

- Net Assets per share 5.0 cents
- Long-term debt refinanced by Yumbah Finance in August 2023 and is classified as a Non-current Liability
- RCPS matured and settled in January 2024. RCPS holders have provided short-term debt facility.

Cash Flow



| \$Million | 6 mths to Dec 23 | 12 mths to June 23 | 6 mths to Dec 22 | 12 mths to June 22 | Commentary |
|---|------------------|--------------------|------------------|--------------------|---|
| Receipts from customers and grants | 11.1 | 24.7 | 11.5 | 22.9 | Decreased half-year receipts driven by lower volume through distribution |
| Net operating costs (including financing) | (13.8) | (28.9) | (15.5) | (26) | Decrease primarily a result of decreased volumes of supply |
| Cash used in operations | (2.7) | (4.2) | (4.0) | (3.1) | |
| Net cash invested in new assets | (0.1) | 0.5 | 0.4 | (2.5) | Capex spend deferred to 2nd half FY24. |
| Cash invested in business acquisitions | (1.0) | (0.7) | 0.0 | (21.2) | No business acquisitions were made in FY24. Outflows reflect deferred acquisition payments. |
| Net funding cash flows from equity and debt | 5.4 | 1.9 | 7.0 | 29.4 | Net cash inflow from additional debt funding following debt restructure. |
| Opening Cash | 0.9 | 3.4 | 3.4 | 0.8 | |
| Closing cash | 2.5 | 0.9 | 6.8 | 3.4 | |

Price & Production Metrics



| Key Trading Metric | 6 months to December 23 | 6 months to December 22 | % Change | Commentary |
|--|-------------------------|-------------------------|----------|--|
| Average Farm Gate Price per dozen | \$10.28 | \$10.13 | 1.48% | Average sell price continues to improve from both farming and distribution as oyster demand remains strong and quality across the farming business, and broader industry improves. |
| Average Distribution Sales Price per Dozen | \$17.01 | \$15.39 | 10.53% | |
| Average Distribution Purchase Price per Dozen | \$11.78 | \$10.57 | 11.76% | |
| Revenue to Purchase Cost margin | \$5.23 | \$4.85 | 7.84% | Whilst purchase price has also increased, the margin has expanded on the back of strong sales outcomes. |
| Stock in Water (pieces) | 28.3M | 23.9M | 17.84% | Volume as at the end of December each year. Building stock numbers represents the continued recovery of the business' biological assets |
| Stock in water to labour count ratio (oysters handled per 1 employee) | 689,235 | 406,452 | 69.57% | Increased efficiencies in farming have resulted in reduced labour count handling more oysters on farm |

Operational Update



Farming highlights

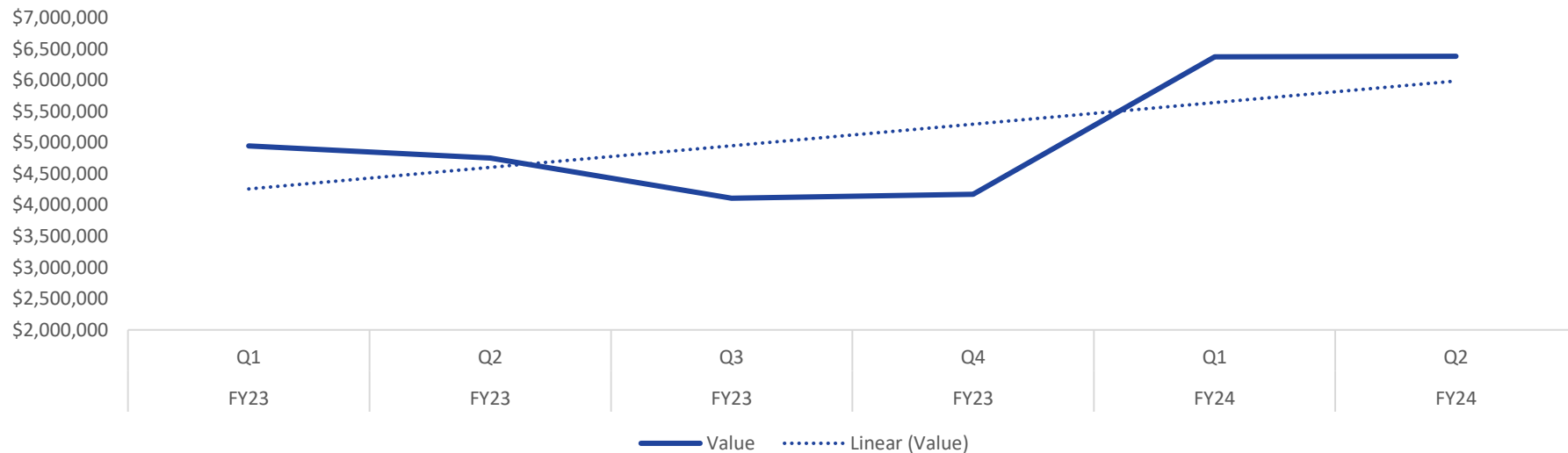
- Culture of continuous improvement
 - Stock management systems continue to increase in efficiency
 - Novel technology is being deployed at strategic sites
 - Handling technology review for production cost improvement
- Strategic decision: stock quality and capacity
 - Increased focus on key market signals to protect product premium and achieve pricing outcomes
 - Detailed mapping executed on farming assets to unlock potential
 - Seasonal window expansion through harvest site diversification
 - Focus on single seed stock and modern culture techniques for quality outcomes
- Improved tracking of biological assets
 - Increased focus on forecast modelling underpinning smarter farming decisions
- Leadership for the future
 - Young leadership team backed by decades of experience is delivering operational and cultural improvement
- Workforce optimisation
 - Moving towards focused job roles to optimise on-farm outcomes
 - Aligning workforce requirements closely to stock on hand.



Biological Assets



Value of stock in water – single seed



Value of single seed stock in water has increased since same period last year. This has been driven by our continued recovery from the previous QX impact and improved farming practices. The anticipated increased FY25 harvest number is reflective of this upward trend.

Distribution highlights

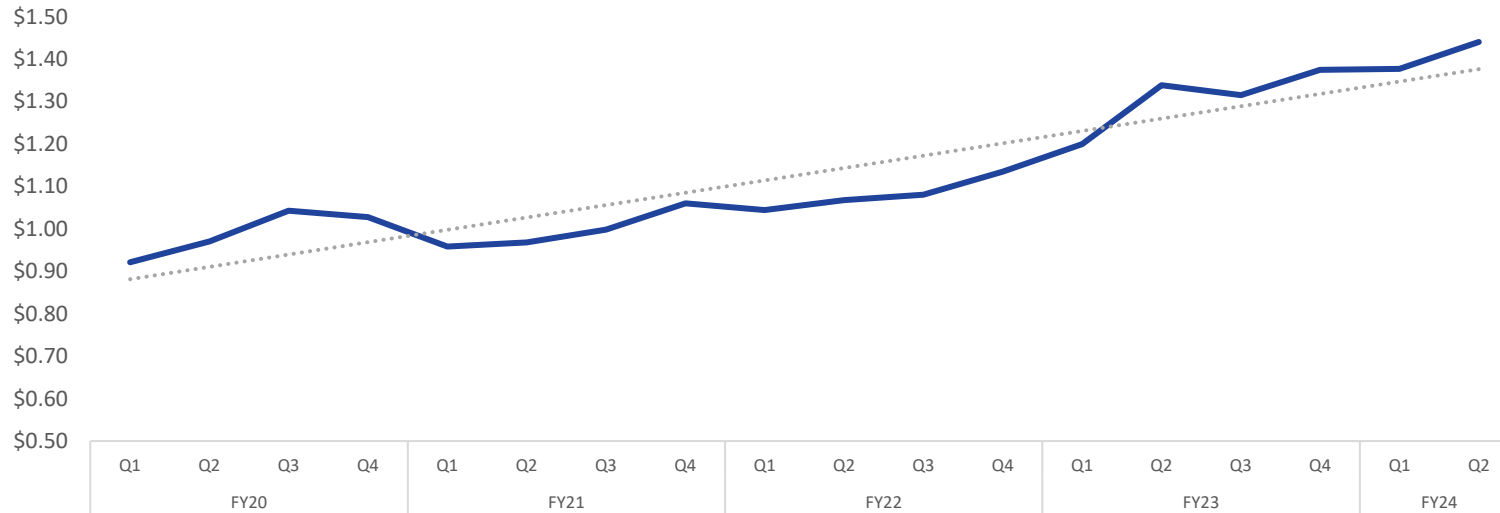
- Increased price per oyster sold
 - Reduced shucking cost driving further increased profitability
- Strong supply
 - Focus on the delivery of high quality stock to our customers, driven by our strong producer network.
 - National producer network allows the business to source and deliver oysters year-round
- Investment in customer platform
 - Adoption of “Fresho” ordering system which has streamlined customer engagement and removed manual handling of orders.
- Tighter receivables management
 - More robust practices to improve working capital and minimise bad debts
 - Pricing structures have delivered improved receivables outcomes from customers
- Sales Team targeting higher value sales channels and selling premium East 33 brand
 - 10.5% improvement in oyster pricing achieved
 - YoY improvement in distribution business’ profitability



Consistent price improvement



Average price per piece Distribution

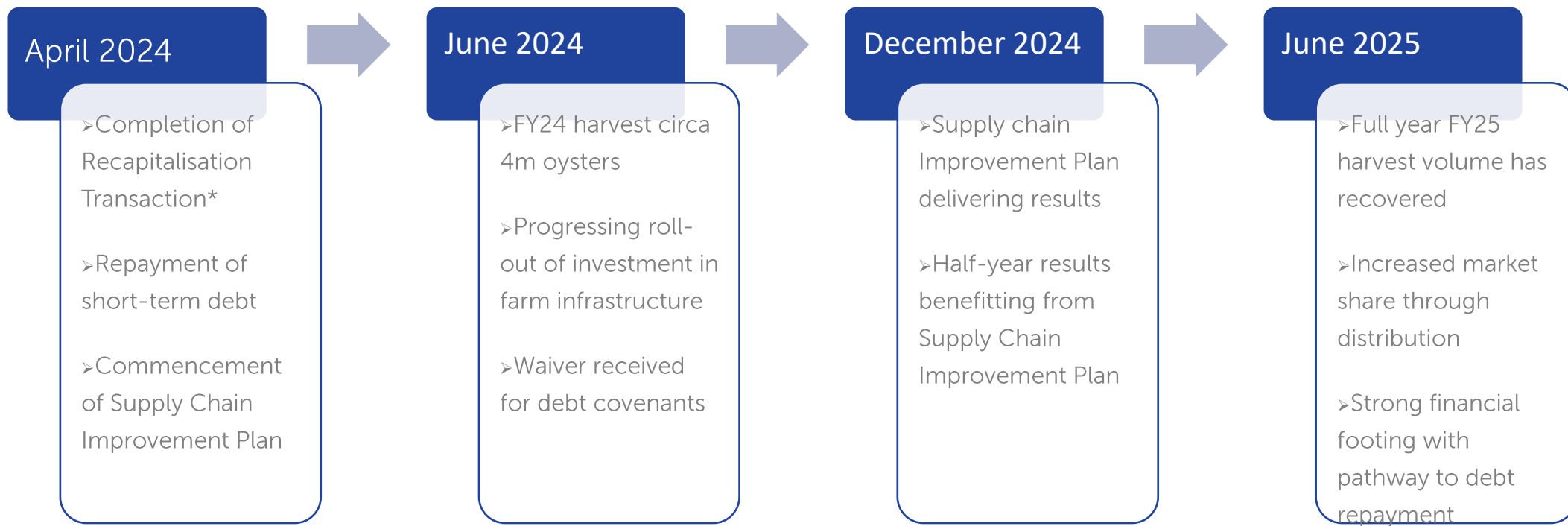


Average sell price consistently trending upwards and so focus remains on margin

Looking forward



Roadmap from here



*Subject to shareholder approval. Refer to the ASX Announcement dated 29 February 2024 for additional information on the recapitalisation strategy and shareholder approvals that are required to be obtained in order to complete the recapitalisation strategy detailed on slide 5.

The 18 months ahead

- *Increasing internal oyster supply*
- *Improved oyster production efficiency, delivering quality oysters from our farms*
- *Larger and more diversified customer base*
- *Adopting customer signals across the supply chain to deliver strong commercial outcomes*
- *Focus on delivering ESG outcomes across the business*

“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



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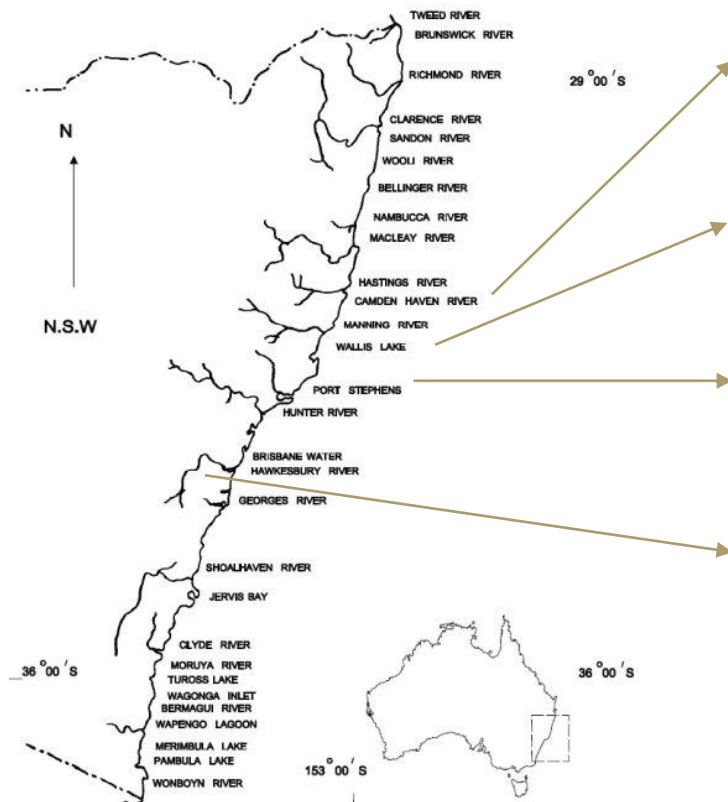
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Operational locations



Camden Haven

- Hatchery and nursery (land and on-water)

Wallis Lake

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

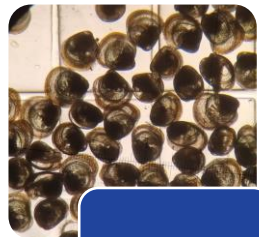
Port Stephens

- Nursery (on-water) and grow-out

Bankstown

- Shucking, packing and distribution

Vertically integrated



Hatchery



Nursery



Grow-out



Harvest



Shucking



Branding



Distribution

EAST
3°