



Lynch Group Holdings Limited

Select Equities 5th Annual China Conference

28 October 2021



Lynch Group Overview

Floral category leader

#1 in Australia – only national scaled supplier to major supermarkets

100+ years of history
with deep supply chain expertise

>17 years presence in China

with strong platform established to accelerate growth and capture opportunity

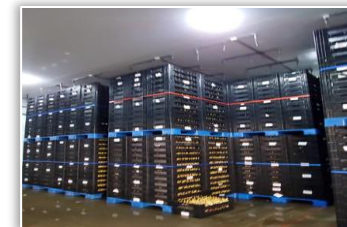


Australia

- Dominant position in fast growing supermarket channel
- Perishable product with a complex supply chain creates significant barriers to entry
- Access to own China supply and other Tier 1 growers a competitive advantage
- Diversified supply base and flexibility in downstream distribution (e.g. SOR Stores) minimises risk and protects margins
- Low capex and high cash conversion

China

- Rapidly developing market with fast growing consumer demand expected to outstrip supply for many years
- Investment driving year-round supply of premium product
- Diversified channels to market
- Majority of production now sold via direct fixed price retail customer orders
- Track record of predictable and attractive ROIC on growth capex



Lynch Group Overview

ASX Listing and FY21 Results

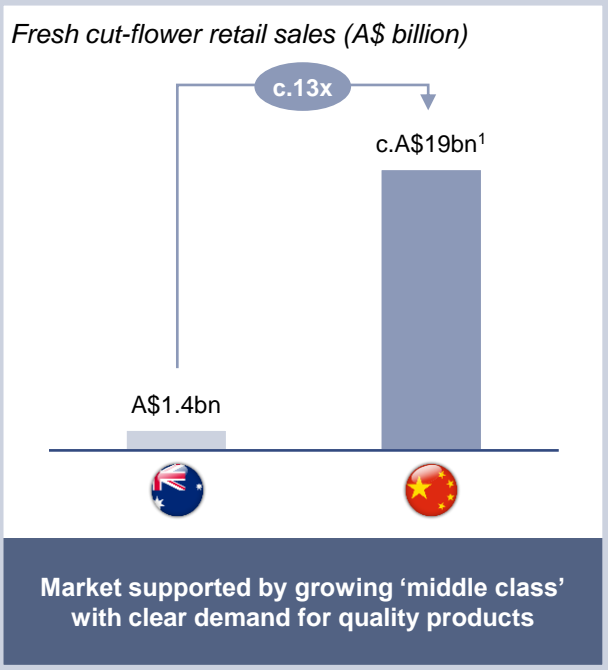
- LGL listed on the ASX early April, in parallel with finalising the acquisition of Van den Berg China (2 additional high production farms + domestic sales platform)
- Released results for FY21 on August 26, ahead of prospectus, demonstrating record growth in both geographies:
 - PF Revenue - \$331.0m
 - PF EBITDA - \$58.6m
 - PF NPATA - \$32.4m
- Our China operations now represent c.38% of our earnings base (at EBITDA) and growing

China Context

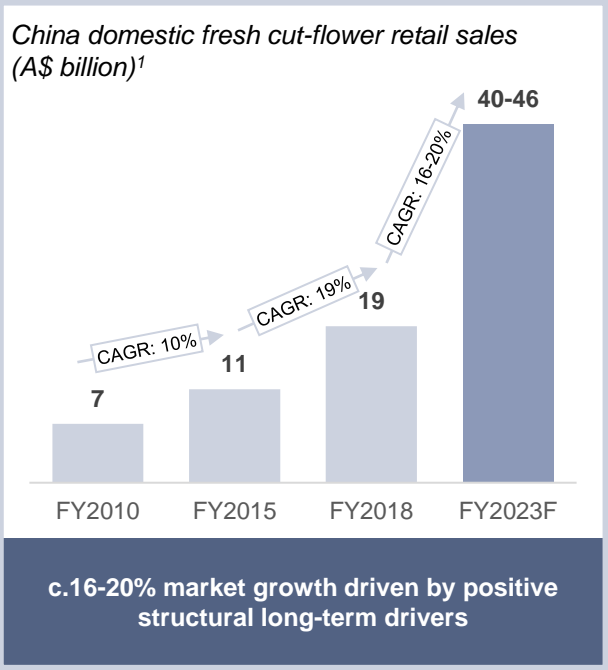
- The cut flower industry is global in nature – with a long history of international trade between major flower growing regions and consumer markets
- As the scale of Lynch Group's Australian operations has increased – we have developed supply partnerships in key international growing regions
 - Flower production is most efficient in geographies close to the equator, at elevated altitudes (e.g. China, Kenya, Columbia, Ecuador)
 - Volumes available domestically in Australia have remained relatively stable over time – currently >50% of our Australian procurement volumes
- Commenced operations in China in 2004
 - Initially focussed on third party supply of reliable, high quality volumes for our Australian operations
 - Developed own farm production capacity – for domestic market and export

China market is large, early stage, fast growing and underpenetrated

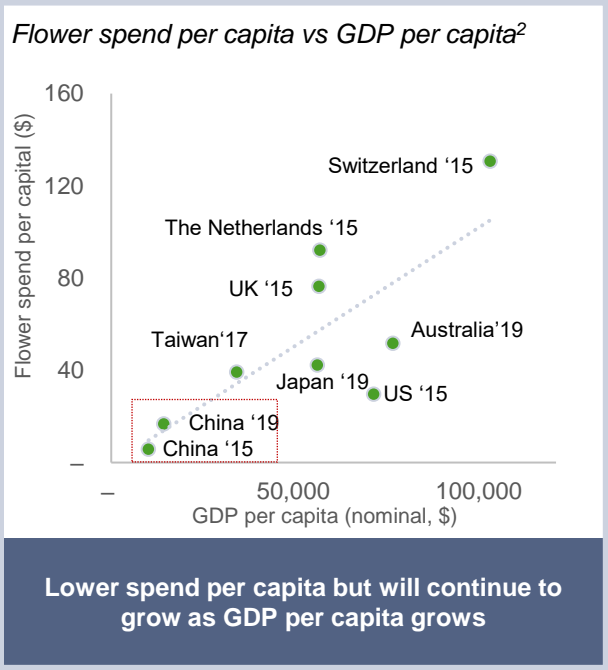
Significantly larger market vs. Australia



Market size expected to double



Flower spend per capita still very low



3 requirements to succeed in China floral market



Deliver scaled, low cost year-round supply



Innovative and value-added products



Supply chain expertise ensuring high-quality, year-round product

Source: China Ministry of Agriculture, PMA Fresh Cut Flowers in China 2018, Flora Holland, International Association of Horticultural Producers (AIPH) and World Bank

Notes:

1. Converted at AUD/RMB exchange rate of 1:5.00
2. For flower spend per capita (A\$), latest available data for each country has been used

China Floral Industry

Snapshot

- **Yunnan Province (SW China) – offers very favourable conditions for cut flower production**
 - Majority of China's floral production is based in Yunnan (imports into China remain low) – ideal climate
 - Efficient source of supply for major Tier 1 city consumer markets
 - Strong government support for floriculture investment
- **Fragmented growing base**
 - Typically small land parcels, limited investment in growing infrastructure/technology, older varietal genetics
 - Very few producers of scale
- **Supply chain still developing**
 - Small growers combine as cooperatives to market product
 - Multi layered wholesale channels to market – slow and cost additive
 - Limited focus on cold chain and product integrity through to the consumer
- **Consumer interface presents opportunity**
 - Highly fragmented universe of florists
 - Chained retailers have historically experienced difficulty with the category – scaled and reliable supply being the key challenge
 - Relatively poor value proposition for consumers (price and quality)

Strategy and Operations

▪ Dominant supply position

- Long term investment in growing infrastructure, technology, systems and people has delivered Lynch a strong track record of sustained customer engagement and strong returns on investment
- Currently 61ha in production across 4 farms – expanding by 10+ha p.a., supported by local procurement, processing, logistics and sales teams
- Largest premium Rose grower in China, >80% of processed volume is distributed locally, remainder fulfils a valuable supply input for our Australian operations

▪ Leading competitive position

- Large retail customers require a supply partner with year-round, scaled volumes of stable, high quality product
- Essential that we deliver a differentiated product with lowest unit cost of production
- Differentiation achieved via: unique floral genetics (performance/appearance), consistent volume availability (summer/winter), premium quality

▪ Essential supply partner

- Calibrating Australian customer service know-how and IP into the domestic China retail and consumer landscape
- Product innovation and scaled production of a broad value-added range of floral products from own farm and 3rd party supply – roll-out of processing facilities in Tier-1 cities
- Cool chain management from farm gate to customer + in-store merchandising and sales support

Key Value Drivers - China

Production Capacity

Long term track record of investment and performance

Well established production and processing footprint development program

- 17+ year operating history in Yunnan Province – primarily focussed on Premium Rose production (#1 product in floral industry)
- Track record of investment and earnings delivery – GH infrastructure and growing management, systems, controls
- Leading market position – stable year round volumes and quality, highly competitive unit cost of production, premium price performance
- 61ha in GH production 30 June 2021 – targeting 75ha+ at 30 June 2022
- Reliable pathway for ongoing expansion (10ha+ p.a.) on existing farms + development of new land beyond
- Product now primarily distributed in China domestic market, however competitive and relevant to all international consumer markets
- Capex requirement – c.\$800k per ha – exc. packing and distribution, ROIC hurdle >25% p.a. (recurring EBITDA/Capex), Rose crop maturity profile c.40/80/100% at Yrs 1/2/3 anniversary of planting date

Downstream Development

Moving closer to the consumer

Strong long term supply relationships with retail platform customers

- Strategy to disintermediate existing inefficient domestic supply chain – leveraging the Australian consumer supply model into the China domestic market environment
- Shanghai processing facility opened January 2021 – entrenching reach into wholesale, retail platform, and florist customers
- Retail platform customer engagement has developed rapidly over 2020/21 (new customers and organic) – now representing 50%+ of farm production volumes on fixed pricing
- Next phase focussed on incremental development of Tier 1 city processing facilities, for supply of a broader range of consumer products (higher ASP, value added lines, e.g. bouquets) for supply into these customers, supported by merchandising and in-store support
- The consumer supply platform will over time add incremental wholesale margins (from own farm and 3rd party supply) to the China operation

Q&A

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