



Inghams Group Limited
Agriculture Day Presentation

28 MARCH 2018



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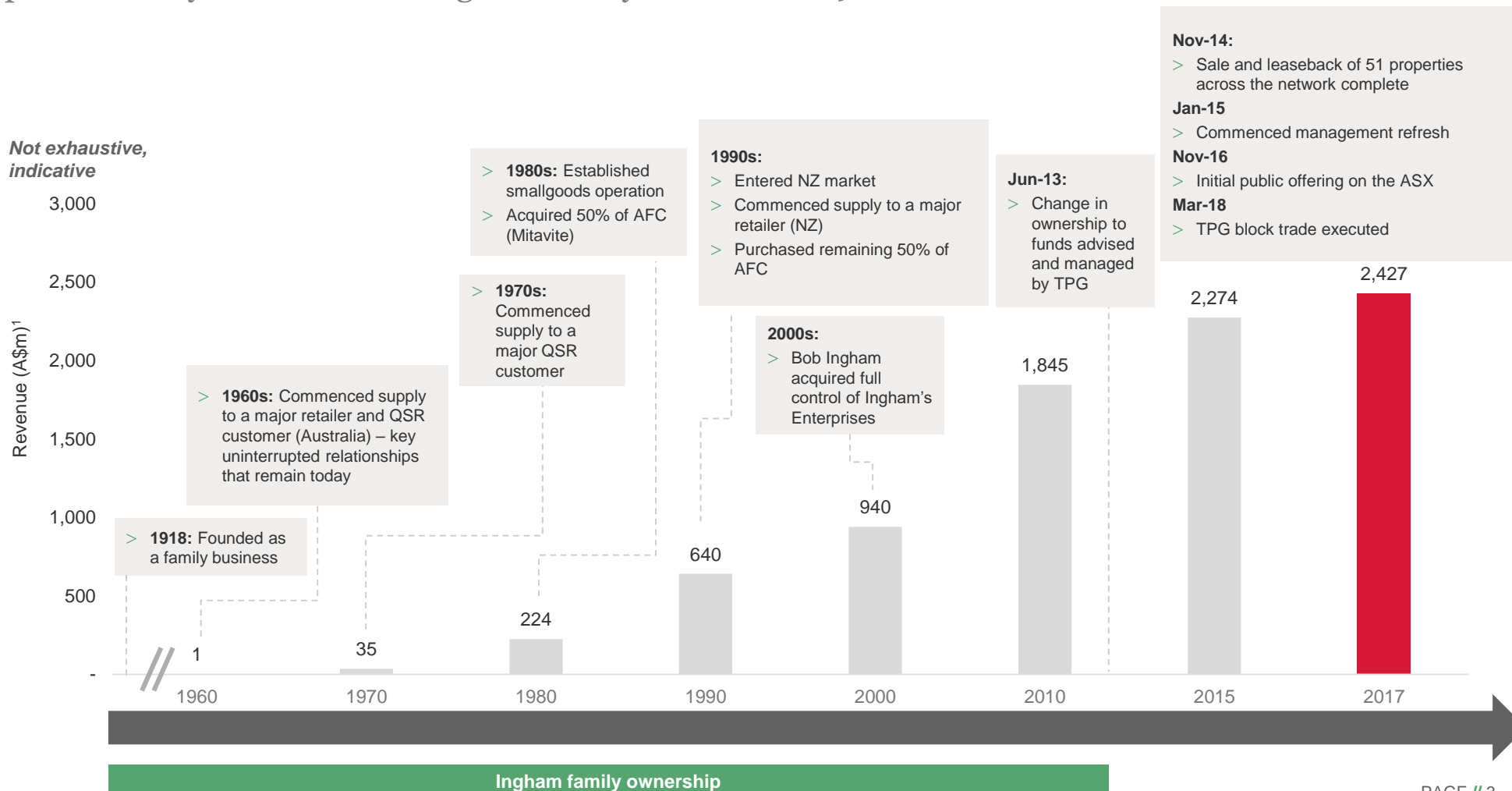


01

Company Overview

100 year history

Ingham's is progressing through the next phase of its evolution following a long and proud history since its founding as a family business in 1918



1. Statutory revenue

Ingham's overview

The largest vertically integrated poultry producer across Australia and New Zealand, with a long-standing reputation for quality and service



FY17 revenue: A\$2,427m

Poultry

- > Stringent biosecurity regulations restrict imports to ANZ
- > There are two large producers in each of the Australian and New Zealand markets – Ingham's is the only producer that operates in both
- > Vertically integrated business model with ~356 facilities

Stockfeed

- > The Australian stockfeed industry is highly fragmented
- > Ingham's preference is to control its own feed supply where possible
- > External sales also improve utilisation of milling operations
- > Produces a range of poultry, pig, horse and dairy stockfeed
- > 10 pig / poultry feedmills, 1 horse feedmill, and 1 dairy feedmill

Primary

- > Chilled chicken products sold as whole birds or primary cuts
- > Sold in meat chiller and deli



Free Range

- > Primary, value-enhanced or further processed products made with free range chicken



Value Enhanced

- > Chilled products with additional flavour added through marinating and coatings
- > Sold in the meat chiller and deli



Further Processed

- > Products that are partially or fully cooked
- > Includes chicken smallgoods
- > Sold in meat chiller and freezer



Turkey

- > Primary, value-enhanced and further processed turkey products
- > Includes turkey smallgoods
- > Sold in meat chiller and freezer



Ingredients

- > Edible poultry products (e.g. feet and necks)
- > Palatants, wet pet food, ingredients and protein conversion products
- > Other poultry products

Stockfeed

- > Chicken feed (broiler and layer)
- > Turkey feed
- > Duck and quail feed
- > Pig, horse and dairy feed



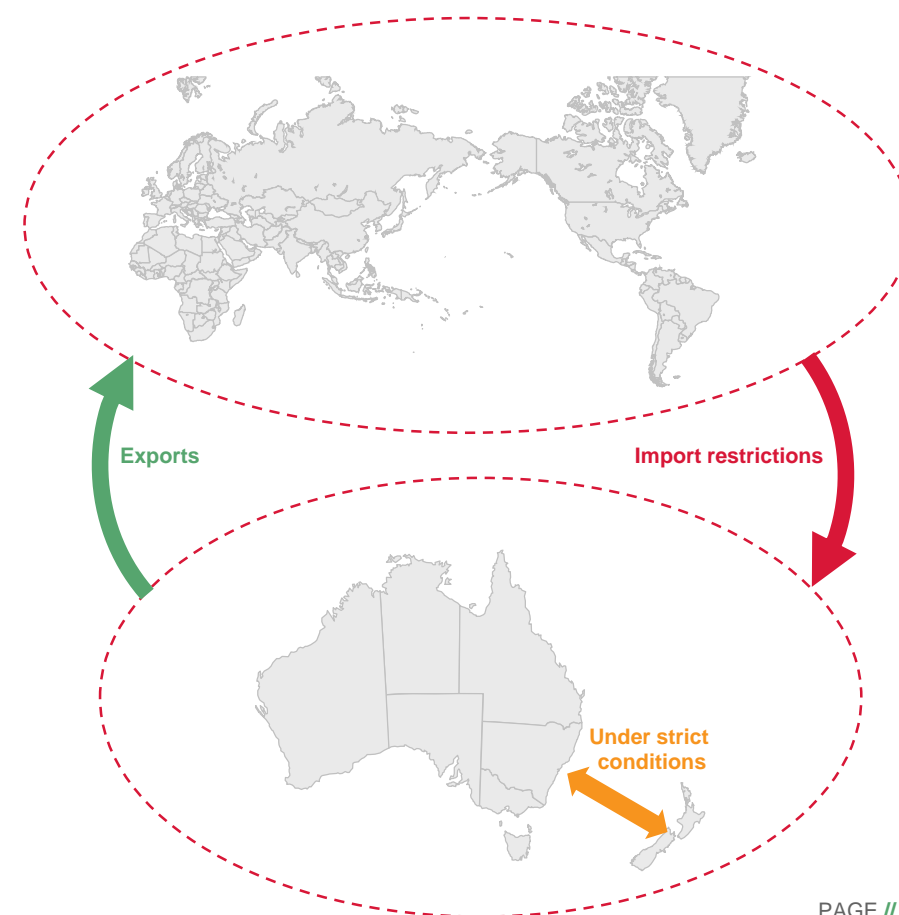
Attractive industry structure

Domestic demand for chicken is met by domestic producers, with stringent biosecurity regulations restricting imports to Australia and New Zealand

Import restrictions

	Australia	New Zealand
Governing body / regulation	Department of Agriculture and Water Resources ¹	NZ Customs and Ministry for Primary Industries ²
Legislated import restrictions		
Fresh	✓ Only from New Zealand subject to strict licensing conditions	✗
Frozen	✓ Only from New Zealand under strict conditions	✗
Cooked	✓ Only from New Zealand given its low disease status	✓ Only from Australia given strict biosecurity controls
Retorted³	✓	✓

Biosecurity controls



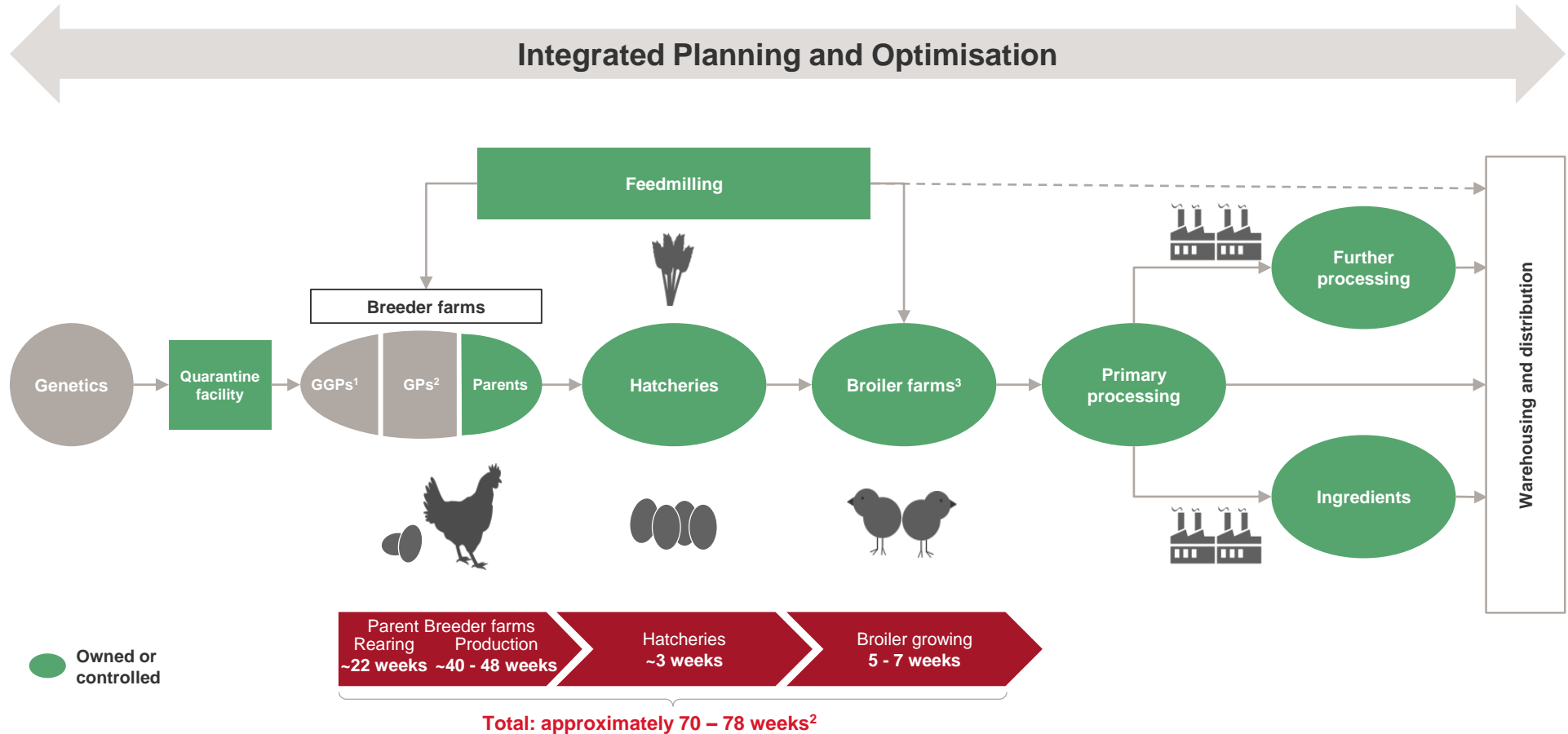
1. <http://www.agriculture.gov.au/>

2. <https://www.mpi.govt.nz/>

3. Retorted products are packaged in sealed pouches or containers, then sterilised using heat and pressure, e.g. canned chicken soup.

Vertically integrated operations

Complex supply chain supported by integrated planning and optimisation



Note: Time-frames are indicative and relate to chicken.

1. Great Grand Parents.

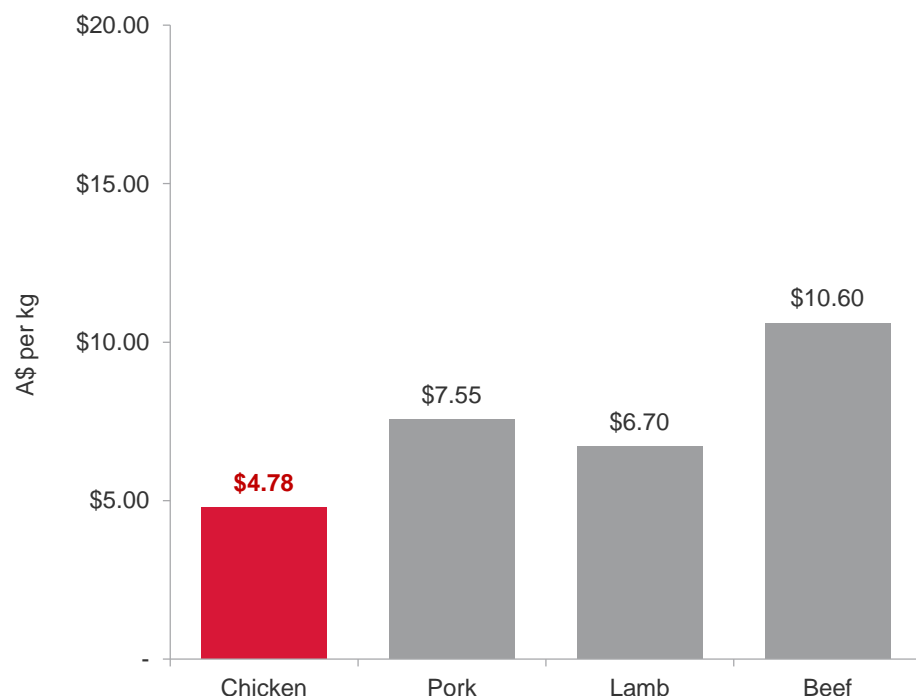
2. Grand Parents.

3. The majority of broiler farms are operated by contracted third party growers.

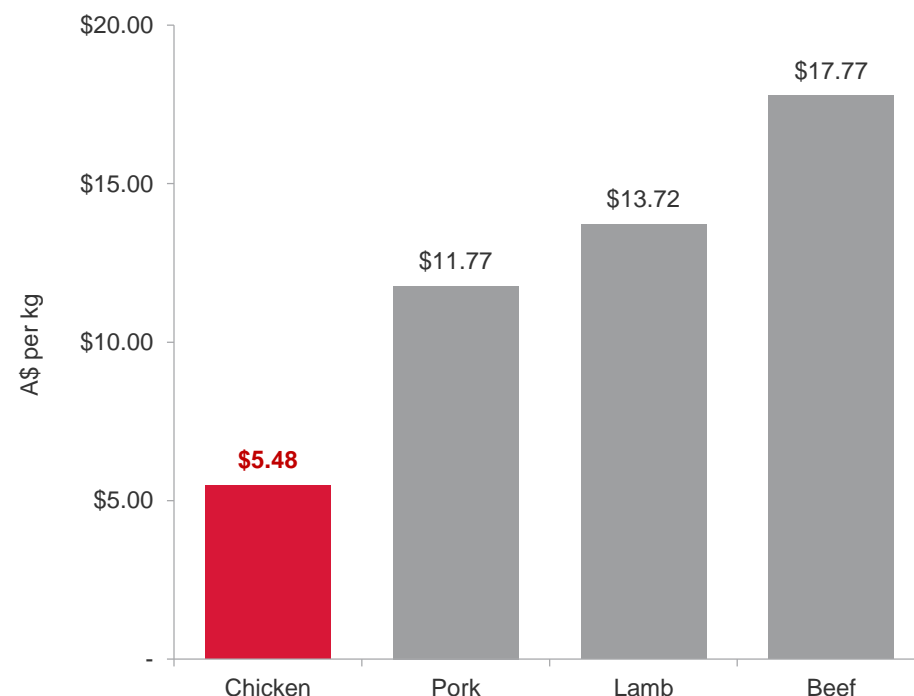
Price advantage of chicken

The price advantage over other forms of animal protein has been a key driver of the growth in demand for chicken in Australia in recent years

Meat price – Australia (2000)¹



Meat price – Australia (2015)¹



Price relative to
chicken per kilogram

1.6x

1.4x

2.2x

2.1x

2.5x

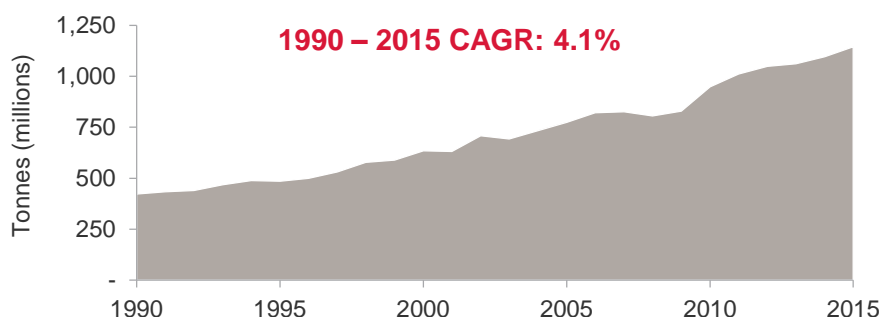
3.2x

1. ABARES 2015, Agricultural commodity statistics 2015.

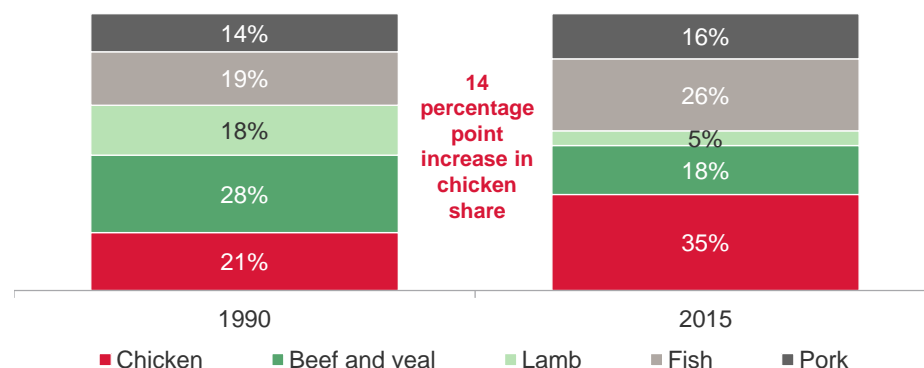
Strong underlying demand for poultry

Strong consumption growth, supported by a shift in consumer preferences towards healthier and more affordable forms of protein

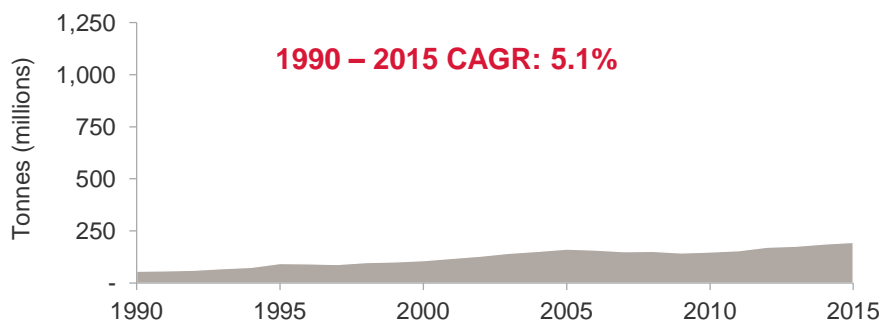
Total chicken consumption - Australia¹



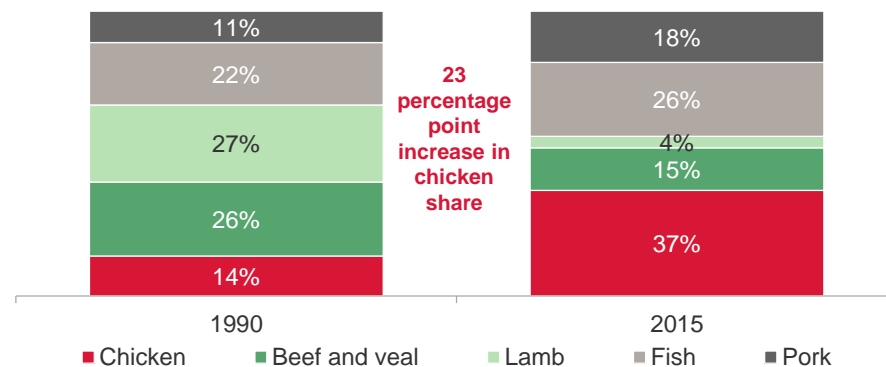
Australian animal protein consumption²



Total chicken consumption – New Zealand¹



New Zealand animal protein consumption²



1. Source: OECD-FAO, Agricultural Outlook Dataset

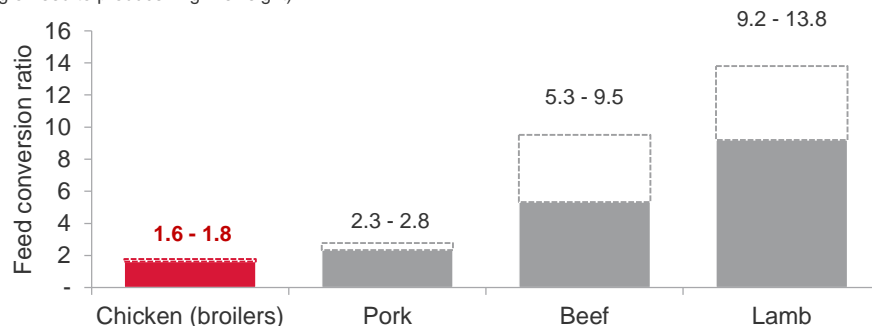
2. OECD-FAO Agricultural Outlook Dataset, © OECD, 2016, http://stats.oecd.org/Index.aspx?datasetcode=HIGH_AGLINK_2016. Percentages calculated by dividing a product's human consumption per capita by the sum of chicken, beef and veal, lamb, fish and pork human consumption per capita.

Favourable production economics

Driven by genetic improvements, feed and nutrition and 'industrialisation' of the supply chain

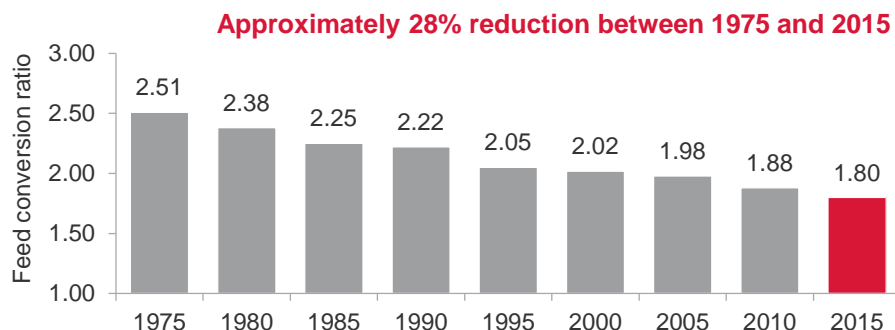
Indicative FCR^{1,2}

(kg of feed to produce 1kg liveweight)



Indicative Australian industry historical chicken FCR trends^{2,3}

(kg of feed to produce 1kg liveweight)



Improvement drivers

Genetic improvement

- > Selective breeding techniques have improved the performance of breeders and broilers
- > Improved growth rates, feed conversion and liveability
- > Long term research and development cycle provides multi-year visibility of future improvements

Feed and nutrition

- > Producers invested heavily in research and development
- > Identifying the optimal mix of nutrients to support chicken growth

Increasing customer demand driving operating efficiency

- > A range of factors have driven poultry consumption growth in Australia and New Zealand, including:
 - Population growth;
 - Affordability of chicken relative to that of other animal proteins; and
 - Consumer trends (including health and well-being, convenience, animal welfare and food provenance)

'Industrialisation' of the supply chain

- > Increased use of technology by producers
 - Climate and lighting control
 - Automated feed and watering systems

Long-term customer relationships

Brand reputation for quality and service, supporting long term customer relationships

Ingham's is a well recognised brand

- > Ingham's brand founded in 1918
- > Strong brand with a reputation for quality and service
- > "Ingham's" brand refresh



Selection of recent customer awards

Retail	#1	Woolworths	> FoodCo New Product of the Year (2016) > Supplier of the Year Finalist (Meat and Deli) (2016) ¹
	#1	Countdown	> Supplier of the Year (Meat and Seafood) (2016)
QSR	#1	KFC	> Supplier of the Year (Australia – 2015, NZ - 2016) > Corporate Social Responsibility (2010, 2012, 2016)
Food service	#1	NAFDA	> Supplier of the Year (2012, 2014, 2015 and 2016)
	#1	Countrywide	> Supplier of the Year (2010 – 2016)
Stockfeed	#1	AIRR ²	> National supplier of the Year (2010, 2013, 2015)
	#1		> Supplier of the Year – Feed (2011, 2014)

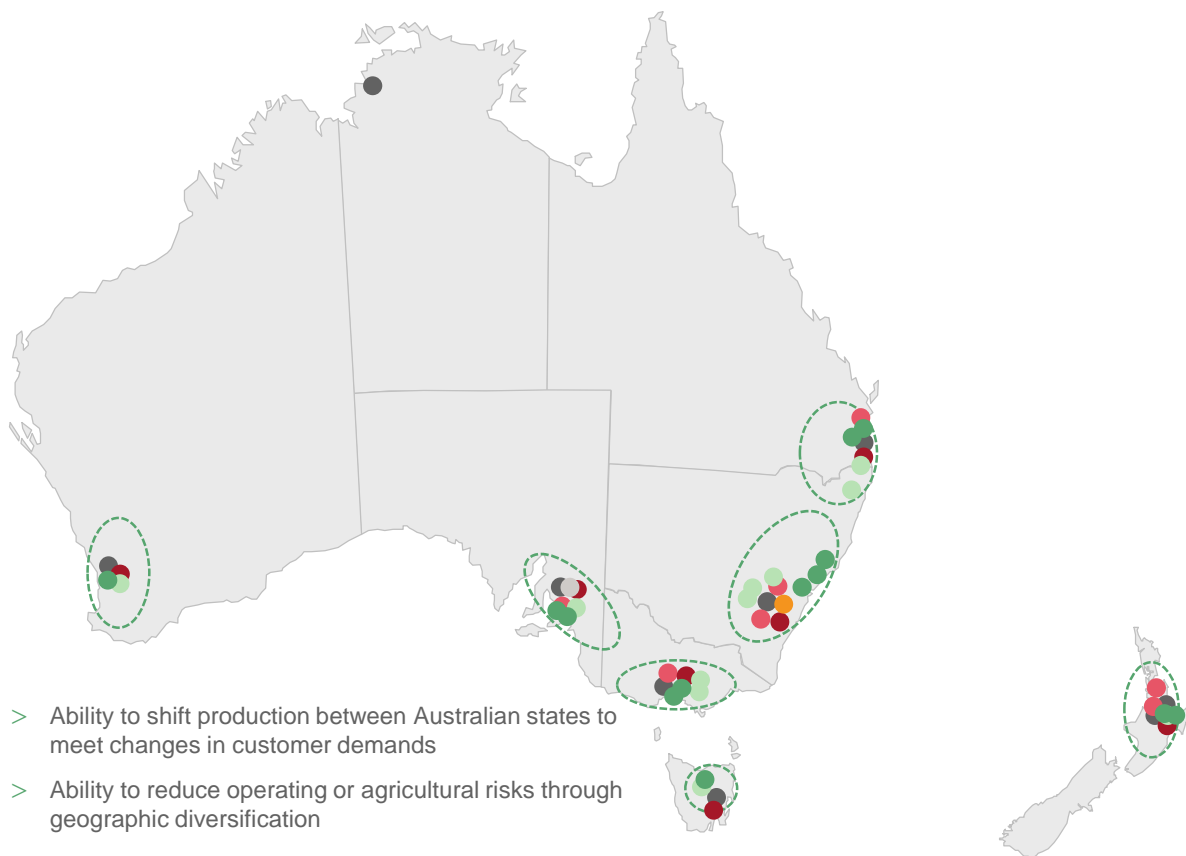
Long-term customer relationships

Customer	Years of uninterrupted supply	
Australia		
Major retailer 1	57 years	
Major QSR customer 1	50 years	Since market entry
Major retailer 2	46 years	
Major QSR customer 2	39 years	
Major retailer 3	~30 years	Since market entry
Major retailer 4	17 years	Since market entry
New Zealand		
Major retailer 1	28 years	Since Ingham's entered NZ
Major retailer 2	28 years	Since Ingham's entered NZ
Major QSR customer 2	28 years	Since Ingham's entered NZ

1. One of three finalists.
2. Australian Independent Rural Retailers.

Large scale network, with high quality asset base

Ingham's national scale and vertically integrated operations provide a number of benefits, including production flexibility, cost efficiencies and reducing operating or agricultural risks



- > Ability to shift production between Australian states to meet changes in customer demands
- > Ability to reduce operating or agricultural risks through geographic diversification

Facilities / farms ¹			
Type	Australia	NZ	Total
Quarantine	1	-	1
Feedmill ²	10	2	12
Breeding farms ^{3,4}	71	13	84
Hatchery	10	1	11
Broiler farms ^{3,4}	194	30	224
Primary processing ⁴	6	1	7
Further processing	5	2	7
Distribution centre	7	2	9
Rendering	1	-	1
Total	305	51	356

1. Includes turkey and four contracted New Zealand breeder farms. Does not account for breeder and hatchery expansion projects approved or underway. Excludes Leppington research and development facility, non-operational sites and offices. Farming areas shown for illustrative purposes only.

2. Includes Murray Bridge, due to be commissioned early FY19

3. Includes contracted growers and company owned farms

4. Excludes the Cardiff primary processing plants and associated contracted growers

Source: Management (as at Mar 2018). Map is illustrative only



02

Group highlights

Group highlights

Delivering on our strategy – growing volumes and earnings with strong cash flow

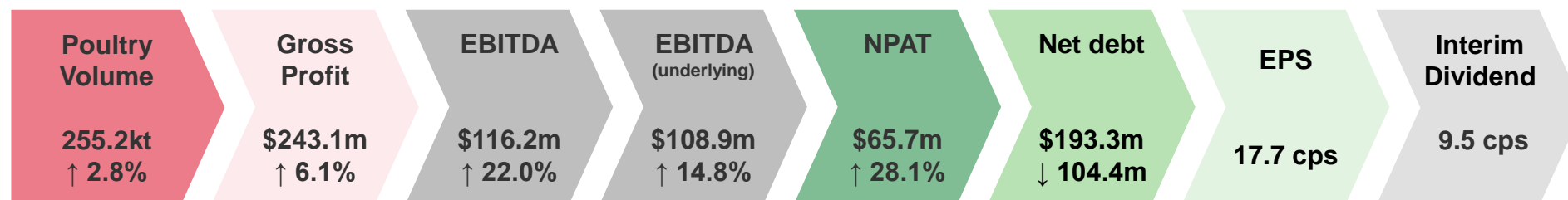
Highlights

- > Chicken remains the competitive protein with 3.7% growth in core Chicken & Turkey volumes
 - despite cycling of customer EDLP initiatives in FY17
- > Strategy implementation on track and delivering improved returns
- > Rising energy and feed costs either offset or being passed on to customers across all channels
- > Improved New Zealand performance driven by poultry volume increases and recovery of dairy feed volumes
- > Strong operating cash flow generation, supported by asset sales. Leverage ratio reduced to 0.9x

Strategy progress

- > Project Accelerate continues to deliver in line with expectations
 - benefits flowing through in improved yields, reduced unit costs and improved utilisation of assets
 - initiatives on track in network rationalization, automation, labour efficiency, procurement and others
- > Progress made on identifying further opportunities including in farming, further processing and feed
- > Capital investment in capacity and efficiency continues as planned
 - South Australia hatchery and breeder investments now fully operational
 - new South Australian feed mill progressing well
 - new Queensland distribution centre operational
 - Queensland feedmill acquired to complement existing capacity

Financial highlights – 1H FY18 vs 1H FY17



Financial performance

- > Total Poultry volume growth of 2.8% (core chicken and turkey products grew at 3.7%)
- > Revenue fall of 1.7% to \$1,206.1m, influenced by reduced third party feed volumes and lag in feed prices
- > EBITDA growth of 22.0% to \$116.2m
- > Underlying EBITDA growth of 14.8% to \$108.9m (excluding profit on sale and restructuring)
- > NPAT growth of 28.1% to \$65.7m
- > Profit on sale of \$14.1m in part offset by restructuring initiatives of \$6.8m
- > Net Cash provided by operating activities excluding interest and tax of \$128.4m, 110.5% of EBITDA
- > Net Debt of \$193.3m (leverage ratio 0.9x)
- > Earnings Per Share (EPS) of 17.7 cents
- > Interim dividend of 9.5 cents per share (dividend policy remains unchanged)

Note: 1H FY18 numbers are unadjusted statutory results. 1H FY17 numbers are pro forma. A reconciliation between 1H FY17 pro forma and statutory results is included in the Appendix

Note: Total Poultry volumes includes core chicken and turkey products in addition to ingredients

Note: EBITDA refers to earnings before interest, tax, depreciation and amortization. Underlying EBITDA excludes profit on the sale of assets and restructuring cost. A reconciliation of underlying EBITDA to EBITDA is shown in the Appendix



03

Strategy update

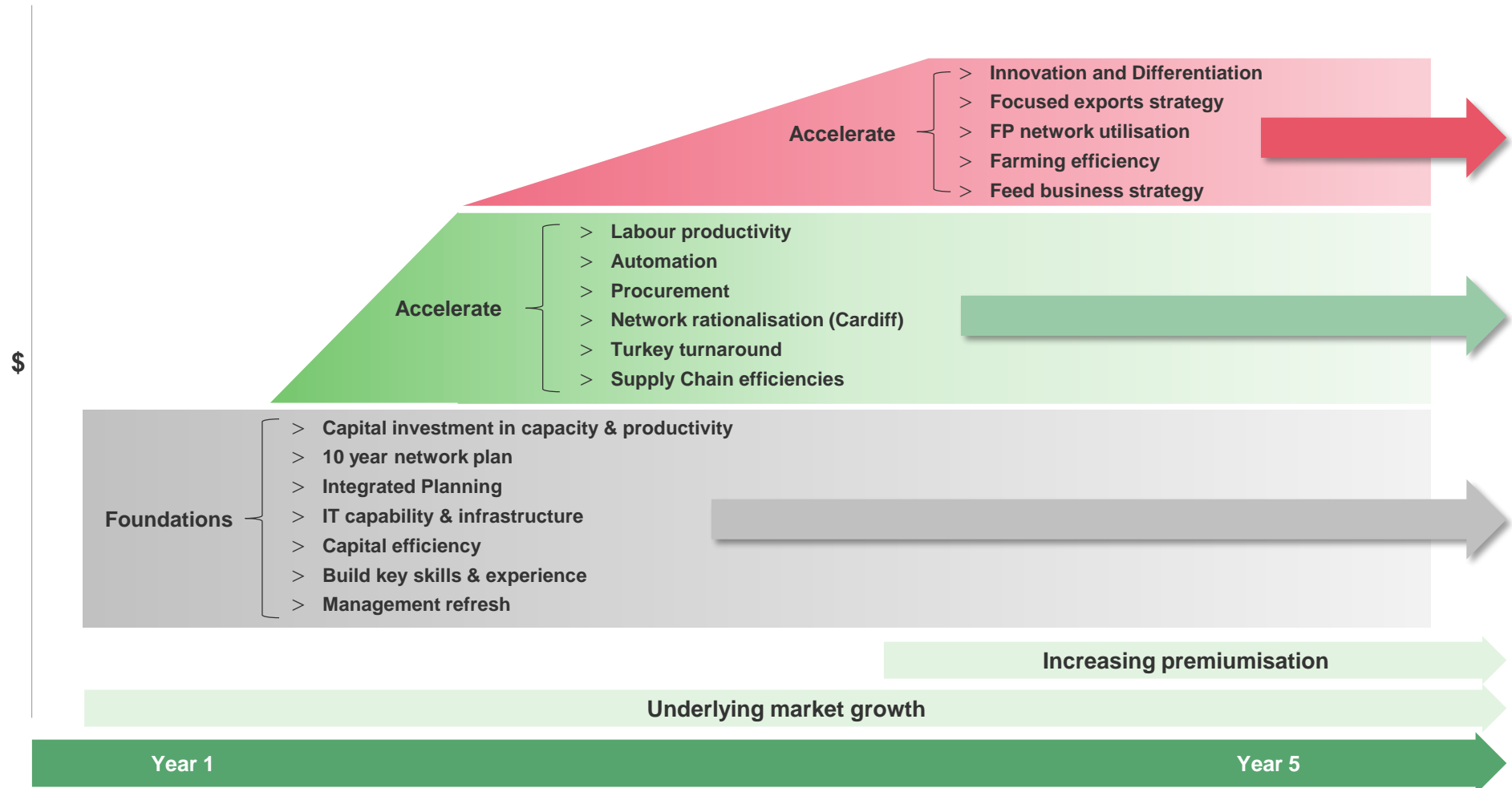


Ingham's – A World Class Food Company



Project Accelerate

Implementation of the multi year transformation project is well underway



The growth benefits from Project Accelerate are designed to allow Ingham's to remain competitive, mitigate inflation in costs and contribute to profit growth

Strategy update – Accelerate

Project Accelerate

- > **Automation** delivering benefits in improved processing yields and reduced unit costs across major Primary plants
 - program continues with deboning initiatives planned at Te Aroha (New Zealand) and a focus on FP plants
 - further opportunities in process streamlining and plant debottlenecking
- > **Labour** savings continued to be delivered through improved labour productivity and EBA renegotiation
 - EBA's at major plants closed out and operational, focus on delivering benefits from flexibility provided
- > **Network** rationalised with volume growth in QLD and SA, improving utilisation and unit costs
 - consequent reduction in NSW and some VIC production
- > **Procurement, Turkey and Supply Chain** initiatives tracking as planned
- > Further opportunities identified in **Farming, Further Processing and Feed**
- > **Capital investment** program tracking to plan



Completed breeder farm
Yumali, South Australia

Strategy update – energy cost and feed prices

Energy costs

- > Energy cost increases continue to flow through
 - gas prices currently ~30% higher than current contract which expires in December 2018
 - electricity supply contracted to the end of FY18 with progressive procurement options for FY19 and beyond
- > All industry participants face similar challenges, as evidenced by recent market price increases
- > Continue to focus on offsetting increases via Project Accelerate initiatives and pass on where necessary
- > Expect to benefit from recent capital investment in more efficient greenfield sites and DCs

Feed prices

- > Feed prices have continued moving higher in recent months
- > Over 60% of Australian poultry volumes supplied with feed pass through mechanisms and other cost adjustments
- > Our forward coverage extends approximately 9 months (similar to that previously communicated)
- > Market pricing expected to move in line with feed price movements as per historical trends
- > Smaller feed customers under pressure from rising feed prices in Australia, impacting on volumes
- > NZ feed prices tend to be more stable and dairy demand is strengthening

Strategy update – Feed

Feed Strategy

- > Focus on providing self sufficiency for own use, and improving mill utilisation and profitability of third party sales
- > Construction of greenfield feed mill in Murray Bridge (SA) is on track to open in 2018
- > Acquired existing Wacol (QLD) mill during 2H FY18, consistent with strategy of feed self-sufficiency
- > Well advanced in planning for a new state of the art feedmill in WA, as part of WA expansion
- > Dairy feed business (NZ) and Mitavite (horse feed) performing well
- > Continue to review improvement opportunities in the commercial stockfeed business





04

Outlook

Outlook unchanged

- > Strategy implementation remains on track
- > Accelerate benefits are expected to continue to underpin cost reduction and profit improvement as planned
- > Increase in energy and feed costs expected to continue and, where they are unable to be offset, flow through to market price increases consistent with recent experience
- > 1H seasonality skew more evident in 52 week year
- > New Zealand market dynamic remains challenging
- > Some third party feed customers continue to struggle with rising prices
- > Further asset sales expected to offset further restructuring costs in FY18
- > Capital management options under review
- > Dividend policy remains unchanged



Appendix

Profit & Loss

\$ millions	1H FY2018	Pro forma 1H FY2017	Variance	%
Poultry volumes (kt)	255.2	248.2	7.0	2.8
Feed volumes (kt)	270.4	297.1	(26.7)	(9.0)
Total Revenue	1,206.1	1,227.2	(21.1)	(1.7)
Gross Profit	243.1	229.0	14.1	6.1
EBITDA	116.2	95.2	21.0	22.0
Depreciation & amortisation	(22.8)	(18.3)	(4.5)	(24.6)
EBIT	93.4	76.9	16.5	21.4
Net financing costs	(8.1)	(7.9)	(0.2)	(2.5)
Tax expense	(19.6)	(17.7)	(1.9)	(11.0)
Net profit after tax	65.7	51.3	14.4	28.1
Gross profit %	20.2%	18.7%	1.5%	8.0
EBITDA %	9.6%	7.8%	1.8%	24.1
Pro forma earnings per share (cents) ¹	17.7	13.8	3.9	27.9

A reconciliation to 1H FY2017 Statutory EBITDA of \$61.5m and 1H FY2017 Statutory NPAT of \$9.0m is set out in the Appendix

Volume & Revenue Growth

- > Continued growth in poultry volumes
- > NZ volume run rate consistent with 2H FY17
- > 1H vs 2H seasonality in Australian market will be more evident (in a 52 week year)
- > Revenue fall driven by lagged effect of feed prices and reduced Third Party feed volumes in Australia

EBITDA +22.0%

- > Accelerate has delivered on a range of efficiency initiatives to deliver margin improvement, following rapid volume growth in FY17
- > Increase in other expenses including Distribution and SG&A due to restructuring initiatives (see over)
- > Profit on sale of properties in part offset by restructuring expenses

NPAT +28.1%

- > Net financing costs comparable with pcg
- > One off tax credit of \$3.1m upon settlement of historical tax dispute

1. Pro forma net profit after tax / post IPO weighted average shares outstanding. 1H FY2017 restated calculated on post IPO weighted average shares outstanding instead of actual weighted average shares outstanding as previously reported.

EBITDA reconciliation

\$ millions	1H FY2018	Pro forma 1H FY2017	Variance	%
EBITDA (underlying)	108.9	94.8	14.1	14.9
Profit on sale	14.1	0.4	13.7	
Restructuring	(6.8)	-	(6.8)	
<i>Redundancy</i>	(4.9)	-	(4.9)	
<i>Breeder farm exits</i>	(1.9)	-	(1.9)	
EBITDA	116.2	95.2	21.0	22.0
EBITDA (underlying)				
Group EBITDA %	9.0%	7.7%		
AUS EBITDA %	8.6%	7.4%		

Profit on sale

- > 1H FY18 profit on sale attributable to sale of Wanneroo farming and feedmill site (WA)
- > 1H FY17 profit on sale from Foggo Road (SA) and Cardiff (NSW) processing plants

Restructuring as we implement Accelerate

- > 1H FY18 restructuring costs incurred as volumes continue to be rebalanced to QLD and SA
 - consequent labour restructuring for efficiency at Somerville (VIC processing facility) and Prestons (NSW distribution centre)
 - cost associated with NSW breeder farm closures
- > No restructuring costs were included within reported EBITDA in 1H FY17

Cash Flow and Balance Sheet

\$ millions	1H FY2018	Pro forma 1H FY2017	Variance
EBITDA	116.2	95.2	20.9
Non-cash items	(15.6)	(0.3)	(15.3)
Changes in working capital	27.1	(15.9)	43.0
Changes in provisions	0.7	0.2	0.5
Cash flow from operations	128.4	79.2	49.2
Cash conversion ratio	110.5%	83.2%	32.8%
Capital expenditure - Inghams	(29.8)	(60.4)	30.6
3rd party capital recovered / (for recovery) ¹	8.6	(15.7)	24.3
Proceeds from sale of assets	57.0	1.1	58.1
Net cash flow before financing & tax	164.2	4.2	160.0

\$ millions	December 2017	Pro forma June 2017	Variance
Total Assets	1,095.7	1,082.5	13.2
Net Debt	193.3	297.7	104.4
Net Debt/LTM EBITDA	0.9	1.5	0.6

Cashflow

- > Non-cash items relates to the profit on sale of Wanneroo (\$14.1m) and other minor items (\$1.5m), primarily LTIP
- > Continued improvements in working capital through tight inventory and receivables management
 - Operating cash conversion 110%
 - Net Debt to EBITDA reduced to 0.9x

Working capital	Dec-17	Jun-17	Variance	Dec-16
Receivables	232.5	231.5	(1.0)	259.9
Biological assets	109.2	112.5	3.3	112.1
Inventories	140.8	156.5	15.7	144.5
Payables	(287.9)	(278.8)	9.1	(241.3)
Total	194.6	221.7	27.1	275.2

Capital program

- > Capital program on track, below pcg as expected
- > Asset sales relate to the sale of Wanneroo (WA) and Burton Road (SA)
- > Sale of Leppington (NSW) unconditional in Feb 2018
- > Third party capital recovered primarily relates to SA feed mill and SA breeder farm expansion projects

1. Third party capital agreements in place, funds to be received

Reconciliation of 1H FY17 Statutory results to pro forma

\$ millions		1H FY2017	
Statutory EBITDA		61.5	
IPO transaction costs	1	28.0	1. Removal of costs of listing on ASX in November 2016
Advisory fees	2	1.2	2. Relates to fees for services charged by TPG entities that will not be incurred post listing
Write off previous LTI scheme	3	2.2	3. Relates to the remaining share based payments expense to be recognized in FY17 relating to the previous LTI scheme
Transformation & relocation costs	4	3.3	4. Consulting and other costs in relation to the transformation program and the costs relating to the relocation of head office incurred in FY16
Full period public company costs	5	(1.0)	5. Adjustment to include a full period of public company related costs and replacement LTI scheme
Pro forma EBITDA		95.2	
Statutory NPAT		9.0	
IPO transaction costs	1	19.6	6. Payment for the early termination of interest rate swap contracts and write off of deferred borrowing costs resulting from refinancing as part of the listing
Advisory fees	2	0.8	7. Adjustment to reflect the interest and financing costs for the capital structure in place as a result of the listing
Write off previous LTI scheme	3	2.2	8. Adjustments to normalise certain tax related charges half on half
Transformation & relocation costs	4	2.3	
Full year public company costs	5	(0.8)	
Cost of exit from finance facilities	6	12.6	
Capital structure adjustment	7	4.5	
Tax adjustments	8	1.1	
Pro forma NPAT		51.3	

Risks Summary (per Financial Statements)

Material business risks faced by the Group that may have a significant effect on the financial prospects of the Group include:

- > **Import restrictions:** Changes to import quarantine conditions in Australia and/or New Zealand that would allow additional forms of poultry to be imported could result in changes to the poultry market that would adversely impact Ingham's financial performance.
- > **Food safety and disease outbreak:** If products of Ingham's or a competitor became unsafe or were to be perceived as unsafe, reduced demand for Ingham's products or for poultry products as an industry could follow. Food safety costs can lead to significant costs being incurred for recalls or other operations to address such issues, in addition to compensation, penalties or liability claims which could be incurred. Outbreak of avian disease(s) occurring in Ingham's flock or in geographic areas in which Ingham's operates could lead to restriction on the use or transportation of affected poultry. Such disruption to supply, in addition to the other events identified here could have an adverse effect on Ingham's financial performance.
- > **Supply chain disruption:** Failure of a parent stock supplier, poor animal husbandry practices, poor feed quality or outbreak of disease could all cause a significant reduction in the volume or quality of Ingham's parent stock or broiler stock, limiting the Group's ability to supply sufficient volumes of product. Disruption to the supply chain such as time critical delays, failure or dispute with key suppliers, severe weather events, fires, floods, failure in the supply of energy, water or other significant inputs or other events of disruption could limit the Group's ability to supply sufficient volumes of product and have a material adverse impact on the Group's financial performance.
- > **Regulatory factors:** Ingham's requires a range of licences, permits and accreditations/certifications relating to food standards, animal welfare, workers compensation and the environment in order to continue operating successfully. Inability to secure or retain these regulatory approvals, or amendments or revoking of these approvals could have an adverse effect on Ingham's financial performance. Ongoing compliance with laws and regulations in the countries in which Ingham's operates, and ability to comply with changes to these laws and regulations are material to Ingham's business. Failure to do so would have a material adverse impact on Ingham's.
- > **Transformation projects:** Project Accelerate involves material capital investment and is expected to deliver cost savings and efficiencies to the business in future periods. Delays in the project or cost overruns, in addition to realised results differing from estimates, may negatively impact Ingham's financial performance compared to management's forecasts.
- > **Material increase in input costs:** There have been recent actual and forecast increases in a number of input costs such as utilities and commodities, i.e. grains and legumes. While Ingham's has a range of cost pass through arrangements in place with customers, especially in respect of feed prices, there may be instances where Ingham's is not able to pass through, or is delayed from passing through, increases in these costs to customers, resulting in the potential risk of margin erosion.