

# Stakeholder Update

## October 2020

# Agenda

## Chair's introduction

- Six month financial summary
- Dividend and earnings per share
- Australian kiwifruit orchard sales update
- Bank debt
- 2020 full year guidance

## Chief Executive's report

- Safety
- Operating segment overview

## Questions



# Seeka's financial performance

For the first six months of 2020

## **\$178.7m revenue from January to June**

- Up 5% on June 2019

## **\$30.4m EBITDA**

Up 9% on June 2019 ( \$27.9m )

- Includes \$5.3m impact of Covid-19

## **\$17.4m net profit before tax**

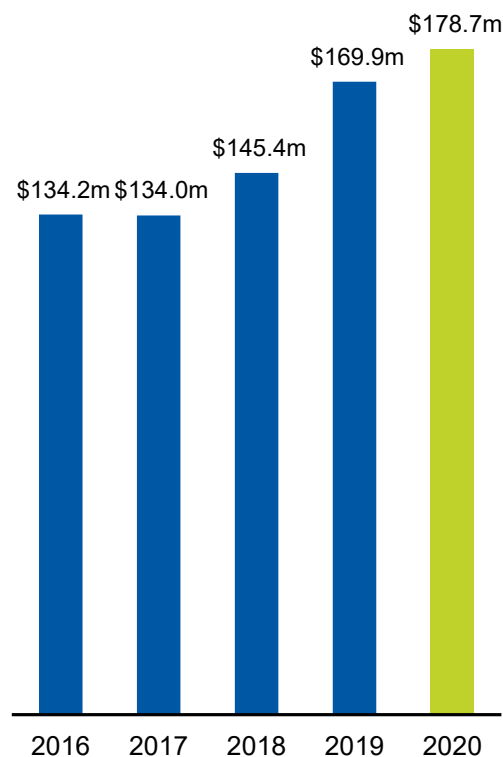
- Up 5% on June 2019 ( \$16.5m )

## **\$18.4m Net profit after tax**

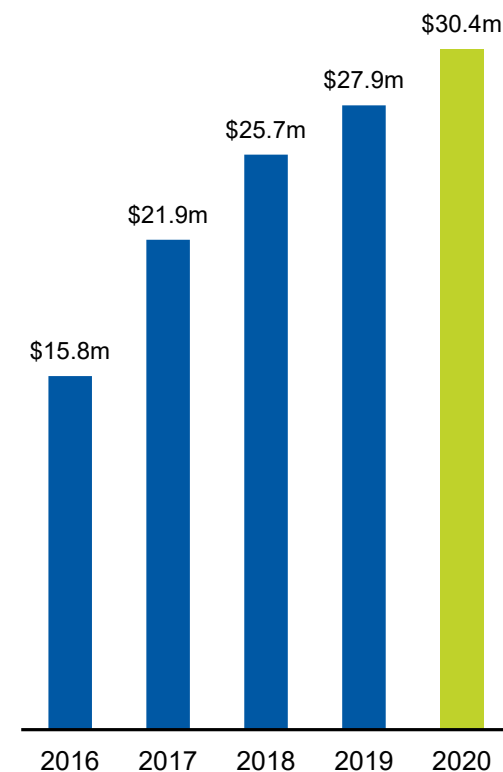
Up 55% on June 2019 ( \$11.9m )

- Includes \$5.6m one-off deferred tax gain

**Revenue**  
To 30 June



**EBITDA**  
To 30 June



# Dividend and earnings per share

## Dividend

**Board cancelled April dividend due to Covid-19**

**Dividend reinstated September 2020**

- 10 cents per share fully imputed
- Record date 4 September, paid 30 September
- Dividend reinvestment shares issued at \$4.02

**Dividend policy is up to 75% of net profit after tax**

## Earnings per share

**57 cents earnings per share**

- Earnings impacted by lower Hayward yields
- \$5.3m cost of Covid-19
- \$5.6m tax credit

**\$5.13 net tangible assets per share**

- Up 14% on H1 FY19

| \$ Millions                            | H1 FY20<br>Unaudited | H1FY19<br>Unaudited | Growth | FY19<br>Audited |
|--|----------------------|---------------------|--------|-----------------|
| Net profit (\$m)                       | 18.4                 | 11.9                | 55%    | 6.9             |
| Shares on issue (m)                    | 32.1                 | 32.1                |        | 32.1            |
| Earnings per share                     | \$ 0.57              | \$ 0.39             | 46%    | \$ 0.22         |
| Net tangible assets <sup>1</sup> (\$m) | 164.7                | 144.5               | 14%    | 146.0           |
| Net tangible assets per share          | \$ 5.13              | \$ 4.50             | 14%    | \$ 4.55         |



# Australian kiwifruit orchard sales update

## Sale and leaseback of Australian kiwifruit orchard portfolio

### **Sale conditional on Australian Foreign Investment Review Board**

- Expected 4 November 2020

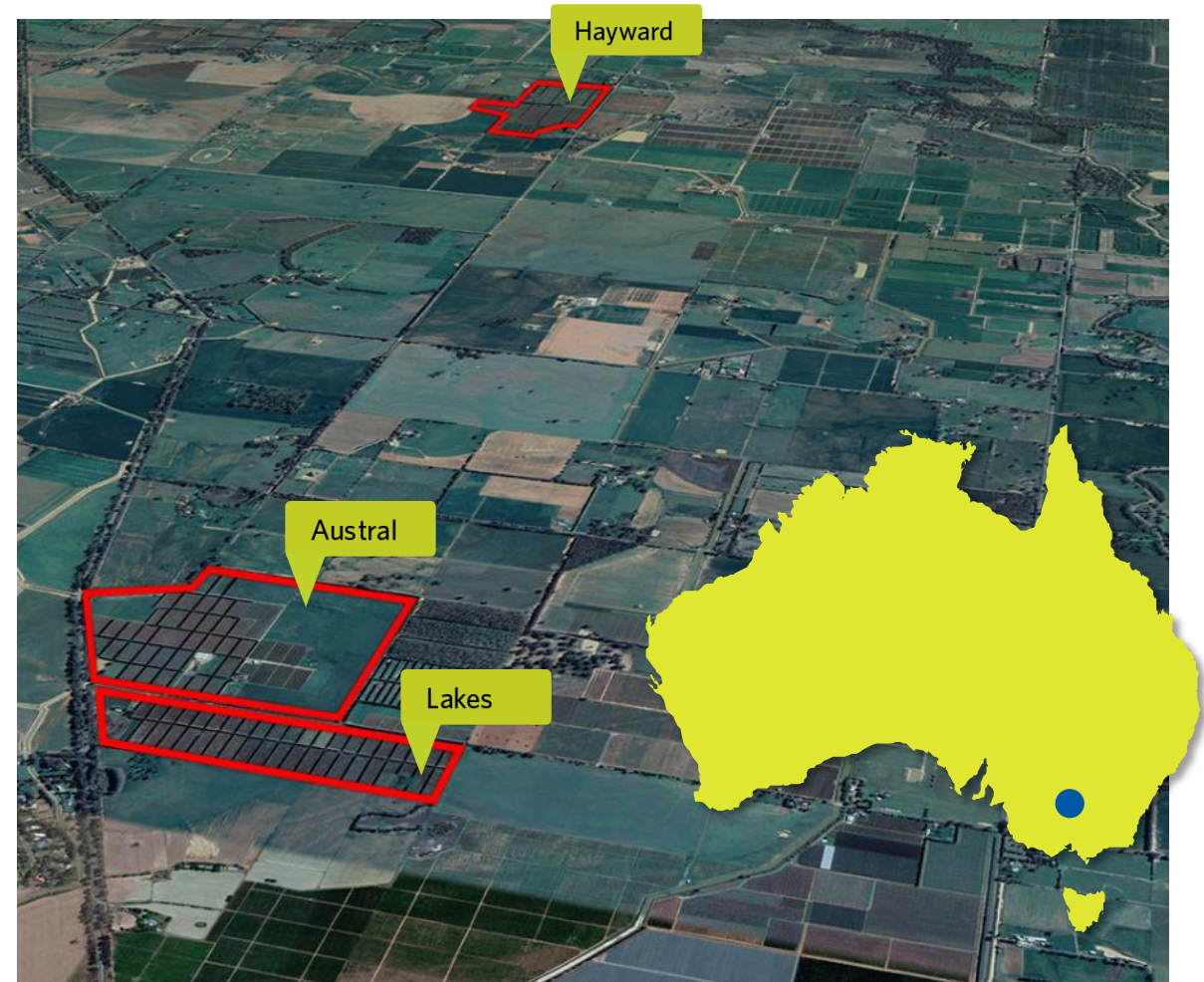
### **AUD \$26.5m sale with leaseback**

- 10 years with rights of renewal to 30 years
- Secures supply for Seeka's orchard-to-market service

### **Proceeds to repay debt and complete Australian developments**

### **1000 mega litres of additional water rights secured**

- Part of the sale agreement



# Bank debt

Seeka is reducing debt after large investments to grow our business

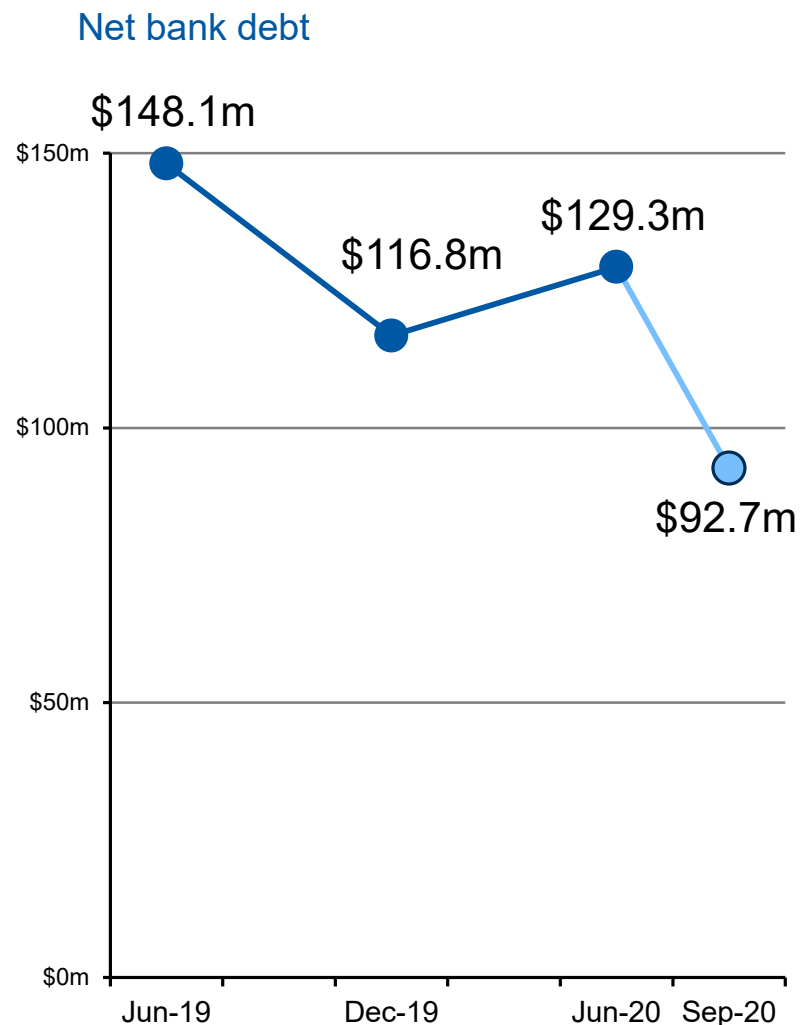
## \$129.3m net debt at June 2020

- Down \$18.8m on June 2019

## Debt reducing from cash flow and orchard asset sales

## Bank debt now under \$100m

- \$92.7m at 30 September 2020, prior to dividend payment
- Focus on reducing debt continues
- Will further reduce on Australian kiwifruit orchard sales



# FY20 full year guidance

Updated our May 2020 guidance

## Forecasting full-year net profit before tax between \$9m and \$12m

### Guidance updated despite

- \$5.3m impact of Covid-19 from higher costs and lost sales
- Lower Hayward kiwifruit volumes in NZ and Australia from dry summer
- Includes expected and realised gain on sales

### Forward focus

- Management focussed on optimal profitability

|                       | FY20<br>Guidance<br>Lower range | FY20<br>Guidance<br>Upper range | FY19<br>Full year<br>Actuals |
|-----------------------|---------------------------------|---------------------------------|------------------------------|
| \$ Millions           |                                 |                                 |                              |
| Net profit before tax | 9.0                             | 12.0                            | 9.9                          |
| <i>Change on FY19</i> | ( 9%)                           | + 22%                           |                              |

# Chief Executive's report Michael Franks



# Health and safety

Working to keep everyone safe, on the orchard and in the packhouse

| To end June 2020                  | 2019 | 2020 YTD | Annual threshold |
|-----------------------------------|------|----------|------------------|
| Total recordable injury frequency | 4.9  | 3.9      | < 4.5            |
| Notifiable injuries               | 1    | 3        | -                |
| Notifiable incident               | 1    | 3        | 1                |
| Severity rate                     | 5.9  | 7.2      | < 4.5            |

## Focus areas

- Traffic management
- Machine guarding
- Fatigue
- Forklifts



# Six month highlights to June 2020

Focus on achieving excellence

- 1 Successfully completed 2020 kiwifruit harvest in Level 4 lockdown**
  - 33.4m trays from our New Zealand growers
  - 600k trays from Seeka's Australian orchards
- 2 \$30.4m EBITDA, up 9.1%**
  - After incurring an estimated \$5.3m impact from Covid-19
  - Includes a \$2.5m gain on sale of orchard assets
- 3 \$18.4m NPAT, up 54.9%**
  - Reflecting the effect of tax deductibility on buildings on deferred tax
- 4 \$129.3m closing net debt, down \$18.8m**
  - Now under \$100m
- 5 AU\$26.5m conditional sale and lease back of Australian kiwifruit orchards**
  - Debt to be further reduced, lease secures supply to Seeka, additional water also leased
- 6 Revitalised performance from Seeka Australia and NZ retail service**



# Orchard operations

Growing kiwifruit, avocado and kiwiberry for New Zealand orchard owners

## \$47.4m revenue – in line with H1 FY19

- Second year of low Hayward yields from drought
- SunGold volumes and yields up

## \$79m of assets

## Investing in new orchards on long term leased land

- 51 hectares fully funded by Seeka
- 5 hectares in iwi joint ventures
- 47 hectares in long-term management for iwi
- Generating new income streams from 2021

## Operationally challenging with availability of skilled labour

|                | H1 FY20   | H1FY19    | FY19    |
|----------------|-----------|-----------|---------|
| \$ Millions    | Unaudited | Unaudited | Audited |
| Revenue        | 47.4      | 48.3      | 72.4    |
| EBITDA         | 4.2       | 4.2       | 5.0     |
| EBIT           | 3.3       | 3.6       | 3.7     |
| Segment assets | 78.9      | 61.5      | 54.2    |

| Crop grown - class 1 trays          | H1 FY20 | H1FY19 | Growth |
|-------------------------------------|---------|--------|--------|
| Total kiwifruit - all varieties (m) | 13.0    | 11.4   | 13%    |
| Hayward (m)                         | 7.6     | 7.1    | 6%     |
| Trays per hectare                   | 10,200  | 9,800  |        |
| SunGold (m)                         | 5.1     | 3.9    | 26%    |
| Trays per hectare                   | 14,000  | 13,390 |        |
| Other trays (m)                     | 0.3     | 0.4    |        |

# Post harvest operations

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

## \$108.1m revenue – in line with H1 FY19

- Rise in SunGold volumes
- Offset by dry summer's impact on Hayward yields and volumes experienced across the industry

## \$244.7m of assets

## \$5.3m direct impact on EBITDA from Covid-19

- Direct costs and productivity constraints

## Assets developed to handle 2021 and 2022 volumes

## Capacity options for 2023 under investigation

- Will rely on offshore coolstorage

|                | H1 FY20   | H1FY19    | FY19    |
|----------------|-----------|-----------|---------|
| \$ Millions    | Unaudited | Unaudited | Audited |
| Revenue        | 108.1     | 105.3     | 140.1   |
| EBITDA         | 30.3      | 29.8      | 41.0    |
| EBIT           | 24.2      | 24.9      | 29.4    |
| Segment assets | 244.7     | 228.9     | 222.9   |

| Kiwifruit packed - trays (m)    | H1 FY20 | H1FY19 | Growth |
|---------------------------------|---------|--------|--------|
| Total kiwifruit - all varieties | 33.4    | 33.5   |        |
| Hayward - class 1               | 15.7    | 17.4   | ( 10%) |
| SunGold - class 1               | 16.1    | 14.5   | 11%    |
| Other varieties and class 2     | 1.6     | 1.5    |        |



# Retail services operations

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

## **\$9.7m revenue – up 100% on H1 FY19**

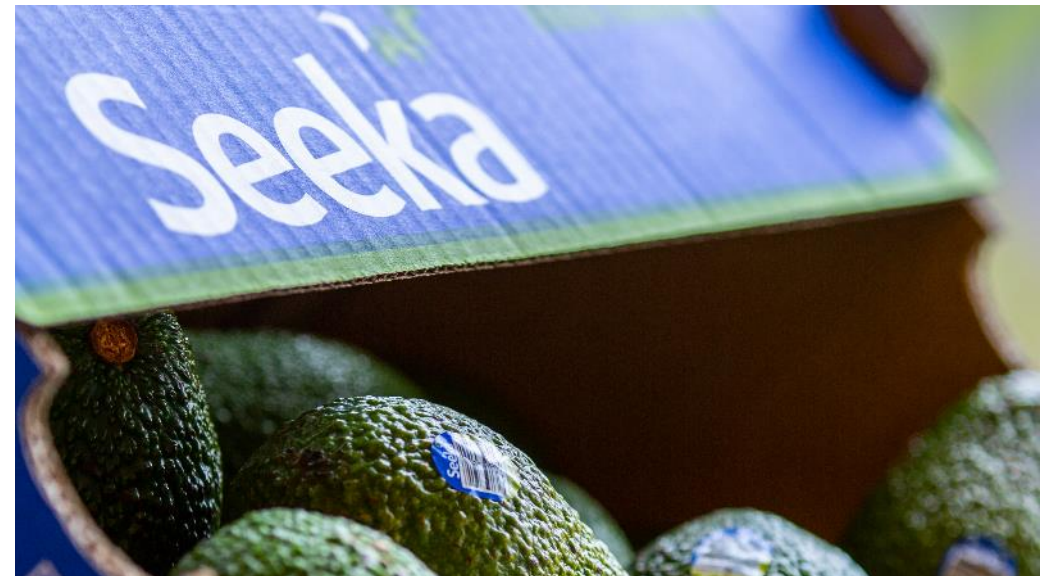
- Significant trading turnaround

## **Business rebound**

- Revitalised with new varieties
- Specialist wholesale programmes increase grower returns
- Improved service delivery from Christchurch site

## **\$1.3m EBITDA – up 73% on H1 FY19**

|                | H1 FY20   | H1FY19    | FY19    |
|----------------|-----------|-----------|---------|
| \$ Millions    | Unaudited | Unaudited | Audited |
| Revenue        | 9.7       | 4.8       | 8.6     |
| EBITDA         | 1.3       | 0.8       | 1.7     |
| EBIT           | 0.9       | 0.4       | 1.1     |
| Segment assets | 18.2      | 15.8      | 11.2    |



# Australian operations

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

## \$13.3m revenue – up 17% on H1 FY20

- Business reset returns Australian operations to profit
- Hot, dry growing conditions impact yields

## Planted pear areas balanced to market opportunities

- Investing in new Club pear varieties – Ricó and Lanya
- Establishing other new categories

## Kiwifruit orchards conditionally sold

- Subject to approval of Australian Foreign Investment Review Board
- 199 hectares total land area
- Includes term supply commitment
- Access to additional water

|                | H1 FY20   | H1FY19    | FY19    |
|----------------|-----------|-----------|---------|
| \$ Millions    | Unaudited | Unaudited | Audited |
| Revenue        | 13.3      | 11.4      | 11.6    |
| EBITDA         | 1.9       | ( 0.2)    | ( 0.6)  |
| EBIT           | 1.4       | ( 0.7)    | ( 2.1)  |
| Segment assets | 55.5      | 48.8      | 52.2    |

| Crop packed - tonnes      | H1 FY20 | H1FY19 | Growth |
|---------------------------|---------|--------|--------|
| Total fruit - all produce | 4,380   | 4,190  | 5%     |
| Kiwifruit                 | 2,153   | 1,806  | 19%    |
| Nashi                     | 791     | 988    | ( 20%) |
| Corella                   | 165     | 284    | ( 42%) |
| Packham                   | 878     | 984    | ( 11%) |
| Other pears and fruit     | 393     | 128    | 207%   |

# Covid-19 update – Seeka completed successful harvests

Early planning and action delivered timely harvests

## Seeka was an essential business in NZ and Australia

- Safety paramount
- Fruit harvested under level 4 lockdown
- Successfully picked and packed NZ and Australia crops

## Proactive safety steps

- Rehoused RSE workers
- Screens, temporary cafeterias, packhouse bubbles, cleaning
- Remote work

## Severe labour shortage

- More than 800 people short
- Collaborated with other industries to source people
- Access to labour remains a significant challenge

## Estimated \$5.3m impact on the business

- Direct cost of Covid-19 measures, lost volumes and margins
- No wage subsidy received, displaced and vulnerable workers supported by \$27,800
- Seeka paid \$12.2m in direct salary and wages, and \$3.0m to picking contractors during the lockdown period









# Fred Hutchings

## Questions

# Thank you

A photograph of a busy kiwifruit packing facility. In the foreground, a woman wearing a white hairnet and a striped shirt with a dark apron is focused on packing yellow Zespri SunGold kiwifruit boxes. To her right, another worker wearing a face mask and hairnet is also packing. In the background, several other workers in various colored shirts and hairnets are working at different stations. The facility is filled with stacks of yellow and green kiwifruit boxes, some with 'Zespri SunGold' labels. The overall atmosphere is one of industriousness and teamwork.

To all our stakeholders, our shareholders, growers, staff, contractors and suppliers  
for combining to deliver exceptional performance through 2020



[seeka.co.nz](https://seeka.co.nz)