

Analyst Briefing Pack

Annual results presentation

Year ended 31 December 2019 - Audited

Agenda

- 1** 2019 highlights
- 2** Financials
- 3** Capital management
- 4** Operating segments performance
- 5** Appendices



2019 Highlights

Focus on achieving excellence

- 1 Progressed growth strategy**
 Invested in capacity, consolidating Northland operations, and acquired a new core business
- 2 \$37.3m invested in New Zealand post harvest capacity in Northland and Te Puke**
 \$15.9m Kerikeri new packhouse and machine in growth region | \$21.4m Oakside machine upgrade and extra coolstore capacity
- 3 \$34.6m sale of Northland orchards reduces debt with secure supply commitment**
 \$27.1m of assets held for sale expected to settle FY20 available to further reduce debt
- 4 \$24.5m Aongatete acquisition completed prior to harvest 2019 – \$14m for shares and assumed \$10.5m of debt**
 Accretive core business acquisition building volume and capacity
- 5 Grower loyalty share scheme**
 Share issue rewarding secure supply
- 6 Focus on consolidating the business**
 Management structure reset | Asset held for sale process reduces debt | Acquired business integrated and synergies targeted | SeekaFresh revitalised
- 7 Australian kiwifruit orchards sale and leaseback project initiated**
 Long lease period to secure supply | Funds to accelerate growth | Reduce debt

Financials

Group financial performance

\$236.9m record revenue

Up 16% on 2018

- Revenue growth in orcharding and post harvest

\$34.5m EBITDA

Up 4% on 2018 (\$33.3m)

- EBITDA exceeds October guidance (\$32.5m ~ \$33.5m)

\$6.9m Net profit after tax

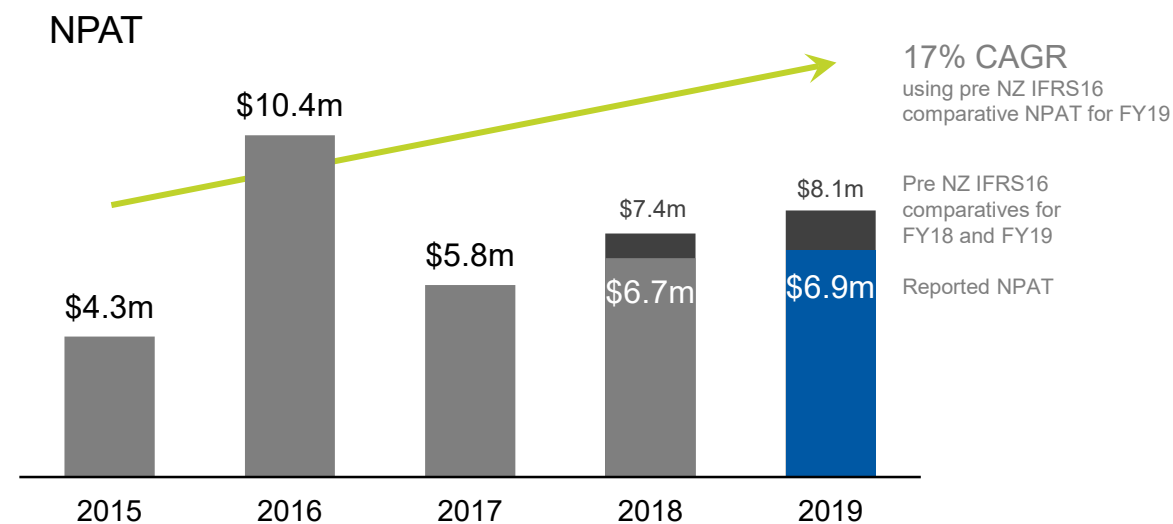
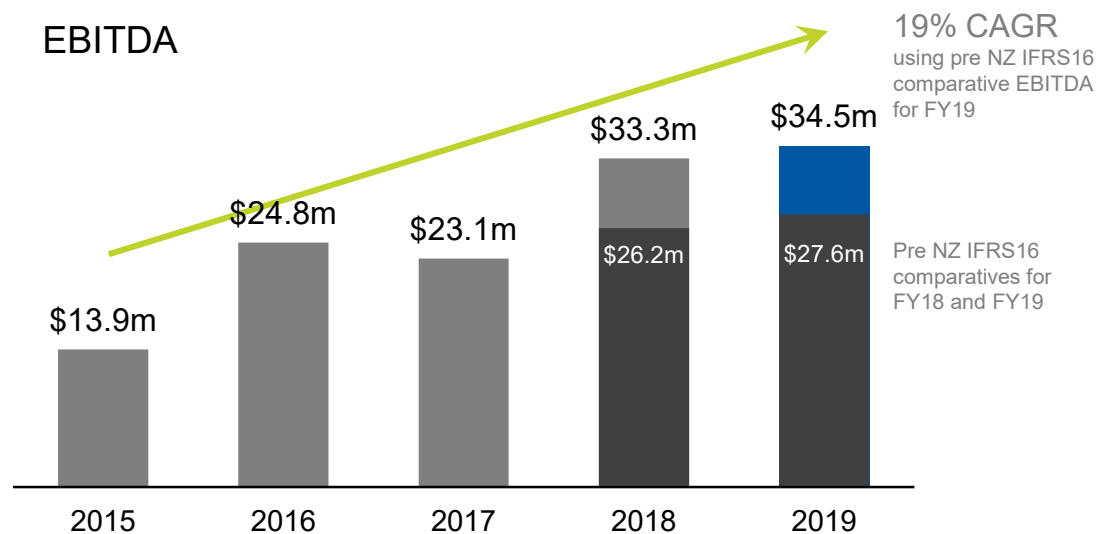
Up 3% on 2018 (\$6.7m)

All results and comparatives consistent with
NZ IFRS 16 Leases

NZD millions	2019	2018 Restated	Growth
Revenue	236.9	203.7	16%
Cost of sales	189.4	158.0	20%
Gross profit	47.5	45.8	4%
EBITDA	34.5	33.3	4%
EBIT	17.6	17.3	2%
Net profit after tax	6.9	6.7	3%

Trends in financial performance

EBITDA and NPAT



New NZ IFRS16 Leases standard implemented FY19, with FY18 results restated.

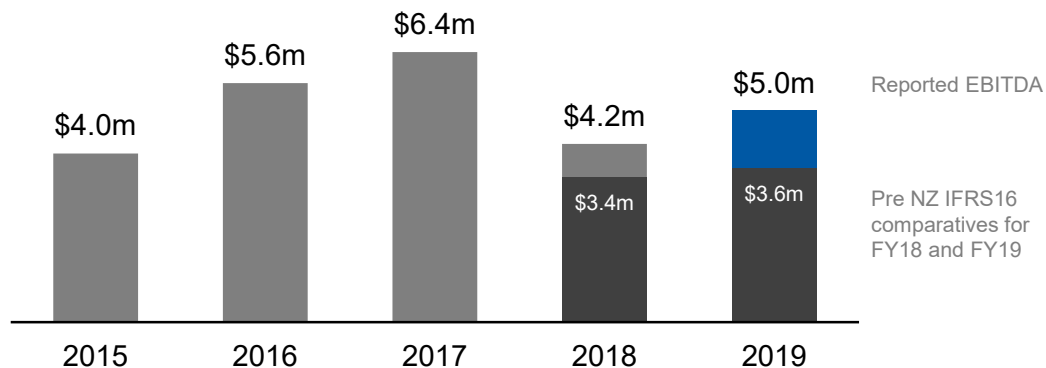
The new standard added \$6.9m to Group EBITDA FY19 and \$7.1m to the restated FY18 EBITDA. It reduced Group NPAT by \$1.2m FY19, and by \$0.7m to the restated FY18 NPAT.

Trends in operating segment performance

EBITDA – reported and pre NZ IFRS16 comparatives for FY18 and FY19

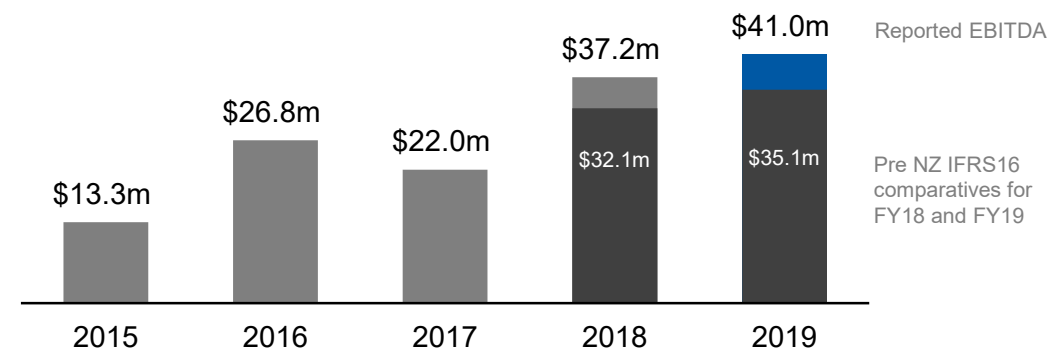
Orcharding EBITDA

\$54m assets



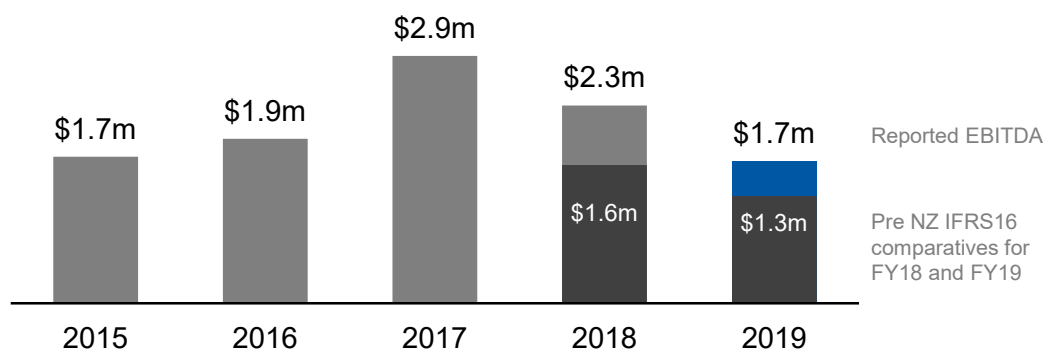
Post harvest EBITDA

\$223m assets



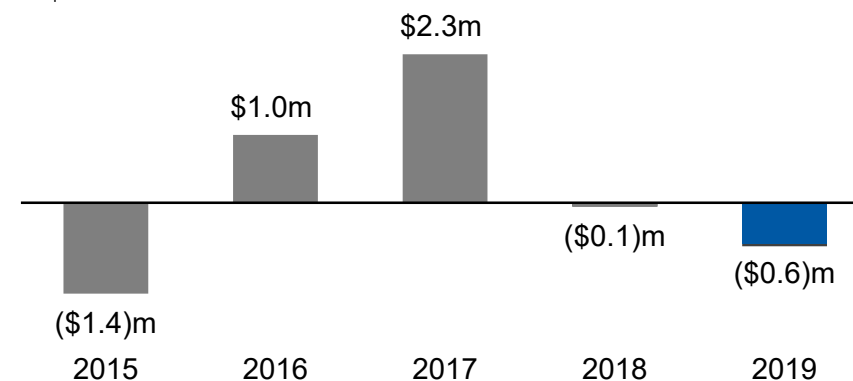
Retail services EBITDA

\$11m assets



Australia EBITDA

\$52m assets



1. FY15 to FY17 EBITDA comparatives are prior to the implementation of NZ IFRS 16 Leases.

2. FY18 and FY19 EBITDA are reported after the implementation of NZ IFRS 16 Leases, with the pre NZ IFRS 16 results also shown to provide 5-year comparisons.

Capital management



Balance sheet

Capital employed 31 December

\$59.2m increase in capital employed in 2019

\$40.3m increase in PP&E

- Acquisition of Aongatete prior to harvest 2019
- Post harvest capacity investments
 - \$21.4m Oakside coolstore and packing machine upgrade
 - \$15.9m Kerikeri packhouse and grader build

\$12.0m increase in lease assets

- Investing in New Zealand kiwifruit and avocado production

\$2.9m increase in assets held for sale

- \$34.6m of orchard sales completed in 2019

Post harvest capital expenditure normalises in 2020

Australian kiwifruit orchard sale and leaseback project initiated

NZD millions	2019	2018 Restated	Growth
Current assets - excludes cash			
Trade and other receivables	28.3	18.4	54%
Biological assets - crop	18.6	17.9	
Assets held for sale	27.1	24.2	
Inventories and water rights	6.3	5.2	
	80.3	65.6	22%
Current liabilities - excludes debt			
Trade and other payables	(22.9)	(19.2)	19%
Lease liabilities	(5.2)	(4.0)	30%
Tax	(1.7)	(0.0)	
	(29.9)	(23.2)	29%
Net working capital	50.5	42.5	19%
Non current assets			
Property, plant and equipment	220.4	180.1	
Right of use lease assets	44.7	32.7	
Intangibles and other	20.0	21.2	
	285.1	233.9	22%
Capital employed	335.6	276.4	21%

Balance sheet

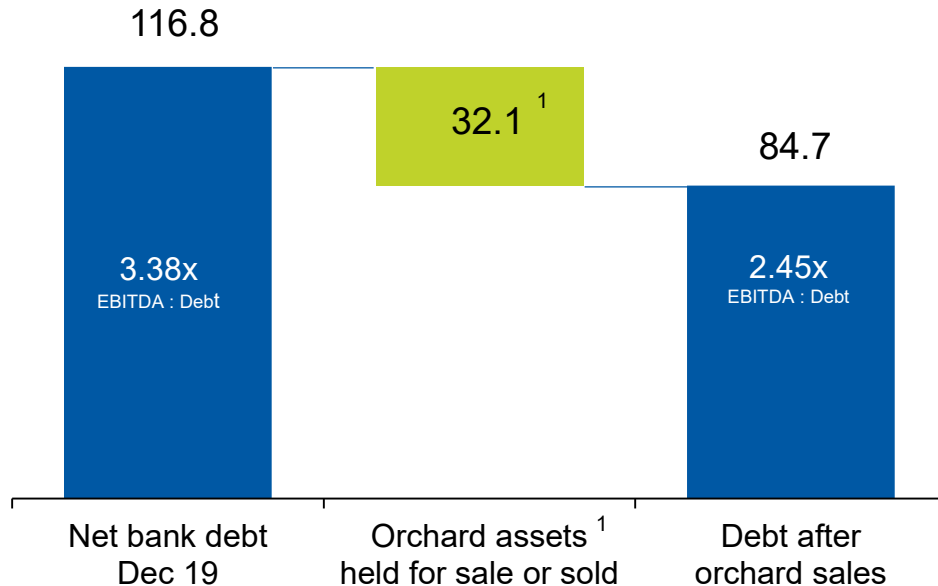
Net debt 31 December

\$116.8 net debt at December 2019

- \$37.7m increase on December 2018
- Down \$31.3m from peak of \$148.1m June 2019
- Will further reduce with orchard sales

Net bank debt and orchard assets held for sale

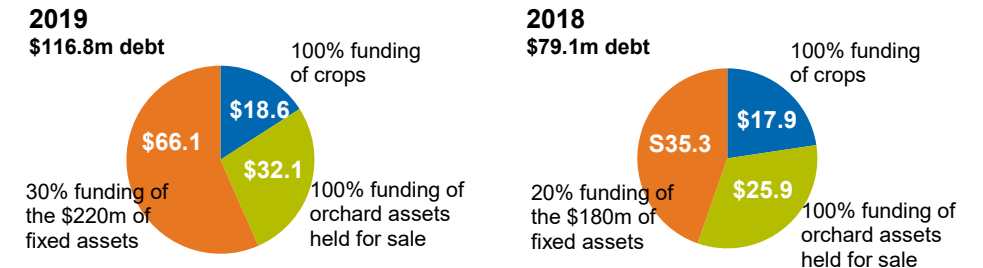
NZD millions



All results and comparatives comply with NZ IFRS 16 Leases. Values may not always sum due to rounding.
 1. Comprised of \$27.1m of assets held for sale (FY18: \$24.2m) and \$5.0m of related debtors (FY18: \$1.7m).

NZD millions	2019	2018 Restated	Growth
Non current liabilities - excludes debt			
Lease liabilities	(45.3)	(32.9)	38%
Deferred tax	(17.8)	(15.0)	
Derivatives	(0.8)	(0.3)	
	(63.9)	(48.2)	33%
Cash	(2.8)	(1.3)	
Borrowings	119.6	80.4	49%
Net bank debt	116.8	79.1	48%
Total equity	154.9	149.3	4%
Total borrowings	116.8	79.1	
Net bank debt excluding assets held for sale¹	84.7	53.2	
EBITDA multiple - pre NZ IFRS16 Leases	3.07x	2.03x	
EBITDA multiple - reported	2.45x	1.60x	

Net bank debt funding of business operations



Earnings per share and dividends

22 cents earnings per share

Earnings impacted by lower Hayward yields

Increase in shares with capital raise

- 11.7m November 2018 capital raise
- 2.6m April 2019 share schemes

12 cents per share dividend – year end 2019

- 8 cents normal (Board policy pre NZ IFRS 16)
- 4 cents from \$10.1m of orchards sold in 2019
- Paid 17 April – record date 20 March
- Dividend reinvestment plan with 2% discount
- Fully imputed
- 24 cents paid over last 12 months

Earnings and net tangible assets per share

	2019	2018 Restated
Net profit (\$m)	\$ 6.9 m	\$ 6.7 m
Weighted shares on issue (m)	31.3 m	19.9 m
Earnings per share	\$ 0.22	\$ 0.33
Net tangible assets	\$146 m	\$141 m
Shares at year end	32.1 m	29.3 m
Net tangible assets per share	\$ 4.55	\$ 4.82

Grower and employee share schemes

Adding \$12.5m of new capital while strengthening relationship with growers and employees

Shareholders approved grower loyalty share scheme

2.06m shares issued based on crop

- Rewards growers for loyalty

0.57m shares issued for employee share scheme

Schemes benefit all stakeholders

Rewards grower and employee loyalty

Raises new capital over three years

Share schemes - Grower and employee

	Shares Millions	Value \$m
Grower share scheme	2.1 m	\$ 9.8 m
Employee share scheme	0.6 m	\$ 2.7 m
	2.6 m	\$ 12.5 m
<i>Less received in 2019</i>		\$ 0.3 m
Current share value to be raised by the schemes		\$ 12.2 m

Operating segment performance

Orchard operations

Growing kiwifruit, avocado and kiwiberry for New Zealand orchard owners

Record orchard revenue of \$72.4m – up 37% on 2018

Revenue growth from lift in kiwifruit pricing

SunGold orchards entering full production

Addition of orchards with Aongatete acquisition

Invested in new long term leases

Developing kiwifruit and avocado orchards on long-term leased land

- Term partnerships with land owners
- Generate new income streams from 2020

Financial performance - Orchard operations

NZD millions	2019	2018 Restated	Growth
Revenue	72.4	52.8	37%
EBITDA - as reported	5.0	4.2	19%
Impact of NZ IFRS16 Leases	1.4	0.8	
EBITDA - pre NZ IFRS16 Leases	3.6	3.4	6%
EBIT	3.7	3.3	13%
Segment assets	54.2	39.0	39%
Crop grown - class 1 trays grown (millions)			
Total kiwifruit trays grown - all varieties	11.4	10.7	7%
Hayward trays (millions)	7.1	7.3	(3%)
<i>Hayward yields - average per hectare</i>	9,800	11,800	(17%)
SunGold trays (millions)	3.9	3.1	26%
<i>SunGold yields - average per hectare</i>	13,390	14,535	(8%)
Other trays (millions)	0.4	0.3	

Post harvest operations

Packing, coolstoring and shipping kiwifruit, avocado and kiwiberry for New Zealand orchard owners

Record post harvest revenue of \$140.1m – up 13% on 2018

Growth from Aongatete acquisition

- Complementary business in our kiwifruit heartland
- Synergies scheduled from 2020
 - Acquisition completed immediately prior to harvest

Lower Hayward kiwifruit yields across the industry

- Less volume to post harvest
- Partly offset by ongoing growth in SunGold production

Segment assets developed to handle 2020 and 2021 volume growth

Financial performance - Post harvest operations

NZD millions	2019	2018 Restated	Growth
Revenue	140.1	123.8	13%
EBITDA - as reported	41.0	37.2	10%
Impact of NZ IFRS16 Leases	5.9	5.1	
EBITDA - pre NZ IFRS16 Leases	35.1	32.1	9%
EBIT	29.4	27.0	9%
Segment assets	222.9	165.4	35%
Crop – class 1 trays packed (millions)			
Hayward – Seeka	15.6	19.2	(19%)
Hayward - Aongatete packhouse	1.8	-	
Total Hayward class 1	17.4	19.2	(9%)
SunGold - Seeka	12.7	10.8	18%
SunGold - Aongatete packhouse	1.7	-	
Total SunGold class 1	14.4	10.8	33%
Other fruit - includes class 2 Seeka & Aongatete	1.7	1.4	
Total packed – class 1 and 2	33.5	31.4	7%

Retail services operations

Marketing fruit from post harvest operations, retail and ripening imported fruit, and Kiwi Crush production

Retail services revenue of \$8.6m – down 25% on 2018

Reduced kiwiberry volumes (dry summer) and avocado volumes

EBITDA of \$1.7m – down 26% on 2018

Business revitalised in 2019

Significant improvement late 2019

– Trading turnaround Q4

Growth in retail services set to continue in 2020

Financial performance - Retail services operations

NZD millions	2019	2018 Restated	
Revenue	8.6	11.5	(25%)
EBITDA	1.7	2.3	(26%)
Impact of NZ IFRS16 Leases	0.4	0.7	
EBITDA - pre NZ IFRS16 Leases	1.3	1.6	
EBIT	1.1	0.2	
Segment assets	11.2	13.3	(16%)

Australian operations

Growing, packing and retailing kiwifruit, nashi pears, and European pears on owned orchards

Revenue of \$11.6m – down 22% on 2018

Hot, dry growing conditions impact yields – down 27%

Planted areas being reset to match market opportunities

Investing in new Club pear varieties – Rico

Establishing other new varieties

Kiwifruit orchards marketed for sale and leaseback

Includes long-term supply commitment

Financial performance - Australia operations

NZD millions	2019	2018 Restated	
Revenue	11.6	14.9	(22%)
EBITDA	(0.6)	(0.1)	
Impact of NZ IFRS16 Leases	0.0	-	
EBITDA - pre NZ IFRS16 Leases	(0.7)	(0.1)	
EBIT	(2.1)	(1.4)	
Segment assets	52.2	49.2	6%
Crop – grown, packed and sold			
Kiwifruit (tonnes)	1,797	2,570	(30%)
Nashi (tonnes)	928	1,250	(26%)
Pears (tonnes)	1,358	1,799	(25%)
Other fruit (tonnes)	89	29	
Total tonnes grown, packed and sold	4,172	5,648	(26%)

Appendices



Impact of NZ IFRS 16 Leases

EBITDA

	New Zealand				Australia	Group
	Orchard	Post harvest	Retail	All other	Australian	Total
New Zealand dollars	\$000s	\$000s	\$000s	\$000s	operations	\$000s
2019						
EBITDA pre NZ IFRS 16	3,627	35,114	1,265	(11,731)	(662)	27,613
Capitalised lease costs	1,360	5,870	408	533	35	8,206
Gain on sale and lease back	-	-	-	(1,300)	-	(1,300)
EBITDA after applying NZ IFRS 16 – as reported	4,987	40,984	1,673	(12,498)	(627)	34,519
2018						
2018 - EBITDA pre NZ IFRS 16	3,416	32,095	1,632	(10,867)	(59)	26,217
Capitalised lease costs	789	5,062	705	528	-	7,084
EBITDA after applying NZ IFRS 16 – as reported	4,205	37,157	2,337	(10,339)	(59)	33,301

Seeka has fully adopted NZ IFRS 16 Leases (NZ IFRS 16 - the new NZ accounting standard for leasing arrangements), and these 2019 financial results and 2018 comparatives are consistent with the new standard. The transition to NZ IFRS 16 negatively impacts Seeka's financial results as the accounting for lease interest costs and depreciation are higher than the lease payment at the beginning of the lease period. Further the full gain on orchard sales is no longer recognised in the statement of financial performance when the property is leased back to Seeka.

Impact of NZ IFRS 16 Leases

Net profit after tax

	FY19	FY18
New Zealand dollars	\$000s	\$000s
NPAT pre NZ IFRS 16	8,114	7,418
Adjustments relating to NZ IFRS 16	(1,230)	(767)
NPAT after applying NZ IFRS 16 - as reported	6,884	6,651

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Contact

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