

# Analyst Briefing Pack

FY 2016



# Integrated orchard-to-market service

An international business founded in local New Zealand



Australia

## ➤ Grow, handle and market

- Kiwifruit
- Nashi pears
- European pears
- Other produce
  - > Apricots
  - > Plums
  - > Cherries

Largest grower of kiwifruit in New Zealand and Australia

Australia's largest Nashi grower

## ➤ Grow, handle and market

- Kiwifruit
- Avocado
- Kiwiberry

## ➤ Manufacture and retail

- Kiwi Crush, Kiwi Crushies
- Avocado oil
- Kiwifruit pollen

## ➤ Import, ripen and supply

- Bananas
- Pineapple, Papaya

## ➤ Wholesale

- Seasonal produce

New Zealand



  
**Seeka**

# Our business model

## Founded on relationships

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- Large international shareholders
  - Farmind Corporation of Japan
  - Sumifru of Singapore
- Te Awanui Huka Pak is our largest New Zealand shareholder
- Nearly all supplying New Zealand kiwifruit growers are shareholders
- Many employees are shareholders
  - 4% of company shares owned by the employee share scheme



# Our strategy

## New Zealand's "Premier Produce Business"

- Sustainable and profitable growth
- Focus on core strengths
  - Integrated from orchard to market
  - Kiwifruit business – the platform
- Deliver value to stakeholders
- Value accretive acquisitions
  - Build on core strengths
  - Pursue vertically integrated opportunities
  - Extend geographical and produce spread
- Target \$300m market capitalisation
  - Our growth aspiration

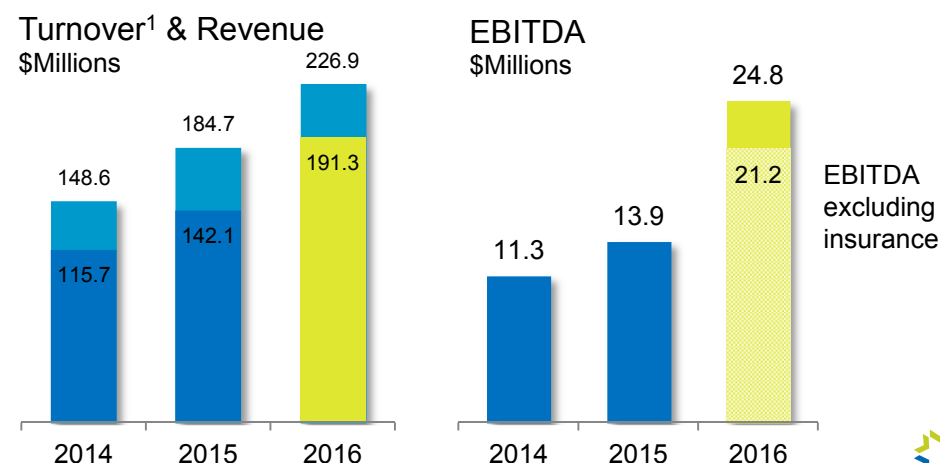


# Group financial summary

## Audited financial results

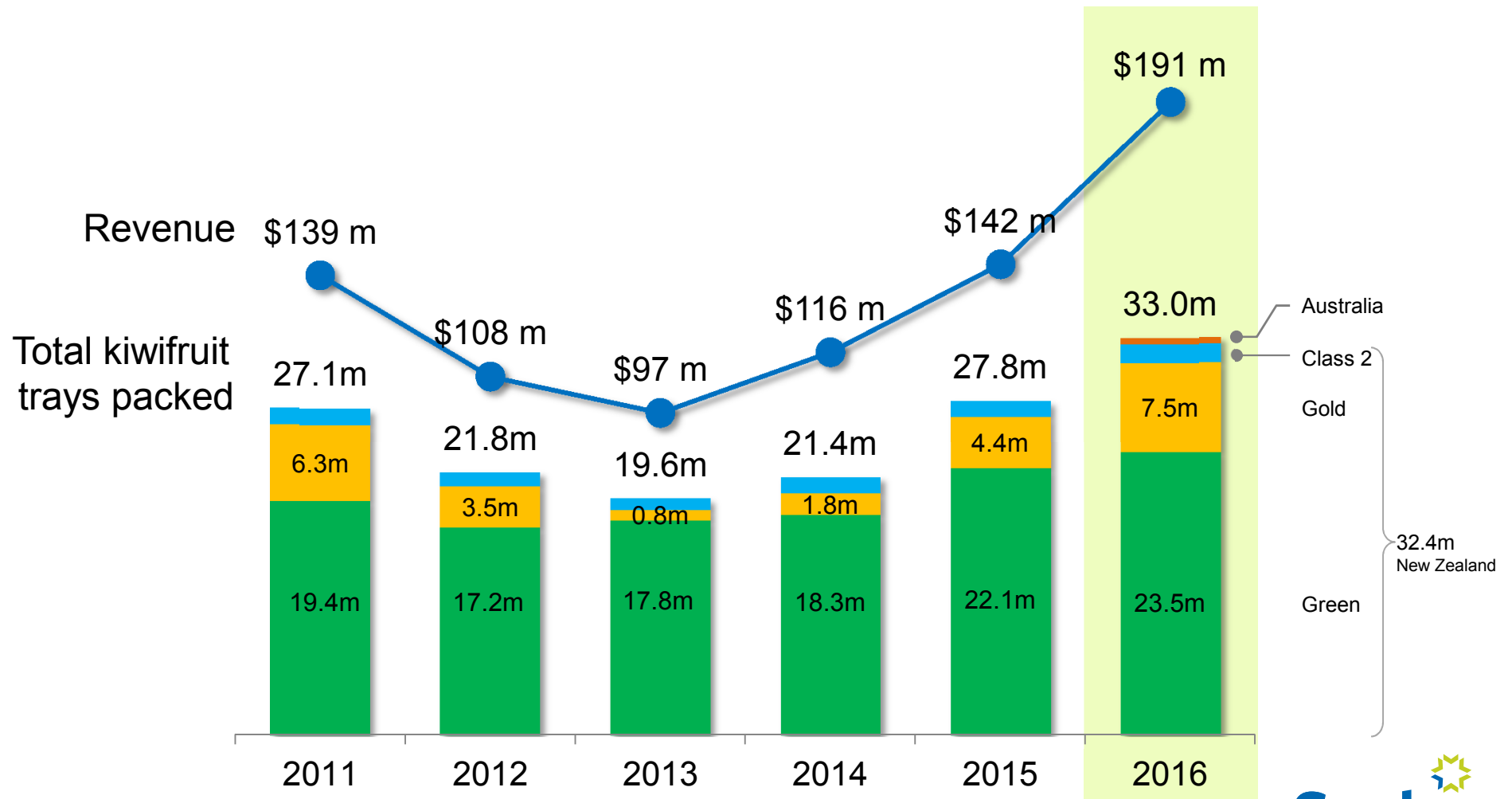
- \$10.4m NPAT
  - Up 143%
  - Driven by record New Zealand kiwifruit volumes and insurance settlement
- \$191m revenue
  - Up 35%
- \$25m EBITDA
  - Up 78%
- 65 cents EPS
  - Up 124%
  - 18 cents related to 2015 insurance claim
- 20 cents dividend
  - Related to FY2016

\$Millions	2016	2015
Turnover <sup>1</sup>	226.9	184.7
Revenue	191.3	142.1
EBITDA <sup>2</sup>	24.8	13.9
Net profit before tax	13.6	5.2
NPAT	10.4	4.3



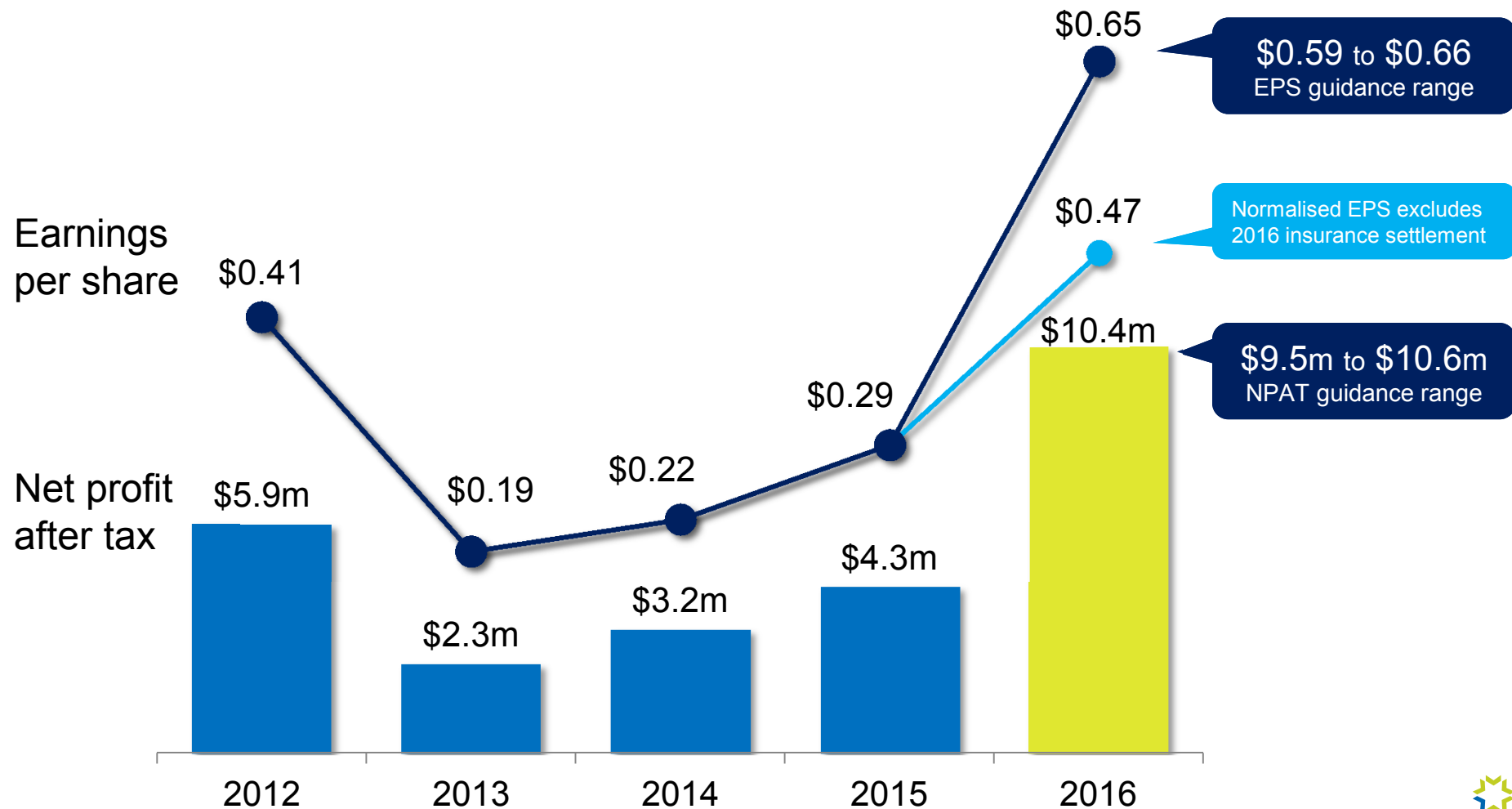
# Seeka financial performance

## Revenue and packed kiwifruit volumes



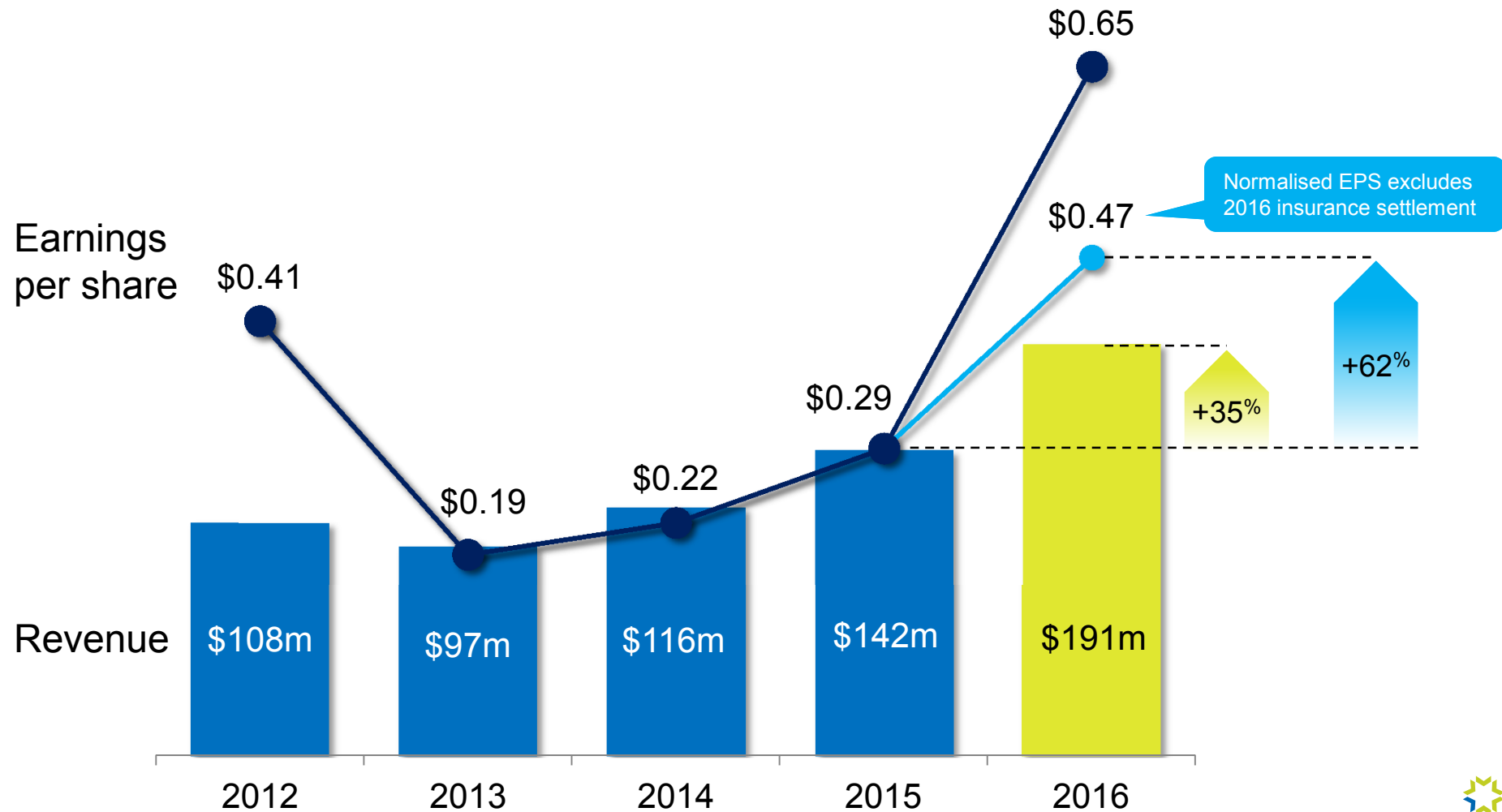
# Seeka financial performance

## Lift in net profit after tax and earnings per share



# Earnings accelerating on revenues

Earnings increasing faster than revenue growth





# Normalised EBITDA

Up 46%

- \$4.1m insurance proceeds from Oakside fire
  - \$3.6m fruit loss mitigation settlement
  - \$0.5m fire insurance
- \$2.9m cost of grower share scheme
  - Last year of 3-year scheme

\$Millions	2016	2015
EBITDA <sup>2</sup>	24.8	13.9
<i>Add back</i>		
Australian acquisition costs and stamp duty	-	1.1
Grower relationship payment <sup>1</sup>	-	4.0
Grower share scheme	2.9	2.5
<i>Deduct</i>		
Insurance proceeds	4.1	5.5
Gain on sale of investments	0.4	0.1
Normalised EBITDA <sup>3</sup>	23.2	15.9

1. In 2015 Seeka and its growers suffered extraordinary fruit loss as a result of the Oakside fire. The associated financial loss was subject to an insurance claim settled 2016. In 2015 Seeka advanced \$4.0m to growers to maintain goodwill. This advance was substantially recovered by insurance proceeds.

2. EBITDA is earnings before interest, tax, depreciation, amortisation, impairments and revaluations.

3. Normalised EBITDA removes both extraordinary and short-term gains and losses from Group EBITDA, such as the 3-year grower share scheme.



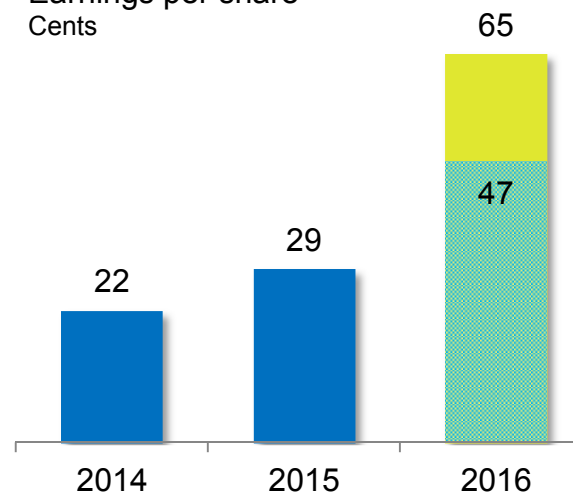
# Earnings, net debt and net asset backing

## Earnings up 124%

- 65 cents basic EPS
  - Up 124%
- 47 cents normalised EPS
- \$73m net debt – up \$20m
  - Investing in growth
  - \$34m NZ post harvest infrastructure
  - \$6m NZ strategic property
  - \$3m Australian orchards and infrastructure
- \$197m total assets

	2016	2015
Earning per share (cents)	65	29
Net debt (\$m)	72.8	53.0
Total assets (\$m)	197.3	164.3
Net asset backing per share	\$ 4.88	\$ 4.34

Earnings per share  
Cents



Normalised EPS excludes  
2016 receipt of \$3.6m  
insurance proceeds

# Operating cash flow

## Investing in new Australian business

- \$21.3m operating cash flow
- \$17.7m normalised operating cash flow
  - Up 177%

\$Millions	2016	2015
Operating cash flow	21.3	1.8
<i>Add back</i>		
Australian acquisition costs	-	0.6
Grower relationship payment <sup>1</sup>	-	4.0
<i>Deduct</i>		
Insurance proceeds <sup>1</sup>	3.6	-
Normalised cash flow	17.7	6.4

1. Seeka and its growers suffered extraordinary fruit loss as a result of the Oakside fire. The associated financial loss was subject to an insurance claim that was resolved in 2016. In order to protect Seeka's growers from the claim's impact on income and cash flow, and to maintain goodwill, Seeka paid them \$4.04m ahead of the insurance outcome. This was expensed in 2015, with the claim payment of \$3.63m recorded as income in 2016.







## Key operating segments

Orcharding



Post Harvest



Retail Services



Seeka Australia





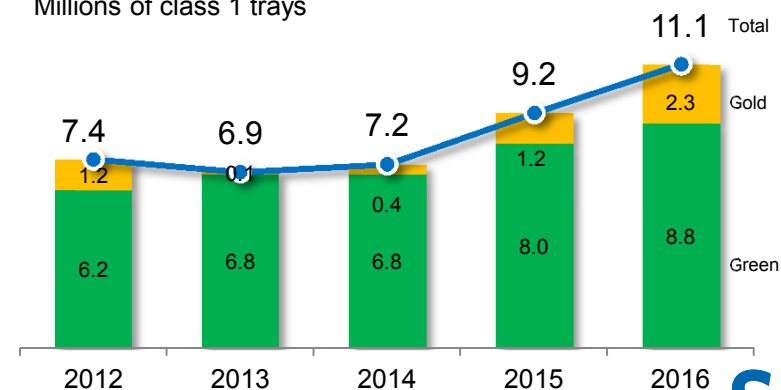
# New Zealand orcharding

## Volume and market returns

- Exceptional Green yields
  - Impacted Green tray returns
- Continued growth in Gold
  - SunGold volumes recovering from Psa
- \$5.6m EBITDA
  - Up 42%

Millions of trays	2016	2015
Green cultivars (Hayward)	8.9	8.0
Gold cultivars	2.3	1.2
Total	11.2	9.2
Turnover / Revenue ( \$m )	47.9	42.3
EBITDA ( \$m )	5.6	4.0

New Zealand kiwifruit grown  
Millions of class 1 trays

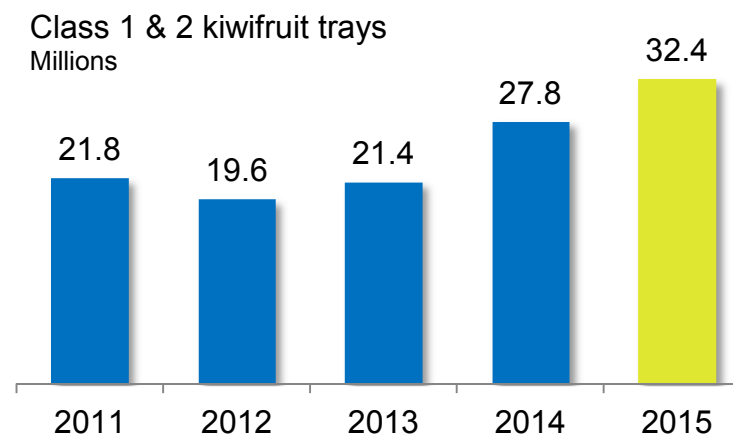


# New Zealand post harvest

## Volume and profit increases

- 32.4m trays handled
  - Up 17%
- \$26.8m EBITDA
- Includes \$2.9m cost of grower share scheme (2015: \$2.5m)
  - Last year of share scheme
- Includes \$3.6m insurance proceeds

Millions of trays	2016	2015
Green cultivars packed	25.0	23.4
Gold cultivars packed	7.4	4.4
Total trays	32.4	27.8
Turnover / Revenue ( \$m )	110.8	88.3
EBITDA ( \$m )	26.8	13.3



# New Zealand retail services

## Flat earnings

- \$1.9m EBITDA
- Avocado export revenue up on volumes and market returns
- Kiwifruit export revenue down on market returns

\$ millions	December 2015	December 2014
Turnover	53.7	52.2
Revenue	16.8	9.6
EBITDA	1.9	1.7

Seeka markets produce from Group operations plus imports and handles tropical fruits

- > Sell all our avocados under our Seeka brand
- > Market kiwifruit in Australasia and work in collaboration with Zespri to market kiwifruit in Asia
- > Import and ripen bananas and other tropical fruits
- > Operate a wholesale fruit and vegetable market



# Seeka Australia

## Integrated orchard to market

- First year of full operations
- \$1.0m EBITDA
- \$3.3m invested in growth
  - New packhouse and coolstore
  - Upgrading orchards
- Business integrated into Seeka systems
- Fully funded by bank debt

Tonnes	2016	2015
Kiwifruit (tonnes)	1,915	-
Nash pears (tonnes)	1,432	-
Revenue ( \$m )	15.2	1.2
EBITDA ( \$m )	1.0	( 1.4 )

Seeka is largest grower and supplier of Australian kiwifruit and nashi pears

- > Own the orchards, pack, market and distribute all the produce throughout Australia
- > Also grow European pears, apricots, plums & cherries

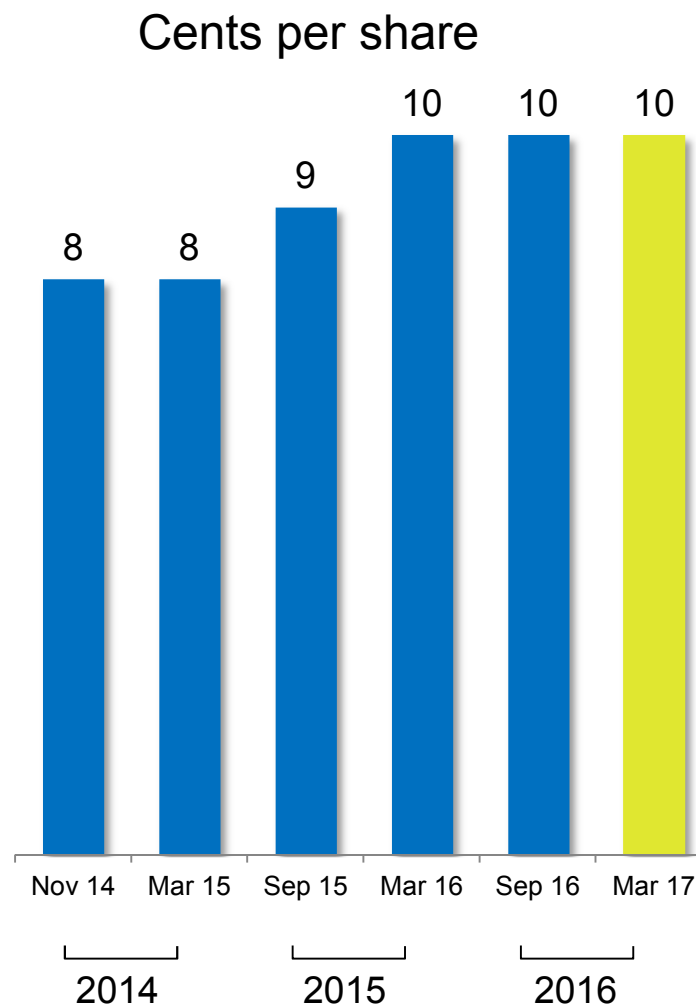




# Dividend announcement

10 cents per share to be paid 24 March 2017

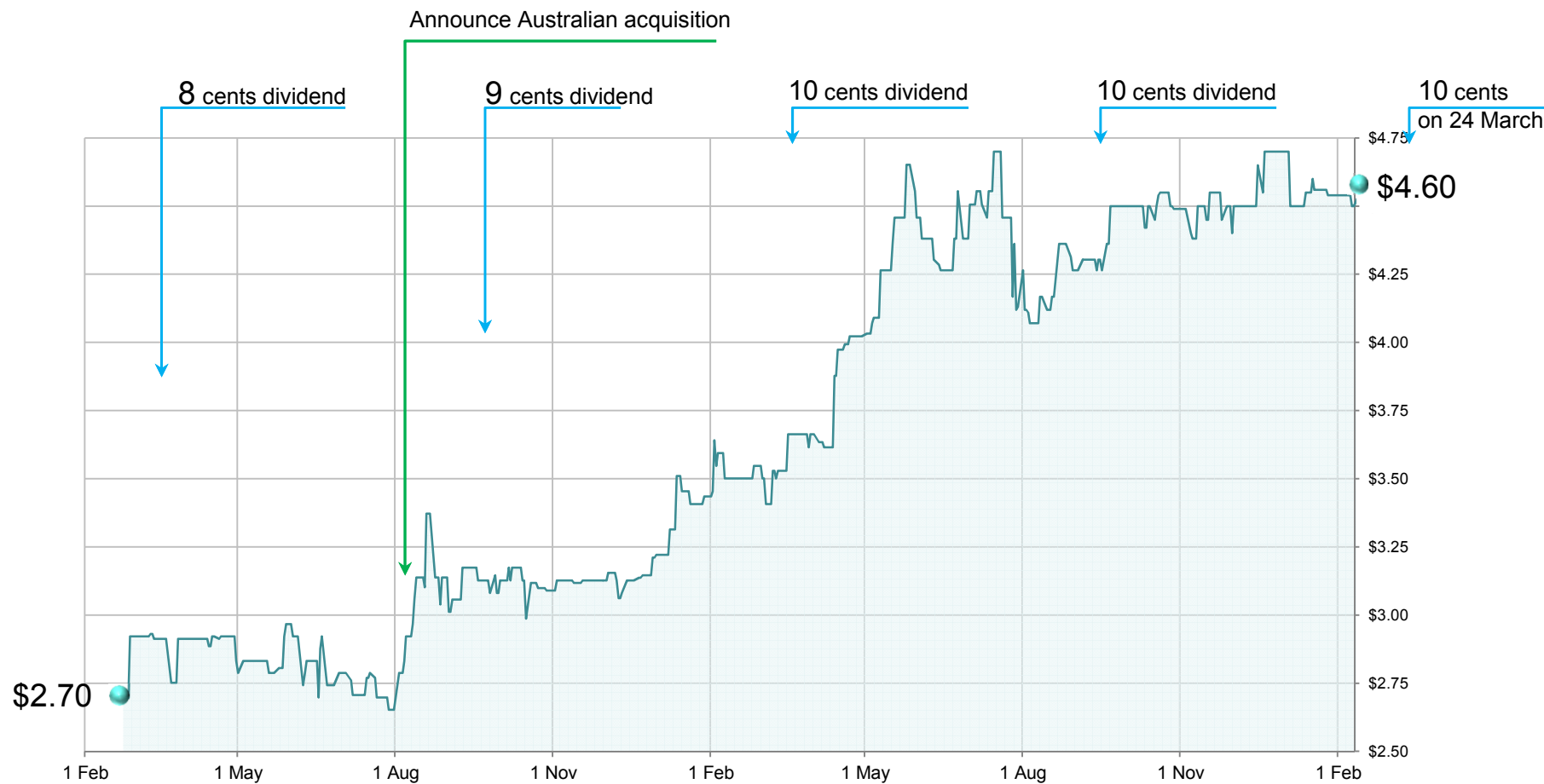
- 10 cents per share
  - Fully imputed
  - Payment date: 24 March
  - Record date: 17 March
- Dividend reinvestment plan applies
- 20 cents per share fully imputed dividend relating to the 2016 financial year



# Share price

**84% total shareholder return over 2-year period**

**\$1.90 lift in price + 37 cents paid in dividends**



# Capital expenditure – cash flow

## Expanding New Zealand infrastructure to support growth

### ➤ \$40.9m capex

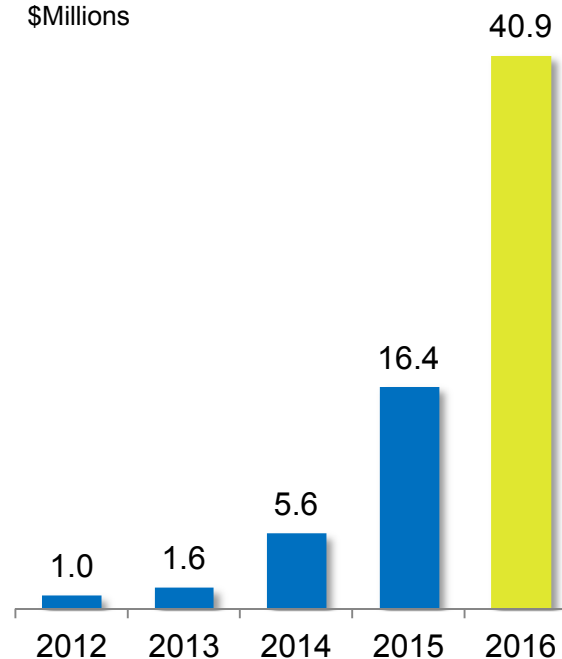
- \$24.5m coolstore and packing infrastructure
- \$6.0m land for head office and future post harvest site
- \$2.4m plastic bins
- \$3.3m Australian orchards and post harvest
- \$4.7m upgrades for 2017

### ➤ 2017 further investment

- New packing machine
- Coolstore expansions

\$Millions	2016	2015
Purchase of property, plant and equipment	40.9	16.4

Capital expenditure  
\$Millions



**Welcome to Seeka**



# Seeka share performance

## Outperforming NZX top 50 fund

