



Australian Agricultural Company Limited
ABN 15 010 892 270

**AACO 2016 ANNUAL GENERAL MEETING
CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESS TO SHAREHOLDERS**

ASX Announcement No. 16/2016

14 July 2016

Attached is the Chairman's and Managing Director's Address to Shareholders for the 2016 Annual General Meeting of the Australian Agricultural Company Limited ('AACo') to be held today.

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Shareholders.

Welcome to the 2016 Annual General Meeting of AACo.

You will hear from your Managing Director, Jason Strong, shortly.

Jason will brief you on the performance of your company in the 2016 financial year – as well as the outlook for the 2017 financial year.

Before Jason speaks, I'd like to quickly put AACo's performance and outlook in a broader context.

2016 was another important year for AACo.

Let me explain why.

As you know, we made a number of changes to – and investments in – the business in 2014 and 2015.

Those changes include:

- Maximising the value of our cattle by reducing live sales and focusing on processing our own beef for global sale;
- Establishing the Livingstone Beef processing facility at Darwin;
- Selling more Wagyu and shortfed beef, while maintaining a stable breeding herd;
- Refining our brand to position AACo as a premium producer;
- Focusing on international markets;
- Strengthening our supply chains through initiatives such as the upgrade of the Pell Station logistics hub; and
- Improving the consistency of beef production by investing in technology and innovation, such as data analytics, pasture mapping and genetics.

The thinking behind these changes was clear: we wanted to deliver greater value to our customers and our investors.

The good news is that these changes are beginning to work.

Our business is in the process of being transformed.

In 2014 beef sales accounted for 59 per cent of our total revenue. By 2016, beef sales made up 88 per cent of total revenue.

In fact, the total kilograms of beef – and by-products – sold in 2016 rose by 96 per cent.

In short, we are increasing our volumes and prices.

Let me repeat that last point:

By focusing on quality, we have managed to not only increase the amount of produce we ship but also achieve a higher price for our produce.

Not only that, workplace safety has improved as beef production has increased, with the lost time injury frequency rate falling significantly.

Shareholders, that is exactly where AACo wants to be – producing a safe, clean, premium product in a safe workplace.

Jason will brief you on our financials in a moment.

You'll see that they are encouraging.

I won't steal Jason's thunder, but would like to draw your attention to two points from 2016.

First, total sales revenues increased by 45 per cent – a healthy number.

Second, beef exports to markets like the United States and South Korea are strong – up 175 per cent and 54 per cent respectively.

Those two points demonstrate that the strategy your company adopted in 2014 is working.

We are on the right track.

Our ambition – to become a globally-recognised premium beef producer – is within our grasp.

But we need to keep going.

We need to keep building on the foundations of 2014 and 2015, and building on the success of 2016.

I would ask you to be patient as we finish the job we started in 2014.

AACo is one of Australia's oldest companies.

In terms of building a premium global brand, though, we are just starting out.

That's why we need to be patient.

That's why we need to be focused.

That's why we need to be smart.

Additional investment will be required for us to reach our full potential. But the investments we have already made have resulted in a demonstrably stronger company.

Shareholders, the smartest investment we can make as a company is to keep investing in the future of your business.

And that is why the Board has not declared a dividend for 2016.

I would now like to ask your Managing Director to say a few words.

Thanks Donald.

1. Introduction

Good morning Shareholders, partners and friends.

The Chairman is right: 2016 was another important year for AACo.

We improved our earnings, with total sales revenue up by \$151.2 million compared to the 2015 financial year;

We improved our cash flow, with net operating cash flow up by \$98 million;

We improved our balance sheet, with the value of our livestock and property up by \$171.5 million;

And those are just the highlights.

As Donald said, the changes that were made in 2014 are beginning to add value for our shareholders.

But – and this is important – we cannot afford to get ahead of ourselves, we are not yet satisfied.

We cannot afford to take our foot off the pedal, in fact we are committed to accelerate the pace of improvement in the company

We must keep investing and planning for growth.

In other words, 2017 will be more important than 2016.

2. The Need to Invest

Let me explain what I mean by that last remark in three points.

Firstly.

A great many people in every part of the business have worked incredibly hard over the past few years to ensure your company has the right strategy and operations.

Donald outlined the key elements of our changes to strategy and operations, including ...

- Focusing on beef – and controlling the product from the station to the plate,
- Strengthening our supply chains, and
- Applying innovation and technology across the business.

Secondly.

The financial results tell the tale of the success of that approach.

Our basic earnings-per-share for 2016 were 12.7 cents.

By way of comparison, the company earned 1.8 cents per share in 2015.

Not only that:

- Operating earnings before interest, taxes, depreciation and amortization increased \$18.4 million to \$14.8 million;
- Net operating cash inflow rose by \$97.7 million to \$21.8 million; and
- We recorded a statutory net profit after tax of \$67.8 million – up \$58.2 million.

The reasons for this strong result are simple:

AACo delivered a premium product – and received a premium price for that product.

That is why our results are positive – and that is why our outlook is positive as well.

Thirdly

Your company is about to start an exciting new chapter.

AACo has a strong foundation to build a world class business:

Our operations are sound;

We continue to strengthen our supply chains;

We're able – through genetics, data analytics, pasture mapping and grazing management – to consistently deliver a high-quality product.

In short, we have an opportunity to use this foundation as a launching pad.

We have an opportunity – in 2017 and beyond – to turn Australia's oldest company into a global brand business.

But to realise that opportunity tomorrow – to go global – we need to invest locally today.

3. Going Global

To fully appreciate the size of the opportunity that awaits us it's important to understand the size and scope of change before us.

As an example the industrial and urban revolution currently underway across Asia – from Indonesia to China to India – is creating the largest middle class in the history of the world.

Asia's middle class is projected to total 3 billion people by 2030.

As Asia's middle class grows, so too will its appetite for quality produce – especially protein.

AACo does not want to feed Asia's mega-sized middle class.

What we want to do in Asia, Europe, America and the rest of the world – is supply premium beef.

What does that mean for your business?

Three things.

1. We need to remain profitable to give us the capability to invest for growth.
2. We need to reinvest those profits in the business to give us the capacity to grow sustainably.
3. We need to turn AACo into a global brand to capitalize on those investments.

Let me focus on that last point for a moment.

4. The Art of Australian Beef

In the next 3 months, AACo will begin to roll out our new brands to our customers.



These new brands are not about taking away the Australian identity of your company.

On the contrary, what we want to do is take our Australian identity to the world.

You see, we know AACo has a great story to tell.

We're a company that's been around for the best part of two centuries.

We're a company that operates in the wide open spaces of Australia's northern pastoral areas – a part of Australia that, for many people in the world embodies this nation.

And we have a proven track record for producing some of the best beef on the planet.

In short,

We're proud to be Australian,

We're proud of our people, land, and cattle all unique to our place in the world

We're proud of what we produce, an authentically Australian premium product.

and that's exactly what we intend to tell the world.

We are convinced the world will like what they hear. And we know they will love what they taste.

Conclusion

There's a lot of technology and science and numbers in our business.

From analytics to genetics to cash flow, you need to stay on top of a lot to stay on top of the market.

That's what all the hard work since 2014 has been about – ensuring AACo has the capability and the capacity to deliver quality.

But – and this is important – there's more to this business than just innovation. Much more.

The heart and soul of our business can be found in our people and our herd of over half-a-million cattle.

And right now that heart and soul is standing beneath a northern sun enjoying a good season.

And it's our job to feed and care for those cattle in the best possible conditions and the most humane way, keeping them happy and healthy so when the time comes they produce some of the best beef in the world.

And that's exactly what we're doing.

What we're doing is combining the unique Australian environment with the best cattle in the world and the latest and greatest technology and science in the world.

And what that is giving us is the ability to routinely produce a product that is Australia on a plate.

And – let me tell you – it is a science as well as an art.

The task ahead of us is to make the world aware of the art of Australian beef – and make sure they're happy to pay for it.

And that's what I mean when I say we have the opportunity to create something very special and different here.

After the meeting you can be the first people in Australia to sample our new Wylarah and Westholme beef that will be launched in the next few months and previewed on our new website which went live this morning.

I will leave you with a short video showcasing our story and for the first time publicly our new brands.

Thank you.