



# CAMELLIA

INTERIM RESULTS  
PRESENTATION

OCTOBER 2020

# A GLOBAL GROUP WITH A FOCUS ON AGRICULTURE

**OPERATING  
ACROSS 11  
COUNTRIES**

**LARGEST  
PRODUCER OF  
AVOCADOS IN  
KENYA**

**LARGEST PRIVATE  
PRODUCER OF TEA  
GLOBALLY WITH  
57 TEA FACTORIES IN 4  
COUNTRIES**

**78,000 EMPLOYEES  
WORLDWIDE**

**2% GLOBAL  
MACADAMIA  
MARKET SHARE**

# OVERVIEW

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- Diversified international group
- Focus on perennial crop production
- World's largest private producer of tea
- Long-term strategy of crop and origin diversification
- Investing in expansion of macadamia and avocado  
as well as trialling a potential fourth core crop
- Enduring ESG commitment
- Strong balance sheet; substantial net cash resources



Shumshernugger, Duncan Brothers

# H1 2020 STRATEGIC HIGHLIGHTS

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- Covid-19
- Massive tea production in Kenya due to weather conditions and smallholders
- Macadamia harvest substantially down
- Substantial investment in crop and jurisdictional diversification in recent years mitigated weakness in global tea prices
- Acquisition of land in South Africa and Tanzania and trials of blueberries and avocados at alternative site in Kenya provide long-term growth potential
- Agreed sale of the Horizon Farm property in Q3

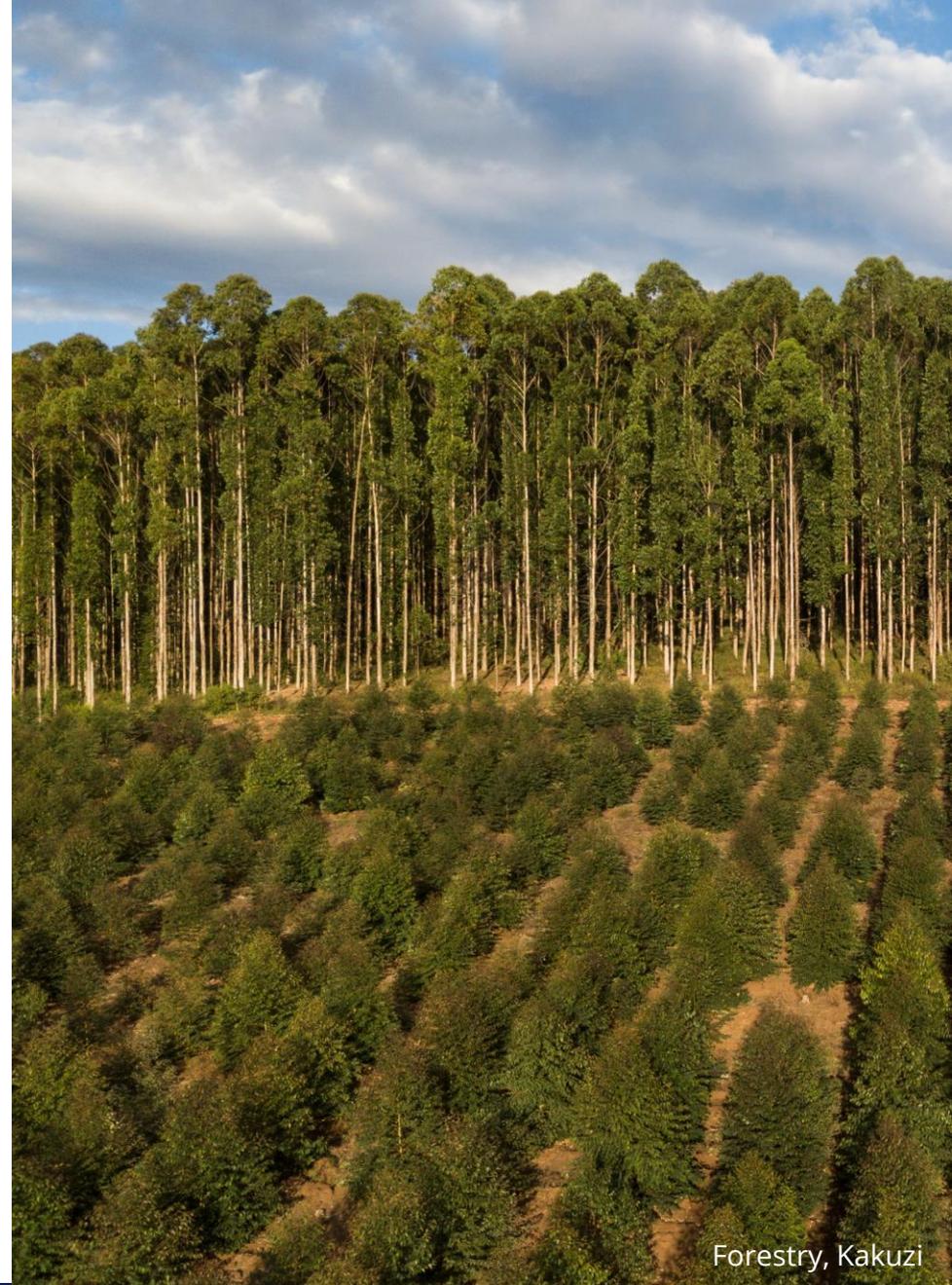


Mount Mulanje, Eastern Produce Malawi

# H1 2020 FINANCIAL HIGHLIGHTS

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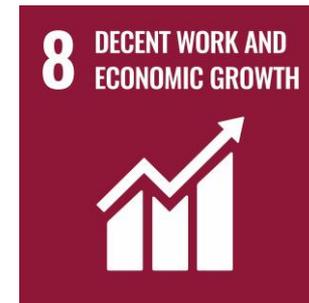
- Sales broadly stable at £115m
- Underlying loss from continuing operations, partly reflecting normal seasonality
- Group expects to record underlying profit before tax for the year
- Results adversely impacted by legal costs £3.5m and asset impairments £3.4m
- Net cash of £72.8m (June 2019: £80.6m) (after loans)
- Net assets of £385.4m
- Decision to reinstate the 2019 final dividend at 102p



Forestry, Kakuzi

# ESG AT CAMELLIA

- Aligned to seven of the UN SDGs
- “Licence to trade” - the success of our operations is fundamentally connected to the communities and environments in which we operate
- We support a large number of smallholder farmers
- Published 2020 ESG report in June
- Operate 500 schools and educate 46,000 pupils
- Run 87 health facilities and provided over a million patient treatments in 2019
- House 295,000 employees and their families
- Numerous ongoing initiatives to reduce our impact on the environment, through improving soil health and energy efficiency
- Promoting gender diversity and empowerment





# AGRICULTURE DIVISION TEA



**INDIA**



**GOODRICKE GROUP**

- Tea volumes down 43% on H1 2019 due to:
  - Closure of gardens
  - Cyclone Amphan
  - Heavy monsoon
- In Darjeeling most of first flush lost as a result of lockdown
- Average prices up 12% on H1 2019



**KENYA**




**EASTERN PRODUCE KENYA**

- Tea volumes up 58% on 2019
  - Good weather
  - Rapid expansion of smallholder sector
- Average prices down 10% on H1 2019



**BANGLADESH**

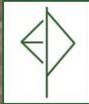


**DUNCAN BROTHERS**

- Tea volumes down 30% on H1 2019, reflecting dry weather
- Average prices down 43% on H1 2019 due to closure of hot tea stall market



**MALAWI**

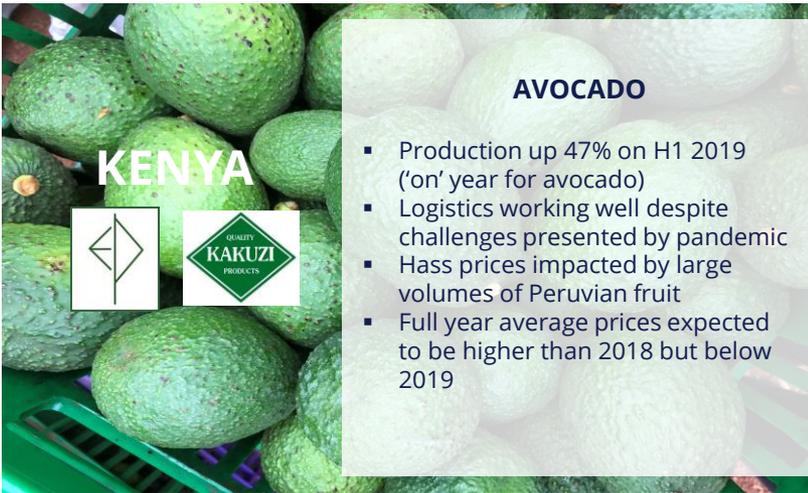


**EASTERN PRODUCE MALAWI**

- Tea volumes down 8% on H1 2019 due to drier conditions in Q2
- Average prices down 4% on H1 2019 due to the high volumes in Kenya



# AGRICULTURE DIVISION AVOCADO AND MACADAMIA



**KENYA**



**AVOCADO**

- Production up 47% on H1 2019 ('on' year for avocado)
- Logistics working well despite challenges presented by pandemic
- Hass prices impacted by large volumes of Peruvian fruit
- Full year average prices expected to be higher than 2018 but below 2019



**MACADAMIA**

- Macadamia harvest 25% down on full year due to hot, dry weather in South Africa & Malawi in 2019
- Reduced demand for kernel from China, USA and food service sector due to pandemic
- Prices expected to be 10% lower than 2019



# AGRICULTURE DIVISION SPECIALITY CROPS



## MAIZE, SOYA, SORGHUM & BARLEY

### BRAZIL

- Soya crop up 3% on H1 2019, driven by 9% higher dry land yields
- Soya prices up 4% on H1 2019 assisted by the devaluation of the Real
- Sorghum planted as alternative to maize; yield and price exceeded expectations



## KENYA



### KAKUZI - BLUEBERRIES

- Blueberries developed more slowly than expected at our trial site
- First major harvest will now be in 2021



## PISTACHIOS, ALMONDS & CITRUS

### USA

- Excellent citrus season with crops exceeding 2019 volumes / price
- 2020 is an 'on' year for pistachios
- Sale agreed (subject to conditions) for completion in Q4 2020

# NON-AGRICULTURE DIVISIONS



**ENGINEERING**

**AJT**

- Busy H1 in the oilfield division but site services paused
- A slower H2 anticipated as impact of pandemic on oil prices is felt

**AMFIN AND ATFIN**

- Revenues broadly level with the previous year at the end of Q1
- Q2 saw a significant reduction in revenue
- Doubts remain as to when this sector will recover



**FOOD SERVICE**

**ACS&T**

- Positive start to the year with a difficult Q2 as food service reduced
- Trading has begun to improve as out of home dining gets busier

**JING TEA**

- Largely closed throughout lockdown with only the online platform remaining busy
- Recovery dependent on return of hotel, restaurant and tourist sectors



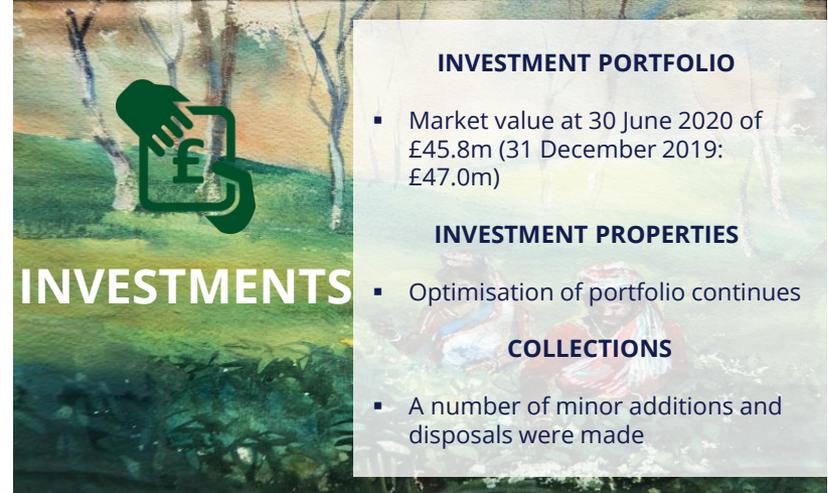
**ASSOCIATES**

**BF&M**

- Property & casualty and life & health businesses performed well, supported by solid investment performance

**UNITED FINANCE & UNITED INSURANCE**

- Performed in line with expectations



**INVESTMENTS**

**INVESTMENT PORTFOLIO**

- Market value at 30 June 2020 of £45.8m (31 December 2019: £47.0m)

**INVESTMENT PROPERTIES**

- Optimisation of portfolio continues

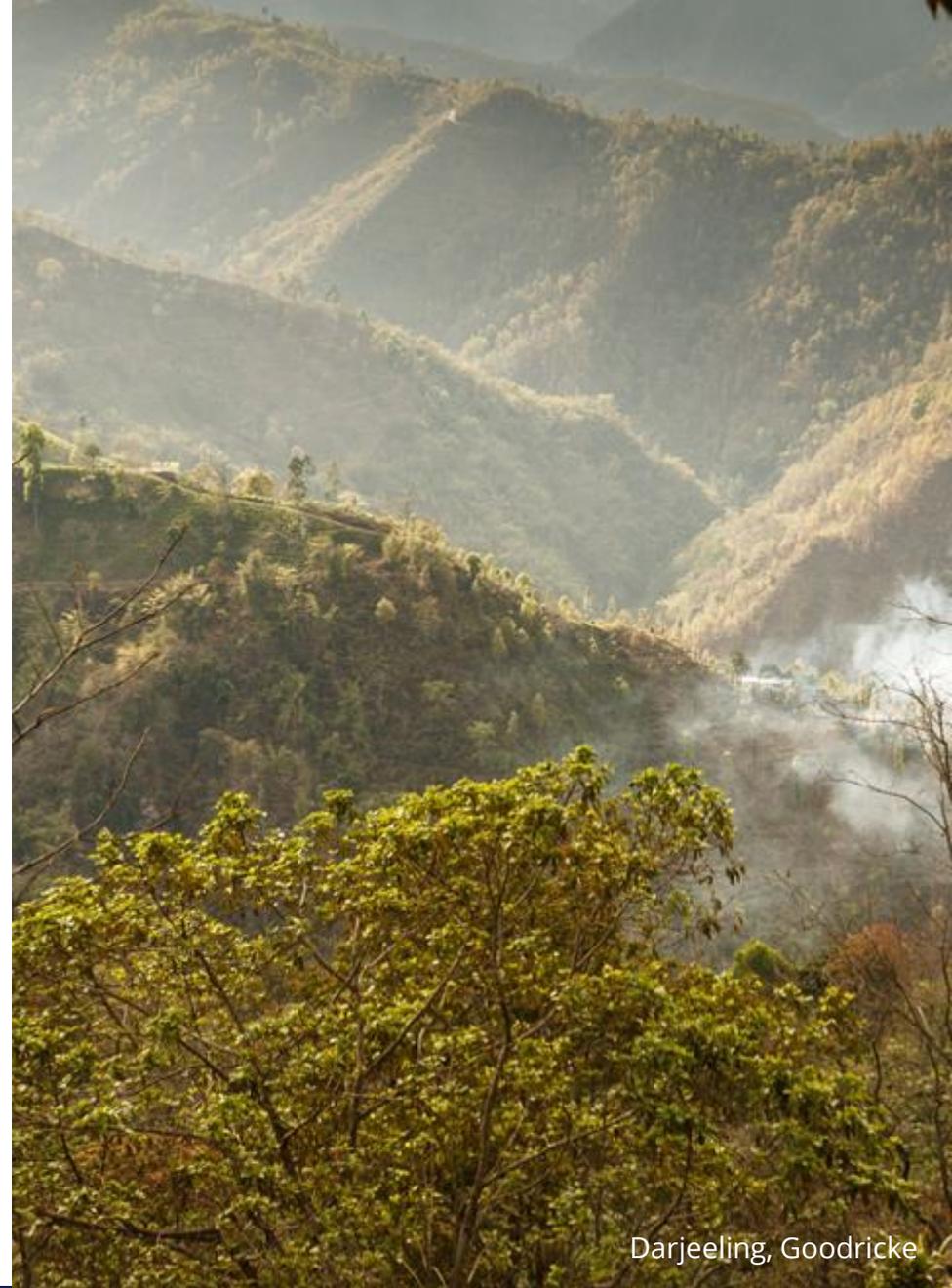
**COLLECTIONS**

- A number of minor additions and disposals were made

# COVID-19 IMPACT

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- Tea – substantial impact on production in India and demand in Bangladesh
- Macadamia – impact on demand from key markets for kernel in the USA and China
- Avocado and other crops – no impact so far
- Engineering – mixed results during H1 and concern about demand in H2
- Food Service – reduced demand impacted H1. Recovery dependent on resumption of hospitality and food service sectors



Darjeeling, Goodricke

# DEALING WITH COVID - 19

- Camellia people – welfare and safety a top priority
- Community action – Camellia manages 87 hospitals and dispensaries in some of the world's poorest countries. Where possible, these are now being used for the benefit of the whole community
- Focus on cash conservation and cost containment while maintaining strategically important investment activity wherever possible
- Continue to work closely with our buyers, logistics partners, suppliers and other stakeholders to manage the impact of restrictions on our businesses and communities



CC Lawrie

# CAMELLIA AND THE TEA MARKET

- Tea accounts for circa two-thirds of sales and is integral to the performance of the Group
- Globally traded commodity subject to supply and demand economics with complex local and global market dynamics
- Long-term the UN FAO projects black tea consumption to increase at an annual growth rate of 2.5% to 2027 (pre pandemic) driven by population, wealth, perceived health benefits and RTD
- 2.5% growth equates to c.150,000 tonnes (1.5 times Camellia's total production) or more than a 100,000 Ha of tea being planted each year
- Price rises are inevitable but subject to short-term local political interests
- Camellia is well placed to benefit because it has:
  - Ethical and traceable production
  - A wide range of teas
  - Consistency of product and quality
  - Well invested efficient production base

North India CTC Auction Prices



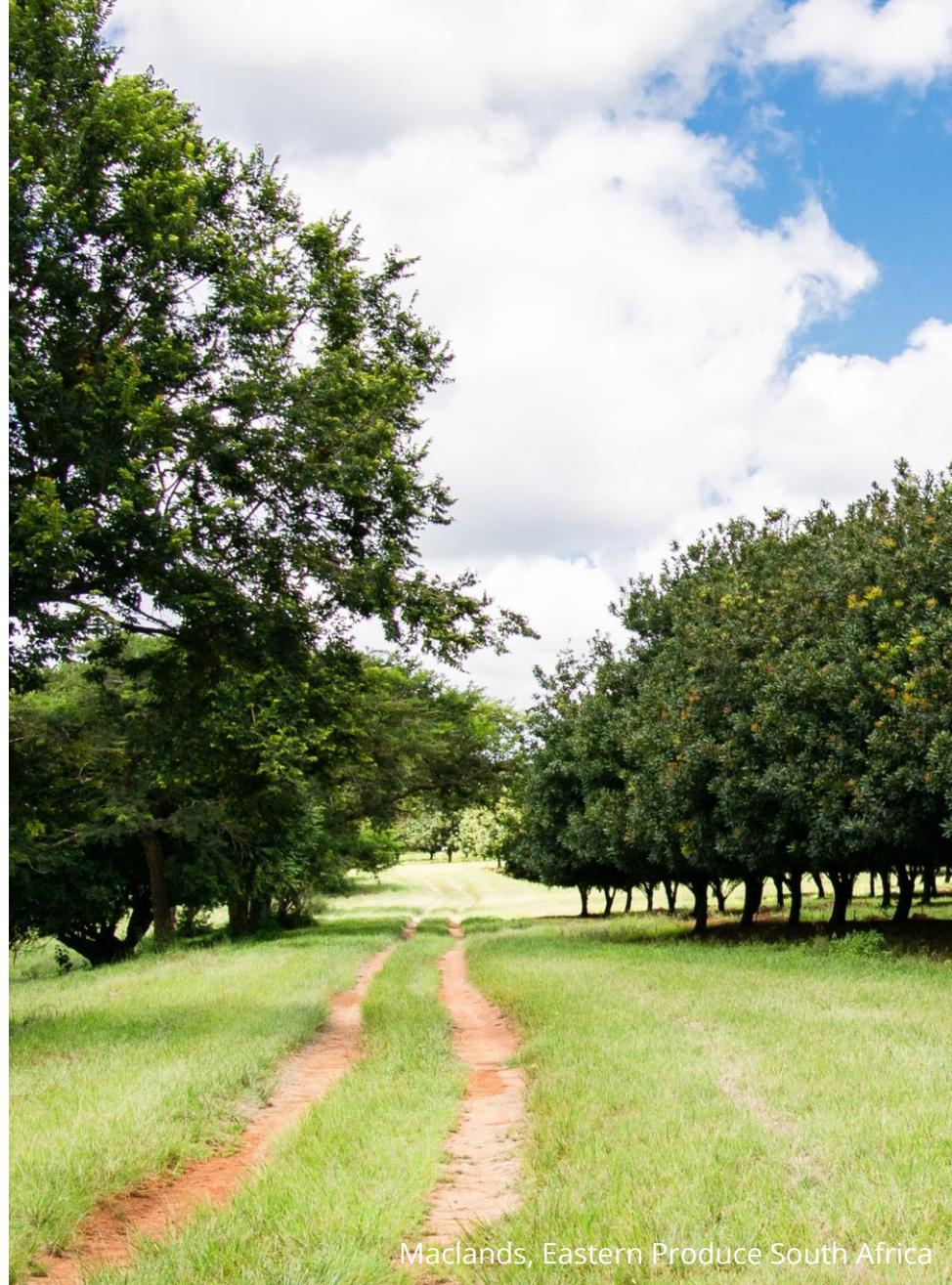
All Mombasa auction prices



# OUTLOOK

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- H2 2020 underlying profit expected to improve over H1, reflecting:
  - Normal seasonality
  - Recovering tea prices in India and Bangladesh
  - Recently improved avocado prices
- Covid-19 continues to impact
  - Engineering seeing reduced demand in H2
  - Food services hit by decline in hospitality sector
- Malawi and Kenya tea price conditions to persist in H2
- Legal costs will persist in H2
- Expected gain on sale Horizon Farms £14m in 2020
- Overall, expect an underlying pre-tax profit in 2020
- 2020 dividends to be considered post year-end



Maclands, Eastern Produce South Africa