

# NAMOI COTTON LIMITED

29 September 2020

## Chairman's Address

### **WELCOME AND OPEN MEETING**

On behalf of the Board, I would like to welcome you the 2020 annual general meeting of Namoi Cotton Limited.

Unfortunately as you are aware due to the covid 19 pandemic and subsequent travel restrictions we have to have this as a virtual meeting.

I hope you will bear with us if we encounter any technical difficulties.

My Name is Tim Watson, and I am the Chairman of the Company, and I will be Chair of today's meeting.

Andrew Metcalf our company secretary has confirmed we have a Quorum, and I now declare the meeting open.

It is my pleasure to introduce the members of our board:

- Glen Price
- Juanita Hamparsum
- Joe Di Leo
- Ian Wilton who was appointed in June of this year and is seeking re-election at this AGM along with myself
- And of Robert Green who due to border restrictions is joining remotely from his farm in southern Victoria
- The Company's CEO, Michael Renehan and CFO, John Stevenson are also present today



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# NAMOI COTTON LIMITED

The Company's Auditor, Wade Hansen representing EY is also present virtually to answer questions in relation to the audit of the company's financial accounts.

I would also like to welcome the representatives from Computershare who have I can confirm have joined remotely and will be scrutinising the meeting today.

The notice of meeting dated 20th August 2020 has been made available to all shareholders on the Company's website and on the ASX announcements platform. I will take the notice as read.

Given this is a virtual meeting of shareholders, I will ask Andrew Metcalf to take you through several procedural matters before I present my Chairs report and deal with the formal business of the meeting.

## **CHAIR'S PRESENTATION**

Once again welcome to the 2020 Annual general meeting of Namoi cotton

Before I present my report, I would like to remind shareholders that our CEO and CFO will provide a detailed briefing of the last financial year, following the closure of the AGM.

I invite you to stay on the line to hear from both Michael and John and encourage you to ask them any questions you may have in regard to our FY20 operations.



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I will now present my report which has also been published on the Company's website and on the ASX announcements platform.

NSW as we know has been severely impacted by over 2 years of unprecedented drought conditions.

To say the least this has had a significant impact on Namoi Cotton.

In FY20 Namoi Cotton's ginning volumes fell to 450,000 bales down from 1.2 million bales in FY2019

This in turn led to a \$10.99 million loss for the year ended 29 February 2020.

Despite these challenges, our focus on cost control and solid cotton seed trading operations, has meant we were able to achieve a positive EBITDA of \$4.3 million for FY20 in the core business

In our business droughts are inevitable. Rest assured your board and management are focused on driving unnecessary costs out of the business so that we can capitalise on the opportunities when it does rain whilst minimising the downside in drought years. The company has reacted quickly and made some tough decisions in the last year to ensure we can weather the difficult conditions and react to potential challenges of the future. Our primary goal is, and always has been, to create economic value for our shareholders.

In short we have looked at 2020 as a period of change and subsequent stabilisation. To that end and to support our long-term financial stability, Namoi Cotton implemented a wide-ranging modernisation plan at the end of 2019.

This has enabled the company to save approximately \$4.5m in annualised labour costs



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in what was a significant, but once-only reduction in staffing levels.

These people decisions are not easy and management and the board are mindful of the potential effect they have on our small country communities.

The objective is that Namoi Cotton will become more customer-oriented, nimble and with the clear objective of a results driven business accountable to shareholders and growers.

Michael and his team are focusing on building a resilient company to then enable Namoi cotton to capitalise on any opportunities that may arise.

As part of the drought strategy and modernisation plan the board and management have:

- Minimised any capital expenditure to essential items only
- There will be no Short-Term Incentive Pool for YE2021
- Currently there is a review of all costs is being undertaken with a focus on cash preservation
- We are continuing to review the ginning portfolio and asset optimization
- Our Current Debt facilities provide headroom to fund the negative cashflow impact from the 2020 season (YE2021)

Shareholders can be assured Namoi Cotton is using this period to streamline



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and strengthen its business operations

I am pleased to advise that Namoi Cotton successfully resolved our dispute with Cargill Australia with regards to the Cottonseed crush facility in Narrabri, New South Wales.

The positive aspect of this resolution is that we have a good working relationship with Cargill Australia going forward.

Namoi Cotton also has ongoing access to the cotton seed storage facility in Narrabri

Strategically we see that as a major advantage going forward and will look to working with Cargill to maximise future opportunities.

While outside of the FY20 reporting activity, I would like to provide a brief update on the restructure of our joint venture, The Namoi Cotton Alliance, with Louis Dreyfus Company (LDC).

Michael and John will provide more details regarding the transaction in their presentation, following the AGM.

The board firmly believes that the restructure is to the commercial benefit of both companies.

Namoi Cotton will focus on both the cotton origination and grower services to drive more volume through our Ginning network.

LDC will also take on the financing and risk associated with the lint Trading and



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Marketing operation.

As you will be aware, global lint trading is a potentially high-risk business, which involves significant exposure to debt.

The board firmly believes that the restructure will reduce the financial risk to Namoi Cotton and will eliminate our need for debt funding a lint trading business, better aligning our business exposure with our risk appetite.

We feel this is significant milestone in de risking Namoi Cotton and allow us to focus on our core ginning business going forward.

Whilst we have de risked the business, we have reaffirmed our relationship with LDC and believe this will provide more opportunities to our Grower customers.

Counterparty risk is a major focus of growers and this marketing partnership with a company as strong as LDC gives our growers the confidence to continue to trade with Namoi cotton.

To be clear the ownership split of the warehouse assets and the packing business remains the same.

Namoi Cotton will assume operation of the packing business and we are already seeing significant synergies.

We are very mindful the drought has put our growers under significant financial and emotional strain.

While we are certainly in drought management mode, we have retained core customer servicing skills to ensure the business structure is sustainable and successful long into the future.

On a positive note 2020 began with some of the best widespread falls of rain we have seen in over 2 years.



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Unfortunately, there are still a few areas that have missed out, but in general the winter crop season is the best we have seen for some time.

This should translate into significant packing volumes for the NCA with similar levels to the record FY16.

Major storage volumes are still low in the north whereas in the south volumes are up with encouraging water allocation announcements.

Encouragingly growers are optimistic regarding their planting intentions

Current estimates put the 2021 Australian cotton crop between 2.1 million to 2.5 million bales which is in line with our previous forecast..

This is encouraging for the upcoming season and ginning volumes

Significantly all the major climate indicators indicating a wetter than average spring and summer.

This is the best climate outlook we have had for a number of years.

Currently our team is utilising the drought to actively review other opportunities.

Namoi Cotton through our Commercial Development Manager, Shane McGregor, is in discussion with the northern cotton growers regarding potential opportunities in northern Australia.

As part of our modernisation plan and change, we have also welcomed:

Michael Renehan as CEO, Michael comes from an engineering background but most recently water related with his previous role at Murray Irrigation.

John Stevenson as our CFO. John has a wealth of financial experience in the



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listed ag space most recently with Wellard and has recently been appointed as our joint company secretary

On behalf of the board I would like to thank Michael, John our CFO and all the executive team for their tireless work and long hrs particularly during the recent NCA renegotiation.

I would particularly like to thank our field operations team and recognise the tough year they have had particularly emotionally through the changes and dealing with drought and related depression and to top it all off Covid 19 restrictions.

Thank You we appreciate your effort.

2020 has seen some significant changes to the board of Namoi Cotton. FY20 saw firstly the retirement of Richard Anderson and then in January 2020 we had the resignation of our long serving grower director Stuart Boydell. I would like to take this opportunity to thank Stuart for his tireless and committed contribution to Namoi Cotton

In May we had the resignation of James Jackson. I would like to thank James for the many hours he put in through this transitional phase of Namoi Cotton to help make Namoi cotton limited a more focused business.

Subsequently in June Ian Wilton was appointed to fill the casual non grower director vacancy.

I would like to take this opportunity to formally welcome Ian. Ian is well known



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to many in the industry as he has a long and distinguished career in the agricultural sector. We are privileged to have a Non-executive Director of Ian's calibre join the Board.

We ask you to support his re-election later in the meeting.

2020 also saw the successful amendment to our constitution enabling the board to operate with 8 or less directors. It is our intention to continue to operate with a 6-member board.

This better aligns the size of the board with the size of the company and also has the direct impact on reducing costs in difficult financial conditions.

Another change we have made is to amend the board charter to limit the tenure of directors to a maximum number of 12 years.

Accordingly one of our Grower Directors Glen Price will not be seeking re-election in 2021.

The board intends to initiate a recruitment process to find a suitable replacement to ensure a smooth transition when the time comes.

Regarding the Long-Term incentive plan we are proposing.

We seek your support for it later in the meeting details of which are also included in the notice of meeting. We feel this better aligns the Executive remuneration with our long-term goals particularly around driving long term shareholder value

Finally, I would like to thank my fellow directors for the tireless work they put in behind the scenes.

Their effort will help make help make Namoi Cotton a great business going forward.



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I would also like to thank them for their support throughout what has been a difficult year.

To our growers, Thank you for your support during this unprecedented drought.

Finally, thank you to you, our shareholders for your ongoing commitment to Namoi Cotton.

We believe that the significant changes we have made to the company will not only ensure the effective operation of Namoi Cotton as a modern and progressive company, but will work to meet the current and changing market conditions – both on the ground and across the sector.



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