



# Namoi Cotton Limited

Financial Results Presentation  
Half-Year Ended 31 August 2018  
October 2018



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# FY 2018/19 Half Year Financial Overview

- Revenue of \$517m, up \$104m
- Net profit after tax of \$14.3m, down \$1.5m
- Cash flows from operating activities of \$20m, up \$4.7m
- Net profit before tax excluding contribution (losses) from COA and CPL was \$25.0m, up \$2.1m
- Full Year Forecast net profit after tax of between \$4.0m & \$7.0m



# Australian Cotton Crop

- Final area planted 371k ha irrigated & 81k ha dryland
- Total production of 4.5m bales, up 0.75m bales (20%)
- Irrigated yields estimated at an average of 11.5 bales/ha, up 16%
- Exceptional cotton quality with 99% better than base grade



# Ginning

- **Ginned 1.202m bales, up 177k bales**
- **End August ginned 1.164m bales, up 150k bales**
- **Throughput rates on average improved by 17%**
- **Unit variable costs improved by 5% & gross margins by 4%**



# Cotton seed

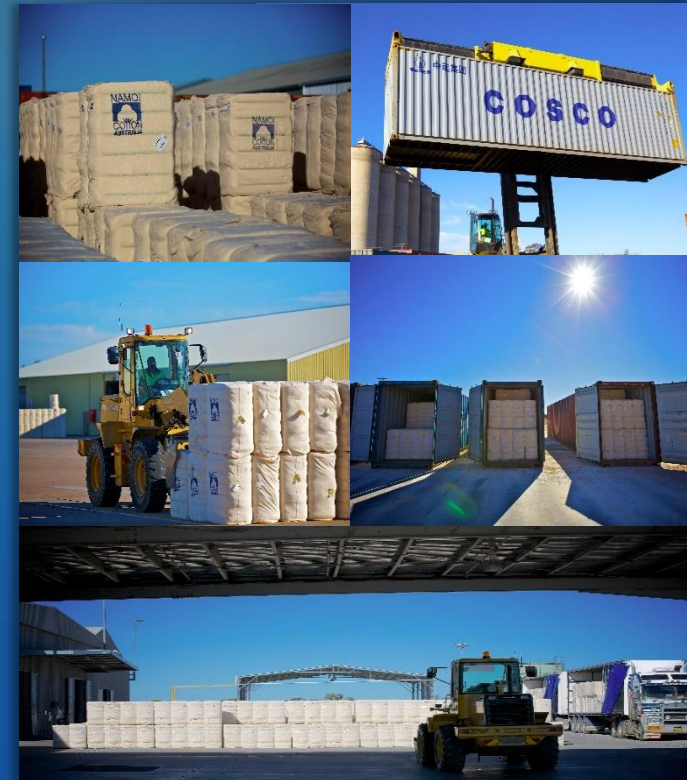
- **Shipped 214k Mt, down 10k Mt**
- **Pricing volatility driven by carry in stocks, Chinese importation policy & ongoing drought**
- **Prices traded from circa \$200/Mt to > \$650/Mt**
- **Seed sheds constructed at Trangie & Hillston**





# Namoi Cotton Alliance (NCA) JV - 51%

- Procured 812k bales, up 180k bales (+28%)
- Contribution from NCA of \$2.0m, up \$100k
- Grower pricing current crop reached mid \$600/bale levels
- USA v China trade tensions have impacted latter season demand
- Major export markets remain China, Bangladesh, Vietnam & Thailand



# Namoi Cotton Alliance (NCA)



## December 18 Cotton Futures Contract





# Namoi Cotton Alliance (NCA)

- **Commodity packing volumes declined by 62%**
- **Indian tariffs on chickpeas & lacklustre demand has hampered old crop packing**
- **Drought conditions severely impacted new crop chick pea plant**
- **Drought conditions negated cotton seed exports**





# Cargill Investment – 15% Partnership

- **Our 15% investment resulted in post tax loss of \$3.1m**
- **Cotton seed crushing activities impacted by challenging cotton seed pricing parameters**
- **Oil, meal & hull contracts washed out or cotton seed inputs secured at uneconomic levels causing financial losses**
- **Cargill Processing Limited announced the mothballing of Narrabri crush plant**
- **Canola margins have remained steady at the Footscray crushing facility**
- **Additional information requested from Cargill as Manager to consider next steps in a matter which is now subject to a commercial dispute which is yet to be resolved**



# Seasonal Outlook

- **Ongoing drought conditions in the regions in which Namoi Cotton operates & minimal rainfall has impacted available irrigation water**
- **Our current estimate of the 2019 crop is 2.1m bales, down 2.4m bales & planting 50% complete**
- **Significant rainfall prior to early December could result in a large dryland cotton planting which may potentially benefit Namoi Cotton**



# Operational & Strategic Outlook

- Forecast ginning of between 0.5m & 0.6m bales & cotton seed volumes proportionally impacted
- NCA targeting increased market share & increased commodity packing volumes
- Streamlined operations to match predicted lower volumes
- The Board & Management are undertaking a strategic review into ginning network optimisation & underlying business model
- Strategic review update in Q1 2019

