



17 November 2022
Announcement

ASX/Media

AACo delivers improved Operating Profit in uncertain economic environment

- Operating Profit: \$38.3m vs \$30.0m pcp
- Statutory Net Profit After Tax: \$51.6m vs \$83.2m pcp
- Operating Cash Flow: \$3.4m vs \$17.3m pcp
- Meat Sales Revenue: \$122.3m vs \$102.9m pcp
- Meat sales price per kilogram increased 25.9% (20.1% constant currency basis)
- Westholme and Darling Downs brands now represent 88% of meat sales
- 18% increase in live weight kilograms produced vs 1% higher costs of production
- NTA increase of 3% to \$2.33 per share driven by an increase in net assets to \$1.4b

H1 FY23 Overview

The Australian Agricultural Company Limited's (AACo)(ASX:AAC) FY23 half year results released today show an improved operating profit vs pcp of \$38.3m. AACo's operating profit margin of 23.4% is a 2.5% increase vs pcp.

The result was driven by a 25.9% improvement (20.1% constant currency basis) in average meat sales price per kilogram, a result of the company's ongoing focus on its premium brands and strategic market allocation. It led to \$122.3m in meat sales revenue, growth of 18.9% on the prior period, despite lower volumes sold.

The strength of the company's financial position is highlighted by the value of net assets, which are now \$1.4b. This growth vs pcp is largely the result of a \$71m increase in the value of the herd, primarily from increased brandings in the period as we continue our herd optimisation program. This has resulted in Net Tangible Assets per share growing to \$2.33.

The operating cashflow of \$3.4m primarily reflects a higher overall cost environment, as well as more live weight kilograms produced, which resulted in an increased spend vs pcp.

The statutory net profit after tax is \$51.6m and statutory EBITDA is \$92.3m, both down on the prior period as a result of lower fair value adjustments this period, as cattle prices in Australia normalise.

While recognising the positive result, Managing Director and CEO David Harris said: "Our focused effort on the five pillars of our strategy is continuing to produce positive results, despite global economic uncertainty."

"Our margins are higher, we're continuing our proactive sustainability agenda, we have advanced several key projects and we've been able to do more with less, producing 18% more live weight kilograms while only increasing production costs 1%.

"I'm proud of our people for their hard work in delivering these strong financial results, and their passion and dedication in producing the premium Wagyu that AACo is known for."

Delivering full potential from our brands

Underpinning the higher operating profit margin was our ability to secure increases in the average meat sales price per kilogram across all markets.

Westholme's expansion in the US produced results in the first half of the year. The targeted allocation of product and a focus on growing brand led to higher pricing. North America represents 29% of total meat sales.

There were also solid increases in Europe and the Middle East, which now represent 17% of total meat sales.

Westholme sales in Australia increased 35%, supporting strong increases in average price despite a lower volume compared to the prior period. Sales were also allocated away from Asia into food service markets, optimising global supply across the carcass, though it remains our largest volume region.

"The ongoing return of food service after COVID-19 has helped these results and it is clear the strength of our brands is also a significant factor," Mr Harris said.

"The 25.9% increase in our branded meat sales price per kilo is testament to the continued growth of Westholme and Darling Downs. They now account for more than 88% of branded sales."

Executing on our sustainability strategy

AACo's sustainability program continued to build momentum through the first half of the year, including progressing our five key commitments and releasing the company's third Sustainability Report.

Among the achievements, we reached the half-way point in our asparagopsis trial¹, which will help us understand the potential for reducing methane emissions in Wagyu cattle.

"We've also taken a significant number of core samples to help build our landscape carbon satellite tool² that could bring down the cost barrier for participation in soil carbon markets," Mr Harris said.

"Our solar bore transition is continuing as well, and we are on track to switch all bores across our network by 2024. Each pump that is changed from diesel to solar reduces carbon emissions by about 6 tonnes per year."

Current Operating Environment

Global economic conditions have shifted significantly vs pcp, with rising inflation and interest rates impacting the cost of living. The IMF is forecasting that 2022 and 2023 will record the lowest global economic growth rates since the GFC.

Regarding biosecurity, the potential risks and challenges of Foot and Mouth Disease and Lumpy Skin Disease remain low, but AACo will continue watching for any developments.

We're also monitoring the heavy drought conditions and impact on herd size in the US, which may result in global opportunities as it coincides with the ongoing rebuild of herds across Australia.

Mr Harris says AACo will continue an intense focus on its strategy, while adjusting to the conditions as required.

"We are wary of the evolving global economic conditions but will stick to the fundamentals and the strategy that have served us well through other challenges over recent years."

[ENDS]

¹ Trial partners include Sea Forest, MLA, UNE and UQ

² In partnership with Food Agility, Cibo Labs, Mullion Group and Carbon Link

Investor Briefing

The Australian Agricultural Company Limited (ASX:AAC) will hold a teleconference and webcast briefing for investors and analysts detailing H1FY23 Results on **Thursday 17th November at 9:30 am AEST**.

Conference details:

Webcast link – <https://ccmediaframe.com/?id=q0MGIBrt>

AACo Conference ID: 10026134

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
Auckland	09 929 3905	Singapore Toll Free:	800 101 2702
Canada/USA Toll Free:	855 624 0077	China	10800 140 1776
Other international (metered)	+61 7 3145 4005	UAE	8000 3570 2706

Media Enquiries	Investor Enquiries
Aaron Wakeley Head of Government and Media Relations +61 438 144 127 awakeley@aaco.com.au	Steven Handley Investor Relations Manager +61 7 3368 4400 ir@aaco.com.au
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.	