



ABN 32 115 131 667

ASX: CBO

## **ASX Announcement – 30 June 2022**

### **Completion of 2022 Australian olive harvest and business update**

#### **Summary**

- Cobram Estate Olives Limited (“CBO” or “the Company”) completed its 2022 Australian olive harvest this week. Yielding 9.5 million litres of olive oil, the 2022 Australian crop exceeded the Company’s internal budget by approximately 15% and is 53% higher than the previous lower-yielding crop year in 2020 (2020: 6.2 million litres).
- The increase in output reflects the combined effect of an increase in olive oil yield as the groves continue to mature; improved management practices; and a mostly favourable growing season.
- The additional profit generated by the larger than expected 2022 Australian olive oil crop is likely to offset cost pressures being experienced across the group, particularly in the USA.
- Independent evaluations of our baseline carbon position across our entire Australian operations confirm that not only the Company is neutral in terms of carbon emissions but also is able to remove approximately 4kg of CO<sub>2</sub> for every litre of oil produced and sold.

#### **Completion of 2022 Australian olive harvest**

Due to the natural biennial cycle of olive-oil yields, 2022 was, as expected and formerly announced, a lower-crop year in CBO’s Australian olive groves.

The 2022 harvest of 9.5 million litres of olive oil was a strong improvement on the previous lower-yielding year in 2020 (2020: 6.2 million litres) and exceeded the Company’s budget by approximately 15%. The substantial increase in yield versus 2020 (our last lower-yielding crop year) reflects several factors including:

- The age profile of the Company’s Australian olive groves, with the groves increasing yield as they progress towards maturity;
- The Company’s program of continual improvement in both olive growing and milling driving higher average yields of its mature orchards across all three farms;
- The favourable growing conditions experienced during the season; and

- The positive impact of the Company's investment in risk mitigants, including the significant investment in frost fans in recent years.

The Company experienced more rainfall than normal at its Australian groves during harvest. This resulted in operational challenges but, thanks to the effort from our management teams, employees and our contractors, this did not materially impact the Company's ability to complete the harvest on time or the quality of the oil produced. After a favourable season, the Company's Australian olive trees are in good condition heading further into winter.

### **Impact of rising costs and trading update**

The Company is experiencing cost pressure across the business notably for fertilisers, electricity, diesel, packaging materials and freight. In Australia these cost increases have been mostly offset by lower than average water costs. Packaging materials and freight have increased significantly in the USA. These costs are likely to be offset by the improved output of our Australian groves.

USA olive oil sales have improved in the second half of FY2022. At present, however, the Company is substantially supply constrained, with potential demand for our products outstripping limited California olive oil supply (as explained in our previous announcement). While we have been unable to secure a materially higher volume of additional third-party bulk oil, which will likely see FY2022 full year USA sales lower than FY2021, we expect this position to reverse within 18 months. The anticipated increase in available USA olive oil will result from the increase in expected volumes from growers under contract and the increase in production from our own investment in groves, as they mature. Significant cost pressure has also eroded margins in CBO's USA business in recent months. As a result, the Company anticipates reporting a full year FY2022 EBITDA loss for its USA olive oil division. Active negotiations are taking place with our USA supermarket customers to increase prices in order to offset the cost increases.

Australian sales remain strong, and we will report sales growth compared to FY2021. We still expect our Two-Year Rolling Average EBITDA for our Australian olive oil business to increase, and total group sales to be similar to those reported for the period to 30 June 2021. Strong cashflow from operations in the first half has continued in the second half of FY2022, and we expect cashflow from operations to be materially higher than reported in FY2021.

In addition, CBO's balance sheet remains strong, and the Company continues to invest in its four core opportunities to drive growth.

### **Carbon Footprint**

We are pleased to report that we have completed two independent evaluations of our baseline carbon position across our entire Australian operations. Both assessments revealed that carbon sinks identified on our groves both in the below- and above-ground biomass, entirely offset the emissions associated with growing and marketing the olive oil leading to a net removal of approximately 4kg of CO<sub>2</sub> per litre of olive oil produced and sold. In other words, Cobram Estate Olives is able to sink more carbon than it emits with the studies identifying several opportunities to further improve on this position.

More detail will be provided in our 2022 Annual Report.

For further information please contact us at [investors@cobramestateolives.com](mailto:investors@cobramestateolives.com).

*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 producer and marketer of premium quality extra virgin olive oil. The company currently 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, the company currently owns 18,724 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 seventeen 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.*