



ABN 33 115 131 667

ASX: CBO

ASX Announcement – 21 February 2022

Financial Results for the Six Months to 31 December 2021

Cobram Estate Olives Limited (“CBO” or “the Company”), one of the world’s leading vertically integrated olive growers and marketers of premium quality extra virgin olive oil, today announced its financial results for the half year ended 31 December 2021 (1HFY22).

CBO is hosting a webinar to discuss its 1HFY22 results tomorrow, **Tuesday, 22nd February 2022, commencing at 8:30am Melbourne time**. Presentation materials for the webinar have been lodged with ASX along with this announcement. These materials can also be accessed on the Company’s website at <https://investors.cobramestateolives.com.au/investor-centre/>.

To register for this webinar briefing, please click on the link below:

https://us06web.zoom.us/webinar/register/WN_XT3tC24iTb-hPfb1ItyTxQ

A recording of the webinar will also be made available on the Company’s website after the meeting, and can be found by clicking on the link below:

<https://investors.cobramestateolives.com.au/investor-centre/?page=presentations-and-publications>

Key Messages

- The Company delivered improved earnings in 1HFY22, with the group reporting half-year EBITDA of \$4.8 million (up 109% versus the prior year (1HFY21)), and half-year operating cash flow before interest and tax of \$18.2 million (up 57% versus 1HFY21).
- Overall, production costs for the half were lower than budget.
- Group sales were down 3.0% versus 1HFY21, driven by a lack of availability of Californian olive oil which impacted the Company’s USA sales. This shortfall is primarily a result of the Company being unable to secure additional bulk Californian olive oil on the spot market from third-party millers, due mostly to increasing demand from the food service industry as it recovers from prior period covid closures, leaving the Company with less Californian olive oil to sell compared to the comparative period.
- The Company completed a \$50 million equity placement in December 2021 at \$2.00 per share. Of the funds raised, \$35 million will be used to develop new olive groves in the USA which will boost the Company’s medium-term supply of Californian olive oil.

- Australian olive oil sales were up 5.7% for the half year.
- Crop projections recently completed by management for the upcoming 2022 Australian olive harvest indicate slightly higher crop potential than budget, however estimating crop yields in advance is of course uncertain due to the influence of multiple factors including future weather and growing conditions.
- The Company's Californian olive harvest, completed in November 2021, produced 2.2 million litres of olive oil, in line with expectations.
- The purchase of two new parcels of land in California was completed in December 2021 (~\$9.4 million). This provides the company with an additional 450 acres (182 hectares) to be planted to olives in FY2023. Other pipeline acquisitions are under consideration.
- CBO recently signed a carbon farming agreement with the Carbon Farming Foundation to establish 200 hectares of native trees on land unsuitable for olives at our Boundary Bend site.

Financial Results

It is important to note that in its half year accounts the Company does not recognise the expected pro-rata increase in net value of the 2022 Australian olive crop on the Company's trees. The value of the crop will be recorded at financial year end based on final harvest yields. As a result, the Company's half year accounts do not recognise any profit relating to the 2022 Australian olive crop.

For the half year to 31 December 2021, the Company reported a net loss after tax of \$5.2 million (1HFY21: \$6.6 million loss). On an EBITDA level, the Company reported an EBITDA profit of \$4.8 million (1HFY21: \$2.3 million profit).

Operating cashflow for the period was strong, with the Company generating operating cashflow before interest and tax of \$18.2 million (\$11.6 million 1HFY21).

Pleasingly, production costs for the half were below budget expectations. Although we have seen costs pressures in areas such as fertiliser, freight, and diesel, these have been offset by lower prices on two of our larger input costs in electricity and water.

The Company reported group sales in 1HFY22 of \$70.2 million versus \$72.4 million for the half year ended 31 December 2020 (1HFY21). The company still expects to achieve modest full year sales growth.

Australian olive oil sales for the half were up \$3.0 million (5.7%) to \$53.5 million, driven by good performances across branded, private label, and bulk sales.

USA sales were significantly constrained by limited Californian olive oil supply (see detailed explanation on the following page), with sales of \$15.9 million¹ in 1HFY22 (\$20.7 million 1HFY21). A strong start to the second half has been recorded with new season olive oil in the tanks, and we are expecting this trend to continue over the coming months.

¹ All figures are in Australian Dollars (AUD).

The Company's balance sheet is strong, having recently completed a successful \$50 million institutional placement. Gearing as at 31 December 2021 was 28% (37% at 30 June 2020).

The Company continued to invest in capital projects aligned to its four core growth strategies, with capital expenditure during the period of \$18.5 million (1H FY21 \$8.7 million), which will continue to drive future growth.

EBITDA results by segment are as follows:

Division	EBITDA 6 months to 31 December 2021	EBITDA 6 months to 31 December 2020
Australian Olive Oil Operations (includes corporate expenses)	\$5.8 million	\$4.7 million
USA Olive Oil Operations	\$(0.2) million	\$0.8 million
Innovation and Value-Add	\$(0.8) million	\$(3.2) million
Total	\$4.8 million	\$2.3 million

Limited Availability of Californian Olive Oil Supply Constraining USA Sales

As previously communicated in our December 2021 Investor Presentation, the Company's USA sales are being constrained by the availability of Californian olive oil, the supply of which is currently well below the level of demand the Company is experiencing from both retail and foodservice customers.

The Company currently sources Californian olive oil in three ways: (1) olive fruit sourced from third-party olive growers normally under three to five-year contracts and milled in our company owned facility; (2) olive fruit sourced from the Company's own groves (small but growing materially); and (3) olive oil sourced in bulk on the spot market from other Californian olive oil millers (when available).

Whilst the Company's olive oil supply from its 2021 harvest (completed in November 2021) was in line with expectations, both from third-party growers and its own groves, to date the Company has been unable to secure any bulk oil on the spot market from third-party millers due mostly to increasing demand from the food service industry as it recovers from prior period COVID-19 closures. Although we are in advanced negotiations and are still optimistic of securing reasonable volumes of bulk oil, it is unlikely they will match last year's volumes of circa 29% of our total supply. As a result, the Company's USA sales are tightly constrained, leading to the Company having to cut back on shipments of private label products and promotional activity on branded products. Whilst emphasis was given to maintaining branded sales during the period wherever possible, private label remains a major component of the USA olive oil category and a core part of the Company's USA strategy.

USA sales are expected to be stronger in the second half of the financial year, as reflected in the sales achieved from 1 January 2022 through 14 February 2022, during which time we have recorded sales of approximately \$5.0 million. Despite this, as a result of these short-term supply constraints, USA olive oil sales are projected to finish the full year FY2022 down on FY2021.

The constraints experienced on Californian olive oil availability are likely to continue for the short-term whilst supply from maturing olive groves comes on-line (both third-party contracted and the Company's own groves). It is important to note that whilst short-term sales are impacted, this supply constraint in no way impacts the Company's long-term business potential in the USA, and in fact, reinforces the Company's belief in the strong demand opportunities presented by the USA market, and the need to accelerate plantings of the Company's own Californian olive groves.

Quotes from Joint-CEO, Sam Beaton

Financial Results

"It is important to note that we do not recognise the pro-rata net value of the 2022 olive crop growing on our trees in the half yearly accounts. The net value of the crop will be recorded at 30 June 2022 in our full year results when the actual harvest is completed. The Company reported an NPAT loss of \$5.2 million for the six-months ending 31 December 2021, a reduction on the loss of \$6.6 million reported in the first half of FY2021 (1HFY21). On an EBITDA level the Group reported an EBITDA profit of \$4.8 million (1HFY2021: \$2.3 million)".

Capital Raising and Deployment

"The Company is well positioned to execute its growth strategies with a strong balance sheet post its \$50 million capital raising. The Company has now completed the \$9.4 million acquisition of two new Californian properties with a combined area plantable to olives of approximately 450 acres (182 hectares). Once planted, this will increase CBO's plantings in the USA to approximately 1,705 acres (690 hectares)."

"Planning and application works are also well-progressed on the upgrade to the Company's olive milling facilities at Boort, with development set to commence in July in preparation for the 2023 harvest".

Sales Results

"Group sales in 1HFY22 were down \$2.2 million versus the half year ended 31 December 2020 (1HFY21). Australian olive oil sales were up \$3.0 million, whilst USA sales were down \$4.8 million, constrained by tight olive oil supply and the lack of availability of third-part bulk oil. With new season Californian olive oil now in the tanks, a solid start to the second half has been recorded and we are expecting a stronger second half".

"The focus of sales and marketing initiatives remains on the Company's higher margin products in our portfolio, particularly the Cobram Estate® bottle range in both Australia and USA. As part of this, the Company has recently renewed its partnership with MasterChef Australia for the 2022 season".

Segment updates

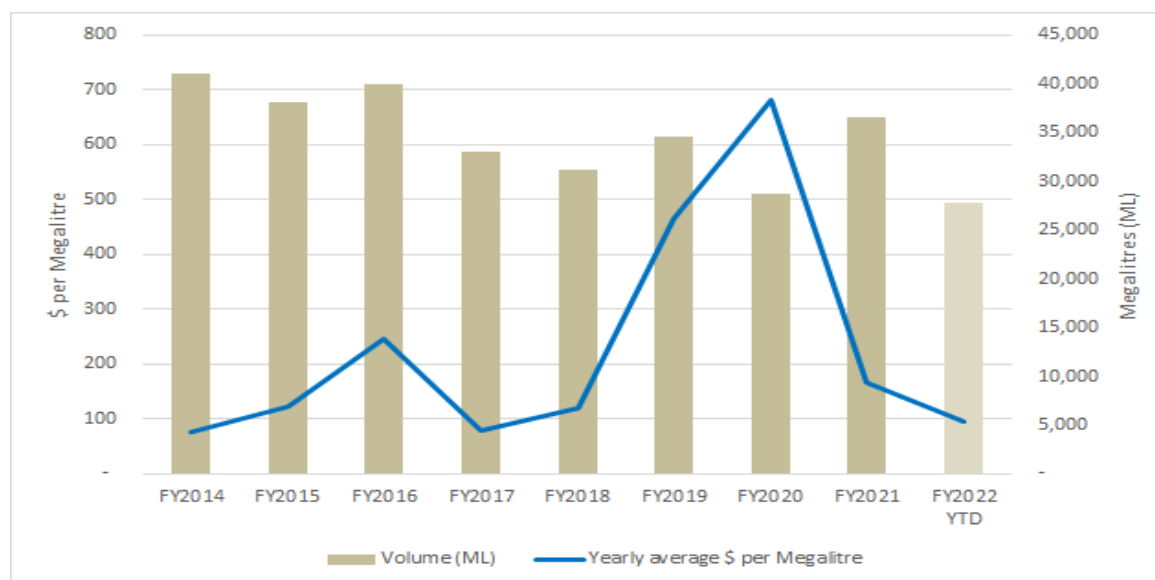
Australian Olive Oil Division

Australian olive oil sales are tracking according to plan, with sales up \$3.0 million (growth of 5.7%) compared to the same period last year. Sales were up across branded, private label and bulk channels. Packaged goods sales have been the key driver, with sales for the half up by \$1.9 million (4.1%) compared to 1H FY21. The second half of the financial year is expected to remain strong. Pleasingly, the Net Price² per litre achieved across all grades of olive oil sold, including all pack formats and bulk olive oil, increased during 1H FY22 (compared to 1H FY21).

We are pleased to announce that we have renewed our partnership with MasterChef as the exclusive olive oil partner and will feature during this year's program which will be run on Channel 10 during the months of May to July. We will also align this partnership with a new marketing campaign that will run on multiple channels including television, digital, radio and outdoor billboards. More details of this campaign will be shared with shareholders closer to the release date.

Allocation water prices continue to soften, with Murray water currently trading at circa \$70 per megalitre (for our Northern Victorian groves) and Goulburn water currently trading at \$60-\$65 per megalitre (for our Boort grove). In FY2022 to 18 February 2022, the Company has purchased 74% of its estimated full year water requirements and has paid an average price of \$96 per megalitre for water purchased, a 43% reduction versus the price paid in FY2021 (FY2021: \$168 per megalitre). Southern Murray water storages are sitting at around 91% full, and we therefore expect water prices to remain soft in the short to medium term.

Cobram Estate Olives annual Temporary Water purchases and average annual price



² Net Price – the total gross sales value for all olive oil sold over the period, less all direct inputs and selling costs associated with the sale of that olive oil (such as trading terms, in-store promotional funding, packaging, bottling, and distribution costs), less all indirect inputs and selling costs (such as marketing, consumer research, and sales and marketing employee costs), divided by the number of litres of olive oil sold during the corresponding period.

The Company has several capital projects that are progressing well, including the planning for the Boort olive mill upgrade, and the planting of an additional 380 hectares of olive groves at our Boort site on greenfield land. Planning for the Boort olive oil mill upgrade is well progressed with development expected to commence following the 2022 olive harvest. This upgrade will increase the capacity of the plant from 30 tonnes of fruit per hour to 80 tonnes of fruit per hour. The requirement for this upgrade is driven by the maturing age profile of the olive trees at our Boort grove, and the increase in contracted third-party fruit that will be milled at this site.

USA Olive Oil Division

As announced in our December 2021 Investor Presentation, we have signed a number of new grower supply contracts, and now have over 5,188 acres (2,100 hectares) under contract in California. These contracts range from 3–5 years plus extension options. In addition, the Company also owns 755 acres (306 hectares) of its own Californian olive groves.

In December 2021 we settled on two parcels of land, of which approximately 450 acres (182 hectares) is plantable to olives. When this new land is planted in FY2023 together with an existing greenfield site, it will add approximately 950 acres (385 hectares) to our existing groves, taking our total planted area of Californian groves to 1,705 acres (690 hectares).

Summary of USA Supply

Third-party grower acres under contract	5,188 acres (2,100 hectares)
Existing CBO grove acres (yet to reach maturity)	755 acres (306 hectares)
New CBO grove acres under development	950 acres (385 hectares)
Total	6,893 acres (2,791 hectares)

We expect that this increase in planted area will more than double our annual oil supply in the medium-term, driven by the maturing of Company-owned olive groves, the maturing of several contracted third-party groves, and the additional supply from new contracted growers. We continue to assess a number of opportunities to allow us to continue adding to our long-term olive oil supply.

Innovation and value add

We have continued to stream-line this area of our business, with more of a focus on ingredient sales and commercial products. Our Wellgrove® products continue to be sold predominately online, with both the USA and Australian sales and marketing functions being now managed by resources within our olive oil teams in both Australia and the USA. Our focus remains on the extraction of value from our waste streams and there are a number of projects we are still developing. We see this as one of our core activities as we strive to continue to improve our environmental sustainability.

2022 Australian Olive Harvest update

The 2022 Australian olive harvest will commence in April and should be completed by the end of June. The olive yield and the volume of olive oil produced from the Company's Australian olive harvest has a significant impact on our annual financial results, with the resulting olive oil crop valued on 30 June.

Due to the biennial nature of olive production, FY2022 will deliver, as expected, and previously announced, a significantly lower yielding olive crop when compared with FY2021.

Flowering on our Australian groves took place from late October through early November. Our flower density assessment was positive, indicating cropping potential in line with, or slightly above our forecasts. The fruit set percentage (the percentage of flowers that convert into fruit) was also slightly above average.

The positive indications on crop yield coming from our flowering and fruit set assessments have since been validated by specific fruit sampling of representative trees in mid-January.

These results reflect the very good condition of our trees, the absence of any damaging frost events during winter and early spring, and the favourable weather conditions experienced throughout the growing season.

Based on these results, and assuming reasonable conditions from here until harvest completion, yields are expected to be slightly above the forecasts provided in our 2021 Prospectus.

Environmental Sustainability Update

Carbon Farming Project

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

This initial planting of 200 hectares of native trees will serve as our first foray into carbon farming. We intend to roll out more carbon projects across our Australian properties in the coming years.

Sustainability Victoria grant / circular economy project

CBO, supported by a grant from Sustainability Victoria under the Recycling Victoria Business Support Fund, is currently installing an Australian industry-first facility to process more than 25,000 tonnes of olive pomace each year, and upcycle this 'waste' material into several new circular-economy products.

This new plant, which utilises renewable energy from the combustion of our olive pit biomass, will result in an estimated 65% reduction in the volume of olive pomace material generated, together with lower greenhouse gas emissions. The processing of this olive pomace will also allow us to maximise the quality and quantity of renewable biomass that we can sell as biofuel

and animal feed, together with the extraction of valuable antioxidants and minor components left over after the extraction of olive oil.

Carbon position

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

Outlook FY2022

Despite tight oil supplies that constrained our USA sales in 1H FY22, we are forecasting a modest increase in group year-on-year sales in FY2022, supported by growing consumer demand for high quality extra virgin olive oil.

We also anticipate costs will continue to track in line with budget expectations, with the majority of FY2022 water and other key farming inputs already purchased.

As a result, we expect our Two-Year Rolling Average EBITDA for the Australian olive oil division to increase as a result of the investment the Company has made in new plantings and the maturing age profile of our olive trees. FY2022 Statutory EBITDA, as announced in our December 2021 Investor Presentation, is expected to fall materially due to FY2022 being a lower yielding crop year.

Our recently completed Capital Raising, combined with additional debt capacity and strong operating cashflows, provides us with the financial resources to fully-fund our current medium-term expansion plans.

Additional Information

For further information regarding this announcement and for media enquiries please contact Tim Smith - Email: t.smith@cobramestateolives.com | Phone: (+61) 0408 268 323.

We would like to thank Shareholders for their continued support.

Kind regards



Sam Beaton

Joint-CEO



Leandro Ravetti

Joint-CEO

On behalf of the Board of Cobram Estate Olives Limited.

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About Cobram Estate Olives Limited

Cobram Estate Olives is Australia's largest vertically integrated producer and marketer of premium quality extra virgin olive oil. The Company owns over 2.4 million olive trees planted on 6,584 hectares of farmland in central and north-west Victoria and 149,000 trees planted on 305 hectares of long-term leased and freehold properties in California, USA. In total, the Company owns 18,677 hectares of freehold farmland, of which 16,700 hectares is freehold farmland in central and northwest Victoria and southwest New South Wales. The Company also owns Australia's largest olive tree nursery, three olive mills, two olive oil bottling and storage facilities, and the Modern Olives® laboratory. With operations in Australia and the USA, export customers in 17 countries, and a portfolio of premium brands including Australia's number one extra virgin olive oil*, Cobram Estate®, the Company is a market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming.

For further information, please visit <https://cobramestateolives.com.au>.

** Source: IRI scan data, Financial Year 2021.*