



Australian Agricultural Company Limited
ABN 15 010 892 270

AACO FY15 ANNUAL GENERAL MEETING PRESENTATION

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16 July 2015

Attached is a presentation for the Annual General Meeting of the Australian Agricultural Company Limited ('AACo') to be held today.

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2015 Annual General Meeting

16 July 2015

Disclaimer

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Donald McGauchie

Chairman



FY15 Overview

- ❖ AACo has transformed from a pastoral company to a beef company
- ❖ Building our brands is the next stage of transforming and growing our business
- ❖ Boxed beef sales of \$267.6 million now comprise 77% of revenue
- ❖ AACo's new Livingstone Beef processing facility is operational
- ❖ AACo has established customer-focused supply chains to drive production and improve margins
- ❖ Safety performance continues to improve



Jason Strong

Managing Director



Our Goals



Organisational alignment



Build an authentic Australian brand



Secure processing capacity



Enhance cattle procurement capabilities and strategies



Optimise production activities



Exploit our know-how and genetics



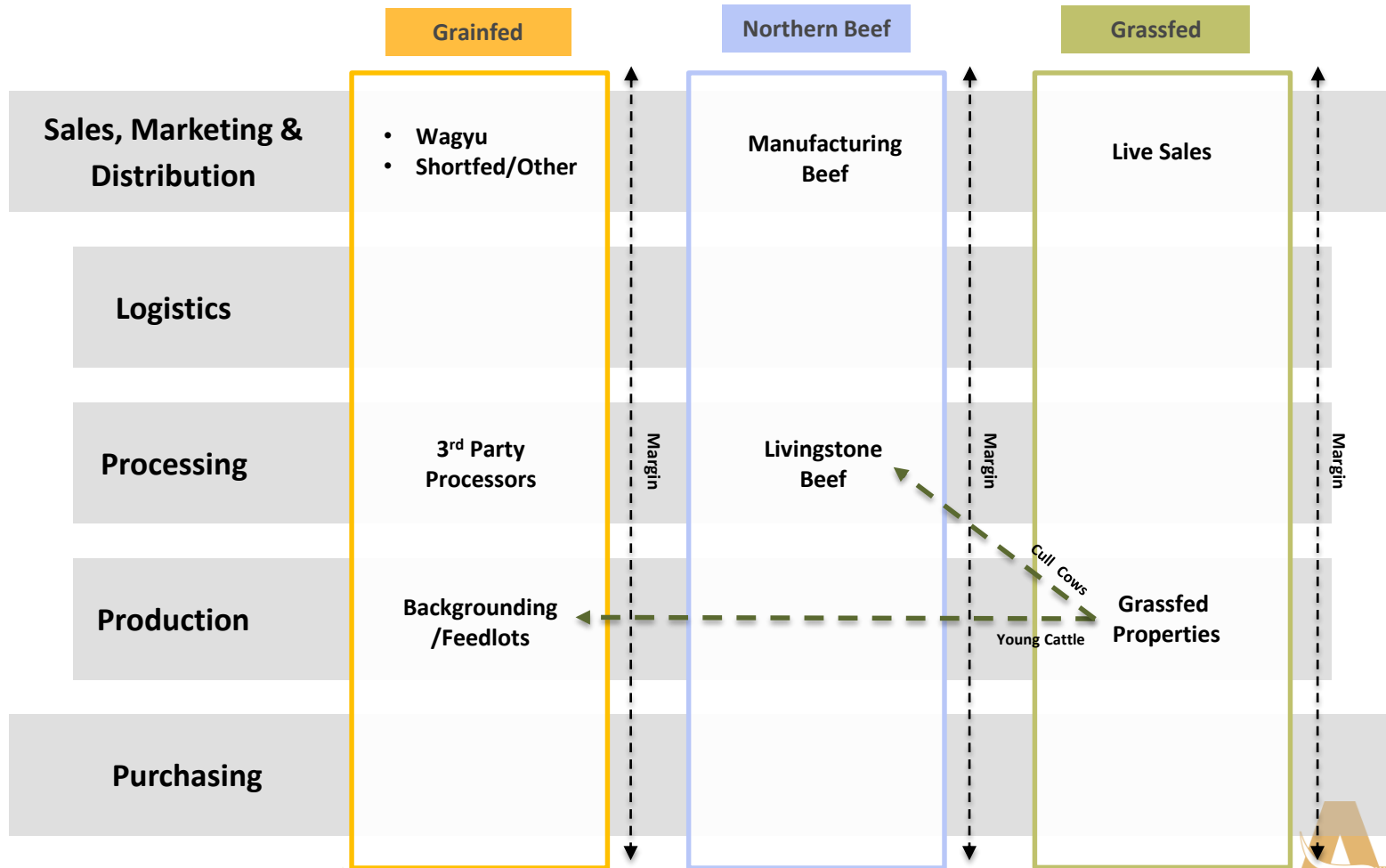
Continual safety improvement





Improved Business Structure

- Since first being communicated at the AGM in 2014, implementation of the improved business structure is now complete. The new structure provides better operational and financial transparency
- Focus has shifted toward integration and optimisation of these supply chains



Q1 FY16 Operational Update - Grainfed

The business continues to increase activity in its higher value-adding Grainfed operations

Sales

Both volume and pricing of our boxed beef sales continues to increase on the back of strong global demand

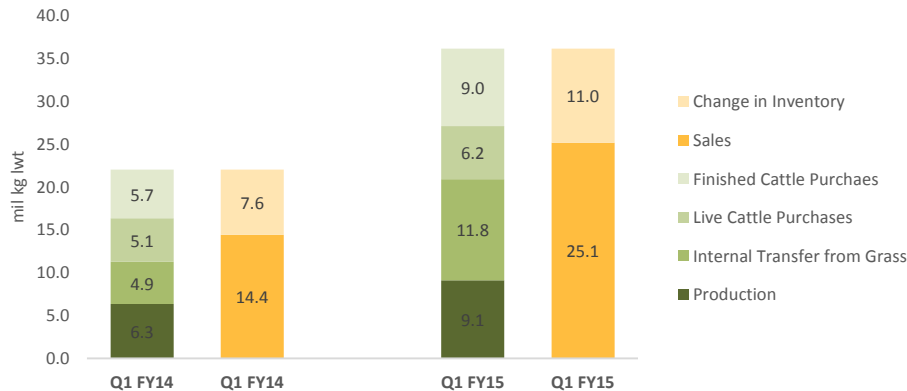
		3 months to June 30 2015	3 months to June 30 2014
Wagyu sold	mil kg sw	3.1	2.6
Wagyu sold	\$/kg sw	\$12.90	\$12.46
Shortfed/Other	mil kg sw	5.8	2.9
Shortfed/Other	\$/kg sw	\$8.24	\$7.62

Sourcing

- ❖ Production has increased, albeit at a higher cost
- ❖ Internal transfers from the Grassfed segment has more than doubled as we have realigned our supply chains
- ❖ External live cattle purchases have increased slightly. Pricing increases reflects strong live cattle market

		3 months to June 30 2015	3 months to June 30 2014
Finished cattle purchases	mil kg cwt	4.8	3.5
Finished cattle purchases	\$/kg cwt	5.11	4.16
KG produced	mil kg lwt	9.1	6.3
Cost of production	\$/kg lwt	3.20	2.78
Live cattle purchases	mil kg lwt	6.2	5.1
Live cattle purchases	\$/kg lwt	2.93	2.67
Internal Transfer from Grassfed	mil kg lwt	11.8	4.9

Sources and Uses (mil kg lwt)



Q1 FY16 Operational Update - Northern Beef

Throughput in the Livingstone Beef processing facility continues to ramp-up

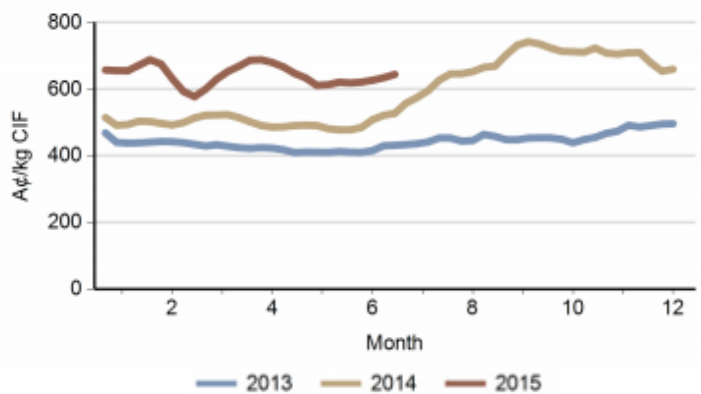
Sales

Offtake from the processing facility has been well received by our customers. While trim prices have backed off the highs seen in 2014, they remain well above historical averages and are expected to be supported by ongoing herd rebuilding in the US

		3 months to June 30 2015	3 months to June 30 2014
Meat sales*	mil kg sw	1.6	n.a.
Meat sales	\$/kg sw	\$6.15	n.a.

*excludes by-products and hides

US Imported 90CL Beef Indicator

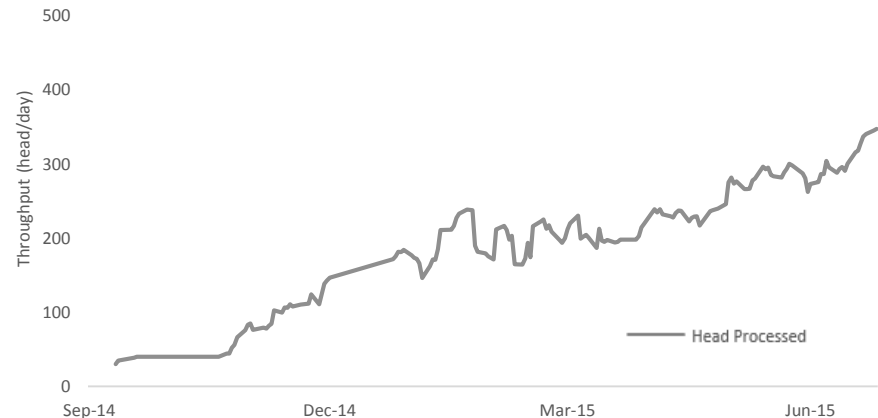


Source: MLA

Cost of conversion

- ❖ Processing costs continue to decline as throughput in the facility increases. We are focussed on removing bottlenecks and achieving optimal single shift throughput
- ❖ Based on current market conditions and the levels of throughput currently being achieved, Livingstone is making a positive contribution to the Group results

Livingstone Beef Throughput to Date



Q1 FY16 Operational Update - Grassfed

Sales

- ❖ Prices for live export sales are strong however delays in export licences to Indonesia has constrained volume in the period
- ❖ The recent Indonesian quota allocations validates our diversification strategy
- ❖ Internal transfers to both the Grainfed and Northern Beef business segments have grown significantly, reflecting the strategic shift towards higher value-adding opportunities

		3 months to June 30 2015	3 months to June 30 2014
External live sales	mil kg lwt	3.8	5.7
External live sales	\$/kg lwt	2.15	1.70
Transfers to Grainfed	mil kg lwt	11.8	4.9
Transfers to NB	mil kg lwt	3.1	-

Sourcing

- ❖ The decreased volume of production compared to the prior comparable period has partly been a result of moving cattle into backgrounding at lighter weights as we integrate the Grassfed supply into the Grainfed operations
- ❖ Increased unit costs for cattle purchases reflect broader strength in live cattle markets in the period

		3 months to June 30 2015	3 months to June 30 2014
KG produced	mil kg lwt	18.6	21.1
Cattle purchases	mil kg lwt	1.9	3.9
Cattle purchases	\$/kg lwt	1.82	1.62

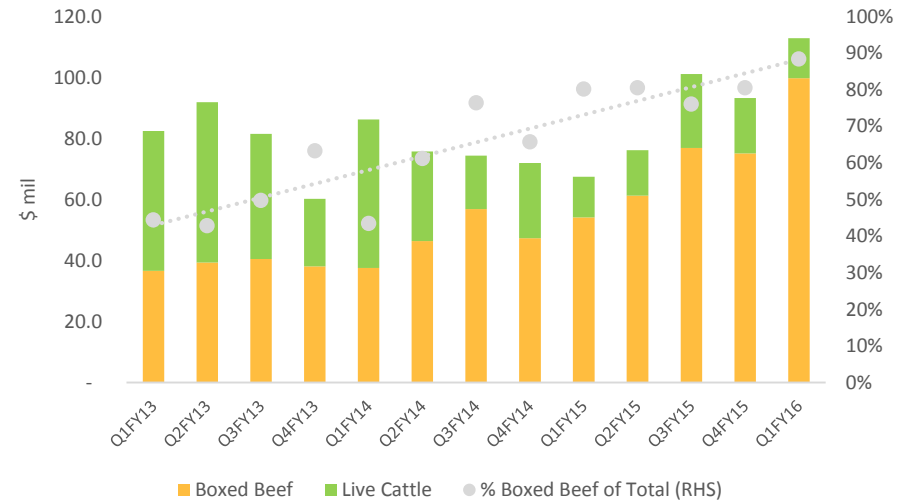
Australian saleyard and live export cattle prices



Realignment of business to drive improved quality of earnings

- ❖ The strategy currently being implemented is predicated on the need to improve both the quantum and consistency of earnings
- ❖ As such we have sought, to the maximum possible extent, to divert live sales to add more value through our supply chains and eventually be sold as boxed beef
- ❖ The switch away from volatile domestic live sales, towards the export of branded boxed beef, is expected to reduce both the seasonality of sales and price volatility seen in recent years
- ❖ Coupled with ongoing supply chain optimisation and strategic supply and processing arrangements, we believe earnings will stabilise and increase over time

Boxed Beef vs. Live Revenue Split by Month



Summary

- ❖ Transformation to a globally-focussed beef company now complete
- ❖ We have realigned our business to allow for better management and reporting
- ❖ We are focussed on the integration and optimisation of our supply chains to drive improved financial outcomes
- ❖ The ramp-up of our Livingstone Beef facility continues
- ❖ The key priorities in FY16 seek to increase our revenues through branding strategies and reduce costs through improved supply chain integration and innovative production initiatives



