



23 February 2017

Australian Stock Exchange
Company Announcements Office

Dear Sir/Madam

Costa Group Holdings Ltd (ASX: CGC) – correction to investor presentation

I attach a revised investor presentation, to correct a minor error in the presentation that was released to the market earlier today. The change is to the debt maturity profile chart on slide 16, which now shows the correct debt maturity dates.

Yours faithfully

David Thomas
Company Secretary

1H FY2017 Results Presentation

February 2017



Important notice

Important notice and disclaimer: This presentation contains a general summary of the activities of Costa Group Holdings Ltd (**Costa**), does not purport to be complete and is to be read in conjunction with all other announcements filed with the Australian Securities Exchange (**ASX**), including Costa's half year results filed with the ASX on 22 February 2017. Information in this presentation is current as at the date of this presentation (23 February 2017) and remains subject to change without notice. Costa does not warrant the accuracy, adequacy or reliability of the information in this presentation and, to the maximum extent permitted by law, disclaims all liability and responsibility flowing from the use of or reliance on such information by any person.

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Past performance: Past performance should not be relied upon as (and is not) an indication or guarantee of Costa's future performance or condition.

Financial data: All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.

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.

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Young plantings, Childers avocado farm, QLD



Highlights

Highlights

Headlines

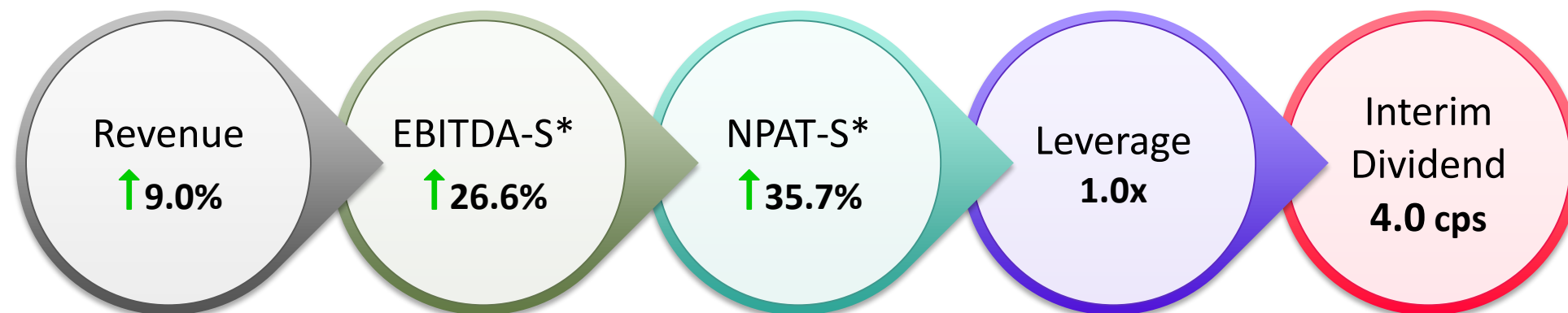
- A positive first half result, with all core categories contributing
- Strong cash flow generation, balance sheet position and growth capacity
- Further proactive de-risking of the business achieved and in progress
- Unseasonal weather has delayed cropping, but there have been no major negative weather impacts
- Decision taken to wind down Polar Fresh operations

Growth Program

Excellent momentum across each of our growth initiatives:

- Initiating avocados as the 5th core produce pillar with Avocado Ridge acquisition
- On going execution of the domestic berry growth program
- China berry expansion gaining momentum
- Agreement reached with Macquarie Agricultural Funds Management Ltd to jointly investigate and fund M&A opportunities
- We announce today a further major initiative - production capacity expansion at the Monarto, SA Mushroom facility

Highlights



Financial Performance

*

- Revenue growth of 9.0% on 1H FY16
- EBITDA before SGARA and material items (EBITDA-S) growth of 26.6% to \$49.0m
- NPAT before SGARA and material items (NPAT-S) was \$24.0m, or 35.7% growth
- Statutory NPAT of \$15.0m, compared to \$0.0m in 1H FY16
- Leverage reduced to 1.0x EBITDA-S at December 2016
- Interim dividend of 4.0 cents per share, fully franked
- \$7.8m post tax write-down against the carrying value of Polar Fresh reported as a material item

* Before material items – FY17: impairment of Polar Fresh investment; FY16: IPO related pro forma costs and site closure costs. Refer to the Appendix for a reconciliation of statutory NPAT to the non-IFRS measures disclosed, details of material items, and the restatement of FY16 results due to the change in accounting for bearer plants.

Segment Performance - Produce

Mushroom

- Solid first half result, predominantly driven by consistent production and a favourable sales mix with increased retail sales
- Industry demand remains positive, with retailer engagement and promotions delivering category growth of 3.2%*

Berry

- Blueberry performance has been exceptional, with a 75% production increase vs 1H FY16, reflecting recovery from prior year hail events and new volume growth:
 - New locations – 2nd commercial harvest at each of FNQ and WA completed at or above expectations
 - New competitor volumes did not impact the early season supply dynamic
- Cooler weather has generally delayed timing, with the raspberry crop most affected. This is also expected to have some impact on overall raspberry yield. The Tasmanian crop has seen significant volume pushed into January
- Category growth remains high – blueberry +34%, raspberry +35%*

Segment Performance - Produce

Citrus

- The 2016 calendar year crop was a significantly lighter crop than expected, but fruit was of exceptional quality
- Export market demand was strong throughout the season, with ~70% of the total crop exported. Japan remains our #1 market
- Initial flower counts for the 2017 season indicates a potential record yield for the new season
- The early season grape farm at Mundubbera performed well, with stronger pricing due to lower volume of competing product from Emerald, and timing benefit with the crop harvest completed by December end

Tomato

- Market conditions have improved significantly from the prior year's challenges. A combination of increased demand, lower field volumes and changing planting schedules across the industry has resulted in a more stable trading environment
- Average pricing up 10%: truss + 8%, snacking +1%, field +13%*
- Initiatives undertaken to better position the category following the prior season (crop timing, areas planted, range review, operational processes) have contributed positively
- Costa's 20ha glasshouse is currently being retro-fitted to 4 x 5ha compartments to improve growing flexibility and smooth production peaks
- The new 10ha facility is performing well

Segment Performance

Costa Farms & Logistics

- Good trading flow across Costa Farms wholesale stands and avocado marketing
- Coles Jandakot (WA) logistics contract renewed through to September 2023
- Decision undertaken to wind down Polar Fresh operations. 2 contracts will cease in H2 FY17 with the remaining contract due to expire in FY18

International

- China
 - Joint venture formalised
 - Third raspberry harvest completed at the Bailang farm, in line with expectations
 - Initial blueberry harvest at the Bailang farm underway. Market reception has been very favourable
- Royalty income – final 2016 US season royalties have exceeded expectations
- African Blue harvest commenced in January, with yield projections in line with expectations.

Risk management

We continue to actively manage risk throughout the business

Costa's vertically integrated business model is strategically designed to achieve sustainable competitive advantage and manage agricultural risk. Recent initiatives have included:

- Greater risk spread with extension of portfolio to 5 categories
- Power
 - Installation of 5 backup generators at our largest mushroom farm in Mernda, VIC. This removes the risk of power outage incidents which could destroy up to 7 weeks of crop for each incident. The risk of power outages occurring may increase following closure of the Hazelwood Power Station
 - Review of backup power across all Costa's sites, with other critical upgrades undertaken (eg Guyra)
 - Review of solar power options underway across a number of sites, with focus on SA
- Water
 - Expansion of water storage capacity at Corindi, with 100ML of new capacity completed during FY2016 and expansion of an existing dam from 80ML to 450ML to be completed before the next season.
 - Construction of a water recycling plant at the Mernda mushroom farm, capturing and reusing up to 1MG (1 million litres) of waste water per week, resulting in up to a 40 per cent reduction in water use
- Insurance
 - Crop insurance (hail, wind, fire) achieved for Berry crops grown under tunnels across all Australian Costa sites from January 2017
 - Significant reduction achieved on excess for Guyra glasshouse crop insurance
- Occupational, Health and Safety.
 - Introduction of a new Safety Leadership Training program, with ~650 management and front line employees participating to date
- Increased further berry protected cropping – approx. 80% of FY17 domestic berry volume is now produced under protected cropping



Financial Results

1H FY2017 vs 1H FY2016 Results

A\$m	1H FY16	1H FY17	Variance
Revenue	408.7	445.6	36.8
Share of assoc. and joint ventures	3.8	5.5	1.6
Operating expenses	(373.8)	(402.0)	(28.2)
EBITDA before SGARA	38.7	49.0	10.3
Fair value mvmt in bio. assets	2.0	(1.9)	(3.9)
EBITDA	40.8	47.2	6.4
Depreciation & amortisation	(11.1)	(12.8)	(1.7)
Profit/(loss) on sale of assets	(0.6)	0.6	1.2
EBIT	29.1	35.0	5.9
NPAT (before material items)	19.1	22.7	3.6
Material items, post tax	(19.1)	(7.7)	11.4
Non-controlling interest	(0.0)	1.0	1.0
NPAT attributable to shareholders	(0.0)	15.9	16.0
NPAT-S	17.7	24.0	6.3
Transacted Sales	515.3	570.6	55.3

Key Highlights

Revenue +9.0%:

- Revenue growth achieved across all reportable segments
- Berry category sales growth was the largest contributor

EBITDA before SGARA +26.6%:

- Strong performance from Produce and International segments
- CF&L in line with prior year
- EBITDA-S margin improvement from 9.5% to 11.0%

NPAT-S +35.7%:

- Depreciation expense increase of \$1.7m driven by new capex and additional plantings (depreciation on bearer plants)
- Costa China operations consolidated from Nov-16
- SGARA movement reflects the end of the citrus season, offset by an increase in berry hanging crop due to additional plantings and delay in the raspberry harvest from December to January

Material items:

- FY17: impairment of Polar Fresh investment
- FY16: IPO related expenses and site closures

Note: Refer to the Appendix for a reconciliation of statutory NPAT to the non-IFRS measures disclosed, details of material items, and the restatement of FY16 results due to the change in accounting for bearer plants.

Produce

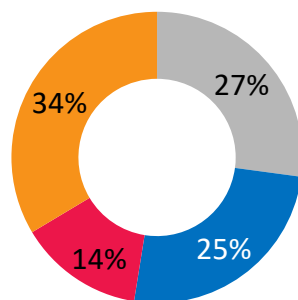
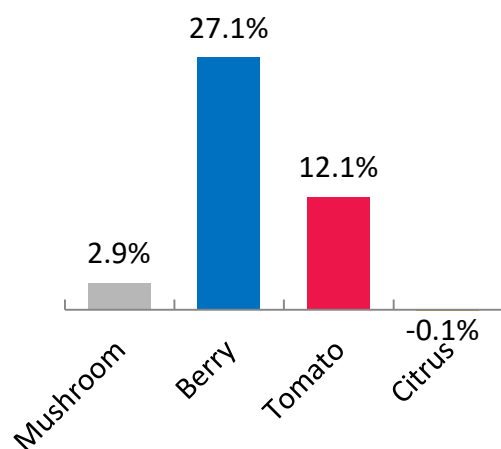
Segment financial and operating metrics

A\$m	1H FY16	1H FY17	Var
Revenue	319.4	345.8	26.4
EBITDA before SGARA	32.3	41.9	9.6
EBITDA-S margin	10.1%	12.1%	2.0%

Transacted sales	408.2	451.6	43.4
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Revenue growth: + 8.3%

FY17 share of revenue



- **Revenue** growth +8.3%, led by berry volume growth and tomato price recovery
- **EBITDA before SGARA** growth of 29.5% against FY16, with all categories showing growth against 1H FY16
- **Mushroom:** a strong first half outcome benefitting from improved retail and prepack mix.
- **Berry:**
 - An exceptional first half, with blueberry volume growth +75%. Pricing outcomes were pleasing given the additional volume.
 - Raspberry volumes below 1H FY16. Cooler weather has delayed the Tasmanian crop into January
 - The Driscoll's Australia marketing JV had an exceptional first half, attributable to the strong blueberry volumes and market conditions
- **Tomato:**
 - A good 1H outcome, with the category trading in line with expectations
 - The new 10ha glasshouse continues to operate well.
- **Citrus:**
 - A strong finish to the 2016 citrus season. Yields were lower than expected, but offset by high quality enabling higher pack-outs. Export market demand was buoyant, with significant uplift in sales to Japan and US
 - Labour efficiencies achieved through major line automation at the Renmark packhouse. Kangara packhouse upgrade scheduled for 2017 season.

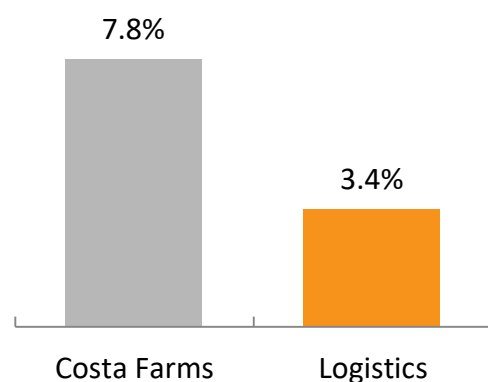
Costa Farms & Logistics

Segment financial and operating metrics

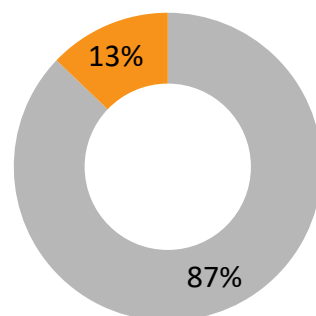
A\$m	1H FY16	1H FY17	Var
Revenue	109.7	117.0	7.3
EBITDA before SGARA	5.8	5.8	-
EBITDA-S margin	5.2%	5.0%	-0.3%

Transacted sales	127.3	136.0	8.7
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Revenue growth: +6.7%



FY17 share of revenue



- **Revenue** up \$7.3m or 6.7% against 1H FY16:
 - Costa Farms revenue growth of 7.8%, with higher volume traded across the Costa Farms stands and Avocado marketing. Banana sales continue to be subdued by low pricing
 - Moderate logistics revenue growth through additional contract warehousing activities.
- **EBITDA before SGARA** in line with 1H FY16:
 - Good trading outcome from higher Costa Farms turnover
 - Logistics impacted by Jandakot contract renewal at reduced margins, and lower Polar Fresh contribution
- The segment results exclude any impact from the Avocado Ridge transaction which completed in January 2017.
- Polar Fresh impairment \$7.9m reported as a material item. This includes \$0.5m in addition to the \$7.4m impairment announcement in November

International

Segment financial and operating metrics

A\$m	1H FY16	1H FY17	Var
Revenue	1.1	2.0	0.9
EBITDA before SGARA	0.7	1.3	0.6
EBITDA-S margin	-	-	-

Transacted sales	1.3	2.3	1.0
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Manlai farm establishment, China (Dec-16)

China

- China results have been consolidated from November 2016
- Small harvest of raspberries over Nov/December reflected in reported segment revenue
- Accounting adjustments for the transfer of opex/capex from Driscoll's completed – net +\$0.3m EBITDA, +\$1.1m NPAT post OEI

Royalty income

- Final royalty income from the US 2016 season has exceeded expectations

African Blue

- The 2017 harvest season will commence from January
- Initial yield assessments for the new crop are in line with expectations

Cash flow

A\$m	1H FY16	1H FY17	Var
EBITDA-S	38.7	49.0	10.3
Less: share of JVs profit	(3.8)	(5.5)	(1.6)
Dividends from JVs	1.7	5.2	3.4
Movement in working capital	(3.5)	13.8	17.2
Operating capex	(4.4)	(6.2)	(1.9)
Free cash flow	28.8	56.2	27.4
Productivity & growth capex	(24.3)	(19.8)	4.4
Payments for business acquisitions	-	(3.8)	(3.8)
Loan repayments from investments	1.6	-	(1.6)
Disposals of PPE	0.5	0.7	0.2
Net cash flow before financing, tax, dividends & material items	6.6	33.3	26.7
Cash conversion ratio ⁽¹⁾	74%	115%	

Note:

(1) Cash conversion ratio is Free Cash Flow / EBITDA-S

Key Highlights

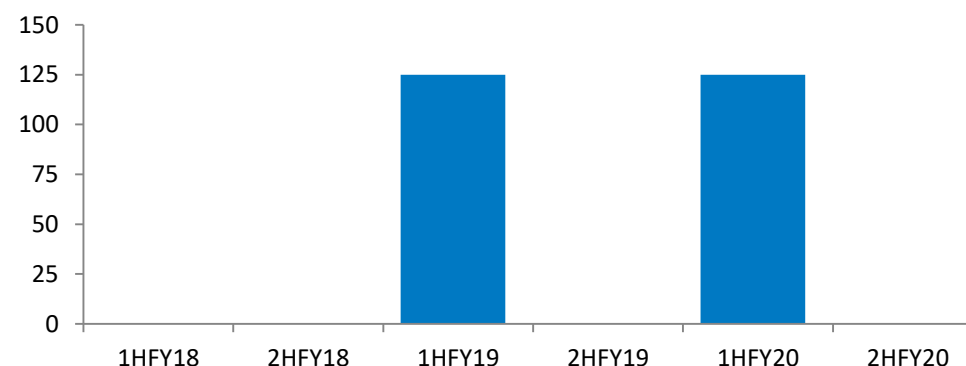
- Strong first half free cash flow outcome with 115% cash conversion ratio
- Working capital release led by release of citrus export debtors, with the citrus season finishing a number of weeks earlier this year
- Increase in JV distributions due to timing of Driscoll's and African Blue dividend – larger proportion received in H2 FY16
- Operating capex in line with expectations
- Productivity and growth capex:
 - Includes \$3m deposits paid in connection with the Avocado Ridge transaction
 - China capex \$1.4m, but excludes reimbursement to Driscoll's for accrued capex/opex which will occur over Q3 FY17
 - Balance relates to Berry expansion projects
- Acquisition payment relates to the purchase of a small blueberry farm in Tasmania

Balance sheet & net debt

A\$m	Jun-16	Dec-16	Var
Cash & cash equivalents	4.0	16.4	12.4
Receivables	72.8	68.8	(4.0)
Inventories	17.9	20.6	2.7
Biological assets	37.4	34.2	(3.2)
Equity accounted investments	33.7	26.1	(7.6)
Intangibles	142.8	143.9	1.1
Property, plant & equipment	249.3	261.9	12.5
Other assets	10.6	12.9	2.3
Total Assets	568.5	584.8	16.3
Payables	81.6	89.7	8.1
Borrowings	103.8	107.4	3.6
Provisions	17.4	19.3	1.9
Other liabilities	6.1	6.7	0.6
Total Liabilities	208.9	223.1	14.3
Net Assets	359.6	361.7	2.1

	Jun-16	Dec-16	Var
Net debt	99.8	91.0	9.5
Net debt / LTM EBITDA-S	1.1x	1.0x	(0.1)x

Debt facility maturity profile



- Net leverage has decreased from 1.1x in June to 1.0x in December
- Balance sheet is well positioned to fund growth initiatives
- Reduction in equity accounted investments reflects impairment of Polar Fresh JV
- Cash balance includes A\$5m received from Driscoll's in December for China JV equity

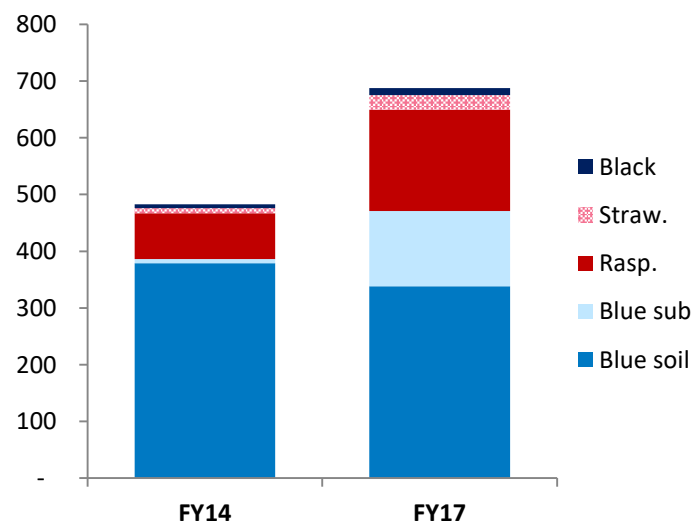
Growth Plan Update



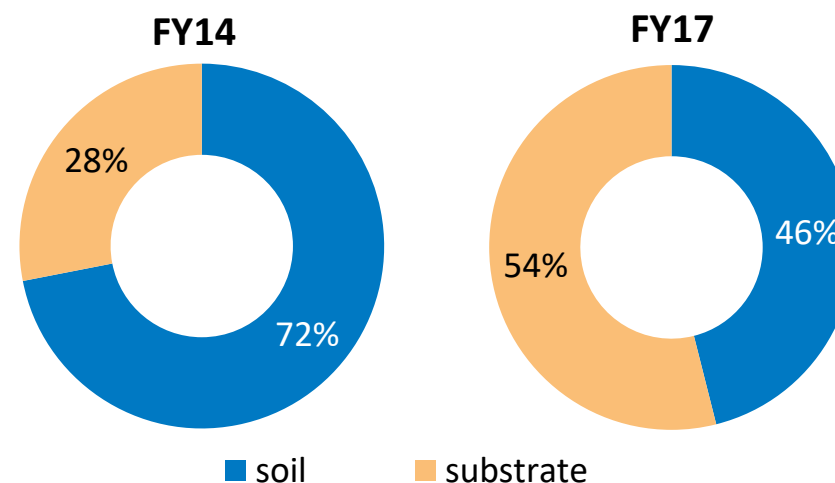
#1 Australian Berry expansion

- Final elements of the first growth plan, initiated in FY14, are now complete – 179 ha planted over the past 3 years
- 2nd growth plan commenced, with additional focus on further blueberry season extension (late summer/autumn) through Tasmania substrate plantings and purchase of a small existing Tas farm. Additional FNQ expansion also undertaken
- Upgrades to critical infrastructure also being undertaken:
 - Tasmania distribution centre expansion, including additional MA storage
 - Far North Queensland packing shed expansion
 - Expansion of dam capacity at Corindi by 370ML

Hectares planted by Berry type



% of production



#2 Avocado vertical integration

- Acquisition of Avocado Ridge orchards and packing operations, a grower of high quality avocados in the Childers and Kumbia regions of central Queensland
 - First major step towards establishing an integrated 5th core produce pillar
 - Acquisition completed in conjunction with Macquarie Agricultural Funds Management Ltd under which Costa will operate the farm under a 20 year lease
 - Lease includes sufficient water rights to support the plantation through to maturity
- 275ha of planted avocados, 53ha of macadamias
- Plantings are young, 46% of trees are 2 years old or younger, with avocado trees maturing at 7+ years. The balance of trees are 11 years old.
- Production projected to increase from 350k trays to 800k trays pa over 5 years
- Ripening and marketing synergies expected through utilisation of existing Costa networks
- Costa market share (marketing) now estimated at ~15%
- Acquisition is accretive to FY17 earnings, with harvest period Mar-Sep



One of 5 Childers avocado farms



#3 Mushroom expansion – Monarto, SA

- Costa's newest mushroom farm is the Monarto facility which currently produces 120T of white and brown mushrooms each week
- Only 7 years old, the facility is equipped with state of the art mushroom production technology, including a full vertical integration from compost production through to growing and packing on site
- This site is Costa's lowest operating cost mushroom facility nationally, and can supply all states within 1-2 days of shipment
- The expansion entails a doubling of existing production to 240T per week, at an estimated cost of \$65m
- The mushroom industry is currently growing at ~3-4% pa. This expansion provides Costa with capacity to service this demand growth
- Additional production capacity is expected to commence from December 2018, reaching the full incremental 120T from July 2019
- The expansion will further enhance Costa's competitive cost position with scale and new technology, and equip Costa with additional prepack and brown mushroom market development capability



Aerial view of Monarto Mushroom farm (currently producing 120T per week)

#4 International growth projects

China

- Legal completion of the JV during 1H FY17, with reimbursement to Driscoll's occurring from Jan 2017 for expenses incurred to date
- Bailang (first 25ha farm) blueberry harvest now underway with peak production expected Mar-May 2017. Third raspberry harvest completed.
- Manlai farm (20ha blueberry) now planted. Land for next year's expansion has been secured, enabling the site to grow to 100ha. 8km pipeline to local reservoir to secure water for the new area has been completed
- Market reception has been very positive.



Blueberries at Bailang Farm, China

Morocco

- At the end of FY16, African Blue had 208 ha planted. A further 61 ha will be planted during FY17
- The additional packing shed is expected to be completed in time for the 2018 season
- Trials currently being undertaken at other locations for season extension
- The JV continues to pay dividends in addition to on-going expansion (~ 50% payout ratio)



Substrate plantings at Zauoia farm, Morocco

Outlook

Outlook

- Trading over Jan/February continues to be solid with all portfolio units contributing well
- Inclusive of the Avocado Ridge acquisition, the company is projecting NPAT (pre-SGARA, material items and non-controlling interests)* growth of approximately 25% for the full year, up from previous guidance of at least 15%
- Consistent with prior years, earnings will be more heavily weighted to the second half due to the increased weighting of international operations and addition of the Avocado Ridge acquisition
- The strong balance sheet supports continued organic growth and a disciplined M&A program with a solid pipeline

** FY16 comparative includes China.*

Appendix



Berry tunnels being erected at Manlai farm, China

Material items

A\$m		1H FY16	1H FY17
IPO transaction costs	1	20.5	
Site closure	2	(2.7)	
Interest expense adjustment	3	9.6	
Polar Fresh impairment	4		7.9
Total material items (before tax)		27.3	7.9
Tax effect on material items		(8.2)	(0.2)
Total material items (after tax)		19.1	7.8

- 1. IPO transaction costs:** costs associated with the IPO.
- 2. Site Closures:** profit from sale of grape farms impaired in FY2015. These sites were reported as a pro forma adjustment in the prospectus.
- 3. Interest expense adjustment:** The new IPO banking facilities were effective from 29 July 2015. Amount includes write-off of capitalised borrowing costs relating to the pre-IPO facilities, and adjustment to reflect the terms of the new Banking Facilities as if they were in place for the full financial year.
- 4. Polar Fresh impairment:** write-down against the carrying value of the investment due to the decision taken to progressively wind down operations.

Restatement of 1H FY16 – change in accounting for bearer assets

A\$m		Reported 1H FY16	Adj.	Restated 1H FY16
EBITDA before SGARA	1	38.6	0.1	38.7
Fair value mvt. in biological assets		2.0	-	2.0
EBITDA		40.7	0.1	40.8
Depreciation and amortisation	2	(10.2)	(0.9)	(11.1)
Impairment losses		(0.6)	-	(0.6)
EBIT		29.9	(0.8)	29.1
NPAT (before material items)		19.7	(0.6)	19.1

The change in the accounting standard has the following overall impact:

- Planting and replanting costs are capitalised, with the capitalised value depreciated over the plant's useful life
- Previously costs were expensed with asset values recognised through a fair value adjustment for biological assets at each balance date

- EBITDA before SGARA:** replanting costs previously expensed now capitalised
- Depreciation:** additional depreciation on bearer plants now capitalised

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> <p>Transacted Sales comprise:</p> <ul style="list-style-type: none"> • statutory revenue; • gross invoiced value of agency sales of third party produce; • Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint ventures; • 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.
EBITDA-S	Earnings before interest, tax, depreciation, material items and fair value movements in biological assets (SGARA)
NPAT-S	Net profit after tax, but excluding material items and SGARA, and prior to non-controlling interests