Seeka Limited
12 Months to 31 December 2018 [Audited]

Seeka successfully achieved a number of financial, operational, and strategic goals this year, grew and is well positioned for further growth.

We are expanding our coolstore capacity and packing capability to meet both growing kiwifruit production and additional market share. Through the $47.9m (net) capital raise in November 2018 we reduced the company's borrowing from a high of $105m to a more sustainable level, aligned our debt ratios with stakeholder expectations and placed the company in a strong position for growth when opportunities arise.

The year wasn't all straight forward with some operational challenges in Australia and in the banana business. In response to the Australian challenges the management team was restructured and new operational responsibilities assigned. Despite the challenges of 2018, the New Zealand kiwifruit operations performed well. Our net profit after tax increased by 27% to $7.42m.

A highlight for Seeka was the purchase of the Northland kiwifruit packhouse, orchards, and related business from Turners and Growers Horticulture Limited (T&G Horticulture). This significant and successful acquisition was the result of substantial planning as Seeka sought to grow its Northland operations alongside its loyal grower base. The business seamlessly transitioned mid-harvest, and performed operationally and financially to expectations. As planned, Seeka immediately commenced selling the Northland orchards to buyers prepared to commit to a long term Seeka supply contract.

At balance date 140 hectares amounting to $24.2m are recorded in the balance sheet as orchards held for sale, of which 54 hectares are sold under conditional contracts. There are 86 hectares that remain to be marketed and sold this year. The company achieved a modest gain of $0.616m on the orchards sold before year end with further gains expected in 2019. As at the 31 December 2018 Seeka is still to pay for 28 hectares of orchard as land titles are still to be finalised, and in the meantime has taken possession of them through a lease.

Seeka is further investing in the Northland business with nearly $20m in the construction of a new packhouse, packing machine and coolstores over the next 2 years. We are seeing a significant increase in trays supplied by new growers with 0.250m committed so far. Once complete our Northland facility will be world class and a leader in the Northland kiwifruit community.

New Zealand kiwifruit volumes rebounded in 2018. Seeka packed its second highest volume being 31.4m trays, including 10.8m trays of SunGold. In anticipation of this volume, infrastructure and personnel were put in place to ensure fruit was processed at its optimal maturity for fruit storage and quality. Fruit performance in store was good, particularly in SunGold, where Seeka delivered industry-leading results. Seeka conducted a safe and timely harvest without a serious incident.

Seeka faced a difficult year in Australia. While Psa-V has been confirmed in a small area of the Australian orchards, this had little impact on Seeka's 2018 earnings. Seeka took proactive and immediate steps to limit the impact, based on the experience gained on New Zealand orchards. Psa-V has led Seeka to reconsider the varietal mix on its orchards, and the orchards coming into production will be delayed a year. The orchard development will provide significant opportunity in future years. The development plan, together with management changes, provide a positive outlook for the Australian business.

The banana business remains lacklustre with Seeka impairing Glassfield's goodwill by $0.946m in the first six months of the year.

Volume growth in kiwifruit, growing in Australia through orchard improvement and development, our debt repositioning and further infrastructure investment all contribute to a positive outlook for the Company.

HIGHLIGHTS

- Profit after tax of $7.42m (2017: $5.83m), an increase of 27%
- Earnings per share of $0.37 (2017: $0.32 1), an increase of 16%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $26.22m (2017: $23.13m), an increase of 13%
- Total of 31.4m trays of kiwifruit harvested and packed in New Zealand, an increase of 23%
- SunGold fruit conventional loss of 0.78% (industry leading), SunGold organic fruit loss 0.17% (exceptional), Hayward organic fruit loss at 1.09% (excellent), Hayward conventional fruit loss 3.73% (average)
- Completed acquisition of the T&G Horticulture post-harvest facility, with five of the six kiwifruit orchards being settled, and associated business for $32.31m. Additionally purchased 19.9 hectares of Zespri SunGold licence for $5.66m for grafting
- Completed sales of Northland orchards totaling $7m, with the sales process continuing
- Proactive response to the Psa-V outbreak in Australia, including detecting the disease and notifying the key Australian authorities and then proactively responding to minimise impact
- Implementation of Seeka Australia's orchard plan resulting in the development of 53 hectares of new kiwifruit orchards over the next five years together with the introduction of exciting new pear varieties
- Increased earnings at the Delicious Nutritious Food Company in the second year of operations delivering earnings before interest, tax and depreciation of $0.46m, (2017: $0.29m)
- Major investment plan underway to handle forward growth in volume from our growers. Upgrades at Oakside will increase packing and coolstore capacity totaling $18.56m over two years and new pack house and coolstores at Kerikeri totaling $17.62m over two years. Both projects were underway at year end
- Net debt (bank loans less bank deposits) totaled $79.06m (2017: $83.12m) a decrease of $4.06m year on year. Total assets increased from $222.02m to $269.81m; an increase of $47.78m

DIVIDEND

A dividend of $0.12 per share has been declared by the Board. The dividend is fully imputed and will be paid on the 22 March 2019 to those shareholders on the register at 5pm on 15 March 2019. The dividend reinvestment plan will apply to the distribution. This dividend will bring the total dividends distributed in the last 12 months to $0.24 (prior twelve months $0.22).

OUTLOOK

Seeka remains focused on delivering its strategy to deliver incremental earnings and returns to both shareholders and supplying growers. While kiwifruit is our foundation crop, the company has established competency and business operations in avocados, pears and kiwiberry. There is a strong focus to improve those parts of the business that are not meeting performance expectations. Investment and improvement programmes are expected to improve earnings. The company remains interested in acquisitions that are consistent with strategy and deliver incremental earnings to shareholders.

FOR MORE INFORMATION CONTACT

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25 February 2019

Reporting period for year ended 31 December 2018.

FINANCIAL SUMMARY

Revenue from ordinary activities ($000)	$ 203,713	up	9%
Profit from ordinary activities before tax attributable to security holders ($000)	$ 10,638	up	7%
Net profit attributable to security holders ($000)	$ 7,418	up	27%
EBITDA before revaluations and impairments ($000)	$ 26,217	up	13%

VALUES PER SHARE	FY2018	FY2017
Basic earnings per share	$ 0.37	$ 0.32
Diluted earnings per share	$ 0.36	$ 0.31
Net asset backing per share	$ 5.23	$ 5.63
Net tangible assets per share	$ 4.96	$ 5.18

NOTES AND TABLES

1. This announcement should be read in conjunction with the attached 2018 annual report (Audited). A copy of the 2018 annual report can be found on Seeka's website www.seeka.co.nz.

2. EBITDA before revaluations and impairments is considered by the board to be a key measure of performance and a reflection of cash flow generation.

New Zealand dollars ($000s)	FY2018
EBITDA	
Net profit before tax	**10,638**
Impairment charges and revalutions	
Loss on revaluation of land and buildings and interest in leased land	4
Impairment of property, plant and equipment	300
Impairment of intangible assets	946
Depreciation expense	8,816
Amortisation of intangible assets	964
Interest	4,549
EBITDA before impairments and revaluations	26,217