



# INVESTOR DAY

22 OCTOBER 2019





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**PETER BUSH**  
INDEPENDENT CHAIRMAN

# WELCOME AND INTRODUCTION



# AGENDA

10:00 am	<b>Registration</b>	
10:30 am	<b>Welcome and introduction</b>	Peter Bush, Independent Chairman
10:35 am	<b>My perspective</b> - The building blocks of Ingham's - Why I joined Ingham's	Jim Leighton, Chief Executive Officer
10:45 am	<b>The roadmap to unlock our future</b>	Jim Leighton, Chief Executive Officer
11:00 am	<b>Unlocking our potential</b> - Marketing - Sales - Feed	Seb Brandt, Chief Marketing Officer Chris Croese, Chief Customer Officer Anne Marie Mooney, Feed Business Director
11:30 am	<b>Q&amp;A</b>	All
12:00 pm	<b>Break – product tasting</b>	
12:15 pm	- Supply chain and network overview - Farming - Primary Production - Further Processing - New Zealand	Tim Singleton, Chief Operations Officer Alan Parnham, General Manager Farming Art Lankford, General Manager Primary Processing John Alldis, General Manager Further Processing Jonathan Gray, CEO New Zealand
1.15 pm	<b>Summary</b>	Jim Leighton, Chief Executive Officer
1.25 pm	<b>Q&amp;A</b>	All
2.30 pm	<b>Ends</b>	





# TODAY'S SPEAKERS



**Jim Leighton**  
*CEO and  
Managing Director*



**Jonathan Gray**  
*CEO New Zealand*



**Tim Singleton**  
*Chief Operations Officer*



**Anne-Marie Mooney**  
*Feed Business Director*



**Alan Parnham**  
*General Manager  
Farming*



**Art Lankford**  
*General Manager  
Primary Processing*



**John Aldis**  
*General Manager  
Further Processing*



**Chris Croese**  
*Chief Customer Officer*



**Seb Brandt**  
*Chief Marketing Officer*



# COMBINED EXPERIENCE FROM THE WORLD'S LARGEST POULTRY AND CONSUMER COMPANIES



## GLOBAL POULTRY COMPANIES





# WE ARE UNLOCKING OUR POTENTIAL

- Attractive sector
- Strong foundations
- Clear strategy
- Material efficiency and capacity upside
- Right team to deliver





**JIM LEIGHTON**  
CHIEF EXECUTIVE OFFICER

# MY PERSPECTIVE





# A RICH HISTORY

## GROWTH

- Stringent biosecurity import restrictions
- Most efficient low-cost protein
- Sustained category growth

## 100 YEAR HISTORY

- Successive owners have built a strong and valuable business
- Diversified network
- Well invested asset base
- Project Accelerate set the foundations for world-class efficiency

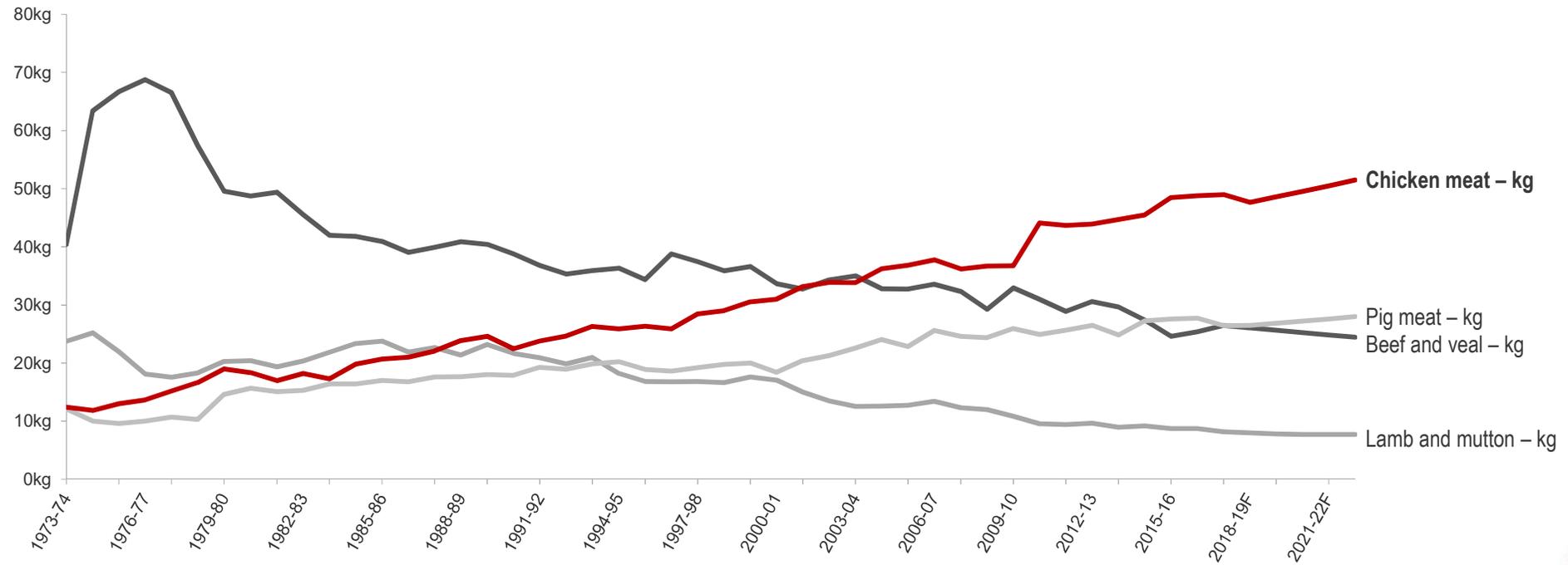
## RELATIONSHIPS

- Long-term, trusted relationships (grocery, QSR, food service)
- Well known poultry company



# SUSTAINED DEMAND GROWTH FOR POULTRY

**PER CAPITA CONSUMPTION OF MEAT TYPES**  
(KG PER PERSON P.A.)

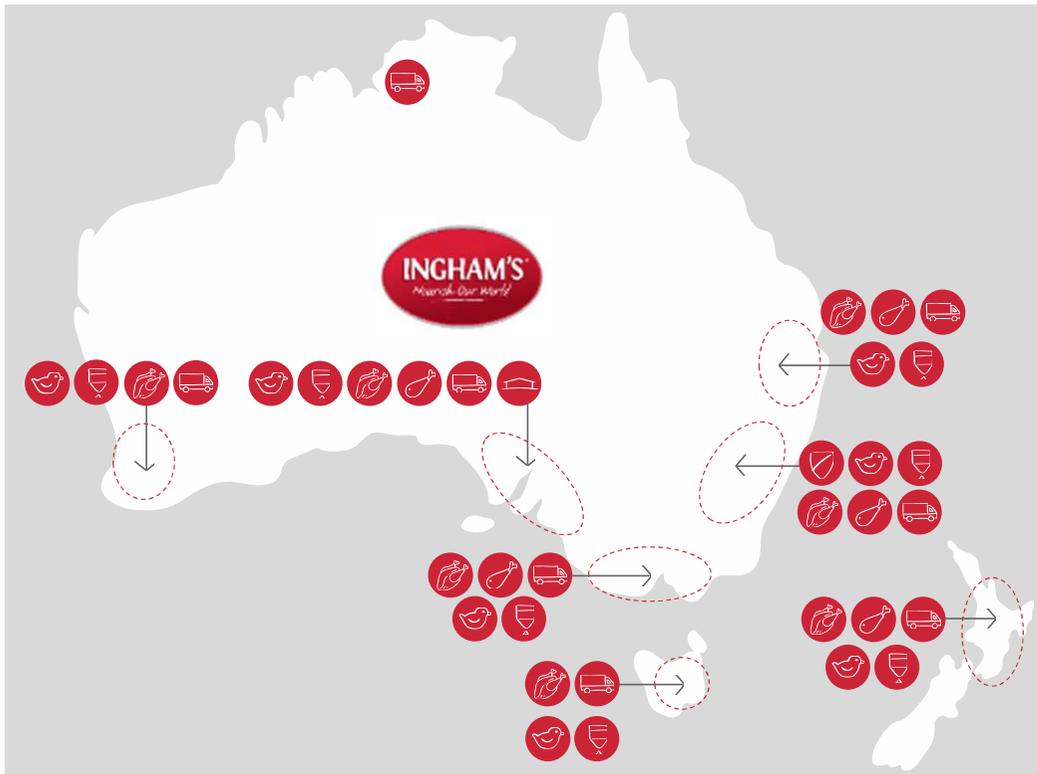


Source: ABARES.



# OUR NATIONAL NETWORK IS A GREAT ASSET

- Manage biosecurity risk
- Mitigate feed price volatility
- Production clusters ensure local supply
- Network provides ability to optimise supply nationally



### Facilities/farms

- |            |                            |
|------------|----------------------------|
| Quarantine | Primary processing         |
| Farms      | Further processing         |
| Hatcheries | Warehouse and distribution |
| Feedmills  | Protein conversion plant   |



# LONG-TERM CUSTOMER RELATIONSHIPS



# A GREAT OPPORTUNITY

## A GREAT BUSINESS

- Market structure and position
- Strong asset base
- Customer relationships

**A strong platform for growth**

## IN A CHANGING MARKET

- The protein market is changing as consumer and customer expectations evolve

**But we need to adapt to the new**

## ALIGNED TO MY PASSION

- International experience building corporate cultures and fully integrated teams
- Track record of driving innovation and profitable growth in food and protein

**We can innovate to win**





# WITH CHALLENGES I AM FAMILIAR WITH

**OUR SUCCESS IN GROWING  
VOLUMES HAS  
STRETCHED OPERATIONS**

**OUR FOCUS WAS TO BE A  
SUPPLIER NOT A STRATEGIC  
PARTNER IN GROWTH**

**OUR STRUCTURE AND  
LEADERSHIP NEEDED A  
REFRESH**





**JIM LEIGHTON**  
CHIEF EXECUTIVE OFFICER

# THE ROADMAP TO UNLOCK OUR FUTURE



# THE PROCESS

## DEFINE OUR PURPOSE

- “Nourish Our World”

Establish Meaning

## ESTABLISH OUR PRINCIPLES

- Open
- Honest
- Collaborative

Our Behaviours

## SET OUR STRATEGY

- Optimise the core
- Innovate to grow
- Reinvest in the new

Our Direction

## RESET OUR STRUCTURE

- Horizontal vs vertical
- Balanced

Accountability

## BUILD OUR TEAM

- Deep operational expertise
- International experience

Execution



# OUR PURPOSE

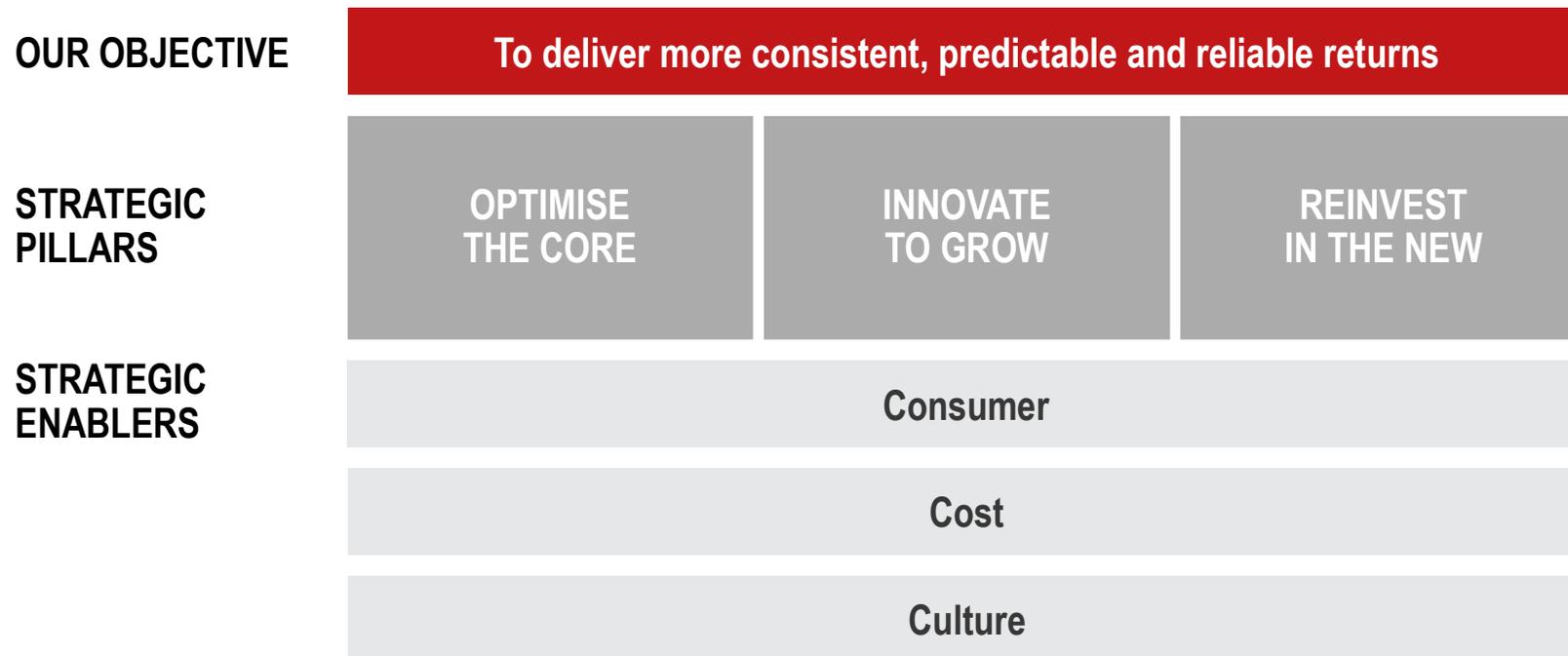


Gives us meaning in the present and inspiration for creating future value

- **Physical:** Nourishing people with protein and good nutrition
- **Emotional:** Creating meaningful experiences
- **Community:** Nurturing communities our business is part of
- **Environment:** Limiting the physical impact we have on our world



# OUR STRATEGIC FRAMEWORK



# OUR PILLARS

## OPTIMISE THE CORE

- Deliver asset efficiency with minimal capital spend
- Implement a 'continuous improvement' culture
- Reframe customer relationships
- Maximise the value of every bird

## INNOVATE TO GROW

- Manage our core new product development (NPD) and portfolio mix to maximise margin
- Build poultry and protein products / brands to deliver higher margins and offset cost base volatility

## INVEST IN THE NEW

- Be flexible, disciplined and well capitalised to take advantage of growth opportunities



# OUR ENABLERS

## CONSUMER

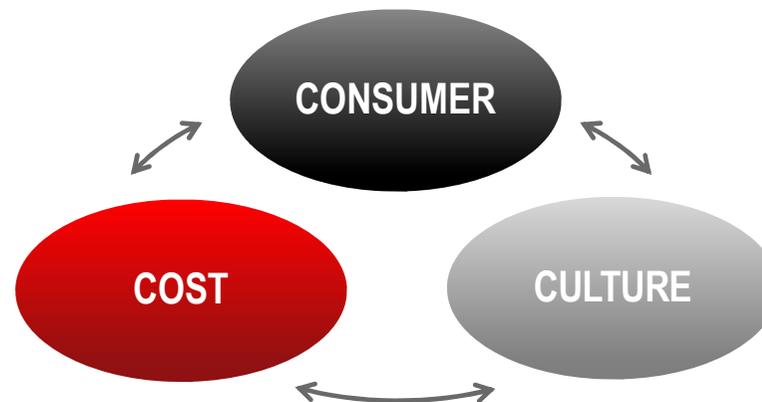
### Innovation and profitable growth

- Become a consumer-centric organisation
- Work with customers in new ways – align with and support their growth
- Invest in new value-added products and channels

## COST

### Efficiency and focus

- Grow efficiency in our network and operations
- Simplify the business
- Strengthen 'horizontal' alignment and decision making



## CULTURE

### Engagement and capability

- Engage people in our purpose
- Empower people to make a difference
- Build leadership skills and capability

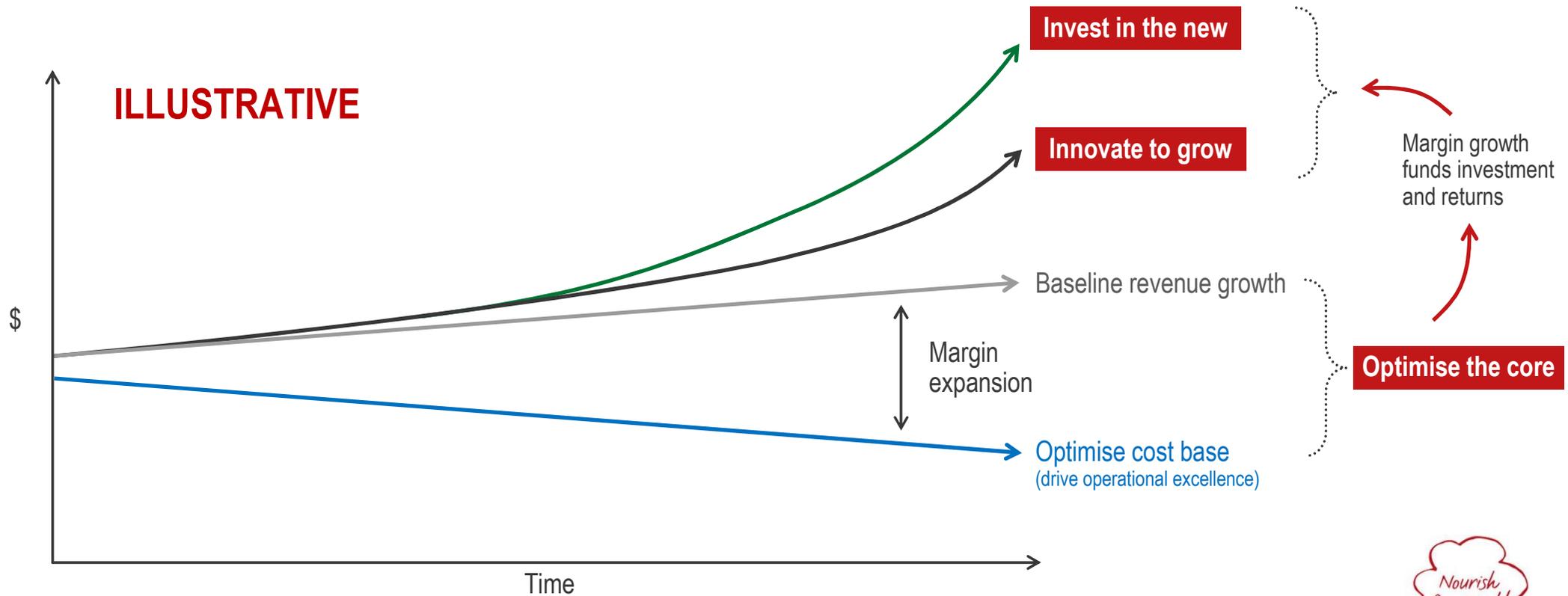


# CULTURE

- Our people have a great deal of passion for the company and are proud to be an Ingham's team member
- Opportunities to improve our organisational performance, through focusing on developing the culture and our approach to leadership
- Accompanied by capability development focused on developing our current and future leaders
- 'Enabling our leaders' will drive improved performance, accountability and the attraction and retention of talent



# TO DELIVER MORE CONSISTENT, PREDICTABLE AND RELIABLE RETURNS



# HOW WE WIN

**RIGHT SECTOR**  
Poultry remains a great sector, with entrenched advantage, and growth prospects

**RIGHT ASSETS**  
Well invested assets and significant capacity upside

**RIGHT STRATEGY**  
Fit for growth, to deliver more consistent, predictable and reliable returns

**RIGHT LEADERSHIP**  
We have assembled a team of leaders who have deep experience and know what great looks like





**SEB BRANDT**  
CHIEF MARKETING OFFICER

**UNLOCKING  
OUR POTENTIAL**

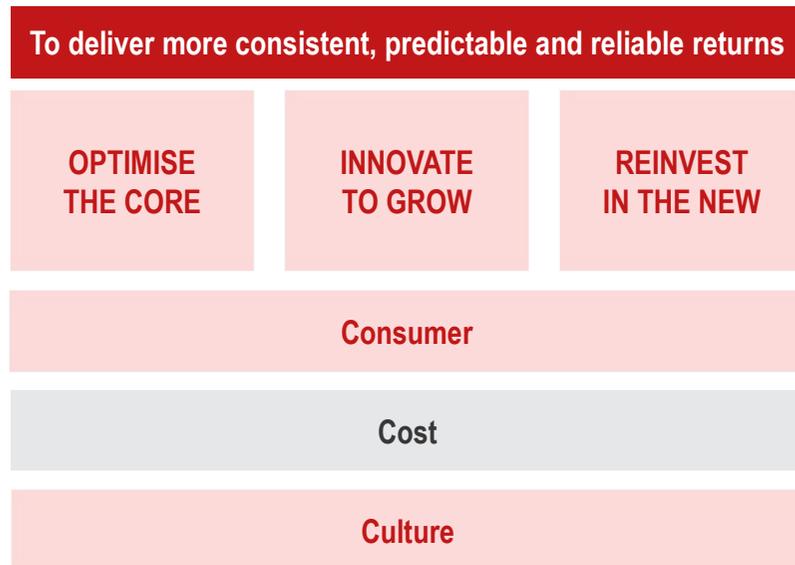
**MARKETING**



# MARKETING FOCUS AREAS

**Objective:** Drive growth agenda through consumer-led brand building and innovation

## INGHAM'S STRATEGIC FRAMEWORK



## SHORT TERM PRIORITY INITIATIVES

- 01** Consumer segmentation driving innovation
- 02** Implementing a rebuilt NPD process
- 03** Refreshed branding model
- 04** Launching new, margin accretive, differentiated Innovation



# CASE STUDY – NEEDS-BASED SEGMENTATION MODEL

## NEED STATE

## KEY DRIVERS OF PURCHASE AND CONSUMPTION

### HEAT & EAT



*I need something easy and quick to make. But it needs to be quality and premium and close to something I could make.*



### WEEKEND ENTERTAINER



*I cook for pride – I'm looking for social currency with my food. I buy the best ingredients and enjoy time preparing them.*



### BUSY BALANCER



*I'm a good basic cook – I'm looking for healthy convenience at a good price. Mid week, I want some but not all of the work done for me.*



### GOOD FOR ME & THE PLANET



*It's all about animal welfare and health for me. Natural, ethical and a bent towards Vegan and Vegetarian options.*



### CONFIDENT ALL ROUNDERS

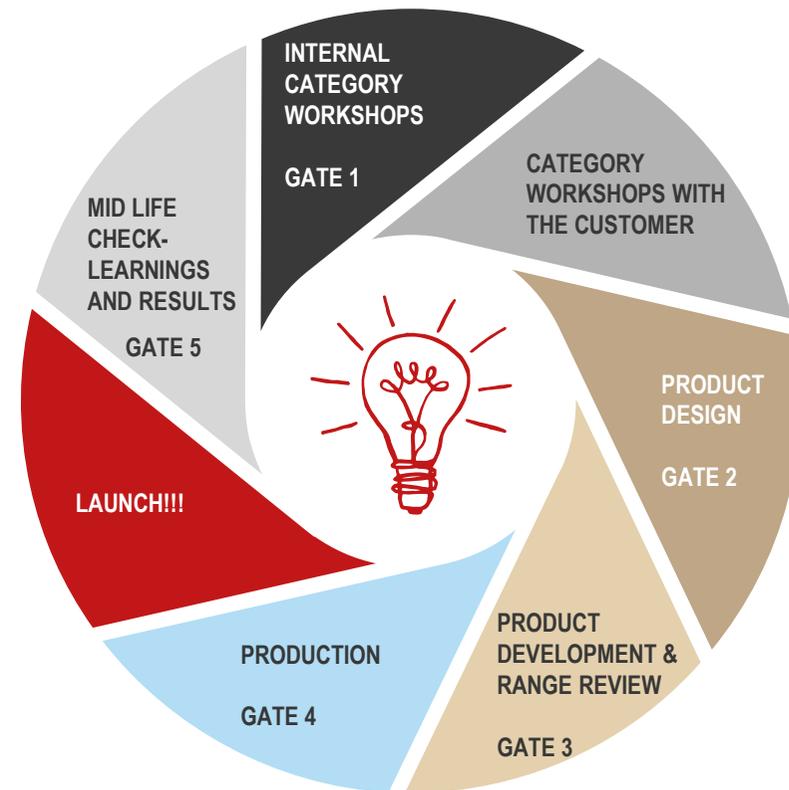


*I'm a confident cook – I look for food I can cook from scratch. Whole birds are my game. It's a forgiving protein that I can dress up or down*



# CASE STUDY – REBUILDING OUR INNOVATION MODEL

- Informed by consumer needs and segmentation
- Category workshops identified unmet needs and areas for improvement
- Built an innovation and ideation funnel with input from consumers, suppliers and partners
- Created an NPD toolkit to support the new process
- Focused on margin accretive, 'Fewer, Bigger, Better' Innovation



# CASE STUDY – DIFFERENTIATED INNOVATION

## AMERICAN BITES



- Purchasers in the recent campaign had never purchased Ingham's products before

## FREE RANGE



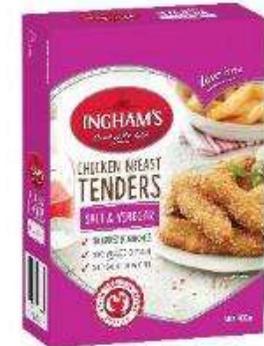
- Unique, first to category premium raw material and crumb

## BONELESS WYNGZ



- Built out Foodservice product range
- PFD New Product of the Year
- Pizza Hut Product Excellence Award

## SALT & VINEGAR TENDERS



- Capitalising on flavor trends from snacks





**CHRIS CROESE**  
CHIEF CUSTOMER OFFICER

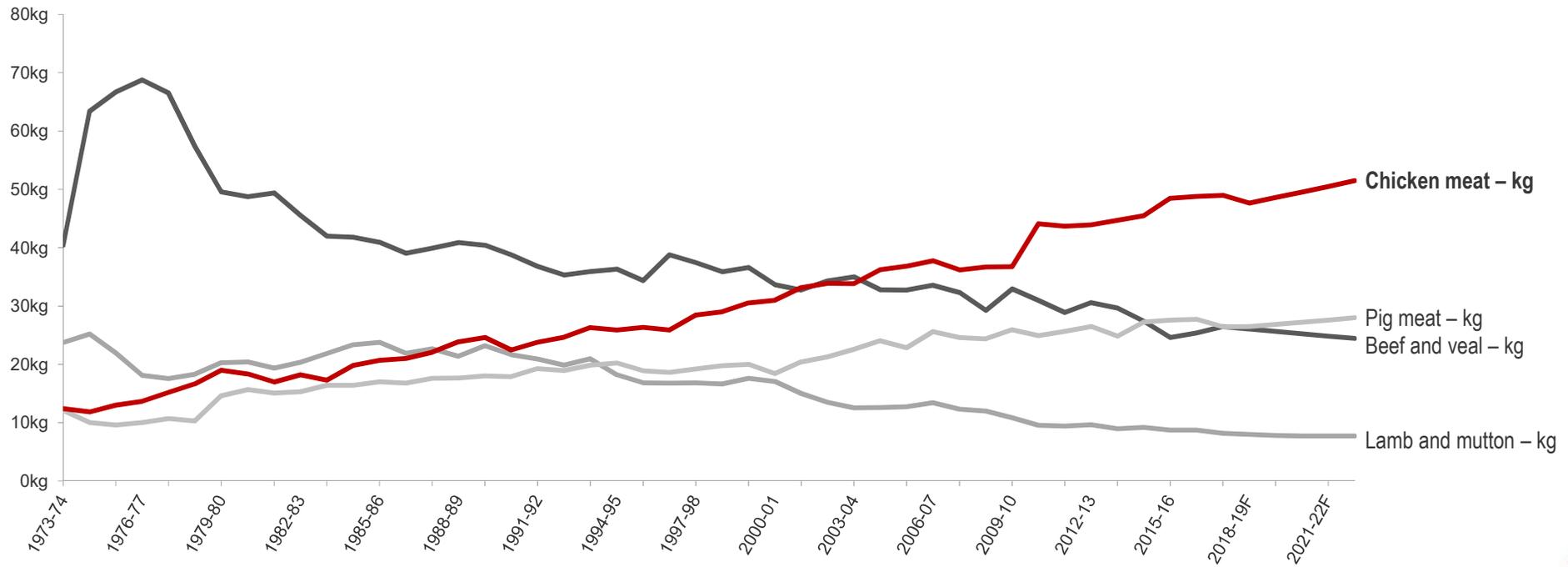
**UNLOCKING  
OUR POTENTIAL**

**SALES**



# SUSTAINED DEMAND GROWTH FOR POULTRY

**PER CAPITA CONSUMPTION OF MEAT TYPES**  
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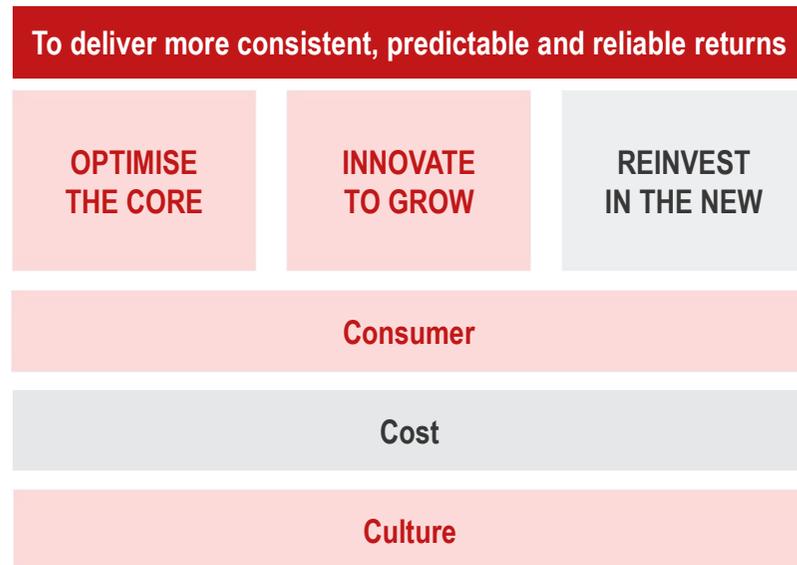
Source: ABARES.



# SALES FOCUS AREAS

**Objective:** To work with customers to unlock incremental value through best-in-class innovation and account management

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Stronger collaboration with strategic partners**
- 02 Maximise value of every bird**
- 03 Empower sales leads to drive a profitable growth agenda**
- 04 Improve collaboration with operations to profitably utilise latent production capacity**



# CASE STUDY – FROM TRANSACTIONAL SUPPLIER TO STRATEGIC PARTNER

- Identified opportunities to increase collaboration with key customers across the business
- To address this opportunity, we
  - Clearly defined bilateral expectations
  - Introduced project management methodology and systems
  - Brought the right people from across the business on board to execute
  - Executed quickly and methodically
- Benefits derived include improved speed of execution and incremental value

EXAMPLE	FROM	TO
Leveraging Online	<20% of ING branded products supported with online content	100% of ING branded products with online content
Fixed Weight	Insufficient clarity regarding transition to fixed weight processing	Plans to transition priority products to fixed weight before the end of CY20





**ANNE-MARIE MOONEY**  
FEED BUSINESS DIRECTOR

# UNLOCKING OUR POTENTIAL

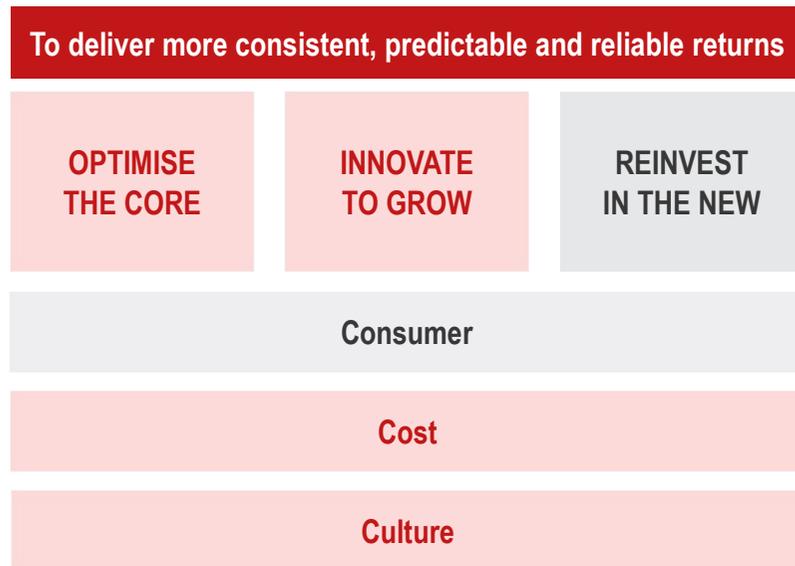
FEED



# FEED FOCUS AREAS

**Objective:** Deliver high quality nutrition to allow our farmers to grow and deliver healthy and consistent birds to our plants at the lowest possible cost

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Optimise raw material basket
- 02 Work horizontally to improve feed cost per kilogram of bird liveweight
- 03 Innovation farm – test and learn



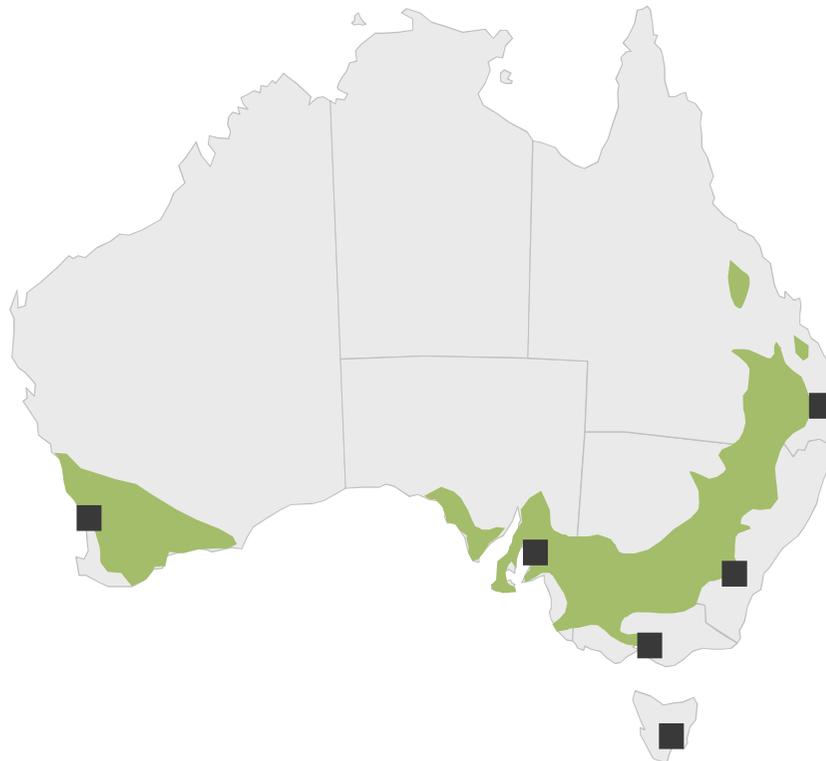
# OUR NATIONAL NETWORK MITIGATES RISK TO DELIVERED COST AND CREATES A COMPETITIVE ADVANTAGE



TOTAL	('m MT)	
5 year average	23.2	
'18/19E.	17.0	
'19/20F – Oct 19	17.5	

WA	('m MT)		%
5 year average	9.0	39%	
'18/19E.	10.2	59%	
'19/20F – Oct 19	7.7	44%	

SA	('m MT)		%
5 year average	4.3	19%	
'18/19E.	3.0	17%	
'19/20F – Oct 19	3.6	21%	



QLD	('m MT)		%
5 year average	1.0	4%	
'18/19E.	0.4	2%	
'19/20F – Oct 19	0.4	2%	

NSW	('m MT)		%
5 year average	6.0	26%	
'18/19E.	1.8	10%	
'19/20F – Oct 19	2.4	14%	

VIC	('m MT)		%
5 year average	3.0	13%	
'18/19E.	2.0	12%	
'19/20F – Oct 19	3.4	19%	

- Major wheat growing regions
- Ingham's processing facility

Source: Map (USDA), Market Data



# CASE STUDY – INNOVATION FARM

- New state-of-the-art research farm in Queensland commissioned in **October 2019**, to deliver R&D for feed and farming initiatives in a controlled environment
- Key network asset to deliver on our goal to be the leader in consumer protein innovation and growth:
  - Supporting the consumer innovation pipeline
  - Staying ahead of the curve in efficiency in chicken production
  - De-risking the raw material basket
  - Evaluating novel and new ingredients
  - Evaluating new animal health products
  - Supporting ag tech initiatives for farming





# Q&A





**BREAK**





**TIM SINGLETON**  
CHIEF OPERATIONS OFFICER

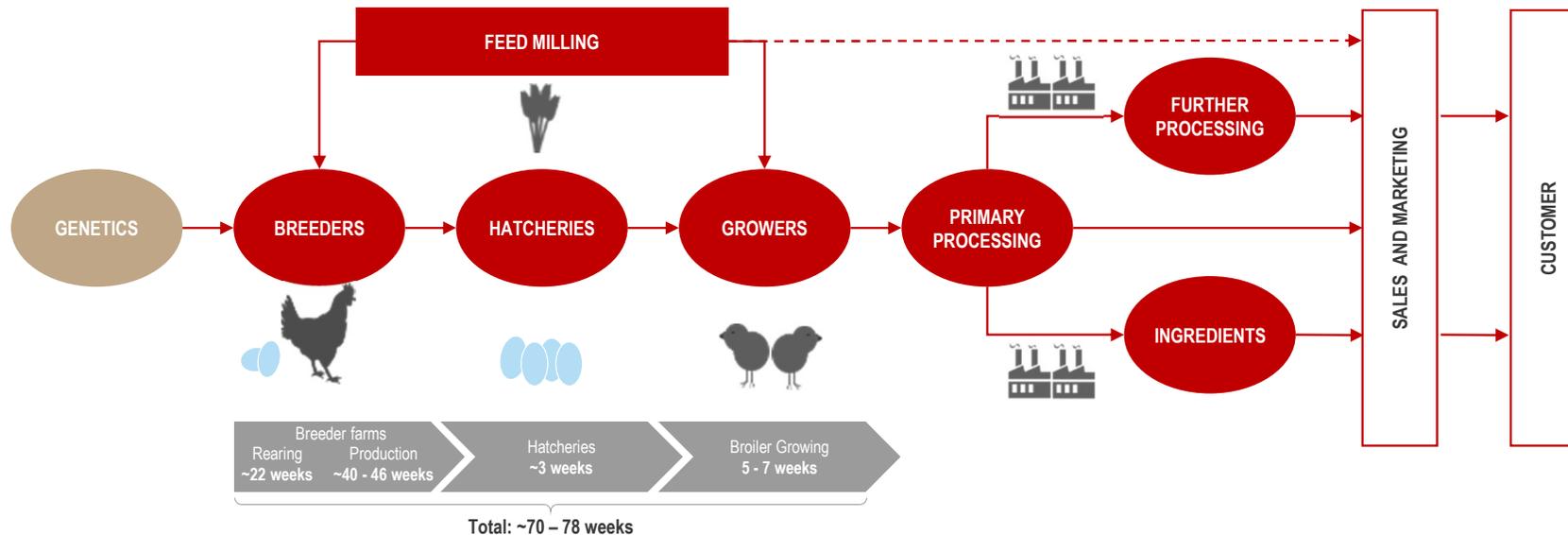
# UNLOCKING OUR POTENTIAL

SUPPLY CHAIN AND  
NETWORK OVERVIEW

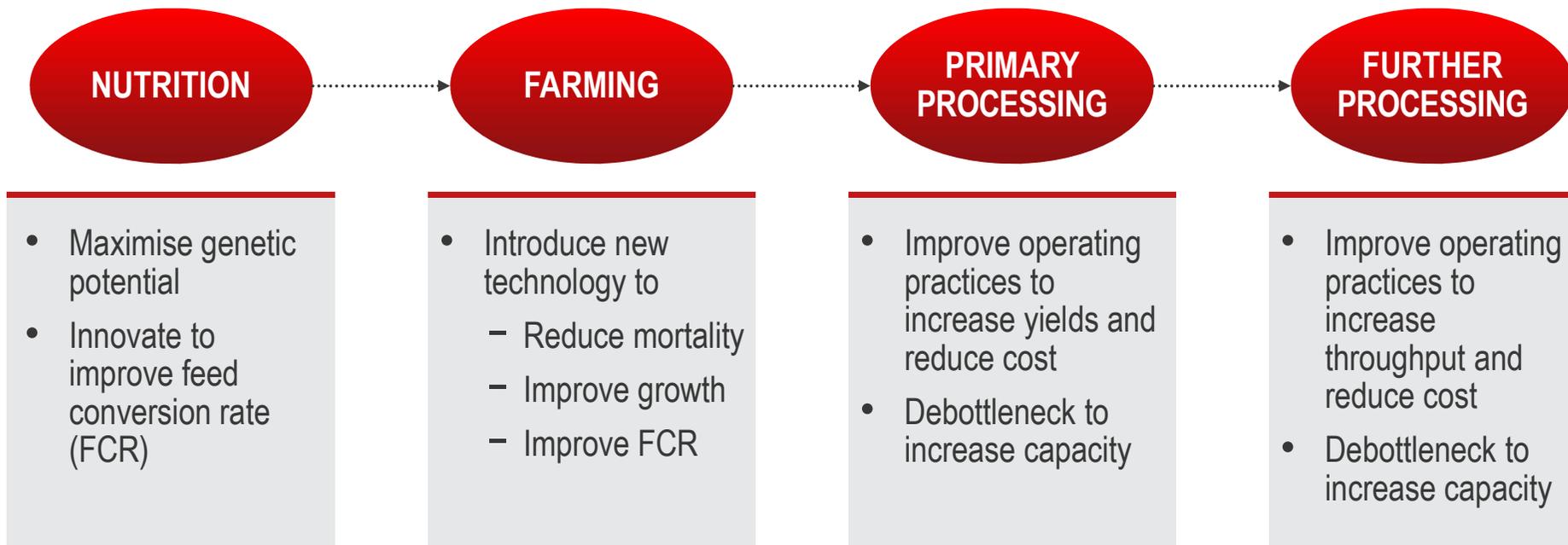


# OUR FULLY INTEGRATED OPERATING MODEL

- Value is created across a highly complex and inter-related supply chain
- Cost, capability and complexity creates barriers
- Balance and operational excellence are key to margin capture



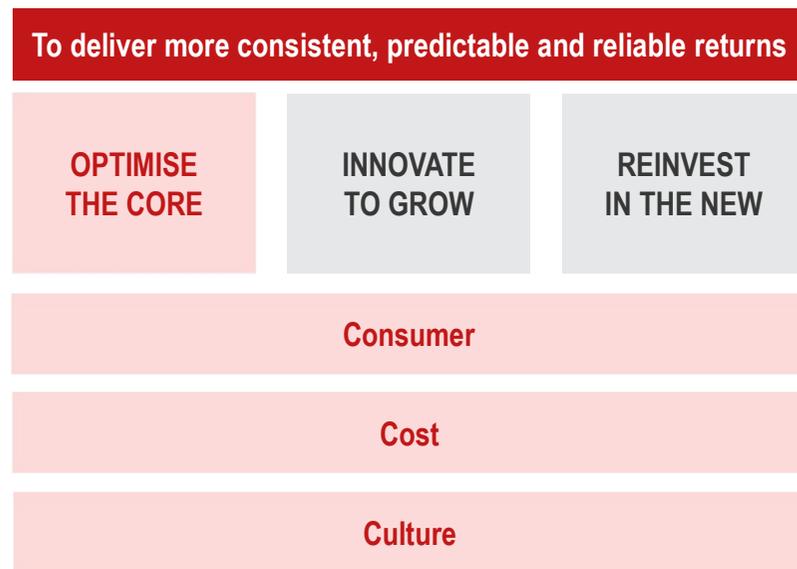
# UNLOCKING VALUE ACROSS THE SUPPLY CHAIN



# SUPPLY CHAIN AND NETWORK FOCUS AREAS

**Objective:** Ensure planning and decision making across the network is co-ordinated to safely deliver high quality products to our customers consistently and reliably at the lowest cost

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Establish coordinated decision making – “horizontal mindset”
- 02 Right people, right capability in leadership
- 03 Optimise capital plan
- 04 Deliver step change asset utilisation and overall equipment efficiency (OEE)



# WE MUST STANDARDISE OPERATIONS

## IMPROVE THE BASICS

- Run processes to specification
- Maintain our assets

## STEP CHANGE ASSET EFFICIENCY

- Standardise and right size staffing
- Implement best practice playbooks

## REALISE CAPACITY POTENTIAL

- Identify current bottlenecks
- Define solutions to increase throughput

Improved Overall Equipment Effectiveness (OEE)



**ALAN PARNHAM**  
GENERAL MANAGER FARMING

# UNLOCKING OUR POTENTIAL

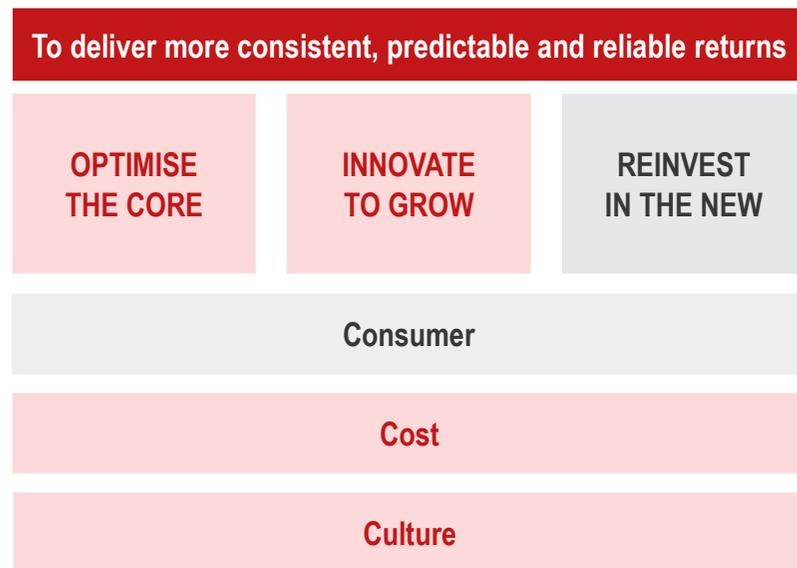
FARMING



# FARMING FOCUS AREAS

**Objective:** Set the standard for animal welfare and deliver a consistent size and quality bird to our processing plants at the lowest cost

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Improve network utilisation
- 02 Partner to achieve genetic potential
- 03 Automate to improve efficiencies and ensure sustainable production
- 04 Implement best practice systems and technologies



# CASE STUDY – HATCHCARE

- ✓ Improved living conditions for more animal-friendly production
- ✓ Feed and water for stronger and healthier day-old chicks
- ✓ MicroClimer technology for superior and uniform chick quality
- ✓ Bio-security for healthy chick production
- ✓ Energy efficiency for operational sustainability
- ✓ To be installed in new hatcheries, starting with VIC



Improved animal welfare and performance





**ART LANKFORD**

GENERAL MANAGER PRIMARY PROCESSING

# UNLOCKING OUR POTENTIAL

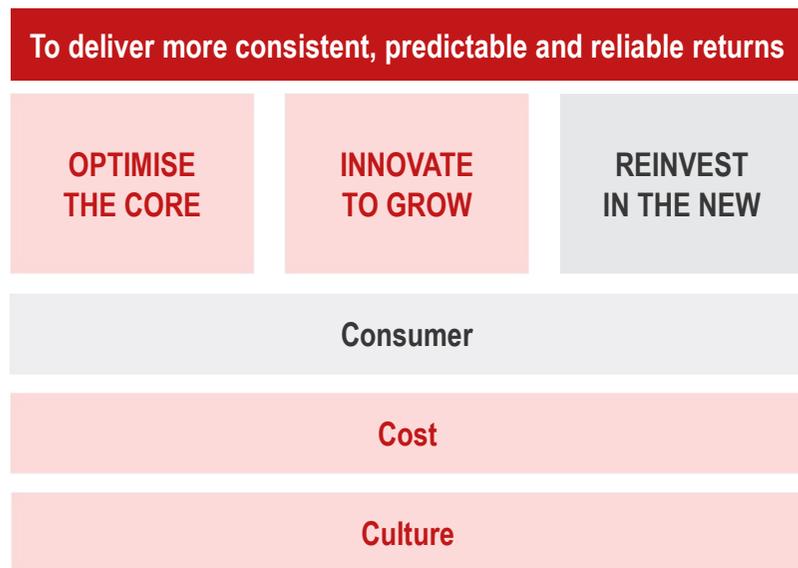
PRIMARY PROCESSING



# PRIMARY PROCESSING FOCUS AREAS

**Objective:** Maximise throughput and yield to deliver our products at the lowest unit cost, whilst maintaining the highest standards of employee and food safety and quality

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

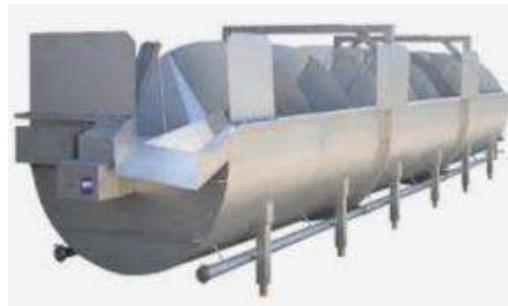
## SHORT TERM PRIORITY INITIATIVES

- 01 Increase OEE
- 02 Debottleneck capacity
- 03 Standardise and optimise asset management
- 04 Reduce labour costs



# CASE STUDY – UNLOCKING LATENT CAPACITY

- Internal review identified spin chillers as the major bottleneck impacting plant throughput at Somerville (VIC) and Osborne Park (WA) primary processing facilities
- New spin chillers will double capacity at each facility and unlock an incremental +20% network capacity to support future growth
  - Somerville project completed
  - Osborne Park project to be completed
- Managed growth in line with sales and marketing plans



Capital spend (2 plants)  
**~\$14m**

Incremental plant capacity  
**+100%**

Incremental network capacity  
**+20%**

# CASE STUDY – DELIVERING YIELD UPSIDE

INDICATIVE

- Internal review identified rapid breast deboners performing significantly below global standards
- Minor capital required to unlock incremental +1.0% breast yield
- Best practise playbook developed and rolled out nationally

Incremental yield	+1.0%
Incremental breast meat harvested per week	40 tpw
Retail price per kilogram	\$9.50
Total retail value per week	\$380k
<b>Total retail value per annum</b>	<b>~\$20M</b>





**JOHN ALLDIS**

GENERAL MANAGER FURTHER PROCESSING

# UNLOCKING OUR POTENTIAL

FURTHER PROCESSING



# CASE STUDY – TURKEY TURNAROUND

A horizontal view of the business can unlock incremental value

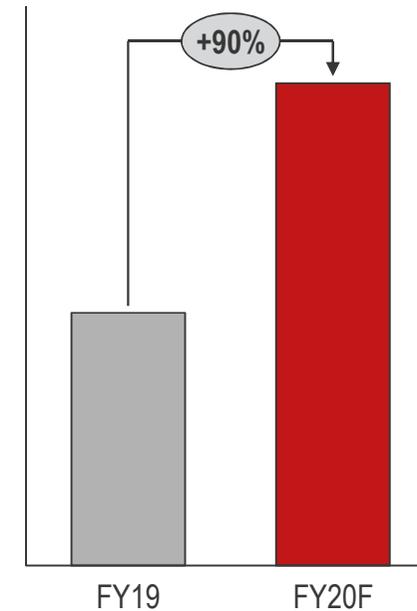
Siloed ways of working coupled with short term planning was resulting in sub-optimal decision making

John Aldis introduced a “Back to Basics” program to improve business performance

## KEY INITIATIVES

- Established “One Team” mentality – *“success requires integrated planning and thinking”*
- Established long-term planning function
- Focused on yields and balancing the bird
- Invested savings back into products
- Refocused NPD toward refreshing core range

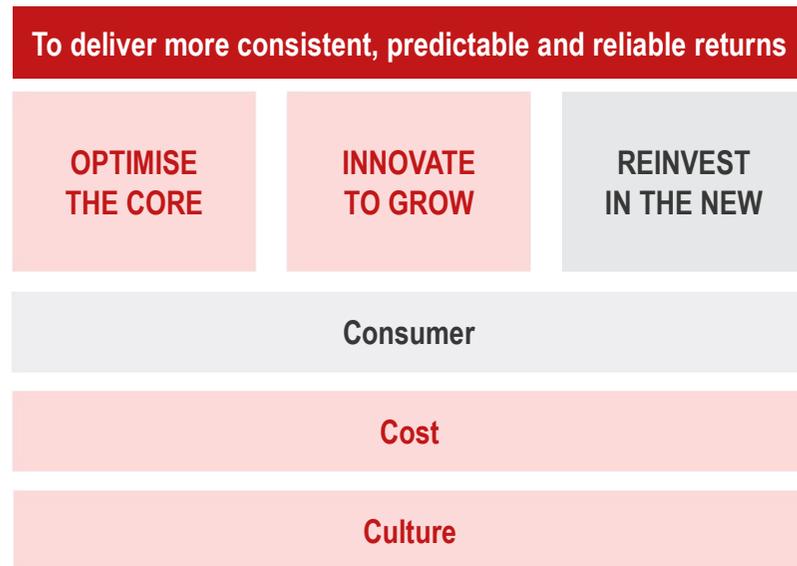
TURKEY ACTUAL MARGIN (\$)



# FURTHER PROCESSING FOCUS AREAS

**Objective:** Maximise throughput and yield to deliver our products at the lowest unit cost, whilst maintaining the highest standards of employee and food safety and quality

## INGHAM'S STRATEGIC FRAMEWORK



Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Optimise production scheduling
- 02 Improve OEE
- 03 Focus on people – capability and cost
- 04 Plant specialisation



# CASE STUDY – UNLOCKING CAPACITY AND EFFICIENCY POTENTIAL



## INITIAL STEPS TAKEN TO MANAGE SIGNIFICANT PRODUCTION GROWTH AT EDINBURGH PARKS (EP)

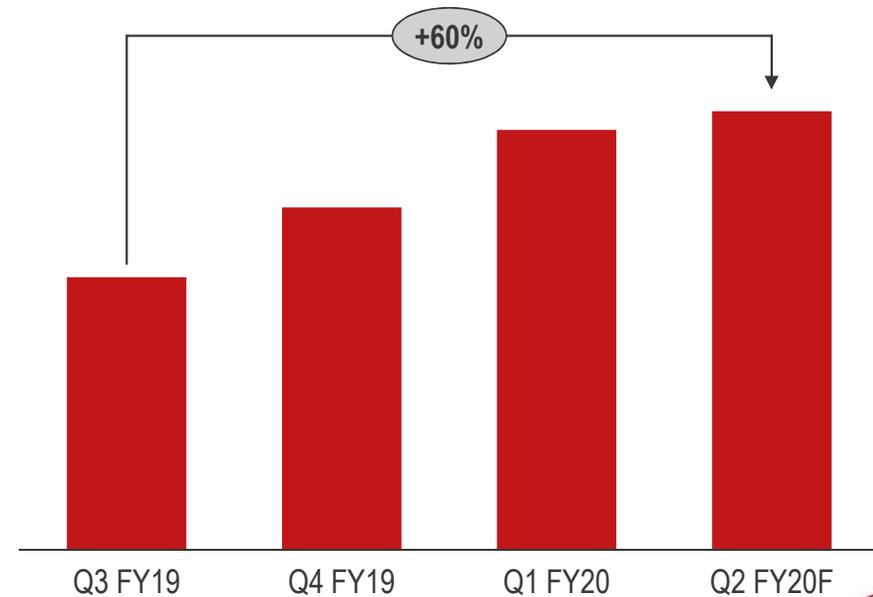
### 1. Simplify production scheduling

- Reduce changeovers
- Longer runs

### 2. Debottleneck process to increase throughput

- Packing identified as production bottleneck
- New process implemented will result in reduced cost

## EP AVERAGE WEEKLY PRODUCTION VOLUME





**JONATHAN GRAY**  
CEO NEW ZEALAND

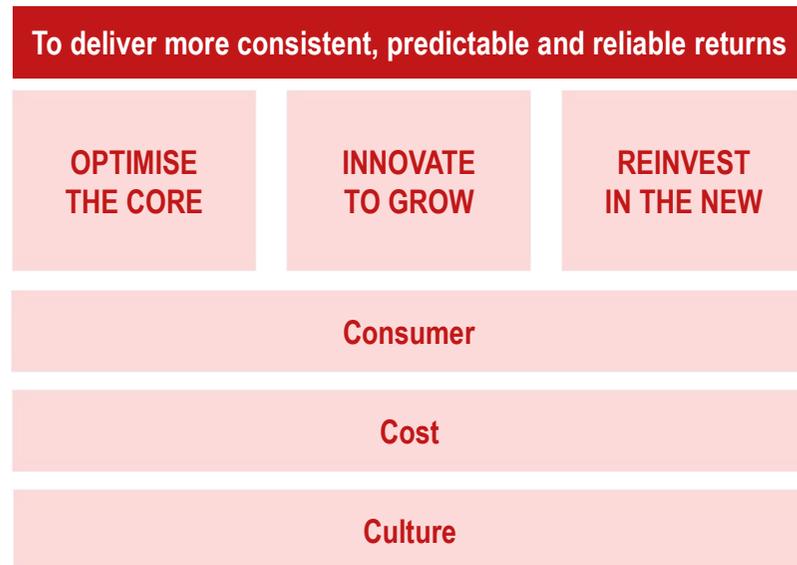
# UNLOCKING OUR POTENTIAL

NEW ZEALAND



# NEW ZEALAND FOCUS AREAS

## INGHAM'S STRATEGIC FRAMEWORK



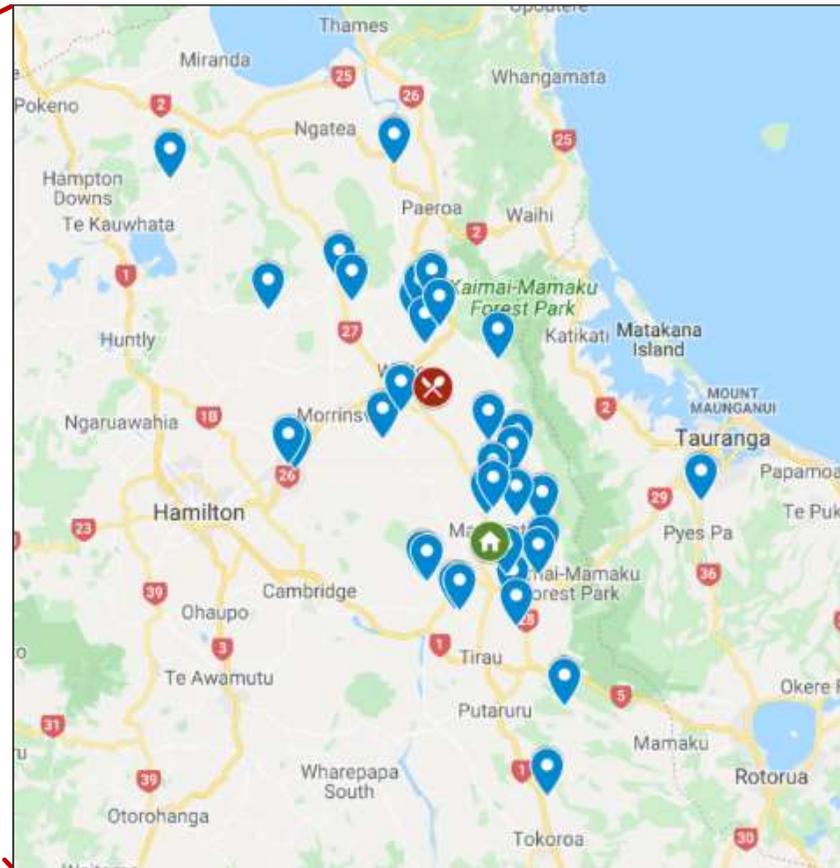
Short term focus

## SHORT TERM PRIORITY INITIATIVES

- 01 Complete rebuild of broiler farm infrastructure
- 02 Continued improvement in operational efficiencies and performance
- 03 Extend Waitoa's brand leadership
- 04 Watching brief on IBDV



# BROILER FARM INFRASTRUCTURE



# OPERATIONAL EFFICIENCY AND PERFORMANCE

- Productivity improvements being realised, however further opportunities remain
- Detailed review of primary plant layout, flow and capacity underway to unlock efficiency improvements
- Primary Plant automation with breast deboner
- Introduction of new cooking capability and efficiency in our Further Processed network
- Utilisation of group expertise and international best practice



*Multi-head weigher*



*Automated bagger*

# CASE STUDY – BRAND ARCHITECTURE



Good

Better

Best





**JIM LEIGHTON**

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

# SUMMARY



# OUTLOOK

- Trading to plan through Q1 FY2020
- EBITDA run rate expected to be lower in the 1H than the 2H of FY2020 reflecting impact of feed prices and Further Processing (as previously discussed)
- Adoption of AASB16 will have no economic impact to the group
- Initial recognition of a right of use asset and lease liability of circa \$1.8 billion
- Review of operating capital plan is nearing conclusion
- A broader capital management plan, including financing strategy for hatcheries, is also being developed
- Strong operating cash flow generation will continue
- Dividend policy unchanged - pay-out ratio of 60-70% of underlying NPAT (excludes impact of leasing)





# WE ARE UNLOCKING OUR POTENTIAL

- Attractive sector
- Strong foundations
- Clear strategy
- Material efficiency and capacity upside
- Right team to deliver





# Q&A





thank  
you

