ASX ANNOUNCEMENT

31 August 2023

COSTA GROUP FINANCIAL RESULTS 1HCY23

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 half year ended 2 July 2023 (1HCY23). Presentation materials for the investor and analyst webcast and conference call to be hosted by Costa commencing at 10:00am AEST today (31 August) 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-hyr-2023/

Key Headlines

- International segment delivered +32.8% revenue growth vs pcp, with both China and Morocco contributing to an impressive performance. International segment EBITDA-S was +43.5% versus pcp.

- Together with a mixed domestic produce segment performance, Group EBITDA-S was $150.2m, +7.2% versus pcp and NPAT-S of $37.8m,

- As noted at AGM, citrus season was circa three weeks behind starting, meaning virtually all the citrus harvest earnings will fall in 2HCY23.

- Despite early 2PH citrus season fruit being well received in export markets, there has been a disappointing deterioration in outlook for later season fruit quality contributed to by CY22 weather impacts. Together with southern region volume downgrade and La Nina overhang contributing to fruit size being below expectations, full year EBITDA-S impact is currently estimated at $30m.

- Industry wide table grape harvest was circa 40% lower vs pcp due to CY22 weather, with EBITDA-S impact of $9m in the 1H.

- Monarto mushroom facility continues to consistently exceed production capacity, averaging 259 tonnes per week over the 1H, +3.3% increase vs pcp. Weather impact on compost affected Mernda facility yields, contributing to flat category revenue growth vs pcp.

- Higher industry wide volumes in Q1 during Tasmanian berry season had an impact on performance. FNQ season saw favourable yield and pricing.

- Tomato sales volume was positive to forecast, however lower than expected summer months pricing and demand meant overall aggregate pricing was subdued for the 1H.

- Avocado saw a recovery from prior year, with pricing at improved levels vs pcp for most of the 1H.

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Financial Headlines

- Revenue of **$770.7m +8.7%** vs pcp.
- NPAT-S **$37.8m** -**6.2% vs pcp**
- Net debt: **$350.1m**, leverage of **2.31** at end Jun '23.
- EBITDA – S[1] **$150.2m - +7.2%** vs pcp.
- Statutory NPAT **$31.7m**

Update on Paine Schwartz Partners non-binding indicative proposal

As per announcement to ASX on 24 August 2023[2], discussions with Paine Schwartz Partners (PSP) are continuing and PSP were advised of the latest trading conditions as part of the ongoing due diligence process.[3]

It remains uncertain if a transaction with PSP will eventuate and at what price.

Costa expects to be able to provide an update in relation to the transaction in mid/late September.

Costa shareholders do not need to take any action at this time.

Outlook 2HCY23

As noted, a deterioration in late season 2PH fruit quality and southern region volume and fruit size downgrades are currently estimated to have a circa $30m impact on full year EBITDA-S. The contributing factors are considered non-structural with the ongoing health and productive capacity of the trees unaffected.

There has been stable weather and positive pricing over the early part of the main (northern NSW) Berry season, together with an expected solid Arana crop, pointing to strong second half berry earnings versus pcp.

Mushroom demand steadily improved consistent with cooler winter months, with demand over coming period expected to level off. Monarto facility production remains ahead of capacity, while Mernda facility volumes continue to improve, aided by more stable compost supply.

The softening in tomato demand is expected to continue through the second half, impacted by higher industry wide volumes, including from field crops.

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

[2] ASX Announcement 24 August 2023 – 'Trading update and postponement of 1HCY23 financial results release

[3] The due diligence process was initiated in response to PSP's non-binding indicative proposal to acquire all of the issued shares in Costa which PSP does not already own (as notified to ASX on 4 July 2023).

Insourcing of Pacific Seasonal labour continues, which is contributing to ongoing improved security of labour supply.

Taking into consideration the above, full year CY23 EBITDA-S is expected to be ahead of CY22 result.

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

International

- China

There was strong and sustained demand over the entire season. First half revenue was **+53%** vs pcp and there was a **46.3%** increase in blueberry volume vs pcp.

The newly planted Agripark development (102 hectares) produced volumes in excess of forecast. Baoshan and Banna farm also produced volumes ahead of expectations.

- Morocco

Revenue increase of 13% vs pcp was driven by higher overall pricing for the duration of the season, helped by reduced volume across the industry.

Own farm volumes were **16.8%** lower vs pcp, mainly due to northern farm replantings and colder weather over the early part of the year.

Newly planted Costa blueberry varieties are showing positive early promise with respect to yield and pricing, include Cascade, Breeze, Eterna and Velvet.

- Emerging regions/genetics licensing

First half revenue was **+24%** vs pcp, driven by continuing upward growth trajectory of VIP varieties and higher China volumes.

Work is continuing on expanding global licensing network into potential new regions.

Produce

- Citrus

First half revenue marginally below (-1%) pcp. Table grape yields affected by downy mildew which also affected quality. Citrus season was circa three weeks behind starting, with approx. 600k less cartons sold in 1H as a result.

2PH Amorette harvest completed in June, with invoicing and revenue booked in 2H. Early season fruit was well received in export markets.

Deterioration in outlook for later season 2PH fruit quality contributed to by CY22 weather impacts. This has included the Murcott mandarin crop.

Southern region forecast season volumes downgraded and fruit size affected due to La Nina overhang.

2PH and southern region issues contributing to current estimated full year EBITDA-S category impact of circa $30m.

- Berry

First half revenue was **+12%** vs pcp. First quarter of Tasmanian season proved challenging with crop timing and competitive industry wide volumes pushing prices lower, but overall positive volumes for the first half.

The FNQ blueberry season saw favourable yield and pricing.

Blueberry volumes were **+26.1%** vs pcp, underpinned by volumes from Tasmania and FNQ, which offset lower volumes from Tumbarumba (NSW).

Raspberry volumes were **+37.2%** vs pcp, supported by a strong Tasmanian crop although high industry volumes suppressed average pricing vs pcp.

- Mushroom

The Monarto facility averaged **259** tonnes per week over 1H, (**+3.3%** vs pcp), however weather impacts on Vic compost production saw Mernda facility yields lower than forecast, resulting in overall flat revenue growth for the half.

Sales volume was marginally below expectations, with pre-pack as a share of total sales **+6%** vs pcp.

- Tomato

Revenue for the half was down **11 %** vs pcp reflecting lower than expected summer months pricing and demand, with the result being that aggregate pricing for the half was subdued.

Sales volume was down vs pcp, reflective of softer consumer demand.

Production volume was positive vs expectation, but still marginally down vs pcp.

- Avocado

Revenue was **+11%** vs pcp. aided in steady pricing recovery from pcp. Own farm sales volume well ahead of pcp. Average tray sale price was **+42%** vs pcp.

Previously flagged review of portfolio is ongoing, with sale of Gunalda FNQ farm completed and focus on driving efficiencies across remaining farms.

WA exports to Japan continue to increase YoY. Lobbying is ongoing for east coast (QLD and NSW) access to increase export volumes.

END.