



Inghams Group Limited
FY2019 Results Presentation

27 AUGUST 2019



Important notice and disclaimer

Disclaimer

The material in this presentation is general background information about the activities of Inghams Group Limited (Ingham's) and its subsidiaries (Ingham's Group), current at the date of this presentation, unless otherwise noted.

It is information given in summary form and does not purport to be complete. It should be read in conjunction with the Ingham's Group other periodic and continuous disclosure announcements lodged with the Australian Stock Exchange, which are available at www.asx.com.au. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation includes non-IFRS information including EBITDA and Underlying, which Ingham's considers useful for users of this presentation to reflect the underlying performance of the business. Definitions are included in the Appendix defining the non-IFRS information used. Non-IFRS measures have not been subject to audit. This presentation may contain certain "forward-looking statements" and comments about future events, including Ingham's expectations about the performance of its businesses. Such forward-looking statements may include forecast financial information about Ingham's, statements about industry and market trends, statements about future regulatory developments and the progress of current developments and statements about Ingham's strategies and the likely outcomes of those strategies. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "outlook", "guidance", "plans", "intends", "should", "could", "may", "will", "would" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Ingham's. Actual results, performance or achievements could be significantly different from those expressed in or implied by any forward-looking statements. There can be no assurance that actual outcomes will not differ materially from forward-looking statements.

Nothing contained in this presentation is, or should be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Ingham's. Ingham's does not undertake any obligation to update or review any forward-looking statements or any other information contained in this presentation. This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities and nor is it intended to be used for the purpose of or in connection with offers or invitations to sell or subscribe for or buy or otherwise deal in securities.



01

Group Highlights

Group highlights

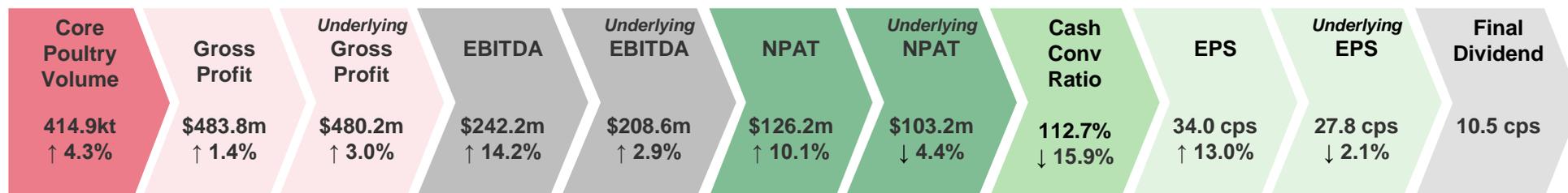
Strong core poultry volumes driving growth in a challenging environment

Highlights

- > 4.3% core volume growth as chicken remains the competitive protein across all channels
- > Contractual arrangements and market position delivered intended outcomes to partially offset higher input costs
- > Solid returns despite growing cost pressures and New Zealand headwinds
- > Strong operating cash flow 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
- > New strategic and operational plan will be presented to the market 22 October 2019



Financial highlights – FY19 vs FY18



Financial performance

- > Core poultry volume grew at 4.3% (total poultry volume including Ingredients grew at 2.4%)
- > Underlying EBITDA growth of 2.9% to \$208.6m excluding profit on sale, restructuring and Mitavite
- > Profit on sale of assets of \$49.7m offset by restructuring initiatives of \$18.3m, net impact \$31.4m
- > Underlying NPAT decline of 4.4% to \$103.2m due to the increase in the effective tax rate
- > Underlying Earnings Per Share (EPS) decline of 2.1% to 27.8 cps¹
- > Final dividend of 10.5 cps. Total dividend for FY19 of 19.5 cps – 70% of underlying NPAT
- > Net Debt of \$263.8m (underlying leverage ratio 1.3x) post capital return of \$125.5m (33 cps) and on-market buy-back \$36.4m
- > Cash position strong with operating cash conversion of 112.7% and cash on hand of \$134.5m

1. EPS - calculation based on shares on issue at Jun-19 371.7m and Jun-18 380.2m



Profit & Loss – Statutory

| \$ millions | Jun-19 | Jun-18 | Variance | % |
|---|----------------|----------------|--------------|-------------|
| Poultry volumes (kt) | 517.5 | 505.3 | 12.2 | 2.4 |
| Feed volumes (kt) | 432.5 | 504.7 | (72.2) | (14.3) |
| Revenue | 2,489.8 | 2,373.9 | 115.9 | 4.9 |
| Gross Profit | 483.8 | 476.9 | 6.9 | 1.4 |
| EBITDA | 242.2 | 212.0 | 30.2 | 14.2 |
| <i>EBITDA %</i> | <i>9.7%</i> | <i>8.9%</i> | <i>0.8</i> | |
| Depreciation & Amortisation | (46.8) | (45.4) | (1.4) | (3.1) |
| EBIT | 195.4 | 166.6 | 28.8 | 17.3 |
| Net financing costs | (16.3) | (15.2) | (1.1) | (7.2) |
| EBT | 179.1 | 151.4 | 27.7 | 18.3 |
| Tax expense | (52.9) | (36.8) | (16.1) | (43.8) |
| NPAT | 126.2 | 114.6 | 11.6 | 10.1 |
| <i>NPAT %</i> | <i>5.1%</i> | <i>4.8%</i> | <i>0.3</i> | |
| Earnings per share (cents) ¹ | 34.0 | 30.1 | 3.9 | 13.0 |
| Shares on issue | 371.7 | 380.2 | (8.5) | (2.2) |

Volume

> Feed volume decline attributable to the cycling of customer loss in March 2018 and the sale of Mitavite in October 2018

Gross Profit

> Statutory Gross Profit diluted by Mitavite trading results (15 weeks in FY19 v 52 weeks in FY18)

> Gross profit largely impacted by the inability to pass through higher costs in New Zealand

EBITDA

> Includes \$49.7m related to net profit on sale partially offset by \$18.3m in restructuring and other costs

Finance costs

> Net financing costs includes \$0.9m related to the close out of the previous syndicated debt facility and \$1.1m related to funding the SA feed mill

Tax

> Effective tax rate increased to 29.5% following change to tax legislation as flagged

1. EPS - calculation based on share on issue at Jun-19 371.7m and Jun-18 380.2m



Profit & Loss – Underlying

| \$ millions | Jun-19 | Jun-18 | Variance | % |
|---|----------------|----------------|--------------|--------------|
| Poultry volumes (kt) | 517.5 | 505.3 | 12.2 | 2.4 |
| Feed volumes (kt) | 419.8 | 466.7 | (46.9) | (10.0) |
| Revenue | 2,478.8 | 2,341.4 | 137.4 | 5.9 |
| Gross Profit | 480.2 | 466.0 | 14.2 | 3.0 |
| EBITDA | 208.6 | 202.7 | 5.9 | 2.9 |
| <i>EBITDA %</i> | <i>8.4%</i> | <i>8.7%</i> | <i>(0.3)</i> | |
| Depreciation & Amortisation | (46.8) | (45.1) | (1.7) | (3.8) |
| EBIT | 161.8 | 157.6 | 4.2 | 2.7 |
| Net financing costs | (15.7) | (15.2) | (0.5) | (3.3) |
| EBT | 146.1 | 142.4 | 3.7 | 2.6 |
| Tax expense | (42.9) | (34.4) | (8.5) | (24.7) |
| NPAT | 103.2 | 108.0 | (4.8) | (4.4) |
| <i>NPAT %</i> | <i>4.2%</i> | <i>4.6%</i> | <i>(0.4)</i> | |
| Earnings per share (cents) ¹ | 27.8 | 28.4 | (0.6) | (2.1) |
| Shares on issue | 371.7 | 380.2 | (8.5) | (2.2) |

Volume & Revenue

- > Continued growth in core poultry volume and revenue of 4.3% and 6.7% respectively
- > Feed volume decline attributable to the cycling of customer loss in March 2018

Gross Profit

- > Gross profit largely impacted by the inability to pass through higher costs in New Zealand

EBITDA

- > Margin maintained despite challenging conditions in New Zealand and record commodity prices

NPAT & EPS

- > NPAT impacted by increase in the underlying effective tax rate to 29.4%, as previously flagged
- > EPS accretive impact of the share buy-back 2.3%
- > Underlying NPAT excludes Mitavite trading results, profit on sales of assets, restructuring, impairments and finance exit costs. Refer to Appendix for additional details

1. EPS - calculation based on share on issue at Jun-19 371.7m and Jun-18 380.2m

EBITDA and NPAT reconciliation

| \$ 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 |

| \$ 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) |

Profit on Sale of Assets

- > Current year relates to sale of Mitavite, Cardiff and Mile End, prior year relates to Wanneroo and Leppington

Impairment of assets

- > Impairment relates to the carrying value of the Maldon hatchery which was purchased and sold in the year to exit an onerous lease

Restructuring

- > Onerous lease provision and related costs for Further Processing network optimisation, farming exits and other cross over costs
- > Refer to Appendix for additional details

Mitavite

- > FY19 Mitavite trading results to 12 October 2018
- > Refer to Appendix for additional details on trading results



Cash Flow and Balance Sheet

| \$ millions | Jun-19 | Jun-18 | Variance |
|---|---------------|---------------|---------------|
| EBITDA | 242.2 | 212.0 | 30.2 |
| Non-cash items | (45.6) | (17.5) | (28.1) |
| EBITDA excluding non-cash items | 196.6 | 194.5 | 2.1 |
| Changes in working capital | 30.1 | 66.5 | (36.4) |
| Changes in provisions | (5.2) | (0.4) | (4.8) |
| Cash flow from operations | 221.5 | 260.6 | (39.1) |
| Cash conversion ratio | 112.7% | 134.0% | (21.3) |
| Capital expenditure - Inghams | (74.1) | (61.2) | (12.9) |
| Property purchases/deposits | (48.1) | (2.5) | (45.6) |
| 3rd party capital expenditure recovered | 7.0 | 0.7 | 6.3 |
| Proceeds from sale of assets | 82.1 | 68.0 | 14.1 |
| Net cash flow before financing & tax | 188.4 | 265.6 | (77.2) |

| \$ millions | Jun-19 | Jun-18 | Variance |
|---|------------|------------|--------------|
| Total Assets | 1,081.6 | 1,140.7 | (59.1) |
| Net Debt | 263.8 | 145.4 | (118.4) |
| Net Debt / LTM EBITDA | 1.1 | 0.7 | (0.4) |
| Net Debt / LTM Underlying EBITDA | 1.3 | 0.7 | (0.6) |

Cashflow

- > Non-cash items predominantly relate to the profit on sale of Mitavite and Cardiff offset by other minor items, including LTIP
- > Strong operating cash conversion through working capital management. Full year inventory financing benefit \$54.6m, H2 \$28.3m. Excluding inventory financing was 84.9%, 2H 98%
- > Net Debt to Underlying EBITDA increased to 1.3x post capital return of \$125.5m and share buy back \$36.4m

| Working capital | Jun-19 | Jun-18 | Variance |
|-------------------|--------------|--------------|-------------|
| Receivables | 207.9 | 197.7 | (10.2) |
| Biological assets | 124.2 | 117.9 | (6.3) |
| Inventories | 172.2 | 151.3 | (20.9) |
| Payables | (370.2) | (302.7) | 67.5 |
| Total | 134.1 | 164.2 | 30.1 |

Capital program

- > Property purchases relate to Pakenham, Cardiff and Maldon properties acquired from the landlord, and settlement of the Wacol feed mill
- > Proceeds from the sale of assets relates to Mitavite, Cardiff, Mile End and Maldon



Changes to Lease Accounting

- > AASB16 will be adopted from FY20 using the modified retrospective transition approach with no restatement of prior years
- > The implementation of AASB16 will significantly change the reported results, but there will be no economic impact to the group, its cash flows, debt covenants or shareholder value
- > The results presented going forward will reflect the statutory outcome as well as underlying results which will exclude the impacts of this change
- > An initial recognition of a right of use asset and lease liability, will result in an increase in total assets of approx. \$1.8b and total liabilities of \$1.8b, with no material change to net assets
- > EBIT and EBITDA increases materially as a result of operating lease expenses being replaced by depreciation and finance costs
- > The Statutory NPAT will be impacted by a reduction of approx. \$21.4m; underlying NPAT will not be impacted
- > Dividend policy in FY2020 to maintain payout ratio of 60-70% of underlying NPAT

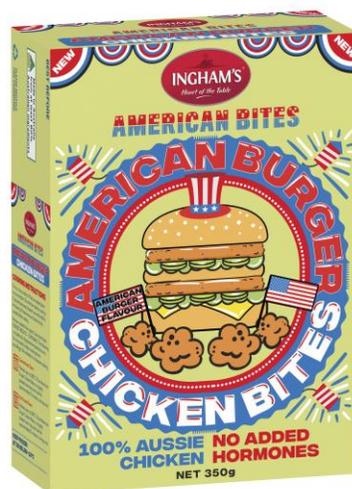
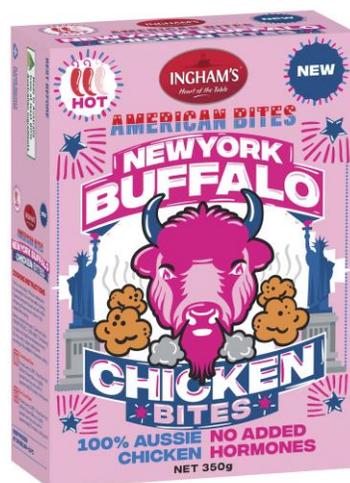


02

Segment Results

Segment Information – Australia

| \$ millions (AUD) | Jun-19 | Jun-18 | Variance | % |
|---------------------------|--------------|--------------|-------------|-------------|
| Australia | | | | |
| Core Poultry volumes (kt) | 351.3 | 334.5 | 16.8 | 5.0 |
| Feed volumes (kt) | 302.2 | 367.4 | (65.2) | (17.7) |
| Revenue | 2,109.4 | 2,003.9 | 105.5 | 5.3 |
| EBITDA | 213.1 | 175.2 | 37.9 | 21.6 |
| EBITDA % | 10.1% | 8.7% | 1.4 | |
| Underlying EBITDA | 179.0 | 165.9 | 13.1 | 7.9 |
| EBITDA % | 8.5% | 8.3% | 0.2 | |



Summary: Australia

- > Core poultry volume and revenue growth excluding ingredients of 5.0% and 7.1% respectively
- > Price increases offsetting higher feed and other costs

Retail

- > Solid performance in a price competitive market
- > Early momentum from a reinvigorated new product development process to drive growth

QSR & Food Service

- > Stronger than expected QSR demand growth for further processed products
- > Robust Food Service demand

Wholesale & Other

- > Wholesale volume growth in line with expectations
- > Demand for edible poultry products (e.g. paws) included new export opportunities

Third Party Feed Sales

- > Solid year cycling volume losses and Mitavite sale

Segment Information – New Zealand

| \$ millions (AUD) | Jun-19 | Jun-18 | Variance | % |
|----------------------------|-------------|-------------|--------------|---------------|
| <u>New Zealand</u> | | | | |
| Core Poultry volumes (kt) | 63.6 | 63.2 | 0.4 | 0.6 |
| Feed volumes (kt) | 130.3 | 137.3 | (7.0) | (5.1) |
| Revenue | 380.4 | 370.0 | 10.4 | 2.8 |
| EBITDA | 29.1 | 36.8 | (7.7) | (20.9) |
| <i>EBITDA %</i> | 7.6% | 9.9% | (2.3) | |
| Underlying EBITDA | 29.6 | 36.8 | (7.2) | (19.6) |
| <i>Underlying EBITDA %</i> | 7.8% | 9.9% | (2.1) | |



Summary: New Zealand

- > Volume for core poultry in line with prior year, with some growth in 2H
- > Free-Range segment continues to grow
- > Trading performance reflects price competition, increased farming costs and network issues
- > New management team in place to deliver operational improvements across the network
- > Recent indications suggest the NZ market moving into a period of less over-supply
- > Expected to return to year on year growth in FY2020

Third Party Feed Sales

- > Dairy feed demand impacted by excellent pasture conditions
- > Third party chicken feed sales in line with expectations



03

Team and Business Update

Team and business update

Team Update

- > Leadership team rebuild complete. Structured for operations excellence to deliver reliable growth
 - key appointments in operations and technical services with critical alignment across the supply chain
 - primary focus on delivering the latent capacity in the network
 - appointments in sales and marketing to capture market opportunities and deliver product innovation
- > Alignment of senior team to enable Ingham's to deliver its efficiency potential and profitably deliver growth
- > Blend of best practice international poultry operational experience, seasoned Ingham's and ANZ protein market experience has re-energised culture

Business Update

- > New operations leadership has quickly evaluated the operating performance of the network, reviewed the upside opportunity and are now executing on plans to:
 - utilise latent capacity
 - balance the supply chain
- > Project Accelerate has delivered significant benefits. It is time to refocus on operations excellence and continuous improvement and embed that in the culture of Ingham's
- > This new operations focus is changing capital allocation to unlock capacity in the network. This does not signal an increase in capex levels; no material catch up spend required
- > As our customers evolve their businesses, we will efficiently deliver cost competitive products and support innovation, while positioning ourselves to be agile to capitalise on profitable markets when opportunities arise

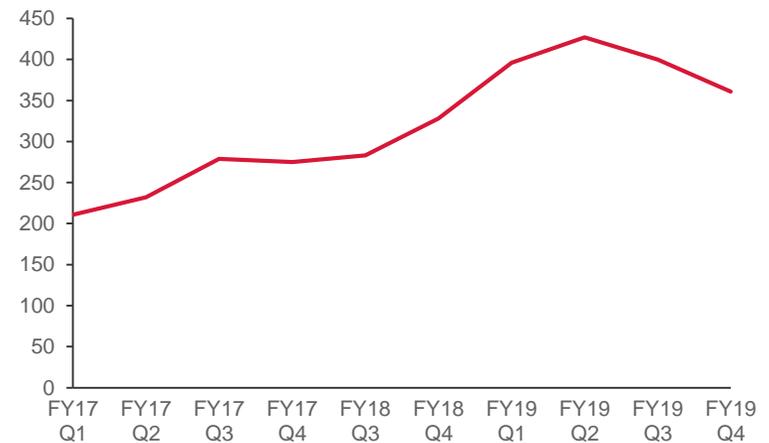
Feed cost update

Feed cost update

- > Feed prices have continued to remain at close to historically high levels, driven by continued dry conditions in Australia during FY2019
- > Outlook for FY2020 feed prices has moderated somewhat however limited market liquidity due to the uncertainty regarding the outlook for rains across southern states in the coming months (which is required for a higher FY2020 crop)
 - if rains do not eventuate the crop outlook will remain tight and prices will move higher but liquidity will return
- > Ingham's procures grains and other raw materials predominantly for own consumption
- > Ingham's has the ability to shorten or extend cover based on a view of supply and demand, domestic market pricing, pricing differentials between domestic and offshore markets, as well as site specific capabilities
- > We are well placed to minimise feed costs, with different execution strategies available depending on market and weather conditions

Wheat price (as observed by Ingham's)

\$A per tonne





04

Outlook

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, impacting the outlook 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, mix 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
- > 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



Appendix

Profit on Sale of Assets / Restructuring costs

| \$ millions | Jun-19 | Jun-18 | Variance | % |
|---------------------------------|---------------|---------------|--------------|---------------|
| Profit on sale of assets | (49.7) | (19.4) | 30.3 | 156.2 |
| <i>Mitavite</i> | <i>(51.1)</i> | | | |
| <i>Cardiff</i> | <i>(2.5)</i> | | | |
| <i>Mile End</i> | <i>0.5</i> | | | |
| <i>Maldon (impairment)</i> | <i>3.4</i> | | | |
| <i>Wanneroo</i> | | <i>(14.1)</i> | | |
| <i>Leppington</i> | | <i>(5.3)</i> | | |
| Restructuring | 18.3 | 16.3 | (2.0) | (12.3) |
| <i>Redundancy</i> | <i>4.4</i> | <i>4.2</i> | | |
| <i>Farming exits</i> | <i>2.8</i> | <i>4.6</i> | | |
| <i>Network cross over costs</i> | <i>2.7</i> | <i>2.5</i> | | |
| <i>FP network optimisation</i> | <i>8.4</i> | <i>5.0</i> | | |

Profit on Sale

- > Current year relates to sale of Mitavite, Cardiff and Mile End, prior year relates to Wanneroo and Leppington

Restructuring

- > Redundancies expense relates to management and structural changes
- > Farming exits relate to NSW end of lease 'make good' costs (as farming capacity shifts to SA) and exit of contract growers
- > Network costs include crossover (duplicate) costs related to new sites including new feedmill in SA, breeder farm in NZ and terminated IT contract
- > Further Processing network optimisation cost relate to an onerous lease provision and asset write down at the Cleveland FP site in QLD



Mitavite trading results

| \$ millions | Jun-19 | Jun-18 | Variance | % |
|------------------------|-------------|------------|--------------|---------------|
| <i>Weeks</i> | 15.0 | 52.0 | | |
| Feed volumes (kt) | 12.7 | 38.0 | (25.3) | (66.6) |
| Trading Results | | | | |
| Revenue | 11.0 | 32.5 | (21.5) | (66.2) |
| EBITDA | 2.2 | 6.2 | (4.0) | (64.5) |
| NPAT | 1.5 | 4.5 | (3.0) | (66.7) |
| Profit on sale | | | | |
| Other income | 51.1 | | 51.1 | 100.0 |
| Tax on profit on sale | (15.1) | | (15.4) | 100.0 |
| NPAT | 36.0 | | 36.0 | 100.0 |
| Total NPAT | 37.5 | 4.5 | 33.0 | 733.3 |

Trading period

- > Completion of sale of Mitavite to Adamantem Capital was 12 October 2018
- > FY2019 includes 15 weeks of trading results
- > These trading results for Mitavite have been excluded from underlying performance in slide 6



Definitions

Certain non-IFRS information is referred to in this presentation. Defined below is what is included in each non-IFRS measure used throughout this presentation.

- > **EBITDA:** Earnings before Interest, Tax, Depreciation and Amortisation
- > **EBIT:** Earnings before Interest and Tax
- > **Net Debt:** Debt less cash and cash equivalents
- > **Underlying EBITDA:** EBITDA excluding any profit on sale of assets, restructuring expenses and trading performance from divested operations, specifically the sale of Mitavite
- > **Underlying NPAT:** Net Profit After Tax excluding any profit on sale of assets, restructuring expenses, finance exit and trading performance from divested operations, specifically the sale of Mitavite after adjusting for income tax
- > **Gross Profit:** Total revenue less cost of sales
- > **Earnings Per Share (EPS):** NPAT divided by the number of shares outstanding as at end of year
- > **Total Poultry:** includes core chicken and turkey products in addition to ingredients and other sales
- > **Core Poultry:** refers to chicken and turkey products only
- > **Cash Conversion ratio:** Cash Flow from Operations divided by EBITDA excluding non cash items



Risks Summary (per Financial Statements)

Material business risks faced by the Group that may have a significant effect on the financial prospects of the Group include:

- > **Import restrictions:** Changes to import quarantine conditions in Australia and/or New Zealand that would allow additional forms of poultry to be imported could result in changes to the poultry market that would adversely impact Ingham's financial performance.
- > **Food safety and disease outbreak:** If products of Ingham's or a competitor became unsafe or were to be perceived as unsafe, reduced demand for Ingham's products or for poultry products as an industry could follow. Food safety costs can lead to significant costs being incurred for recalls or other operations to address such issues, in addition to compensation, penalties or liability claims which could be incurred. Outbreak of avian disease(s) occurring in Ingham's flock or in geographic areas in which Ingham's operates could lead to restriction on the use or transportation of affected poultry. Such disruption to supply, in addition to the other events identified here could have an adverse effect on Ingham's financial performance.
- > **Material increase in input costs:** There have been recent actual and forecast increases in a number of input costs such as utilities and commodities, ie grains and legumes. While Ingham's has a range of cost pass through arrangements in place with customers, especially in respect of feed prices, there may be instances where Ingham's is not able to pass through, or is delayed from passing through, increases in these costs to customers, resulting in the potential risk of margin erosion.
- > **Supply chain disruption:** Failure of a parent stock supplier, poor animal husbandry practices, poor feed quality or outbreak of disease could all cause a significant reduction in the volume or quality of Ingham's parent stock or broiler stock, limiting the Group's ability to supply sufficient volumes of product. Disruption to the supply chain such as time critical delays, failure or dispute with key suppliers, severe weather events, fires, floods, failure in the supply of energy, water or other significant inputs or other events of disruption could limit the Group's ability to supply sufficient volumes of product and have a material adverse impact on the Group's financial performance.
- > **Regulatory factors:** Ingham's requires a range of licences, permits and accreditations/certifications relating to food standards, animal welfare, workers compensation and the environment in order to continue operating successfully. Inability to secure or retain these regulatory approvals, or amendments or revoking of these approvals could have an adverse effect on Ingham's financial performance. Ongoing compliance with laws and regulations in the countries in which Ingham's operates, and ability to comply with changes to these laws and regulations are material to Ingham's business. Failure to do so would have a material adverse impact on Ingham's.
- > **Transformation projects:** Project Accelerate involves material capital investment and is expected to deliver cost savings and efficiencies to the business in future periods. Delays in the project or cost overruns, in addition to realised results differing from estimates, may negatively impact Ingham's financial performance compared to management's forecasts.
- > **Reputation or brand damage:** Ingham's reputation and the value associated with its quality of products and brands could be impacted by a number of factors including: quality issues with Ingham's products or a failure to supply quality products; the occurrence of an animal welfare event due to the failure of Ingham's or third parties it engages to follow Ingham's strict animal welfare policies and procedures; the actions of contractors and their employment practices or a breach of environmental legislation.
- > **Material fluctuations in poultry supply and pricing:** There are a number of suppliers of chicken products in Australia and New Zealand. Any material increase in the supply of chicken in these markets that exceeds the increase in demand could lead to an oversupply of chicken, which may result in reduced prices and negatively affect Ingham's results or operations and financial performance.