

Costa Group Holdings Ltd

AGM 2022 Chair speech

Fellow shareholders I'm sure you would all agree that we can be rightly proud of the efforts of our company in the way it met and successfully responded to the many and varied challenges presented by COVID over not just the past year, but since the beginning of 2020.

I think it says a great deal about our culture and the values we seek to uphold and live by as a company, where the safety of our workforce and the communities in which we operate were at all times our priority.

On behalf of the Board and shareholders I want to thank our management team and entire workforce for the dedication and resilience they have shown through such challenging times. In particular, I acknowledge the efforts of all those who never once wavered in making sure we were able to harvest our crops and continue to supply healthy nutritious fresh produce to both the Australian and global community.

Moving on to the highlights of the year just passed, for the 2021 financial year, Costa delivered on its stated guidance with a \$64 million underlying Net Profit After Tax (before fair value movements in biological assets and material items – NPAT-S), a 16.2% increase on CY20.

The Board declared a fully franked final dividend of 5.0 cents per share for the second half of CY21, bringing the total dividend payment for CY21 to 9.0 cents per share, fully franked.

This result further reinforced the growing importance of our international segment and the role it will play into the future as a key growth driver. It was a record performance, with increased berry plantings in our China operations delivering higher volumes and our premium blueberry varieties, including Jumbo Arana gaining further market recognition and penetration, while attracting a price premium.

In Morocco, our strategy to develop early season blueberry plantings in the south at Agadir has positioned us to benefit from this production window through the supply of product into the key UK and European markets.

The replanting of our northern farms in Morocco also commenced, with Costa VIP purpose bred genetics blueberry varieties. These varieties are intended to enhance our premium variety offering to retailers and better maximise pricing opportunities.

Increasing global demand for premium fresh produce is also driving our continued focus on developing emerging regions, through breeding blueberry varieties suitable for growing in different latitudes and regions. There are opportunities to expand our global blueberry footprint both through third party and joint venture growing operations.

In our domestic segment, the year saw the acquisition and successful integration of several key high quality citrus assets, including 2PH, KW Orchards and Cufari farms. The most

significant of these was the 2PH acquisition which was funded by a successful \$185 million capital raise, involving both institutional and retail investors.

As a result of this, the company expanded its citrus growing regions from two to three, increased the duration of our harvest season and export offering into key Asian export markets, and obtained priority access to a proven 30-year proprietary breeding program. This also provides an opportunity to expand our supply reach through either direct growing or licensing in other regions.

Our investment in growing our tomato category footprint took further shape with the completion toward the end of the year of our new 10 hectare tomato glasshouse and 2.5 hectare nursery. Given the impact of the drought in 2019 and COVID, this was a significant achievement by our tomato and procurement teams. Our total glasshouse tomato growing area is now 40 hectares, made up of 2x20 hectares of glasshouse in Guyra, New South Wales, with a total production capacity of circa 20 million kgs per annum.

This further enhances our position as a fresh produce market leader, supplying premium snacking, cocktail and truss tomatoes to the major retailers, independent supermarkets, wholesale and food service sector.

The company has also continued to invest in other protected cropping initiatives, with a commercialisation program to plant 40 hectares of protected, trellised high density substrate avocado trees. As previously noted, trials have indicated faster tree maturity, higher yield, better fruit quality and greater efficiency of water use versus conventional plantings. There are also significant harvesting productivity savings.

Fellow shareholders, this investment all forms part of our fundamental business model, which is designed to deliver increased earnings and return on invested capital over the long term. We are continually focused on leveraging our competitive advantages driven by:

- Our scale and geographical diversity, encompassing both domestic and international operations.
- Increased production capacity through organic growth and acquisitions.
- Our world leading IP and proprietary variety breeding program.
- Lower cost of production at key sites.
- The expanding contribution to revenue growth from international and export activity; and
- An unrelenting focus on our customer and consumer needs, supported by quality and diversity of product offering.

Our Sustainable Commercial Farming value proposition also underpins our performance through strategic actions and objectives. It is integral to our business model and ability to deliver our growth strategy and produce superior returns for shareholders. This includes utilising protected cropping, efficient water use, optimising yield, and production efficiency, targeting reduction in emissions, reducing supply chain waste and being an industry employer of choice.

As announced in the company's 2021 Sustainability Report, the Board and Executive committed to achieving net zero emissions by 2050 and as part of doing so, pledging to the

Science Based Target Initiative. The company believes this will help to increase our long term commercial resilience and ensure Costa makes a meaningful contribution to addressing the environmental and financial risks of climate change.

In 2022, work is also being undertaken to quantify our waste streams and set waste reduction targets commencing from 2023. In recent years we have made steady progress in both reducing our waste and ensuring a reduction in the amount of waste that is disposed of to landfill. In 2021, Costa commenced end of crop composting of our tomato plant vines and leaves. Previously this material was being sent to landfill but is now being collected and recycled into compost for use in a number of different applications. This has resulted in a reduction of over 2,200 tonnes being disposed of to landfill.

In our Tasmanian berry operations, a total of 180,000 metres of irrigation drip line was recycled from our raspberry farms, while more than 90% of the cardboard and paper waste from packaging used at our Corindi New South Wales berry farm is recycled. With respect to the use of more sustainable packaging, we have replaced the plastic tray on our 500gm and 480gm pre pack tomato packaging with a fully recyclable and compostable cardboard alternative.

The company has also further developed its reporting under the Taskforce on Climate related Financial Disclosures. This has included the identification of short, medium and long term climate related risks and opportunities. Climate change as it relates to physical and transitional risks is a feature of our strategic planning, capital investment and allocations decisions, which are integrated into the company's Enterprise Risk Management Program.

With a large workforce spanning three countries, we continue to take steps to understand, mitigate and address human rights and modern slavery risks within our operations and supply chains. We have now released two Modern Slavery Statements, with our 2021 Statement being released in April this year.

While the global pandemic continued to disrupt and present new challenges, we remained committed to developing and enhancing the processes, policies, and actions we have in place to protect human rights. Our key actions in 2021 included increased emphasis on identification of high-risk suppliers and remediation where issues arise, both within our own operations and in our supply chain.

We are focused on developing systems to measure our effectiveness and have dedicated new resources, such as a Group People Assurance Manager, to assist in this process. We have also put in place a multi-disciplinary working group to oversee our Modern Slavery response, which has made steady progress in education and training across the business.

Providing support for community organisations and especially those dealing with COVID challenges was a priority during the year in terms of the company's community engagement.

This included the donation of fruit for health care workers at the Royal Children's Hospital and to the not for profit organisation Leaderlife, which helps indigenous children and families in Dubbo, New South Wales.

The company also sought to promote ways in which to encourage our employees to actively engage with and support the many communities in which we operate. As a result, a Workplace Volunteering Program was established, with permanent full time, part time and fixed term employees entitled to one day's paid volunteer leave per year. This is allowing our employees to assist a range of organisations including registered charities and not for profits and most importantly to do so in the communities in which they live and work.

Despite the ongoing COVID environment, the Board maintained a full schedule of meetings and active engagement with management across a number of key activities in 2021. This included the successful capital raise to acquire the 2PH citrus business, the completion of the new 10 hectares of tomato glasshouse and nursery and ongoing execution of our international growth plan.

In July 2021, we welcomed Harry Debney as a Non-executive Director following his retirement as CEO early in the year. Harry is providing his valuable horticultural expertise and insights as a Non-executive Director to help ensure that the company remains a leader in horticultural innovation and adopts best practice risk management in farm operations. Harry is standing for election today together with Janette Kendall and Dr Jane Wilson AO.

I know I speak for my fellow Directors when I say we are all looking forward to being able to visit our farms and meet with our people face to face.

In conclusion, I return to my opening comments, in which I spoke about the incredible efforts of our people over the past two years and the way in which the company successfully responded to and managed COVID. To have effectively not missed a beat in the face of lockdowns, border closures, logistical challenges around sourcing labour and quarantine requirements, speaks volumes to our company's culture and the commitment from our people to not only keep the business running, but also continue to deliver results.

On behalf of the Board and shareholders I sincerely thank all of them for their efforts.

I now ask our Managing Director and CEO, Sean Hallahan, to address the meeting and talk to our ongoing strategy, the 2021 results, and the outlook for the 2022 year.

END.

Costa Group Holdings Ltd

AGM 2022 CEO Speech

Ladies and gentlemen, today I will talk about our performance in the most recent financial year, 2021, touch on our strategic growth pillars, and where we see these underpinning our current and future growth initiatives and provide a trading update for the year to date and outlook for CY22.

Costa is a company that we can all be proud of. Our team strives every day to grow nutritious fresh produce that builds the health of people across the world, whilst delivering strong returns for our shareholders over the long term. We have managed to successfully fulfill that purpose through drought, bushfires, floods and now a global pandemic forcing supply chain disruption across the globe.

Even though the CY21 year was to again be impacted by the challenges of COVID, it was one in which our international segment came to the fore and delivered a more than 30% increase in revenue versus CY20. Positive pricing, yield and demand were maintained over the entire China season. This reflects a growing international demand for premium fresh produce, and in the case of the Chinese domestic market, the significant and ongoing growth in the number of Chinese middle class over the last decade, currently estimated at 230 million.

This is also combined with a strong government focus on promoting healthy living through the Healthy China Action Plan, which includes encouraging people to make the right dietary choices. These factors are contributing to Costa's own proprietary Arana jumbo variety leading this market growth, reflected by the fact we receive a higher percentage price premium for Arana in China than in any other market.

Our African Blue operations, which now consists of a 52 week supply offering into the UK and European markets through our own and third party grown product had another strong year. In particular, our early season plantings in southern Morocco at Agadir performed strongly, while our northern farms saw high volumes, which all contributed to a positive result.

African Blue also licenses third party growers in Africa across Morocco, South Africa, Zimbabwe, Kenya and Zambia. Revenue is being derived from fruit-based royalties, with third party product grown in Africa also marketed by Costa under the African Blue brand which contributes to the 52 week supply from this region that I previously mentioned.

Our domestic segment delivered a mixed performance with a number of factors contributing to this, including positive demand and pricing across several categories, while weather impacted production volumes in some categories and supply chain challenges had an effect on our ability to secure premium pricing with respect to some exports.

Our Berry category saw sales and earnings improved significantly over the prior year. Our premium Arana variety continued to deliver a plus 20% price premium. The first commercial planting of our purpose bred tropical 'Delight' blueberry variety in Far North Queensland was completed in late 2021, with the initial crop to be harvested in CY22.

In Avocados the record industry volumes over the full year, combined with foodservice lockdowns and low retail price points resulted in a disappointing performance from the category. Our own production was up 11% and this contributed positively to higher export volumes, with key markets including Singapore, Hong Kong, Malaysia and Indonesia. Product was also successfully exported from WA to Japan over the second half of the year.

Going forward, it is vitally important for avocados grown along the eastern seaboard, most notably in Queensland to have access to the Japanese market, which on average is a 17 to 20 million tray per annum market. It is pleasing that research has been completed on a protocol for the export of avocados to Japan, it is now up to the Australian Government to negotiate this protocol with the Japanese Government, and I would encourage our new government to make this a priority.

In our mushroom category, the second half of the year saw a double digit increase in production volumes versus the previous comparable period. This was coupled with strong demand momentum, especially for our pre-pack product which contributed 59% of our total mushroom sales. Over the year we also successfully addressed and resolved labour supply issues at our Monarto mushroom production facility, which was important to ensuring we were well positioned to consistently hit our production capacity.

The 2021 year was a transformational one for our citrus category, with the acquisition of the Central Queensland based 2PH business. This added a third major growing region to our citrus production footprint and provided Costa with access to a proven 30-year proprietary breeding program. Access to the 2PH breeding program is a step towards Costa's strategic goal of building a global citrus footprint and achieving 52-week supply of Vitor/2PH branded citrus into Asian markets.

Our focus is on developing and accessing new proprietary varieties, including those with sensory attributes, such as more colour, fewer or no seeds and sweeter taste. Costa has spent over 15 years building a presence in a number of key citrus export markets and building our brand. Circa one third of Costa citrus exports are currently sold into the major Japanese market, with other significant markets for our citrus including US, Korea, Thailand and Malaysia.

The 2PH acquisition both complements and builds on the expanding export market opportunity, with Costa citrus exports to China more than doubling in CY21 to circa 10% of volume as a result of 2PH's well established reputation and presence in the Chinese market. This provides a significant opportunity to further build on growth in this market through a premium brand offering, with China continuing to be the largest market for Australian citrus exports.

In our southern citrus production regions, namely the Riverland and Sunraysia, early and mid-season citrus performance was positive, however the later CY21 season proved significantly more challenging. COVID related supply challenges, including shipping delays and reduced vessel and container availability exacerbated quality issues and impacted pricing.

Weather and other cost challenges ultimately impacted the citrus category's performance, including damage from a New Year's Day (2021) hailstorm to our Colignan table grape crop, and the costs associated with fruit fly restrictions in the Riverland.

In the first half of CY21 our tomato volumes were impacted by less than optimal growing conditions due to poor light. However, the second half saw stronger pricing and increased production, laying a strong base for a full year CY22 contribution from our new glasshouse four which will deliver its first full year of production this year.

Costa Farms and Logistics performance was impacted by COVID lockdowns in the foodservice/market industry, however excellent management delivered a strong result. The Select Fresh WA acquisition integration was successfully completed and there was a solid performance by all three logistics sites.

On 1 December 2021 new leases for those farms previously leased by Costa from Vitalharvest, took effect with Macquarie Asset Management (MAM), through its managed fund as the owner of the Vitalharvest Freehold Trust.

The leases cover seven farms operated by Costa, which include three citrus farms in South Australia and four berry farms, of which two are in New South Wales and two in Tasmania.

A fixed rent agreement applies for each of the seven farms. There are no variable components in any of the leases, and the rent yields reflect current market conditions for premium large scale horticulture assets. With the Vitalharvest farms now secured under long term leases, Costa looks forward to working closely with MAM to explore new investment opportunities at the seven farms in the coming years.

Moving to the financial results for the CY21 calendar year, our full year underlying result was delivered in line with guidance.

Revenue over the year was \$1.22bn, a 4.9% increase on CY20. As mentioned, our international segment grew more than 30%, and 27% of our overall sales were generated from international customers, including from exports. EBITDA-S was \$218.2m, up 10.6% on CY20. This also included a 2PH contribution of \$12.9m. NPAT-S of \$64m, was plus 16.2% on the CY20 number and Statutory NPAT was \$41.4m. At the end of CY21 net debt was \$299.2m, with leverage of 1.85 times.

Ladies and gentlemen, our vision and purpose articulate our mission, which is *'To be the leader in sustainable commercial farming of premium quality fresh produce'*.

Our objective is summarized as delivering greater returns on invested capital whilst maintaining a strong balance sheet. We understand the natural cycles that affect our company performance and we must manage through them better than our competitors. We deliver today whilst always building for tomorrow.

To consistently deliver on our purpose and vision, we must invest in our capability. Our people and their ability to perform in challenging circumstances and environments is critical to our success. We must provide them with the latest technology and continually strive to remove non value-adding activity from their day.

Our mutual success is founded on the technical superiority that we have painstakingly built over many years. We have developed world leading genetics and innovative growing systems managed by talented people.

We translate that technical superiority into a framework that we call Sustainable Commercial Farming. It is at the core of our business model and impacts everything we do and how we do it. We continually strive to use less inputs for every crop output that we produce.

Finally, we are ambitious. We seek to grow our company and our returns for shareholders, particularly in international markets where we see plentiful opportunities.

I now move to our trading update and outlook.

International Berry

Our international berry operations consisting of China, Morocco and genetic licensing has overall performed well.

China has delivered another strong performance, with record production volumes. Arana jumbo pricing continues to attract a premium, and further highlights the competitive advantage of Costa's world leading blueberry genetics and IP.

Recent COVID lockdowns in major tier 1 cities presented challenges for the final part of the harvest season which is due to be completed by the end of May. During this final period of harvest, sales of product continued, however pricing has been below forecast, due to supply chain impacts necessitating the sale of product into other markets at a lower price.

The Moroccan blueberry crop saw favourable pricing across the first quarter of this year, while cooler weather conditions contributed to some delayed crop timing coinciding with the Spanish blueberry crop and affecting pricing over the final part of the season which is due to be completed by mid June.

Produce Domestic

- Berry

The Tasmanian berry season performed well versus last year.

The Far North Queensland berry season has begun strongly, with volumes expected to be positive to the prior year and forecast. Early harvest of our premium Delight blueberry variety looks promising.

Above average rainfall at Corindi has occurred, however we remain confident of hitting our forecast volumes of Arana.

- Vertical Farming (Mushroom and Tomato)

The Monarto mushroom farm has delivered consistently higher volumes versus the prior year, and category demand and pricing has been strong.

The new 10 hectare tomato glasshouse and 2.5 hectare nursery have made a pleasing start with respect to production volumes and quality, despite light levels being below optimal levels over recent times.

Snacking volumes year to date are ahead of prior year and category pricing has been positive with strong demand for truss tomatoes.

- Trees & Vines (Avocado, Table Grape and Citrus)

Western Australian industry avocado crop volumes were held over into Q1CY22, contributing to depressed pricing. There have been recent positive price movements as the transition from Shepard avocados to Hass has occurred.

Grape volumes improved significantly versus the prior year, including the return of volumes from the Colignan crop. Pricing has been strong throughout the season for our premium varieties.

CY22 is a citrus 'off year', and the season has commenced in Central Queensland. Integration of the 2PH business has proceeded to plan, early season demand has been positive and early yields, quality and pricing have been strong.

To date only circa 1% of our total citrus crop has been harvested. Consistent with prior years, the majority of the citrus crop is harvested in the second half of the calendar year.

Forecast CY22 operating and growth CAPEX is expected to be in line with previous guidance. Previous guidance for depreciation and amortisation expenses of circa \$130m and interest costs of circa \$38m remains consistent with current expectations.

Increases over prior year reflect the impact of the acquisitions made in the second half of CY21 and the renegotiation of Vitalharvest/MAM leases that took effect in late CY21. As previously advised, relative to the old leases, the group's CY22 annualised EBITDA-S will be approximately \$5m higher, whilst the NPAT-S result is forecast to be \$6.4m lower, notwithstanding that there will be no material impact on cash earnings.

With respect to tax rates, there are no changes to the effective income tax rate of 30% for Australia, 20% for Morocco and nil for China.

With respect to supply chain costs and inflation, consistent with 2021 it is expected that transport, fertiliser, packaging and export shipping costs will continue to be elevated across CY22.

At this point, domestic pricing is strong, and the company is working to mitigate the impact of the higher costs through increased domestic and export pricing.

Finally, we also continue to manage and monitor any COVID related challenges.

We manage a horticultural business across different crops, different seasons and time zones, and our people are up for the challenge every single day and as their CEO, I could not be prouder of the team we have and the values they embody.

Costa people care and this is underpinned by our Costa Care culture that sits at the heart of everything we do. Our people care for each other, displaying this through our leading safety benchmarks and performance. This is illustrated by our recently introduced policy and framework to communicate our commitment to support health and wellbeing in the workplace, aligning with our Costa Care principles. The purpose is to support physical, mental and social health and wellbeing, reduce stigma around mental health, provide a safe workplace for all employees, visitors and contractors, support continuous improvement in health and wellbeing and build knowledge and awareness of healthy lifestyle behaviours.

Our people care about the fresh food that we grow and supply, maintaining best practice standards in food safety and quality. This has led to the introduction of Costa Aware, an enterprise-wide incident management solution, incorporating reporting and management of food safety and quality hazards, near misses and incidents. It provides all employees with an easy system to access and promotes a positive culture of reporting food safety and quality hazards and improving how we mitigate and manage them.

Our people care for our communities. Costa team members are tireless in their support for the many regional communities in which we are the major employer and wealth generator. There are many examples of how our people contribute to the social fabric of these communities, including participating in fundraising events, volunteering their time to run local community organisations, and donating fresh produce to promote health and wellbeing.

Finally, our people care for the environment on which we depend. Costa people know we are custodians of the land on which we farm and seek every day to grow in a sustainable manner. By way of example, the Costa Berry Category has identified Sustainability Champions across each of its farms, who help identify and lead projects which support the Costa Sustainable Commercial Farming objectives.

Our berry farm in Corindi New South Wales was the recipient of the Coffs Coast 2021 Excellence in Sustainability Award and the 2021 Excellence in Sustainability Award in the Mid North Coast NSW Business Awards. The Excellence in Sustainability Award recognises a business that has demonstrated its commitment to sustainable business practices and is working to reduce the impact of its operations on the environment. These awards very much belong to our people because they rightfully recognise their genuine passion, dedication, and commitment to sustainability.

Ladies and gentlemen, in conclusion and on behalf of the Board and Executive, I want to thank all of our employees for their outstanding work, and I would also like to sincerely thank the Board for its continued confidence in, and support of, management.

Thank you

END.

Annual General Meeting 25th May 2022



Costa Group Holdings Ltd
(ASX:CGC)



Board of Directors



Neil Chatfield
Chairman &
Non-Executive Director



Sean Hallahan
CEO & Managing
Director



Peter Margin
Independent
Non-Executive Director



Janette Kendall
Independent
Non-Executive Director



Dr Jane Wilson AO
Independent
Non-Executive Director



Tim Goldsmith
Independent Non-
Executive Director



Harry Debney
Non-Executive Director





Important Notice

- **Important notice and disclaimer:** This presentation contains a general summary of the activities of Costa Group Holdings Ltd (**Costa**), does not purport to be complete and is to be read in conjunction with all other announcements filed with the Australian Securities Exchange (**ASX**), including Costa's full year CY21 results filed with the ASX on 22 February 2022 and its 2021 Annual Report filed with the ASX on 22 April 2022. Information in this presentation is current as at the date of this presentation (25 May 2022) and remains subject to change without notice. Costa does not warrant the accuracy, adequacy or reliability of the information in this presentation and, to the maximum extent permitted by law, disclaims all liability and responsibility flowing from the use of or reliance on such information by any person.
- **Not an offer or financial product advice:** This presentation is not investment or financial product advice or any recommendation (nor tax, accounting or legal advice) and is not intended to be used as the basis for making an investment decision. In providing this document, Costa has not considered the objectives, financial position or needs of any particular recipients. Each recipient should consult with its professional adviser(s), conduct its own investigation and perform its own analysis in order to satisfy themselves of the accuracy and completeness of the information, statements and opinions contained in this document. This presentation does not constitute an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law.
- **Forward looking statements:** This presentation contains forward looking statements and comments about future events, which reflect Costa's intent, belief or expectation as at the date of this presentation. Such forward looking statements may include forecast financial and operating information about Costa, its projects and strategies and statements about the industries and locations in which Costa operates. Forward looking statements can be identified by forward-looking terminology including, without limitation, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies, both general and specific, many of which are beyond Costa's control, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Actual results may be materially different from those expressed or implied. Forward looking statements are provided as a general guide only and should not be relied on as an indication, representation or guarantee of future performance. Undue reliance should not be placed on any forward looking statement. Costa does not undertake to update or review any forward looking statements.
- **Past performance:** Past performance should not be relied upon as (and is not) an indication or guarantee of Costa's future performance or condition.
- **Financial data:** All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.





CY21 in review

International

- Record result from international segment +30% revenue growth.
- Positive pricing, yield and demand were maintained over the entire China season.
- Reflects growing international demand for premium fresh produce. Significant and ongoing growth in the number of Chinese middle class over the last decade, currently estimated at 230 million.
- Arana jumbo variety leading market growth. Higher percentage price premium received for Arana in China than in any other market.
- African Blue operation had another strong year, and now consists of a 52-week supply offering into the UK and European markets, through our own and third party grown product.
- Early season plantings in southern Morocco at Agadir performed strongly, while our northern farms saw high volumes, which all contributed to a positive result.



Bailang farm, China

CY21 in review



Domestic

- Mixed performance – including positive demand and pricing across several categories, weather impacted production volumes in some categories and supply chain challenges affecting premium pricing with respect to some exports.
- Berry category saw sales and earnings improved significantly over the prior year.
- Premium Arana variety continued to deliver a plus 20% price premium.
- First commercial planting of our purpose bred tropical ‘Delight’ blueberry variety in Far North Queensland was completed in late 2021, with the initial crop to be harvested in CY22.
- Record avocado industry volumes combined with foodservice lockdowns and low retail price points resulted in a disappointing performance from the category.
- Higher export volumes versus prior year, with key markets including Singapore, Hong Kong, Malaysia and Indonesia. Product was also successfully exported from WA to Japan over the second half of the year.



CY21 in review



Domestic

- Second half of the year saw a double digit increase in mushroom production volumes versus the previous comparable period.
- Coupled with strong demand momentum, especially for pre-pack product which contributed 59% of our total sales.
- Also successfully addressed and resolved labour supply issues at our Monarto mushroom production facility.
- 2021 a transformational one for citrus category, with the acquisition of the Central Queensland based 2PH business.
- Added a third major growing region to our citrus production footprint and provided Costa with access to a proven 30-year proprietary breeding program.
- Focus is on developing and accessing new proprietary varieties, including those with sensory attributes, such as more colour, fewer or no seeds and sweeter taste.



CY21 in review



Domestic

- The 2PH acquisition both complements and builds on the expanding export market opportunity.
- Citrus exports to China more than doubled in CY21 to circa 10% of volume as a result of 2PH's well established reputation and presence in the Chinese market.
- Riverland and Sunraysia early and mid-season citrus performance was positive, however the later CY21 season proved significantly more challenging.
- COVID-19 related supply challenges, including shipping delays and reduced vessel and container availability exacerbated quality issues and impact pricing.
- Weather and other cost challenges ultimately impacted the citrus category's performance, including damage from a New Year's Day (2021) hailstorm to our Colignan table grape crop, and the costs associated with fruit fly restrictions in the Riverland.



CY21 in review



Domestic

- First half CY21 tomato volumes impacted by less than optimal growing conditions due to poor light.
- Second half saw stronger pricing and increased production.
- Strong base for a full year CY22 contribution from our new glasshouse four which will deliver its first full year of production in CY22.
- Total Costa glasshouse tomato growing area is now 40 hectares – 2x20 hectares of glasshouse in Guyra, New South Wales.
- Production capacity across the 40 hectares now circa 20 million kgs per annum.



Costa Farms and Logistics

- COVID lockdowns impacted foodservice/market industry however excellent management delivered strong result.
- Select Fresh WA acquisition integration successfully completed.
- Solid performance by all three logistics sites.



CY21 in review



Change to Vitalharvest leases

- On 1 December 2021 new leases for those farms previously leased by Costa from Vitalharvest, took effect with Macquarie Asset Management (MAM), through its managed fund as the owner of the Vitalharvest Freehold Trust.
- The leases cover seven farms operated by Costa, which include three citrus farms in South Australia and four berry farms, of which two are in New South Wales and two in Tasmania.
- A fixed rent agreement applies for each of the seven farms. There are no variable components in any of the leases, and the rent yields reflect current market conditions for premium large scale horticulture assets.
- With the Vitalharvest farms now secured under long term leases, Costa looks forward to working closely with MAM to explore new investment opportunities at the seven farms in the coming years.



CY21 Financial Headlines



EBITDA-S: \$218.2m¹ +10.6% on CY20

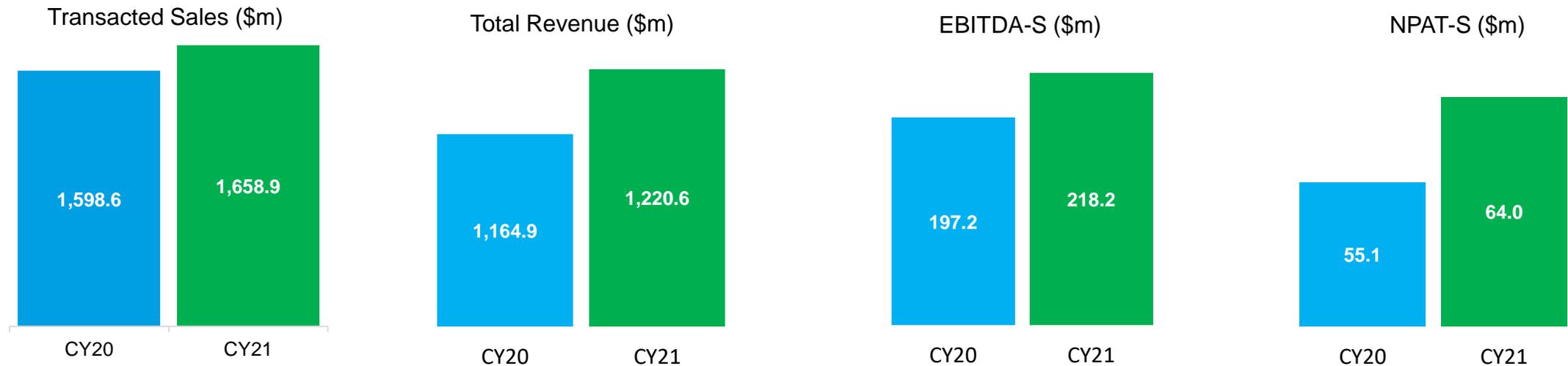
NPAT-S: \$64.0m +16.2% on CY20

Statutory NPAT: \$41.4m

Net debt: \$299.2m, leverage of 1.85x

International revenue: +30% vs pcp

Dividend: 5.0 cents per share



1. Includes 2PH contribution of \$12.9m





Vision

‘To be the leader in sustainable commercial farming of premium quality fresh produce’

C APABILITY

Investing in technology, leadership & capability development to deliver our vision.

OBJECTIVE

Driving long term ROIC and maintaining a strong balance sheet.

S USTAINABLE COMMERCIAL FARMING

Executing our optimized yield program on our proprietary technology platform.

t ECHNICAL SUPERIORITY

Leveraging our superior agronomic expertise and genetics to deliver competitive advantage.

a MBITION

Expanding our leading go-to market models to win in international markets.





Trading Update and Outlook - International Berry

- Our international berry operations consisting of China, Morocco and genetic licensing has overall performed well.
- China has delivered another strong performance, with record production volumes. Arana jumbo pricing continues to attract a premium, and further highlights the competitive advantage of Costa's world leading blueberry genetics and IP.
- Recent COVID lockdowns in major tier 1 cities presented challenges for the final part of the harvest season which is due to be completed by the end of May. During this final period of harvest, sales of product continued, however pricing has been below forecast, due to supply chain impacts necessitating the sale of product into other markets at a lower price.
- The Moroccan blueberry crop saw favourable pricing across the first quarter of this year, while cooler weather conditions contributed to some delayed crop timing coinciding with the Spanish blueberry crop and affecting pricing over the final part of the season which is due to be completed by mid June.



Trading Update and Outlook - Produce Domestic



Berry

- The Tasmanian berry season performed well versus last year.
- The Far North Queensland berry season has begun strongly, with volumes expected to be positive to the prior year and forecast. Early harvest of our premium Delight blueberry variety looks promising.
- Above average rainfall at Corindi has occurred, however we remain confident of hitting our forecast volumes in Arana.

Vertical Farming (Mushroom and Tomato)

- The Monarto mushroom farm has delivered consistently higher volumes versus the prior year, and category demand and pricing has been strong.
- The new 10 hectares of tomato glasshouse and 2.5ha nursery have made a pleasing start with respect to production volumes and quality, despite light levels being below optimal levels over recent times.
- Snacking volumes year to date are ahead of prior year and category pricing has been positive with strong demand for truss tomatoes.





Trading Update and Outlook - Produce Domestic

Trees & Vines (Avocado, Table Grape and Citrus)

- Western Australian industry avocado crop volumes were held over into Q1CY22, contributing to depressed pricing. There have been recent positive price movements as the transition from Shepard avocados to Hass has occurred.
- Grape volumes improved significantly versus the prior year, including the return of volumes from the Colignan crop. Pricing has been strong throughout the season for our premium varieties.
- CY22 is a citrus 'off year', and the season has commenced in Central Queensland. Integration of the 2PH business has proceeded to plan, early season demand has been positive and early yields, quality and pricing have been strong.
- To date only circa 1% of our total citrus crop has been harvested. Consistent with prior years, the majority of the citrus crop is harvested in the second half of the calendar year.





Trading Update and Outlook – Capex/D&A/Tax/Leases

- Forecast CY22 operating and growth CAPEX is expected to be in line with previous guidance.
- Previous guidance for depreciation and amortisation expenses of circa \$130m and interest costs of circa \$38m remains consistent with current expectations.
- Increases over prior year reflect the impact of the acquisitions made in the second half of CY21 and the renegotiation of Vitalharvest/MAM leases that took effect in late CY21.
- As previously advised, relative to the old leases, the group's CY22 annualised EBITDA-S will be approximately \$5m higher, whilst the NPAT-S result is forecast to be \$6.4m lower, notwithstanding that there will be no material impact on cash earnings.
- With respect to tax rates, there are no changes to the effective income tax rate of 30% for Australia, 20% for Morocco and nil for China.
- With respect to supply chain costs and inflation, consistent with 2021 it is expected that transport, fertiliser, packaging and export shipping costs will continue to be elevated across CY22.
- At this point, domestic pricing is strong, and the company is working to mitigate the impact of the higher costs through increased domestic and export pricing.



People



People



People



People



Annual General Meeting 25th May 2022



Costa Group Holdings Ltd
(ASX:CGC)

