

# Analyst Briefing Pack

Annual audited results presentation

Year ended 31 December 2022

# Agenda

- 1** FY22 in review
- 2** Financials
- 3** Capital management
- 4** Operating segments performance
- 5** Outlook
- 6** Contact

# FY22 in review

# Focus on achieving excellence

1

## **Business and growers faced multiple challenges**

Harvests completed | All operating segments EBITDA positive | Operational improvement and capacity plans in place for 2023

2

## **Seeka's regional presence strengthened**

OPAC (Ōpōtiki, May 2021) | Orangewood (Kerikeri, Nov 2021) | NZ Fruits (Gisborne, Feb 2022) | Businesses integrated | 11 packhouses in operation

3

## **Higher revenue from bigger business, but profit impacted by higher costs and lower yields**

\$348m Revenue | \$46.1m EBITDA | \$7.6m NPBT | \$6.5m NPAT | \$0.16 EPS | \$548m of assets

4

## **Industry-wide lower kiwifruit yields, poor fruit quality, severe labour shortages and Covid-19 disruptions**

Crop down on target | Up to 1,100 people short during peak operations | Covid-19 increased labour costs  
Orchard returns down from lower yields and quality issues | Operational challenges at OPAC

5

## **Tangible progress on sustainability**

3 years of verified carbon footprint calculations | Reduction targets set for 2025 | Sustainability report published

6

## **Business set for harvest 2023 with new packhouse automation and increased labour availability**

Automation projects at 3 facilities | Increase in RSE workers and normalisation of international travel | Operational improvements enacted

# Financials



# Group financials

## \$348.4m revenue

Up 13% on FY21

## \$46.1m EBITDA

Down 19% on FY21

– FY21 included \$7.6m Crown settlement of Kiwifruit Claim

## \$7.6m Net profit before tax

Down 68% on FY21 from lower yields and higher costs

– Guidance range \$6.5m ~ \$9.0m

## \$6.5m Net profit after tax

Down 56% on FY21

All results and comparatives consistent with NZ IFRS 16 Leases

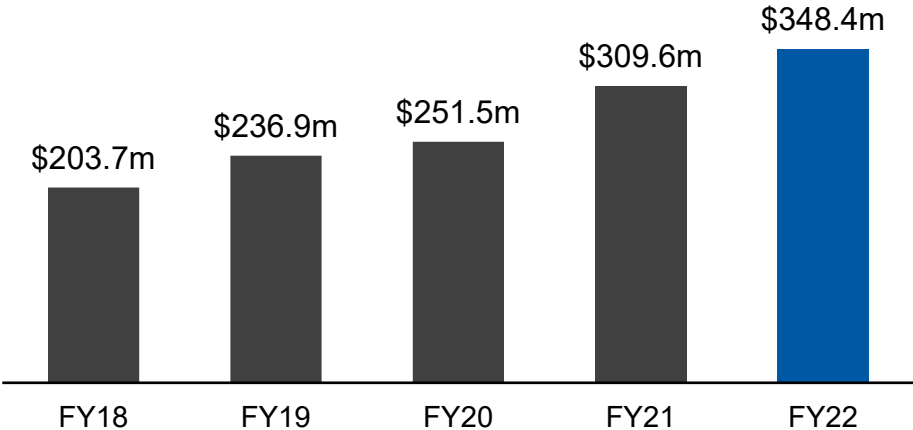
NZD \$millions	FY22	FY21	Change
Revenue	348.4	309.6	13%
Cost of sales	280.1	236.3	19%
Gross profit	68.3	73.2	( 7%)
EBITDA	46.1	56.8	( 19%)
EBIT	19.1	32.2	( 41%)
Net profit before tax	7.6	23.5	( 68%)
Net profit after tax	6.5	14.9	( 56%)
Return on capital employed <sup>1</sup>	4.1%	7.3%	( 43%)
Net tangible asset backing per share	\$ 5.97	\$ 5.71	5%

1. ROCE excludes \$0.8m of other income (FY21 \$8.4m). See appendix for ROCE calculation.

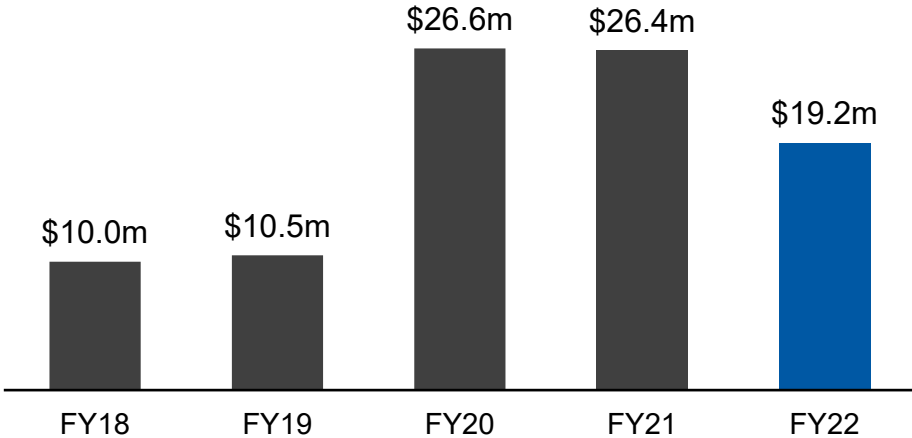
These financials should be read in conjunction with Seeka's Annual Report 2022 and the attached appendix.

# Trends in financial performance

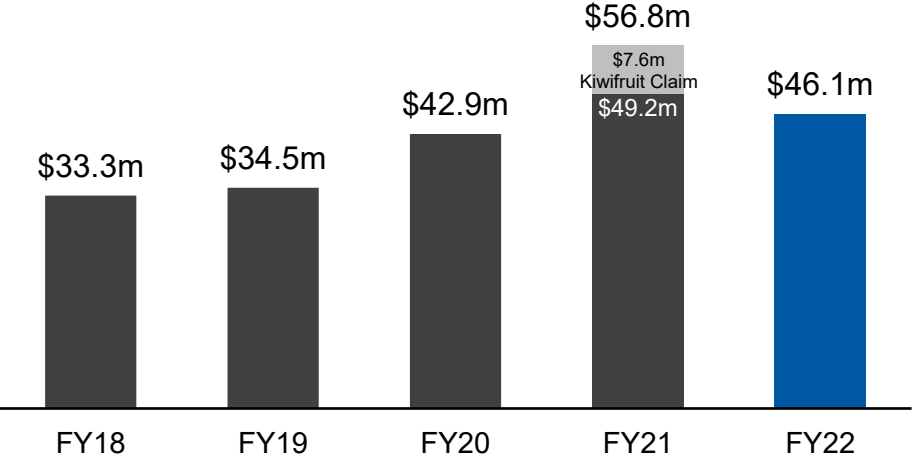
Revenue



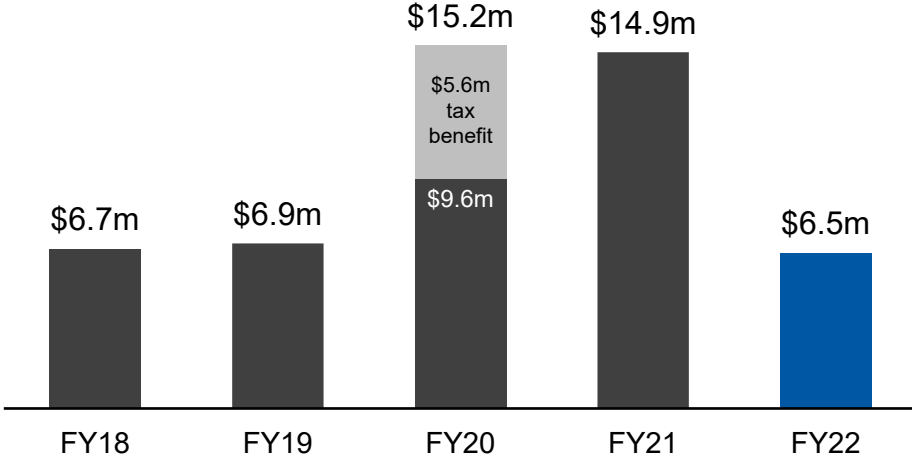
Comprehensive income



EBITDA



NPAT

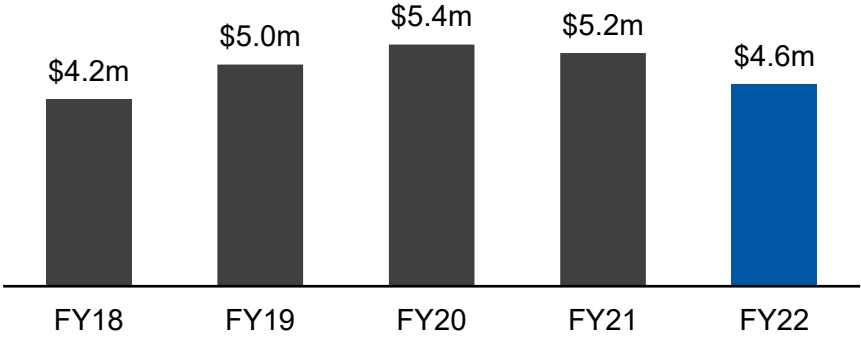


# Trends in operating segment performance

## EBITDA

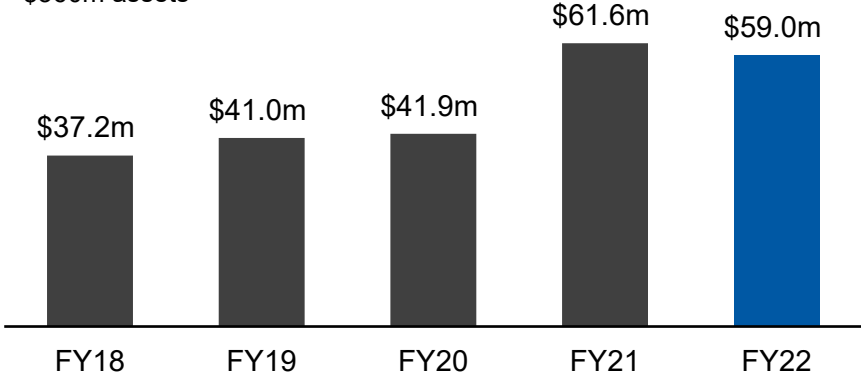
### Orcharding EBITDA

\$85m assets



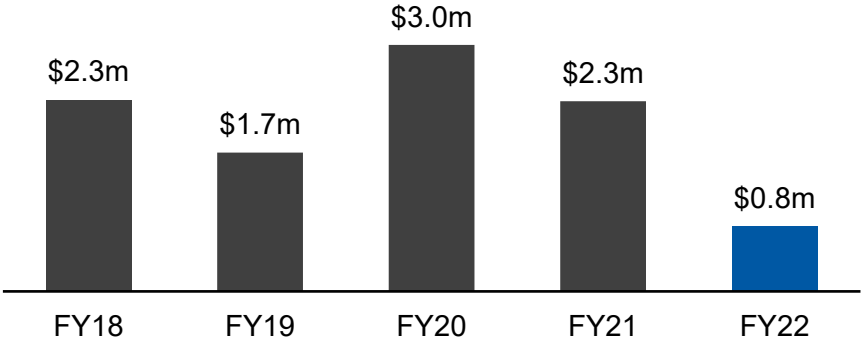
### Post harvest EBITDA

\$360m assets



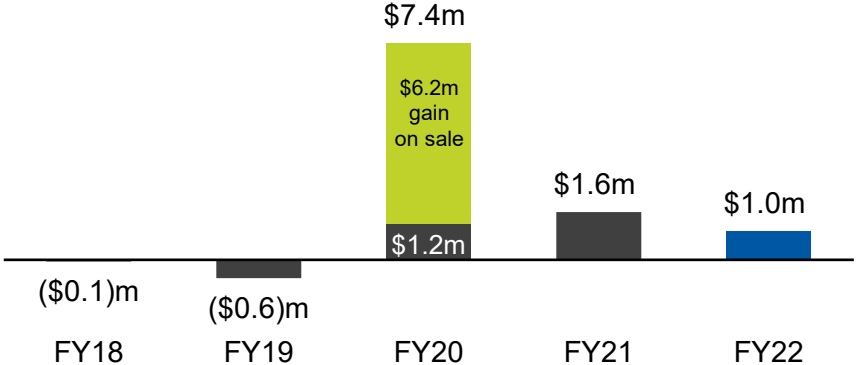
### SeekaFresh retail services EBITDA

\$11m assets



### Australia EBITDA

\$55m assets





A blue-tinted photograph of a forklift operator sitting on a forklift, lifting a pallet loaded with several large, rectangular objects. The scene is set in an industrial or warehouse environment.

# Capital management

# Financial position

Capital employed 31 December

**\$81.8m increase in capital employed in FY22**

**\$48.0m increase in PP&E**

- NZ Fruits acquisition, KKP packline automation and Transcool coolstore

**\$5.9m increase in lease assets**

- Land and buildings

**\$2.0m increase in business investments**

- \$1.4m co-invested with Māori trusts in orcharding and orchard services enterprises

**\$4.1m increase in intangibles and other**

- \$3.5m of goodwill from NZ Fruits acquisition

NZD \$millions	FY22	FY21	Change
<i>Current assets - excludes cash</i>			
Trade and other receivables	33.1	30.7	8%
Biological assets - crop	18.4	18.4	
Assets held for sale	6.3	1.9	232%
Inventories and water rights	12.0	7.3	66%
	69.9	58.3	20%
<i>Current liabilities - excludes debt</i>			
Trade and other payables	(32.8)	(33.0)	
Tax liabilities	(0.3)	(7.5)	
	(33.1)	(40.5)	( 18%)
<b>Net working capital</b>	<b>36.8</b>	<b>17.8</b>	<b>107%</b>
<i>Non current assets</i>			
Property, plant and equipment	375.8	327.8	15%
Lease assets	55.8	49.9	12%
Investments in associates and joint arrangements	6.0	4.0	50%
Investment in financial assets	1.4	2.1	( 31%)
Derivatives	3.4	-	
Intangibles and other	32.0	27.9	15%
	474.4	411.6	15%
<b>Capital employed</b>	<b>511.2</b>	<b>429.4</b>	<b>19%</b>

# Balance sheet

## Net bank debt 31 December

### \$147.4m net bank debt at December 2022

- \$46.7m increase on December 2021 (46% increase)
- \$13.0m of cash and debt for NZ Fruits acquisition
- \$11.3 m automation projects at KKP and NZ Fruits
- \$4.7m coolstore capacity increase at Transcool

### Syndicated five-bank funding

- Lead by Westpac NZ with Westpac Corporation, ASB, BNZ and Rabobank
- \$210.6m debt line
- Debt repayments slowed from 2022's drop in profit
- Syndicate support with covenant relief through to December 2023

### \$6.3m of assets held for sale

- \$3.1m AUD settled in February FY23
- Sold 750ML of excess water shares in Australia

NZD \$millions	FY22	FY21	Change
Non current liabilities - excludes debt			
Lease liabilities (current and non current )	(70.1)	(63.4)	11%
Deferred tax	(22.8)	(18.4)	
Derivatives	-	(0.5)	
	(92.9)	(82.3)	13%
Cash	(3.6)	(12.4)	
Interest-bearing bank debt	150.9	113.0	34%
<b>Net bank debt</b>	<b>147.4</b>	<b>100.6</b>	<b>46%</b>
<b>Total equity</b>	<b>270.9</b>	<b>246.5</b>	<b>10%</b>
<b>Net bank debt</b>	<b>147.4</b>	<b>100.6</b>	
<b>Net bank debt excluding assets held for sale<sup>1</sup></b>	<b>141.1</b>	<b>98.7</b>	
EBITDA multiple	3.06x	1.74x	
EBITDA multiple pre NZ IFRS 16 Leases	4.33x	2.24x	

# Earnings per share and dividends

**\$0.16 earnings per share <sup>1</sup>**

**No FY22 dividend <sup>2</sup>**

- Prudently focussed on debt reduction

**26 cents per share dividend paid from FY21 <sup>2</sup>**

- \$0.13 interim Oct 2021
- \$0.13 final Feb 2022

**\$5.97 net tangible assets per share – up 5%**

	FY22	FY21
Net profit	\$ 6.5 m	\$ 14.9 m
Weighted shares on issue	41.3 m	34.8 m
Earnings per share <sup>1</sup>	\$ 0.16	\$ 0.43
Dividends paid in year <sup>2</sup>	\$ 0.13	\$ 0.25
Net tangible assets	\$251 m	\$229 m
Shares at year end	42.0 m	40.2 m
Net tangible assets per share	\$ 5.97	\$ 5.71

1. As required by NZ IAS 33, 420,335 shares held by Seeka Trustee Limited for the Grower Loyalty and Employee Share Schemes are excluded from EPS calculations. If included, the weighted average EPS would be \$0.16 (FY21: \$0.42).

2. FY22 payment of \$0.13 is FY21 final dividend. FY21 payment of \$0.25 is FY20 final dividend of \$0.12 plus FY21 interim dividend is \$0.13.

# Operating segment performance

# Orchard operations

Growing kiwifruit, avocado and kiwiberry for New Zealand orchard owners

## Orchard revenue of \$80.5m – up 4% on FY21

Revenue growth from lift in kiwifruit volumes

## \$4.6m EBITDA – down from \$5.2m in FY21

– Lower Zespri returns, higher production costs

## Acquisitions increase regional operations and SunGold market share

– Ōpōtiki harvest down 2m trays from 2021 weather event

## Investing in 142 hectares of kiwifruit, 2ha of kiwiberry and 16ha of avocado on long-term developments

– Partnering with landowners, iwi and Kānoa

## Orchard operations well resourced for harvest 2023

– Lower yields per hectare in line with industry trend

NZD \$millions	FY22	FY21	Change
Revenue	80.5	77.1	4%
EBITDA	4.6	5.2	( 13%)
EBIT	2.2	3.0	( 25%)
Segment assets	84.9	73.7	15%
EBITDA pre NZ IFRS 16	1.4	2.4	( 42%)
Assets pre NZ IFRS 16	73.1	61.6	19%
<b>Crop grown - class 1 trays (millions)</b>			
Total kiwifruit trays grown - all varieties	17.0	14.4	18%
Hayward trays (millions)	7.9	8.7	( 9%)
Hayward yields - average per hectare	9,650	12,300	( 22%)
SunGold trays (millions)	8.8	5.4	62%
SunGold yields - average per hectare	12,000	14,370	( 16%)
Organic and other trays	0.3	0.3	

# Post harvest operations

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

## Increased post harvest revenue of \$233.8m – up 19%

- Volume growth from acquisitions
- Kiwifruit yields significantly down across the industry
- 2m trays lost in Ōpōtiki from November 2021 storm

## \$59.0m EBITDA – down 4%

- Lower throughput impacted margins
- Higher labour costs and severe shortages

## Packed avocado for SeekaFresh

- Along with third-party contract packing of citrus, persimmon and avocado

## Capacity set for 2023

- Normalisation of labour market and more RSE workers
- New KKP packline and automation projects allow Seeka to pack more fruit using significantly less labour

NZD \$millions	FY22	FY21	Change
Revenue	233.8	195.9	19%
EBITDA	59.0	61.6	(4%)
EBIT	41.2	44.6	(8%)
Segment assets	360.4	316.1	14%
EBITDA pre NZ IFRS 16	52.8	55.3	(4%)
Assets pre NZ IFRS 16	337.2	293.3	15%
<b>Kiwifruit trays packed (millions)</b>			
SunGold	26.4	19.4	36%
Hayward (and other varieties) <sup>1</sup>	15.6	19.8	(21%)
Total class 1	42.0	39.2	7%
Class 2	1.4	1.5	
Non standard supply <sup>2</sup>	0.4	-	
Total packed	43.8	40.7	7%

1. Small volumes of RubyRed and Sweet Green kiwifruit

2. Non standard supply are kiwifruit that are packed and marketed, but do not match the season's class 1 size or taste standards.

# SeekaFresh retail services operations

Marketing produce to retail and independent store customers

## SeekaFresh revenue of \$19.1m – down 12% on FY21

- Avocado sales commission impacted by slow start to 2022/23 programme, and less fruit into Australia
- Kiwifruit sales commission impacted by lower volumes and early-season quality issues

## EBITDA of \$0.8m – down 66%

Tropical fruits import and ripening service, kiwiberry, Auckland wholesale market and Kiwi Crush performed well

NZD \$millions	FY22	FY21	Change
Revenue	19.1	21.6	( 12%)
EBITDA	0.8	2.3	( 66%)
EBIT	( 0.8)	1.4	
Segment assets	11.5	11.7	( 2%)
EBITDA pre NZ IFRS 16	( 0.1)	1.5	
Assets pre NZ IFRS 16	7.7	7.6	2%



# Australian operations

Growing, packing and retailing kiwifruit and other Australian produce on owned and leased orchards

**Revenue of \$14.0m – in line with FY21**

**\$1.0m EBITDA compared to \$1.6m in FY21**

## Developing new orchards

- 63 hectares of kiwifruit
- New variety pears
- New nashi varieties and dates

NZD \$millions	FY22	FY21	Change
Revenue	14.0	13.9	1%
EBITDA	1.0	1.6	( 20%)
EBIT	( 1.1)	( 0.1)	
Segment assets	54.5	47.7	14%
EBITDA pre NZ IFRS 16	( 1.1)	( 0.2)	
Assets pre NZ IFRS 16	47.7	40.5	18%
Kiwifruit (tonnes)	1,766	2,106	( 16%)
Nashi (tonnes)	1,004	976	3%
Pears (tonnes)	1,987	1,751	13%
Other fruit (tonnes)	131	121	8%
Total tonnes grown, packed and sold	4,888	4,954	( 1%)

## **Supply chain operations reviewed from orchard to loadout**

- Focussed on achieving excellence in fruit handling in 2023

## **Improvement in labour supply**

- Large increase in RSE workers from the Pacific
- Malaysian programme re-established

## **Automation projects completed at KKP and Oakside in the Bay of Plenty and NZ Fruits in Gisborne**

- Will lift capacity and improve fruit handling
- Significantly reduce demand for packhouse labour

## **Capacity, systems and team well prepared for harvest 2023**

## **Cyclone Gabrielle impact still being assessed**

- No significant damage to major assets
- Main Bay of Plenty growing region spared the worst – was not materially impacted
- Hawke's Bay worst hit – only 5% of Seeka's kiwifruit crop grown in the region
- Harvest 2023 volumes are expected to be lower than 2022 due to early season frost, variable bud break and the cyclone
- Reduced 2023 capital expenditure and reduced costs in line with the expected crop

# Contact

For more information see [www.seeka.co.nz](http://www.seeka.co.nz) or please call

**Michael Franks**

Chief executive

+64 21 356 516

**Nicola Neilson**

Chief financial officer

+64 21 841 606

# Appendix

# EBITDA

EBITDA before revaluations and impairments is considered by Seeka's Board to be a key measure of performance and reflection of cash flow generation.

NZD \$millions	FY22	FY21
<b>Net profit before tax</b>	<b>7,593</b>	<b>23,488</b>
Interest expense	7,204	4,082
Lease interest expense	4,289	4,610
<b>EBIT</b>	<b>19,086</b>	<b>32,180</b>
<i>Impairment charges</i>		
Impairment of property, plant and equipment	144	1,188
Impairment of biological assets	191	-
Impairment of intangible assets	681	-
Depreciation expense	16,055	15,185
Lease depreciation expense	9,516	7,943
Amortisation of intangible assets	406	294
<b>EBITDA before impairments and revaluations</b>	<b>46,079</b>	<b>56,790</b>

# ROCE calculation

Return on capital employed is calculated as below

NZD \$millions	Notes <sup>2</sup>	FY20	FY21	FY22
<b>EBIT</b>		<b>24,318</b>	<b>32,180</b>	<b>19,086</b>
<i>Adjust for non-recurring items</i>				
Other income	3	( 8,937)	( 8,446)	( 755)
Lease interest expense		( 3,877)	( 4,610)	( 4,289)
Acquisition and restructuring costs	4	-	1,784	419
Impairments		30	1,188	1,016
<b>EBIT - operating activities</b>		<b>11,534</b>	<b>22,096</b>	<b>15,477</b>
<b>Capital employed</b>				
Shareholder funds		176,293	246,491	270,943
NZ IFRS16 adjustment <sup>1</sup>	13	13,551	13,482	14,260
Interest-bearing bank debt	17	83,019	113,003	150,942
Cash		( 5,164)	( 12,361)	( 3,554)
Assets under construction	10	( 3,646)	( 10,142)	( 20,916)
Assets classified as held for sale	9	( 3,844)	( 1,898)	( 6,293)
<b>Total capital employed</b>		<b>260,209</b>	<b>348,575</b>	<b>405,382</b>
<b>Average capital employed</b>			<b>304,392</b>	<b>376,979</b>
<b>Return on capital employed</b>			<b>7.3%</b>	<b>4.1%</b>

1. Lease liability less the right-of-use lease asset. 2. Notes to Seeka's 2022 financial statements.



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