ASX ANNOUNCEMENT

21 February 2023

COSTA GROUP FINANCIAL RESULTS CY22

Costa Group Holdings Limited (Costa; ASX:CGC), Australia's leading grower, packer and marketer of fresh fruit and vegetables today announced its financial results for the full year ended 1 January 2023 (CY22). Presentation materials for the investor and analyst webcast and conference call to be hosted by Costa commencing at 10:00am AEDT today (21 February) have been lodged with ASX. These materials can also be accessed at **http://investors.costagroup.com.au/Investor-Centre/**.

The webcast can be accessed at **https://webcast.openbriefing.com/cgc-fyr-2023/**

Key Headlines

- Outstanding teamwork together with Costa's extensive and proven protected cropping footprint translated to a creditable EBITDA –S result of $214.8m, NPAT-S of $30.2m and statutory NPAT of $47.0m.
- This was in the face of very challenging weather conditions which were a feature of CY22 and continued across a number of growing regions through Q4.
- International segment and domestic berries delivered strong results, including an outstanding China performance.
- Mushrooms and tomatoes delivered solid performances across the full year. Capital expenditure delivering to plan - Monarto mushroom facility generating consistent above capacity volume across the entire year (average 240+ tonnes per week) and performance of additional 10 hectares of tomato glasshouse production capacity and state of the art nursery both meeting expectations.
- Citrus season saw favourable customer demand and pricing in our key export markets and increased yields across our three growing regions.
- Extensive weather impacts resulted in a much reduced packout of export quality citrus grades. Combined with higher crop input and freight costs this resulted in circa $40m lower earnings vs plan for citrus.
- Significant input cost inflation pressures over CY22 expected to moderate in CY23. High focus on cost reduction initiatives, harvest yield and quality to mitigate impacts.
- Weather expectations for CY23 are moderating, with La Nina appearing exhausted and Australia heading into more neutral weather patterns.
- Business fundamentals remain strong, including performance of high quality production assets and premium products.
- Forecast return to more normal growing conditions expected to deliver improved performance in 2023, with strong growth profile in CY24 and CY25.

Financial Headlines

- Revenue of **$1,357.6m. +11.2%** vs pcp.
- EBITDA – S[1] **$214.8m. - 1.6%** vs pcp.
- NPAT-S **$30.2m**.
- Statutory NPAT **$47.0m**
- Underlying NPAT-S[2] **$38.8m**.
- Net debt: **$351.7m**, leverage of **2.46x** at end Dec '22.

Final dividend of **5.0 cents** per share, 40% franked (record date 09 March 2023; payment date 06 April 2023).

Quotes from Costa Group Interim CEO, Mr Harry Debney

- **CY22 performance**

"Costa's creditable performance reflects the importance of our investment in protected cropping and premium varieties, especially given the challenging weather conditions which impacted the fresh produce industry over a large part of 2022.

Our protected cropping assets across berries, mushrooms and tomatoes saw continued earnings improvements supported by favourable pricing. Our recent capital expenditure is also delivering, as is evidenced by our Monarto mushroom facility exceeding weekly production capacity through the entire year, and new 10 hectares of tomato glasshouse and state of the art nursery, delivering additional expected yield and building on our market leading positions.

Given the strong increase in yield in our citrus category and favourable export pricing and demand, it was disappointing that adverse weather across our three citrus growing regions ultimately impacted quality to an extent which resulted in earnings that were well below plan.

With improved weather expectations for 2023, and La Nina appearing exhausted as we head into more neutral weather patterns, we are forecasting a return to more normal growing conditions, which we expect to deliver improved performance."

- **Action required on export market access**

"It is very pleasing to see the Albanese government committed to revitalising Australia's relationship with China and Costa looks to this continuing over the coming months and years. It is vital to both re starting and progressing export market access negotiations, most notably access for blueberries, which were disappointingly stalled under the previous federal government.

Over the past decade while the industry has been waiting for access to the China market for Australian grown blueberries, six other competing countries have secured access, namely Chile, Canada, Peru,

[1] Earnings before Interest, Tax, Depreciation & Amortisation, the fair value movements in biological assets (SGARA) and Material Items.

[2] Underlying numbers exclude impact of Macquarie Asset Management/Vitalharvest Lease transaction

Argentina, Mexico and the United States. Also, during this time Australia negotiated a Free Trade Agreement with China, yet was still unable to gain access.

The government's positive relations with Vietnam will also help to develop further market access opportunities, with Vietnam proving to be an important market for our table grape exports and hopefully blueberries in the years to come.

More effort needs to be put into opening up market access to Japan, which despite the strong relationship between the two countries, is another important market for fresh produce which has not been fully developed over recent years.

It remains frustrating that avocados can be exported from Western Australia to Japan, but not from Queensland or New South Wales, where more than 60% of Australia's crop is grown. Opening up further access would provide a genuine opportunity to supply the Japan market almost year-round from Australia. Costa looks forward to the Federal Agriculture and Trade Ministers working closely together with their respective Japanese counterparts to achieve this important access in 2023."

Outlook CY23

Improved weather outlook indicates more favourable growing conditions across our farming portfolio in CY23.

Anticipate a recovery in Citrus category performance this year, which will also be enhanced by maturing orchards in Central QLD and Sunraysia (Vic).

International season including new China plantings has started positively.

Focus on yield, quality and further premium product roll out to offset input cost inflation.

Labour availability is improving significantly, contrasted with shortages over the past two years. Also benefiting from continuing program of insourcing Pacific seasonal labour.

Return on capital and strong cashflow generation remain priorities.

Beyond this year, CY24 and 25 are expected to benefit from:

- Continued maturing of citrus tree age profile resulting in corresponding production increases;
- Additional volumes from the Conaghans land at 2PH (additional c.450 Ha's);
- Further growth in the International segment from new plantings in China and Agadir and replantings that will take advantage of new VIP blueberry varieties;
- Future improvement in domestic berry return through VIP blueberry premiumisation; and
- Targeted CAPEX to improve harvest productivity in all categories.

This release is authorised by the Costa Group Holdings Limited Board.

About Costa (ASX:CGC) -** Costa is Australia's leading grower, packer and marketer of fresh fruit & vegetables and operates principally in five core categories: berries, mushrooms, glasshouse tomatoes, citrus and avocados. Operations include approximately +7,200 planted hectares of farmland, 40 hectares of glasshouse facilities and three mushroom growing facilities across Australia. Costa also has strategic foreign interests, with majority owned joint ventures covering six blueberry farms in Morocco and four berry farms in China, covering approximately 750 planted hectares**.

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APPENDIX - SEGMENT COMMENTARY

<u>Produce</u>

- Berry

Full year revenue growth was +8.0% vs pcp. Second half blueberry volumes were down across the industry, and raspberry and blackberry volumes were flat vs pcp.

Pricing was strong across the four berry types (blueberry, raspberry, blackberry and strawberry), with blueberry and raspberry pricing especially favourable to budget.

Arana price premium average across the full year was 15% vs 20% pcp. This reflected strong pricing for all Costa blueberry varieties, including Arana across the second half.

CY22 Arana per kilogram return vs pcp was +13.5% and Arana export revenue was +27.4% vs pcp.

- Mushroom

Monarto production facility delivered an average 240+ tonnes per week production capacity across the entire year, contributing to full year category revenue growth of +11% vs pcp.

Pricing was solid across the second half, although sales volumes were at times inconsistent due to lower than expected yields from Mernda facility caused by wet compost from Northern Victorian floods in Q4.

Monarto production consistency helped realise a full year production volume increase of +3.4% vs pcp.

- Citrus

Pricing and export demand were favourable, notably for 2PH premium product into China.

Higher citrus volumes across our three main growing regions saw a second half +10% yield increase vs pcp. 2PH yield was +22% ahead of forecast.

Weather conditions across our three growing regions affected quality as the season progressed through to its conclusion. Circa 20% reduced pack out of export quality volumes. Combined with higher crop input and freight costs, full year earnings were circa $40m lower vs plan.

- Tomato

Additional 10 hectares of Glasshouse 4 capacity and the new 2.5 hectare nursey delivered expected volume over the second half. Contributing to a +27.1%[3] increase in yield vs pcp.

Truss and snacking pricing remained solid, while cocktail and intense varieties experienced less stable pricing over the period. Full year revenue was +17% vs pcp.

Successful product launches across the year included Perino range extensions (Entertainers pack, Noir and Medley), Romindo (new Roma varietal) and Roma prepack.

- Avocado

Lower farm volumes continued into the second half due to weather impacts on Northern NSW farms. Full year volume was -14.8% vs pcp. Combined with greater volume out of Western Australia earlier in the year, revenue was down 10%[4]vs pcp.

Bigger fruit size and improved pack outs drove better pricing over Q4, accompanied by strong sales into retail, resulting in average retail prices of circa $2.50+ per piece at year's end.

There was continued positive movement on export volumes, up 16.5% on CY21. CY22 export volumes to Japan from Western Australia were +200% vs pcp

<u>International</u>

- China

Full year revenue was +34% vs pcp, reflecting excellent product quality, demand and pricing. As previously noted, there was some impact from major city COVID lockdowns toward the end of the season.

There was increased volumes reflecting production from new blueberry plantings coming online – full year blueberry volume was +44.3% vs pcp.

Excellent first and early crop from new Agripark plantings delivered new volumes into late Q4.

- Morocco

As previously reported, season timing was delayed due to weather impacts that occurred in Q1, impacting pricing. Full year revenue was –10% vs pcp.

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[3] Includes third party volume.
[4] Avocado and bananas report as one category

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Full year Costa and third-party grower volumes were +8.4% vs pcp.   Third party southern African volumes were +32.8% vs pcp.

Redevelopment works on northern farms proceeding to schedule, including Mayra replacement with new Costa VIP varieties.

- Emerging regions/genetics licensing

Full year revenue was +24% vs pcp. The Costa VIP varieties continue to gain strong traction, with the additional China volume and higher pricing being a key driver.

END.