

ASX ANNOUNCEMENT

22 February 2022

COSTA GROUP FINANCIAL RESULTS CY21

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 26th December 2021 (CY21). Presentation materials for the investor and analyst webcast and conference call to be hosted by Costa commencing at 10:00am AEDT today (22 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/8296/>

Key Headlines

Earnings momentum continued: 27% of sales now generated from International customers.

- Full year underlying result delivered in line with guidance EBITDA-S +10.6%¹ vs pcp, NPAT-S +16.2%² vs pcp.
- Record result from International segment +30% revenue growth.
- Transformative Citrus year with successful 2PH integration.
- Successful COVID-19 management enhanced our customer value proposition.
- Our business model is designed to deliver increased earnings and ROIC over the long term.

Financial Headlines

- Revenue of **\$1,220.6m**.
- EBITDA – S³ **\$218.2m + 10.6%** vs CY20.
- NPAT – S⁴ **\$64m +16.2%** vs CY20.
- Statutory NPAT **\$41.4m**.
- International revenue **+30%** vs CY20.

¹ Includes 2PH profit contribution. Excluding 2PH, EBITDA-S increase was 4.1%, whilst NPAT-S increased 6.0% vs pcp.

² Includes 2PH profit contribution. Excluding 2PH, EBITDA-S increase was 4.1%, whilst NPAT-S increased 6.0% vs pcp.

³ Earnings before Interest, Tax, Depreciation & Amortisation, the fair value movements in biological assets (SGARA) and Material Items. Figure includes 2PH contribution of \$12.9m.

⁴ Net profit after tax attributable to shareholders but excluding the after-tax impact of the fair value movements in biological assets (SGARA) and Material Items. Figure includes 2PH contribution.

- Net debt: **\$299.2m**, leverage of **1.85x**.
- Dividend of **5.0 cents** per share, fully franked (record date 10th March 2022 payment date 7th April 2022).

Quotes from Costa Group CEO, Sean Hallahan

- CY21 performance

“It was a record year for Costa’s international segment with 30% revenue growth. This supports our investment strategy to expand our production and supply footprint through utilising our world leading blueberry genetics. The current and projected growth of the middle class in China, the per capita growth in European berry consumption and the opportunities presented by emerging regions, such as India, means Costa is well positioned to benefit as we further invest in growing our international operations.”

“The acquisition of quality citrus assets over the year, including 2PH farms was transformative for our business, highlighted by the successful integration of these assets, and the opening up of further export market opportunities in which to sell our premium citrus offerings.”

“There was strong second half momentum across our domestic produce portfolio, with the only downside being the performance of the avocado category. Sales and earnings in our berry category improved significantly over the prior year and mushroom and tomato volumes were up over the second half, benefiting from solid demand and pricing.”

- Outlook

“Early season China yields and demand have been above expectation, with our Moroccan berry harvest building against a strong demand backdrop. Our domestic segment has had a positive start to the year, with strong berry volumes and favourable pricing, tomato volumes are ahead of CY20, mushroom production volumes are significantly improved versus CY20, and the Citrus category will benefit from a full year contribution from 2PH.”

“The significant earnings growth drivers to deliver increased ROIC⁵ over CY22 includes the commencement of harvesting at our new 50 hectare berry farm in Baoshan, China; full year contributions from our 2PH citrus farms and new 10 hectares of tomato glasshouse; increased volumes of our premium quality blueberry varieties, Arana and Delight, and expected rebound in our Colignan, Sunraysia grape volumes.”

⁵ Return on Invested Capital

Produce Segment

- Berry

Berry sales and earnings improved significantly over the prior year, with our premium Arana blueberry variety continuing to deliver a +20% price premium.

The main Corindi season delivered a solid performance over the 2H after a relatively slow start, quality was high and blueberry pricing was strong. Lower than forecast yields resulted in full year berry volumes being marginally down overall versus pcp, with a corresponding direct cost benefit.

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.

The Tasmanian crop volume has to date been higher than forecast, however COVID-19 has impacted consistency of labour supply and together with weather, has affected blueberry quality and pricing optimisation.

- Avocado

Category performance was impacted by record industry volumes combined with foodservice lockdowns and low retail price points.

Key export markets included Singapore, Hong Kong, Malaysia and Indonesia, with product exported from WA to Japan over 2HCY21. Research on fruit fly protocol for export of east coast grown avocados to Japan has been completed and is now with the Federal government to negotiate access.

- Mushroom

Production was up +11% in 2HCY21 vs pcp and there was strong demand momentum, especially for pre-pack product which contributed 59% of total sales.

Pricing was maintained over the 2HCY21, with an 88% retail sales mix driving performance.

Labour challenges at Monarto facility were addressed with management of harvester numbers continuing to be a priority through COVID-19.

- Citrus

The transformative 2PH Farms acquisition was completed with 100% customer retention. The 2PH season was in line with expectations, with 77% of product exported.

In the southern production regions (Riverland and Sunraysia) early and mid season citrus performance was positive, however the later season proved more challenging, with a cooler growing season for these varieties resulting in heavy fruit set, smaller fruit size and quality issues.

2HCY21 also saw COVID-19 related supply challenges, including shipping delays and reduced vessel and container availability. Combined with quality issues this saw export pricing below expectations.

- Tomato

Production volumes were improved in 2HCY21 versus 1HCY21 (+10%), resulting in higher yield versus CY20 and overall, more positive demand.

2HCY21 pricing improved versus 1HCY21, with Truss pricing particularly strong over the 2HCY21, while snacking pricing continued to hold on higher volumes.

This has all contributed to a strong base from which the new 10 hectare glasshouse (GH4) will make a full year CY22 contribution.

International

- China

Berry volume was +40% versus the prior year, with excellent demand and pricing and lower import competition contributing to 48% revenue growth.

Market acceptance for premium blueberry offering is strong and increasing, with Jumbo blueberry sales delivering a consistent +30% price premium over the season.

- Morocco

Berry volume was +21% versus the prior year, accompanied by steady demand and pricing. There was also improved pricing in the key margin windows for the north and south farms.

Performance also benefited from lower import volumes and delayed timing of main Spanish blueberry season.

- Emerging Regions (Genetics Licensing)

Revenue was down slightly due to delayed crop timing in the United States. There was solid progress in building out our European blueberry offering, achieving for the first time 52-week supply into the UK/Europe market from Africa. This was from both our Morocco and third-party South Africa/Zimbabwe production.

Growth plan update

International

- China

Planting of the Baoshan 50 hectare berry development was completed during CY21, with the first harvest from this crop beginning at the end of October 2021. Construction of the main drainage system, bridge, road system and packing facility has all been completed.

Planting of the 100 hectare Agripark berry development (also in Baoshan) was completed as of mid February 2022.

Over the past year total planted China hectares increased by 150 hectares to a total of 396 hectares⁶.

- Morocco

The northern farms replanting with Costa VIP purpose bred, superior genetics blueberry varieties is progressing. This includes substituting soil for substrate plantings, with an initial 16 hectares of substrate blueberry plantings in Baytar.

New plantings have included 14 hectares at Massa (Agadir – Southern Morocco), commencing in November 2021. The plantings are on schedule to be completed by the end of February. Works are also progressing on tunnel installation and irrigation infrastructure.

Plans are progressing for further land acquisition in the Agadir region.

Domestic

- Tomato

The new 10 hectare glasshouse and 2.5 hectare nursery at New England Hwy site (Guyra, NSW) is fully commissioned and operational. Production capacity across the now 40 hectares of glasshouse increases to circa 20 million kgs per annum.

Our world class nursery technology is driving improved crop outcomes and innovation.

- Avocado

The commercialisation program to plant 40 hectares of protected, trellised high density substrate avocado trees is 75% complete as of February 2022.

⁶ As of February 2022

The plantings are occurring across three growing regions - Riverland (SA), Far North Queensland and Central Queensland.

Our trials indicate that protected substrate avocado crops will deliver faster tree maturity, higher yield, better fruit quality and greater efficiency of water use versus conventional plantings. There are also expected significant harvesting productivity savings. On schedule to deliver first harvest in CY23/24.

Outlook – CY22

The early China berry season performance has been above expectation both in respect to yields and demand. The Moroccan harvest is building against a strong demand backdrop.

Industry avocado production is forecast to be below CY21 volumes, while foodservice markets have returned strongly.

It is a citrus 'off' year in the southern production regions. A rebound from Colignan farm (post hail event of 1HCY21) is expected and the farms will benefit from a maturing tree age profile. Full year contribution to earnings from 2PH farms.

Berry volumes to date have been higher than forecast with pricing favourable across the four berry types. FNQ varieties progressing well.

Tomato production volumes have been ahead of pcp and expectation. Good light conditions contributing to improved overall yield.

Mushroom production volumes to date are significantly improved versus prior year, and focus remains on maximising production capacity.

Continue to manage COVID -19 related challenges across all operations, including sourcing necessary labour to harvest crops and maintaining consistency of supply to customers.

East coast rainfall including in Murray Darling Basin over 2HCY21 has contributed to increased dam storages and scheme licence allocations, improving water security for coming year.

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

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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 +7,000 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 740 planted hectares.

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