

Investor Presentation

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FY20 Results Summary

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AGENDA

1. Business Performance
2. Financial Performance FY20
3. Strategic priorities
4. Outlook



Business Performance



FY20 Results Summary

Modernisation is key to a sustainable future for Namoi



Safety is Our Priority

Nothing is more important to Namoi than keeping our people safe

Continued focus on our major hazards

Further improvement in critical action plans & safety leadership



Flexible Operations

Reduce Fixed Cost base

More adaptive to volume change and geographic shifts

Better asset utilisation

Mobile workforce



Frame Volatility

Reduce volumetric breakeven points

Better align risk with capacity

Strengthen balance sheet



New Thinking

Experience executive team with diverse backgrounds

Refreshed customer engagement

Investing for new opportunities

FY20 Results Summary

At H1 FY21, the
impact of Covid-
19 on Business

- AGM delayed due to COVID-19
- Minimal COVID-19 impacts on our ginning operations with no unplanned downtime
- However there is increased volatility throughout the cotton supply chain:
 - with delays in end user demand impacting on lint orders and hence prices
 - Cotton broker Weilin going into administration having brokered 30% of Australian crop

Financial Impact

- Estimated negative impact (**\$6.0m**) in NCA for the 13 months to March 2020 in which Namoi Cotton has 51% interest
- Shipping delays and counter party risk have increased
- Mark to market provisions have increased as result

FY20 Results Summary

Working
together in a
challenging
environment

- Safety is our priority
 - LTIFR = 13 [down from 20 last year] but further improvements needed
 - Focus on toolboxes, housekeeping & safety meetings
 - Build safety leadership through our organisation
- Minimise environmental impact
 - Developed alternative sustainable uses for cotton trash recycling
- Modernising our organisation
 - Fresh Start kicked off – working together at Namoi Cotton
 - New streamlined organisation in place
- Supporting our local communities
 - Casual workforce sourced from regions
 - Using local contractors and local expertise

FY20 Results Summary

Modernisation drives improved returns

Resolution of Cargill dispute - a positive outcome for both partners to continue to work together in the management of cottonseed

Business restructure to improve efficiency and accountability

- Annualised fixed cost savings of \$4.6 million
- Corporate and head office positions significantly reduced
- Completed by December 2019

Improved focus across business to give growers greater transparency around ginning

- Customer Operations team now incorporated with gins
- Engineering team aligned to deliver maximum uptime of ginning assets
- Commercial Development created to build opportunities in industry
- Business Services providing internal customer support

FY20 Results Summary

Business Initiatives FY20



Review of NCA Business kicked off with objective of:

- De-risking exposure to trading business volatility
- Reducing requirement for NCL funding and recalibrate balance sheet
- Maximising bales through our gins
- Improving returns on our warehouse and packing assets



Improvements in Namoi Cotton Portal and grower interface with our staff

- Upgrading our real-time data and customer interface
- Empowering our General Managers in each of our valleys



Review of Key Business Systems

- Procurement process
- Contract Management

An aerial photograph of an industrial site. The central focus is a large, multi-sectioned building with a light blue roof and green corrugated metal siding. To the left, there are several long, parallel stacks of materials, possibly pipes or conduits, with blue and yellow caps. In the upper left, a circular green pond is visible. To the right of the main building, there is a complex of pipes and machinery, possibly a water treatment or processing plant. The ground is mostly dirt and gravel, with some tire tracks. In the background, there are more industrial buildings and a parking lot with several vehicles. The overall scene depicts a large-scale industrial operation.

Financial Performance FY20

FY20 Results Summary

Restructured business in dry season

- 2019 Australian cotton crop production down to 2.15m bales (pcp 4.54m bales)
- Impairment charges in trading & marketing JV – NCA
- Strong cost control
- Capex spend on non-critical items put on hold
- 50 staff positions removed from business
- Significant one-off costs across NCL

GINNING VOLUMES		ADJUSTED EBITDA	
450k bales		\$4.3m	
↓ 63%		↓ 81%	
(pcp: 1.2m bales)		(pcp: \$23.0m)	
NPAT		OPERATING CASHFLOW	
(\$10.99m)		(\$2.1M)	
↓ \$10.4m		↓ \$23.1m	
(pcp: (\$0.6m))		(pcp: \$21.0m)	

FY20 RESULTS SUMMARY

SIGNIFICANT DROP IN GINNING RESULTS

Financial Year ended 29 February (\$m)	FY20	FY19	Change	↕
Ginning	(0.2)	12.2	-	↓
Marketing	(6.1)	(3.3)	84%	↑
Commodities	0.1	0.3	56%	↓
Unallocated	(9.2)	(9.1)	1%	↑
Net Loss before Tax	(15.3)	0.1	-	↓
Per Bale	(\$34) / bale	\$- / bale	-	↓

FY20 RESULTS SUMMARRRY

CONTRIBUTION PER BALE UP ON LOWER COSTS

Financial Year ended 29 February (\$m)	FY20	FY19	Change	↕
Revenue	3.5	5.9	41%	↓
Trading margin gains	39.4	83.5	53%	↓
Processing and distribution costs	(10.4)	(22.9)	54%	↓
Contribution from operations	32.5	66.6	51%	↓
Per Bale	\$72 / bale	\$55 / bale	30%	↑
Employee benefits expense	(19.4)	(28.0)	31%	↓
Other expenses	(9.9)	(15.5)	36%	↓
Operating cost base	(29.3)	(43.5)	33%	↓
Per Bale	(\$65) / bale	(\$36) / bale	80%	↑

FY20 RESULTS SUMMARY

NET CONTRIBUTION BELOW BREAK-EVEN

Financial Year ended 29 February (\$m)	FY20	FY19	Change	↕
Net Contribution	3.2	23.0	86%	↓
Per Bale	\$7 / bale	\$19 / bale	63%	↓
Depreciation & decrements	(10.5)	(11.3)	7%	↓
Joint ventures & impairments	(7.1)	(9.4)	25%	↓
Finance costs	(2.1)	(2.2)	4%	↓
Other income	1.1	-	-	↑
Total Other	(18.5)	(22.9)	19%	↓
Per Bale	(\$41) / bale	(\$19) / bale	115%	↑
Net loss before tax	(15.3)	0.1	-	↓

FY20 RESULTS SUMMARY

PROFORMA NET CONTRIBUTION IMPROVING

FY20 actual Contribution per bale up 20% vs 3 year average

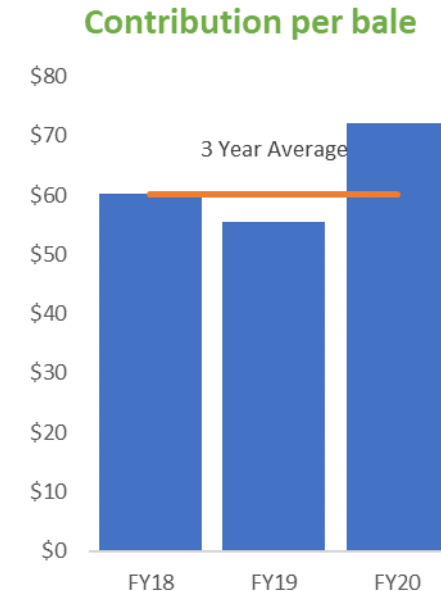
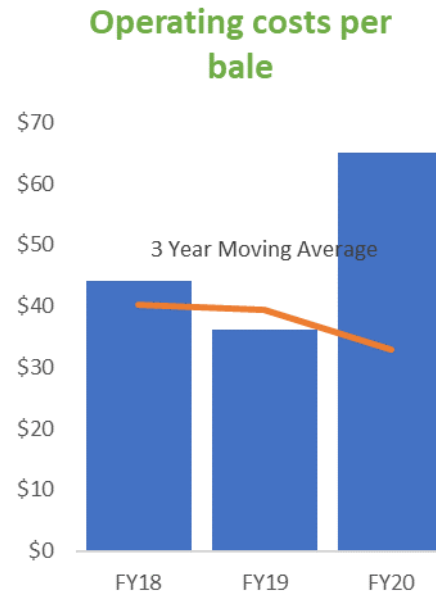
FY20 Operating cost base on 3 year average volume is down 18% vs actual FY18

¹ Proforma

Contribution = average \$ contribution / average ginned bales

Operating Costs = actual FY20 operating costs / average ginned bales

Financial Year ended 29 February (\$ per bale)	PROFORMA ¹	FY20	FY19	FY18
Contribution	20% ↑ 60	72	55	60
Operating costs	18% ↓ (33)	(65)	(36)	(44)



FY20 RESULTS SUMMARY

NON-CORE ITEMS REMAIN HIGH

Financial Year ended 29 February (\$m)	FY20	FY19	Change	↕
Joint venture operations	(8.5)	(5.9)	45%	↑
Impairments	1.5	(3.6)	-	↓
Decrements	(5.2)	(2.0)	159%	↑
Restructuring costs	(1.5)	-	-	↑

Notes

- NCA joint venture operations includes impairments due to counter party default
- Impairments includes \$2.4m positive adjustment related to the prior year impairment
- Decrement reflects reduced ginning volumes
- Restructuring costs comprise redundancies

FY20 RESULTS SUMMARY

Disciplined Capital Management

- Capital expenditure tightly controlled and prioritised. FY20 spend just over \$1m vs >\$7m pcp
- Net tangible asset backing per share 87 cents (pcp: 93 cents)
- \$2.6m increase in working capital to \$6.0m at FY20 (pcp: \$3.4m)
- Net debt increased by \$6.9m to \$45.8m at FY20 (pcp: \$38.9m) due to Cargill resolution (\$1.9m) and AASB16 lease liability recognition (\$0.8m), as well as operating losses.
- Core term debt constant at \$42m whilst equipment finance reduced by \$1.0m during FY20
- Net debt to capital ratio 27% at FY20 (pcp: 23%)



Strategic Priorities FY21+

FY20 Results Summary

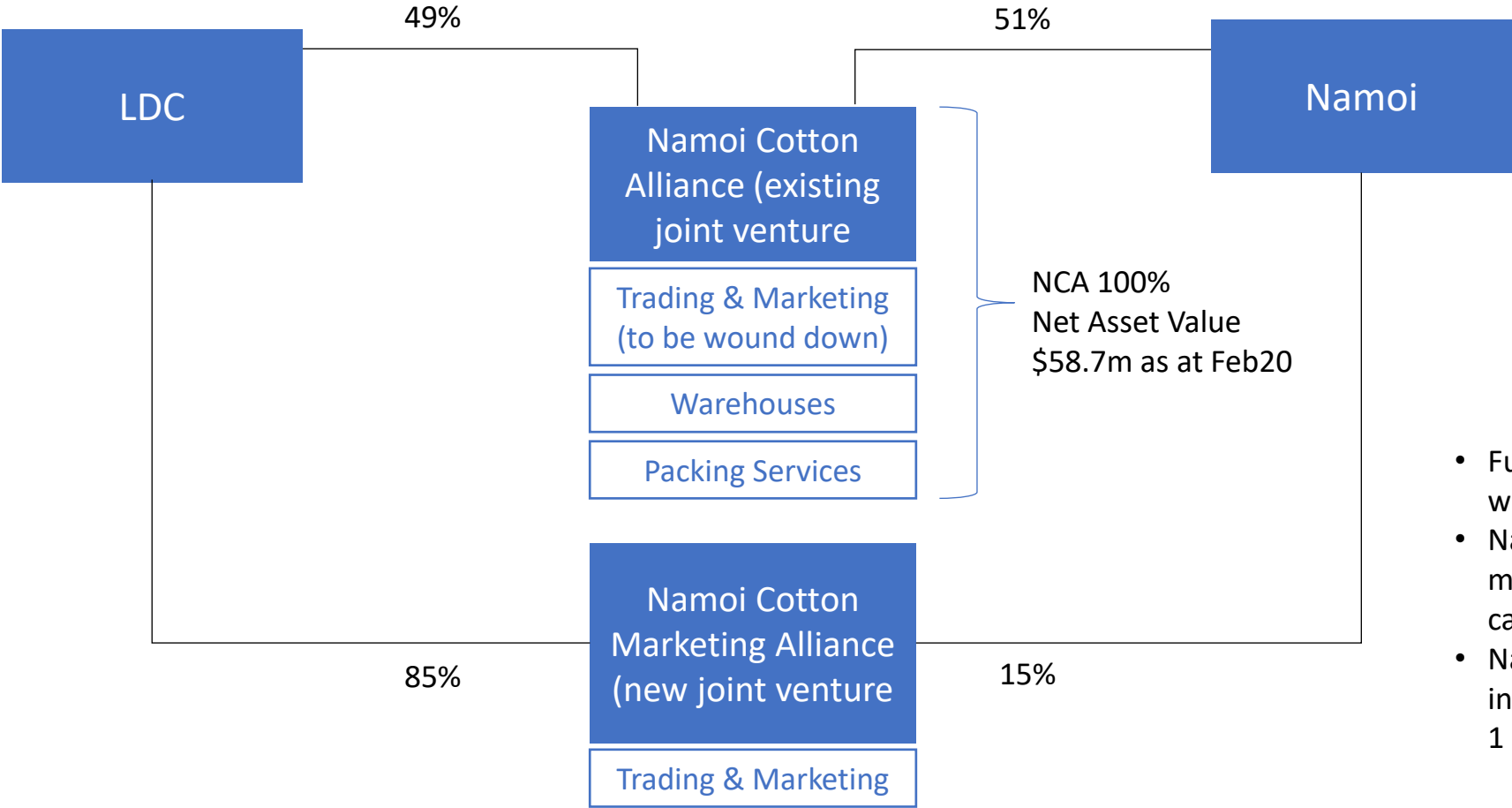
— Immediate priority to leverage the NCA Restructure

- Implement benefits of NCA restructure across business
 - Trading & Marketing
 - Warehousing
 - Packing Business
- Increased volatility since COVID-19 has meant:
 - Counter party default and increased losses for traders resulting in defaults with growers
 - Reduced marketing options for growers (although impact not fully felt given low drought impacted ginning volumes)
- Opportunity to establish new trading relationships through a new joint venture utilising the same Namoi brand value
- Namoi will focus on its core services of ginning and origination of lint, whilst reducing its exposure to volatile trading debt



FY20 RESULTS SUMMARY

RESTRUCTURE OF NCA



- Funding responsibility with LDC
- Namoi’s lint trading & marketing exposure capped at +/- \$1.5m p.a.
- Namoi has an option to increase share to 35% on 1 March 2025



FY20 RESULTS SUMMARY

Current Strategic Objectives

- Active review of current business opportunities & developments
- Provide integrated value-add services
- Adapt business to operate in the new Covid-19 world
- Improve returns on asset & drive efficiencies
- Advancing our technology systems to automation; logistics; process controls & on-farm data linkages

2021/22 OUTLOOK



FY20 RESULTS SUMMARY

FY21 are the lowest ginning volumes in history

- 2020 Australian crop around 600k bales
- Namoi's ginning share between 120,000 – 130,000 bales
- Continued focus on cost base efficiencies
- Continued volatility in cotton lint markets
- Ginning margins under pressure although Seed price at record highs on limited volume
- NCA restructure completed
- New executive team in place





FY20 RESULTS SUMMARY

FY22 – improved outlook
on greater water
availability

- 2021 Australian crop forecast remains between 2.1m – 2.5m bales
- Water storage increasing but not drought breaking
- Good rainfall in Southern valleys but plantings not yet confirmed
- Northern valleys require further rain to support increased plantings

Thank you for attending FY20 Namoi Cotton Investor Webinar

