

**Costa Group
Holdings Ltd
(ASX:CGC)**

**1H CY23 Results
presentation**

31 August 2023



Bailang berry farm, China

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- **Non-IFRS measures:** Throughout this presentation, Costa has included reference to certain non-IFRS measures. Non-IFRS measures have not been subject to audit. A further explanation of these measures is provided in the Appendix.

1HCY23 Key Highlights

- International segment delivered +32.8% revenue growth vs pcp, offsetting a mixed domestic performance, contributing to a Group EBITDA-S of \$150.2m, +7.2% versus pcp and NPAT-S of \$37.8m.
- Both China and Morocco contributed to an impressive international performance, further demonstrating the superiority of Costa's blueberry genetics. International segment EBITDA-S was +43.5% versus pcp.
- As noted at AGM the citrus season was circa three weeks behind starting, meaning virtually all the citrus harvest earnings will fall in 2HCY23.
- Despite early 2PH citrus season fruit being well received in export markets, there has been a disappointing deterioration in outlook for later season fruit quality contributed to by CY22 weather impacts. Together with southern region volume downgrade and La Nina overhang contributing to fruit size being below expectations, full year EBITDA-S impact is currently estimated at \$30m.
- Industry wide table grape harvest was circa 40% lower vs pcp due to CY22 weather, with EBITDA-S impact of \$9m in the 1H.

1HCY23 Key Highlights

- **Monarto mushroom facility continues to consistently exceed production capacity, averaging 259 tonnes per week over the 1H, +3.3% increase vs pcp. Mernda facility yields were lower vs forecast mainly due to weather impact on compost, contributing to flat category revenue growth vs pcp.**
- **Berry performance was affected by higher industry wide volumes in Q1 during Tasmanian season. Return per kilogram on premium Arana blueberry exports was +20% vs pcp.**
- **Tomato sales volume was positive to forecast, with a greater snacking sales share vs pcp, however lower than expected summer months pricing and demand meant overall aggregate pricing was subdued for the 1H, resulting in lower revenue and earnings vs pcp.**
- **Avocado saw a recovery from prior year, with pricing at improved levels vs pcp for most of the 1H. Successful completion of first trial shipment of east coast product to India.**

Update on Paine Schwartz Partners non-binding indicative proposal

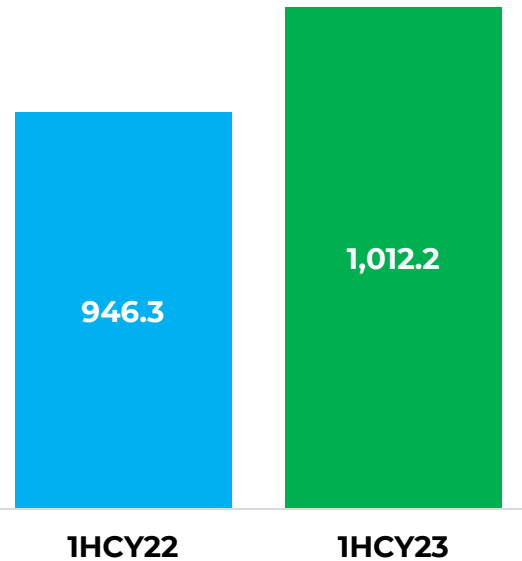
- As per announcement to ASX on 24 August 2023¹, discussions with Paine Schwartz Partners (PSP) are continuing and PSP were advised of the latest trading conditions as part of the ongoing due diligence process.²
- It remains uncertain if a transaction with PSP will eventuate and at what price.
- Costa expects to be able to provide an update in relation to the transaction in mid/late September.
- Costa shareholders do not need to take any action at this time.

1. ASX Announcement 24 August 2023 – ‘Trading update and postponement of 1HCY23 financial results release’

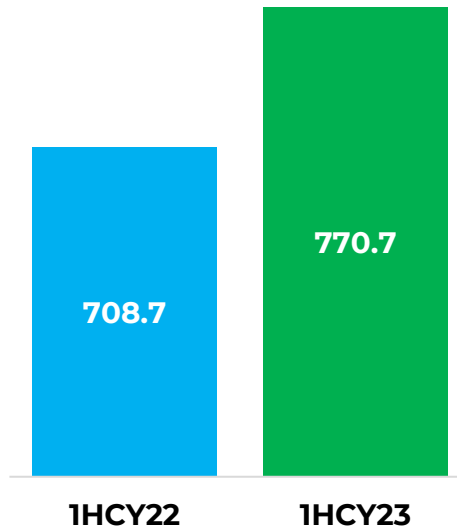
2. The due diligence process was initiated in response to PSP’s non-binding indicative proposal to acquire all of the issued shares in Costa which PSP does not already own (as notified to ASX on 4 July 2023).

1HCY23 Financial Headlines

**Transacted Sales
(\$'m)**



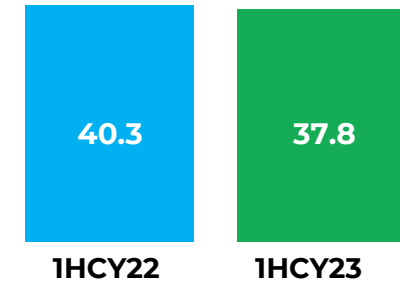
**Total Revenue
(\$'m)**



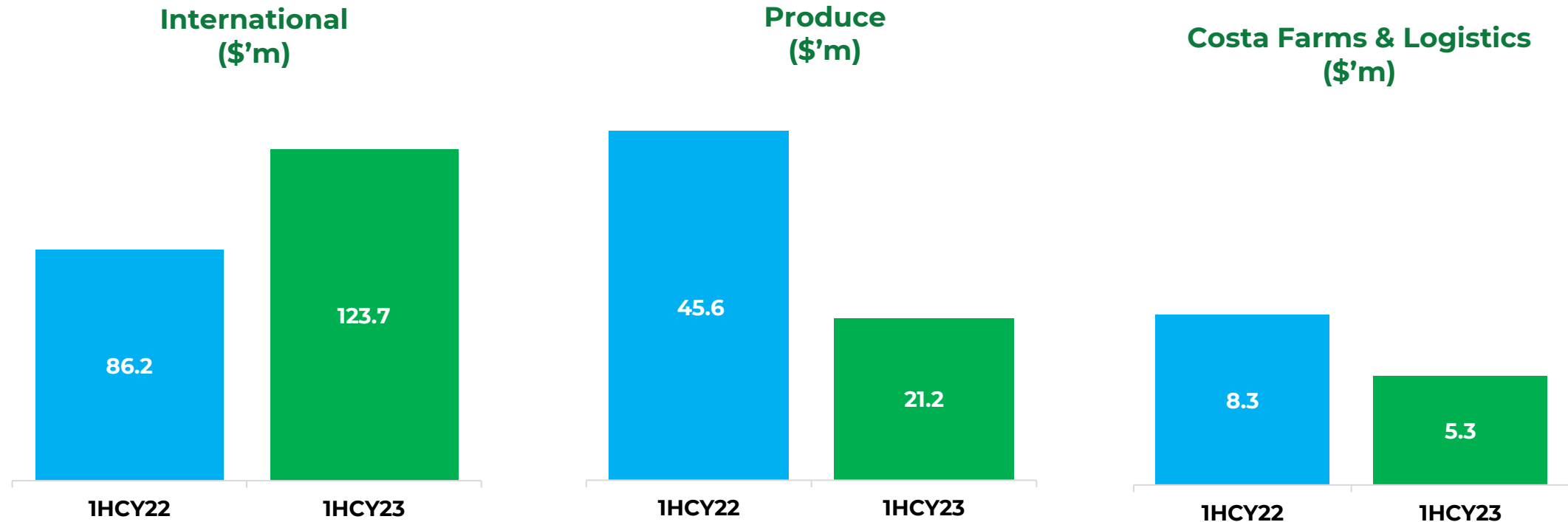
**EBITDA-S
(\$'m)**



**NPAT-S
(\$'m)**



1HCY23 Segment Earnings Performance



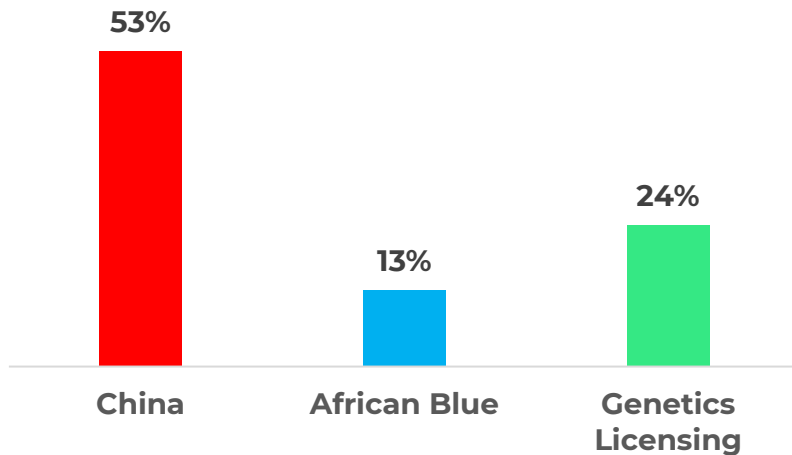
Segment performance



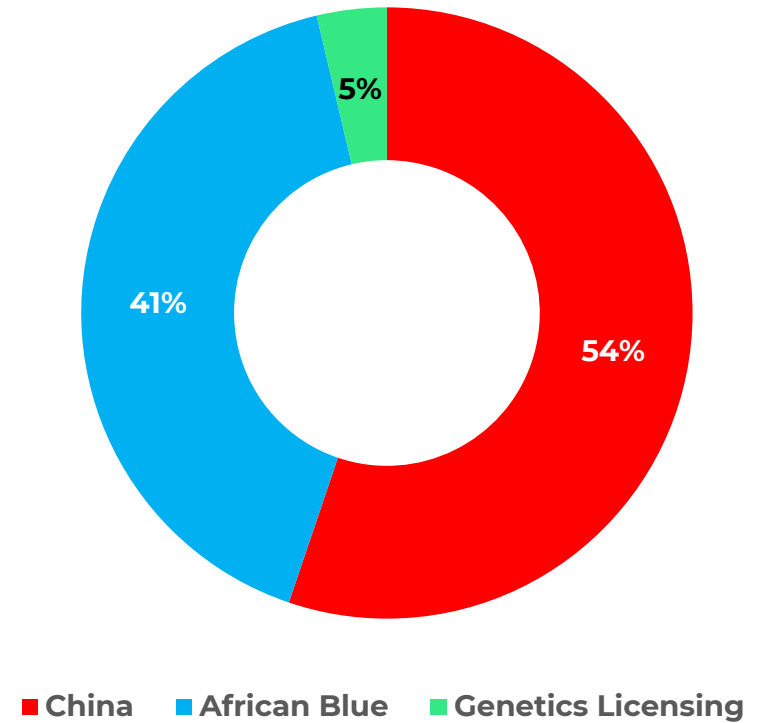
International Segment

A\$m	HY23	HY22	Variance (%)
Revenue	207.3	156.1	32.8%
EBITDA-S	123.7	86.2	43.5%
EBITDA-S margin	59.7%	55.2%	4.5 pts
Transacted Sales	206.4	155.4	32.8%

Revenue growth +32.8%



1HCY23 Share of revenue



International Segment – Highlights

China

- 1H Revenue was **+53%** vs pcp.
- Strong and sustained demand over the entire season.
- **46.3%** increase in blueberry volume vs pcp, with newly planted Agripark development producing volumes in excess of forecast.
- Baoshan and Banna farm volumes were also ahead of expectations.

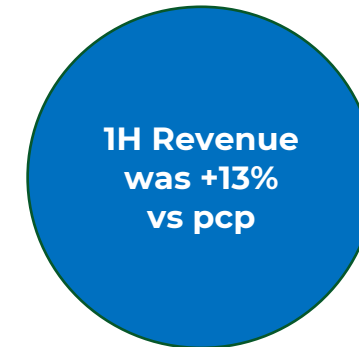
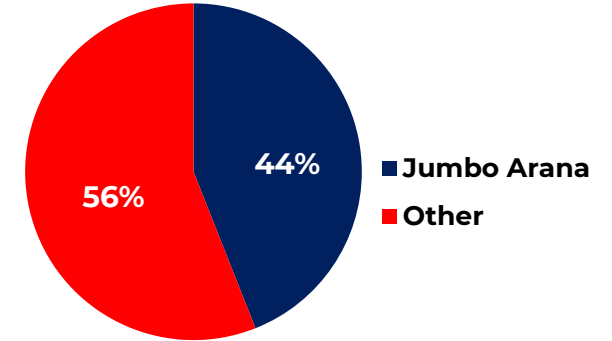
African Blue

- Revenue increase driven by higher overall pricing for the duration of the season, helped by reduced volume across the industry.
- Own farm volumes were **16.8%** lower vs pcp, mainly due to northern farm replantings and colder weather over the early part of the year.
- Newly planted varieties showing positive early promise re yield and pricing, including Cascade, Breeze, Eterna and Velvet.

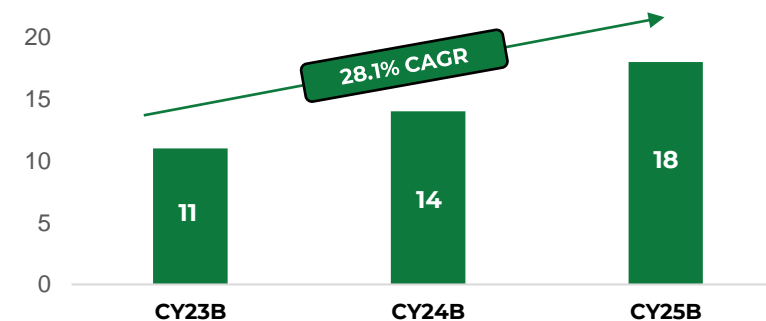
Genetics Licensing

- 1H Revenue was **+24%** vs pcp.
- Driven by continuing upward growth trajectory of VIP varieties and higher China volumes.
- Work continues on expanding global licensing network into potential new regions.

Jumbo Arana
1HCY23 Share of total volume



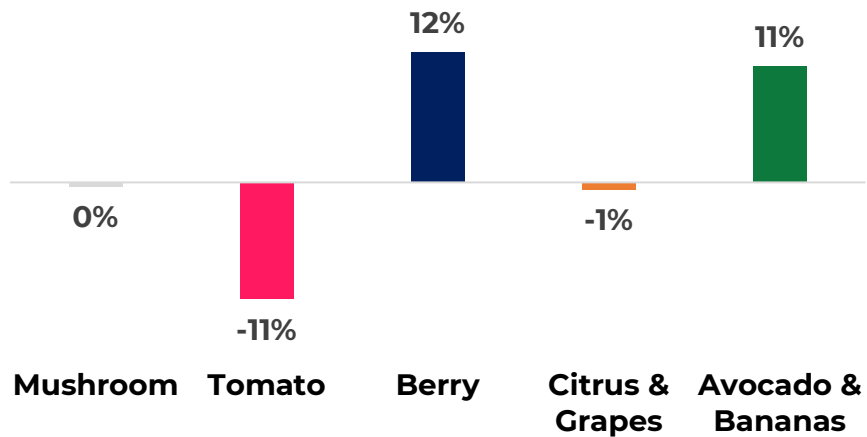
Projected royalty income stream



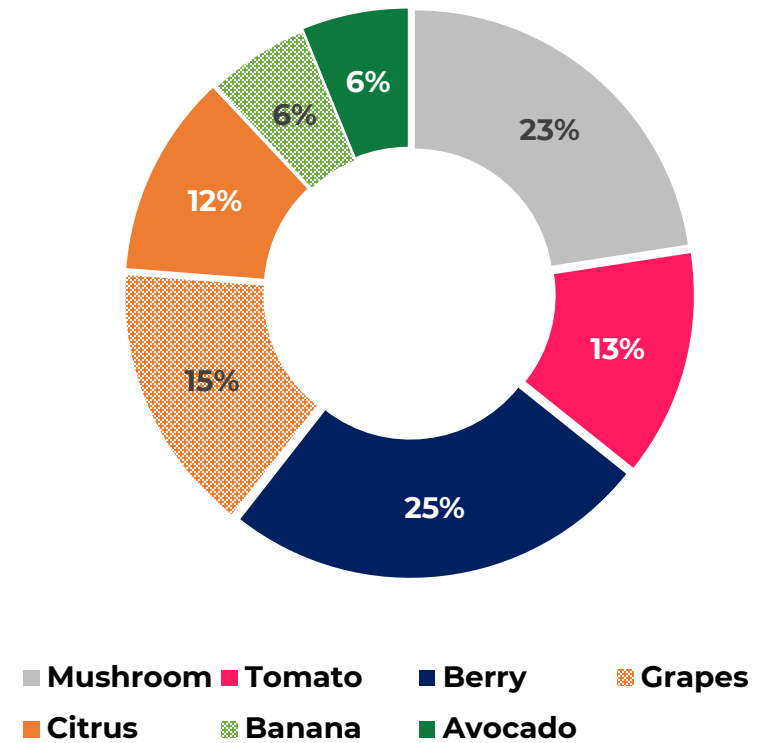
Produce Segment

A\$m	HY23	HY22	Variance (%)
Revenue	493.3	485.4	1.6%
EBITDA-S	21.2	45.6	-53.5%
EBITDA-S margin	4.3%	9.4%	-5.1pts
Transacted Sales	738.7	725.5	1.8%

Revenue growth +1.6%



1HCY23 Share of revenue

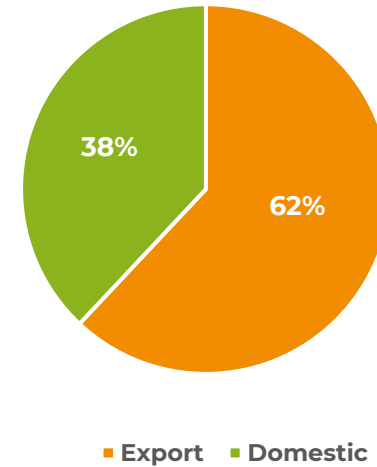


Produce Segment - Category Highlights

Citrus

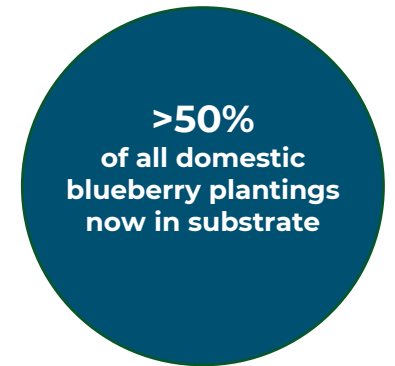
- 1H revenue marginally below (-1%) pcp. Table grape yields affected by downy mildew which also affected quality. Citrus season was circa three weeks behind starting, with approx. 600k less cartons sold in 1H as a result.
- 2PH Amorette harvest completed in June, with invoicing and revenue booked in 2H. Early season fruit was well received in export markets.
- Deterioration in outlook for later season 2PH fruit quality contributed to by CY22 weather impacts. This has included the Murcott mandarin crop.
- Southern region forecast season volumes downgraded and fruit size affected due to La Nina overhang.
- 2PH and southern region issues contributing to current estimated full year EBITDA-S category impact of circa \$30m.

YTD 2PH sales split



Berry

- Revenue was **+12%** vs pcp.
- Challenging period over Q1 of Tasmanian season with crop timing and competitive industry wide volumes pushing prices lower, but overall positive volumes for the 1H.
- FNQ season saw favourable yield and pricing.
- Blueberry volumes were **+26.1%** vs pcp, underpinned by volumes from Tasmania and FNQ, which offset lower volumes from Tumbarumba (southern NSW).
- Raspberry volumes were **+37.2%** vs pcp, supported by a strong Tasmanian crop although high industry volumes suppressed average pricing vs pcp.



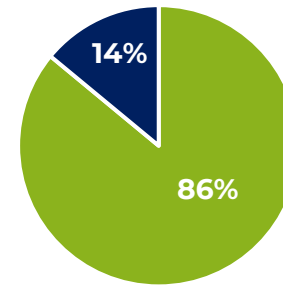
1. Premium includes Arana and Delight varieties

Produce Segment - Category Highlights

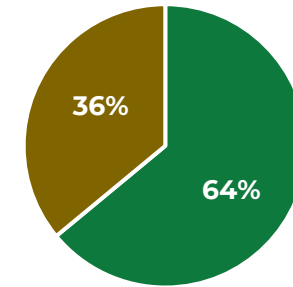
Mushroom

- Revenue was flat vs pcp.
- Monarto averaged **259** tonnes per week over 1H, **+3.3%** vs pcp.
- Due to weather impacts on compost, Mernda facility yields were lower than forecast and although largely offset by above forecast Monarto yields, sales volume was marginally below expectations for the 1H.
- Pre-pack as a share of total sales was **+6%** vs pcp.

1HCY23 Retail/Wholesale sales mix



1HCY23 Sales mix

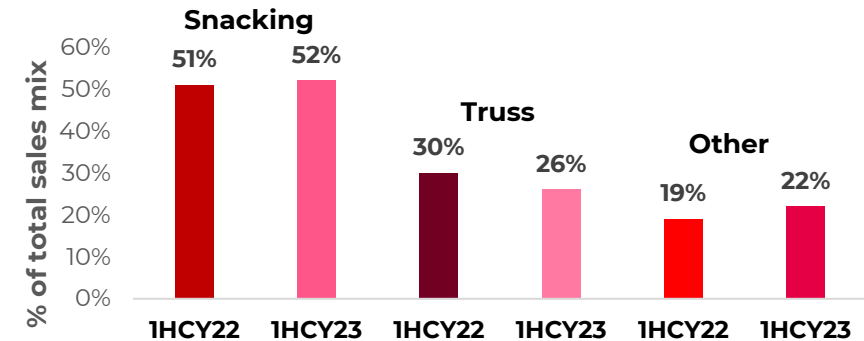


■ Retail ■ Wholesale ■ Prepack ■ Loose

Tomato

- Revenue was down **11 %** vs pcp.
- Lower than expected summer months pricing and demand meant aggregate pricing for 1H was subdued.
- Sales volume was down vs pcp, reflective of softer consumer demand.
- Production volume positive vs expectations, but still marginally down vs pcp.

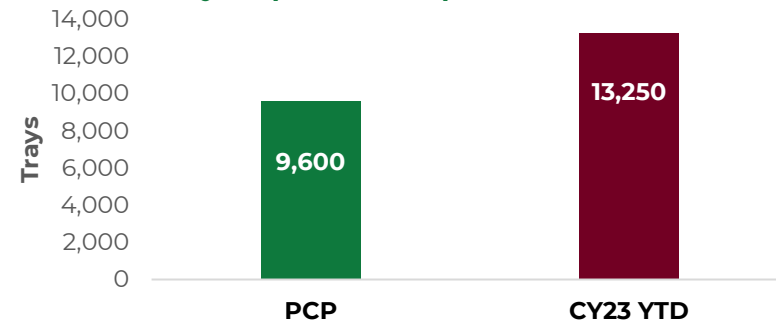
1HCY23 Sales Mix



Avocado

- Revenue was **+11%** vs pcp. aided in steady pricing recovery from pcp. Own farm sales volume well ahead of pcp.
- Average tray sale price was **+42%** vs pcp.
- Review of portfolio ongoing, with sale of Gunalda FNQ farm completed and focus on driving efficiencies across remaining farms.
- WA exports to Japan continue to increase YoY. Lobbying ongoing for east coast access to increase export volumes.

Trays exported to Japan from WA YTD

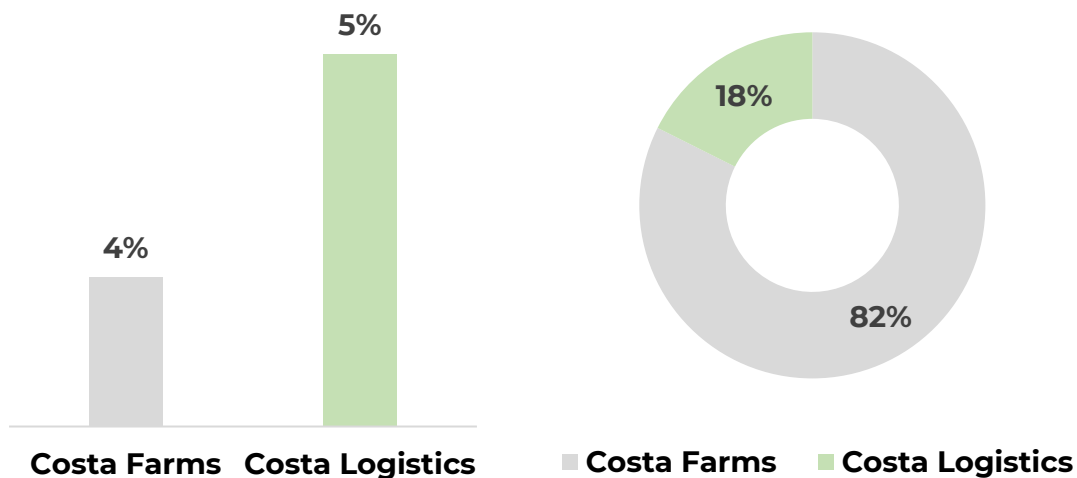


Costa Farms & Logistics Segment

A\$m	1HCY23	1HCY22	Variance (%)
Revenue	95.6	90.7	5.4%
EBITDA-S	5.3	8.3	-36.1%
EBITDA-S margin	5.5%	9.2%	-3.7pts
Transacted Sales	91.7	89.0	3.0%

Revenue growth 5.4%

1HCY23 Share of revenue



Highlights

- Revenue growth **+5.4%** vs pcp.
- Weakness in wholesale market margins and increased energy costs contributed to reduced EBITDA-S versus pcp.

Farms

- Market trading was marginally below forecast, with servicing revenue driven by strong berry volumes, including from third party customers which saw increased revenue vs pcp.

Logistics

- Additional third-party warehousing volumes contributed to revenue uplift vs pcp.
- Select Fresh performed below expectations, impacted by the underperformance of retail facing trade.

Financials 1HCY23



1HCY23 Results Presentation



Financial Results



1HCY23 Results
Presentation

Comparison of results for the half year

A\$m	HCY23	HCY22	Var
Revenue	770.7	708.7	62.0
EBITDA-S	150.2	140.1	10.1
Fair value mvmt in bio assets	(14.4)	0.5	(14.9)
EBITDA (before material items)	135.8	140.6	(4.8)
Depreciation & amortisation	(69.6)	(65.5)	(4.1)
Profit on Sale of assets	0.2	-	0.2
EBIT	66.4	75.1	(8.7)
Interest Expense	(27.2)	(19.2)	(8.0)
Tax Benefit/ (Expense)	6.2	(5.0)	11.2
NPAT (before material items)	45.4	50.9	(5.5)
Material items after tax	(1.5)	(2.2)	0.7
Non-controlling interest	(18.3)	(10.8)	(7.5)
NPAT attributable to shareholders	25.6	37.9	(12.3)
NPAT-S (before material items)	37.8	40.3	(2.5)
NCI-S	(25.0)	(15.2)	(9.8)
Transacted Sales	1,012.2	946.3	65.9

Key Highlights

Revenue: +8.7% on pcp

- International +32.8% vs pcp. Significant increase in China sales with increased volumes from new Agripark farm (102Ha) and average yields across existing farms above pcp.
- Domestic +1.6% vs pcp. Mixed result across all categories with solid increases in berry sales offset by lower pricing outcomes in Tomatoes. Expected increase in Citrus sales delayed due to late start to harvest.

EBITDA-S: +7.2% on pcp

- Outstanding performance from International segment with China delivering a record earnings result and African Blue up versus pcp.
- Domestic earnings lower than pcp: delayed start to Citrus season due to CY22 weather conditions; industry wide grape season negatively impacted by mould and yield issues; high industry wide volumes in Q1 in Berries and Tomatoes impacted price and margin realisations. YoY improvement in Avocados after improved average pricing relative to pcp.

NPAT-S: -6.2%

- NPAT behind pcp given higher interest costs.

Material Items:

- \$1.5m (after tax) of costs relating to Paine Schwartz proposal; restructure costs; and loss on disposal of Gunalda FNQ Avocado farm.

Cash Flow

A\$m	HY23	HY22	Var
EBITDA-S	150.2	140.1	10.1
Payment for Leases	(37.3)	(43.7)	6.4
EBITDA-S, Less Payment for Leases	112.9	96.4	16.5
Less: share of JV profit	(6.3)	(6.0)	(0.3)
Dividends received from JV's	2.8	3.4	(0.6)
Borrowing Costs (excludes amortised costs)	(8.7)	(5.0)	(3.7)
Movement in working capital / non-cash items	(67.7)	(36.2)	(31.5)
Tax (Payment)/Refund	27.2	(11.0)	38.2
Cashflow from operating activities	60.2	41.6	18.6
Operating capex	(33.1)	(28.8)	(4.3)
Productivity & growth capex	(3.7)	(24.2)	20.5
Payments for business acquisitions (Incl. material items)	(1.5)	-	(1.5)
Other	3.2	4.5	(1.3)
Cashflow from investing activities	(35.1)	(48.5)	13.4
Payment for Dividends	(23.2)	(23.2)	-
Loans and Advances	-	1.1	(1.1)
Cashflow from financing activities	(23.2)	(22.1)	(1.1)
Net Debt Movement	1.9	(29.0)	30.9

Key Highlights

- Positive improvement in net debt movement vs pcp despite working capital build.
- Traditional 1H working capital investment given timing of Citrus season. This was higher than pcp, due to previously flagged delayed start to citrus harvest.
- No major growth CAPEX during the 1H. Further expansion in China and Citrus 2PH Conaghans land will incur growth CAPEX in 2H.
- CY22 tax refund received during 1H.
- CY23 full year capex forecast at \$110m, below previous guidance of \$125m.

Balance Sheet

A\$m	Jun-23	Dec-22	Var	Jun-22	Var
Receivables	131.3	101.9	29.4	137.0	(5.7)
Inventories	50.1	40.0	10.1	38.6	11.5
Payables	(129.6)	(149.4)	19.8	(144.2)	14.6
Provisions	(47.6)	(45.9)	(1.7)	(46.5)	(1.1)
Working Capital	4.2	(53.4)	57.6	(15.1)	19.3
Equity accounted investments	34.8	31.3	3.5	29.9	4.9
Intangibles	292.7	282.9	9.8	284.7	8.0
Property, plant & equipment	805.3	814.3	(9.0)	802.3	3.0
ROU Assets	560.3	552.9	7.4	558.3	2.0
Other assets/liabilities	19.4	30.8	(11.4)	16.0	3.4
Capital Employed	1,716.7	1,658.8	57.9	1,676.1	40.6
Cash	205.8	85.2	120.6	138.9	66.9
Biological Assets	64.0	79.8	(15.8)	69.7	(5.7)
Lease Liabilities	(582.9)	(571.0)	(11.9)	(570.3)	(12.6)
Borrowings	(555.9)	(437.2)	(118.7)	(467.0)	(88.9)
Net Assets	847.7	815.6	32.1	847.4	0.3

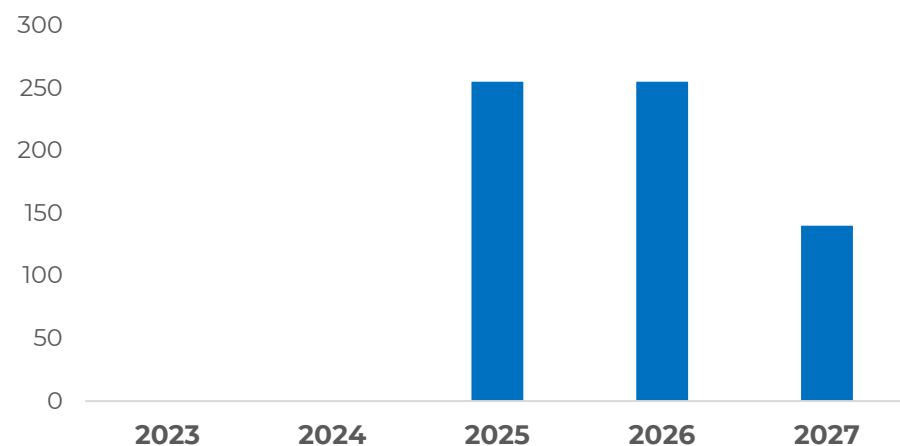
Key Highlights

- \$57.6m working capital higher than pcp given Citrus season delays.
- Lower net debt vs pcp.
- Higher cash balances largely reflect strong International result and timing of debt pay down, and some cash repatriation from China.

Capital and Debt Management

A\$m	Jun-23	Dec-22	Variance
Net debt	350.1	352.0	(1.9)
Net debt / LTM EBITDA-SL	2.31x	2.46x	-0.15x

Senior debt facility maturity profile (A\$m)

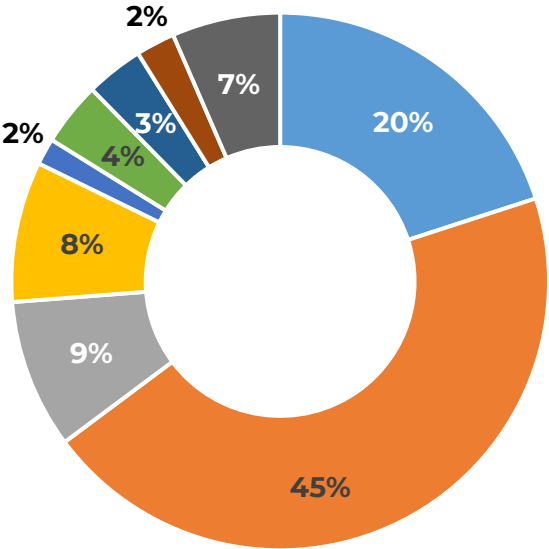


Key Highlights

- Improvement in debt metrics vs pcp: leverage ratio down to 2.31x (Dec-22: 2.46) and small reduction in net debt despite working capital build.
- Staggered syndicated debt tenure over next 4 years post full renewal in CY22.
- Deferral of consideration of interim dividend.

Costs/inflation management update

Cost contributors

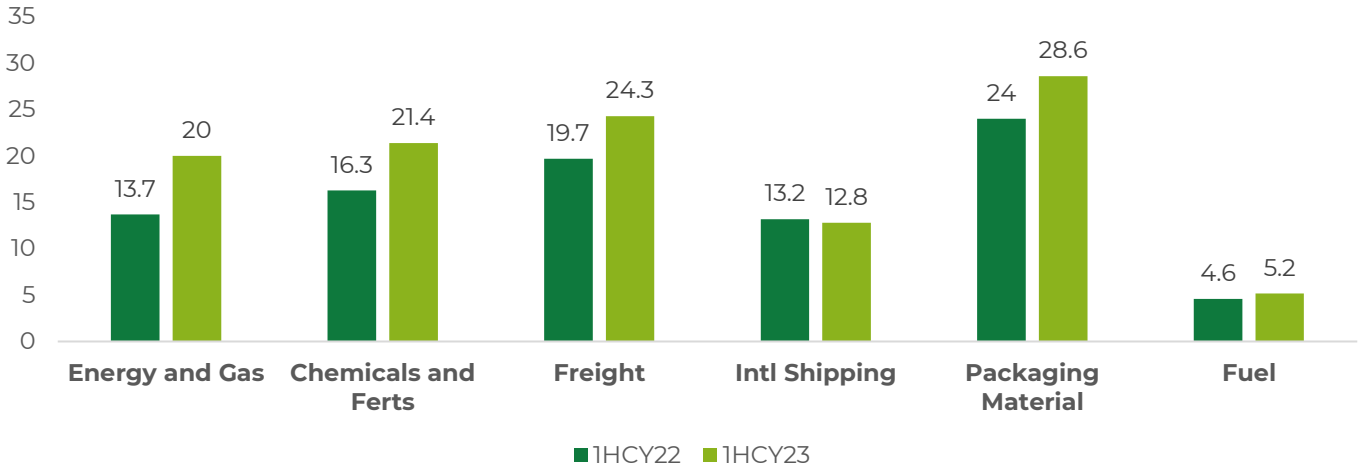


- Materials, Consumables & 3rd Party
- Employee benefits expenses
- Occupancy expenses
- Freight and cartage
- Leasing expenses
- Repairs & Maintenance
- Legal & Consulting
- Insurance
- Other expenses

1HCY23 commentary

- Some significant local input cost inflation pressures experienced over the 1H vs pcp, particularly for chemicals and fertilisers, domestic freight and packaging.
- Energy costs rose Australia wide over the 1H, with vertical farming (tomatoes & mushrooms) experiencing significant cost increases versus pcp.
- Labour costs also impacted by rising wages and some supply constraints, although most recent minimum wage decision was within budgeted expectations.
- Reduced international shipping costs over the 1H which also contributed to a stabilising of pricing for some imported inputs.
- The full benefit of these reductions and other input costs are expected to flow through in the 2H.

Key input costs (\$m)



Current trading and outlook



Outlook 2HCY23

- As noted, a deterioration in late season 2PH fruit quality and southern region volume and fruit size downgrades are currently estimated to have a circa \$30m impact on full year EBITDA-S. The contributing factors are considered non-structural with the ongoing health and productive capacity of the trees unaffected.
- There has been stable weather and positive pricing over the early part of the main (northern NSW) Berry season, together with an expected solid Arana crop, pointing to strong second half berry earnings versus pcp.
- Mushroom demand steadily improved consistent with cooler winter months, with demand over coming period expected to level off. Monarto facility production remains ahead of capacity, while Mernda facility volumes continue to improve, aided by more stable compost supply.
- The softening in tomato demand is expected to continue through the second half, impacted by higher industry wide volumes, including from field crops.
- Insourcing of Pacific Seasonal labour continues, which is contributing to ongoing improved security of labour supply.
- Taking into consideration the above, full year CY23 EBITDA-S is expected to be ahead of CY22 result.

Appendices



Monarto mushroom facility



Vision

'To be the leader in sustainable commercial farming of premium quality fresh produce'

CAPABILITY

Investing in technology, leadership & capability development to deliver our vision.

BJECTIVE

Driving long term ROIC and maintaining a strong balance sheet.

SUSTAINABLE COMMERCIAL FARMING

Executing our optimized yield program on our proprietary technology platform.

tECHNICAL SUPERIORITY

Leveraging our superior agronomic expertise and genetics to deliver competitive advantage.

aMBITION

Expanding our leading go-to market models to win in international markets.

Planted and production hectares as at end of 1HCY23

Avocado/Banana 890¹ hectares

	Hectares
Avocado	613
Bananas	277

Berry Domestic 721 hectares

Berry type

	Hectares	Soil	Substrate
Blueberry	459	218	241
Raspberry	182	8	174
Blackberry	55	7	48
Strawberry	25	0	25

Mushroom

Three main growing facilities

Casuarina (WA)
Mernda (Vic)
Monarto (SA)

Citrus 5,604² hectares

	Hectares
Citrus	4,912
Table grapes	557
Wine grapes	135

Morocco 335 hectares

	Hectares
Blueberries	335

China 400 hectares

	Hectares
Blueberries	368
Raspberries	22
Blackberries	10

Tomato 40 hectares

	Hectares
Glasshouse	40

1. Includes 132 hectares of Riverland/Sunraysia plantings and accounts for sale of Gunalda farm in 1HCY23
2. Includes Conaghans, under option exercised in August 2023

Production volumes by category – 1HCY23 versus pcp

International segment

Morocco/Africa¹

Location	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Northern and Southern Morocco	5,961	7,167	-16.8%
Third party growers (Morocco, Southern Africa and Zimbabwe)	1,942	2,387	-18.6%
Total	7,903	9,554	-17.3%

China

Variety	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Blueberries	7,788	5,324	46.3%
Raspberries	191	270	-29.2%
Blackberries	36	27	33.0%
Total	8,015	5,621	42.6%

1. All blueberries

Production volumes by category – 1HCY23 versus pcp

Berry Domestic

Variety	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Blueberries	1,852	1,468	26.1%
Raspberries	2,212	1,612	37.2%
Blackberries	970	886	9.5%
Strawberries	1,470	1,585	-7.2%
Total	6,504	5,551	17.1%

Production volumes by category – 1HCY23 versus pcp

Vertical Farming

Mushroom

Location	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Casuarina, Mernda & Monarto sites	14,111	14,465	-2.4%

Tomato

Location	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Glasshouse and third party	11,777	11,933	-1.3%

Production volumes by category – 1HCY23 vs pcp

Citrus

Type	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Navels	19,316	20,366	-5.1%
Mandarins	19,079	17,360	9.9%
Balance of crop	6,275	10,592	-40.7%
Total	44,670	48,318	-7.5%

Grape

	Production (tonnes) 1HCY23	Production (tonnes) 1HCY22	Var
Total¹	17,607	19,649	-10.3%

1. Total includes own farm and third party production

Production volumes by category – 1HCY23 vs pcp

Avocado

Location	Production (trays) 1HCY23	Production (trays) 1HCY22	Var
Own production	928,672	586,170	58.4%
Marketed third party	942,514	1,354,607	-30.4%
Total	1,871,186	1,940,777	-3.5%

Morocco and China planting schedules

Morocco

	CY22ha	CY23ha	CY24ha
Planted (start of year)	332	347	323
Production Area	332	347	323
New Land	14	17	43
Redevelopment/ Removed (after harvest)	-63	-67	-77
Land redevelopment added	64	26	81
Forecast planted	347	323	370

China

	CY22ha	CY23ha	CY24ha
Planted (start of year)	297	400	400
Production Area	297	400	400
New Land	103	0	100
Redevelopment/ Removed (after harvest)	-20	-43	-44
Land Redevelopment Added	20	43	44
Forecast planted	400	400	500

NB: All data stated as at end of relevant CY

Costa is Australia's leading horticultural company



1

Premier asset base and operational footprint across domestic and international

2

Leading Australian market position in attractive produce categories

3

Managing and adapting to agricultural risk through our product portfolio, protected cropping and geographic diversity

4

Proprietary intellectual property and brand portfolio with a network of global relationships

5

Superior product offering with distinct consumer appeal

6

Significant earnings capacity from existing footprint in addition to multiple near-term growth projects

7

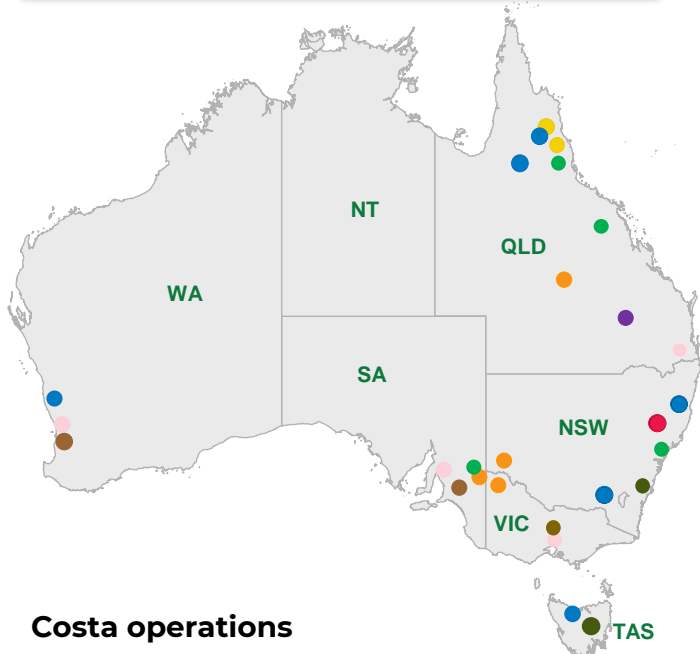
Attractive financial profile and outlook

8

High quality management team with deep industry expertise

Costa's operations include 7,200+ planted hectares of domestic farmland, 40 hectares of glasshouses, three main mushroom production facilities, and two international berry growing locations. Delivering 52-week supply.

Australia-wide coverage

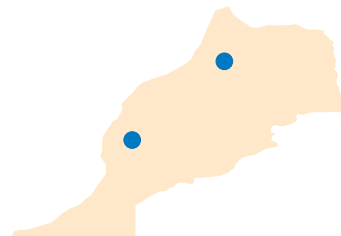


Costa operations

- Bananas
- Mushrooms
- Table grapes
- Berries
- Costa Farms
- Citrus
- Logistics
- Tomatoes
- Avocados

Growing international footprint

African Blue - Morocco



China



Production footprint¹

Australia

721 hectares
Blueberries - 459 hectares
Raspberries - 182 hectares
Blackberries - 55 hectares
Strawberries - 25 hectares



Mushrooms -

Three main growing facilities in Vic, SA and WA



Tomatoes - 40 hectares



5,604 hectares

Citrus - 4,912 hectares

Table Grapes - 557 hectares

Wine Grapes - 135 hectares



Avocados - 613 hectares



Bananas - 277 hectares



International

Morocco: 335 hectares
(all blueberries)



China: 400 hectares -
368 blueberries,
22 raspberries, 10 blackberries



1. Data stated as at end June 2023

Depreciation, interest, NCI and Capex

Depreciation, interest and NCI (\$'m)	CY22	Forecast CY23
Bank Interest	14.3	c. 27
Lease Interest	28.3	c. 29
Total Interest	42.6	c. 56
PPE & Other	74.5	c. 82
Right of Use Asset	54.9	c. 57
Total Depreciation & Amortisation	129.4	c. 139
NCI-S	10.9	c. 20

Capex (\$'m)	CY22	Forecast CY23
Operating Capex	67.8	c. 51
Growth Capex	38.7	c. 59 ¹
Total Capex	106.5	c. 110²
Proceeds on Sale of assets	4.3	c. 3

1. Includes ~\$37m relating to the Conaghan's acquisition
2. Previous quoted capex for CY23 was circa \$125m. Updated number reflects changed timing of second half programmes.

Explanation of certain non-IFRS operating measures

Term	Definition
Transacted Sales	<p>Transacted Sales is used by management as a key measure to assess Costa's sales and marketing performance and market share. Transacted Sales represent the aggregate volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income. Transacted Sales are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS.</p> <hr/> <p>Transacted Sales comprise:</p> <hr/> <ul style="list-style-type: none"> ·statutory revenue. <hr/> ·gross invoiced value of agency sales of third-party produce. <hr/> ·100% of Driscoll's Australia Partnership sales after eliminating Costa produce sales to the Driscoll's Australia Partnership. Prior to the formation of Driscoll's Australia in 2010, all of Costa's domestic sales and marketing activities for the berry category were managed by Costa.
Material Items 1HCY23	Costs relating to takeover response, impairment losses and restructure costs
EBITDA before SGARA (EBITDA-S)	Earnings before Interest, Tax, Depreciation & Amortisation, the fair value movements in biological assets (SGARA) and Material Items.
Net Profit after Tax before SGARA (NPAT-S)	Net profit after tax attributable to shareholders (NPAT) but excluding the after-tax impact of the fair value movements in biological assets (SGARA) and Material Items.



Driscoll's
Only the Finest Berries™



Costa
well grown



Perino™

2.P.H.



lady fingers
— Premium — Gelatine — Free —





Costa Group Holdings Limited