

NAMOI COTTON LIMITED (ASX: NAM)
HALF YEAR FINANCIAL RESULTS FY24

Namoi Cotton has delivered a strong result in H1FY24 with EBITDA of \$26.9 million (up 35% on H1FY23) and Profit before Tax of \$16.8 million (up 45% on H1FY23). The uplift was driven by increased earnings from ginning operations and joint ventures with a return to normal conditions. Completed 4PP initiatives also contributed to the strong result, contributing an estimated \$1.5 million in FY24.

Namoi Cotton ginned 1.016 million bales in H1FY24 (up 7% on H1FY23). This was underpinned by increased market share of production in our catchment valleys.

RESULTS SUMMARY

Provided below are the results for the consolidated entity Namoi Cotton Limited ('Namoi Cotton', 'Namoi' or 'Company') and its controlled entities for the half year period, 31 August 2023 ('H1FY24') and the previous corresponding half year period, 31 August 2022 ('H1FY23') and previous full year period, 28 February 2023 ('FY23').

Key financial results and items from continuing operations are provided in the following table. For full details refer to the H1FY24 Interim financial report.

FOR HALF YEARS ENDED 31 AUGUST		H1FY24	H1FY23	MOVEMENT		
Production						
Australian cotton production (season) ¹	000' bales	5,518	5,625	(108)	(2)%	↓
Catchment valleys (season) ²	000' bales	3,224	3,587	(363)	(11)%	↓
Volumes						
Cotton ginned	000' bales	1,016	953	64	7%	↑
Cottonseed shipped	000' tonnes	229	146	84	58%	↑
Earnings						
Net Revenue ³	\$m	183.8	134.5	49.3	37%	↑
EBITDA ⁴	\$m	26.9	19.9	7.0	35%	↑
Profit before tax	\$m	16.8	11.6	5.2	45%	↑
Profit after tax ⁵	\$m	11.8	11.6	0.2	2%	↑
Cashflow						
Operating cashflow	\$m	15.3	(9.2)	24.4	266%	↑
Metrics						
Diluted earnings per share	cents	5.6	6.5	(0.9)	(14)%	↓

HALF YEAR ENDED 31 AUGUST & PRIOR FULL YEAR		H1FY24	FY23	MOVEMENT		
Balance Sheet						
Net Assets	\$m	145.4	133.7	11.7	9%	↑
Net Debt ⁶	\$m	36.3	47.2	(10.8)	(23)%	↓
Cottonseed inventory ⁷	\$m	16.4	13.4	2.9	22%	↑
Core Debt ⁸	\$m	20.0	33.7	(13.7)	(41)%	↓
Metrics						
Gearing ratio ⁹	%	20.0%	26.1%	(6)%	(23)%	↓
Net tangible asset value per share	cents	71	65	6	9%	↑

The Directors have declared a FY24 interim (unfranked) dividend of \$0.005 (0.5 cent) per share (FY23: nil).

ABOUT NAMOI COTTON

Namoi Cotton is Australia's largest cotton ginner and marketer of cottonseed. The Company's business spans fibre, feed, supply chain and marketing with ginning being at its core. Our network of 10 gins at 9 locations in NSW and southern QLD serving over 200 growers, is supported by warehousing and packing and connected by rail and road to container ports.

HALF YEAR RESULTS

Earnings

Namoi generated a strong EBITDA result in H1FY24 of \$26.9m, an increase of \$7.0m on H1FY23 (\$19.9m). Profit before tax for H1FY24 was \$16.8m, an increase of \$5.2m on H1FY23 (\$11.6m).

The earnings uplift was driven by increased contribution from ginning operations and joint ventures¹⁰, offset in part by reduced contribution from cottonseed marketing and one-off corporate costs.

Volume

Australian cotton production for the 2023 season was above average at 5.5 million bales¹¹ (2022: 5.6m bales). Cotton production in our catchment valleys for the 2023 season was 3.2 million bales¹², 10% less than prior season (2022: 3.6m bales), with above average cotton production in our northern valleys and below average production in our other valleys due to wet weather.

Namoi ginned 1.16 million bales of cotton¹³ in the 2023 season (FY24), with ginning completed on 16 October 2023, similar to last season's 1.17 million bales (FY23). This represents a market share of 36% of production in our catchment valleys, an increase of 3% from the 2022 season (2022: 33%).

Operations

Ginning and business conditions in the 2023 season returned to normal following a challenging 2022 season that was impacted by wet weather, lower quality cotton and supply chain disruptions.

Our teams did an excellent job of safely managing the ginning season with an improved LTIFR¹⁴ safety metric of 4.3 in H1FY24, a 40% reduction from last year (FY23: 7.5).

We operated 9 of our 10 gins this season. The North Bourke gin was not operated this season, with most of this cotton relocated to our Trangie gin.

Ginning EBITDA for H1F24 was \$27.8m, up \$6.5m on H1FY23 (\$21.3m) driven by:

- Increased ginning fees to recoup past cost inflation,
- Reduction in gas and operating costs with good cotton quality and normal ginning conditions, and
- Increased productivity from the completion of 4PP gin upgrades.

Partly offsetting the strong contribution from ginning operations, cottonseed earnings were negatively impacted by below average cottonseed yield due to seasonal conditions and additional storage and distribution costs for inventory carried over from FY23.

Supply chain and marketing EBITDA¹⁵ for H1FY24 was \$5.3m, up \$2.9m on H1FY23 (\$2.4m) driven by record warehousing volume with no transport disruptions and good container availability.

Corporate costs were \$6.2m, up \$2.4m on H1FY23 (\$3.8m) reflecting one-off cost associated with the strategic review process, announced on 29 June 2023, and the change in CEO. A program has been implemented to reduce corporate and support costs by \$2m in FY25.

Balance Sheet and Cashflow

Namoi has strong asset backing with net assets of \$145.4m at H1FY24 (\$0.71 per share) backed by \$154.1m in plant, property and equipment.

Cashflow from operating activities was \$15.3m in H1FY24, a \$24.4m increase on H1FY23 (\$9.2m). This was supported by reduced cottonseed inventory with improved execution of sales compared to H1FY23, that was negatively impacted by wet weather and supply chain disruptions.

The Company's balance sheet is well positioned to manage variable seasonal conditions and fund 4PP initiatives with our debt position metrics returning to pre-drought levels:

- Net Debt of \$36.3m and gearing ratio of 20%, and
- Core Debt of \$20.0m (excluding cottonseed inventory held marketing)

Namoi has renewed and extended its debt facilities with Commonwealth Bank of Australia (CBA) to 30 October 2026¹⁶.

4PP Strategy

Benefits have started accruing from Namoi's 4PP Strategy. The 4PP Strategy is targeting to increase through the cycle EBITDA by \$6m¹⁷ from \$26m investment, including our expansion into northern Australia, to reduce cost and access new revenue sources.

Completed 4PP initiatives are estimated to contribute an incremental EBITDA of \$1.5m in FY24 from:

- Over 10% increase in gin productivity at the upgraded Merah North and Trangie gins, reducing operating costs and ginning time for growers. Merah North ginned a record volume and Trangie consolidated cotton from our North Bourke gin, reducing operating costs.
- New cottonseed shed at Boggabri increased cottonseed earnings by avoiding external storage cost and reducing transport costs with 90% of cottonseed sold to nearby consumers and packers.

Capital expenditure in H1FY24 was \$5.0m (H1FY23: \$4.4m), that included \$1.4m investment in Kimberley Cotton Company (KCC). Continuing 4PP initiatives in FY25 after focusing internal resources on the construction of the Kununurra gin for KCC.

Strategic review

The strategic review announced on 29 June 2023 is continuing, with an update expected prior to FY24 year end. The review is seeking to identify opportunities to further strengthen our business and improve returns to shareholders.

Tim Watson will continue as Executive Chairman until completion of the strategic review with Namoi's team focused on contracting ginning and preparing for the 2024 season.

2024 Season Outlook

The Australian cotton crop is currently within the optimal planting window subject to weather conditions. Despite the El Niño conditions, water availability from current storage dam levels is expected to support average to above average cotton production in the 2024 season (FY25).

Forecast cotton production of 4.4 million bales¹⁸ for the 2024 season, with above average production in our central and southern valleys and average production in our northern valleys.

Based on forecast cotton production we are expecting an average to above average ginning volume of 0.8 to 1.0 million bales in the 2024 season (FY25).

This announcement was approved by the Board of Namoi Cotton.

For further information, please contact:

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¹ ABARES - Australian Bureau of Agricultural and Resource Economics and Sciences.

² Cotton Compass – Cotton production in Namoi Cotton’s catchment valleys (Macintyre, Mungindi, Gwydir, Walgett, Bourke, Lower Namoi, Upper Namoi, Macquarie and Lachlan valleys).

³ Net Revenue is a non-IFRS and unaudited measure which includes Revenues from ordinary activities as noted in the Appendix 4D plus trading margin gains and other income/(loss) revenue.

⁴ EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation including share of profit from associates and joint ventures and excluding impairment charges.

⁵ Profit attributable to the members of Namoi Cotton Limited. The Group recognised a tax expense during the half-year ended 31 August 2023, however, due to the availability of tax losses, no tax payable has been recognised.

⁶ Net Debt - Interest bearing liabilities less cash and cash equivalents.

⁷ Cottonseed inventory for marketing which is carried at the lower of cost and net realisable value.

⁸ Core Debt - Net Debt less seasonal cottonseed inventory at cost for marketing. (More relevant metric given the marketable and liquid characteristics of traded cottonseed).

⁹ Gearing ratio - Net Debt divided by Net Debt plus Total Equity.

¹⁰ NCA, NC Packing Services (NCPS) Pty Ltd and NCMA joint ventures with Louis Dreyfus Company. NCA and NCPS (Namoi has 51% share) and NCMA (Namoi has 15% share).

¹¹ ABARES - Australian Bureau of Agricultural and Resource Economics and Sciences (September 2023).

¹² Cotton Compass for Catchment Valley production (Macintyre, Mungindi, Gwydir, Walgett, Bourke, Lower Namoi, Upper Namoi, Macquarie and Lachlan valleys).

¹³ Include 100% of bales at joint venture gins.

¹⁴ LTIFR: Number of lost time injuries in the financial year / total hours worked in the financial year × 1,000,000

¹⁵ Namoi’s share of NCA EBITDA and Namoi share of NCPS and NCMA profit before tax.

¹⁶ See ASX release on 25 October 2023 titled ‘Renewal and extension of debt facilities’.

¹⁷ Through the cycle target EBITDA excludes the potential positive or negative impact on earnings in the normal course of business.

¹⁸ Cotton Compass (23 October 2023).