Company: Camellia PLC

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Byron Coombs: Good morning, thank you for joining us today. My name is Byron Coombs and I am the Chief Executive of Camellia PLC.

Oliver Capon: I am Oliver Capon, CFO of Camellia.

Byron Coombs: We're here this morning to take you through our Value Enhancement Plan. Welcome to this presentation on Camellia, a long-established UK Company which may be new to you. Over the next 20 minutes, Oliver and I will provide a brief overview of the history of Camellia and its future opportunities.

The following disclaimers are important. Camellia is named after the tea bush, Camellia sinensis, reflecting the strength of our global tea business. The Company was formed in 1889 and listed on the London Stock Exchange in 1982. Over the past 18 months the leadership of Camellia have seen some important changes. In addition to Simon Turner, Non-Executive Chairman, and I taking on our new roles in late 2023, we have seen the arrival of Oliver as CFO, Nischal Hindia as General Counsel, and two independent non-executives, Alison McFadyen and Alec Hayley. These new additions to the Camellia leadership build upon the strong and experienced teams we have in the UK and around the world.

Camellia is headquartered in the UK. It has investments in 11 operating companies, as well as owning a range of non-operating assets. Eight of the 11 operating companies are involved in large-scale agriculture. The remaining three are a UK engineering company, a UK luxury packet tea business, and a South African vineyard. Camellia's principal products are tea, avocados and macadamia nuts, but it also produces soya and other arable products.

Camellia was founded with a clear purpose: to marry commercial success and profitability with a strong social conscience and care for the environment. I think it's helpful to put Camellia of today in its historic context. Camellia's oldest businesses have deep roots in the Indian tea industry. In the 1970s and 1980s, it became a small UK conglomerate with exposure to a wide range of businesses including financial services, fisheries, cold store logistics and engineering, to name a few.

Then in the mid-2010s, the Company began a gradual streamlining of its operations, with further progress made over the last couple of years. The current management team are expediting this process, and expect to have completed the transition to an international agricultural business in line with the value enhancement plan. At the heart of Camellia today are the eight large-scale agricultural businesses. The India operation comprises tea gardens and factories, an instant tea manufacturing plant, and a branded packet tea business. The India operation produces some of the best known and highest quality teas in the world, for example Badamtam and Castleton teas are sold as single estate teas at Fortnum's and Harrods.

Duncan Brothers in Bangladesh is another revered name in tea history. The Eastern Produce tea business in Kenya is a highlight efficient operation with some of the highest yielding tea gardens in the world. Also in Kenya, Camellia has a 51% stake in Kakuzi, a Kenyan-listed farm producing avocados and macadamia nuts for international markets and cattle for the local market. The business is also in the early stages of developing a commercial blueberry operation. Our Malawi business is both a substantial tea producer and a sizeable macadamia farm, while our South African operation focuses solely on growing macadamia nuts.

The last of the eight businesses is our arable farm in Brazil, a highly mechanised operation with soyabean as its main crop. The Brazil farm earned several awards in 2024 for the quality of its products and for its operational efficiency. The farm has 15 reservoirs and is in the process of raising the proportion of irrigated land to 60%.

Before turning to the Company's 2024 results, I'd like to provide some recent market context. 2021 to 2023 were very challenging years for Camellia, with all three of our main crops - tea, avocados and macadamia - facing weak market demand. Alongside weak pricing, our operating companies faced a hangover from COVID-related business interruption and subsequently, input price pressures from the Ukraine War. One specific issue to 2024 was the closure of The Red Sea. This event required a change in our avocado harvesting and packing protocols to allow for the longer transportation around The Cape. We're now fully adapted to the longer delivery time. These factors are increasingly behind us, with markets generally improving and cost increases easing, and a renewed focus and renewed confidence in the prospects for the Group.

With that, let me hand over to Oliver.

Oliver Capon: Thank you, Byron. We have recently announced the 2024 results for the Group and published our 2024 Annual Report. The results reflect improvements in market conditions in the Group's core agricultural products in 2024 versus 2023, albeit trading conditions remain difficult across many markets. Revenue was slightly ahead of last year and, while still loss making, the trading results showed improvements year on year. The net cash and financial asset position was £125 million at the end of the year, up from £32 million in 2023. This increase was primarily driven by the proceeds from the BF&M sale in 2024.

Net assets attributable to shareholders were £308 million at the end of the year. The Board have proposed restarting the dividend at 260p. We recognise that this is uncovered by profits, but the Board and the executive have confidence in the Value Enhancement Plan and believe that, over the medium term, the dividend will be covered by income from subsidiaries and from any new investments that are made.

Over 2024, the Board and the leadership team undertook a comprehensive review of the Group to determine steps required to maximise the value to shareholders. The Value Enhancement Plan is the outcome of this review. We also revisited the Company's purpose, values and business model, which are disclosed in the 2024 Annual Report. We invested in strengthening some of the operating companies boards and management teams to align with the future requirements. We continued to simplify the portfolio. The major step in 2024 was the completion of the sale of the last of our associates, being BF&M in Bermuda and two finance companies in Bangladesh. These both strengthened the balance sheet and simplified the business.

2024 also saw the final closure of Bardsley in the UK. While clearly this transaction was a difficult one for the Company and shareholders, closing it down prevented further losses and was done in a highly professional manner. There was also investment by the business in the year in both maintenance and growth capital. The largest element of the latter being the planting out of the avocado orchards in Tanzania where we are planting 100 hectares per annum.

I'll now hand back to Byron.

Byron Coombs: Thank you, Oliver. Let me talk about our plan for value enhancement. Our Value Enhancement Plan comprises three components: (1) improving the Company's operating results; (2) reducing the portfolio risk, and over time dampening earnings volatility; and (3) growing revenues and earnings through increased organic and inorganic investment.

Camellia's management have two principal levers they can pull to improve operating results, (1) more active management of the Group's assets, essentially disposing of low-yielding and underperforming assets and redeploying the capital to more profitable activities. Management have identified many low-yielding assets and are taking action to dispose of them. (2) improving operating company financial performance. Camellia has been working with the operating companies over the last nine months to help clarify and prioritise their business improvement plans.

While each company has different levers it can pull, some of the more common ones include: investing in new bearer plants to reduce vacancy rates in the gardens thereby increasing revenues per hectare and exploring options for commercialising currently underutilised farmland; using surplus factory and packing facility capacity to process third-party crops; selling underperforming business units and non-core assets; investing in power supply to reduce intermittency and adding additional processing lines to improve consistency of product quality; improving productivity through the gradual and careful application of mechanisation and other technology; and improving crop marketing and sales strategy.

A key task for management over the next few years will be to reduce Camellia's risk profile and in doing so, reduce some of the earnings volatility that is common to the agricultural sector. Clearly at the forefront of our risk discussions are changes in weather patterns and the rise in global temperatures. A few years ago Camellia sold its Horizon Farm in the Central Valley of California, a well-run and very profitable business, but one which was increasingly exposed to the loss of its water supply. Today Camellia is building a large avocado farm at 6,000 feet in the Southern Highlands of Tanzania, which we believe will be much less affected by the rise in temperatures. These are the kinds of long-term decisions which we believe will ensure Camellia's long-term sustainability.

Beyond climate, the percentage of our revenues from tea, at over 70%, is higher than we would like. Over the next few years Camellia will look to further diversify its sources of earnings, broadening the range of crops it grows, and generating more of its revenues from ancillary services such as farm management, which are much less directly affected by the weather.

Finally, turning to our goal of growing the business, this task is critical for the long-term success and sustainability of the Company. Camellia has two means by which it can generate growth over the coming years.

The first is investment in crop production and infrastructure. There is some baked-in growth that will come from investments already made. This growth will show through as the plants grow to maturity over the next few years and as the new farm infrastructure helps improve yields. Further growth will come as more investments are made. For example, Kakuzi has recently announced its ambition to increase avocado production from three million to five million cartons and increase its macadamia nut production from 900 tonnes to 1,500 tonnes over the next 10 years.

The second means of generating growth is through the acquisition of established operations, both agricultural and associated businesses. This approach, with its faster revenue generation, is complementary to the longer timeframe of building from a greenfield site. We will look carefully at opportunities which offer attractive returns when the operations are well aligned with our existing operations and which can employ our established skills and experience. We anticipate investing £15 million to £25 million in growth projects per annum.

To bring these projects to life, here are some of our recent investments. In the area of efficiency and sustainability, we have begun to invest in solar panels. To support crop diversification, we are building a commercial-scale blueberry operation at Kakuzi. To generate medium and long-term growth, we are building a new avocado farm in Tanzania, complete with a large reservoir and full crop irrigation and a packhouse, which can provide services to other growers in the region. We've now planted 450 of the 650 hectares and the dam construction is underway with completion planned for October this year. This farm will reach full production around 2030-2032.

Let me hand over to Oliver to talk you through our capital allocation priorities.

Oliver Capon: The Board and the executive have three key priorities for capital allocation. Firstly, maintaining a strong balance sheet. Agriculture is a volatile business and the Group needs to be able to sustain annual price and yield shocks, much of which are outside our control. The strong balance sheet enables us to survive these market shocks. The Board have allocated a strategic reserve to be maintained based on the volatility and the correlation of the crops that we farm. This will help to protect the Company over the long term.

Secondly, we need to be able to provide ordinary dividends for shareholders which, in the medium term, will be covered by earnings. We believe the 260p dividend achieves the right balance and is sustainable, with the expectation of growth as the VEP is implemented and the benefits realised.

Thirdly, it is vital that we invest in the business. The Company has allocated £25 million to £35 million per annum for investment, covering maintenance capital and organic and inorganic growth. These amounts are guides and depend on high-quality projects being found and all investments being assessed against industry and country return-on-income benchmarks.

We are also announcing today a Tender Offer which will be voted on at the upcoming meeting immediately after the AGM on 5 June 2025. This provides an opportunity for liquidity at a premium for investors who want to sell their shares. The pricing is a premium of 17% over the three-month volume weighted average price. The Board does not anticipate further tender offers or the restarting of the on-market share buyback.

I'll now hand back to Byron to summarise the investment case for Camellia.

Byron Coombs: Let me conclude this presentation with a summary of the investment case for Camellia.

Firstly, Camellia is endowed with a number of high-quality investments nurtured and developed over many years. These businesses have proven management teams and are seen as leaders in their respective markets. They operate at scale and to high standards of environmental and community care. With further investment, there is potential for improvement in profitability and business growth.

Secondly, Camellia is underpinned by 90,000 hectares of valuable hard assets. With continued investment, these assets will continue to rise in value and will produce crops and enjoy enduring demand well into the future.

Thirdly, there is the expectation of earnings growth driven by prior years' investment in new crops and supporting infrastructure, and by future investment in both organic and inorganic business opportunities.

Finally, following the recent and ongoing divestment of non-core businesses and assets, the Company has a strong and liquid balance sheet that can support it through any difficult economic times and provide it with the resources to generate longer-term earnings growth and a sustainable dividend.

We believe the successful implementation of our plan will create value for shareholders through sustainable profitability for the long term.

On behalf of the Board, thank you for listening to our presentation.

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