



3 May 2017

Australian Stock Exchange
Company Announcements Office

Dear Sir/Madam

Costa Group Holdings Ltd (ASX: CGC) - presentation to Macquarie Australia conference

Attached is a presentation to be presented today by the Company's CEO, Harry Debney, at the Macquarie Australia conference in Sydney.

Yours faithfully

A handwritten signature in black ink that reads 'D Thomas'.

David Thomas
Company Secretary



Costa Group

Presentation to Macquarie Australia Conference 2017



Costa today

In Australia today, Costa is acknowledged as an agricultural company with an industrial and strong risk management focus which effectively mitigates much of the traditional volatility associated with agricultural companies.

This has been achieved through a strategic repositioning of the company over the past few years.....

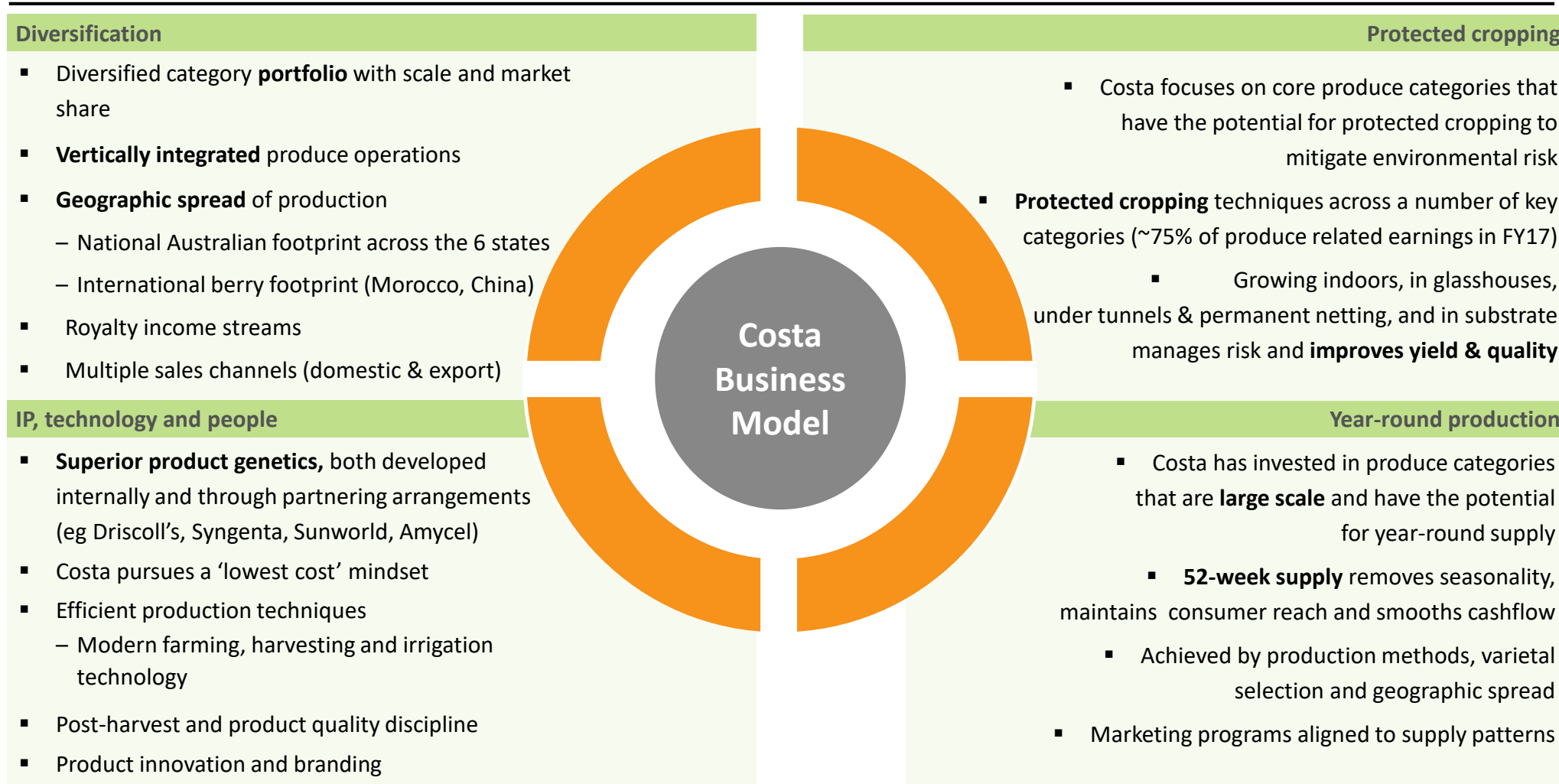


Introduction

- > 100 years old, by 2008 Costa was at a cross roads with a broad range of undifferentiated businesses offering a product range struggling to compete in the world's most concentrated retail landscape.
- Costa needed to reinvent and transform itself and took the following actions:
 - Rationalised its portfolio away from commoditised produce lines where the company did not have adequate points of differentiation - exiting potato, heavy produce, leafy vegetable and stone fruit categories, and enacted a major reduction in table grape, banana, logistics and wholesale market operations.
 - Mushroom, berry, citrus and glasshouse tomato categories retained with ambition to rapidly achieve #1 market positions in each.
 - Adopted an integrated farming – packing – marketing model with a tightly focused group of 4 core categories where Costa could become a highly differentiated market leader.
 - Embraced protecting cropping, large scale production, R&D and achievement of 52 week supply as core business model fundamentals
- Costa is now Australia's leading horticultural company with forecast transacted sales of circa \$1.2 billion in FY2017 and largest produce supplier to each of Woolworths, Coles and Aldi.

Costa's vertically integrated business model is strategically designed to achieve sustainable competitive advantage and manage agricultural risk

Our values and people culture underpins the model and is the main success factor



Proactive adaption to climate change

Costa seeks to adapt to climate change AND to alter the risk profile from traditional agriculture to a semi-industrial exposure:

- We live in an era of climate change, with more frequent and more extreme weather events
- Costa has moved from protected cropping being 30% of produce earnings 5 years ago to ~75 % today
- Geographical dispersal of production sites reduces reliance on a small number of locations. Combination of varieties, protected cropping and geographies mitigates risk
- Spread of harvest to 52 weeks ensures widest market opportunities and provides more stable cash flow



Blueberry farm – Far North Queensland



Raspberry farm - Tasmania

Water management

Water is a scarce resource in Australian agriculture. Costa is sustainably achieving major economies in use of water.

Examples:

New 10 ha tomato glasshouse:

- The facility has been designed for full water self-sufficiency
- Rainfall is collected from the glasshouse roof, buildings, hard stands and land and stored in large holding dams.
- The site is designed to capture all allowable surface water and this passes through an ultra-filtration system to filter it for irrigation use.
- All drain water from the hydroponic irrigation is captured and recycled, resulting in significant water and fertiliser savings.

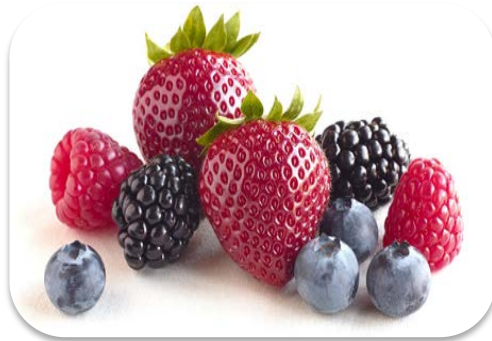
Citrus Farms:

- Costa farms 2,175ha of citrus and other crops in the Riverland region, and relies on the Murray-Darling river system for irrigation
- Soil moisture sensing probes determine precise plant water requirements, plus conversion from sprinkler to drip irrigation reduced water consumption by ~ 40%
- Costa was able to operate through the last eight year drought maintaining tree health and crop yields



New 10ha Guyra tomato glasshouse, NSW commercialised 2016

Multi faceted growth program in progress



2nd tranche of domestic berry growth – with capex of \$80m over 4 years



New \$70m 10ha glasshouse facility for snacking tomatoes commissioned in FY2016



\$65m expansion of mushroom capacity announced February 2017



Avocado category initiated with first farm acquisition (with Macquarie) completed in January 2017



African Blue Moroccan JV, plans to double volume in 4 years



China JV in early stages of development

Avocados – the fifth pillar

- Initiated avocados as our fifth core produce pillar with the acquisition of Avocado Ridge based in Childers, Queensland.
- Together with ripening and marketing capabilities, the addition of a growing function means that avocados will become a truly vertically integrated produce pillar.
- Almost half of plantings are aged two years and under, with balance aged 11 years. Avocado trees mature at seven plus years.
- Currently produce 350,000 trays per annum, which is expected to increase to 800,000 trays over the next five years as trees mature.
- Looking to establish a national production network to enable year round supply.



Childers Avocado farm, QLD



- Presently have circa 4% share of avocado production in Australia. Together with marketing activity total market share is estimated to now be circa 15%.
- Avocado Ridge was the first acquisition under agreement with Macquarie Agricultural Funds Management Ltd formed to jointly investigate and fund M&A opportunities.
- Costa will operate Avocado Ridge under a 20 year lease with sufficient water rights to support plantation through to maturity.

Mushroom capacity expansion



- Monarto's current production of 120 tonnes per week will be doubled to 240 tonnes at an estimated capital cost of \$65 million.
 - Monarto is our most modern mushroom facility and delivers the lowest operating costs across all of our mushroom farms.
 - Central location relative to our network of farms means we can supply all states with mushrooms within 1 – 2 days of shipment.
 - The expansion will also deliver additional pre pack and brown mushroom market development capability.
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- Costa's current market share is estimated at 45% and is expected to grow post expansion.
 - The mushroom sector is currently growing at between 3 to 4% and is constrained by available production
 - Additional production will service this anticipated demand growth and is expected to commence from December 2018.



Trading update

- Reconfirm previous guidance of NPAT (pre-SGARA, material items and non-controlling interests) growth of approximately 25% for the full year.
- All portfolio units have continued to trade well
- No impact from Cyclone Debbie which crossed the coast south of Bowen and missed all of our Far North Qld operations.
- Key seasonal trading in the final weeks of FY2017:
 - Commencement of citrus season with ~100,000 tonnes forecast for the season
 - Far North Queensland berry season is gearing up with volumes increasing from May to fill the autumn/early winter shoulder periods
 - African Blue season is in full swing with harvest expected to be completed by June



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Discussion

