



Australian Agricultural Company Limited
ABN 15 010 892 270

20 November 2018

Media / ASX Release

Results for the six months ended 30 September 2018 AACo delivers positive operating results in challenging conditions

- Revenue up 11.1% to \$219.2m vs \$197.2m pcpc;
 - Underlying meat revenue up 2.3%*
- Operating Profit of \$24.8m, up from \$6.8m for the pcpc
- Net operating cash flow of \$29.6m vs (\$47.5m) outflow up \$77.1m on pcpc
- Statutory EBITDA loss of (\$82.9m) due to non-cash \$113.6m statutory livestock herd revaluation
 - Overall decline in market value of livestock
 - Increase in highest value Wagyu herd numbers
 - Decline in lower value composite numbers
- Significant head room in debt covenants
- Gearing of ratio of 26.8% within target range
- Operating cash inflow of \$29.6m, a \$77.1m improvement on pcpc
- Return on Capital Employed of 1.9%, up from 0.5% in pcpc

*Underlying excludes Livingstone

The Australian Agricultural Company Limited (AACo)(ASX:AAC) today released its half year results to 30 September 2018 reporting a positive underlying operating result despite ongoing challenging market conditions.

Revenue for the half-year totalled \$219.2m. Operating profit was \$24.8m. Operating cash flow of \$29.6m was a significant improvement on the prior corresponding period.

AACo MD/CEO Hugh Killen said the positive underlying result, despite the current headwinds, validated the Company's strategy and highlighted the benefits of initiatives that have been implemented during the period.

"Our financial performance over the past six months has been impacted by a range of factors including weather and macro trends, yet we continue to deliver against our strategy." Mr Killen said.

“The increase in global beef supply, which is likely to extend into 2019, has led to competitive pressure on pricing, however our Wagyu revenue for the half was up, driven by increased sales volumes.

“The statutory EBITDA loss was a result of an overall decline in market value of livestock, including a decline in the lower value composite cattle numbers, however we have seen a 16% increase in our highest value Wagyu herd numbers.

“Our luxury Westholme and Wylarah brands have maintained their pricing on the prior corresponding period, despite macro headwinds.

“We are transforming AACo into a simpler, more efficient and sustainable organisation, and, in the process, are establishing ourselves as one of the world’s leading producers of premium branded beef.

“During the half, we continued to invest in our core assets; our land, our herd, and our people. We continued to refine our supply chain and pursue greater operational efficiencies in order to optimise our production base. We have also invested in marketing our brands and developing our distribution network.

“This has enabled us to continue successfully executing on our strategy to supply the growing demands of high-end markets, both overseas and in Australia, by producing highest premium branded beef at scale,” Mr Killen said.

Mr Killen said the decisive actions taken earlier in the year by the Board and Management has supported a stronger business.

The decision to suspend operations at the Livingstone Beef processing facility in Darwin and the decision to suspend the 1824 brand had resulted in an increase in operating profits for the period as sales of non-Wagyu cattle were brought forward and external purchases of cattle for processing were wound back said Mr Killen.

However, this was offset by increased station operating expenses due to deteriorating seasonal conditions during the period, resulting in increased feed, supplement and freight costs. The challenging conditions that have impacted operating costs during the period look set to continue into the near term.

Operational Highlights

During the period AACo continued to implement a range of strategic initiatives as outlined at the company’s full year result in May 2018, including:

- successfully launching the Westholme brand in Dubai opening new opportunities to supply the region’s high end markets;
- reviewing supply chain planning processes to identify and implement cost efficiency initiatives

Mr Killen said the Management Team was focused on implementing a range of initiatives that support four key strategic pillars: Branding and Marketing, Integrated Supply Chain, Innovation and Technology and Performance Culture.

“We are committed to building value for our shareholders by refining our sales and marketing approach, integrating our supply chain, investing in innovation and fostering a high-performance culture.

“Following our successful launch in Dubai in October, we will continue our expansion into new and larger markets, and I look forward to updating the market on our progress in due course,” Mr Killen said.

ENDS

Investor Conference Call

AACo CEO Hugh Killen will host a conference call today at 10.30am AEDT (20th November 2018).

Analysts and investors who wish to participate in the teleconference should dial one of the numbers below and quote conference **ID 463352**. (Media are welcome to listen to the presentation but the limited question time is reserved for investors and analysts).

Dial in numbers

Australia Toll Free : 1800 908 299

Australia Local Call : +61 2 9007 8048

Footnote:

Operating profit is a performance indicator that eliminates the distraction caused by unrealised livestock valuation adjustments recorded in the statutory results. Operating profit adjusts for the movement in livestock and inventory volume at the period's cost of production whilst the Statutory EBITDA results include the impact of the changing market value of the livestock.

For further information, please contact:

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