



Half Year FY2022 Results Presentation

Cobram Estate Olives Limited
ACN 115 131 667

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A photograph of a rusty metal sign mounted on a corrugated metal wall. The sign features the text 'Cobram Estate' in a stylized font, with 'Cobram' on the top line and 'Estate' on the bottom line. Below the text is a logo consisting of a branch with three leaves and a small circular element. The sign is secured with screws.

Cobram

Estate[®]



Agenda

1. Welcome from Chair and Co-Founder Rob McGavin
2. Half Year FY2022 Financial Results
3. Business Operations and Company Update
4. Questions

Welcome and Key Messages

- The Company delivered improved earnings in 1HFY22, with the group reporting half-year EBITDA of \$4.8 million (up 109% versus the prior year (1HFY21)), and half-year operating cash flow before interest and tax of \$18.2 million (up 57% versus 1HFY21).
- It is important to note that in its half year accounts the Company does not recognise the expected pro-rata increase in net value of the 2022 Australian olive crop on the Company's trees. The value of the crop will be recorded at financial year end based on final harvest yields. As a result, the Company's half year accounts do not recognise any profit relating to the 2022 Australian olive crop.
- Overall, production costs for the half were lower than budget.
- Group sales were down 3.0% versus 1HFY21, driven by a lack of availability of Californian olive oil which impacted the Company's USA sales. This shortfall is primarily a result of the Company being unable to secure additional bulk Californian olive oil on the spot market from third-party millers, due mostly to increasing demand from the food service industry as it recovers from prior period covid closures, leaving the Company with less Californian olive oil to sell compared to the comparative period.
- The Company completed a \$50 million equity placement in December 2021 at \$2.00 per share. Of the funds raised, \$35 million will be used to develop new olive groves in the USA which will boost the Company's medium-term supply of Californian olive oil.
- Australian olive oil sales were up 5.7% for the half year.
- Crop projections recently completed by management for the upcoming 2022 Australian olive harvest indicate slightly higher crop potential than budget, however estimating crop yields in advance is of course uncertain due to the influence of multiple factors including future weather and growing conditions.
- The Company's Californian olive harvest, completed in November 2021, produced 2.2 million litres of olive oil, in line with expectations.
- The purchase of two new parcels of land in California was completed in December 2021 (~\$9.4 million). This provides the company with an additional 450 acres (182 hectares) to be planted to olives in FY2023. Other pipeline acquisitions are under consideration.
- CBO recently signed a carbon farming agreement with the Carbon Farming Foundation to establish 200 hectares of native trees on land unsuitable for olives at our Boundary Bend site.



Half Year FY2022 Financial Results

Sam Beaton

Joint-CEO

Finance and Commercial

Half Year FY2022 - Financial Results Summary

Financial Results for the 6 months to 31 December 2021

- EBITDA for the period of \$4.8 million (\$2.3 million 1HFY21)
- NPAT for the period of \$5.2 million loss (\$6.6 million loss 1HFY21)
- Operating cashflow before interest and tax of \$18.2 million (\$11.6 million 1HFY21)
- Group sales for the half of \$70.3 million (\$72.4 million 1HFY21)
- Australian olive oil sales for the half of \$53.5 million (\$50.5 million 1HFY21)
- USA sales for the half of \$15.9 million (\$20.7 million 1HFY21)
- Net Debt of \$128.6 million at 31 December 2021 (down from \$164.4 million at 30 June 2021)
- Gearing of 28% at 31 December 2021 (down from 37% at 30 June 2021)



Group Income Statement (Statutory) and Segment EBITDA

Earnings underpinned by the Australian olive oil division. 2022 crop carried at cost at 31 December 2021.

Income Statement \$'million	6 months to 6 months to		Variance
	31-Dec 2021	31-Dec 2020	
Revenue			
Sales Revenue	70.3	72.4	(2.1)
Other income	1.3	1.3	0.0
Total Revenue	71.6	73.7	(2.1)
EBITDA			
Australian Olive Oil	5.8	4.7	1.1
USA Olive Oil	(0.2)	0.8	(1.0)
Innovation & Value-add (Wellness)	(0.8)	(3.2)	2.4
	4.8	2.3	2.5
Depreciation	(8.5)	(7.9)	(0.6)
Interest	(2.4)	(2.4)	0.0
Total EBT	(6.1)	(8.0)	1.9
Tax	0.9	1.4	(0.5)
Total NPAT	(5.2)	(6.6)	1.4

Segment results

- **The Australian Olive Oil division** reported an EBITDA profit of \$5.8m (1HFY21: \$4.7m EBITDA profit), with an increase in net margin from each litre of olive oil sold.
 - Important note: at 31 December, the 2022 crop is carried at cost, with any movement to fair value not taken until 30 June 2022.
- **The USA Olive Oil division** reported an EBITDA loss of \$0.2m (1HFY21: \$0.8m profit)
 - Driven by the decrease in sales due to constrained olive oil supply, with total sales decreasing from \$20.7m to \$15.9m, due to a lack of Californian oil availability
 - The second half is expected to rebound strongly, but the full year sales growth will be restricted by oil supply
- **The Innovation & Value-Add (Wellness) division** reported an improved result, from an EBITDA loss of \$3.2m in 1HFY21 to an EBITDA loss of \$0.8m in 1HFY22.
 - The company continue to develop new products and its R&D programs, with a more focused sales strategy

Group Cash Flow Statement

Strong operating cash flow for the half year

Cashflow Statement	6 months to	6 months to	
\$'million	31-Dec	31-Dec	Variance
	2021	2020	
Earnings before tax	(6.1)	(8.0)	
(Increase) / decrease in working capital/ other non-cash	13.4	9.3	
Depreciation	8.5	7.9	
Interest expense	2.4	2.4	
Cash generated from operations	18.2	11.6	6.6
Interest paid	(2.8)	(2.8)	
Tax paid	(0.4)	(0.0)	
Cash generated from operations (after tax and interest)	15.0	8.8	6.2
Net cash used in investing activities	(18.5)	(8.8)	
Proceeds from share and other equity securities	48.9	0.0	
Proceeds from director loan repayments	4.8	0.0	
Dividend paid to company's shareholders	(11.6)	0.0	
Net (repayment) of borrowings	(28.6)	(3.0)	
Increase in cash and cash equivalents	10.0	(3.0)	

Key points

Continued strong operating cashflow reflective of the company managing its oil supply over two (2) financial years (24-months), to meet the consistent monthly customer demand.

- **Cash generated from operations** of \$18.2 million (1HFY21: \$11.6m), driven by improvement in the Innovation and Value-Add division, and an improvement in the group's working capital position.
- **The company continued to invest in growth capital** both in Australia and the USA, investing \$18.5m during the 6-month period (1HFY21: \$8.8m).

Group Balance Sheet

Strong balance sheet following equity raise

Balance Sheet

\$'million	31-Dec 2021	30-Jun 2021	Variance
Cash	11.2	1.2	
Current Assets (excluding cash)	126.1	134.6	
Property plant and equipment	304.6	290.9	
Intangible assets	6.7	6.7	
Other Non-current Assets	11.4	15.2	
Total Assets	460.0	448.6	11.4
Current Liabilities (excluding Borrowings)	39.4	30.0	
Current Borrowings	4.1	3.8	
Non-current Borrowings	135.7	161.8	
Non-current Tax Liability	47.9	50.9	
Other non-current liabilities	7.0	11.4	
Total Liabilities	234.1	257.9	(23.8)
Total Equity	225.9	190.7	35.2
Borrowing, less cash	128.6	164.4	
Tangible Assets	453.3	441.9	
Gearing ratio	28%	37%	

Key points

- Significant increase in Net Assets following the \$50 million equity raise in December 2021.
- The company's olive trees are carried at cost (within property, plant and equipment).
- The majority of the Intangible Assets relate to the original purchase price of the Cobram Estate® and Red Island® brands.
- \$44.5 million of the Tax Liability (at 31/12/2021) relates to a deferred tax liability on property, plant and equipment that would only crystallise if these assets were sold.
- Gearing levels decreased from 37% to 28%.

Financial Outlook

Outlook is positive, underpinned by increasing consumer demand for high quality extra virgin olive oil and our strong olive oil position in Australia

- Sales outlook is positive, with increasing consumer demand for high quality extra virgin olive oil.
- We are expecting year on year sales growth in FY2022 in our Australian operations.
- USA sales are being constrained by supply, and although our second half sales are expected to be significantly stronger than our first half, this will be restricted by the availability of third-party supply.
- Overall, we are expecting a modest increase in sales across the consolidated group.

- As announced in our December 2021 Investor Presentation, we are expecting an increase in our Two-Year Rolling Average EBITDA for the Australian olive oil division, whilst Statutory EBITDA is expected to fall materially due to FY2022 being a lower yielding crop year.

- Strong cashflow from operations from the first half is expected to continue in the second half of FY2022.

- Investment in growth to continue in both Australia and the USA.



Funding Growth

The Company is well positioned to continue to fund growth strategies

The Company is well positioned to continue to fund its growth strategies following the December 2021 \$50 million equity placement and an increase in debt facilities by US\$7 million.

- During December 2021, \$9.4 million was invested to purchase land in the USA, to be planted in FY2023 with an estimated 450 acres (182 hectares) plantable to olives.
- As at 31 December 2021, the Company had \$51.2 million in cash and undrawn debt facilities, available for funding growth into the medium term.
- The Company is actively looking at other land and development opportunities in the California and has a strong pipeline of properties under review.
- The expansion of the Boort olive mill is expected to commence after the 2022 harvest, to support the significant increase in olives to be processed in the coming year, from both maturing company planting and third-party plantings under contract.
- 380-hectare greenfield development at our Boort groves in Victoria, expected to be planted in FY2023.





Business Operations and Company Update

Leandro Ravetti

Joint-CEO

Technical and Production

Operational highlights

Minimal disruption to date despite the complexities all businesses are facing due to COVID-19

General / impact of COVID-19

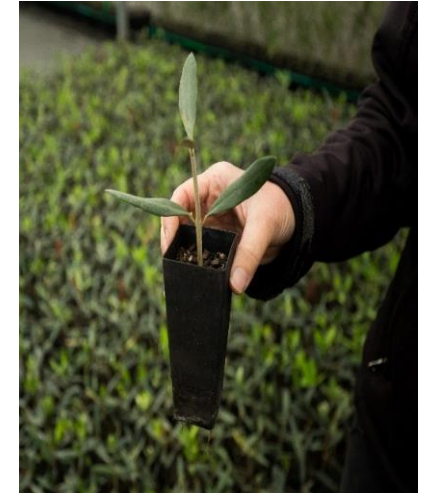
- Across our business our operations are running relatively smoothly despite the many business challenges faced due to COVID-19. This is a credit to our fantastic team who have managed the complexities of work in a pandemic environment without fuss, whilst maintaining a strong focus on our customers.
- Although we have seen some costs pressure in areas such as fertiliser, diesel, and freight, these increases have been more than offset by short term low prices on two of our larger input costs - electricity and water.
- With most of the the Company's consumer goods inputs being locally sourced (including olive oil and glass), we have experienced only minimal supply chain disruption despite the broader market impact of COVID-19. This highlights the robust nature of, and the strong benefit provided by, our vertically integrated supply chains in Australia and the USA.

Operations - Australia

- Good seasonal conditions have provided a very favourable growing season on our Australian groves.
- Costs are tracking in line with budgets. Water costs and consumption for our Australian groves remains below long-term averages. For the six-month period to 31 December 2021, we used 16% less water than budgeted for our northern Victorian groves, and 37% less water than budgeted for our Boort grove, resulting in an aggregated total of 23% less water than budget for the period.
- Planning and applications works are well underway for the upgrade of the Boort olive milling facility. Development works will commence at the completion of our 2022 olive harvest, with the mill to be operational for our 2023 olive harvest.

Operations - USA

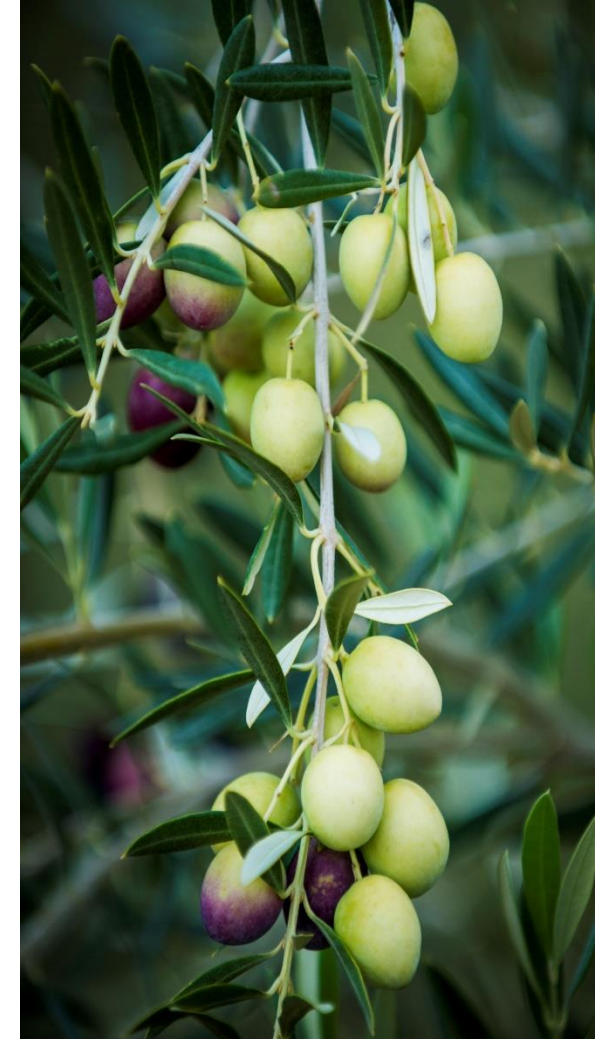
- As announced in our December 2021 Investor Presentation, we have signed a number of new grower supply contracts, and now have 5,188 acres (2,100 hectares) under contract. These contracts range from 3–5 years plus extension options. In addition, the Company also owns 755 acres (306 hectares) of planted olive groves in California (yet to reach maturity).
- In December 2021 we settled on two new parcels of land with 450 acres (182 hectares) plantable to olives, which when planted in FY2023 together with some existing freehold land will add approximately 950 acres (385 hectares) to our existing groves, taking our total Company-owned groves in California to 1,705 acres (690 hectares).



2022 Australian Olive Harvest Update

Olive yields expected to be slightly above our 2021 Prospectus projections

- The 2022 Australian olive harvest will commence in April and be completed around the end of June. The olive yield and the volume of olive oil produced from the Company's Australian olive harvest has a significant impact on our annual financial results, with the resulting olive oil crop valued on 30th June.
- Due to the biennial nature of olive production, FY2022 will deliver, as expected and previously announced, a significantly lower yielding olive crop when compared with FY2021.
- Flowering on our Australian groves took place from late October through early November. Our flower density assessment was positive, indicating cropping potential in line with, or slightly above, our forecasts presented in the Company's 2021 Prospectus. The fruit set percentage (the percentage of flowers that convert into fruit) was also slightly above average.
- The positive indications on crop yield coming from our flowering and fruit set assessments have since been validated by specific fruit sampling of representative trees in mid-January.
- These results reflect the very good condition of our trees, the absence of any damaging frost events during winter and early spring, and the favourable weather conditions experienced throughout the growing season.
- Based on these results, and assuming reasonable conditions from here until harvest completion, yields are expected to be slightly above, the forecasts provided in our 2021 Prospectus.

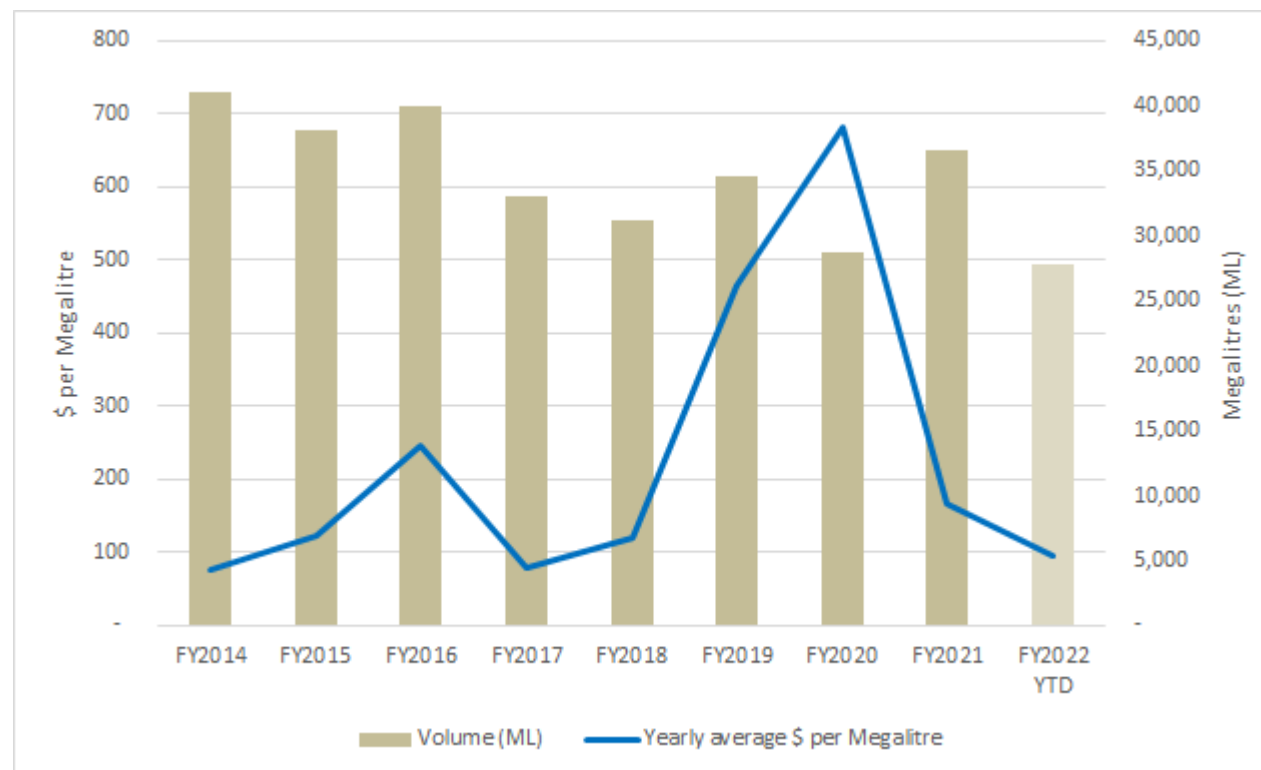


Water Pricing in Australia Remains Below Historical Averages

In FY2022 YTD we have purchased 74% of our water needs at a weighted average price of \$96/megalitre



Cobram Estate Olives annual Temporary Water purchases and average annual price



Key points

- In FY2022 to 18 February, the Company has purchased 74% of its estimated full year water requirements and has paid an average price of \$96 per megalitre for water purchased, a 43% reduction versus the price paid in FY2021 (FY2021: \$168 per megalitre).
- Allocation water is currently trading at circa \$70 per megalitre (Murray water, for our Northern Victorian groves) and at \$60-\$65 per megalitre (Goulburn water, for our Boort grove).
- Whilst seasonal prices fluctuated over this period as the chart alongside indicates, the Company has paid a weighted average price of \$220 per megalitre over the last 8.6 years.
- Storage levels in the Southern Basin @ 91% full - up 60% on the same time last year.
- High reliability allocations are at 100% for the Victorian Murray Valley and Goulburn water systems.

Southern Murray Darling Basin – current storage levels Total and key storages

Storage	Full % 02/02/2022	Full % 03/02/2021
Lake Eildon	85%	64%
Lake Hume	99%	55%
Lake Dartmouth	92%	62%
Murrumbidgee catchment	96%	73%
Menindee Lakes	94%	18%
Southern Basin total	91%	57%

2021 USA Olive Harvest Results

A challenging harvest, but well executed, yielding double the 2020 crop



- After a very wet and difficult start of the season, our USA operations, technical, and milling teams coordinated fantastically to complete our Californian olive harvest within target timelines and without major incident.
- The Company's olive oil production was in line with our expectations. We crushed a total of nearly 16,000 tonnes of olives producing more than 570,000 gallons (2.2 million litres) of extra virgin olive oil, with an outstanding total processing efficiency of 92.6%. To put this efficiency result into perspective, the global industry considers 85% as a benchmark for a good performance, which we exceeded by 7.6% despite the very high moisture levels in the fruit and lower than average oil content that make the oil extraction more challenging.
- The 2021 harvest production of 2.2 million litres of olive oil is double the 2020 crop of 1.1 million litres.
- Olives sourced from our own groves (DeBo and Hungry Hollows) became a meaningful percentage of our total production for the first time, accounting for nearly 7% of the total quantity of olive oil produced. This share will continue to grow over the coming years as our existing USA groves mature and new groves are planted.



Environmental Sustainability Update

New carbon farming project and olive pomace processing to compliment ongoing sustainability initiatives

Carbon Farming Project

- CBO recently signed an agreement with the Carbon Farming Foundation to implement a native reforestation project at the Company's Boundary Bend site. Commencing in July 2022, the first stage of the project will involve the planting and establishment of 200 hectares of native trees on undeveloped land that is unsuitable for the planting of olive trees.

Sustainability Victoria grant / circular economy project

- CBO, supported by a grant from Sustainability Victoria under the Recycling Victoria Business Support Fund, is currently installing an Australian industry-first facility to process more than 25,000 tonnes of olive pomace each year, and upcycle this 'waste' material into several new circular-economy products.
- This new plant, which utilises renewable energy from the combustion of our olive pit biomass, will result in an estimated 65% reduction in the volume of olive pomace material generated, together with lower greenhouse gas emissions. The processing of this olive pomace will also allow us to maximise the quality and quantity of renewable biomass that we can sell as biofuel and animal feed, together with the extraction of valuable antioxidants and minor components left over after the extraction of olive oil.

Carbon position

- We are currently conducting an independent evaluation of our baseline carbon position across our entire Australian operations to provide us with a complete understanding of our carbon credit and offset opportunities. This will enable us to set clear targets for the short, medium and long term, and better evaluating the potential impact of a range of different environmental initiatives (like the carbon farming presented above) that are being considered by the business. We will provide an update on this once the evaluation and assessment work is completed.



Our video “Embracing Sustainability”
can be found at the link below:

<https://www.cobramestateolives.com.au/#vimeo620607aad3ae2>

Questions?



Thank-you!



Appendix

Company Overview

Cobram Estate Olives is Australia's largest vertically integrated olive grower, processor and marketer



- Established in 1998, with olive growing, processing and marketing operations in Australia and the USA, and export customers in 17 countries.
- A market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming through continued innovation and market education; the release of 27 peer reviewed research publications; developing the Oliv.iQ® integrated olive production system (<https://oliv-iq.com/>); our zero-waste initiative; and the creation of the Olive Wellness Institute® (<https://olivewellnessinstitute.org/>).
- The Company's 2021 Australian harvest of 16.05 million litres accounted for an estimated 71% of Australia's total olive oil crop.
- Owner of Australia's top two home-grown olive oil brands, with a combined value share of 45% of extra virgin olive oil sales in Australian supermarkets (FY2021):
 - Cobram Estate - 35% value share.
 - Red Island - 10% value share.
- The Company's large-scale olive groves and olive mills are some of the largest in the world, enabling the Company to achieve efficiencies in olive growing, processing, and marketing:
 - 2.4 million trees planted on 6,584 hectares of land in Australia and 149,000 trees planted on 305 hectares in the USA (California).
 - Over 144 tonnes per hour olive milling capacity and 18.4 million litres of on-site oil storage capacity (Australia and USA).
 - Proprietary production systems (Oliv.iQ®) achieving olive oil yields nearly nine times the global average per hectare (2,800 litres vs. 283 litres per hectare) with a production cost per litre 30% lower than world's weighted average.
 - One of the worlds leading olive R&D and testing laboratories – Modern Olives® (Australia and USA).
 - In total, the Company owns 18,677 hectares of freehold farmland, of which 16,700 hectares is freehold farmland in central and northwest Victoria and southwest New South Wales.
- Committed to growing the value and volume of sales in the Australian market and driving growth in the USA market through the sale of both extra virgin olive oil and other olive products.

Cobram Estate Olives - From Tree to Table

Growing and marketing olive goodness in Australia and the USA

							
NURSERY	GROVE OPERATIONS	HARVESTING TECHNOLOGY	PROCESSING & STORAGE	LABORATORY & R&D	BOTTLING & DISTRIBUTION	EXTRA VIRGIN OLIVE OILS	WELLNESS PRODUCTS
							
							
							