



Chair's Address

28 October 2022

Having just completed our first full year as an ASX-listed company, I would like to start by acknowledging the efforts of our internal team and our partners that managed our listing and post-listing including Link Market Services, DLA Piper, Pitcher Partners, and Deloitte amongst others. Our transition to being an ASX-listed company has been capably managed and we will continue to do our best to satisfy the expectations of a listed business together with the needs of our growing number of shareholders who we greatly value.

Competitive advantages

Cobram Estate Olives ("CBO" or "the Company") is a unique agribusiness operating with strong market share in an important food category. We possess several areas of sustainable competitive advantage which I will highlight.

As you know we have two extremely impressive and capable CEO's who will take you through the detail of our business operations and current business status. Our 2022 annual report also covers our business in enormous detail, however I wanted to highlight some high-level attributes that individually are impressive, but when combined give CBO an unmatched position amongst its peers.

1. CBO has inherent inflation protection

- a. We have **strong real asset backing, with over \$665 million** in tangible assets including freehold olive groves, olive mills, and commercial warehouses.
- b. We make the **highest quality extra virgin olive oil, produced at the bottom of the global cost curve** due to our proprietary integrated olive production system **Oliv.iQ®**.
- c. We primarily sell our olive oil through our **market-leading consumer brands** particularly our flagship brand Cobram Estate®. This provides us with more control and protection from commodity price fluctuations and currency movements. Today, our brands Cobram Estate® and Red Island® account for around 75% of group sales and deliver us a market leading position in Australian supermarkets with 49% value share of extra virgin olive oil sales and 36% value share of total olive oil sales in FY2022.¹ The value of these brands to CBO is captured in the price differential we achieve between CBO's products and the imported olive oil category.² It should be noted that these highly valuable retail brands are carried at cost on our balance sheet.

2. CBO operates in a **category with very positive market fundamentals**. Globally, demand for extra virgin olive oil remains strong, driven by increasing consumer awareness of its unique health attributes and the desire to consume more natural, unrefined oils. It is important to note that extra virgin olive oil is simply the juice of fresh olives and is the only mainstream edible oil that is produced without heat, chemicals, and solvents. Fresh olive fruit and its natural

¹ Source: IRI scan data, Australian grocery weighted, total supermarket, Financial Year 2022.

² Source: IRI scan data, Australian grocery weighted, total supermarket, Financial Year 2022.



antioxidants give extra virgin olive oil its flavour, smell, and most importantly, its well-known health benefits. This is why we aim to crush and press every olive within 4-6 hours of picking.

3. **CBO's vertically integrated model shields us from supply chain disruption.** Unlike most food companies, our model extends from olive farming through to the sale of branded, locally grown extra virgin olive oil. The vast majority of our production and sales are within the two countries we operate – Australia and USA.
4. We have an **excellent Carbon position**. In fact, CBO is already a net carbon sink, with 4kg of CO₂ equivalents captured for every litre of olive oil we produce and sell.
5. **Over the medium-term CBO has material inbuilt growth driven by:**
 - a. **Increases in olive oil supply in Australia** from the 36% of our olive trees yet to reach maturity;
 - b. **Increases in supply in the USA** due to maturing company-owned groves and third-party contracted growers from 2023 harvest onwards; and
 - c. **Value to be derived from waste streams and maximising our unique carbon position**
6. **CBO has an incredible management team** who through research and a culture of continued improvement keeps CBO at the forefront of the production and sale of extra virgin olive oil globally. Since inception CBO staff have published more than 27 peer reviewed research projects.

We are truly thankful for the amazing team of people, both in Australia and the USA, that lead and operate our business every day. The last few years have been challenging for us all and it is a credit to every team member that they have been able to maintain focus and commitment. We are extremely grateful for their contribution to CBO.

The past year

FY2022 was another strong year for our core Australian olive oil business. Our 2022 Australian harvest produced 9.5 million litres of olive oil, a 53% improvement on the previous lower yielding crop year in 2020. We grew our sales of Australian olive oil and strengthened our position as the olive oil category leader in Australian supermarkets.

In the USA, we completed a successful harvest and boosted our future supply through the purchase of additional land and a 50% share of mature 94-hectare Californian olive grove. At the same time, we suffered from a lack of available Californian extra virgin olive oil which impacted our FY2022 USA sales results. It is important to note that our primary sales focus in the USA is on building long-term sales of packaged goods in supermarket and natural food stores, both via our Cobram Estate® brand and through private label partnerships. With our long-term growth in mind, in FY2022 we focused our available olive oil towards sales of Cobram Estate® products to core supermarket and natural food store customers, and to maintaining key private label contracts. Whilst our total USA sales fell, our wholesale sales of Cobram Estate® products to supermarkets and natural food stores grew by 11.0% to \$10.4 million which is encouraging and confirms the brand is gaining traction in the USA.



We maintain a strategic focus on growing olive oil supply and sales of our premium brands in Australia and the USA and remain committed to growth. Our growth strategies are well developed with a strong pipeline focused around our growth pillars as will be further outlined by Leandro later today.

Important updates since 30 June 2022

Californian harvest

I can confirm that our olive harvest has started in the USA, and although it is early days with less than 15% of the harvest completed, both yields and quality are in line with expectations. The prolonged drought in California is yet to materially impact CBO.

Flowering (Australian groves only)

Our Australian groves will reach full bloom over the next fourteen days. This is an important event and is the first time in the growing cycle that we can assess the potential of the following year's crop with a higher degree of certainty. The weather conditions can play an important role and ideally, we hope for some warm sunny breezy days during this period. In our 21-year history we have not had any material fruit set issues however we are mindful of recent extreme weather patterns.

Impact of recent rain

There has not been any material damage from the recent rain events. We have some minor wet / water-logged areas in the groves but, unless there is further flooding rain, we do not expect this to have a material impact.

Sales

Sales are tracking in line with plan in both Australia and the USA. The USA, as expected, remains supply constrained this year, and we will continue to manage our inventory to achieve optimal sales including long-term brand growth.

Costs

During the latter half of FY22 we saw material increases in costs which seem to have now stabilised.

Full-year outlook

Importantly, when assessing our business please understand that most agricultural products have a one-year production cycle, but olives have a two-year production cycle. This is easily managed operationally but is often misunderstood. Monthly trading cashflow and sales are reasonably consistent and predictable, but we manage our entire olive oil production in two-year cycles as we have a larger crop followed by a smaller crop and vice versa. A true gauge of our actual business performance is to average the profit across two years (considering both a higher yielding crop year and a lower yielding crop year).

We expect our Two-Year Rolling Average EBITDA (Normalised) for the Australian olive oil division to continue to increase over time as a result of our past investment in new plantings and our maturing grove profile. 2023 is a higher yielding crop year on CBO's Australian groves and we expect the olive oil crop will be significantly higher than in 2022. As a result, CBO's FY2023 Statutory EBITDA is expected to be materially higher than FY2022, subject to the risks associated with business and farming, including the impact of rising input costs.



Funding growth

Our investment in growth will continue in both Australia and the USA, which will be fully funded through existing debt facilities and our strong cash flow from operations.

Dividend

The Board has declared a dividend of 3.3 cents per share, 70% franked, to be paid in December. Sam will announce the full details.

Co-founder Paul Riordan stepping down from the CBO Board

As previously mentioned, Paul Riordan notified the Board of his desire to retire as a Director of CBO at the conclusion of the AGM. Paul and I co-founded the Company in 1998, with Paul undertaking the international research that validated the immense opportunity for growing olives in Australia. For the next two decades, Paul led our olive grove development and operations, finding the ideal site for growing olives and planting our first olive trees at Boundary Bend in 1999 and overseeing our expansion with groves at Boort and Wemen. Paul had a very hands-on role in developing the initial groves and mill and was instrumental in the Company winning the inaugural “Australian Olive Grower of the Year” award in 2004.

Paul moved to the USA in 2018 to help drive business growth. He transitioned to a Non-Executive Director role in July 2021, and currently resides on the east coast of the USA for much of the year with his wife Fiona and two boys, having developed extensive interests outside CBO including managing their own business and livestock farming interests in Australia.

We sincerely thank Paul for his incredible vision, his willingness to take risks, his determination to succeed through the many highs and lows of start-up olive farming, and his and Fiona’s willingness and flexibility to uproot their life and continually move from place to place to support our growing business. Most of all, we admire his friendly approach to work and his deep and ongoing friendship with me, the CBO Board, and many of our staff. We wish Paul, Fiona, Will and Angus all the best and we are sure they will stay close friends and supporters of CBO.

Board composition

The board recently engaged an external search firm to recruit an additional Non-Executive Director and have shortlisted five potential candidates for first round interviews. Our goal is to use this opportunity to improve the Board’s gender balance and skills matrix. An update will be provided as soon as an appointment is made.

Looking forward

Overall, we believe CBO is very well positioned with a strong balance sheet, unique supply chain control, and significant land and property assets, enabling us to continue our growth trajectory.

We are excited about the years ahead, with the maturing of our Australian groves, combined with our investment in long-term supply of Californian olive oil, set to deliver significant growth for our business.

Demand for extra virgin olive oil remains strong, particularly for locally grown Californian and Australian products.



Importantly, our Australian olive groves are in very good condition as we head into our 2023 Australian crop year.

We would like to take this opportunity to thank our shareholders and our loyal customers for their faith in the Company and our products. We look forward to connecting with shareholders and customers during FY2023.

Sincere thanks to the dedication of our all our team members led by our Joint-CEOs, Sam Beaton, and Leandro Ravetti. Two more committed, honest, and capable people would be hard to find.

That brings me to the end of my address, so I will hand over to Joint-CEO Sam Beaton.

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