



ASX RELEASE

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AACo supply chain focus delivering results

- Operating EBITDA up \$19 million on previous corresponding period to \$11 million
- Net cash flow up \$52 million
- Sales up 71% to \$258 million
- Meat sales volumes increased by 90%

The Australian Agricultural Company today announced a \$19 million increase in Operating EBITDA¹ to \$11 million for the six months to September 30, 2015.

The company also reported a \$97 million increase in Statutory EBITDA to \$92 million and a Statutory NPAT of \$50 million for the six months, a \$64 million improvement on the previous corresponding period.

AACo Managing Director Jason Strong said the result confirmed the company's strategy.

"Our traditional pastoral business has performed as you would expect in a rising cattle market but I'm really pleased with the performance of the group as a whole," he said.

"This really re-enforces our commitment to the alignment we have achieved in our supply chains.

"We have a lot more to do, plenty of challenges to meet in the second half and we are now firmly focused on delivering our branding and innovation programs as we move to the next stage of the transformation phase."

Net operating cash flow was up \$52 million due to the increase in Operating EBITDA and a \$28 million reduction in working capital as the company increased the internal supply of cattle.

The operating result was also driven by an 89.5 per cent increase in beef sales for the half to \$218 million due to increased prices and the ongoing shift in volume from live cattle to boxed beef. Total meat sales volumes were up 90 per cent on the previous corresponding period. Higher live cattle prices also drove a 28 per cent increase in live cattle sales to \$36 million.

Mr. Strong said the increase in Operating EBITDA was directly attributable to the focus on selling the highest quality beef in each of the supply chains in which the company operates.

"We are selling more kilograms, off the same herd base, for more money," he said.

"While we continue to build our branded beef business we are also continuing to invest in the fundamentals that are so important to a robust supply chain."

¹ Operating earnings before interest, tax, depreciation and amortisation

“Sales of boxed beef increased by \$103 million half-on-half and now account for almost 85 per cent of total revenue.”

“These sales are predominantly to the same customers, who are buying more beef.”

“Our Wagyu brands have won numerous national and international awards in the past six months and there is growing demand for the quality beef we produce.”

Statutory EBITDA was \$92 million (\$5 million loss in H1 FY15), while Operating EBITDA increased \$19 million to \$11 million (\$8 million loss in H1 FY15). Operating EBITDA is a key indicator used to monitor and manage the company. It eliminates the effect of unrealised cattle valuations and AACo considers it a better reflection of actual financial performance under the control of management.

The company also reported increased throughput at the Livingstone Beef facility, with Northern Beef comprising 16 per cent of group meat sales revenue for H1 FY16.

Dividend

The board has not declared a dividend. The company is committed to the reinstatement of dividends and has previously indicated that on a return to sustainable and significant positive operational cash flows, directors will review dividend policy and payments.

Group Financial Results

	Six months to 30 September 2015	Six months to 30 September 2014
Meat sales (kg carton weight)	26m	12m
Weight produced (kg live weight)	40m	41m
Meat sales	\$218m	\$115m
Cattle sales	\$36m	\$28m
Crop sales	\$4m	\$7m
Total Revenue	\$258m	\$151m
Operating Expenses	(\$47m)	\$(48m)
Livingstone Beef overheads	(\$7m)	n/a
Operating EBITDA ¹	\$11m	(\$8m)
Statutory EBITDA ²	\$92m	(\$5m)
Statutory EBIT ²	\$82m	(\$11m)
Statutory Net profit/(loss) after tax	\$50m	(\$14m)

Note:

1. Operating EBITDA is a key indicator which is used to monitor and manage the company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Operating EBITDA assumes all Livestock inventory is valued on a \$/kg live-weight (LW) basis and is derived by adjusting statutory EBITDA to substitute the movement in inventory at market value with the movement in inventory at standard cost.
2. EBITDA represents net profit + tax expense + finance costs (EBIT) + depreciation, amortisation and impairment and are non-IFRS financial information which have not been reviewed by the company's auditor

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