



**Costa Group
Holdings Limited**
ASX:CGC

**Investing in and
building our portfolio**

**Macquarie Australia
Conference**

1st May 2018

The Costa business model can be simply stated as:

- Portfolio of five attractive fresh vertically integrated produce categories – mushrooms, berries, citrus, glasshouse tomatoes and avocados
- Integrated farmer, packer and marketer
- Active risk management, circa 65% protected cropping, portfolio and geographic diversity
- 52 week production via geographical reach, varietal mix and agronomic expertise
- Product and process IP as a key differentiator
- Number one market position in core categories with high market share
- Expanding international business by leveraging core competencies
- Strong retail focus - largest fresh produce supplier to the major Australian retailers – Woolworths, Coles and Aldi



Growth strategy update

- Costa is a growth oriented company with an upward trajectory. Continuing to expand within the initial four vertically integrated core categories.
- Avocados identified by the Company as a fifth growth category, embarked on a strategy to be the market leader within three years.
- Organic growth of mushroom category through expansion of the Monarto South Australia facility to meet unmet market demand.
- Berry category growth plan two on track to be completed by FY19, coinciding with increased volumes in new premium blueberry and blackberry varieties.
- Citrus has a favourable export future, undertaking further expansion via M&A and organic growth on our six Riverland farms.
- International segment is now making a meaningful contribution to our performance. With a new southern site we are pursuing opportunities to expand our growing season in Morocco. New plantings continuing in China with our premium blueberry varieties having biggest market impact to date.



Avocado category



Childers Avocado Farm, Central Qld

- Costa now has 12 avocado farms located across four growing regions – FNQ, Central QLD, Mid North Coast NSW and Renmark SA.
- 10 of these leased from Macquarie Agricultural Funds Management. 20 year leases, Macquarie owns land and water, with Costa having full ownership of crop and returns generated.
- Varieties grown – 85% Hass, 15% Shepard.
- Our aim has been to achieve as close as possible to 52 week supply (including some imports from NZ). Production period now spanning February to December, majority occurring April to October.
- Currently number one in avocado marketing – 50+ third party growers plus our own farm production.
- Goal is to be number one player in the industry within three years. Looking forward there is likely to be further M&A activity.

Mushroom category

- Costa currently has circa 45% share of Australian mushroom market.
- There has been modest demand growth in mushrooms which has been constrained by available supply.
- To meet this demand, expansion of Monarto South Australia facility will see our production double from 120 tonnes to 240 tonnes per week. Also upgrading compost technology for the entire site.
- First tranche (circa 60 tonnes) of additional Monarto production capacity expected to come on line from March 2019 with full additional 120 tonnes over following 6 months.
- Once Monarto expansion completed total production across all sites will be circa 650 tonnes per week.



Monarto Mushroom farm, SA

Berry category



Corindi Berry Farm, North Coast NSW

- FY19 will see completion of berry growth plan two.
- Now firmly established in five growing regions – Corindi NSW, Tasmania, FNQ, WA and Tumbarumba NSW.
- FNQ blueberry plantings are utilising our early season genetics and allowing us to be the only grower in this region giving us market advantage for April – July period.
- New premium Arana variety will see first major production in FY19. Potential to deliver 800 tonnes of quality fruit and is also well suited to Modified Atmosphere storage. Being sold in new 200g punnet.
- First offering to market of Driscoll's variety blackberries (Elvira & Victoria) which are chiefly grown in Tasmania. Blackberries is new unfolding story, with significant ramp up of volumes beyond FY20 building blackberries into a meaningful category to complement blueberry and raspberry offering.

Citrus category

- With expanded favourable export markets M&A activity remains of interest. Over recent years have embarked upon both organic growth and M&A.
- Most recent acquisition being Impi Orchards, approximately 25 minutes north of Renmark. 77 hectares of quality citrus plantings, further 65 hectares of development land. The orchards produce a mix of oranges, mandarins, grapefruit and lemons.
- With funds received from the 3IP programme, undertaking 300 hectares of new citrus plantings, re-plantings and top working of existing plantings. This is expected to deliver a crop uplift from FY19 onwards, 152 hectares planted in FY18, intention to plant a further 69 hectares in FY19.
- Several new mandarin, orange and lemon varieties being trialled on commercial sized blocks that have market potential with improved attributes including, seedless, high brix (sugar), red flesh and different maturity timing.



Renmark Citrus farm, SA

International - Morocco



African Blue Larache blueberry farm, Morocco

- Now own 86% of African Blue with option to acquire a further 4% over the next three years. Acquisition of other shareholders interests has been highly accretive.
- Production area of circa 294 (215 soil, 78 substrate) hectares by end of FY18. Also sourcing supply from a further 108 hectares with licensed 3rd party growers.
- Commercial trial planting at a new site in Agadir 720kms further south from existing locations, aim is to explore opportunity for season crop extension.
- Morocco continues to be highest yielding blueberry operation, with some blocks producing 30 tonnes per hectare and plants still producing well after 10 years.
- Market focus is now more skewed to continental Europe, with 35% into UK market, 65% into Europe.

International - China

- Into third year of expansion now across three farms.
- Currently harvesting off 46 hectares. Planted an additional 53 hectares in FY18 with total plantings now circa 100 hectares. All plantings in substrate.
- FY19 plantings will include 63 hectares at Manhong site.
- Blueberry pricing in line with expectations. Our large jumbo premium blueberries have been very well received, 50 – 60% premium over the regular packs.
- Blueberry offering will remain dominant for foreseeable future, with raspberries and blackberries requiring more market development.
- Blueberries with their widely publicised health benefits are positioned to capitalise on the increasing focus by the growing Chinese middle class on a healthier lifestyle.



Manlai Xishuangbanna berry farm, China

Tomato category



Guyra Tomato Glasshouse 3, NSW

- New glasshouse (glasshouse 3) is exceeding our yield expectations and delivering solid return on investment.
- Major focus on snacking segment, 70% of production is snacking/cocktail, 30% truss.
- We now make up circa 40% of snacking tomato segment.
- Continually trialing new snacking varieties to expand category offering.

Executing our growth strategy

- Our management team has considerable depth and over the past 18 months we have injected outside talent, including into the roles of Chief Operating Officer, General Manager Berry Category, General Manager Costa Farms and Logistics and the new role of General Manager Strategy, M&A.
- These appointments have added another dimension of skills and experience to the Executive team.
- We routinely map the most critical 236 people in the Company concentrating on performance, professional development and ensuring alignment of key employees with Company values and objectives.
- This activity recognises that talent identification and development is a fluid process which must always have an eye to not only current needs, but also the importance of suitability and organisational fit of our people with regard to the future roles and needs within the Company.
- Board and management remains focused on growing shareholder value, executing our strategy and continuing to earn the trust of our shareholders by delivering sustainable long term results.

Q&A

