AACo™

THE ART OF AUSTRALIAN BEEF

H1 19 INTERIM RESULTS | 20 NOVEMBER 2018

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Highlights

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Highlights

AACo continues to present a unique value proposition, our unrivaled ability to produce the highest quality beef at scale

^ Tough business decisions taken to create a simpler and more efficient AACo have proven to be sound
- Livingstone Beef suspension of operations complete
  - » Early stage strategic options are being reviewed
- 1824 supply chain suspension

^ Operational efficiency drive yielding results throughout the supply chain

^ Transition to premium branded beef business progressing
- Westholme launch in Dubai - October 2018
- Despite macro headwinds, Westholme & Wylarah pricing held constant vs prior comparative period (pcp)
- Planning progressed on future launches in larger markets

^ World Class Executive team driving cultural transformation
- CMO appointed and joining January 2019
- CFO and COO commenced August 2018

Financial Highlights

- Revenue up 11.1% to $219.2m vs $197.2m pcp:
  - Underlying* Meat revenue up 2.3%
- Operating Profit up to $24.8m vs $6.8m pcp
- Statutory EBITDA loss of ($82.9m) vs ($36.5m) pcp:
  - $113.6m unfavourable revaluation of livestock

  Key drivers behind statutory results:
    - $62.4m decline in market value of livestock
    - 16% increase in highest value Wagyu herd numbers
    - 7% decline in lower value composite herd numbers
- Significant head room in debt covenants
- Gearing ratio at 26.8% within targeted range
- Operating cash inflow of $29.6m vs ($47.5m) outflow in pcp for $77.1m improvement
- ROCE** 1.9% vs 0.5% in pcp

* Underlying excludes Livingstone
** ROCE = Operating Profit / Opening Capital Employed

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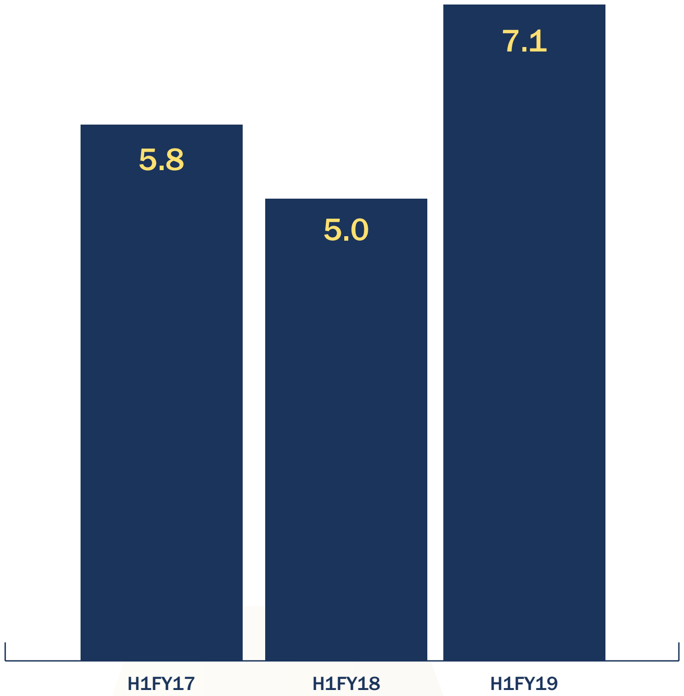
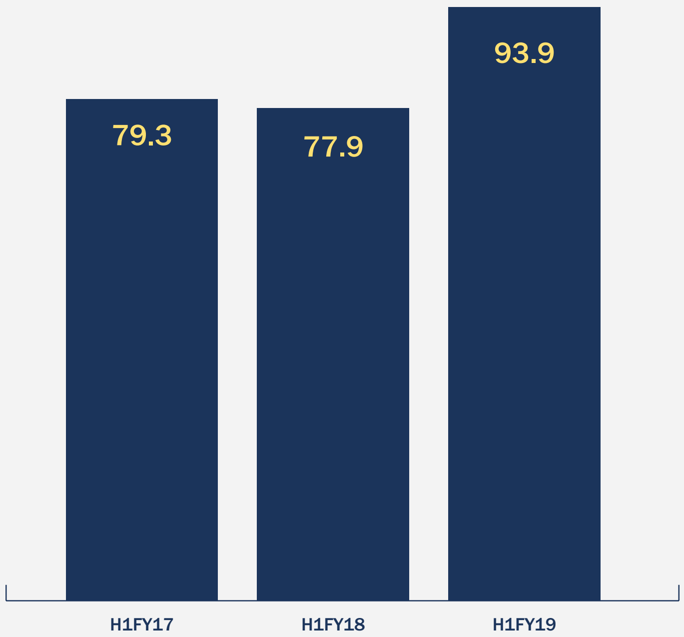
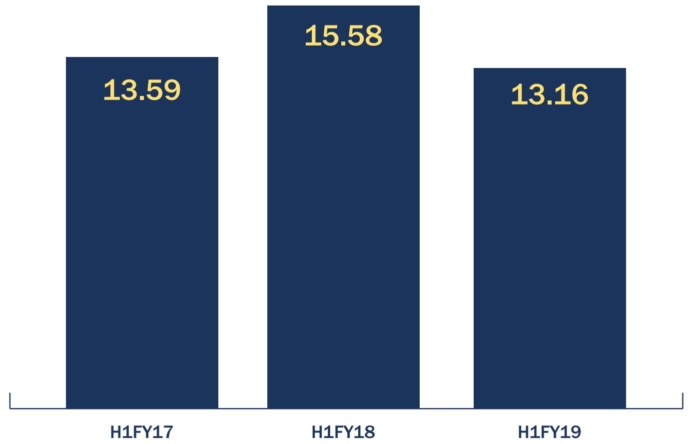
Wagyu Brands







Volumes Sold (Kg m)

H1FY17	**5.8**
H1FY18	**5.0**
H1FY19	**7.1**

Sales ($m)

H1FY17	**79.3**
H1FY18	**77.9**
H1FY19	**93.9**

Price / Kg ($)

H1FY17	**13.59**
H1FY18	**15.58**
H1FY19	**13.16**

International Market
Growth

Singapore

↑34%*
Volume

Taiwan

↑12%**
Volume

Dubai Launch
October 2018

✓

* Compared to pcp
** Compared to H2 FY18 given market launch occurred in H1 FY18

WYLARAH

Premium Brands
continue to command premium pricing in target markets

Pricing held constant on pcp despite macro headwinds

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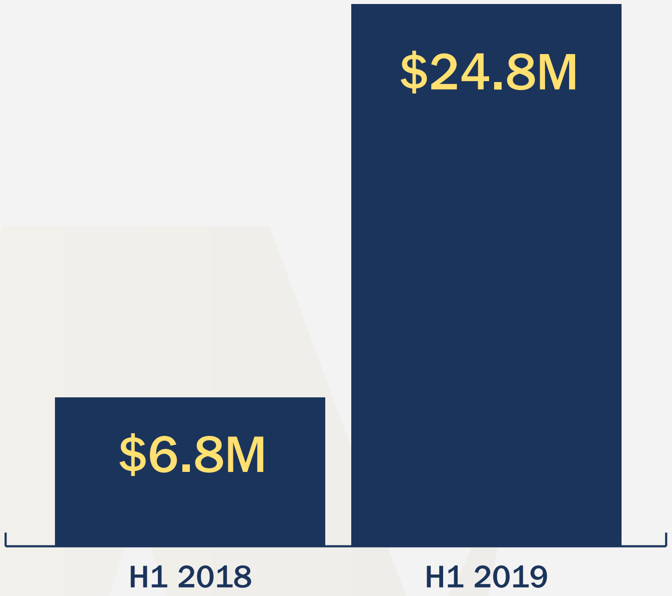
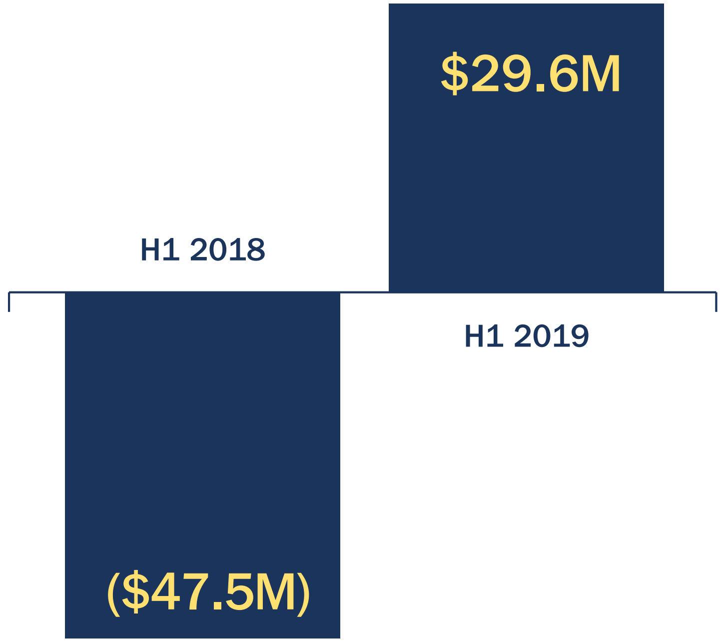
Operating Profit

↑ 18.0m





↑ 77.1m

Net Operating Cash Flow

Improvement

Financial Performance

H1 2019 Results

$'000	H1 2019	H1 2018	Change
Meat sales	146,426	169,898	(23,472)
Cattle sales	72,771	27,331	45,440
Total sales revenue	**219,197**	**197,229**	**21,968**
Opex	(151,709)	(123,053)	(28,656)
Cattle purchases	(22,719)	(88,541)	65,822
Operating gross profit	**44,769**	**(14,365)**	**59,134**
Change in heard at COP	(4,522)	36,844	(41,366)
Meat inventory change	1,131	(3,416)	4,547
Adjusted operating gross profit	**41,378**	**19,063**	**22,315**
Corporate expenses	(16,537)	(12,214)	(4,323)
Operating profit	**24,841**	**6,849**	**17,992**
Reverse: Mvmt in inventory (at CoP)	3,391	(33,428)	36,819
Other income/expenses	2,471	(494)	2,965
Change in livestock value	(113,589)	(9,412)	(104,177)
Statutory EBITDA loss	**(82,886)**	**(36,485)**	**(46,401)**
Operating cash inflow / (outflow)	29,644	(47,475)	77,119
Net tangible assets per share ($)	$1.50	$1.71	($0.21)

- **Operating Profit $24.8m vs $6.8m pcp**
  - Excluding Livingstone, Operating profit $34.6m vs $11.3m pcp
- **Underlying Meat Sales + 2.3% pcp**
- **Increased cattle sales and decreased purchases** due to Livingstone and 1824 decisions. Cattle sales brought forward due to seasonal conditions.
- **Opex up $28.5m due to continuing challenging seasonal conditions requiring more animals on feed at higher grain prices**
- **Decline in livestock value of ($113.6m)**
  - $62.4m decline in market value, primarily in the Wagyu herd
  - 16% increase in Wagyu herd numbers
  - 7% decline in composite herd numbers
- **Significant headroom in debt covenants**
- **Strong $77.1m improvement in net operating cashflow**

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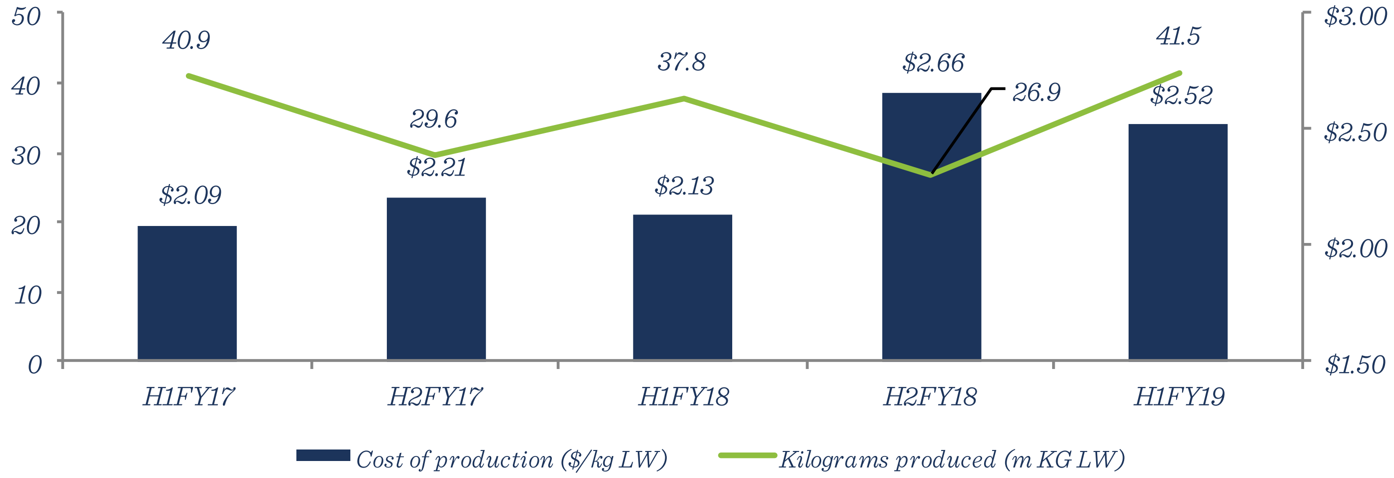
Operating Expenses

$M	H1 2019	H1 2018	Change
Freight	12.0	8.0	4.0
Station Opex	104.3	79.9	24.4
Sales & Marketing	3.8	2.4	1.4
Processing	29.0	31.0	(2.0)
Corporate Opex	16.5	12.2	4.3
Other	2.6	1.8	0.8
Total operating expenses	**168.2**	**135.3**	**32.9**

- Well below average rainfall for all of AACo's southern properties, with the drought impacting the Southern Barkly, Central and Southern Queensland being the hardest hit
- Seasonal conditions contributing $28.5m in additional Station Opex primarily due to increased feeding costs
- Increased cattle sales and repositioning stock contributed to increased freight
- Tactical decision to sell non-core herd assets ahead of the turning season partly mitigated drought impacts
- Corporate Opex investment in filling key strategic roles and in additional IT support systems

Cost of Production



Key points:

- Seasonal conditions resulted in an increase in feedlot usage and rising grain prices
- Adverse impact of seasonal conditions contributed an additional $0.68/kg to Cost of Production
- $0.39/kg Cost of Production increase on pcp
- Volumes produced increased 9.8% vs pcp with 41.5 mil Kg LW produced

Cash Flow

$M	H1 2019	H1 2018	Change
Operating profit	24.8	6.8	18.0
Inventory movement	3.4	(33.4)	36.8
Other income	1.0	1.8	(0.8)
Working capital	8.1	(10.2)	18.3
Finance costs	(7.7)	(12.5)	4.8
Net Operating Cash Flow	**29.6**	**(47.5)**	**77.1**
Cash used in investing activities	(12.2)	(11.2)	(1.0)
Cash flows from financing activities	(22.6)	21.6	(44.2)
Net change in cash	**(5.2)**	**(37.1)**	**31.9**
Closing cash balance	**6.0**	**5.4**	**0.6**

Key points:

- Significant improvement in operating cash flow stemming from increased cattle sales and decreased purchases due to Livingstone and 1824 decisions. Cattle sales brought forward due to seasonal conditions.
- Working capital restored to normalised levels
- Finance costs in pcp captured one-off debt refinancing costs

Balance Sheet

$M	30 Sep 18	31 Mar 18	Change
Property, Plant & Equipment	759.2	753.8	5.4
Livestock	514.7	628.3	(113.6)
Interest-bearing loans & borrowings	338.1	359.2	(21.1)
Cash	(6.0)	(11.2)	5.2
Net debt	**332.1**	**348.0**	**(15.9)**
Equity employed	905.2	977.5	(72.3)
Net Tangible Assets ($/share)	**$1.50**	**$1.62**	**($0.12)**
Gearing ratio (%)	26.8%	26.3%	0.5

Key points:

- Strong balance sheet with $902.4m in net tangible assets
- Net reduction in Livestock due to:
  - Unfavourable statutory market revaluations impact of $62.4m
  - Declines in composite herd size resulting from increased cattle sales and decreased purchases due to Livingstone and 1824 decisions. Cattle sales brought forward due to seasonal conditions.
- Gearing ratio of 26.8 per cent, within AACo's stated target range of 20–35 per cent
- Significant headroom remains on debt covenants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Sustainability

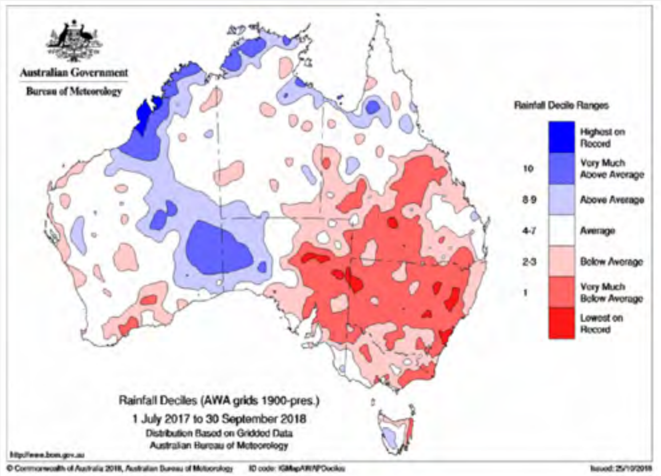
Sustainability

Protecting our future

- AACo is committed to sustainable Beef production striving for best practice through continuous improvement across all its operations
- Best Practice management of animals in our care – mandatory use of pain relief for all surgical husbandry procedures
- Contributing to Communities – company support of indigenous education programs
- Improved Energy Efficiency – diesel to solar bore upgrade programme
- Environment – supporting R&D to minimise greenhouse gas emissions
- Safety – we provide an environment that ensures the safety and well being of our people

Operating Environment

Worst Drought
in 103 Years - ABC News

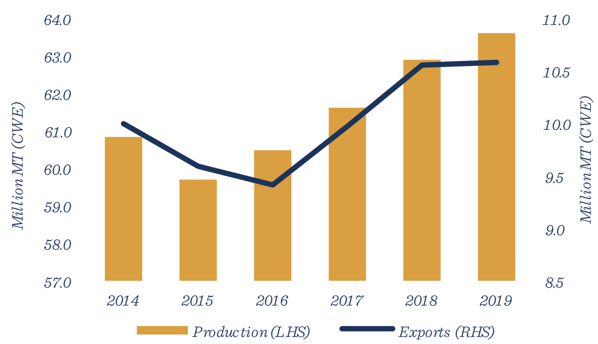


"Demand for hay and grain in Australia is headed for "unchartered waters: as farmers struggle to find feed for their livestock"
– ABC News

Increased beef supply impact markets

Global beef production has increased

Year-on-year % change in US exports

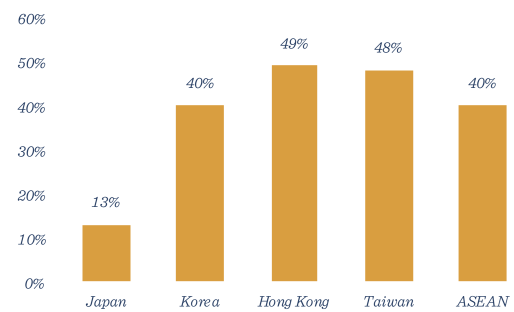


Source: USDA-FAS-PSD

Australian beef production up 8.2% in 2018 YTD, with reduced pasture and higher feed costs driving increased slaughter
(Source: MLA)

US exports increased in key markets

Year-on-year % change in US exports



Source: USDA compiled by USMEF

Total US beef exports forecast to increase 10.6% in 2018, with higher production driven by increased cow slaughter
(Source: USDA)

Corresponding pressure on beef prices globally –
USDA Prime loins pricing is down 24.8% for H1 FY19 vs pcp
(Source: USDA datamart.ams)

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Current Operating Environment

External factors affecting the business today include:

- Continuation of dry conditions in NSW and Southern Queensland with poor summer crops expected despite some rainfall in the past few weeks.
- No short term relief expected from highly elevated feed input prices for lot fed cattle adding significantly to the cost of production.
- Significant reliance on an average or better wet season for the northern beef industry.
- Global production of beef forecast (source USDA) to increase further in 2019 extending current competitive dynamics.
- Key global dining trends predict an increasing demand for high end restaurant food experiences, against the current trend of home-bound and convenience of delivery.


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Thank You