



Inghams Group Limited
Food & Beverage Focus Day

4 APRIL 2019





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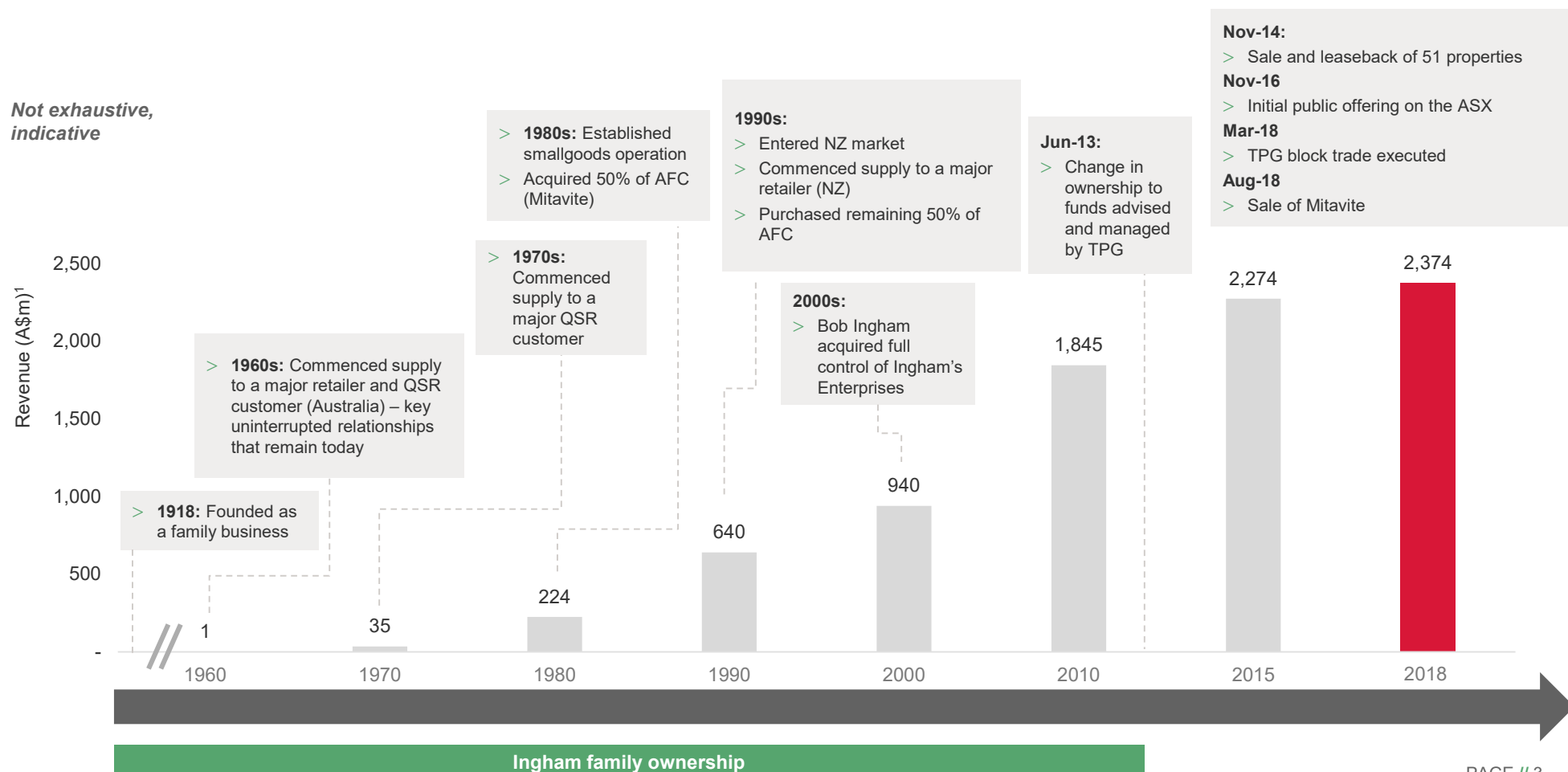
01

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

Not exhaustive,
indicative



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



FY18 revenue: A\$2,374m

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 ~352 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 and dairy stockfeed
- > 8 pig / poultry feedmills 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 and dairy feed

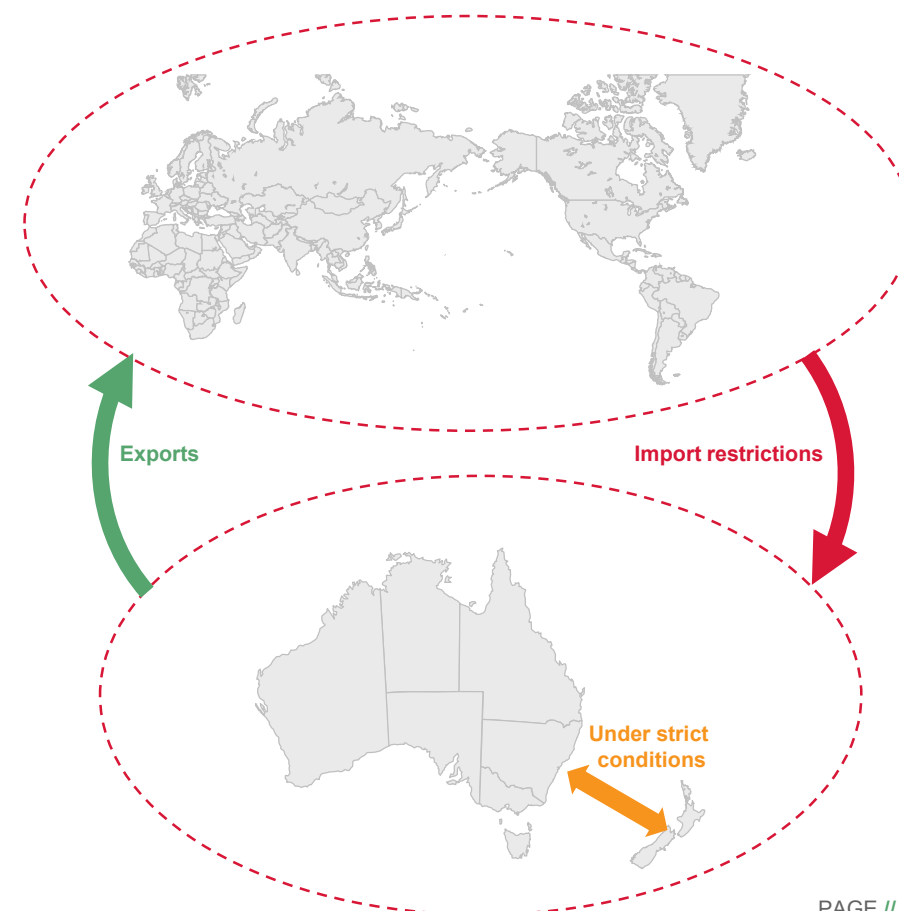
Attractive industry structure

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



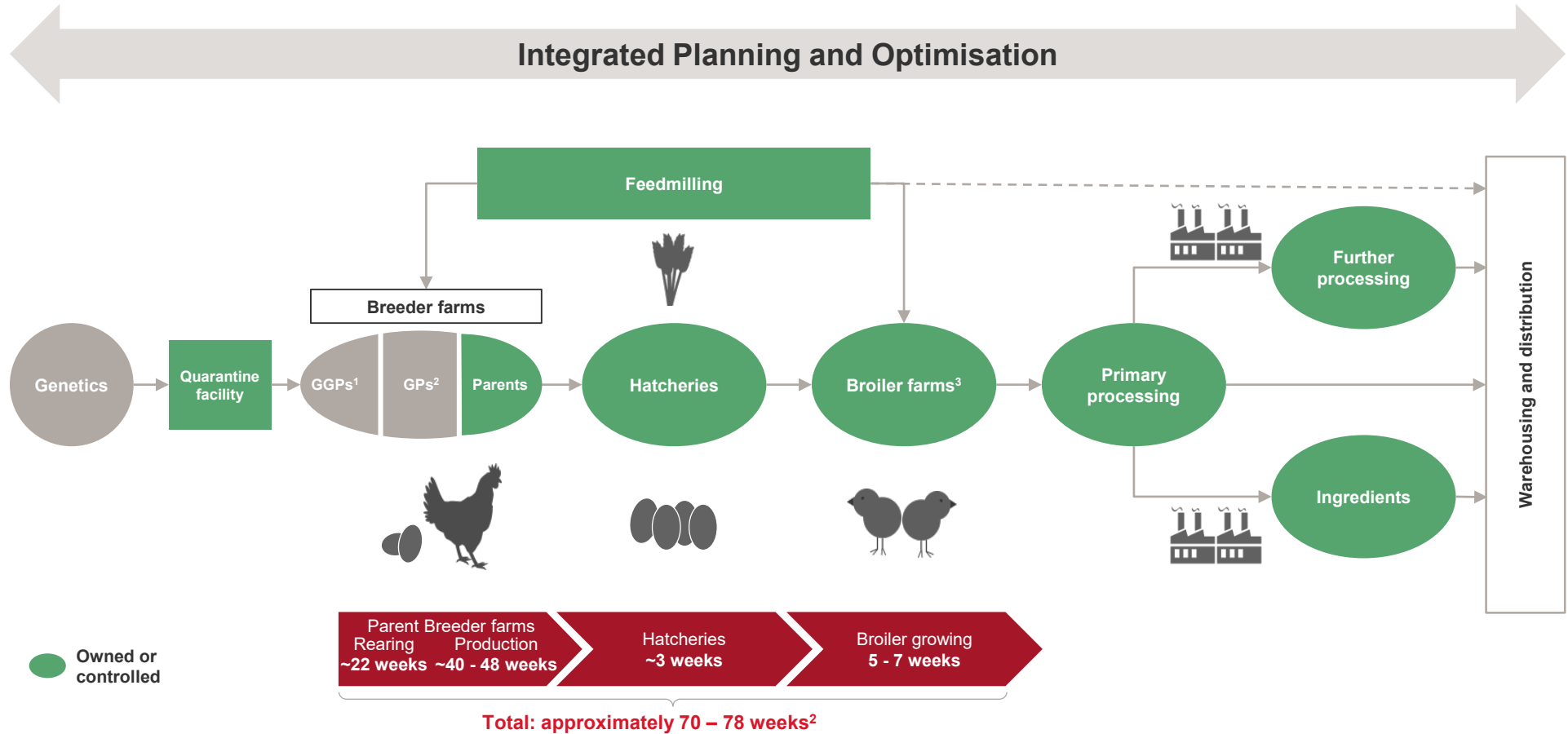
1. <http://www.agriculture.gov.au/>

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.

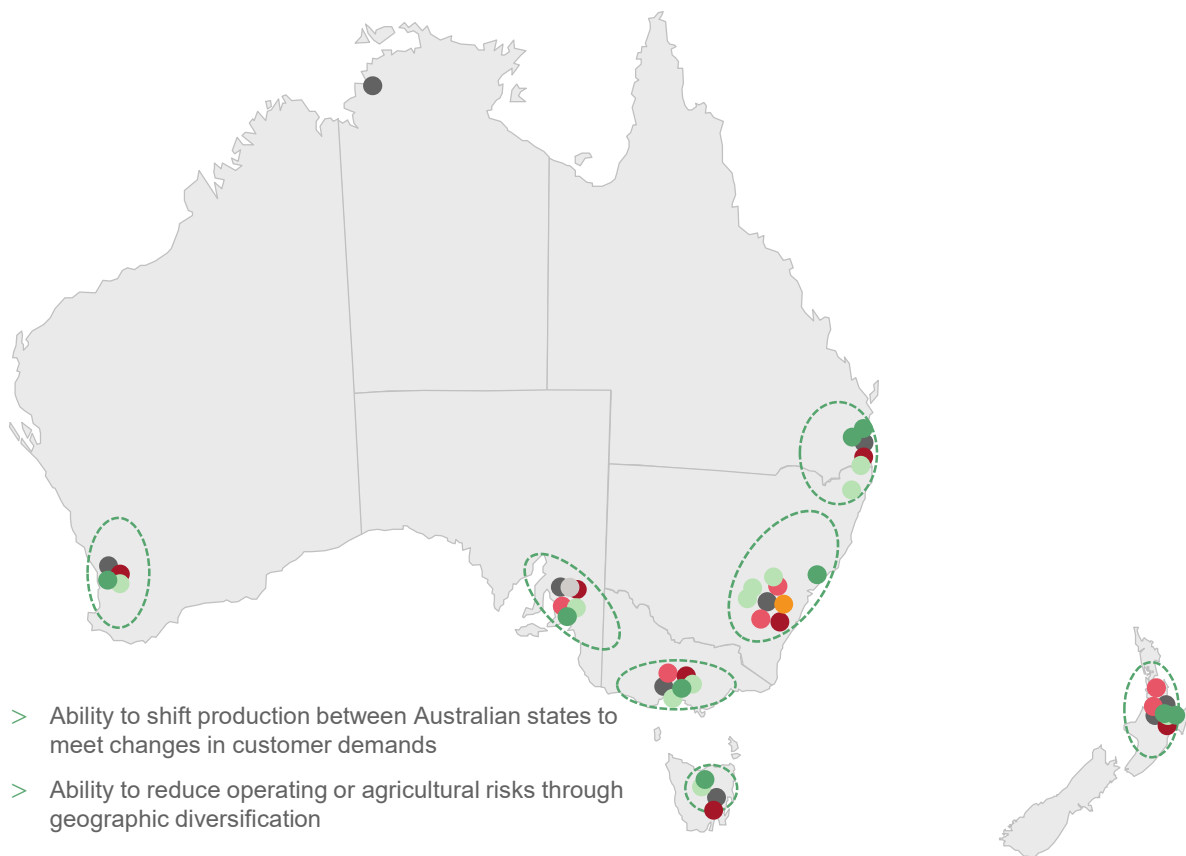
1. Great Grand Parents.

2. Grand Parents.

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

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	7	2	9
Breeding farms	71	13	84
Hatchery	10	1	11
Broiler farms	194	30	224
Primary processing	6	1	7
Further processing	4	2	6
Distribution centre	7	2	9
Rendering	1	-	1
Total	301	51	352

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.

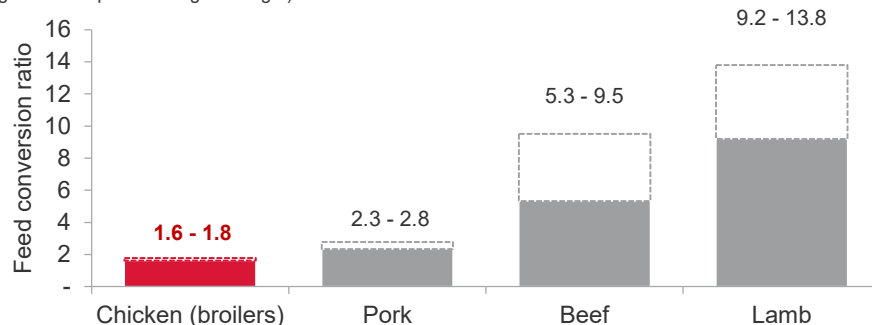
2. Includes contracted growers and company owned farms
Source: Management (as at Mar 2019). Map is illustrative only

Favourable production economics

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

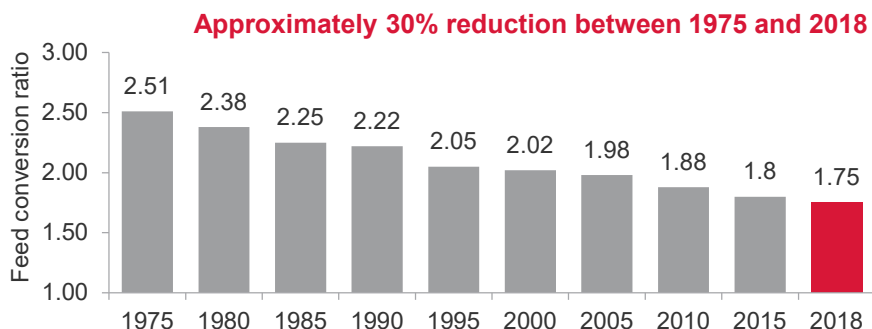
Indicative FCR^{1,2}

(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 – 2017, NZ - 2016) > Corporate Social Responsibility (2010, 2012, 2016)
	#1	NAFDA	> Supplier of the Year (2012, 2014 - 2018)
Food service	#1	Countrywide	> Supplier of the Year (2010 – 2017)
	#1	PFD	> New product of the Year 2018
Stockfeed	#1	Metcash	> Convenience Supplier of the Year 2018
	#1	AIRR ²	> National supplier of the Year (2010, 2013, 2015) > Supplier of the Year – Feed (2011, 2014)

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

Long-term customer relationships

Customer	Years of uninterrupted supply	
Australia		
Major retailer 1	58 years	
Major QSR customer 1	51 years	Since market entry
Major retailer 2	47 years	
Major QSR customer 2	40 years	
Major retailer 3	~30 years	Since market entry
Major retailer 4	18 years	Since market entry
New Zealand		
Major retailer 1	29 years	Since Ingham's entered NZ
Major retailer 2	29 years	Since Ingham's entered NZ
Major QSR customer 2	29 years	Since Ingham's entered NZ



02

Group highlights

Group highlights

Growing volumes and earnings with strong cash flow

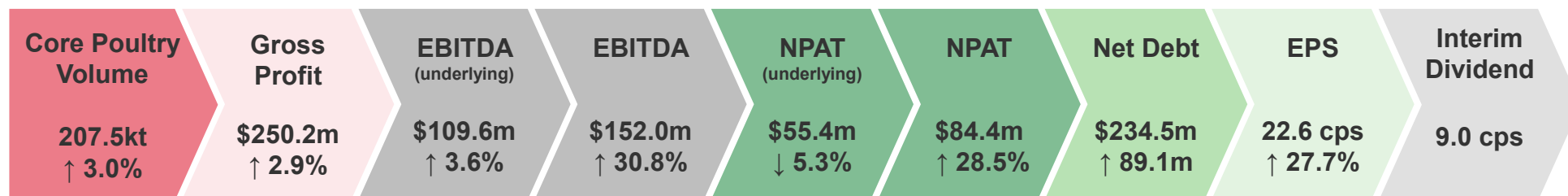
Highlights

- > Core Poultry volume growth of 3.0% across ANZ
- > Accelerate (Continuous Improvement Process) continues to deliver improved returns despite challenges in the New Zealand business
- > Rising feed costs continue to be offset by initiatives or price increases
- > Strong operating cash flow generation supported by working capital management
- > Leverage ratio of 1.1x after \$125m capital return

Operations

- > Accelerate (CIP) continues to deliver in line with expectations, with further benefits to be delivered
 - benefits flowing through in improved yields, reduced unit costs and improved utilisation of assets
 - initiatives on track in network rationalisation, automation, labour efficiency, procurement and others
 - FP network optimisation announced in June 2018 progressing on track
- > Progress made towards self sufficiency in milling
- > Divested non-core Mitavite business and Cardiff feed mill
- > Capital investment in capacity and efficiency continues as planned
 - Completion of SA feed mill and NZ Breeder facilities
 - further investment planned in WA with a new Feed mill and a Hatchery to be operational in FY21
 - further investment planned in VIC with a new Hatchery to be operational in FY21

Financial highlights – H1 FY19 vs FY18



Financial performance

- > Total Poultry volume growth of 1.5% (core poultry products grew at 3.0%)
- > Underlying EBITDA growth of 3.6% to \$109.6m (excluding profit on sale, restructuring and Mitavite)
- > Profit on sale of assets of \$53.9m in part offset by restructuring initiatives of \$11.4m and impairment of \$2.3m
- > Underlying NPAT decline of 5.3% to \$55.4m, due to increase in effective tax rate
- > Net Debt of \$234.5m and leverage ratio 1.1x, post capital return of \$125m
- > Earnings Per Share (EPS) growth of 27.7% to 22.6cps
- > Interim dividend of 9.0 cents per share



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Business update

Business update

Project Accelerate (CIP)

- > **Automation** delivering benefits in improved processing yields and reduced unit costs across major Primary plants
 - program continues with deboning initiatives (New Zealand) and further opportunities in process streamlining
- > **Labour** savings continue to be delivered through improved labour productivity and EBA renegotiation
- > **Network** rationalised with volume growth in QLD and SA, improving utilisation and unit costs
 - transformation of Victorian cost base and increased volumes in WA to improve service levels
- > **Further processing** network optimisation announced and underway
- > Further opportunities identified in **Primary, Farming, Feed and Premiumisation**

Feed Costs

- > Feed prices have continued moving higher driven by dry conditions in Australia
- > Over 60% of Australian poultry volumes supplied with feed pass through mechanisms and other cost adjustments
- > Our forward coverage extends approximately 6 months
- > Poultry prices increasing in the market in line with feed price movements as per historical trends
- > Alternative procurement and nutrition options being reviewed including imports

Business update

Feed Operations

- > Inghams has progressed the objective of self sufficiency for own use and the business focus is now on improving mill utilisation in relation to third party sales
- > The Murray Bridge (SA) greenfield site is now fully operational and supplying all of Inghams requirements in SA. The Mile End (SA) feed mill has been decommissioned and an unconditional agreement to sell the property was signed in December 2018
- > Planning is advanced for a new state of the art feed mill in WA. A contract for the purchase of land has been signed, subject to due diligence and the design of the mill has commenced
- > Sale of Mitavite (horse feed business) to Adamantem Capital completed on 12 October 2018
- > Cardiff feed mill was sold in November 2018 consistent with the reduced feed production requirements in NSW





04

Outlook

Outlook

- > **Demand for poultry products growing at historical levels**
- > **Project Accelerate (Continuous Improvement Process) on track and the opportunity pipeline is strong**
- > **New strategic direction to be shared in Q4**
- > **Wheat cost dropped recently but next couple of months will provide a better view for next fiscal year**
 - offset cost increases where possible or pass on to the market if and when necessary
 - Progressing alternate options (nutritional recipe / imports etc)
- > **New Zealand business starting to improve, expectation that it will get back to historical run rate in FY'20**
- > **On market share buy-back underway**
- > **Expect the same amount of cash dividends to be paid moving forward**
 - Impact of AASB16 on NPAT will mean current policy will need to be amended
- > **Comfortable with FY'19 consensus**

