



# FY2018 Results Presentation

August 2018



**LOVACADO**  
Aussie avos. From Costa.



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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.

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*Citrus farms, Riverland, South Australia*



# Highlights

# Highlights

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## Headlines

- NPAT-S growth of 26.3%, in line with plan demonstrates the value and resilience of our portfolio model.
- Morocco experienced prolonged very cold weather throughout spring and early summer causing a eight week delay in crop maturity and a very concentrated late harvest. Consequently, African Blue's contribution to the Group was materially below plan
- In berries, challenges occurred in both Tasmania and on the Atherton Tableland with lower production reducing shoulder season pricing benefits
- The citrus category was the standout with an excellent early start to the 2018 crop and continued strong demand from our export customers
- The mushroom and tomato categories performed well with results exceeding plan
- Continued strong cash flow generation and balance sheet position. The African Blue acquisition was completed during FY18 using debt facilities

# Highlights

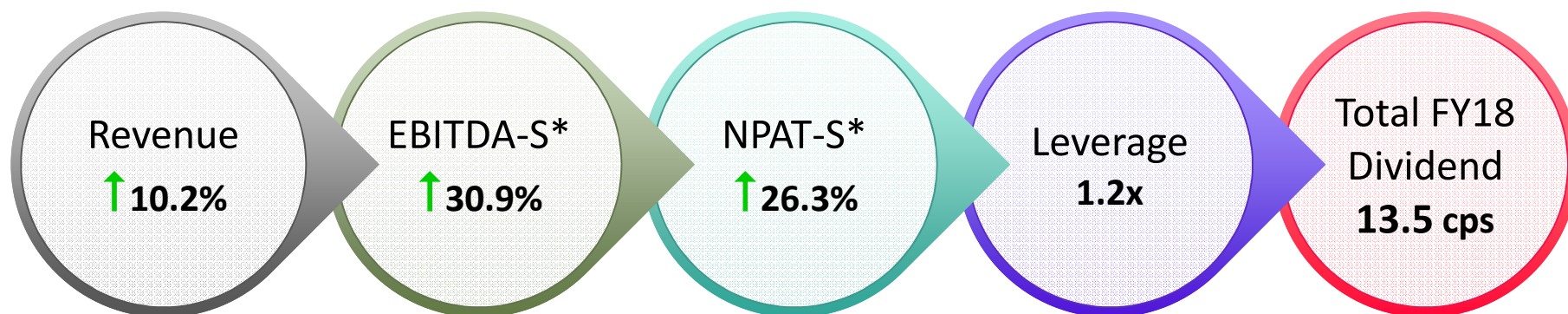
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## Growth Program

- Establishment of **avocados** as the 5<sup>th</sup> core produce category is progressing, with 6 acquisitions completed over the past 18 months, including Koci farm (FNQ) purchase completed in July\*
- Monarto **mushroom** farm expansion progressing to plan
- The 300ha Riverland citrus organic growth program reached 201 ha planted by June, comprising 157 ha of citrus varieties and 44 ha new avocado plantings
- **Berry** expansion plantings across Australia, China and Morocco continuing on track
- Today we announce that at the August meeting, the Board approved construction of a further 10ha glasshouse for snacking **tomato** production. Capex will be \$67m with production expected to ramp up from May 2020. The project will also encompass expansion in nursery capacity and enhanced packing capability across Costa's total 40ha of tomato production

\* 5 of the 6 farms, including Koci, were acquired in conjunction with Macquarie Agricultural Funds Limited

# Highlights



## Financial Performance

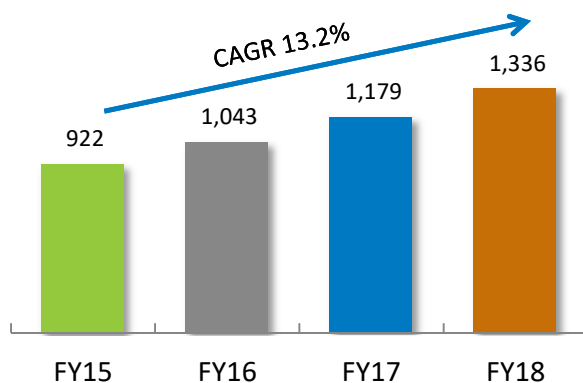
\*

- Revenue growth of 10.2% on FY17
- EBITDA before SGARA and material items (EBITDA-S) growth of 30.9% to \$150.8m
- NPAT before SGARA and material items (NPAT-S) of \$76.7m, or 26.3% growth
- Leverage at 1.2x EBITDA-S at June 2018, with net debt of \$176.1m
- Final dividend of 8.5 cents per share, fully franked (full year 13.5 cps), up 22.7%
- Statutory NPAT of \$115.2m, inclusive of items relating to the African Blue acquisition. This includes a \$48.3m gain from the consolidation of the 49% interest previously held

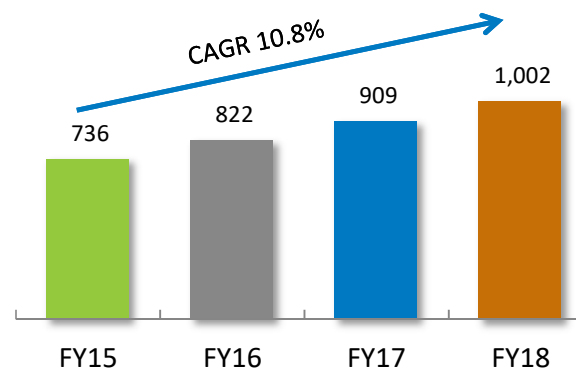
\* Before material items – FY18: African Blue non-cash revaluation gain from first time consolidation and transaction costs. Refer to page 27 for further details. FY17: impairment of Polar Fresh investment. Refer to the Appendix for further details on non-IFRS measures and details of material items.

# Recent Performance

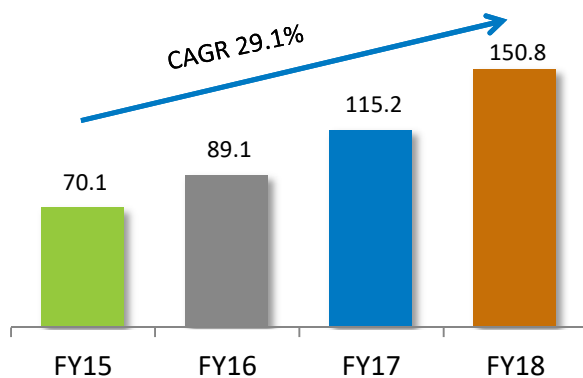
### Transacted sales \$'m



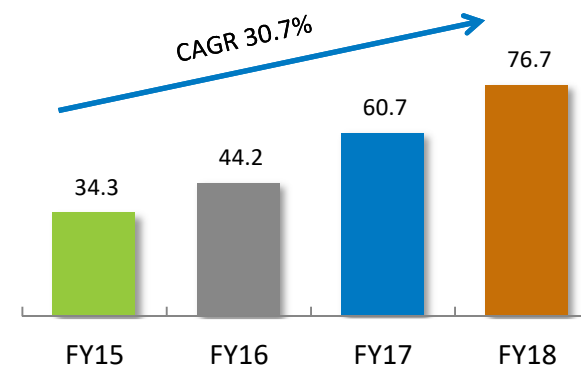
### Total Revenue \$'m



### EBITDA-S before material items \$'m



### NPAT-S before material items \$'m



\* Note: FY15 and FY16 results are pro forma. Refer to the Appendix for the definition of non-IFRS items and details of material items.



# Segment Performance - Produce

## Mushroom

- Results ahead of plan with optimisation of sales and costs within limits of available production capacity
- Performance remains hampered by existing capacity, with Costa sales continuing to focus on the retail segment ahead of new volume when the Monarto farm expansion comes on stream
- Industry demand remains positive with value growth of 6.3%\*

## Berry

- Blueberry production was impacted by lower yields:
  - Pest pressure in FNQ towards the end of the 2017 crop, and pollination/berry sizing issues arising from adverse weather conditions early this year. The dedicated varietal improvement facility at Atherton aims to develop varieties specifically suited to low latitude environments here and overseas, especially China and Mexico
  - Regenerative pruning undertaken in Tasmania on the established soil planted farms reduced this year's crop
  - Strong production volumes at Corindi partially offset these shortfalls
- Raspberry production improved from prior year, but was challenged by a concentrated summer peak impacting promotional planning and sales outcomes
- Continued gains from cost improvement initiatives, leveraging increased scale and technology delivering substantial sustainable cost savings
- Industry volume growth remains high, with pricing offsets particularly in the peak season
  - Blueberry: volume +25.2%, pricing -7.5% \*
  - Raspberry: volume +19.1%, pricing -6.3% \*

# Segment Performance - Produce

## Citrus

- Excellent result with significant tailwinds in FY18. Timing benefit from a late start to the 2017 season/early start to 2018 season was coupled with excellent crop quality and strong export market demand for navel oranges and seedless mandarins
- The 2018 calendar season is estimated at ~ 80,000 tonnes, down approx. 20% on the prior season following the normal biennial bearing cycle
- Reduction in trade tariffs has opened up Korea as an exciting new export market, with consumer preferences similar to Japan and greater per capita demand
- The Murtho (navel orange) packing line upgrade has progressively improved productivity and is on target to deliver expected operating cost benefits

## Tomato

- A solid year led by continuing improvement from the new 10ha glasshouse, with yield again exceeding expectations
- Costa's truss plantings now reduced to 25% of total planted area with focus on snacking and cocktail segments
- Industry truss and field segments were down 12.2% and 12.6% respectively, led by pricing\*
- The snacking segment grew 4.8%; +13.9% volume growth net of 8.1% price reduction\*

# Segment Performance – Produce, CF&L

## Avocado

- FY18 reflects a full 12 months result for both the acquired Central QLD and Atherton farms
  - Coastal Avocados (NNSW) acquisition completed in Mar-18. FY18 result includes farming costs for Q4, with harvest from Jul-18
  - Minor year on year impact from the other 3 bolt-on acquisitions
- Central QLD volumes were ~20% below expectation, due to a combination of reduced fruit set as well as hail at the Kumbia farm
- Production from the Atherton farms were conversely ~20% above expectations
- Pricing for most of the year was strong due to low industry volumes from Central QLD, WA and NZ seasons
- Increased supply from the new FNQ and Central QLD seasons resulted in significant price pressure over Q4. This negatively impacted Costa category outcomes for the year
- Overall industry value growth 1.0%, reflecting supply shortages for most of the year with volume -13.5%, offset by higher pricing +16.7% \*

## Costa Farms & Logistics

- Good overall outcome, with additional services income offsetting lower earnings from wholesale operations due to lower banana pricing and reduced availability of avocados and mushrooms
- Polar Fresh wind up completed in October 2017

# Segment Performance - International

## Morocco

- The cold northern hemisphere spring/early summer delayed both the China and Morocco harvests, with Morocco the most significantly affected
- The exceptional weather delayed harvest by approx. 8 weeks with overall yield ~10% below expectations, and a higher proportion of lower grade fruit
- The truncated season with its concentrated late harvest resulted in reduced market realisation
- Other blueberry producing regions were also affected. The competing Spanish season was also impacted by disease (botrytis) and reduced quality which depressed pricing levels in the market

## China

- Overall performance in line with expectation, reporting a modest profit
- 2nd blueberry harvest completed including the new Manlai farm of 20ha. Market pricing was below expectation primarily due to late harvest timing clashing with higher quantities of imported fruit, however the locally grown product continued to price at a substantial premium
- Chinese consumer uptake of raspberries and blackberries has been slow, with further market development required

## Licensing

- Income stream continues to grow across Driscoll's Americas plantings and Morocco

# Financial Results



# FY2018 vs FY2017 Results

*African Blue results consolidated from Dec 2017, previously equity accounted*

A\$m	FY2017	FY2018	Variance
Revenue	909.1	1,002.0	93.0
Share of assoc. and joint ventures	16.2	6.8	(9.4)
Operating expenses	(810.1)	(858.1)	(48.0)
<b>EBITDA before SGARA</b>	<b>115.2</b>	<b>150.8</b>	<b>35.6</b>
Fair value mvmt in bio. assets	5.9	(4.0)	(9.9)
<b>EBITDA</b>	<b>121.1</b>	<b>146.8</b>	<b>25.7</b>
Depreciation & amortisation	(27.8)	(34.7)	(6.9)
Profit/(loss) on sale of assets	0.3	(0.3)	(0.6)
<b>EBIT</b>	<b>93.6</b>	<b>111.8</b>	<b>18.2</b>
<b>NPAT (before material items)</b>	<b>64.7</b>	<b>76.6</b>	<b>11.8</b>
Material/pro forma items, post tax	(7.1)	41.2	48.3
Non-controlling interest	0.1	(2.6)	(2.7)
<b>NPAT attributable to shareholders</b>	<b>57.7</b>	<b>115.2</b>	<b>57.5</b>
NPAT-S (before material items)	60.7	76.7	16.0
Transacted Sales	1,179.2	1,336.1	156.9

## Key Highlights

### Revenue +10.2%:

- \$1B revenue milestone reached for the first time
- Revenue growth achieved across all reportable segments
- Avocado and citrus sales were the largest growth contributors
- ~19% of sales revenue is now from outside Australia (including exports)

### EBITDA before SGARA +30.9%:

- EBITDA-S margin improvement from 12.7% to 15.0%
- Strong performance from Produce and increased weighting from the International segment

### NPAT-S +26.3% (before material items):

- Depreciation expense increase \$6.9m reflective of new capex and African Blue consolidation (\$2.4m)
- SGARA: largest driver of decrease due to release of African Blue biological assets acquired following harvest

### Material items:

- FY18: African Blue - gain on revaluation of equity investment, amortisation of acquired intangibles and transaction costs
- FY17: Polar Fresh exit and impairment

*Note: Refer to the Appendix for a reconciliation of statutory NPAT to the non-IFRS measures disclosed, details of material items*

# Produce

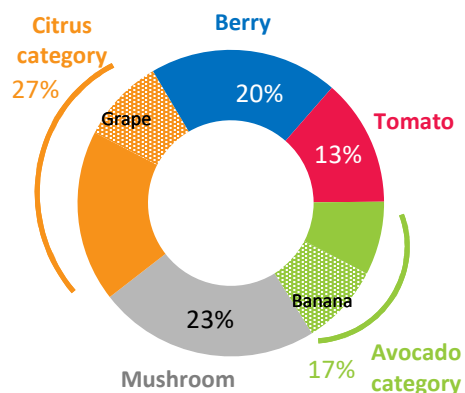
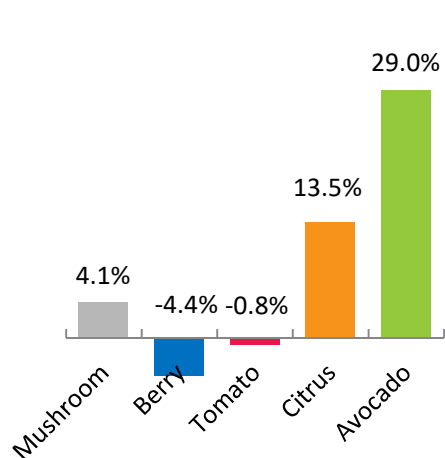
## Segment financial and operating metrics

A\$m	FY2017	FY2018	Var
Revenue	786.2	843.3	57.1
EBITDA before SGARA	96.7	119.3	22.6
EBITDA-S margin	12.3%	14.1%	1.8%

Transacted sales	1,028.5	1,180.3	151.8
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Revenue growth: + 7.3%

FY18 share of revenue



### Category highlights:

- Mushroom:** incremental production gains achieved, but overall performance capacity constrained
- Berry:** A challenging year, with volume shortfalls impacting
  - Blueberry pricing was lower with additional industry volumes plus impact of FNQ and Tasmania quality/volume
  - Raspberry pricing outcomes were in line with expectations despite the operational challenges over summer
- Tomato:** revenue reduction due to lower truss sales, with progressive shift to snacking and price lower than FY17 (tighter truss market in FY17) Snacking/cocktail sales up with increased production of ~15%
- Citrus:**
  - Citrus revenue growth 31%, with export sales \$99m (FY17 \$70m). Average FX rates JPY 86 and USD 0.78
  - Overall category revenue growth lower due to mix of 3<sup>rd</sup> party traded fruit, including table grapes
- Avocado:**
  - Includes full year of FNQ and Childers farms, and farming costs for the Coastal Avocado farms acquired in March
  - In addition to the new farms, marketing activities for both avocado and bananas contributed to the strong sales growth. Avocado transacted sales now in excess of \$100m pa.

# Costa Farms & Logistics

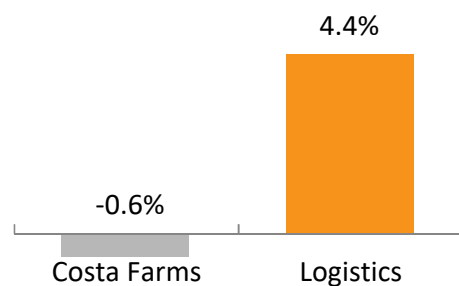
## Segment financial and operating metrics

A\$m	FY2017	FY2018	Var
Revenue	151.6	152.2	0.6
EBITDA before SGARA	4.3	5.7	1.4
EBITDA-S margin	2.9%	3.7%	0.8%

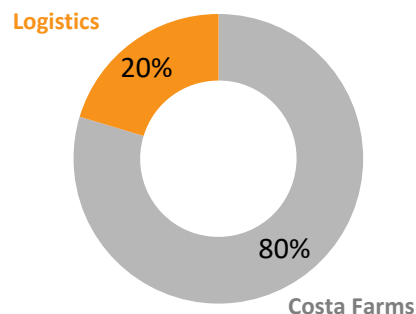
Transacted sales	151.0	149.3	(1.7)
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- **Revenue** in line with FY17:
  - Trading flow across the wholesale markets was dampened by lower availability of product from the core produce lines
  - Increases in service income such as ripening and handling fees partially offset this lower volume, with an overall lower contribution from the markets
  - Logistics volume growth achieved through increased utilisation of the Eastern Creek facility

### Revenue growth: +0.4%



### FY18 share of revenue



- **EBITDA before SGARA** increase of \$1.4m against FY17:
  - FY17 results include a \$5m onerous lease provision for the Eastern Creek DC
  - FY17 results also include Polar Fresh trading results
  - Logistics contribution reduced from closure of Polar Fresh operations (substantially exited during FY17 with the final site hand over completed in October) and renewed Jandakot contract with lower margins



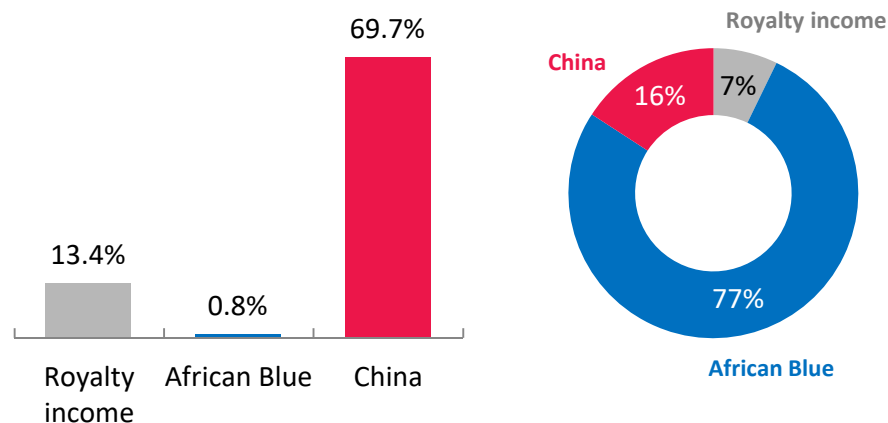
# International

## Segment financial and operating metrics

A\$m	FY2017	FY2018	Var
Revenue	11.9	74.4	62.5
EBITDA before SGARA	14.2	25.8	11.7
Transacted sales	40.4	74.5	34.1
Transacted sales – pro forma *	68.7	74.5	5.8
EBITDA-S / Trans. sales	35.1%	26.7%	(8.4)%

T/sales (pro forma): +8.4%\*

FY18 share of T/sales\*



Notes: \* African Blue FY17 Transacted Sales stated at 100% to provide year on year comparative.  
Graph data is prior to intersegment eliminations

### African Blue

- Pro forma transacted sales flat vs pcp with the delayed harvest, concentrated lower volumes and quality issues impacting
- Only ~60% of product sold was first grade (vs pcp 76%) with a large volume of stock converted to frozen at the end of the season
- Average sell prices were impacted by missing shoulder season pricing, quality, and marketing challenges due to a larger, more compressed peak which overlapped with competing production
- Refer to the Appendix for the accounting and reporting implications arising from the majority share acquisition of African Blue

### China:

- China sales growth primarily due to harvest of additional 20ha of blueberries from the second farm at Manlai
  - Yields were in line with expectations but pricing was lower, largely due to the delayed crop
  - Cost performance was better than expectation
- Raspberry yield performance was strong, but pricing was disappointing with low consumer uptake

### Royalty income:

- Continued growth across both Morocco and Driscoll's US licensing streams. Royalty income from African Blue now eliminated for group reporting
- Growth in Driscoll's US licensing due to fruit production royalty component, with plant sales stable year on year

# Cash flow

A\$m	2017	2018	Var
<b>EBITDA-S</b>	<b>115.2</b>	<b>150.8</b>	<b>35.6</b>
Less: share of JVs profit	(16.2)	(6.8)	9.4
Dividends from JVs	9.2	5.5	(3.7)
Movement in working capital / non-cash items	0.6	(1.9)	(2.5)
Operating capex	(18.0)	(18.9)	(0.9)
<b>Free cash flow</b>	<b>90.8</b>	<b>128.7</b>	<b>37.9</b>
Productivity & growth capex	(39.2)	(70.7)	(31.6)
Payments for business acquisitions	(3.8)	(4.2)	(0.4)
Payment for acquisition of subsidiary	-	(57.4)	(57.4)
Disposal of investments/PPE	3.7	0.7	(3.0)
<b>Net cash flow before financing, tax, dividends &amp; material items</b>	<b>51.5</b>	<b>(2.9)</b>	<b>(54.3)</b>
<b>Cash conversion ratio <sup>(1)</sup></b>	<b>79%</b>	<b>85%</b>	

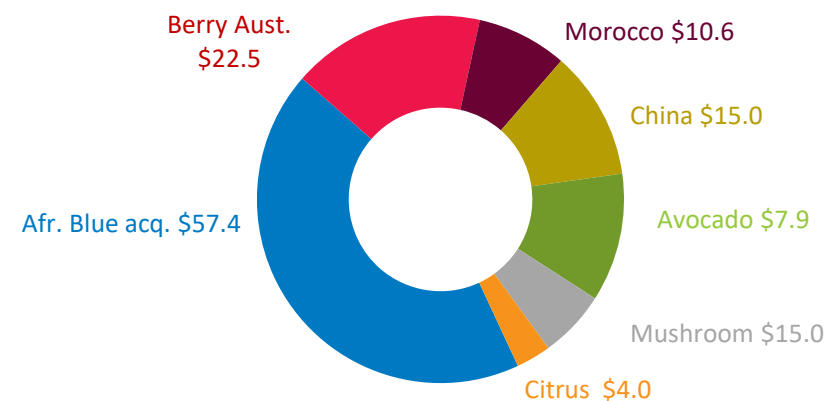
Note:

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

## Key Highlights

- Strong full year free cash flow outcome with 85% cash conversion ratio
- Excellent working capital position relative to earnings growth.
- JV adjustments now predominantly relates to just the Driscoll's Australia marketing JV, with residual values relating to Polar Fresh
- Operating capex in line with expectations
- Total investment in growth initiatives \$132.3m
  - African Blue payment \$68.6m, less cash \$11.1m acquired

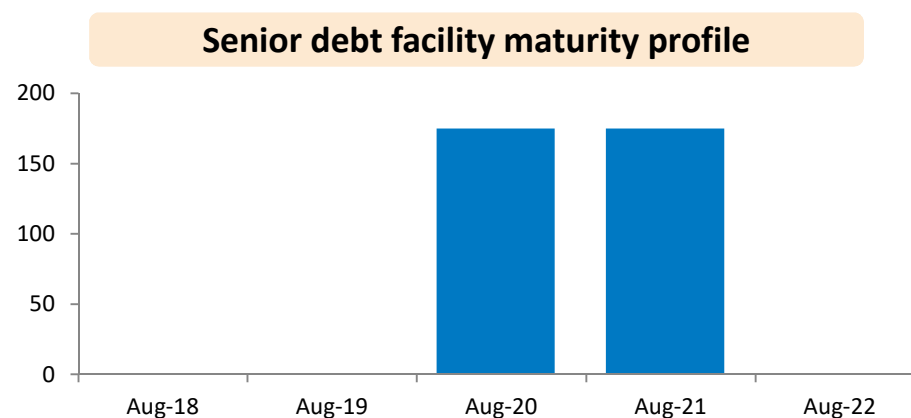
### Growth Initiatives \$132.3m



# Balance sheet & net debt

A\$m	Jun-17	Jun-18	Var
Cash & cash equivalents	22.6	60.4	37.8
Receivables	87.4	109.8	22.4
Inventories	18.1	26.0	7.9
Biological assets	46.0	47.8	1.8
Equity accounted investments	32.4	11.4	(21.0)
Intangibles	143.1	255.8	112.7
Property, plant & equipment	282.0	364.6	82.6
Other assets	16.6	13.7	(2.9)
<b>Total Assets</b>	<b>648.2</b>	<b>889.6</b>	<b>241.3</b>
Payables	102.7	127.0	24.3
Borrowings	106.8	236.5	129.7
Provisions	25.0	26.1	1.1
Other liabilities	17.6	20.7	3.1
<b>Total Liabilities</b>	<b>252.1</b>	<b>410.3</b>	<b>158.2</b>
<b>Net Assets</b>	<b>396.2</b>	<b>479.3</b>	<b>83.1</b>

	Jun-17	Jun-18	Var
<b>Net debt</b>	<b>84.2</b>	<b>176.1</b>	<b>91.9</b>
<b>Net debt / LTM EBITDA-S</b>	<b>0.7x</b>	<b>1.2x</b>	<b>0.4x</b>



- Net leverage increased to 1.2x EBITDA-S at Jun-18, primarily due to payment for African Blue acquisition
- Balance sheet and debt facilities remain comfortably positioned
- African Blue acquisition and consolidation driving the significant movements in the balance sheet:
  - Switch from equity accounting to consolidation/goodwill
  - Consolidation of working capital accounts
  - PPE increase also reflective of other growth capex investments

# Growth Plan Update



# #1 Australian Berry expansion

- FY18 expansion completed to plan with a total of 97 ha planted
- FY19 planting program of 45ha includes 24ha blackberries (Tasmania, FNQ)
- Significant volumes of Arana blueberries expected to be harvested this season – approx. 1/3 of Corindi production. The majority of these berries will be marketed in a premium priced 200g pack
- First (small) harvest of Tasmania blueberries from substrate expected this forthcoming season
- Tasmania farming footprint has been progressively reconfigured to have distinct raspberry, blueberry, strawberry and blackberry growing areas to leverage scale. This will be complete in 2019 following final 4ha relocation of raspberries



*Costa's Arana blueberry*



*New Arana premium packs*

## #2 Avocado vertical integration

- Significant progress achieved establishing avocados as the 5<sup>th</sup> vertically integrated category
- 6 acquisitions completed since launch\*:
  - 3 core ‘hubs’ in FNQ, Central QLD and NNSW, each with packing facilities and a network of third party growers
  - 3 smaller ‘bolt-on’ acquisitions – 2 in FNQ (including Koci farm) and 1 in Central QLD to bulk out each region
  - Supplemented by 100ha avocado plantings on Costa’s Riverland citrus orchards, provides seasonal coverage from Feb-Dec
  - Total production at maturity ~ 2m trays
  - Additional 3<sup>rd</sup> party volume of 2.6m trays pa supports sales program
- Koci farm acquisition completed in July
  - 40ha existing farms, 50% mature, 50% young, with area for expansion
  - Inland location for early season supply Feb-Mar
  - Approx 90,000 tray production at maturity
  - Acquired in conjunction with Macquarie
- Lovacado brand launched for premium Costa packed product.
  - ~7.5% of 2019 Australian avocado production is expected to be branded Lovacado next year (of Costa total market share ~20%)

\* 5 of the 6 farms acquired in conjunction with Macquarie Agricultural Funds Ltd



Kazim Rd avocado farm, Atherton



Lovacado trays

## #3 Mushroom expansion – Monarto SA

- Monarto is Costa's most modern composting and growing facility in our portfolio of mushroom farms.
- Project announced in Feb-2017, with intention of doubling current facility capacity of 120T to 240T per week. Project cost \$71m
- Additional production capacity expected from Q1 calendar 2019, reaching the full incremental capacity from Q3 2019
- Project construction is on schedule
  - Phase 1 compost: preparation concrete areas completed; dam site works progressing
  - Phase 2-3 compost: Tunnel Steel erection & room fit out near complete
  - Growing rooms: concrete, plumbing and steel works underway
  - The solar farm for the existing 120T production has been established, and will be doubled to cater for the expanded farm once commissioned
- Cashflow – \$14m capex spent to date, remaining \$57m to be spent over the next 15 months



*Monarto farm expansion in progress*



*Compost bunkers under construction*



*First stage of new solar farm installation*

## #4 Tomato glasshouse expansion

- Costa commissioned a new 10ha glasshouse in July 2015 in Guyra, NSW to further develop the snacking tomato segment
  - Performance from that glasshouse has been exceptional, and has continued to improve since commissioning
  - The site was configured for future expansion, with room and infrastructure for a further 10ha
- The additional new 10ha will provide further growth capacity for snacking tomatoes, and also provide optionality to internalise production that is currently outsourced to 3<sup>rd</sup> party glasshouses
- The expansion will include new nursery facilities to enable integration of Costa's expanded plant requirements, and enhanced packing facilities for improved productivity and post harvest care across Costa's total 40ha of production in Guyra
- The site will continue to be water self-sufficient, with water capture and recycling sources meeting all requirements. A stand by bore is able to be utilised in the event of exceptionally dry conditions
- First planting expected from March 2020
- Total cost of \$67m will be funded from cash flow and debt



*Inside the glasshouse*



*Grafted nursery seedlings*



## #5 International growth projects

### China

- Expansion program progressing well. 100ha planted at the end of FY18 across 3 farms, 77ha blueberry, 16ha raspberry, 7ha blackberry
- Further 65 ha to be planted 2019, predominantly blueberry. Capex cost A\$31m. Significant development work completed ahead of the current wet season
- Land options for 2020 plantings are currently being explored
- On-going development of the local leadership and management team, with a mix of local and overseas staff



*Manlai berry farm, China*

### Morocco

- 294ha now planted at the end of FY18 across 6 farms, including 21ha in Agadir (Southern Morocco) for season extension
- 2018/19 program will focus on further plantings in Agadir
- Rain delays impacted the startup of the new packing shed until mid-season
- 44ha of substrate plantings to date undertaken on existing farms to utilise areas unsuitable to soil production
- R&D program in Morocco showing promising signs on a number of early season varieties



*New substrate plantings, Morocco*

# Outlook

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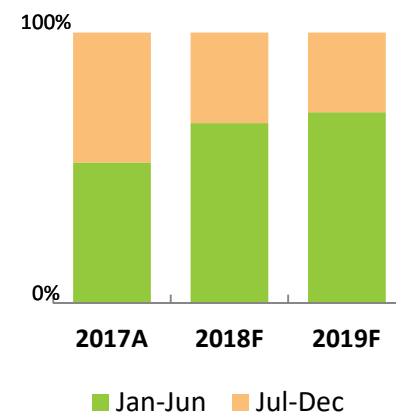
## Outlook

- Costa's growth plans continue to build capacity and market positioning both domestically and internationally
- During 2019 significant scale will be delivered in mushrooms and avocados, and together with growth in tomatoes and berries are expected to provide long term sustainable returns
- Based on the current trading conditions, the company expects to generate low double digit NPAT-S in the year ahead to 30 June, 2019
- Forecast growth in the coming year is consistent with our target of generating a strong return on capital and low double digit annual average earnings growth over a 3-5 year horizon
- The group balance sheet remains robust with ample capacity to continue to pursue a disciplined M&A and organic growth agenda

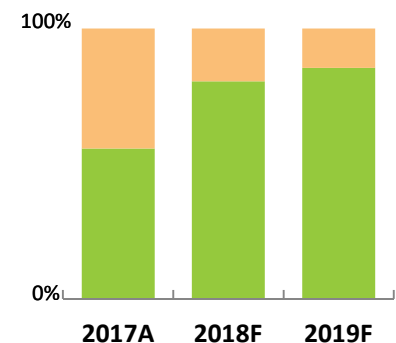
# Change in financial year end to December

- Through execution of the Company's domestic and international growth platforms, Costa's earnings profile has become dramatically skewed to the January - June half year reporting period
- This trend will become further pronounced with on-going expansions, amplified by additional farming cost investment required over July-December
- The underlying operating cycles of the majority of Costa's categories now better reflects a calendar cycle, with Tasmanian berries being the only seasonal crop spanning the December reporting period
- **Accordingly, we announce today a change to Costa's financial year to January to December, which more closely aligns Costa's reporting period with operating and harvest cycles, and improves the robustness of the Company's planning and reporting cycles**
- To **transition**, Costa will report a 6 month interim fiscal period to Dec-18, followed by the 2019 calendar year
- As a consequence of this earnings profile shift, each subsequent Jul-Dec half year will contribute less in earnings than previous years, due to additional farming cost investment. This is amplified in 2018 due to an additional 5 months consolidation of African Blue relative to 2017, when the business was equity accounted
- Taking into account this transitional phase, CY2018 results will be lower than CY2017. However, the Company continues to project strong growth into 2019, with an average trajectory of low double digit NPAT-S growth over the 2017 to 2020 calendar years

**EBITDA – % of earnings**



**NPAT-S - % of earnings**



# Appendix: African Blue Acquisition

## Accounting & reporting implications

### Transaction details

- Agreement to acquire 41% of African Blue SA, increasing Costa ownership to 90%
  - Initial 37% acquired on 27 November 2017
  - Option to acquire further 4% over next 3 years

### Consideration

- Cash consideration of \$68.6m for initial 37%
- Value of remaining 4% based on meeting earnings thresholds over the next 3 years, with an estimated fair value of \$9.1m recognised as a financial liability at acquisition date
- FY18 earnings thresholds not met with adjustment for next 1.33% acquired of \$1.8m, taken to equity
- Acquisition related costs were \$3.5m, predominantly stamp duty

### Accounting & reporting

- Equity accounted (49% of NPAT) to Nov-17
- Consolidated from Dec-17

### Business Combinations Accounting

#### 1. Fair value of assets acquired and liabilities assumed

- Independent valuations undertaken to assign fair values to intangible assets and liabilities (eg brand names, customer contracts and re-acquired rights)
- Provisional accounting adopted in June, to be finalised for Dec-18 reporting

#### 2. Re-measurement of existing 49% interest in African Blue

- Requirement to revalue existing 49% interest as if it was disposed of and repurchased at the transaction value, adjusted for control premium paid
- Resultant non-cash gain of **\$48.3m**, and disclosed as a material item

#### 3. Goodwill

- Goodwill of **\$99.7m** provisionally recognised, including the step up gain of \$48.3 m

#### 4. Material items associated with the transaction: \$41.2m

- Comprises non cash gain \$48.3m, less acquisition costs \$3.5m and amortisation of customer contracts and re-acquired rights of \$3.6m, tax effected

## Appendix - Material items

A\$m		1H FY17	1H FY18
Polar Fresh impairment	1	7.9	-
African Blue step-up valuation gain	2	-	(48.3)
African Blue transaction costs	3	-	3.5
Amortisation of intangibles	4	-	4.6
<b>Total material items (before tax)</b>		<b>7.9</b>	<b>(40.3)</b>
Tax effect on material items		(0.2)	(1.0)
<b>Total material items (after tax)</b>		<b>7.7</b>	<b>(41.2)</b>

- 1. Polar Fresh impairment:** write-down against the carrying value of the investment due to the decision taken to wind down operations
- 2. African Blue step-up valuation gain:** notional disposal and repurchase of existing 49% equity stake at the transaction value, less control premium, upon first time consolidation of African Blue. This gain has no tax impact
- 3. African Blue transaction costs:** comprised of stamp duty, due diligence, legal and other expenses associated with the acquisition of African Blue
- 4. Amortisation of intangibles:** comprises amortisation of customer contracts and re-acquired rights arising from the African Blue acquisition. These amounts will be written off over a period of 2 years

# Appendix - Explanation of certain non-IFRS operating measures

Term	Definition
<b>Transacted Sales</b>	<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"> <li>• statutory revenue;</li> <li>• gross invoiced value of agency sales of third party produce;</li> <li>• Costa's proportionate share of joint venture sales relating to the African Blue (prior to Costa's majority share acquisition) and Polar Fresh joint ventures;</li> <li>• 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.</li> </ul>
<b>EBITDA before SGARA (EBITDA-S)</b>	Earnings before interest, tax, depreciation, material items and fair value movements in biological assets (SGARA)
<b>NPAT-S</b>	Net profit after tax attributable to shareholders, but excluding material items and SGARA