



H1FY20 Interim Results Presentation
20 November 2019

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Key Highlights

Solid progress made on
roll-out of Premium Branded beef strategy

- Positive Operating Profit and Cash Flow despite ongoing national drought conditions.
- Strongest half year of Wagyu meat sales to date: +9.5% vs pcp; Price/Mix/Exchange per Kg +5.9% vs pcp.
- 7 Westholme launches: Global Westholme sales +106% vs pcp; Price/Mix/Exchange +28%.
- Sales growth across key Regions (approximate): Asia +8%; Europe/Middle East +26%; North America +7%.
- Operational efficiencies being realised through supply chain simplification.
- Significant effort across AACo to manage drought; Gulf Flood rebuild project on schedule.





Strategic Progress

AACo's journey: From stewards of Australia's finest cattle to custodians of the world's most coveted premium beef brands



A winning portfolio of premium global brands

- Wagyu brand sales +9.5% vs pcp.
- Westholme brand sales +61% (volume); +106% (value).

Margin through allocation and price

- Wagyu meat sales \$/Kg +5.9% vs pcp.
- More strategic allocation to premium markets (Europe, China).

Growth in priority regions

- Asia +8%.
- Europe/Middle East +26%.
- North America +7%.

Distributor partnerships and customer relationships

- Distributor partnerships upgraded (UK, EU, US).
- Embedded sales and marketing capability in key markets.

A simpler, more efficient AACo

- Benefits realised from supply chain reorganisation (Livingstone, 1824).
- Strategic re-investment in brands, market building and supply chain streamlining initiatives.

A high performance culture

- Establishing world-class Global Executive Leadership & Operational teams.
- Focus on strengthening market-facing capability.

Portfolio Highlights

We are scaling our priority premium Global Brands, while maintaining traction with our Regional Wagyu Brands



Priority Global Brands



- The pinnacle of excellence in beef.
- Provides a halo for other AACo brands.
- Highest possible quality, allocation and price.
- Premium Wagyu brand aimed at fine dining and premium butcher channel.
- Global scale opportunity – key AACo value growth engine.
- 7 launches in H1FY20 - including London, Hong Kong and Los Angeles.
- Global sales volume +61%, with sales value +106% vs pcp.

Regional Brands



- Darling Downs Wagyu is a strong performer in primary markets of Korea, Australia and Europe.
- One of the most dominant international beef brands in Korea (highest per capita meat consumption in Asia).
- Master Kobe is produced from full-blood, pure-bred Wagyu cattle, with a marble score of 9+.
- Primary markets are UAE, Canada, Indonesia and Australia.
- Sales +23%, \$/Kg +13% vs pcp.



WESTHOLME
— QUEENSLAND —
AUSTRALIA

*Brand
Highlights*





H1FY20 Progress

- 7 key launches.
- Global Meat Sales volume: +61% vs pcp.
- Global Meat Sales value: +106% vs pcp.
- 2 x Gold Medals - World Steak Challenge 2019.



H1FY20 Activation

- Westholme partnered with the *World's 50 Best Restaurants 2019*.
- Partnered with *The Cru - New York*; introduction to the New York fine dining scene.
- 'A Taste of Westholme' Singapore trade promotion.
- Targeted chef engagement to drive Westholme brand connection.

*Regional
Performance*





Asia

Strong progress made with brand deployment and continued growth in key Asian markets

Revenue Growth

- Approximately + 8% vs pcp.
- Approximately 68% of overall Wagyu meat sales.

Commercial Highlights

- Asia focused commercial team based in Singapore.
- Extended distribution partnership in Singapore.
- Targeted Taiwan activations – Westholme Asian BBQ festive period promotion.
- Doubled primal cut sales in China.

Brand Highlights

- Launched Westholme in Hong Kong and Macau.
- Sponsored the World's 50 Best Restaurants Highest Climber Award, hosted in Singapore.
- Focused program underway to further strengthen Darling Downs brand in South Korea.



Europe/Middle East

We are scaling our presence in the UK, Europe and Middle East from a solid base

Revenue Growth

- Approximately + 26% vs pcp.
- Approximately 13% of overall Wagyu meat sales.

Commercial Highlights

- EU distribution partnership restructured to support Westholme strategy.
- EU region sales manager embedded - focusing on 5 strategic countries - UK, France, Germany, Italy and Spain.
- Executed new distribution agreement in the UK.
- Key account wins off the back of increased in-market sales presence driving new accounts.

Brand Highlights

- Dubai price growth +9% pcp post Westholme launch in October 2018.
- Westholme launched successfully in London.
- Extensive training /chef engagement developing brand awareness and customer loyalty.



North America

North American growth led by enhanced distribution partnerships in strategic city markets

Revenue Growth

- Approximately + 7% vs pcp.
- Approximately 7% of overall Wagyu meat sales.

Commercial Highlights

- US based commercial team building in-country resourcing and distribution network.
- California distribution partnership agreement executed.
- Distributor partnerships developed in Florida and Chicago.

Brand Highlights

- Westholme launched in LA, Chicago and Florida.
- Targeted chef engagement driving Westholme brand connection.
- Brand Ambassador appointed to enhance brand affinity and product understanding for US distributors, customers and consumers.



Australia

Premium market shift proceeding to plan

Revenue Growth

- Approximately (6%) vs pcp (Price/Mix 5% increase, Volume 10% decrease).
- Approximately 12% of overall Wagyu meat sales.

Commercial Highlights

- Premium market shift proceeding to plan – growing premium brand sales and market presence.
- Achieved higher pricing while reducing overall volumes to re-focus premium sales (strategic product reallocation to China, EU markets).
- East Coast distribution partnerships restructured.
- Increased sales presence supporting distributor and customer relationships.

Brand Highlights

- Renewed focus on Australia as AACo's spiritual and brand home.



Financial Performance



- Continued positive operating profit and cash flow delivered in the face of ongoing adverse seasonal conditions. Approximately \$36m adverse impact in H1FY20 of elevated drought related costs. This represents an increase of \$11.1m over pcp.
 - Operating profit¹ \$6.3m vs \$24.8m pcp
 - Operating profit¹ (excluding Livingstone) \$9.4m vs \$34.6m pcp
- Strongest half year of Wagyu meat sales to date +9.5% vs pcp, Wagyu Price/Mix/Exchange \$/Kg +5.9% vs pcp (Wagyu currently represents 100% of all meat sales).
- Positive operating cash flow delivered in 3 out of the last 4 halves, despite significant seasonal impacts.
 - Strength of pcp result reflects one-off cash inflow from Livingstone and 1824 supply chain wind down.
- Statutory EBITDA loss of (\$3.4m) in H1FY20 vs (\$82.9m) loss in H1FY19.
 - A major driver of this result is H1FY19's significant decline in Australian Wagyu cattle market prices coupled with a slight recovery seen in H1FY20. Net favourable SGARA YoY movement is \$98.0m.
- Gearing ratio 30.6% (pre AASB 16²) vs 30.0% pcp – comfortably in-line with targeted pre-AASB 16 target of 20-35%.
- ROCE 0.5% vs 1.9% pcp

Note 1: The measure of Operating Profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information. Operating Profit assumes movement in Livestock and inventory volume at cost of production, while Statutory EBITDA results include revaluations based on livestock market values.

Note 2: AASB 16 Leases replaces existing leases guidance and introduces a single on-balance sheet accounting model for lessees. The Company has adopted AASB 16 using a modified retrospective approach from 1 April 2019. Refer appendix for impact of AASB 16 on key metrics. Refer AACo Financial Report for the half-year ended 30 September 2019 for further detail on AASB 16.

\$m	H1FY 2020 ¹	H1FY 2019	Var \$
Meat sales	105.8	146.4	(40.6)
Cattle Sales	77.0	72.8	4.2
Total Sales	182.8	219.2	(36.4)
Operating Expenditure	(142.9)	(151.7)	8.8
Cattle Purchases	(9.3)	(22.7)	13.4
Operating Gross Profit	30.6	44.8	(14.2)
Change in Herd at Cost of Production	(0.2)	(4.5)	4.3
Meat Inventory Change	(7.0)	1.1	(8.1)
Adjusted Gross Profit	23.4	41.4	(18.0)
Corporate Expenses	(15.3)	(16.8)	1.5
Other incl. FX	(1.8)	0.2	(2.0)
Operating Profit² (EBITDA ex SGARA)	6.3	24.8	(18.5)
Change in livestock value (SGARA) + Other	(9.7)	(107.7)	98.0
Statutory EBITDA profit/(loss)	(3.4)	(82.9)	79.5

Positive Operating² Profit despite approximately \$36m of elevated drought related costs

- Operating profit² \$6.3m vs \$24.8m pcp.
- Operating profit² (excluding Livingstone) \$9.4m vs \$34.6m pcp.
- 9.5% growth in underlying Wagyu meat sales vs pcp.
- Approximately \$36m adverse impact in H1FY20 of elevated drought related costs to maintain production quality and supply in response to adverse seasonal conditions.
- Major drivers of operating profit variance vs pcp:
 - Drought specific Op Ex +\$11.1m vs. pcp.
 - Net unfavourable \$3.3m lower herd volumes impact through strategic destocking including:
 - Increased cattle sales;
 - Reduced cattle purchases; and
 - Elevated CoP (due to adverse seasonal conditions).
 - Strength of pcp result reflects one-off revenues from structural reorganisation of Livingstone and 1824 supply chains.
- **Statutory EBITDA loss of (\$3.4m) in H1FY20 vs (\$82.9m) loss in H1FY19.**
 - A major driver of this result is H1FY19's significant decline in Australian Wagyu cattle market prices coupled with a slight recovery seen in H1FY20. Net favourable SGARA YoY movement is \$98.0m.

Note 1: Refer Appendix for impact of AASB 16 on key metrics. Refer AACo Financial Report for the half-year ended 30 September 2019 for further detail on AASB 16.

Note 2: The measure of Operating Profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information. Operating Profit assumes movement in Livestock and inventory volume at cost of production, while Statutory EBITDA results include revaluations based on livestock market values.

\$m	30 Sep 2019		31 Mar 2019
	Pre AASB 16 ¹ Adj	Post AASB 16 ¹ Adj	
PPE&E	802.7	802.7	795.3
Right of use asset	-	33.5	-
Livestock	408.1	408.1	423.3
Interest-Bearing Liabilities	(371.7)	(405.2)	(366.1)
Net debt	(365.1)	(398.6)	(361.0)
Equity employed	826.6	827.4	843.7
Gearing ratio²	30.6%	32.5%	30.0%
Net tangible assets (\$/Share)	\$1.36	\$1.37	\$1.42

- Balance sheet remains strong with \$1.3b in total assets held.
- Net livestock reduction vs pcp reflects strategic destocking in the context of adverse seasonal conditions. This is partly offset by \$22.6m improvement in herd market value in H1FY20.
- AACo has adopted AASB 161 Leases using a modified retrospective approach from 1 April 2019.
- Significant asset head room remains in debt covenants.
- Gearing ratio pre AASB 161 of 30.6% in-line with targeted pre-AASB 16 ratio of 20-35%.

Note 1: AASB 16 Leases replaces existing leases guidance and introduces a single on-balance sheet accounting model for lessees. The Company has adopted AASB 16 using a modified retrospective approach from 1 April 2019. Refer appendix for impact of AASB 16 on key metrics. Refer AACo Financial Report for the half-year ended 30 September 2019 for further detail on AASB 16.

Note 2: Gearing ratio determined as net debt/(net debt+equity employed).

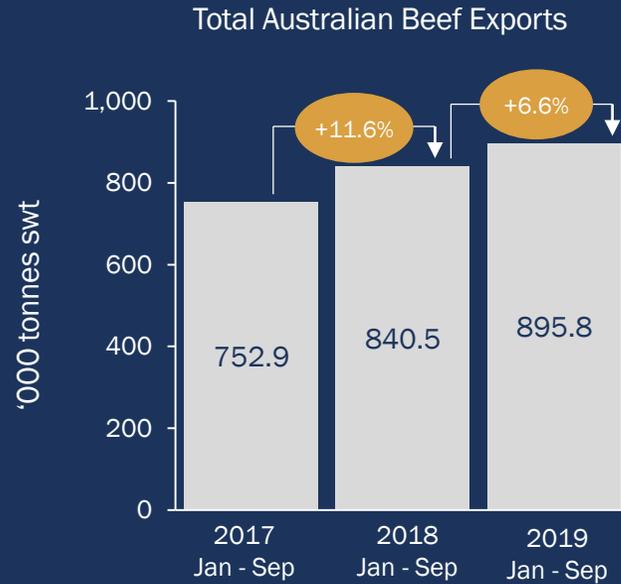
\$m	H1FY 2020	H1FY 2019	Var \$
Receipts from Customers	193.5	233.1	(39.6)
Payments to Suppliers and Employees	(175.1)	(196.7)	21.6
Net financing costs	(7.4)	(6.8)	(0.6)
Net Operating Cash Flow	11.0	29.6	(18.6)
Net Investing Cash Flow	(11.7)	(12.2)	0.5
Net Financing Cash Flow	2.1	(22.6)	24.7
Net Increase / (Decrease) in Cash	1.4	(5.2)	6.6
Opening Cash Balance	7.6	11.2	(3.6)
Closing Cash Balance	9.0	6.0	3.0

- AACo has delivered positive operating cash flows in 3 out of the last 4 financial halves despite significant drought related impacts.
- Operating Cash Flow decrease of \$18.6m vs pcp driven by:
 - *Operating result vs pcp.*
 - *Strength of pcp result reflects one-off cash inflow from Livingstone and 1824 supply chain wind down.*
- Net Financing Cash Flow variance \$24.7m reflects targeted cash management strategies. This does not change or impact total borrowing capacity.



Operating Environment

Demand for Australian Beef is strong with a lower pool of cattle to source from.



Source: DAFF

- “Processor and live export demand will likely be strong on the back of robust international demand combined with a much smaller pool of cattle to source from.”
- “...beef production is highly unlikely to exceed 2019 levels over the next two years.”
- “The strong finished cattle prices seen in 2019 have been supported by surging demand in China (underpinned by the ongoing African Swine Fever epidemic) and a favourable Australian dollar.”

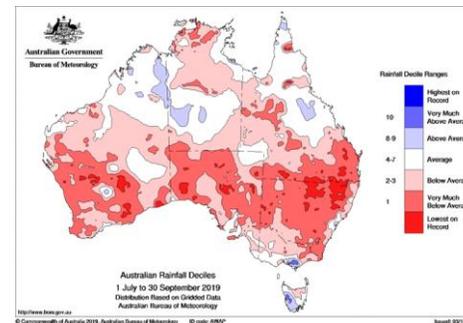
Source: MLA October 2019 Cattle Industry Projections

Ongoing adverse seasonal conditions remain a challenge.

“Winter and early spring offered no reprieve from widespread dry conditions for the majority of Australian cattle producers, who continue to contend with scarce water availability, rising feed costs and growing financial pressure.”

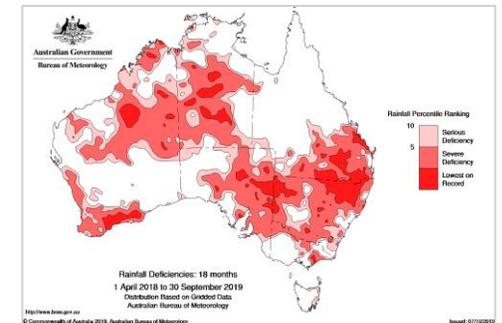
Source: MLA October 2019 Cattle Industry Projections

3 months Rainfall Deciles



Source: Bureau of Meteorology

18 months Rainfall Deciles



Source: Bureau of Meteorology

- Below average rainfall and above average temperatures over the past 6 months.
- These conditions along with the failure of 2018 and 2019 winter crops and the 18/19 summer crop has resulted in continued pressure on station cost on our properties and feedlots.



Gulf Flood Update

Significant progress made rebuilding our flood effected Gulf properties

- Full assessment of the impact on infrastructure across approximately 800,000 hectares of affected properties has been completed.
- Gulf rebuild is applying the key lessons of the Gulf Flood event. Enhanced infrastructure development is underway at a total estimated cost of approximately \$9.0m.
- The rebuild project is well progressed with the main focus areas being:
 - *Property*
 - *Fencing*
 - *Water infrastructure*

An aerial photograph of a wide, winding river flowing through a vast, flat landscape. The sun is low on the horizon, creating a golden glow and reflecting off the water's surface. The river meanders across the terrain, which is covered in sparse, low-lying vegetation. The sky is a mix of orange and blue, with some light clouds.

Unparalleled Provenance & Assets

*There is a real palpable magic at the
heart of AACo*



AACo presents a unique value proposition:

Our unrivalled ability to produce the highest quality beef at scale

Scale - The scale of our herd and properties allows us to adapt and evolve, to meet the needs of customers around the world.

Heritage - AACo Beef is a product of Australian history dating back to 1824. We are Australia's oldest continuously operating company.

Quality of assets - Our superior herd genetics and pristine native pastures span approximately 1% of Australia.

Brands - Our branded beef strategy positions us to capture the global appetite for high quality, premium Australian product.

Leadership - Our experienced and diverse global leadership team is taking AACo's unique value proposition to the world.



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AUSTRALIAN BEEF**

Appendices

Financial Performance: Profit & loss summary Excl Livingstone

\$m	H1FY 2020 ¹	H1FY 2019	Var \$
Meat sales	105.8	115.2	(9.4)
Cattle Sales	77.0	72.8	4.2
Total Sales	182.8	188.0	(5.2)
Operating Expenditure	(140.7)	(134.0)	(6.7)
Cattle Purchases	(9.3)	(1.8)	(7.5)
Operating Gross Profit	32.8	52.2	(19.4)
Change in Herd at Cost of Production (CoP)	(0.2)	(3.1)	2.9
Meat Inventory Change	(7.0)	1.2	(8.2)
Adjusted Gross Profit	25.6	50.3	(24.7)
Corporate Expenses	(14.6)	(16.0)	1.4
Other incl. FX	(1.6)	0.3	(1.9)
Operating Profit² (EBITDA ex SGARA)	9.4	34.6	(25.2)
<i>Change in livestock value (SGARA) + Other</i>	(9.7)	(115.3)	105.6
Statutory EBITDA loss	(0.3)	(80.7)	80.4

Note 1: Refer Appendix for impact of AASB 16 on key metrics. Refer AACo Financial Report for the half-year ended 30 September 2019 for further detail on AASB 16.

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AASB 16 Leases: *Impact on H1FY20 Key metrics*

\$m	Pre AASB16 ¹	Adjust	Post AASB16 ¹
Profit & Loss			
Operating Profit	5.9	0.4	6.3
Net Loss before tax	(18.9)	(0.2)	(19.1)
Balance Sheet			
Total Assets	1,278.9	33.5	1,312.4
Total Liabilities	(451.4)	(33.6)	(485.0)
Cash Flow			
Net Operating Cash Flow	8.1	2.9	11.0
Net Financing Cash Flow	5.0	(2.9)	2.1
Total Cash flows	1.4	-	1.4
Other			
ROCE (%)	0.49%	0.04%	0.53%
Gearing Ratio (%)	30.6%	1.9%	32.5%
Net tangible assets (\$/Share)	1.36	0.01	1.37

Note1: AASB 16 Leases replaces existing leases guidance and introduces a single on-balance sheet accounting model for lessees. The Company has adopted AASB 16 using a modified retrospective approach from 1 April 2019. Refer AACo Financial Report for the half-year ended 30 September 2019 for further detail on AASB 16.



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Thank you