



Australian Agricultural Company Limited
ABN 15 010 892 270

AACo 2023 Annual General Meeting Address to Shareholders

27 July 2023

Manager
ASX Market Announcements
Australian Securities Exchange

Attached is the Chairman's and MD/CEO's Address to Shareholders for the 2023 Annual General Meeting for Australian Agricultural Company Limited ('AACo') to be held 10.00am, Thursday 27 July 2023.

This announcement is authorised to be given to the ASX by the AACo Chairman.

Issued by:
Bruce Bennett
Company Secretary and General Counsel



AACo 2023 AGM CHAIRMAN'S ADDRESS

Welcome to the Australian Agricultural Company Limited, 2023 Annual General Meeting.

On behalf of my fellow Directors, I want to thank you all for joining us today – in person and online. We meet today in the 199th year of AACo's life; I want to take a moment to acknowledge this achievement.

When we look back at the history of AACo, I believe we will see the 2023 financial year as a significant point in our history. In particular, the team have demonstrated that we are on the right path in two fundamental areas:

- Premium beef brands are the driver of our strategy and our future; and
- We are moving in the right direction to meet the global challenge of sustainability.

The next time we meet for our AGM, we will be celebrating our 200th year. I believe that our progress in FY23 is confirmation that we are positioning AACo for the next 200 years.

The year just gone has been defined by significant global operating challenges:

- Ongoing commodity market shifts continue to reshape beef supply and demand.
- Global inflationary pressures have impacted almost every sector around the world; and
- Ongoing geopolitical challenges continue to impact the food and agricultural sectors.

Despite these challenges, your AACo team have delivered increased revenue compared to the previous year.

This has been driven by:

- Successfully increasing prices for our beef in all major markets.
- Increased sales volume overall; and
- Stable production costs – a remarkable achievement given the broad inflationary environment we are operating in.

These outcomes are the product of continued progress against our strategic pillars.

We have achieved five consecutive years of positive operating cashflow. The team have demonstrated operational resilience in the face of ongoing challenges, and we have continued to invest significantly in our brands, our assets and our people.

Most importantly, these outcomes are confirmation that premium branded beef is the future of this company.

Westholme and Darling Downs continue to drive forward in our major markets, our marketing and sales teams continue to burn shoe leather and push new sales.

Every time they do, they focus on building relationships – With chefs, with restaurants, and with distributors.

We are now seeing major food influencers connecting with our brands and with our story and, importantly, we are making deep connections with the ones who influence the influencers.

When we invite people to an event or a campaign, we are seeing them come back and we are beginning to see people reaching out to us and wanting to get involved.

This work is based around building a connected brand, marketing and sales infrastructure; the team operating within this model are performing well.

Through their work we have strengthened this part of our global supply chain and today this infrastructure is a hugely valuable asset to this business.

The purpose of all this work is ultimately to connect with consumers, we want more and more consumers to connect and feel a part of our story.

Importantly, our results in the last year suggest we are beginning to generate demand momentum in the market.

There is still an enormous amount of hard work to do but as a Board, we believe the demand growth we are seeing validates the significant investment we have made on your behalf.

As we move into the current financial year and beyond, we have to go further. We have to replicate the recent progress we have seen in North America and South Korea. We have to replicate this business model in new markets, and we have to continue to invest – to drive continued results in market.

This commitment is the core of our commercial strategy going forward and based on our progress to date, this investment will form the bedrock of the future of your company.

As mentioned, we are fast approaching the end of our first two centuries.

You've heard me say this before, but we are absolutely focused on the next two centuries.

Transitioning to a company of brands, stories and deep consumer connection is fundamental to this work.

So too is the evolution of our sustainability strategy.

For 200 years AACo has been focused on sustainability – whether we used the word or not:

- Sustainable soil use.
- Sustainable feed and biodiversity.
- Sustainable waterways; and
- Sustainable animal breeding, animal care and animal transport

Our commitment on all these fronts has always been in our DNA.

More recently, we have all grappled with a new challenge – the sustainability of our climate.

I don't think any of our founders could've imagined AACo would have a role to play in our weather.

But we all do – and I am proud to say that AACo's commitment is at the global forefront.

Importantly, we are only at the beginning of truly understanding the scale and complexity of this work.

We have developed our sustainability strategy – but this is a living document. We will continue to refine our approach based on where we can have maximum positive impact.

To help, we have brought together a wonderful group of experts, this includes both our leaders within AACo and our partnerships outside the business.

In practical terms we are pushing in two directions simultaneously. We are continuing to invest in practical ways where we know we can have an impact.

Importantly, we are continuing to learn and explore how the wider sustainability mission fits together.

Any farmer can tell you that weather is a complex beast. Under the leadership of our CEO Dave Harris and Naomi Wilson, our Head of Environment and Sustainability, we are pushing ourselves every day.

I was delighted to see the recent results of our Asparagopsis trial. We conducted this work in partnership with our industry. Others can speak about this in more detail, but we have demonstrated that this pathway aligns to our standards of beef quality, and we are investing and working with the right people to move forward.

We are also continuing to invest in our solar bores program. We are continuing to invest in landscape carbon management.

We are continuing to invest in sophisticated bio-diversity management, and we continue to drive the highest standards in animal welfare.

Fortunately, this commitment is demanded by our consumers and partners. We know it is essential for our planet, we know it is a non-negotiable for our customers and we know this work is central to our next 200 years.

An important consequence of this work is continued growth in the value of our underlying assets.

This includes our remarkable properties and land assets. It also includes the herd our team have built.

Overall, our net assets have increased in value to \$1.6 billion. This has contributed to a 14 per cent growth in our Net Tangible Asset value – to \$2.59 per share.

At the last AGM I committed to using our progress to invest back into the business

We have since expanded the Goonoo property. This will increase production capacity and boost supply into global markets and we have also made good progress on our Gulf cropping projects.

Based on our progress to date, AACo commits to continued investment in our assets, our brands, our sales and our sustainability work.

AACo has demonstrated great resilience over the years – and particularly since the Gulf floods in 2019. We continue to prepare for ongoing volatility and new challenges in the year ahead.

Global inflationary pressures continue to drive input costs upward, geopolitical risks continue to impact global supply chains. Higher meat supply is impacting market prices – in turn impacting both cattle and meat sales.

This particularly underscores the importance of our branded strategy, and our ability to keep driving price.

We have great confidence in our team to continue to meet these challenges.

Maintaining stable production costs in FY23 was a significant achievement.

Achieving price improvements across our markets is just as significant.

We are confident in the team's ability to continue this work and importantly, the quality of the recent wet season bodes well for our land assets and our cattle, as they move through the supply chain.

I want to thank our CEO and Executive Team, on behalf of the Board.

Your unified focus and pursuit of our strategy is achieving important progress.

We were delighted to permanently appointment Dave Harris as Managing Director and CEO in the year just gone and to appoint Glen Steedman as Chief Financial Officer

Your strength and clarity of leadership puts AACo in a very strong position.

I also want to acknowledge and commend my fellow Directors.

It has been a pleasure to welcome Sarah Gentry to the Board in FY23, Sarah has replaced Tom Keene and we recognise his contribution over many years.

As a Board we look forward to continued progress against our company strategy and we remain committed to positioning your AACo for its next 200 years.

Thank you to all of you, our Shareholders, for your ongoing support.

Many of you have been on a journey with AACo for many years.

We have embarked on an ambitious journey to reposition this important company.

Our progress should give you comfort that this is the right path for your AACo.

I will now hand over to Managing Director and Chief Executive Officer Dave Harris, for his address.



AACo 2023 AGM CEO/MD'S ADDRESS

It's an honour to be joining you here as the Managing Director and CEO of AACo.

Welcome to all of you here today in Brisbane and following online, and a big thank you to the team for organising today's Annual General Meeting.

Financial year 2023 has been a year of progress for your company.

It's been a year of ongoing learning and development, of opportunity and growth and I'm pleased with what we have achieved.

From our teams on station to the corporate teams who enable the business to perform at its best, and our commercial teams, who market and secure opportunities at restaurants around the world, we are all proud to work for AACo and build on the positive legacy of those who came before us.

Our results in FY23 are testament to this, as we delivered an excellent operating result and one of the strongest full year outcomes in recent memory.

Among the key highlights for the period, we were able to achieve a 35% increase in our operating profit and a 14% improvement in total revenue.

Our brands helped generate price increases in all our major markets and an overall 18% increase in meat sales.

We also recorded an almost \$300 million increase in the value of our pastoral property and improvements, and we achieved a stable cost of production, in what was a high inflationary environment.

Our statutory profit was down against the prior year, though this was primarily due to the unrealised herd valuation at current market rates.

The mark-to-market fair value reduction of \$112 million that we reported is a result of lower cattle prices at the end of the period.

Our supply chain and strategy, which focuses on selling branded beef into global markets, is largely designed to decouple our operating position from the fluctuations of the cattle market.

As we explained in our full year results presentation, Operating Profit and Operating Cashflow are the metrics within our control and give the most accurate representation of the company's performance each year.

Operating Cashflow for the period was positive at \$16 million.

This result was constrained by the costs of increased production, noting AACo's herd grew to 433 thousand head of cattle, and there were almost 20% more liveweight kilos produced for the period.

We are consciously investing in our herd today, to ensure we can continue to deliver growth and positive outcomes.

We have used lessons learned over recent years as opportunities to optimise our herd.

It is now around the same size as 2019 but the growth has come with a focus on our strategy and markets around the world.

AACo is one of the few companies that manages its cattle along the entire length of the supply chain - from breeding and genetics all the way through to the restaurant.

That's one of the things that makes us unique, but it highlights why we need to plan over many years, with their varying seasons, unpredictable weather, changing market conditions and different economic circumstances.

However, when considering the challenges of recent years, I feel that we are proving our ability to adapt and take advantage of the opportunities.

It also demonstrates why it's wise to use successful years like this as a springboard for greater success.

To consider each year of progress as an opportunity to reposition ourselves for further growth and build resilience, and to invest in the areas of the business that will add value now and create growth over the long term.

That is our plan.

The FY23 results were delivered under the five pillars of our company strategy:

- Deliver full potential from our brands;
- Develop our natural resources and assets;
- Create a simpler and more efficient business;
- Execute on our sustainability framework; and
- Make AACo a great place to work.

While we naturally focus much of our attention on our brands in market, and this is where the majority of our revenue is derived, AACo will always be most successful when we are making progress under all of these pillars.

The strategy and everything we do is about maximising the potential of our three principal activities:

- Firstly, the marketing and distribution of high-quality branded beef into global markets
- Secondly, the breeding, growing, feedlotting and trading of our animals

- And lastly - ownership, operation and development of the amazing pastoral properties that we are fortunate to have stewardship over today.

To achieve the first area of activity we are investing in our global markets, with greater presence, support, and a more focused approach.

Building closer relationships with key partners has helped us achieve higher prices.

The awareness and appreciation for our brands Westholme and Darling Downs has further grown over the period.

And the success we are experiencing in key global markets is helping to facilitate selective expansion into new affluent regions.

Our genetics program is an example of significant achievement in the second area.

In the Westholme herd, AACo already has exceptional genetics that we have nurtured for almost two decades.

Taking a science-based approach has helped us build on that foundation, with a focus over many years on index improvement, feed conversion, marble score, and our poll program.

We are now consistently producing the highest-quality Wagyu beef and improving animal welfare outcomes.

The Goonoo expansion announced with the full year results, highlights progress in the third area, developing our properties.

It is the most significant financial investment in recent years, and an example of the type of future focus that I referred to earlier.

Once operational it will boost supply into our global markets, helping us to plan for and meet the growing demand for high quality Wagyu beef that we are experiencing around the world.

It will further improve product quality and the efficiency of our value chain, and it will mitigate against seasonal variability and drought, by giving us greater capacity to feed more animals in dry times.

Our dryland cropping trials in the Gulf continue to advance and are further evidence of investing in our properties.

We are seeing promising initial results, with several thousand hectares developed so far.

Sustainability reaches across all our primary activities as we invest for the future. In his speech earlier the Chairman shared AACo's commitment in this important area. It's a commitment that we make to the future and the next 200 years for your company.

And it's living up to our current commitments as the custodians of this great company, building on the legacy of those who came before us.

We are continuing to pursue the commitments made alongside our sustainability framework.

The results of our Asparagopsis trial were recently released and demonstrate the potential to reduce our methane emissions.

We are using technology to improve pasture management for our cattle, and we are investing in our landscape carbon project which will enable us to efficiently measure, manage and forecast soil carbon sequestration at scale.

We're also investigating the potential to boost biodiversity and natural capital across our properties, which may open new revenue streams in emerging markets.

The 191,000 Australian Carbon Credit Units earned in FY23 show the potential of these markets for companies like AACo.

It's a rapidly evolving area, with significant potential as they become more established.

Further opportunities could be found over the coming years in landscape carbon, methane abatement, biodiversity and more.

We are staying across the developments and engaging with the government, industry and private sector to ensure we are in the best possible position as those markets evolve.

Improvements in safety and engagement in FY23 show progress amongst our people and within our operations, with a reduction in lost time injury frequency rates as well as injury severity.

We are helping our employees plan for their futures with more opportunities across the supply chain to study and grow their skills, as well as improving pathways for First Nations People by playing a key role in indigenous employment programs through industry organisations like the NTCA.

As you can see, we are delivering in each pillar of our strategy and continuing to build on the strong foundations to improve your company.

These pillars will continue to guide us into FY24, while we also consider adjustments that will help us create more success.

We are, of course, mindful of the challenges that exist in our operating environment today, many of which are being faced by businesses everywhere.

Inflationary pressures continue in markets around the world.

Supply chain disruptions that were yet to settle post COVID have been further disrupted by geopolitical tensions, which are also creating volatility in the global economy.

When combined with rising interest rates, they are continuing to cause higher operational costs.

Cattle prices are down around 40% from their highs in FY22, and forecasts for the EYCI indicate they will not recover to those levels in the near and medium term.

As I shared earlier, selling high quality branded beef into global markets largely decouples our performance from the price fluctuations in the Australian live cattle market.

However, live cattle sales, which made up about 20 per cent of our revenue in FY23, may still be impacted in the future.

There are also other factors outside of our control that will create price pressures in our global markets.

The US herd liquidation has continued longer than anticipated and it is now at its lowest level in 52 years.

This destocking process has increased supply into all markets across north America.

There has also been an oversupply of local cattle in Korea which is putting downward pressure on prices in that region.

We do however remain optimistic that AACo will be well placed to take advantage as these conditions turnaround.

We're monitoring opportunities that might arise from free trade agreements, including the UK FTA and the EU agreement that is currently being negotiated.

We'll also consider the opportunities in other markets as the year progresses, in line with our global branded beef program.

The exceptional wet season we experienced will help us with productivity.

It's been more than a decade since some of our properties have seen rain like this.

The Brunette Downs, Anthony Lagoon and Eva Downs lakes systems are at 100% capacity.

We are optimistic about how it could benefit our cattle with improved fertility and extra kilograms produced as they move through the supply chain.

At AACo, we're evolving together to benefit future generations.

That's our purpose - It's why we exist.

It's what drives me and the Executive Team as we lead the company.

We take great pride in the people we develop, the culture we create, the land we nurture, the animals we care for and the exceptional Wagyu beef we produce.

It provides direction as we strive to deliver on our vision – To be trusted globally as the producers of the finest quality Australian beef.

The results of this period demonstrate progress towards these aims and I'm proud of our people who delivered them across the value chain.

I also know there are opportunities to unlock more potential in our extraordinary people, animals, land, and product, as we continue into FY24 and our 200th year of operation.

We will continue to expand our global footprint, move into new markets, grow as a team, look to diversify our revenue streams, and become more efficient.

We will use this year of progress as an opportunity to reposition ourselves for further growth.

I'd like to express my thanks again to the entire company, our employees around the world, the Executive Team and the Board for their dedication in FY23.

And thank you to all shareholders for your continued support of our company.