



ASX Announcement

20 May 2020

Strong wagyu sales and disciplined cost focus deliver positive operating results in FY20

- Wagyu beef sales up c. 20% achieved through price and volume growth
- Operating profit of \$15.2M (loss of \$22.9M in pcpr)
- Delivered strongest operating cashflow in 3 years of \$20.1M (\$13.0M in pcpr)
- Statutory EBITDA profit of \$80.1M (compared with loss of \$182.7M in pcpr)
- Balance sheet strengthened with an increase in pastoral properties valuation of \$63.6M (9%), and an increase in the market value of livestock over the previous year
- COVID-19 had a negligible impact on FY20 results, impact on FY21 is uncertain and cannot be reasonably estimated at this time

Australian Agricultural Company Limited (ASX:AAC) “AACo” or the “Company” today announces a full-year Operating Profit of \$15.2 million, following a solid year of international wagyu beef sales driven by its branded beef strategy as well as a determined focus on cost reduction.

The Company achieved its strongest positive operating cashflow in three years despite elevated seasonal related costs of \$42 million.

For the year ended March 31, 2020, AACo reported a Statutory EBITDA profit of \$80.1M (v FY19 loss of \$182.7M).

This \$263M improvement in Statutory EBITDA on the prior year is largely attributable to the \$254.6M swing in the value of the livestock herds, with live cattle markets recovering in FY20 from the sharp price declines that occurred in early FY19. The FY19 year also included \$45.6M of Gulf flood livestock write-offs and a \$65.5M decline in the composite herd relating to wind-downs of the Livingstone Beef and 1824 supply chains in addition to sales relating to seasonal conditions.

Pastoral property values increased by \$63.6M during FY20 underpinned by the strength and quality of the portfolio.



Managing Director and CEO Hugh Killen said, “As we manage the ongoing and uncertain impacts of COVID-19, we reflect on a satisfying year for AACo. We made meaningful progress in the execution of our branded beef strategy, with the sales momentum gained during the first half of the year continuing throughout the second half. These results reflect the contribution and effort of the AACo team as we continue to move towards a simpler and more efficient business.”

“The past year has not been without its challenges. We had to rebuild our Gulf infrastructure after the flood event in February 2019 while at the same time, continue to battle crippling drought across many of our properties. We achieved both while protecting our core breeding herd to ensure an uninterrupted supply chain.”

Wagyu meat sales increased 19.7 percent v pcpc with prices increasing by 8 percent per kilogram v pcpc.

AACo supplies its wagyu beef into the food service, retail and wholesale sectors globally, with all regions recording strong sales growth during the year, albeit with the last month partially impacted by the effects of COVID-19.

“Our premium brand, Westholme achieved excellent sales growth compared to the previous year, as we strategically launched the brand in key cities throughout the world”, he said. “We also have deep market presence in the retail sector, for example, in South Korea where Darling Downs Wagyu is a household name and there continues to be strong demand for our products in that market.”

“Our focus on controllable costs and drive towards a simpler more efficient AACo has resulted in a \$31M reduction in operating expenditure.”

Livestock and Land Valuations

The carrying value of AACo’s pastoral properties increased by approximately 9 percent at 31 March 2020 over balances reported at 31 March 2019.

In addition, market values of non-wagyu and wagyu cattle have increased 12 percent over values held at 31 March 2019.

This increase in value is offset by herd number reductions from the Company’s strategic destocking decision made in response to the adverse seasonal conditions and the loss of cattle in the Gulf flood event in 2019. The majority of the decline in herd numbers has occurred in trading animals and the Company’s signature breeding herds remain strong.



COVID-19 Response

As outlined in our letter to shareholders released to the ASX on the 20th of April 2020, AACo took early and proactive action around COVID-19. This included accelerating our allocation of products to the retail sector, modifying sales and marketing priorities and taking a number of steps to optimise cashflow and reduce operating expenses.

Mr Killen said, “While food service remains an important sales channel for the business, in this current environment, we are increasing focus into retail sales channels while protecting the brand development made to date in the food service sector.”

“Retail has always been a strong component of AACo’s channel mix representing approximately 40 to 50 percent of overall meat sales in FY20. We are now doing further work with our distributors and wholesalers to accelerate our supply of products into some of the world’s largest supermarkets, gourmet butchers and direct to customers online.”

Suspension of Australian beef plants

AACo is working with Government and industry stakeholders, including our beef processing partners, to respond to the potential implications from the suspension of four Australian beef plants by Chinese authorities.

China sales represented approximately 15 percent of total meat sales for AACo in FY20. At this point more than one-third of AACo’s exports to China are not impacted by the suspension.

AACo’s global footprint and customer base also enables us to divert product to other markets, if required, reducing the overall impact on our operations from the suspension of some facilities licensed for China.

FY21 Outlook

AACo continues to monitor developments in the COVID-19 pandemic and the measures being implemented in the global economy to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the impact of COVID-19 cannot be reasonably estimated at this stage.

Mr Killen said, “By the second week of March all of our 16 food service export markets had been impacted in some way by COVID-19”.

“These are uncertain times for food service globally and the impact is still to be fully understood as the world comes to terms with the long-term recovery from COVID-19 on everyday life.”



“We do know that sustainable, healthy, high quality beef from supply chains that offer paddock to plate provenance for families and diners the world over is in demand. AACo remains well placed to respond to this demand in whichever way it manifests itself as we emerge from the COVID-19 pandemic”.

Investor Briefing

Australian Agricultural Company (AAC) will hold a teleconference briefing for investors and analysts detailing Full Year 2020 Results on **Wednesday 20th May at 9:00am AEST**.

Conference details:

AACo Conference ID: 10006646

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

Participant Dial-in Numbers

Australia Toll Free:	1800 455 963	Australia Alt. Toll Free:	1800 908 299
Australia Local:	02 9007 8048	Hong Kong Toll Free:	800 968 273
New Zealand Toll Free:	0800 452 795	UK Toll Free:	0800 051 1453
Canada/USA Toll Free:	1855 624 0077	Singapore Toll Free:	800 101 2702

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For the purposes of ASX Listing Rule 15.5, AACo confirms that this announcement has been authorised for release to the market by the Board.	