



*H1 FY23 Interim Results Presentation*  
*17 November 2022*

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# Important *Information*

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# Executive Summary

- Operating Profit of \$38.3M up vs pcp \$30.0M
  - Higher meat sales margins as average Wagyu meat sales price per Kg CW increased by ~25.9% (20.1% constant currency basis)
- Statutory Net Profit after tax of \$51.6M vs pcp \$83.2M
- Growth in NTA with an increase of ~3% to \$2.33/share vs pcp, and net assets to \$1.4B
- Operating Cash Flow of \$3.4M down vs pcp \$17.3M
  - Increased spend associated with 18% higher live weight kgs produced
  - Higher input cost environment
- Focus remains on executing against our strategic pillars
- Continuing to monitor developments of uncertain global economy


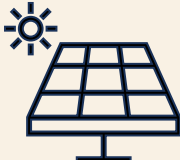



A person wearing a hat and light-colored clothing is riding a dark horse, herding a large group of dark-colored cattle. The scene is set in a grassy field with scattered trees, and a body of water is visible in the foreground. The lighting is warm, suggesting sunset or sunrise. The text "We're evolving *together* to benefit future generations" is overlaid on the image.

We're evolving *together* to benefit  
future generations



# Progress Against *Strategy*

<b>Delivering full potential from our brands</b>	<b>+25.9%</b> Wagyu Meat sales \$/Kg CW increase	<b>88%</b> Branded Meat Sales <sup>1</sup> Westholme and Darling Downs	<b>+25%</b> Branded Meat Sales <sup>1</sup> Growth North America
<b>Executing on our Sustainability Strategy</b>	 Released third Sustainability Report	 Solar Bore transition progressing well towards 2024 target	
<b>Developing our Natural Resources and Assets</b>	Further progression of Gulf irrigation farming trials		
<b>A Simpler &amp; More Efficient AACo</b>	<b>+18%</b> Increase in Live Weight Kgs produced vs 1% higher cost of production		

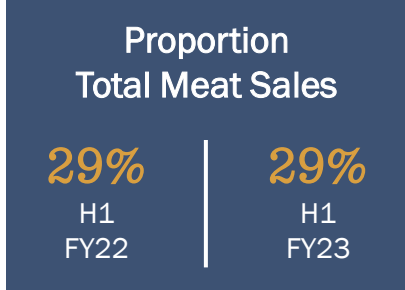
Note 1: Branded meat sales represents total meat sales excluding trim & by-products.



# Regional Performance







# North America

## Meat Sales

*Meat sales relative to total meat sales flat vs pcp supported by higher pricing and increased volumes of branded sales<sup>1</sup>, offsetting lower commoditised sales volume*

- Focus on growing Westholme in this market saw a 25% increase in branded meat sales<sup>1</sup> vs pcp.
- Westholme collaborations with high profile US based chefs broadcast across our digital channels, building brand awareness.
- Food service recovery, strategic market allocations and targeted distributions in food service have been key enablers of price growth.

Note 1: Branded meat sales represents total meat sales excluding trim & by-products.



Proportion  
Total Meat Sales

53%  
H1  
FY22

47%  
H1  
FY23

## Asia Meat Sales

*Achieved good average price uplifts vs pcp, despite reduced volume as higher valued primal cuts allocated away into food service markets*

- Enhanced Darling Downs in-store experience supporting average price growth in South Korea.
- Refreshed Darling Downs Korean website boosting consumer accessibility to online purchases of product.
- Identified food influencer channel in Korea as additional channel to build brand awareness, following a successful first trial.





Proportion  
Total Meat Sales

9%  
H1  
FY22

7%  
H1  
FY23

# Australia

## Meat Sales

Focus on optimising value across the carcass, reallocating cuts away from Australia to enhance returns globally in line with our overall strategy

- Continued to build brand presence with activations executed across key venues and with influential Australian chefs.
- Westholme sales increased by ~35% vs pcp, supporting strong average price in this market.
- Launched new Westholme website with improved suite of marketing technology that will enhance digital marketing capabilities.



Proportion  
Total Meat Sales

9%

H1  
FY22

17%

H1  
FY23

# Europe/Middle East Meat Sales

Predominantly food service focused, this region saw robust volume increases as part of post-COVID recovery

- On premises brand activations continued in H1 FY23 supporting our brand building and advocacy across priority cities in the region.
- Middle East consumer activity in line with pre-COVID levels with tourism and premium dining channel growing very positively.





# Sustainability *Update*

## *Continued progress against commitments*

- Released our third Sustainability Report mapping out actions we are taking to become more sustainable.
- Transition of bore network to solar progressing well and on target to be complete by 2024.
- Reached halfway point in Asparagopsis trial.
- Completed stage 1 of our climate risk assessment enhancing understanding of our impact on climate.
- Exploring means of undertaking a meaningful nature risk assessment across our large footprint with potential of aligning with TCFD<sup>1</sup> reporting once released.

Note 1: Task Force on Climate-Related Financial Disclosures.





# Financial Performance





# Highlights

## Growth

Meat  
Sales

*\$122.3M*

+ 18.9% vs pcp

## Profit

Operating  
Profit

*\$38.3M*

+ 28% vs pcp

## Cash Flow / Net Assets

Operating  
Cash Flow

*\$3.4M*

(80%) vs pcp

Wagyu Meat  
Sales Price

*\$22.06/kg*

+ 25.9%<sup>1</sup> vs pcp

Operating  
Profit Margin

*23.4%*

+ 2.5 ppt vs pcp

Net Tangible  
Assets

*\$2.33/Share*

+ 3% vs pcp

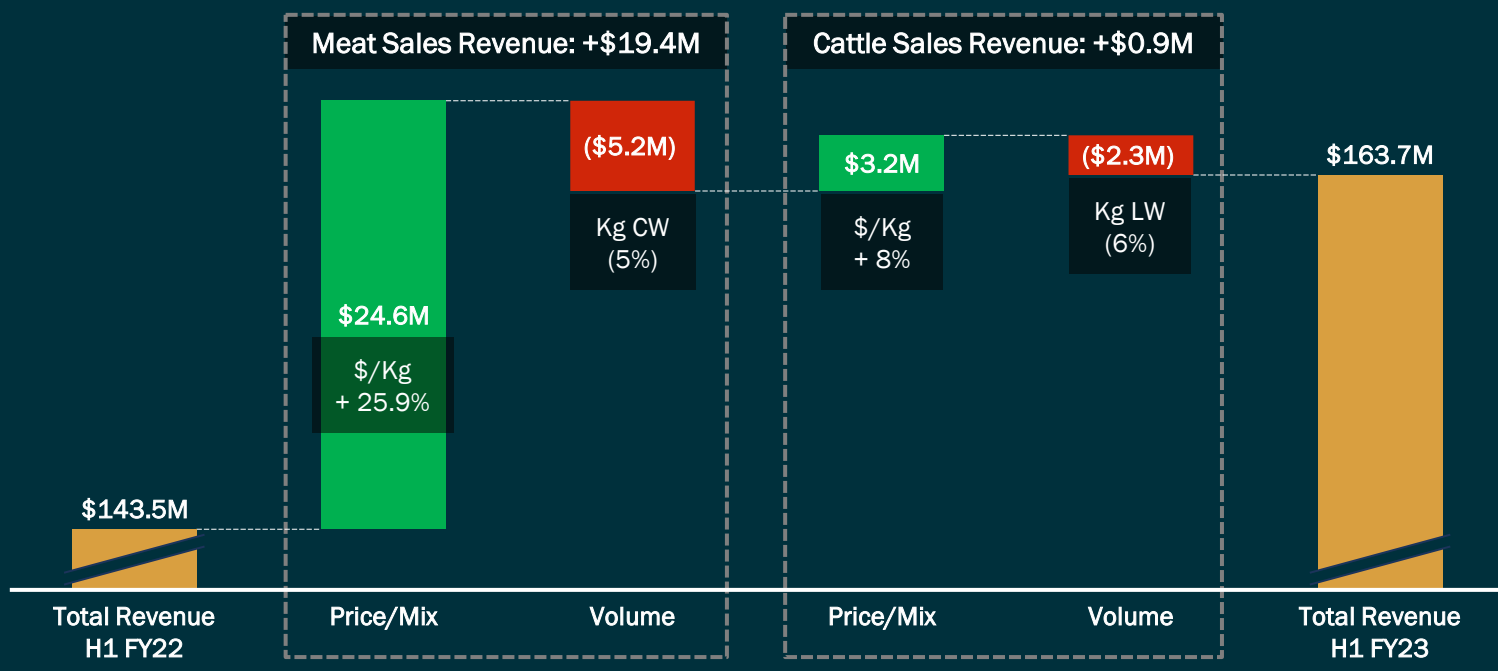
Note 1: 20.1% constant currency basis.





# Revenue

Higher meat sales pricing driving improved overall revenue despite lower sale volumes



- Average increase of 25.9% (20.1% constant currency basis) in Wagyu meat sales price/mix, driven by improved average pricing across all markets and strategic allocation of product.
- Reduced Wagyu meat sales volume of 5% mainly due to timing of supply.
- Strong trading and “restocker” cattle market continued to support cattle sales, offset by lower volumes sold vs pcp.



# Profit & Loss *Summary*

Stronger sales margins driving operating profit of \$38.3M vs \$30.0M pcp

Increase in gross margin to \$63.6M vs \$46.5M pcp.

- H1 FY23 meat sales revenue improved by \$19.4M vs pcp supported by 25.9%<sup>1</sup> higher price realisation, offset by 5% lower volume available for sale.
- Average increase in cattle sales pricing of 8%, offset by reduced head sold vs pcp.
- Higher processing, freight and storage costs impacting margin.

Lower fair value adjustments during the period as Australian cattle prices normalise driving lower:

- Statutory EBITDA of \$92.3M vs \$137.0M pcp.
- Net profit after tax of \$51.6M vs \$83.2M pcp.

Note 1: 20.1% constant currency basis.

Profit and Loss Summary (\$M)	H1FY23	H1FY22	Var
Meat Sales	122.3	102.9	19.4
Cattle Sales	41.4	40.5	0.9
<b>Total Sales Revenue</b>	<b>163.7</b>	<b>143.5</b>	<b>20.2</b>
Cost of Goods Sold valued "at cost"	(100.1)	(96.9)	(3.2)
<b>Gross Margin</b>	<b>63.6</b>	<b>46.5</b>	<b>17.1</b>
<b>Operating Profit</b>	<b>38.3</b>	<b>30.0</b>	<b>8.3</b>

Statutory Profit/(Loss) Reconciliation (\$M)	H1FY23	H1FY22	Var
<b>Operating Profit</b>	<b>38.3</b>	<b>30.0</b>	<b>8.3</b>
Unrealised mark-to-market of herd	(9.4)	87.0	(96.4)
Cost vs Fair Value: Kgs sold or produced	61.3	19.3	42.0
Other income / (expense)	2.1	0.7	1.4
<b>Statutory EBITDA (FV basis)</b>	<b>92.3</b>	<b>137.0</b>	<b>(44.7)</b>

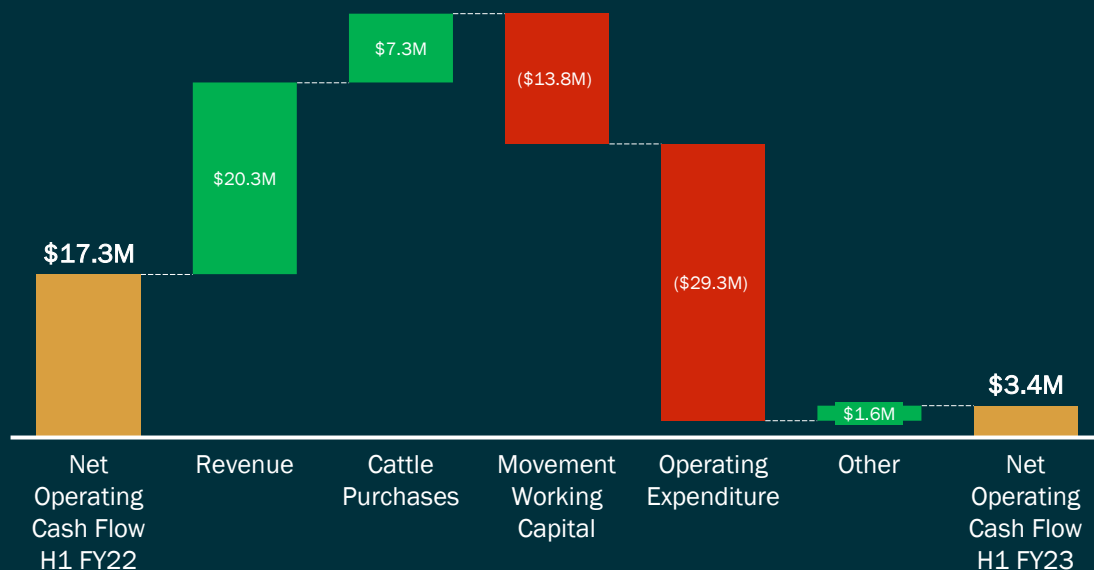
# Cash Flow *Summary*

Positive operating cash flow generation of \$3.4M vs \$17.3M pcp

Reduced net operating cash flow vs pcp driven primarily by:

- Increased working capital movement.
- Higher operating expenditure due to increased cost environment and 18% more live weight kilograms produced vs pcp.
- Partly offset by increased revenue receipts and lower cattle purchases.

## Net Operating Cash Flow vs pcp



Consolidated Statement of Cash Flows (\$M)	H1FY23	H1FY22	Var
Receipts from Customers	170.4	151.6	18.8
Payments to Suppliers and Employees	(160.1)	(125.8)	(34.3)
Net Financing Costs	(6.9)	(8.5)	1.6
<b>Net Operating Cash Flow</b>	<b>3.4</b>	<b>17.3</b>	<b>(13.9)</b>
<b>Net Investing Cash Flow</b>	<b>(4.3)</b>	<b>(3.2)</b>	<b>(1.1)</b>
<b>Net Financing Cash Flow</b>	<b>0.3</b>	<b>(9.7)</b>	<b>10.0</b>
Net Increase / (Decrease) in Cash	(0.6)	4.4	(5.0)
Opening Cash Balance	9.3	8.9	0.4
<b>Closing Cash Balance</b>	<b>8.7</b>	<b>13.3</b>	<b>(4.6)</b>

# Balance Sheet *Summary*

Net assets increase to \$1.4B supporting strong financial position

- Increased value of herd of \$71M largely off the back of higher brandings and live weight kilograms produced.
- Well capitalised with substantial remaining access to capital:
  - Total committed facility capacity of \$600M.
  - Approximately \$231M available borrowing capacity.
  - Significant headroom under existing covenants.
- Gearing ratio post AASB 16<sup>1</sup> of 22.9% in line with targeted ratio 20-35%.
- ROCE 2.2% vs 2.1% H1 FY22.
- Growth in NTA of ~3% to \$2.33/share.

Consolidated Statement of Financial Position (\$M)	30 Sep 2022	31 Mar 2022
Livestock	807.2	736.2
PPE & Intangibles	1,247.8	1,245.4
Right-of-Use Assets	37.7	21.9
Other Assets	53.3	51.4
<b>Total Assets</b>	<b>2,146.0</b>	<b>2,054.9</b>
Interest-Bearing Liabilities	383.6	378.6
Lease Liabilities	39.8	23.8
Deferred Tax Liability	276.9	254.4
Other Liabilities	36.3	35.5
<b>Total Liabilities</b>	<b>736.6</b>	<b>692.3</b>
<b>Net Assets</b>	<b>1,409.4</b>	<b>1,362.6</b>
<i>Gearing ratio post AASB 16<sup>1</sup></i>	22.9%	22.5%
<i>Net Tangible Assets (\$/Share)</i>	2.33	2.27

Note 1: AASB 16 Leases replaced previous leases guidance and introduced a single on-balance sheet accounting model for lessees. Refer AACo Financial Report for the half-year ended 30 September 2022 for further detail on AASB 16.





# Operating Environment



# Operating *Outlook*

## *Global economic uncertainty*

- IMF forecasting lowest global economic growth rate in 2022 and 2023 since Global Financial Crisis.
  - Inflation at highest levels in several decades.
  - Cost-of-living pressure and tightening financial conditions.
- National biosecurity risk increased this period, with likelihood of an FMD<sup>1</sup> or LSD<sup>2</sup> incursion in next 5 years at 11%/28% respectively.
- Drought conditions in USA driving liquidation of herd, global beef supply increasing.
- Strong rebound in foodservice continues in key target markets.
- AACo's herd optimisation progressing well with increased brandings and production in H1 FY23.

Note 1: Foot and Mouth Disease

Note 2: Lumpy Skin Disease

Comments on this slide are attributed to the following sources: IMF World Economic Outlook, October 2022. USDA-FAS-PSD Livestock and Poultry: World Markets and Trade October 22, University of Melbourne - Centre of excellence for Biosecurity Risk Analysis.







# Closing Remarks





*Questions*





*Appendix*



# Definitions

Term	Definition
<i>Cost of Goods Sold (COGS) valued "at cost"</i>	Represents the actual production cost the Company incurred over the multi-year timeline required to produce the meat and cattle that was sold during the period. This is in contrast to Cost of Goods Sold as presented in the statutory financial statements which instead uses the fair value (less costs to sell) of the cattle sold live or used in the production of sold meat. As Fair Value is a market-based measurement and is not entity-specific, Management believe that profit measures using actual costs incurred to calculate COGS, more accurately reflect entity performance than profit measures which use Fair Value to determine COGS.
<i>Cost of Production</i>	Total production costs incurred during the period throughout the breeding, backgrounding and feedlot operations of the Company, divided by the number of total live weight kilograms of cattle produced during the period.
<i>Operating Profit</i>	The measure of Operating Profit is a key indicator which is used to monitor and manage the Company and represents an adjusted statutory EBITDA. Operating profit is a key measure of profitability for AACo which removes unrealised livestock mark-to-market fluctuations from the statutory profit result, and measures cost of goods sold using production costs rather than fair value.
<i>Operating Profit Margin</i>	Operating profit margin is determined as operating profit as a percentage of total sales revenue.
<i>Fair Value</i>	Fair value, as defined by AASB 13 Fair Value Measurement, is an accounting measurement which represents the amount that would be received to sell an asset in an orderly transaction.
<i>Fair value changes in Livestock</i>	Fair value changes in Livestock (less costs to sell) occur through changes in market pricing and quantity or composition changes in the herd due to growth, attrition, natural increase, beef transfers, purchases or sales. All changes to the livestock balance are recorded as fair-value gains or losses in the statutory statement of profit or loss in accordance with AASB 141 Biological Assets and AASB 13 Fair Value Measurement, and can represent both realised (in the case of quantity movements) and unrealised gains/losses (in the case of market price movements).
<i>Unrealised mark-to-market of herd</i>	Represents only the market price component of fair value changes of livestock. This value is calculated by referencing the change in market pricing from the close of the previous period, to the close of the reported period. This price difference is then applied against the quantities represented in the closing herd. This solely represents the impacts of changes in market prices on the value of the closing herd and is therefore an unrealised gain or loss. Fair value changes driven by changes in the herd size and composition, are not included in this number.
<i>Cost vs Fair Value: Kgs sold or produced</i>	Represents the difference between meat and cattle COGS, as well as attrition measured at Fair Value vs actual cost to produce.
<i>Statutory EBITDA</i>	Statutory EBITDA is unaudited, non-IFRS financial information and represents earnings before interest, tax, depreciation and amortisation, and gain/loss on equity investments.
<i>ROCE</i>	Return on Capital Employed determined as current period operating profit as a percentage of opening capital employed.
<i>Kg LW</i>	Kilograms Live Weight
<i>Kg CW</i>	Kilograms Carton Weight
<i>PCP</i>	Prior Comparative Period
<i>NTA</i>	Net Tangible Assets





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AUSTRALIAN BEEF