

# Disclaimer



## **Forward looking statements**

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## **Non-International Financial Reporting Standards (Non-IFRS) information**

This presentation may make reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor.

## **Change in accounting policies**

During FY23, the Company in conjunction with its auditor has reassessed its accounting policies:

- Ginning and cottonseed contracts to be in scope of AASB 15 Revenue from Contracts with Customers with no component accounted for under AASB 9 Financial Instruments.
- Change in accounting for the NCA joint venture from an equity to a proportional consolidated basis. As a consequence, a number of items have been restated to reflect the proportional consolidation of the Company's interest in NCA.

## **Notes**

References to "FY23" is full year to 28 February 2023 and "FY22" is full year to 28 February 2022.

Numbers in this document are subject to rounding and stated in Australian dollars unless otherwise noted.

References to "Namoi", "Namoi Cotton" or the "Company", are references to Namoi Cotton Limited ABN 76 010 485 588, or its subsidiaries.

# Annual General Meeting FY2023



**Business performance  
and outlook**

19 July 2023

**Our Experience. Our Future**



# Namoi Cotton is more than a ginner

Namoi Cotton's business spans fibre, feed, supply chain and marketing with ginning being at its core

## Cotton Ginning



## Co-product Marketing



## Lint Marketing



## Supply chain



### Ginning & Co-products

#### Cotton Ginning

- Network of 10 gins at 9 sites serving ~240 growers
- ~1.5 million bale capacity
- In-house engineering

#### Co-products

- Marketing cottonseed from a network of 10 storages
- Process and marketing mote from Yarraman gin



### Supply Chain & Marketing

#### Supply Chain<sup>(1)</sup>

- 3 warehouses & terminals
- 2 grain & packing facilities
- Rail and road transport

#### Cotton Marketing<sup>(2)</sup>

- Cotton lint origination
- Exporting to 8+ countries
- Cotton classing<sup>(3)</sup>

(1) NCA JV with LDC - Namoi Cotton has 51% interest

(2) NCMA JV with LDC - Namoi has 15% interest

(3) Australian Classing Services - wholly owned by Namoi



# Business performance



Merah North Gin



# Our values, safety and sustainability

Commitment to a safe workplace and engaged culture for all employees, contractors and customers



## Safety

We place safety and health first



## Teamwork

We build strong partnerships with our customers and each other



## Integrity

We keep our promises



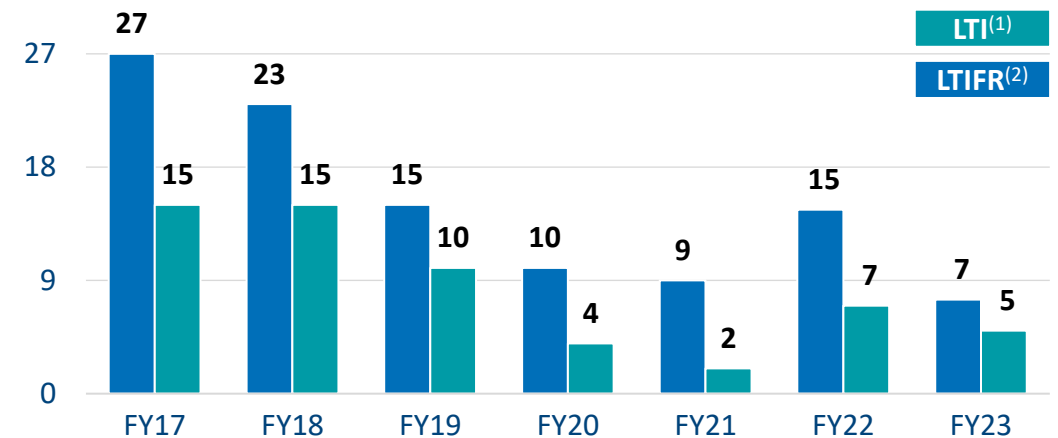
## Excellence

We are efficient and effective and get the job done

### Commitment to safety

- Building a resilient and sustainable safety culture where our people choose to work safely
- Improved safety lag metrics in FY23
  - 30% reduction in LTIs<sup>(1)</sup>
  - 50% reduction in LTIFR<sup>(2)</sup>
- Safety initiatives implemented in FY23
  - DoneSafe providing staff a user-friendly platform
  - Online induction and training courses for staff
  - Early intervention program to support injured staff

### Safety lag indicators



### Environmental, Social and Governance (ESG)

- Launched our inaugural Sustainability Report, outlining key indicators and targets for our ESG footprint

(1) LTI – Lost time injury

(2) LTIFR - Number of lost time injuries in the financial year / total hours worked in the financial year × 1,000,000

# Business highlights

Return to profitability and strengthened balance sheet in FY23 with above average ginning volume

## Full Year Highlights - FY23 vs FY22

Ginned Bales <sup>(1)</sup>	EBITDA <sup>(2)</sup>	NPBT <sup>(3)</sup>	Core Debt <sup>(4)</sup>	LTIFR <sup>(5)</sup>
<b>1.17mb</b> ↑ by 0.68mb [FY22: 0.49mb]	<b>\$18.3m</b> ↑ by \$15.7m [FY22: \$2.6m]	<b>\$4.0m</b> ↑ by \$10.7m [FY22: \$(6.7)m]	<b>\$33.7m</b> ↓ by \$10.9m [FY22: \$44.6m]	<b>7.5</b> ↓ by 7.1 [FY22: 14.6]

## Managed a challenging season

### Ginning services

- Managed near record volume
- Contribution impacted by
  - Wet weather events
  - Lower seed margin due to higher distribution costs
  - Ginning revenue not keeping pace with cost inflation

### Supply chain & marketing

- Strong contribution from restructured joint ventures<sup>(6)</sup>

## Strengthening our business

### Balance sheet

- Term Debt reduced by \$9.9m<sup>(7)</sup>

### 4PP projects meeting target return

- Merah North gin upgrade
- Boggabri cottonseed shed
- Trangie gin upgrade

### Northern Australia

- Kimberley Cotton Company gin project commenced

(1) Include 100% of bales at joint venture gin ('mb' is million bales)

(2) EBITDA - Non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation (including share of EBITDA from NCA and share of profit from NCMA and NCPS excluding impairments and revaluation decrements on property, plant and equipment held at fair value)

(3) Net Profit before Tax

(4) Core debt is Net Debt (total interest-bearing liabilities less cash and cash equivalents) less cottonseed inventory. More relevant debt metric for agribusinesses given the marketable and liquid characteristics of traded cottonseed

(5) LTIFR - Number of lost time injuries / total hours worked in the financial year × 1,000,000

(6) NCA, NC Packing Services Pty Ltd and NCMA joint ventures with Louis Dreyfus Company

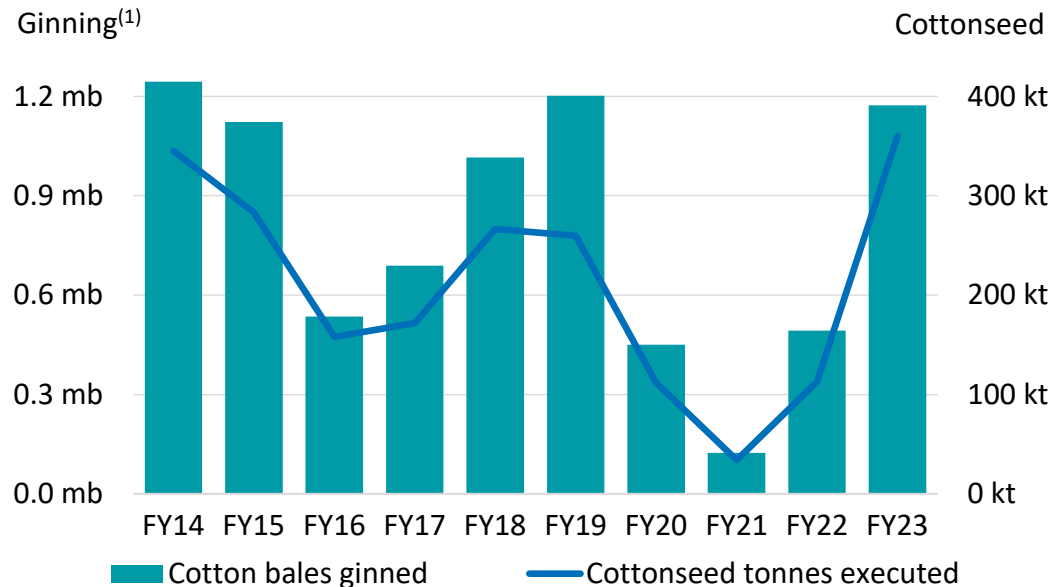
(7) Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business

# Record volume

Above average volumes in 2022 season (FY23) with increased cotton production

## 2022 season volume

- 1.17m bales ginned, 40% above average
- Record 360k tonnes of cottonseed delivered
- Record 836k bales of cotton lint warehoused



		FY23	FY22	
Cotton production		2022 season	2021 season	
Australia <sup>(2)</sup>		5.6m bales	2.7m bales	2.1x
Catchment area <sup>(3)</sup>		3.6m bales	1.3m bales	2.8x
Namoi volume	Cotton ginned <sup>(1)</sup>	1,173,000 bales	493,000 bales	2.4x
	Cottonseed executed	360,000 tonnes	113,000 tonnes	3.2x
	Warehouse shipped <sup>(4)</sup>	836,000 bales	677,000 bales	1.2x
	Commodities packed <sup>(4)</sup>	159,000 tonne	124,000 tonnes	1.3x

(1) Namoi ginned bale volume (100% of JV gins and exclude closed Ashley gin)

(2) Australian production - ABARES March 2023

(3) Namoi catchment area - Cotton Compass November 2022 (Macintyre, Mungindi, Gwydir, Walgett, Bourke, Lower Namoi, Upper Namoi, Macquarie and Lachlan production valleys)

(4) Managed by NCA - 51% owned by Namoi Cotton

# Return to profitability

Return to profitability with increased volumes and contribution from joint ventures

Income statement \$m	FY23	FY22	Movement
<b>EBITDA<sup>(1)</sup></b>	<b>18.3</b>	<b>2.6</b>	<b>15.7</b>
<b>Depreciation<sup>(2)</sup></b>	<b>(11.1)</b>	<b>(6.5)</b>	<b>(4.6)</b>
<b>Finance costs</b>	<b>(3.2)</b>	<b>(2.8)</b>	<b>(0.4)</b>
<b>Profit before tax</b>	<b>4.0</b>	<b>(6.7)</b>	<b>10.7</b>
<b>Profit after tax</b>	<b>4.0</b>	<b>(5.4)</b>	<b>9.4</b>
<b>EBITDA<sup>(1)</sup></b>	<b>18.3</b>	<b>2.6</b>	<b>15.7</b>
<b>Ginning Services<sup>(3)</sup></b>	<b>21.3</b>	<b>8.7</b>	<b>12.6</b>
<b>Supply Chain &amp; Marketing<sup>(4)</sup></b>	<b>4.5</b>	<b>2.1</b>	<b>2.4</b>
<b>Unallocated<sup>(5)</sup></b>	<b>(7.5)</b>	<b>(8.2)</b>	<b>0.7</b>

## Highlights

- EBITDA \$18.3m<sup>(1)</sup> - increase of \$15.7m
- NPAT \$4.0m - increase of \$9.4m
  - Increased depreciation with volume<sup>(2)</sup>
  - No tax payable (with \$27.7m in tax losses carried forward<sup>(6)</sup>)

## Segment performance

- \$21.3m - Ginning Services<sup>(3)</sup>
  - Increased volumes
  - Increased expenses from cost inflation and higher energy costs
  - Lower cottonseed margin from higher distribution costs
- \$4.5m - Supply Chain & Marketing<sup>(4)</sup>
  - Strong contribution from joint ventures

Note: Refer to Namoi Cotton FY23 Full Year Report for definitions and explanations of terms and numbers:

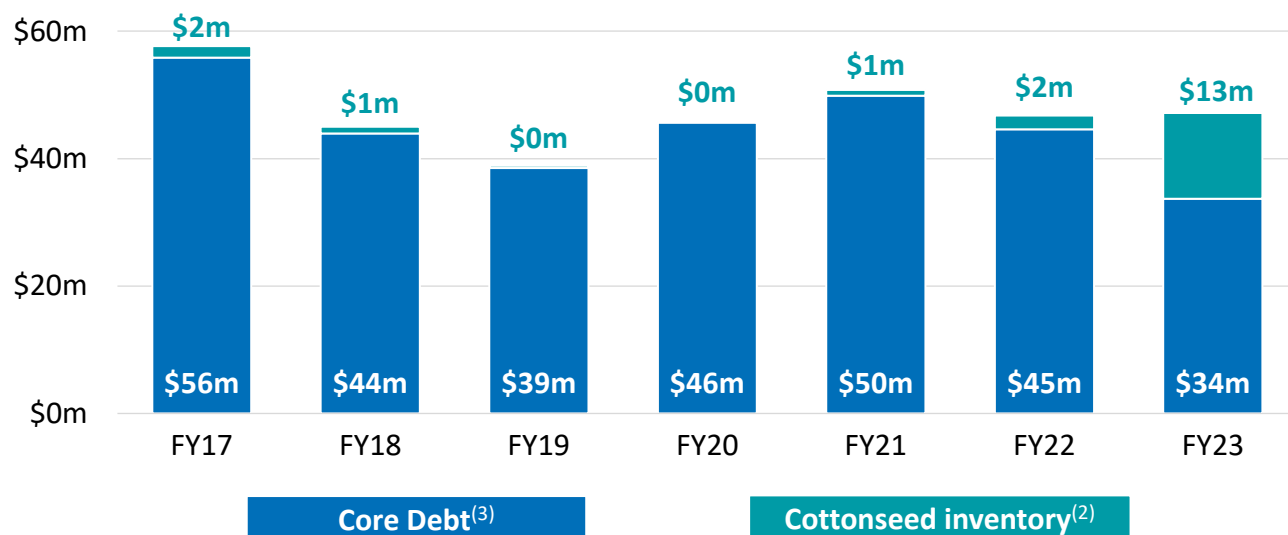
- (1) EBITDA - Non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation and amortisation (including share of EBITDA from NCA and share of profit from NCMA and NCPS excluding impairments and revaluation decrements on property, plant and equipment held at fair value) [NCA (Namoi Cotton Alliance – 51% interest), NCMA (Namoi Cotton Marketing Alliance – 15% interest), NCPS (NC Packing Services Pty Ltd – 51% interest)]
- (2) Ginning infrastructure assets depreciated on a units of production basis over their rolling estimated remaining useful lives of 20 years of sustainable bales
- (3) Ginning Services - earnings from ginning and sale of co-products (cottonseed and moss)
- (4) Supply Chain & Marketing - predominately share of NCA EBITDA and earnings from JVs and associates (NCMA and NCPS)
- (5) Unallocated - predominately corporate support cost
- (6) Australian tax losses do not expire, however, any losses carried forward to future years are subject to loss integrity provisions



# Strengthened balance sheet

Operating cashflow and capital raising funded capex program and reduced core debt to lowest level since FY10

Balance sheet \$m	FY23	FY22	Movement
<b>Net Assets</b>	<b>133.7</b>	<b>113.2</b>	<b>20.5</b>
<b>Net Assets / Share</b>	65.2 cents	65.8 cents	(0.6) cents
<b>Net Debt<sup>(1)</sup></b>	<b>47.2</b>	<b>46.8</b>	<b>0.4</b>
<b>Cottonseed inventory<sup>(2)</sup></b>	<b>13.4</b>	<b>2.2</b>	<b>11.2</b>
<b>Core Debt<sup>(3)</sup></b>	<b>33.7</b>	<b>44.6</b>	<b>(10.9)</b>



## Highlights

- Net Assets \$133.7m
- Core Debt \$33.7m<sup>(3)</sup>

## Commentary

- \$20.5m increase in Net Assets
  - \$0.65 per share
- Adjusted operating cashflow of \$11.1m<sup>(4)</sup> and capital raising of \$13.2m<sup>(5)</sup> funded
  - Capex program of \$11.2m<sup>(6)</sup>
  - Reduced Term Debt by \$9.9m<sup>(7)</sup>

Note: Refer to Namoi Cotton FY23 Full Year Report for definitions and explanations of terms and numbers

- (1) Net Debt - Current plus non-current interest bearing liabilities plus lease liabilities and equipment loans less cash and cash equivalents
- (2) Exclude cottonseed inventory is carried at the lower of cost and net realisable value
- (3) Core debt - Net Debt less cottonseed inventory. (More relevant metric for agribusinesses given marketable and liquid characteristics of traded cottonseed)
- (4) Adjusted operating cashflow - Net cash inflow/(outflow) from operating activities excluding estimated FY22 operating cashflow impact from the restructure of the NCA joint venture involving the transfer of lint trading and associated assets and liabilities from NCA to NCMA. NCA's FY2023 operating cashflow does not include any impact from the restructure
- (5) Net of costs
- (6) Capital expenditure includes investment in Kimberley Cotton Company
- (7) Term debt facilities are committed, non-amortising lines utilised to fund capital projects relating to the plant, property and equipment of the business

# Strategy update



Mungindi Gin



# 4PP strategy

Increase through the cycle target EBITDA by \$6m by investing \$26m<sup>(1)</sup> and leveraging our existing capability

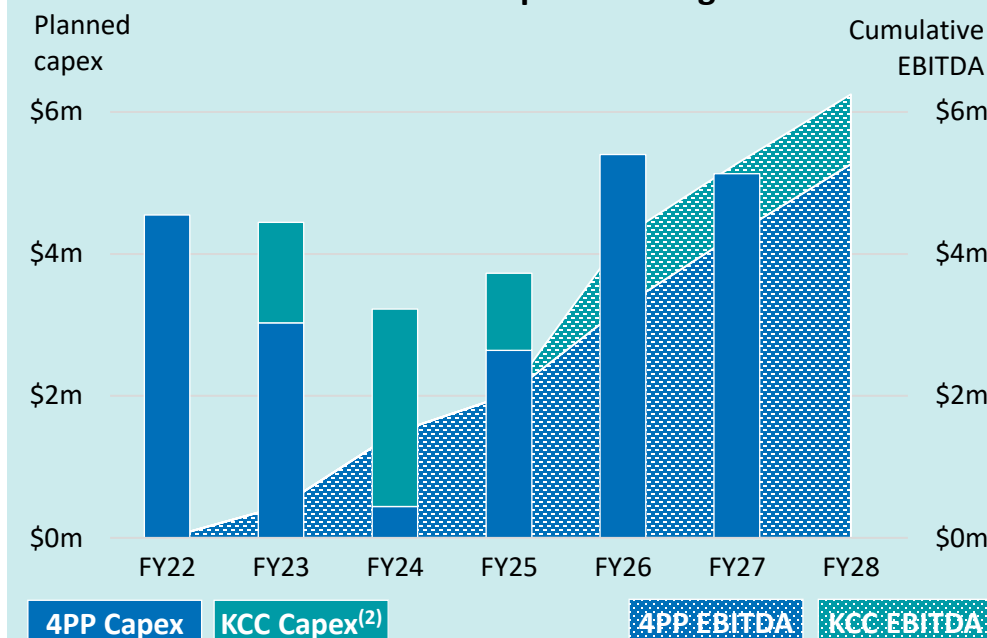
## 4-Point Plan

<b>1</b>	<b>Leading service &amp; cost position</b>	<ul style="list-style-type: none"> <li>Partner growers with a superior network and service</li> </ul>	<ul style="list-style-type: none"> <li>Reduce ginning cost</li> <li>Optimise quality outturn</li> <li>Variable cost structure</li> </ul>
<b>2</b>	<b>Innovative solutions</b>	<ul style="list-style-type: none"> <li>Empower growers with differentiated products</li> </ul>	<ul style="list-style-type: none"> <li>Digital platform</li> <li>New grower products</li> <li>Optimise supply chain</li> </ul>
<b>3</b>	<b>Broaden revenue base</b>	<ul style="list-style-type: none"> <li>Geographically diversify network and grow the core</li> </ul>	<ul style="list-style-type: none"> <li>Value from co-products</li> <li>Diversify network into new production valleys</li> </ul>
<b>4</b>	<b>Great place to work</b>	<ul style="list-style-type: none"> <li>Attract and retain talented staff</li> </ul>	<ul style="list-style-type: none"> <li>Safe &amp; engaged workforce</li> <li>Ginning talent pipeline</li> <li>Transformation readiness</li> </ul>

## Updated view of delivery timeline

- Capital expenditure and resources focused on delivering KCC gin project in FY24
- Planned future 4PP projects paused for 12 months

### Planned 4PP and KCC Capex and Target EBITDA



(1) Over a 6 year period to FY27. Include capex and EBITDA for KCC. Growth capex is in addition to stay in business capex of average \$2-3 million per annum.

(2) Including KCC capex and investment. Net of margin from the supply of ancillary gin equipment and gin installation services



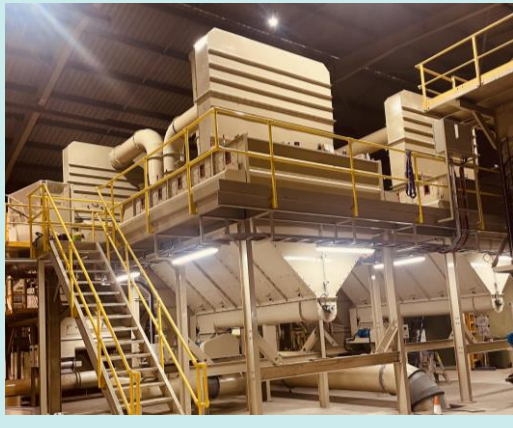
# 4PP projects delivering

4PP projects, leveraging our gin network, delivering target returns and service benefits to growers

## Merah North gin upgrade

Delivered for 2022 season

- ~10% increase in gin speed and reduced direct costs
- Improved cotton quality outcomes for growers
- Achieving record shift volumes in 2023 season



## Trangie gin upgrade

Delivered for 2023 season

- ~10% increase in gin speed and reduced direct costs
- Automation of bagging has reduced staff numbers
- Improved cotton quality outcomes for growers



## Boggabri gin seed shed

Delivered for 2023 season

- >10% reduction in supply chain cost in transport and use of external storage
- Convenient access to nearby local feedlot market
- Improve gin operation



## Stores system

Delivered for 2023 season

- 20% reduction in inventory
- Improve management of over 2,500 SKUs to support remote ginning operation
- Reduce waste and reduce working capital by >\$2m



Expanding cotton industry in northern Australia provides opportunity to diversify our footprint and grow earnings

## Project update

- 20% shareholder in KCC with local growers
  - KCC restructured debt and secured additional funds
  - Namoi equity investment of \$4.2 million
- Construction commenced and equipment ordered with target completion second half of 2025
- Namoi exploring value-add opportunities

## Namoi support

- Project Manager for construction of gin
- Namoi resources deployed to support construction
  - Commenced building ancillary gin equipment at our Wee Waa engineering workshop
  - Installation of gin equipment planned for 2024 using our ginning and maintenance staff



Civil works at Kununurra gin



# Business outlook



Boggabri Gin



# 2023 season (FY24) progress

Expected above average ginning volume of 1.0-1.1 million bales in 2023 season

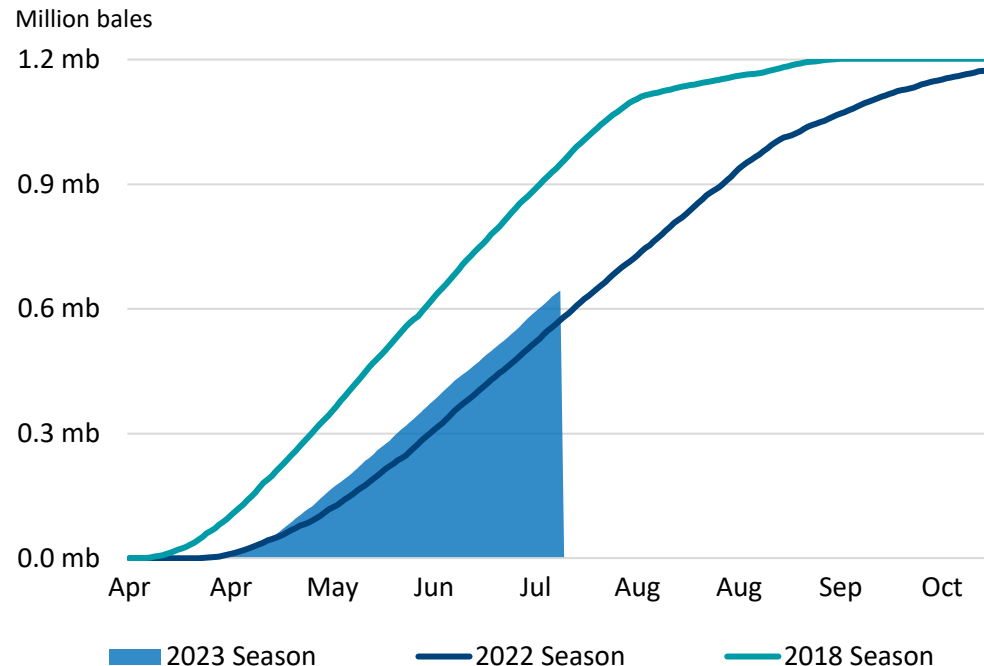
## 2023 season volume

- 1.09 million ginning bales contracted
- Passed halfway point with YTD 650,000 bales ginned

## Financial drivers

- Good operating conditions compared to 2022 season
- Ginning fees increased in line with inflation

2023 season cumulative bales ginned<sup>(1)</sup>



### A Cotton picking

- Good cotton quality with low moisture
- Above average lint yield

### B Ginning

- Increased productivity
- Reduced energy consumption

### C Cottonseed

- Continued downward pressure on margin including carryover 2022 season
- Below average seed yield (2023 season)

### D Supply chain

- Improved container and transport capacity
- Slower export program with lower prices

(1) Compared to 2022 season and 2018 season with a similar ginned bale volume (excluding closed Ashley gin)

# 2024 season (FY25) outlook

Water availability expected to support average to above average ginning volume in 2024 season

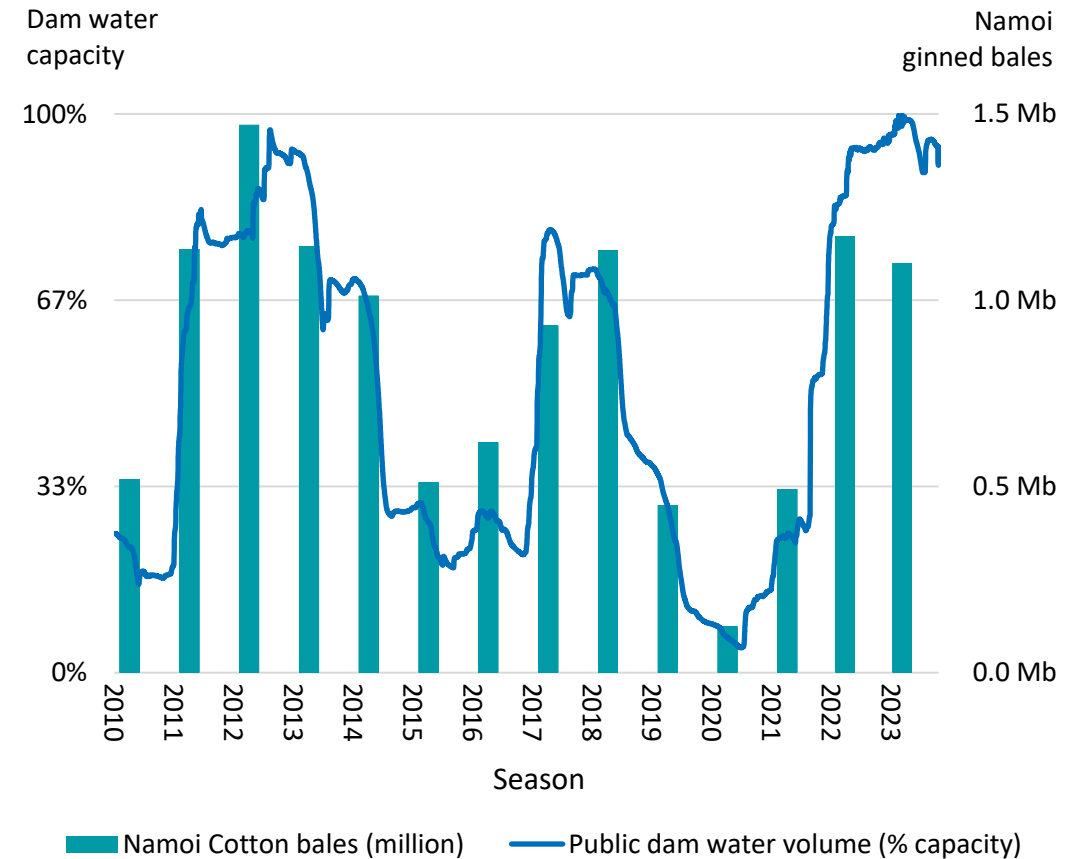
## 2024 season volume

- Public dam water is at ~94% capacity<sup>(1)</sup>
- Water availability expected to support average to above average cotton planting for 2024 season (FY25)
- Forecast 2024 cotton production is 4.6 million bales<sup>(2)</sup>
  - 30% above average cotton production

## Variable cost structure

- Namoi has adopted a flexible staffing model to manage costs if there is a return to average seasons with:
  - Casual staff for gin operations
  - Fixed term contract staff for support services

## Lead indicator - regional system dam water<sup>(1)</sup>



(1) Bureau of Meteorology (BOM) as at end June 2023 – weighted average water capacity in rural system public dams in Namoi catchment valleys (BOM rural systems of Border Rivers, Macintyre, Gwydir, Namoi, Macquarie, Lachlan)  
 (Note: 2023 season cotton planting and production was negatively impacted by wet weather)

(1) ABARES – June 2023

# Priorities for the next 12 months

Board and management focus in delivering increased shareholder value

## Leadership

- Tim Watson appointed Executive Chairman
- Overseeing the strategic review
- Delivering leadership and stability to manage the current ginning season

## Strategic review

- Blackpeak Capital engaged to review all strategic options to maximise shareholder value
- Consider opportunities for industry consolidation to strengthen our business

## Margin management

- Program commenced aiming to reduce fixed costs by \$2m for FY25
- Maintain momentum to increase ginning fees at or above cost inflation in 2024 season

## Capital management

- Delivering current 4PP projects
- Pausing future 4PP projects for 12 months, reducing cash spend by \$3m in FY24

## Cottonseed marketing

- Completed BDO internal audit review
- Implementing recommendations that include strengthening processes and systems



Thank you  
Tim Watson  
Sonya Ryan



# Additional information – Key risks

Description of key business risks that Namoi considers could impede the achievement of its future operational and financial performance as required by s299A of the Corporations Act 2001

Key business risks	Comments provided in FY2023 Annual Report	
<b>1. Water Availability.</b> Ginning volume variability caused by water availability, weather and other events	Page 15	"Managing this variability in volume has involved simplifying and de-risking the business that included, restructuring our joint ventures, reducing our debt commitments and developing a variable cost base. We commenced re-building our execution capacity in late 2021 in preparation for the 2022 season and beyond. We are rebuilding smarter, focusing on core with flex-labour requirements matched with improved systems. Across the Group, 35% of our fulltime positions comprised contract roles at the end of FY2023 compared to 20% last year, helping us to manage volume variability."
	Page 16	"Despite the high level of water currently stored, the 2023 season production is forecast to be below the 2022 season due to wet weather experienced at planting, as well as spray drift herbicide damage, which combined resulted in reduced production in some areas. Early forecasts for the Australian 2024 season cotton production are for 4.7 million bales."
<b>2. Trading risk in commodities</b>	Page 12	"In an average season, we market and deliver all or most cottonseed volumes by February year end. Ginning and weather delays this season meant that we were holding increased levels of inventory and debtors at year end..." "Cottonseed marketing contribution was also impacted by higher distribution costs."
	Page 101	"The Group's partner in NCMA has primary responsibility for ensuring NCMA's operations are adequately funded and the Group has not provided any security, guarantee or indemnity for NCMA's funding...This capping mechanism significantly restricts the Group's right to participate in the trading profits of NCMA (and limits exposure to trading losses)..."
<b>3. Supply Chain.</b> Disruption to supply chain logistics and operations	Page 10	"....our financial results were negatively impacted by one-off weather events and a cost inflationary environment. The extended ginning season delayed the execution of co-product sales"
	Page 11	"The 2022 season was wetter than average with unprecedented floods.....While this rain is expected to support above average cotton production in the 2023 and 2024 seasons, it had a negative impact on our ginning and logistics operations in 2022. Wet weather increased cotton moisture which delayed the start of ginning and extended our ginning season by 6 weeks, increasing our labour and energy costs"
<b>4. Cost inflation</b>	Page 12	"The contribution from the Ginning Services segment in FY2023 has been negatively impacted compared to FY2019 with a similar volume. This decrease reflects the one-off impact of wet weather in 2022, cumulative impact of cost inflation on energy and labour..... While revenue per bale increased in FY2023, partly offsetting increased costs, ginning revenue has not kept pace with inflation."

# Additional information – Key risks (cont.)

Description of the key business risks that Namoi considers could impede the achievement of its future operational and financial performance as required by s299A of the Corporations Act 2001

Key business risks	Comments provided in FY2023 Annual Report	
<b>5. Labour.</b> Labour availability including labour regional areas	Page 15	<p>“Labour availability has been extremely restricted across Australia, but particularly so in rural and regional areas in which we operate, which has led to wage inflation.....Due to a shortage of experienced ginning staff in Australia, we have expanded our search for experienced labour into overseas markets.</p> <p>Last year we contracted 14 international staff for the ginning season and have successfully retained a majority for the 2023 season with plans in place to expand this program. We are also increasing our training and leadership programs, whilst promoting our mid-level staff and providing them with more on the job experience. On top of our full-time workforce, we employ between 300 – 500 casual employees during a season.”</p> <p>“At the same time, we are increasing our internal people and culture capabilities to be able to plan for and mitigate the material labour risks our business and the industry faces. Namoi Cotton is a great place to work because we are committed to creating a workplace and culture where our people are energised by the work they do, empowered to achieve their full potential, and inspired to have a positive impact on others.”</p>
<b>6. KCC.</b> Investment in Kimberley Cotton Company	Page 14	<p>" We have funded our 20% share in the Kimberley Cotton Company Limited.... construction has been delayed as a new round of additional funding is currently in process to meet increased construction costs arising from a change in scope to meet approval conditions."</p>
<b>7. ESG.</b> Environment Social and Governance related risks	Page 10	<p>“We are proud to publish our inaugural stand-alone 2022 Season Sustainability Report which builds upon years of sustainability-related disclosure integrated within our annual reporting. This report forms part of our corporate reporting suite for the 2023 financial year.</p> <p>Namoi Cotton has been practicing aspects of sustainability best-practice for decades which we are now formalising around an Environmental, Social, and Governance (ESG) strategy. Last year we conducted an ESG materiality assessment to identify our main areas of opportunity and improvement and we are now building an action plan to track and improve upon our most important sustainability issues.”</p> <p>Additional information on ESG risks can be found in the Namoi Cotton Sustainability Report 2023</p>