



**INGHAM'S**

*Heart of the Table*

Celebrating **100** Years



**Inghams Group Limited**  
**2018 Annual General Meeting**  
Acting CEO Presentation  
18 OCTOBER 2018



# Important notice and disclaimer

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# FY2018 Highlights

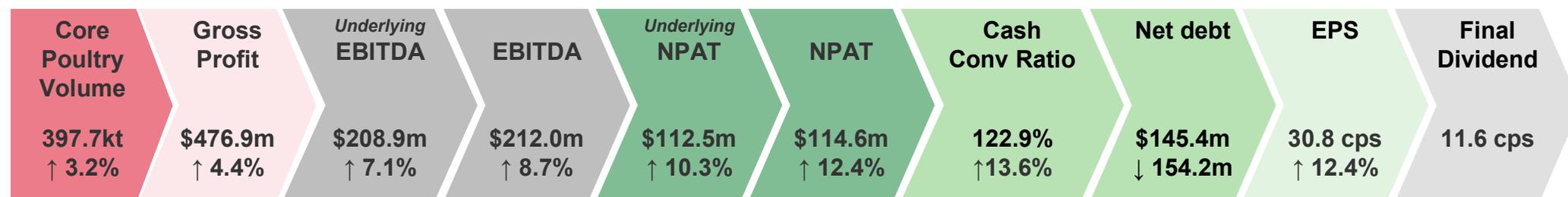
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## FY18 Highlights

- > Ingham's has a long and proud history – celebrated 100 years
- > Delivered high quality products to customers
- > Improved safety performance
- > Continued to deliver on Project Accelerate
  - improved processing yields, farming efficiency and labour management
  - network re-alignment – doubling of WA volumes
  - FP network optimisation announced and underway
  - invested in capacity and efficiency of breeder and milling networks
  - committed to long-term agreements with contract growers
- > Executed on our feed mill strategy
  - self-sufficiency – greenfield SA mill, acquisition of QLD mill
  - sold the Mitavite horse-feed business
  - agreed sale of Cardiff mill (1H FY19) in response to network realignment



# Financial highlights – FY18 vs FY17



## Financial performance

- > Core chicken and turkey volume grew at 3.2% (total poultry volume including Ingredients grew at 2.0%)
- > Underlying EBITDA growth of 7.1% to \$208.9m (excluding profit on sale and restructuring)
- > Profit on sale of assets of \$19.4m, in part offset by restructuring initiatives of \$16.3m, net impact \$3.1m
- > Underlying NPAT growth of 10.3% to \$112.5m
- > NPAT growth of 12.4% to \$114.6m
- > Net Debt of \$145.4m (leverage ratio 0.7x)
- > Earnings Per Share (EPS) growth of 12.4% to 30.8 cps
- > Final dividend of 11.6 cents per share (Total dividend for FY18 21.1cps – 70% of NPAT)
- > Cash on hand of \$273.7m up 83.7% on prior year balance of \$149.0m
- > Planned Capital Return of \$125m, 33.0 cps\*



# Shareholder value proposition

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- > Largest vertically-integrated poultry business across Australia and New Zealand
  - national footprint in both markets
  
- > Portfolio of long-term partnerships with blue chip customers
  
- > Supplier of the most competitive source of protein in a growing category
  
- > Further differentiation and premiumisation opportunities (poultry, ingredients and feed products)
  
- > Track record of earnings growth, cash generation and stable yield

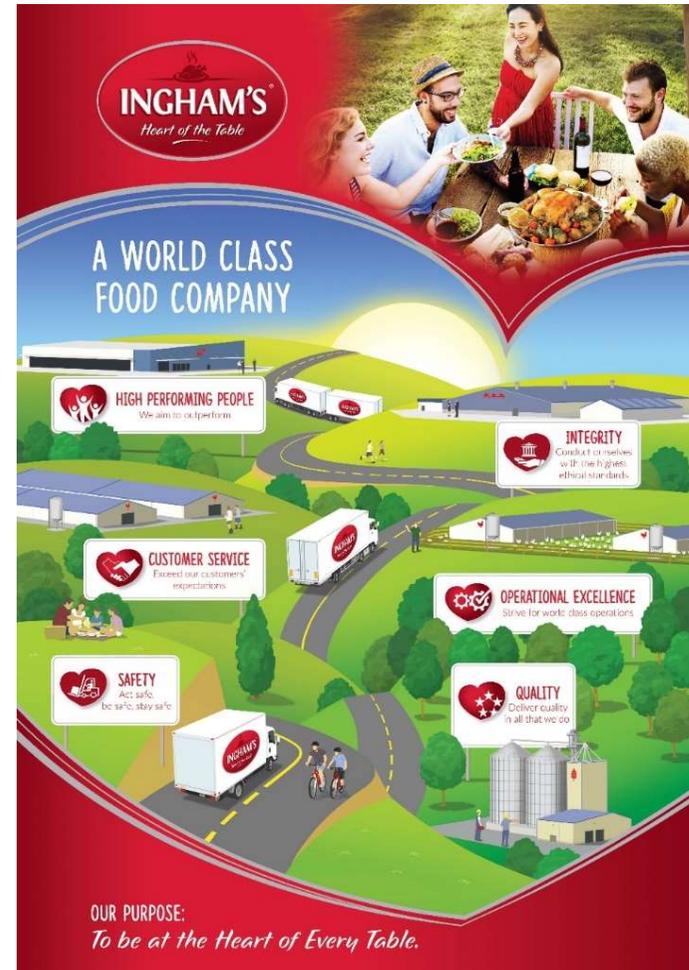
# Success factors

Maintaining the highest levels of biosecurity

Continued leadership in animal welfare

Delivery of Project Accelerate

Product development and premiumisation



# Outlook

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- > Demand for poultry products continues to grow
- > Strategy implementation remains on track, opportunity pipeline is strong
- > Expect a continuation of market price increases, reflecting increases in feed, energy and fuel costs
  - offset cost increases where possible or pass on to the market when necessary
  - ~60% of Australia volume covered by feed pass through mechanism
- > New Zealand performance challenging, expectation of improvement in 2H
- > Change in New Zealand tax legislation expected to increase the Group effective tax rate to c.29%
- > Capital Management being progressed
- > Dividend policy remains unchanged



Appendix



# Risks Summary (per Financial Statements)

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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.
- > **Material increase in input costs:** There have been recent actual and forecast increases in a number of input costs such as utilities and commodities, ie 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.
- > **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.