



18 May 2023

ASX/Media Announcement

## AACo strategy continues delivering results in FY23

- Operating Profit: \$67.4m vs \$49.9m pcp. Operating profit margin: 21.5%, up 3.4 percentage points vs pcp
- Total Revenue: \$313.4m vs \$276.1m pcp
- Operating Cash Flow: \$16.0m vs \$24.2m pcp
- Statutory Net Profit After Tax: \$4.6m vs \$136.9m pcp, and EBITDA \$49.1m vs \$228.6m pcp, due to softening cattle prices driving down the unrealised mark-to-market fair value adjustment of the herd, vs pcp
- Stable cost of production per kg vs pcp, despite inflationary cost pressures
- NTA increase of 14% to \$2.59 per share driven by an increase in net assets to \$1.6b, including \$294.2m increase in value of pastoral property and improvements

### FY23 Overview

The Australian Agricultural Company Limited (AACo)(ASX:AAC) has released its FY23 results, announcing a 35% increase in operating profit to \$67.4m. The total revenue of \$313.4m is a 14% improvement on the prior year.

The result was driven by brand supported price increases in all major markets. It further demonstrates the ongoing success of AACo's focus on the strategic pillar *delivering the full potential from our brands*.

Operating cash flow is down vs pcp to \$16.0m, with increased outlay supporting the production of 19% more liveweight kgs. The herd has grown 13% vs pcp to 433k cattle. This investment in the herd will be realised over time, considering the Wagyu supply chain stretches across several years.

There was a mark-to-market cattle fair value reduction of \$112m in FY23, which is a result of the lower cattle prices seen over this period. This drove the statutory net profit after tax down to \$4.6m while the statutory EBITDA is \$49.1m, also down on the prior period due to this revaluation.

AACo's statutory reporting requires the inclusion of the unrealised value of the herd at current market rates. However, the company's supply chain and strategic direction focuses on selling branded beef into global markets, which is why operating profit and cash flow are more accurate measures of financial performance.

Net assets have increased to \$1.6b, largely due to a \$294.2m increase in the value of AACo's properties, underlining the strength of the company's financial position.

NTA has grown 14% to \$2.59 per share.

Managing Director and CEO David Harris said: "This is an excellent operating result, illustrating progress against our strategy, particularly considering the challenging global conditions of the last 12 months.

“It’s a credit to our employees across the entire value chain who work tirelessly each day and are seeing the results of their efforts.”

### **Delivering the full potential from our brands**

AACo’s objective with this pillar of the strategy has been to ensure the right cuts are placed in the right markets, at the right times. The strategic allocation of our brands Westholme and Darling Downs in this way led to a 17% increase in Wagyu meat sales price on the prior year.

Focusing on in-market support and building closer relationships with distributors and chefs has been the key driver behind the uplift in prices and the 18% increase in meat sales to \$245.0m.

“By working closely with our distributor partners and chefs to better understand our customers, we’ve been able to maximise our performance in this period,” Mr Harris said.

“Branded meat sales growth of 22% in the key market of North America shows that our hard work and investments made in previous years in this region, are paying off.

“We’ve achieved increased prices across our markets, which is a direct result of our branded beef program. We are well placed to selectively expand within our markets based on the opportunities each region presents.”

More focused marketing has been important in FY23, including collaborating with top chefs to increase brand awareness. The Westholme website has also been revamped and now includes details of some of the high calibre restaurants around the world where Westholme is branded on menu.

### **Executing on our sustainability framework**

Progress on AACo’s sustainability activities continued in FY23.

Among the achievements AACo reached 62% of its bores being converted to solar, which totals 388, with the full company-wide transition on track for completion in 2024.

The first stage of our asparagopsis trial concluded in the second half of the year.

Other key outcomes include:

- Achieving efficiencies in the supply chain that are the equivalent of avoiding approximately 191,000 tonnes of emissions through the Beef Cattle Herd Management Carbon Project. This generated Australian Carbon Credit Units (ACCUs), with a total value of \$7.3m.
- Further progress in our Landscape Carbon commitment, which involved collecting a significant amount of soil sample data to continue developing an innovative measurement tool.
- Continued development of a satellite tool to monitor pasture availability and to assist with forage budgeting.

### **Developing our natural resources and assets**

AACo has begun a major increase of production capacity by expanding Goonoo, south of Emerald in Central Queensland.

“The expansion will allow us to further improve the efficiency of the value chain and boost supply into our global markets,” Mr Harris said.

“It will help us meet the growing demand we are seeing around the world and builds on the strong foundations that we have put in place over recent years.”

AACo is also maintaining its property assets at a level that supports growth in their value, by continuing to build expertise in rangelands management and sustainability, whilst always looking for improvements in pastoral production.

Pastoral properties increased in value by \$294.2m during the period, improving net assets to \$1.6b.

AACo’s drive to become a simpler and more efficient business is also continuing to produce results, with costs of production being maintained, with a slight decrease of 2% per kilogram, despite cost pressures over the period, including the high inflationary environment.

## **Making AACo a great place to work**

AACo has extraordinary people and the drive under this strategic pillar in FY23 has been to enhance the experience of all employees. Improvements in safety and engagement metrics in FY23 show progress towards this goal.

Outcomes include a 37% reduction in lost time injury frequency rates (LTIFR) vs pcp, as well as a 21% reduction in the severity of injuries on occasions when they do occur.

Women now occupy 40% of leadership positions across AACo.

“I’m passionate about continuing to build on our strong culture and to unlock more value by working as a team focused on results, safety and our values. I’m happy with the progress we made this period,” Mr Harris said.

“Key Executive appointments, including CFO Glen Steedman, made a seamless transition into the organisation in FY23 and this will position AACo well for the future.”

## **Operating Outlook**

An exceptional wet season across AACo’s properties puts the company in a good position, with strong pasture growth expected to lead to increased kilograms produced as cattle move through the supply chain.

This will help offset increasing input costs brought about by global inflationary pressures. Supply chain disruptions are also being felt in higher shipping costs, while geopolitical risks continue to create volatility in the global economy.

AACo is monitoring other global factors as well, including the US herd liquidation which has put downward pressure on broader beef prices in some markets.

“We are confident that our strong foundations and focus on our strategic pillars will help us continue to deliver value,” Mr Harris said.

“We are happy with these results that were delivered by our teams across the world. I’m proud of their efforts, their energy, and their enthusiasm this period and will continue to focus on results as we move into FY24.”

**[ENDS]**

## **Investor Briefing**

The Australian Agricultural Company Limited (ASX:AAC) will hold a teleconference and webcast briefing for investors and analysts detailing FY23 Results on **Thursday 18th May at 9:30 am AEST**.

### **Conference details:**

Webcast link – <https://ccmediaframe.com/?id=fe99DWvT>

### **AACo Conference ID: 10030273**

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

## Participant Dial-in Numbers

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Australia Local:	02 9007 3187	Hong Kong Toll Free:	800 966 806
New Zealand Toll Free:	0800 453 055	UK Toll Free:	0800 051 8245
Auckland	09 929 1687	Singapore Toll Free:	800 101 2785
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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.	