



## Cobram Estate Olives 2021 AGM Report

ASX Code	CBO
Meeting Time/Date	11am, Friday 29 October 2021
Type of Meeting	Virtual
Monitor	John Whittington (proxy collector)
Pre AGM Meeting?	No

## The Good Oil

### What the Company Does

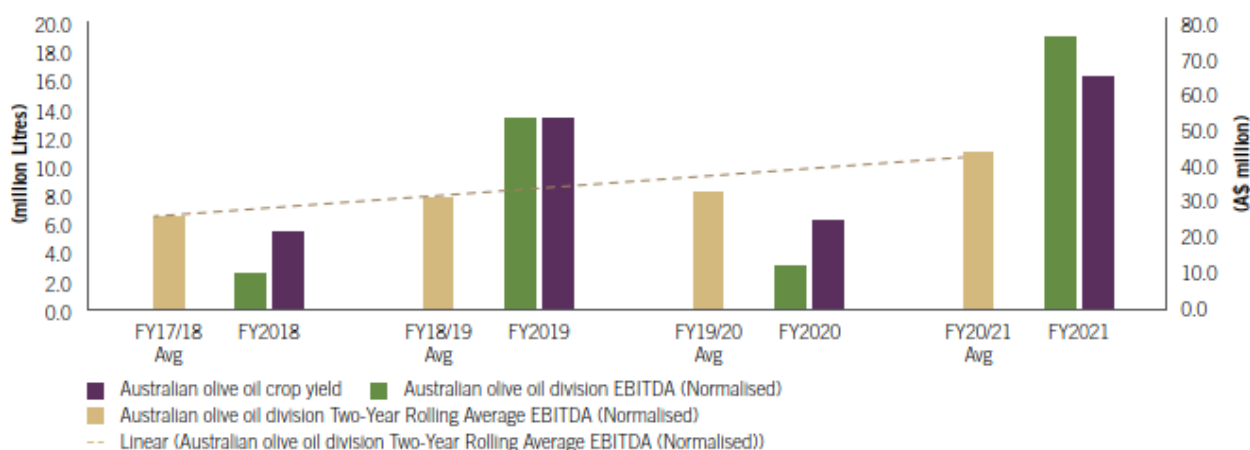
Cobram Estate Olives is Australia's largest producer and marketer of premium quality extra virgin olive oil. Founded in 1998 by Paul Riordan and Rob McGavin (who are both still on the board), the company owns Australia's two top-selling homegrown olive oil brands, Cobram Estate (35% market share) and Red Island (10% market share). The company has operations in Australia and the USA and exports to customers in 18 countries.

The olive business has an interesting characteristic – olive trees have a biennial cycle where they produce a larger crop every second year with a smaller crop in-between. And that isn't a characteristic of a particular tree or variety, apparently all the plants within an area synchronise their cycles. And, as the accounting standard requires profit to be recorded in the year of production rather than the year of sale, this means that the profit of a company like CBO is also on a two-year cycle – up one year, down the next, then up again, and so on.

### Developments in the Financial Year

The 2021 financial year (FY21) was one of the "up" years and the company's Australian production was a record 16.05m litres. This would have ranked CBO's Australian output between that of the 10<sup>th</sup> and 15<sup>th</sup> largest countries by production and more than the entire output within Israel, France, or the USA. The key financial stats are as follows (noting the two-year cycle):



Yield vs EBITDA vs Two-Year Average EBITDA (Normalised)<sup>3</sup> – Australian olive oil division

## Two-Year Rolling Average EBITDA (Normalised) calculation from Statutory EBITDA for the Australian olive oil division for the period FY2017-FY2021

A\$ million	FY2017	FY2018	FY2019	FY2020	FY2021
Australian olive oil division Statutory EBITDA	44.2	12.0	42.6	(2.9)	75.1
Adjusting for water costs to long term average <sup>4</sup>	(3.4)	(1.9)	9.8	14.8	(0.3)
Adjusting for ASX listing costs	–	–	–	–	0.8
Australian olive oil division EBITDA (Normalised) <sup>5</sup>	40.8	10.1	52.4	11.9	75.6
<b>Two-Year Rolling Average EBITDA (Normalised) for the Australian olive oil business</b>	–	<b>25.5</b>	<b>31.3</b>	<b>32.2</b>	<b>43.7</b>
Change	–	–	+22.7%	+2.9%	+36.0%

Source: Cobram Estate Olives 2021 Annual Report

CBO's statutory net profit after tax (NPAT) for FY21 (an up year) was \$32.6m up from a statutory loss of \$32.7m in FY20 (a down year).

### Summary of Historical ASA Issues with the Company

This is the first year the company has been listed and the first ASA interaction with the company was at this AGM.

### Debate and Voting at the AGM

The meeting was opened by the Chair, Rob McGavin (one of the founders) who gave an overview of the meeting, the past year's performance, important updates on production in the US and Australia, the outlook, and discussed the company's carbon position (olive trees are carbon sinks). He also highlighted discounts on CBO products for shareholders!

Both CEOs then presented, Sam Beaton on financial and commercial issues, and then Leandro Ravetti on business operations (with a wonderful overview of the olive oil production process and issues, eg water) and their growth strategy. They have promised to put a recording of the AGM on the website so, if they do and you are interested in knowing more about the business, you should try to watch Leandro's presentation.

The Chair's address and CEO presentation slides [are available here](#).

We then moved onto the formal part of the business where the ASA asked if it was possible to grow have the crop out of sequence with the other half which would result in a steadier profit.

Apparently, all the trees in a region will tend to sync up their cycles, based on weather, frosts, etc, so this isn't possible.

On remuneration, we expressed concern that the report failed to outline the structure of the remuneration scheme, the targets, and achievements against those targets, for incentives, details of how rights and/or options were awarded, the types of contracts with KMP, and a table of actual remuneration. The Chair indicated that they were new to this and had provided what they were legally required to provide but were very open to feedback.

Then came the election of four directors, Dr Joanna McMillan, Mr Rob McGavin, Mr Jonathan West, and the Joint CEO Mr Sam Beaton. All spoke to the meeting from their remote locations.

Finally, the company sought to increase the non-executive director fee cap from \$300k (which was set before their listing) to \$800k given that some of the directors that were formerly executive (and hence not counted in the cap) became non-executive following the listing.

Other than the ASA, the only other questions (13 of them) were asked by Stephen Mayne on topics from proxy advisor (and ASA) view of their remuneration, through the independence of the Chair, to links with the managed investment schemes of around twenty years ago and relationship with Coles and Woolworths.

All items were strongly supported with over 99% support.

### Outlook Statements from the Company

The company's growth strategy is based on four pillars:

1. **Increasing supply from our Australian olive groves through new plantings and efficiency gains**  
39% of the company's total Australian plantings are not fully mature and are not yet producing mature yields including 16% of total Australian plantings yet to produce a harvested crop.
2. **Growing our vertically integrated business in the USA**  
CBO is encouraged by the immense opportunity in the USA to replicate its Australian business in the medium to long term. The key focus is increasing the supply pipeline of Californian produced olive oil to drive packaged goods sales at retail.
3. **Growing branded product sales and improving the Net Price per litre for our extra virgin olive oil**  
Continued premiumisation and differentiation of the company's brands globally whilst never compromising consumer trust and/or value proposition.
4. **Value-adding our olive oil by-products**  
Monetising the substantial investment that has already occurred in Cobram Estate Olives' Wellness division and its Wellgrove® brand.

*Source: Cobram Estate Olives, AGM Presentations*

As FY22 will be a "down" year, statutory earnings are likely to be materially lower than FY21, however the company believes the two year rolling average earnings to continue increasing.

The harvest has started in the US and both yield and quality are in line with expectations, they have also increased their external growers under contract by over 2,000 acres to 4,819 acres. The Australian crop will reach full bloom over the next eight days and will be the first time that they can assess the following year's crop. The company is expecting full year sales growth.

**Meeting Statistics**

Number of Holdings Represented by ASA	7
Number of Shares represented by ASA	30,000
Value of Shares represented by ASA	\$60,600
Number Attending Meeting	Unknown
Market capitalisation	\$773m
Were proxies voted?	Yes, on a poll