



22 May 2019

ASX/Media Announcement

AACo weathers extreme conditions, keeps strategy on track

- Underlying* Operating Profit, excluding Gulf flood, up \$37.2m (\$23.7m vs -\$13.5m for the pcg)
- Operating cash inflow of \$13.0m, a \$52.9m improvement on pcg
- Wagyu meat sales revenue up 4.5%
- Impact of Gulf flood event (est \$47m) and drought related conditions (\$60m) totalled \$107m during FY19
- 3% increase in Wagyu herd numbers, despite impact of extreme weather
- Revenue down 4.1% to \$364.1m vs \$379.7m pcg
- Significant head room in debt covenants
- Gearing ratio of 29.97% within target range
- Statutory EBITDA loss of (\$182.7m). \$204.9m reduction in livestock balances which primarily occurred in the non-wagyu herd (\$138m)
 - The non-wagyu herd experienced significant losses from the Gulf flood (\$42.4m), increased sales due to season and the suspension of Livingstone Beef and the 1824 supply chain
 - Unrealised losses due to reduced live cattle market prices of the non-wagyu herd of (\$30.4m) and the wagyu herd of (\$63.9m)

*Underlying Operating Profit excludes the \$46.6m in losses and expenses resulting from the FY19 Gulf floods

Australian Agricultural Company Limited (AACo)(ASX:AAC) has continued to make progress implementing its premium branded beef strategy despite facing extreme operating conditions, which impacted the business by \$107m this financial year.

Managing Director and CEO Hugh Killen said “While we have room for improvement in our results, when you exclude the Gulf flood event, our underlying operating results are positive year on year, despite absorbing an additional \$60m in drought related costs.

“Underlying Operating Profit is up more than \$37m and our net operating cash flow is an almost \$53m improvement from last year.

“Significantly, despite the tough weather, our Wagyu herd – the engine of our business – grew by 3%.”

Mr Killen said AACo was reaching the end of a transition period following the suspension of Livingstone Beef and 1824.

“We have a world class executive team in place and have made some tough decisions, with the outcome being business simplification and a more efficient AACo,” he said.

“They have proven to be sound decisions, especially when you consider the drought, and have helped to set the company up for the next decade.”

With regard to the extreme conditions experienced, Mr Killen said “AACo faced weather related events that were unlike anything seen before - 800,000 hectares of our property were affected by floods, while drought conditions on other properties drove up expenses.

“Consistent with our two previous market updates, the impact of the extreme seasonal conditions is estimated at \$107m in the FY19 year, including the \$60m in drought costs along with an estimated \$47m in livestock lost and emergency expenditure incurred in the Gulf flood event.

“While we estimate the loss of around 43,000 head of cattle during this tragic Gulf flood event, I’d like to acknowledge all of my team and our neighbours and friends who are also managing the impacts of this disaster.

“The loss of these cattle will not impact our ability to fulfil supply obligations or the rollout of the premium branded beef strategy.”

Update on premium branded beef strategy

Mr Killen said the premium beef strategy gained momentum this financial year.

“We saw growth across key markets in Asia, launched Westholme in Dubai and opened our US commercial office in Los Angeles,” he said.

“Overall, our Westholme and Wylarah revenue growth is up 6% on last year, while our heritage wagyu fullblood brands are up 41%.

“Wagyu revenue growth in established markets included 26% in Asia, 10% in Australia and 6% in the EU.

“We are well advanced progressing launches in larger markets, demonstrating our unmatched ability to produce the highest quality beef at scale.”

Mr Killen said AACo had recently released a sustainability policy that would help guide future decision making.

“We are seeing an emerging narrative in the community about the impact of beef production on the environment,” he said.

“Responsible business is good business and our policy shows a commitment to continuous improvement and innovation in this important area.”

Weather response

Mr Killen said “AACo was progressing plans to mitigate the potential future impact of extreme seasonal conditions.”

“We can’t control the weather, but we can look at how we respond when the weather turns against us,” he said.

“Some of the things we are examining include how we better handle stock and feed in high-risk areas and reviewing our station business model to further de-risk.

“Tough weather conditions are forecast to continue, at least in the short term, which makes our strategy and response in this area even more important.”

Investor Briefing

The Australian Agricultural Company (AAC) will hold a teleconference briefing for investors and analysts detailing Full Year 2019 Results on **Wednesday 22nd May at 9:00am AEST**.

Conference details:

AACo Conference ID: 10000447

All Participants will be asked to provide the Conference ID when joining the Call.

Participant Dial-in Numbers

Australia Toll Free:	1800 558 698	Australia Alt. Toll Free:	1800 809 971
Australia Local:	02 9007 3187	Hong Kong Toll Free:	800 968 273
New Zealand Toll Free:	0800 453 055	UK Toll Free:	0800 051 1453
Canada/USA Toll Free:	1855 624 0077	Singapore Toll Free:	800 101 2702

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