

NAMOI COTTON LIMITED (ASX: NAM)
HALF YEAR FY22 FINANCIAL RESULTS

Results Summary

For the period ended 31 August				Movement		
Volume Drivers¹		2022	2021			
Australian cotton production	000' bales	2,700	500	2,200	440%	↑
Namoi catchment area production	000' bales	1,300	300	1,000	333%	↑
Namoi ginning volume ²	000' bales	492	124	368	297%	↑
Earnings & Cashflow		H1FY22	H1FY21			
Revenue & Income ³	\$m	35.8	13.2	22.6	171%	↑
Share of profit/(loss) of joint ventures	\$m	1.1	(4.3)	5.4	126%	↑
EBITDA ⁴	\$m	9.0	(3.2)	12.2	381%	↑
Profit/(loss) after tax ⁵	\$m	4.7	(4.3)	9.0	209%	↑
Net cash inflow (outflow) ⁶	\$m	5.5	(8.1)	13.6	167%	↑
Balance Sheet		H1FY22	H2FY21			
Net Assets	\$m	121.9	106.7	15.2	14%	↑
Net Debt ⁷	\$m	35.0	50.8	(15.8)	31%	↓
Gearing ratio ⁸	%	22	32	(10)	31%	↓
Net tangible asset value per share ⁹	cents	71	76	(5)	7%	↓

Namoi Cotton ('Namoi') operates nine cotton gins across NSW and QLD. We are more than a ginner with our business spanning fibre, feed, supply chain and marketing with ginning being at its core. Our vision is to be the largest Australian owned cotton agribusiness, providing growers with an independent and efficient pathway to market for their commodities.

Financial results

Namoi in the first half of FY22 (to 31 August 2021) returned to profitability after 2 years of severe drought. While cotton production in our catchment areas in 2021 increased four-fold from 2020 to 1.3 million bales it is still below average production.

Namoi ginned 456,000 bales in the first half of FY22 and completed ginning on 26 September 2021, with a total ginning volume of 492,000 bales. This ginning volume is 40% below our 10 year average of 835,000 bales.

Namoi generated an EBITDA of \$9m and Profit after Tax of \$4.7m in the first half of FY22, a turnaround of \$12.2m EBITDA and \$9m Profit after Tax from the first half of FY21. This performance is from increased volume and benefits from the joint venture restructure¹⁰ and cost saving initiatives.

Sound segment results

Namoi's contribution by segment demonstrates strong underlying earnings with increased volume:

- Ginning and Co-products: \$11m contribution to EBITDA in the first half of FY22 with increased ginning volume. Focus on cost control offset the impacts from the delayed season and high moisture of the delivered cotton resulting in higher processing costs. Contribution per bale was slightly lower with lower cottonseed margin into the feed market given the record grain harvest.

- Marketing and Commodities: \$1.1m contribution to EBITDA in the first half of FY22 (compared to a loss of \$4.3m in the first half of FY21) from higher volume in cotton warehousing, grain packing and lint marketing and the restructured joint venture businesses.

Strengthening the balance sheet

Net cash inflow from operations and investing activities, with the increased volume, was \$5.5m in the first half of FY22, an increase of \$13.7m from the first half of 2021.

During the half year Namoi raised \$10.35m (net of costs) through an institutional and share placement plan. This combined with improved cashflow has strengthened our balance sheet with:

- Net Debt of \$35m, a reduction of \$15.8m compared to end of FY21, and a gearing ratio of 22%.
- Core debt of \$24m, net of \$11m in seasonal inventory for cottonseed marketing.

Namoi on 30 September 2021 renewed its debt facilities with the Commonwealth Bank¹¹ for a term of 3 years to 31 October 2024 that is aligned with our use of funds:

- \$42m term debt facilities amortising to \$32.5m by 2024, and
- \$32.5m in committed and un-committed facilities for working capital and operations, to fund the expected increase in cottonseed inventory for marketing in 2022.

Strengthening the business

Namoi is implementing the 4PP Strategy to further strengthen and differentiate our business to increase margin and manage variability through the cycle. This is supplemented by the Gin-ready Program to manage the expected above average cotton production in 2022.

Major initiatives that commenced in 2021, with growth capex of \$5.5m to mid-2022, include:

- Gin upgrade program to increase gin speed with Merah North being the first gin.
- Smart ginning to optimise cotton quality across five gins from the 2022 season.
- Planned new grower products that include cash advance for harvested cotton modules.
- Diversification into northern Australia with a 10% investment and operating agreement for the planned new Kimberley Cotton Company at Kununurra (Ord River, WA)¹².

Outlook for FY22 (full year) and FY23 (2022 season)

Namoi is forecasting a positive EBITDA for the full year of FY22 (28 February 2022), considering the completion of ginning in September 2021 and higher than average maintenance expenses in the second half of FY22 to prepare for the large 2022 season.

Namoi is estimating a ginning volume of 1.0-1.2 million bales in 2022 (FY23), where cotton production in our catchment area is forecast to increase by over 2-fold from this season with increased water availability.¹³

Namoi is currently implementing workforce, maintenance and supply chain plans to enable it to operate all its gins on a 24 hour basis and to process the expected above average volume in 2022.

For further information, please contact:

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- ¹ Australian production – ABARES. Namoi catchment area production – Cotton Compass.
 - ² Full ginning season volume to end of September 2021 (456,000 bales ginned to 31 August 2021). Includes 100% of bales at joint venture gin.
 - ³ Revenue plus trading margin gains plus other income/(loss).
 - ⁴ EBITDA is a non-IFRS and unaudited measure defined as earnings before interest, tax, depreciation, and amortisation.
 - ⁵ Profit/(loss) attributable to the shareholders of Namoi Cotton Limited.
 - ⁶ Net cash (outflow)/inflow from operating activities plus investing activities excluding financing activities.
 - ⁷ Interest bearing liabilities less cash and cash equivalents.
 - ⁸ Net debt divided by interest bearing liabilities plus total equity.
 - ⁹ 31,293,573 new ordinary shares were issued as a result of the Group's capital raising on 3 May 2021.
 - ¹⁰ Namoi Cotton Alliance ('NCA') restructure involved realigning our supply chain and trading activities with our joint venture partner, Louis Dreyfus Corporation. NCA managing supply chain activities (Namoi has 51% share) and a new joint venture, Namoi Cotton Marketing Alliance ('NCMA') to manage cotton trading activities (Namoi has 15% share) where our exposure to trading losses (and profits) is capped at \$1.5m p.a. with our joint venture partner providing funding for inventory.
 - ¹¹ For more detail, refer to the market announcement on 30 September 2021 where Namoi announced that it had executed an amendment deed with the Commonwealth Bank of Australia ("CBA") to renew and extend its banking facilities to 31 October 2024.
 - ¹² For more detail, refer to the market announcement on 8 October 2021 where Namoi announced that it had entered or intends to enter into various agreements with KCC Kimberley Cotton Company Limited ('KCC') for the investment, construction and operation of a new gin to service the Ord River Irrigation Area.
 - ¹³ Cotton Compass forecast (August 2021).