



ABN: 32 115 131 667

ASX: CBO

## **ASX Announcement – 24<sup>th</sup> February 2023**

### **Half Year Update and 1HFY23 Results**

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 2022 (“1HFY23”).

#### **KEY MESSAGES**

- The Company performed solidly in 1HFY23 with no material impact from heavy rains and flooding in Victoria and California and strengthening demand for our extra virgin olive oils delivering sales growth. With 2023 being an on-cropping year, we are expecting to deliver a significantly higher yielding Australian olive crop in the second half of FY2023 (subject to the risks associated with olive farming).
- Robust demand for our extra virgin olive oils was reflected in a 6.3% increase in group packaged goods sales in 1HFY23. Australian packaged goods sales were up 6.3% for the half year, with USA packaged goods sales, (Cobram Estate® + Private Label) up 6.2% over the same period.
- Cobram Estate® USA branded sales increased by 70.8% during the period. Increased Californian olive oil availability in the second half is expected to result in a continuing uplift in Cobram Estate® USA branded sales by year end.
- Costs have stabilised across the group, with the price of several key inputs including Australian water lower versus the half year ended 31 December 2021 (“1HFY22”).
- Half year profit results were down on the prior year, a reflection of an increase in marketing investment in Australia (the timing of which was skewed towards the first half of the year), a higher percentage of lower-priced Red Island® sales in the Australian sales mix (reflecting the advantage of having two brands at differing price points), the timing of the benefits of USA price increases flowing through, and a provision for slow moving Wellgrove® stock. The Company’s half year results do not recognise any profits relating to the 2023 Australian olive crop which will be reported at year end.
- **Full year earnings for the group are forecast to be materially higher than FY2022 as a result of a larger Australian olive crop (2023 is a higher yielding crop year). Cash flow from operations is forecast to be materially higher in the second half due to substantial second-half sales growth in the USA.**

## **HALF YEAR RESULTS - SUMMARY**

- EBITDA for the period of \$0.7m (1HFY22: \$4.8m)
- NPAT for the period of \$9.9m loss (1HFY22: \$5.2m loss)
- Operating cash flow before interest and tax of \$10.8m (1HFY22: \$18.2m)
- Group revenue and other income for the half of \$75.9m (1HFY22: \$71.6m)
- Australian packaged goods sales up 6.3% for the half to \$50.8m (1HFY22: \$47.8m)
- USA packaged goods sales up 6.2% for the half to \$10.1m (1HFY22: \$9.5m)
- Net Debt of \$170.0m at 31 December 2022 (30 June 2022: \$135.2m)
- Gearing of 30% at 31 December 2022 (25% at 30 June 2022)

## **HALF YEAR RESULTS – COMMENTARY**

When reviewing the Company's half year results, it is important to note two impacts from the adoption of accounting policies.

Firstly, accounting standards require agriculture produce (including olive oil) to be valued at 'net sale value' at the time of harvest, not the time of sale. With the Australian harvest completed prior to 30 June each year, this results in all the estimated profit from the harvest being recorded at 30 June. Accordingly, sales during the six months to 31 December have already had their profit recorded in the previous period.

Secondly, the Company does not recognise the expected pro-rata increase in net value of the 2023 Australian olive crop on the Company's trees in its first half results. The value of the crop will be recorded at financial year end based on actual harvest yields and is expected to be a material contributor to full year results. As a result, the Company's half year accounts carry the 2023 crop at its direct cost, and do not recognise any profit relating to the 2023 Australian olive crop.

For the half year to 31 December 2022, the Company reported a net loss after tax of \$9.9 million (1HFY22: \$5.2 million loss). On an EBITDA level, the Company reported an EBITDA profit of \$0.7 million (1HFY22: \$4.8 million profit). The lower profit in 1HFY23 (versus 1HFY22) is a result of higher brand marketing spend in the first half of FY2023 in a return to more normal levels of marketing investment post COVID-19, together with lower margins in the USA in the first three months of the period (prior to the benefits of price increases flowing through) and in Australia due to the higher percentage of lower-priced Red Island® sales in the Company's overall product mix. As the Company continues its transition of the value-add business towards biomass and ingredients, we have provisioned for \$1.5 million in slow moving Wellgrove® stock. The majority of the remaining Wellgrove® stock is either provided for or expected to be sold over the next six months.

Operating cash flow for the period was strong, with the Company generating operating cash flow before interest and tax of \$10.8 million in 1HFY23 (\$18.2 million 1HFY22). Stronger cash flow is

anticipated in the second half as the Company realises the benefits of recent price increases and increasing sales.

Costs have stabilised across the group, with the cost of several key inputs including water in Australia lower versus 1HFY22. The profit impact of lower direct costs relating to growing the 2023 crop are not reflected as at 31 December 2022. These will be reflected when the crop is valued at 30 June 2023.

CBO delivered strong olive oil sales results in 1HFY2023, with packaged goods sales for the group up 6.3% versus the prior period. Australian packaged good sales for the half were up 6.3%, totaling \$50.8 million (1HFY22: \$47.8 million), driven by improved Red Island® performance. CBO's branded sales strategy displayed the benefits of two brands at differing quality and price points. Put simply, Cobram Estate® contains the very best quality extra virgin olive oil and to maintain this the Company limits sales to around half our production (i.e. the best half) to ensure consumer value and satisfaction. Also, as part of its promotional mix, the Company implemented less discounts on Cobram Estate® products during the half, whereas more Red Island® products were sold on promotion. The result was an increased premium for Cobram Estate® alongside improving sales volume for Red Island® thereby appealing to more consumers.

USA packaged good sales returned to growth supported by an increase in Californian olive oil availability, with reported packaged goods sales of A\$10.1 million, up 6.2% versus the prior period (1HFY22: A\$9.5 million). Cobram Estate® USA branded sales increased by 70.8% during the period to A\$7.8 million (1HFY22 A\$4.6 million), with further growth forecast for the second half.

Crop projections for the upcoming 2023 Australian olive harvest confirm a significantly higher yielding olive crop when compared with FY2022, subject to the risks associated with farming.

The Company's 2022 Californian olive harvest was completed in November and was in line with expectations, yielding 1.69 million litres of olive oil. 2023 is a higher yielding crop year in California and a record crop is expected.

The Company's balance sheet is strong, with gearing as at 31 December 2022 of 30% (25% at 30 June 2022). The Company continued to invest in capital projects, with capital expenditure during the period of \$26.1 million (1HFY22 \$18.5 million), aimed at driving growth.

EBITDA results by segment are as follows:

<b>Division</b>	<b>EBITDA 6 months to 31 December 2022</b>	<b>EBITDA 6 months to 31 December 2021</b>
<b>Australian Olive Oil Operations</b> (includes corporate expenses)	\$2.5 million	\$5.8 million
<b>USA Olive Oil Operations</b>	\$(0.4) million	\$(0.2) million
<b>Innovation and Value-Add</b>	\$(1.4) million	\$(0.8) million
<b>Total</b>	<b>\$0.7 million</b>	<b>\$4.8 million</b>

## **OUTLOOK FOR FULL YEAR FY2023**

Demand for Australian and Californian extra virgin olive oil remains strong, and we anticipate this will continue despite the evolving economic situation in our key markets.

2023 is a higher yielding crop year on the Company's Australian groves, and a large olive oil crop is anticipated. Over the coming years, we continue to expect our Two-Year Rolling Average EBITDA to increase as a result of the investment the Company has made in new plantings and the maturing age profile of our olive trees.

**Full Year FY2023 Statutory EBITDA is expected to be materially higher than FY2022** (subject to the risks associated with farming).

Cash flow from operations is forecast to be materially higher in the second half due to substantial second-half sales growth in the USA.

We anticipate costs will continue to track in line with budget expectations, with the majority of FY2023 water and other key farming inputs already purchased.

As planned, we are continuing to invest heavily in growth capital projects in Australia and USA, funded through equity raised in December 2021 and positive operating cash flow.

## **WEBINAR BRIEFING**

CBO is hosting a webinar to discuss its 1H FY23 results today **commencing at 11:00am Melbourne time**.

Presentation materials for the webinar have been lodged with the ASX along with this announcement. These materials can also be accessed on the ASX website at <https://www2.asx.com.au/markets/company/cbo> or from 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\\_YZUOREtmSFCsgos8Sg-8cw](https://us06web.zoom.us/webinar/register/WN_YZUOREtmSFCsgos8Sg-8cw)

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>

## **ADDITIONAL INFORMATION**

For further information regarding this announcement and for media enquiries please contact us at [investors@cobramestateolives.com](mailto:investors@cobramestateolives.com).

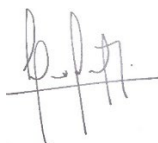
We would like to thank our shareholders for their continued support.

*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**

CBO is Australia's largest vertically integrated olive farmer and marketer of premium quality extra virgin olive oil. The Company owns a portfolio of premium olive oil brands including Cobram Estate® and Red Island®. CBO's olive farming assets include over 2.4 million olive trees planted on 6,584 hectares of farmland in central and north-west Victoria and 207,500 trees planted on 358 hectares of long-term leased and freehold properties in California, USA. 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, and export customers in 16 countries, CBO is firmly positioned as a leader in the Australian olive industry and a global leader in sustainable olive farming. For further information, please visit <https://cobramestateolives.com.au>.

