



## BELL POTTER HOME GROWN Agriculture Conference

Cobram Estate Olives Limited  
ACN 115 131 667

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# Cobram Estate Olives - From Tree to Table

Growing and marketing olive goodness in Australia and the USA

## About Cobram Estate Olives

- Established in 1998, Cobram Estate Olives (ASX: CBO) is Australia's largest vertically integrated producer and marketer of premium quality extra virgin olive oil.
- CBO owns Australia's top two home-grown olive oil brands, Cobram Estate® and Red Island®, with a combined value share of 45% of extra virgin olive oil sales in Australian supermarkets (FY2021)\*.
- CBO owns over 2.4 million olive trees planted on 6,584 hectares of farmland in central and north-west Victoria, and 234,000 trees planted on 353 hectares of long-term leased and freehold properties in California, USA.
- In total, CBO owns 18,724 hectares of freehold farmland, of which 16,700 hectares is freehold farmland in central and north-west Victoria and south-west 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.
- CBO is market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming through continued innovation and market education; the release of 27 peer reviewed research publications; the development of the Oliv.iQ® integrated olive production system (<https://oliv-iq.com/>); our zero-waste initiative; and the creation of the Olive Wellness Institute® (<https://olivewellnessinstitute.org/>).





# Competitive Advantages

CBO's key assets deliver significant competitive advantages and strong barriers to entry



**Vertically integrated,  
freehold owned and  
scalable operations**



**Proprietary Oliv.iQ®  
Integrated Olive  
Production System**



**Premium market-  
leading consumer  
brands**



**Continuous  
improvement and  
sustainable practices  
and products**

**Significant Barriers to Entry**

# CBO's Key Consumer Brands Include Market-Leading Cobram Estate®

Iconic, highly visible consumer brands with demonstrated pricing power



## Cobram Estate®

- The #1 selling extra virgin olive oil\* in Australian supermarkets by value in FY2021.
- The #10 selling olive oil brand in the USA by value for the 52 weeks ending 11 July 2021, sold in over 13,100 USA stores\*\*.
- Exported to 16 countries including Canada, Japan and New Zealand.
- Amongst the world's most awarded, winning more than 400 awards for excellence in quality and taste.
- \$76.4 million net sales in FY2021.

## Red Island®

- Purchased in 2012.
- Is now the second largest selling brand of Australian extra virgin olive oil in Australian supermarkets\*.
- Exported to Canada, China, Fiji, Malaysia and New Zealand.
- \$20.2 million net sales in FY2021.
- Multiple awards for excellence in quality and taste.

# CBO's Olive Growing, Milling and Bottling Operations in Australia and USA

Large-scale olive groves and olive mills, delivering efficiencies in olive growing, harvesting, milling and bottling



## Olive groves, harvesters and farmland

- Australia: 2.4 million olive trees planted on 6,584 hectares of Victorian farmland near Boundary Bend, Boort and Wemen.
- USA: 234,000 olive trees planted on 353 hectares of long-term leased and freehold properties near Woodland (California).
- 26 olive harvesters (including 23 Colossus and two Optimus II).
- In total, CBO owns 18,724 hectares of freehold farmland, of which 16,700 hectares is freehold farmland in Victoria and NSW.



## Olive mills and olive oil storage

- Australia: combined milling capacity of 104 tonnes of olives per hour and 6.5 million litres of olive oil storage located on-site at Boundary Bend and Boort.
- USA: milling capacity of 40 tonnes of olives per hour and 2.9 million litres of olive oil storage located at Woodland (California).
- Utilising the Company's proprietary production system - Oliv.iQ® - CBO achieves average olive oil yields nearly nine times the global average per hectare (2,800 litres vs. 283 litres per hectare) with a production cost per litre 30% lower than world's weighted average.



## Bottling, warehouse and laboratory / R&D

- Australia: high-speed filling capacity of 14,400 bottles per hour, 9 million litres of olive oil storage, and approximately 20,000m<sup>2</sup> of warehousing at Lara (near Geelong).
- USA: high-speed filling capacity of 3,500 bottles per hour, and approximately 5,000m<sup>2</sup> of warehousing at Woodland.
- CBO owns and operates one of the worlds leading olive R&D, QA and olive oil testing laboratories – Modern Olives® - with labs in both Lara (Australia) and Woodland (USA).

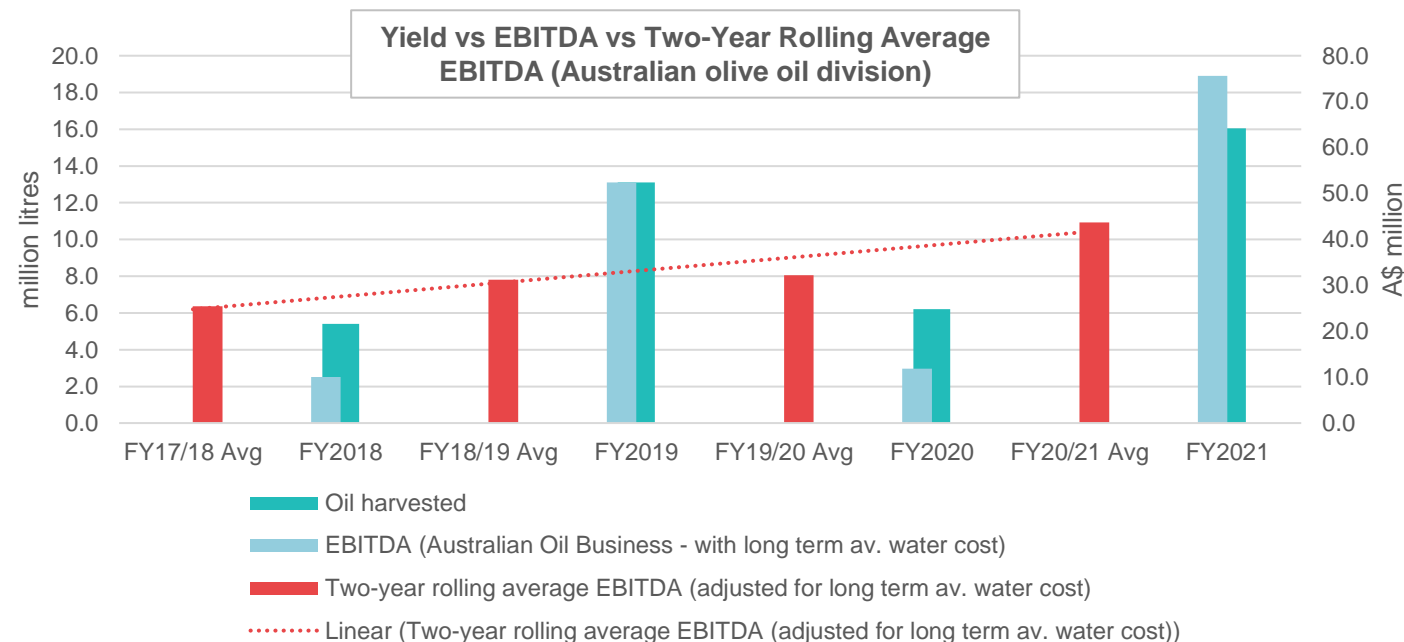


# CBO Earnings Profile

Company performance best assessed by Two-Year Rolling Average EBITDA results

## Biennial production system and impact on EBITDA performance

- Olive trees are naturally biennial, with a “lower yielding crop year” typically followed by a “higher yielding crop year” as reflected by CBO’s “oil harvested” results alongside.
- We manage the lower and the higher cropping years by operating our business on a two-year production cycle.
- Our customers purchase our olive oil on a relatively consistent basis across the year, which can be seen in our sales results.
- Australian accounting standards require the profit from our grove production to be recorded in the year of harvest, not the year the oil is sold, by recording the difference between the cost of production and the net realisable value of the oil produced in that year.
- Given these factors, EBITDA should be viewed over a two-year rolling average period – considering both a “lower yielding crop year” such as FY2020 and a “higher yielding crop year” such as FY2021 (see Australian olive oil division example alongside).
- Due to FY2022 being an expected lower yielding crop year for the company’s Australian olive groves, FY2022 Statutory EBITDA is expected to decrease substantially versus FY2021, reflecting the smaller predicted olive crop and the non-cash adjustment compulsory under the accounting standards.
- We expect our Two-Year Rolling Average EBITDA for the Australian olive oil division to continue increasing over time as a result of investment in new plantings and the maturing age profile of our olive trees.**



## Underlying Australian EBITDA adjusted for long-term average temporary water costs and listing costs

	EBITDA				
A\$ million	FY2017	FY2018	FY2019	FY2020	FY2021
Australian olive oil business EBITDA (reported)	44.2	12.0	42.6	(2.9)	75.1
Adjusting for water costs to long term average*	(3.4)	(1.9)	9.8	14.8	(0.3)
Adjusting for ASX listing costs	-	-	-	-	0.8
Australian EBITDA (normalised)	40.8	10.1	52.4	11.9	75.6
<b>Two-Year Rolling Average EBITDA - normalised (Australian olive oil business)</b>	<b>-</b>	<b>25.5</b>	<b>31.3</b>	<b>32.2</b>	<b>43.7</b>
Change	-	-	+22.7	+2.9%	+36.0%

# Financial Outlook – FY2022

Outlook is positive, underpinned by consumer demand for high quality extra virgin olive oil and our strong olive oil supply position in Australia

- Sales outlook is positive, with strong consumer demand for high quality extra virgin olive oil. Key points:
  - We are expecting year on year sales growth in FY2022 for our Australian operations.
  - USA sales are being constrained by the limited supply of Californian extra virgin olive oil, and although our second half sales are expected to be significantly stronger than our first half, USA olive oil sales are projected to finish the full year FY2022 down on FY2021.
  - Overall, we are expecting a modest increase in olive oil sales across the consolidated group.
- As announced in our February 2022 Half Year Results, we are expecting an increase in our Two-Year Rolling Average EBITDA for our Australian olive oil division, whilst Statutory EBITDA is expected to fall materially due to FY2022 being a lower yielding crop year.
- Strong cashflow from operations in the first half is expected to continue in the second half of FY2022, and we expect cashflow from operations to be materially higher than reported for FY2021.
- Growth opportunities in Australia and USA will drive further investment.





# 2022 Australian Olive Harvest Update

Olive oil yield expected to be in line with or slightly above budget

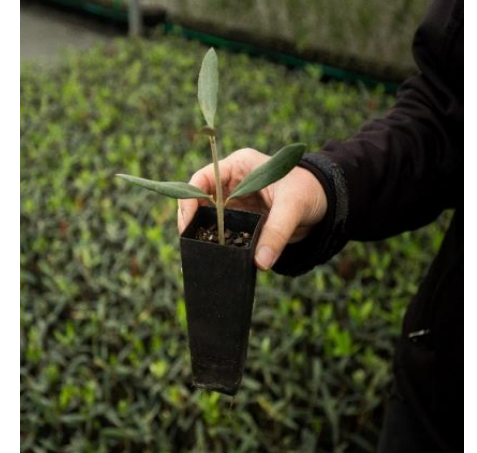
- CBO commenced its 2022 Australian olive harvest in April and is expected to finish in late June.
- The Company is expecting the olive oil yield from the 2022 Australian crop to be in line with, or slightly better than our budget.
- The Company has a number of systems and procedures in place to combat unfavourable weather conditions including colour sorters that separate any lower-quality olives if they come through the mill.



# Business Operations

Minimal disruption to date despite the complexities all businesses are facing due to COVID-19

- Our business operations are running relatively smoothly despite the many challenges faced due to COVID-19.
- The Company's vertical integration puts it in a relatively strong position to handle supply chain disruption.
- The Company has experienced some cost pressure in areas such as packaging materials (particularly in the USA), and across the entire business for inputs including fertiliser, diesel and freight.
- Savings being realised as water prices are currently low in Australia.

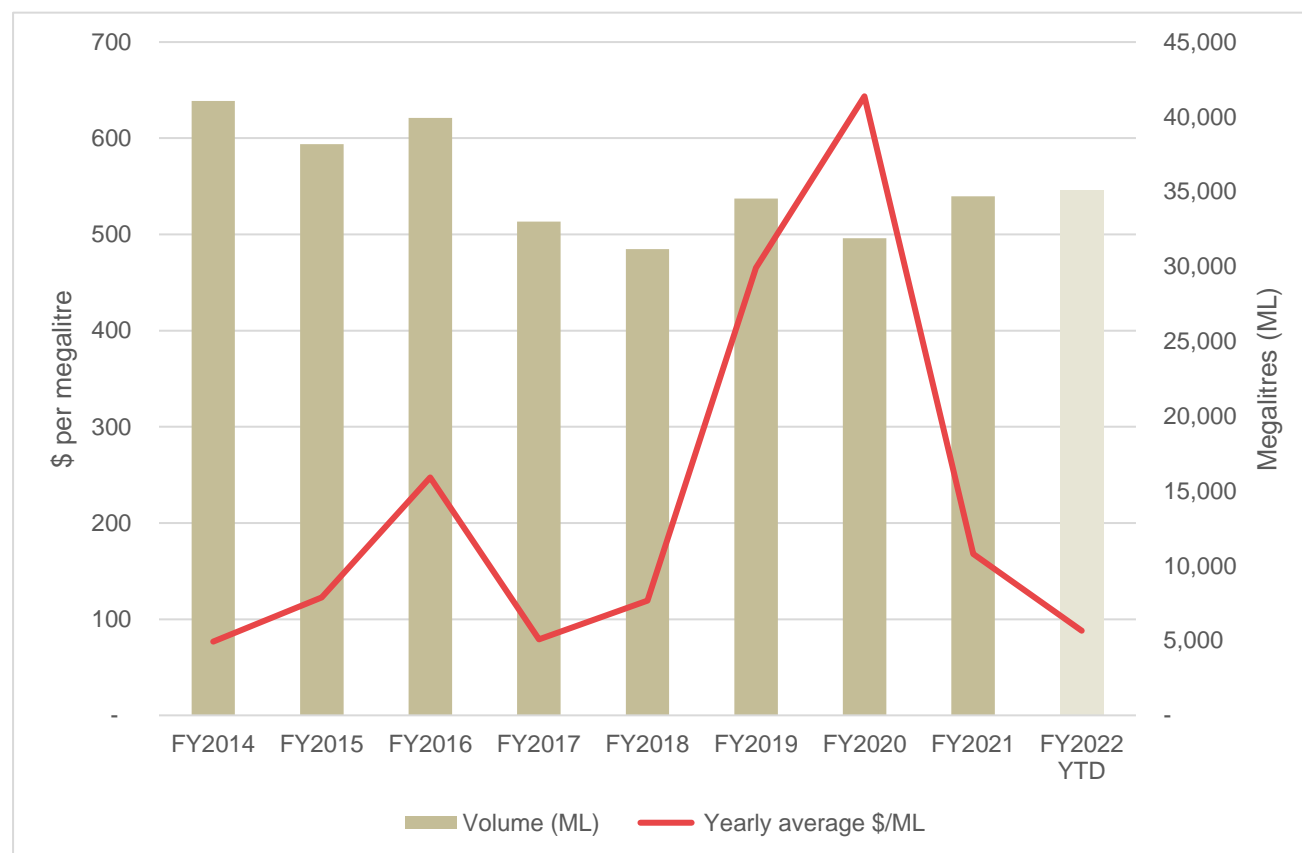




# Water Pricing in Australia Remains Below Historical Averages

Weighted average price of \$88/megalitre for FY2022 full year Australian water requirements

Cobram Estate Olives annual Australian temporary water purchases and weighted average annual price



## Water key points - Australia

- Full year FY2022 water requirements purchased at a weighted average price of \$88 per megalitre, a 48% reduction versus FY2021 (FY2021: \$168 per megalitre).
- Whilst seasonal prices fluctuate, the Company has paid a weighted average price of \$217 per megalitre over the last nine years.
- Storage levels in the Southern Murray Darling Basin @ 87% full as at 11 May 2022 - up 55% on the same time last year (12 May 2021 – 56%).
- High reliability water allocations are at 100% for the Victorian Murray Valley and Goulburn Valley water systems.

## Water key points - USA

- In the USA, conditions remain generally dry, although there was a small amount of rainfall recorded in our growing locations during April 2022.
- The Company currently has sufficient water available at its California grove locations to support the needs of Company-owned and leased olive groves.



# Growth Strategy

## Four core pillars of growth

1.

### **Increasing supply from our Australian olive groves through maturing plantings and efficiency gains**

39% of the company's total Australian plantings are not fully mature and are not yet producing mature yields including 16% of total Australian plantings yet to produce a harvested crop.

2.

### **Growing our vertically integrated business in the USA**

The Company is encouraged by the immense opportunity to replicate its Australian business model in the USA in the medium to long term. The key focus is increasing the supply pipeline of Californian produced olive oil to drive packaged goods sales at retail.

3.

### **Growing branded product sales and improving the net price per litre for our extra virgin olive oil**

Continued premiumisation and differentiation of the company's brands globally whilst never compromising consumer trust and/or value proposition.

4.

### **Value-adding our olive oil by-products**

Extracting and commercialising the valuable by-products from extra virgin olive oil production through both B2B sales and high-value consumer brands.

# Growth Strategy - Capital Projects

The Company is well positioned to continue to fund growth strategies

The Company is well positioned to continue to fund its growth strategies following its A\$50 million equity placement in December 2021, and a US\$7 million increase in debt facilities.

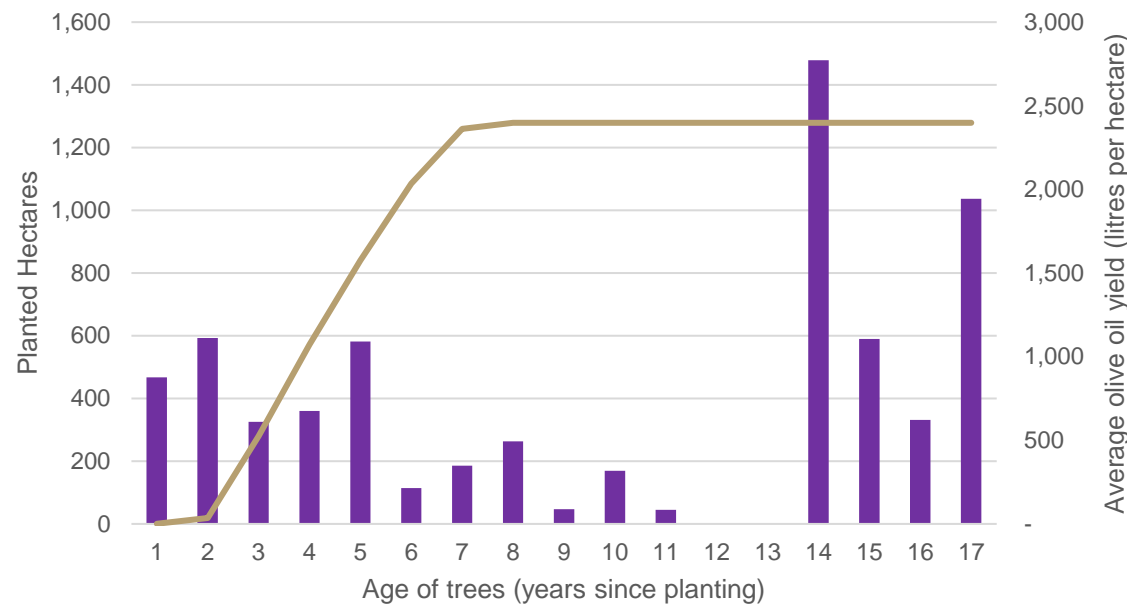
Key capital projects and initiatives include:

- Investment of A\$9.4 million in December 2021 to purchase land in the USA. This land will be planted in FY2023 with an estimated 182 hectares plantable to olives.
- Acquisition of a 50% share of a mature Californian olive grove in May 2022 for A\$4 million. The total grove area is 94 hectares.
- The Company is looking at other land and development opportunities and is actively pursuing additional third-party grower contracts in California.
- The expansion of the Boort olive mill is expected to commence after the 2022 harvest, to support the significant increase in olives to be processed in 2023 from both maturing Company-owned groves and third-party plantings under contract.
- Development of 380-hectares at our Boort grove in Victoria, expected to be planted in FY2023.

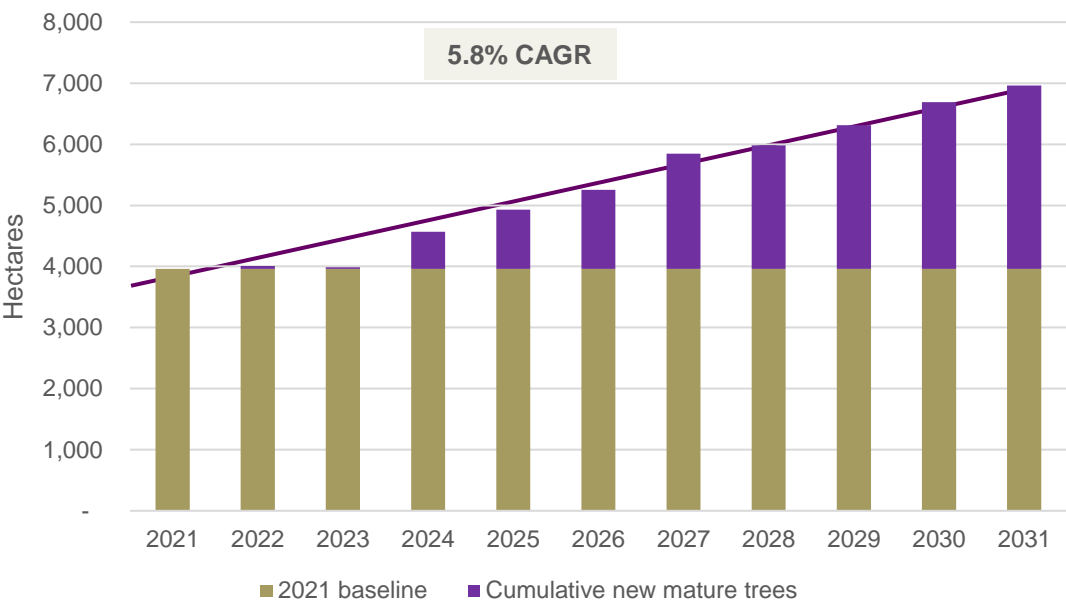


# Increasing Supply From Australian Olive Groves Through New Plantings and Efficiency Gains

Current age profile of the company's olive trees alongside average oil yield per year of age



Embedded growth in olive oil production (Australian olive oil business)



## Growth in production

Olive trees typically produce their first 'harvestable' crop at three years of age, and reach 'mature' yields at eight years of age. CBO's current tree age profile follows:

- Mature: 1.48 million trees (61%) are mature.
- Developing: 580,000 trees (24%) are productive but not yet producing mature yields.
- Pre-productive: 378,000 trees (15%) are yet to produce a harvestable crop.

- Our investment in olive groves will provide embedded long-term production growth.
- Based on existing and planned olive trees planted in Australia, mature trees (hectares) in our Australian groves are expected to grow at a 5.8% CAGR for the ten-year period 2021-2031.



# Environmental Sustainability

## New carbon farming project and olive pomace processing to compliment ongoing sustainability initiatives

### Carbon Farming Project

- Agreement signed 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 olives.

### Sustainability Victoria grant / circular economy project

- CBO is 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 project is supported by Sustainability Victoria's Recycling Victoria Business Support Fund.
- This new plant, which utilises renewable energy from the combustion of olive pit, will result in an estimated 65% reduction in the volume of olive pomace produced, together with lower greenhouse gas emissions.
- The processing of this olive pomace will also maximise the quality and quantity of renewable biomass available for sale as biofuel and animal feed and will enable the extraction of valuable antioxidants for B2B sale and value-added products.

### 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 evaluate the potential impact of a range of different environmental initiatives (like the carbon farming project mentioned above) that are being considered by the business.
- We will provide an update on this once the evaluation and assessment work is completed.



Our video “Embracing Sustainability”  
can be found at the link below:

<https://www.cobramestateolives.com.au/#vimeo620607aad3ae2>

# Questions?





# Thank-you!

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