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ASX Release

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Inghams Group Limited Full Year Financial Results FY2019

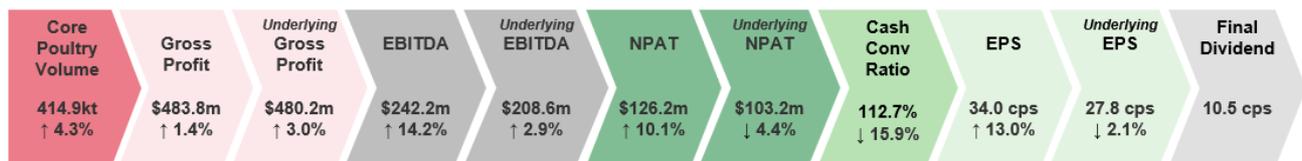
Financial Results

- Core Poultry volumes of 414.9kt, increased 4.3%
- Underlying Gross Profit of \$480.2m, increased 3.0%
- EBITDA of \$242.2m, increased 14.2%
- Underlying EBITDA of \$208.6m, increased 2.9% (Appendix)
- NPAT of \$126.2m, increased 10.1%
- Net Cash provided by operating activities excluding interest and tax of \$221.5m, 112.7% of EBITDA excluding non-cash items
- Net Debt of \$263.8m, underlying leverage ratio of 1.3x
- Final Dividend (fully franked) of 10.5 cps

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer today announced its financial results for the full year ending 29 June 2019 (FY2019).

Key highlights – strong core volumes driving growth in a challenging environment

- Continued growth in core poultry volumes
- Contractual arrangements and market position delivered intended outcomes to offset higher input costs
- Solid returns despite growing cost pressures and New Zealand headwinds
- Strong operating cashflow generation, post implementation of payables facility in NZ in 1H FY2019
- Further Processing optimisation project has not delivered to plan, unexpected demand could not be served by the rationalised network, which resulted in increased costs
- Q4 performance softened as a result of Further Processing costs and early signs of margin pressure
- Leadership team now in place blending deep domestic and international operational poultry and food industry experience



Inghams Group Limited Managing Director Jim Leighton said, "The results are solid despite growing costs pressures and New Zealand headwinds, as we continue to see strong demand for Ingham's quality products across all channels".

Poultry volumes (excluding ingredients) grew by 4.3% across the Group while underlying Gross Profit increased 3.0% to \$480.2m supported by continued progress on sustainable profit improvement initiatives covering automation, labour productivity, procurement, and other initiatives.

Underlying EBITDA increased 2.9% to \$208.6m for the full year, while Statutory EBITDA of \$242.2m increased 14.2% (including the net positive effect of profit on sale, restructuring charges and discontinued operations), and NPAT increased 10.1% to \$126.2m.

The rationalisation of the Further Processing network in Australia has not delivered to plan. Stronger customer demand has placed unexpected pressure on operations which has led to loss of productivity and higher costs.



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The performance of the New Zealand business was impacted by oversupply in the market which resulted in flat core poultry volumes and an inability to pass on input cost increases.

Volumes in the Australian Third Party Feed business have declined as a result of cycling the loss of a NSW poultry customer (the exit of Red Lea from the industry) and the sale of Mitavite. New Zealand Third Party Feed volumes declined off the back of the Dairy Feed segment which experienced excellent pasture conditions.

Cash flow for the full year was very strong benefiting from implementation of our payables facility in NZ in 1H FY2019. Net Cash from Operating Activities was 112.7%.

Dividends

The Board declared a final fully franked dividend of 10.5 cents per share (record date 18 Sep 2019, payment date 9 Oct 2019).

The company confirms its dividend policy has been amended to pay fully franked dividends of 60-70% of underlying NPAT across the full year, which will exclude the impact of AASB16 on NPAT.

FY2020 Outlook

Poultry demand continues to grow as consumers are attracted by the relative affordability of chicken as a healthy protein.

Current feed costs remain close to historic highs, with outlook for pricing into 2H FY2020 dependent upon the next domestic grain harvest.

Australian margins are being negatively impacted by higher input costs and channel mix.

Further Processing network rationalisation project has not delivered to plan. Stronger customer demand has impacted operations and resulted in higher costs. The financial impact will be significant in FY2020.

The new operations leadership team has quickly assessed performance issues and is implementing solutions to balance the network and unlock additional capacity with modest capital required.

New Zealand performance is returning to year-on-year growth and remains well below historical profit levels. EBITDA in FY2020 will be below underlying FY2019, with a return to growth expected in FY2021.

Dividend policy in FY2020 will maintain payout ratio of 60-70% of underlying NPAT, which excludes the impact of leasing.

New strategic and operational plan will be presented to the market 22 October 2019.

“Poultry is a dynamic business that requires deep expertise and experience to unlock potential” said Mr. Leighton. “Our newly assembled leadership team brings world class experience and expertise from companies such as Tyson, Pilgrim’s and Perdue. This new team knows what great looks like and how to achieve it!”



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About Ingham's

Ingham's is Australia and New Zealand's leading integrated poultry producer supplying leading retail, quick service restaurants and food service customers, processing 4 million birds per week and employing more than 8,000 people. Ingham's operations include twelve feedmills, breeder and broiler farms, eleven hatcheries, seven primary processing plants, seven further processing plants and nine distribution centres. Ingham's was founded in Sydney in 1918 by Walter Ingham and listed on the Australian Stock Exchange in November 2016.

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Appendix

Reconciliation of FY2019 underlying EBITDA to Statutory EBITDA

\$ millions	Jun-19	Jun-18	Variance	%
EBITDA	242.2	212.0	30.2	14.2
Profit on sale of assets	(53.1)	(19.4)	(33.7)	173.7
Impairment of assets	3.4		3.4	100.0
Restructuring	18.3	16.3	2.0	12.3
Mitavite	(2.2)	(6.2)	4.0	(64.5)
Underlying EBITDA	208.6	202.7	5.9	2.9

Reconciliation of FY2019 underlying NPAT to Statutory NPAT

\$ millions	Jun-19	Jun-18	Variance	%
NPAT	126.2	114.6	11.6	10.1
Profit on sale of assets	(37.3)	(13.6)	(23.7)	174.3
Impairment of assets	2.4		2.4	100.0
Restructuring	12.8	11.5	1.3	11.3
Mitavite	(1.5)	(4.5)	3.0	(66.7)
Finance exit costs	0.6		0.6	100.0
Underlying NPAT	103.2	108.0	(4.8)	(4.4)