



Inghams Group Limited
2019 Annual General Meeting

17 OCTOBER 2019





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Introduction and Chairman's Address



Welcome to Ingham's 2019 AGM

Inghams Group Limited Board of Directors



Peter Bush*
*Chairman
(Independent
Non-Executive Director)*



Ricky Lau*
Non-Executive Director



Jackie McArthur
*Independent
Non-Executive Director*



Jim Leighton
*Managing Director &
Chief Executive Officer*



Helen Nash
*Independent
Non-Executive Director*



Andrew Reeves^
*Independent
Non-Executive Director*



Robert Gordon^
*Independent
Non-Executive Director*



Linda Bardo Nicholls, AO
*Independent
Non-Executive Director*

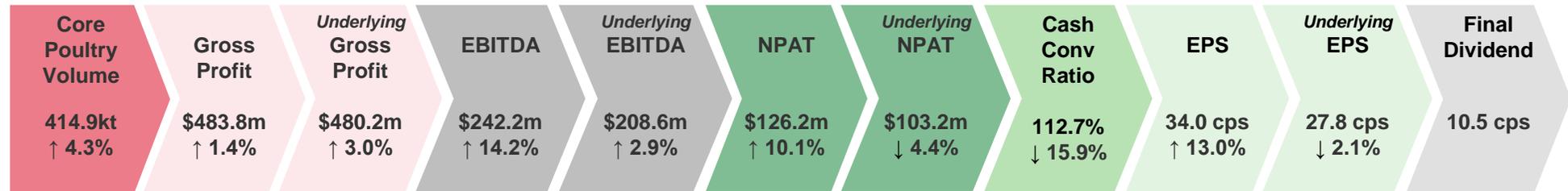


02

CEO's Address



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 excl. 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

FY19 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

FY19 Results – 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



Feed cost update

Feed cost update

- > Feed is our largest input cost
- > Feed prices have continued to remain at close to historically high levels, driven by continued dry conditions in Australia during FY2019
- > We are in the fortunate position of having a number of arrangements where we are able to pass through this cost
- > These contractual arrangements and our market position delivered intended outcomes in FY2019 to partially offset costs
- > Outlook for FY2020 feed prices remains uncertain due to the uncertainty regarding the outlook for rains across southern states in the coming months (which is required for a higher FY2020 crop)
- > 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



FY2020 outlook

- > Trading to plan through Q1 FY2020
- > EBITDA run rate is planned to be lower in the first half than the second half of FY2020
- > 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
 - had a significant impact on our profitability toward the end of FY2019 and into FY2020.
- > New Zealand performance is returning to year-on-year growth and remains below historical profit levels
- > EBITDA in FY2020 will be below underlying FY2019, with a return to growth expected in FY2021

Future Opportunity

Team Update

- > Leadership team rebuild complete
- > Bring the right mindset, capability, experience and diversity to get after the opportunity
 - decades of global best practice poultry operational experience from around the world
- > New leadership team is challenging the status quo and looking for accretive growth from the core business as well as through new product development and innovation

Business Update

- > New leadership team executing plans to get more out of our core business:
 - utilise latent capacity
 - balance the supply chain
- > Executing a proven strategy that to the extent possible will mitigate the influence of external factors on our business
- > Moving from a capital led operational improvement program to an asset efficiency culture
- > Pivoting from a commodity-centric transactional company to a consumer-centric strategic company