



# UBS AUSTRALASIA CONFERENCE

18-19 NOVEMBER 2019



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# WE ARE UNLOCKING OUR POTENTIAL

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



# 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

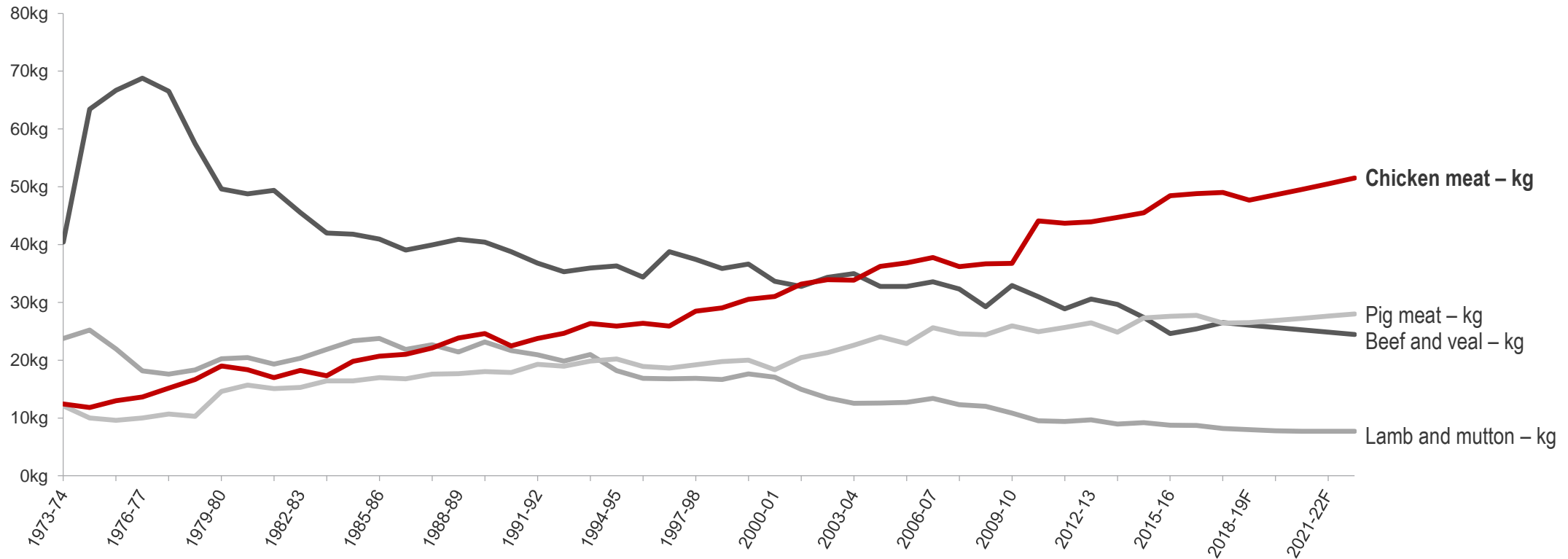
## RELATIONSHIPS

- 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.)



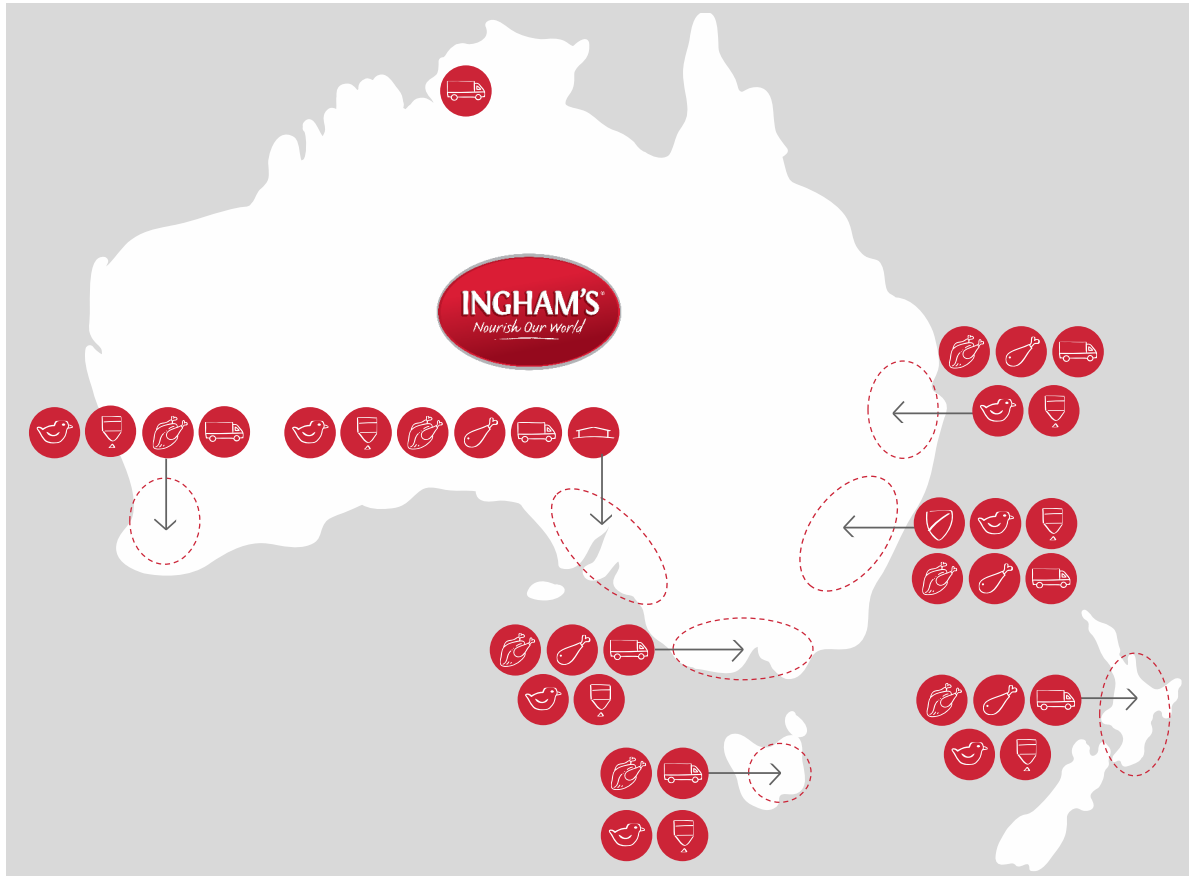
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# OUR NATIONAL NETWORK IS A GREAT ASSET

- 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   |



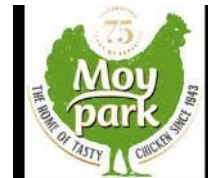
# LONG-TERM CUSTOMER RELATIONSHIPS



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

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Nourish Our World

## GLOBAL POULTRY COMPANIES





# OUR GROWTH HAS CREATED SOME CHALLENGES

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



# 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 OBJECTIVE

To deliver more consistent, predictable and reliable returns

STRATEGIC  
PILLARS

OPTIMISE  
THE CORE

INNOVATE  
TO GROW

REINVEST  
IN THE NEW

STRATEGIC  
ENABLERS

Consumer

Cost

Culture



# 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

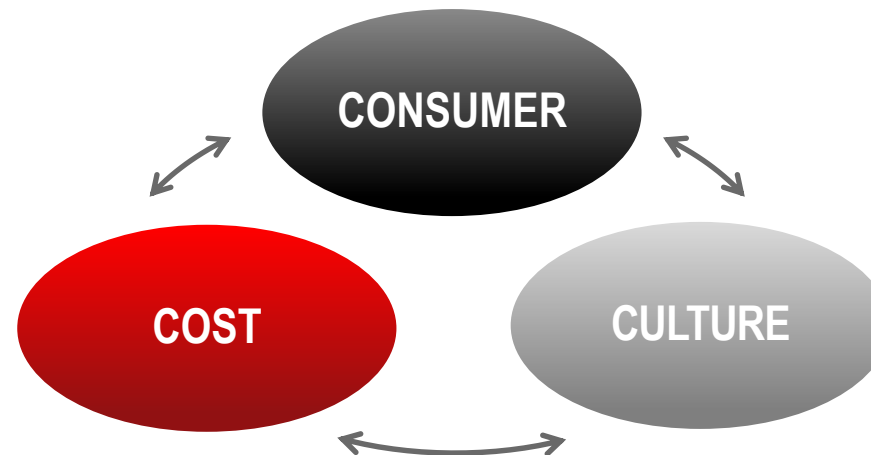
### Innovation and profitable growth

- 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



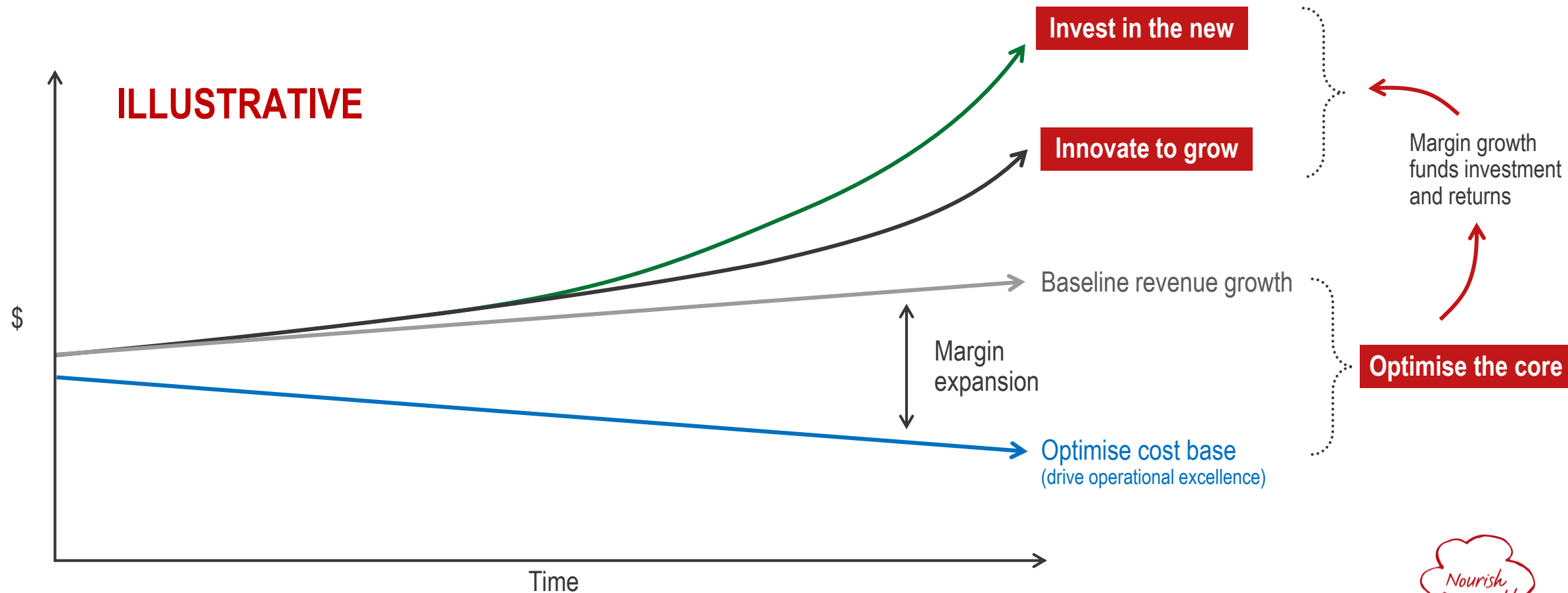
## CULTURE

### Engagement and capability

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



# 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





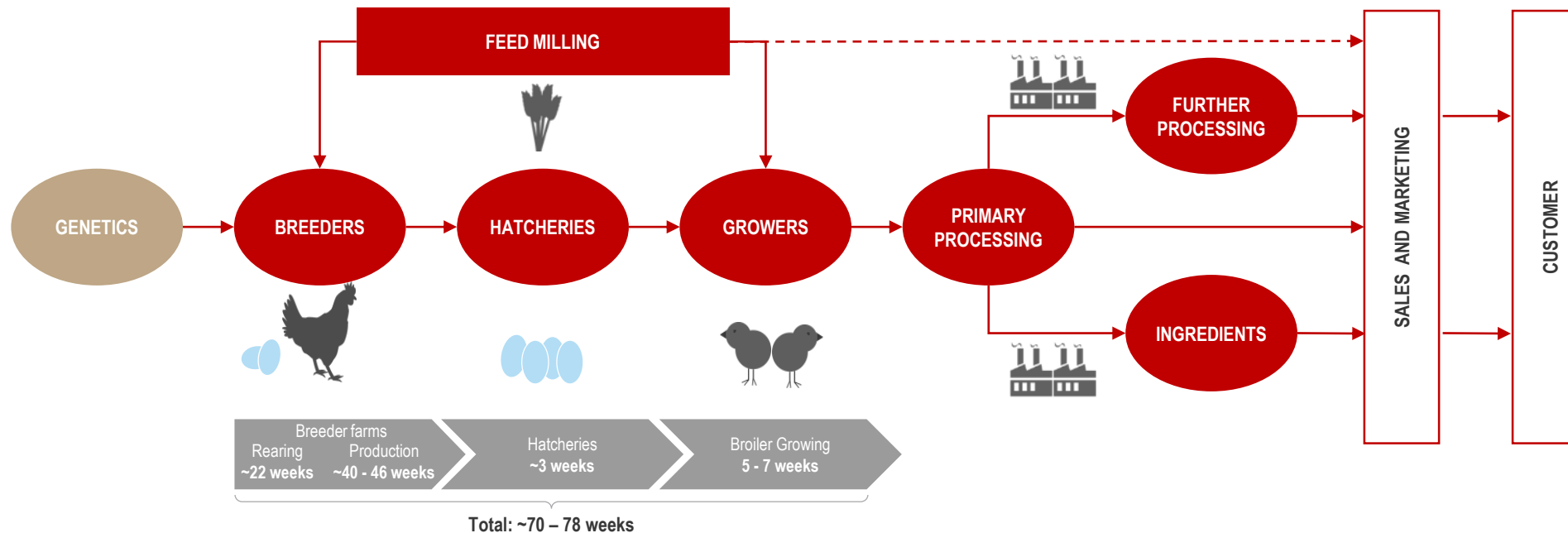
# UNLOCKING OUR POTENTIAL

SUPPLY CHAIN AND  
NETWORK OVERVIEW

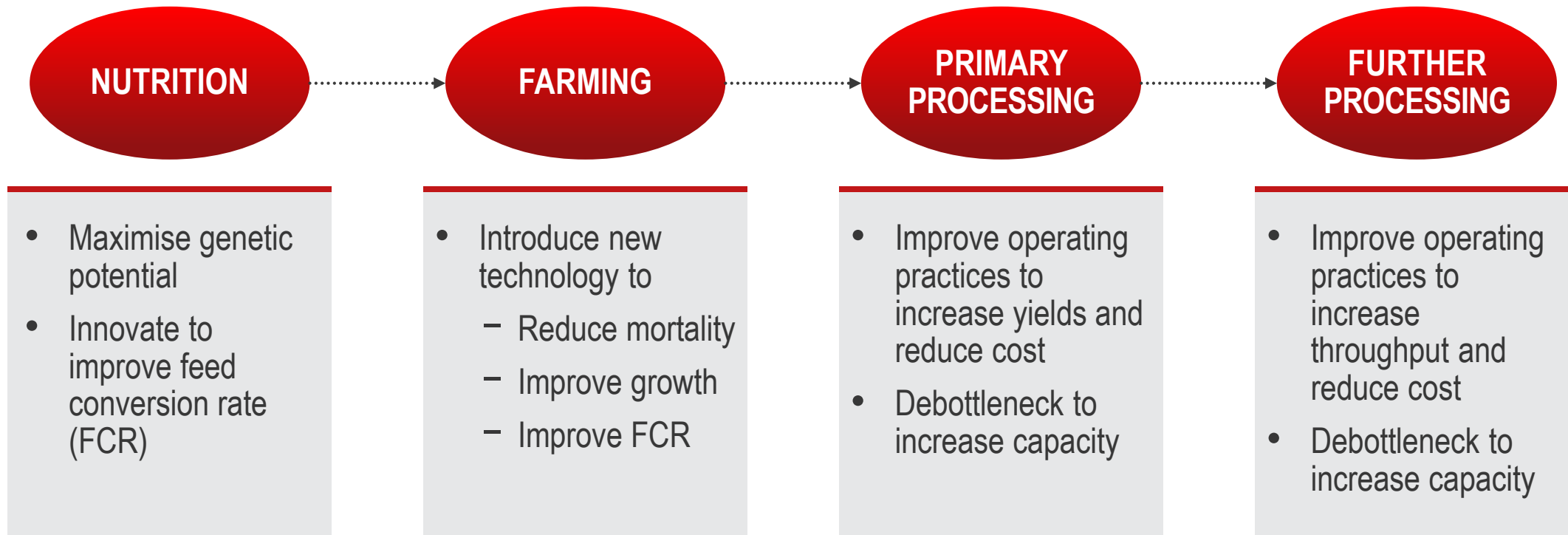


# OUR FULLY INTEGRATED OPERATING MODEL

- 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

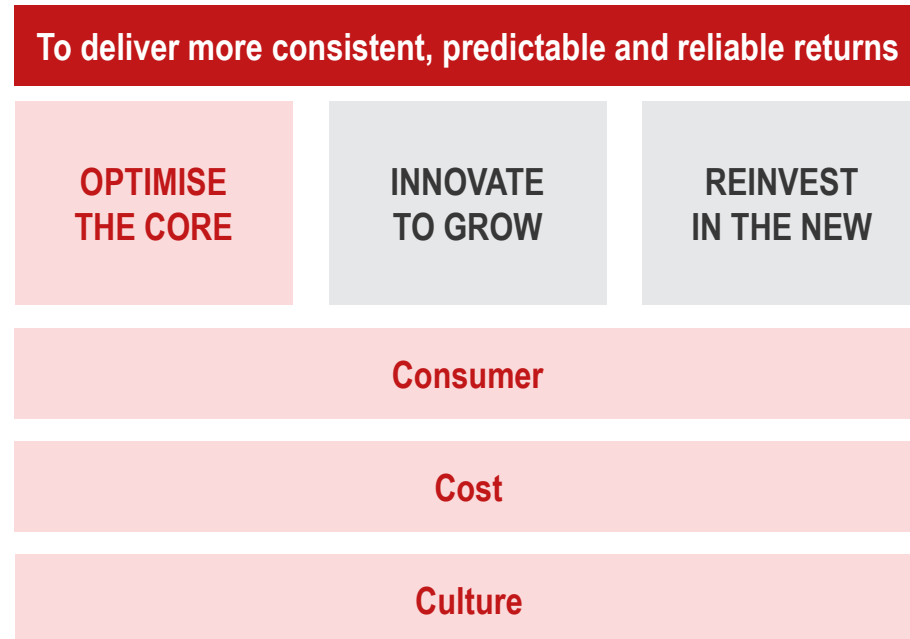




# SUPPLY CHAIN AND NETWORK FOCUS AREAS

**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)





# UNLOCKING OUR POTENTIAL

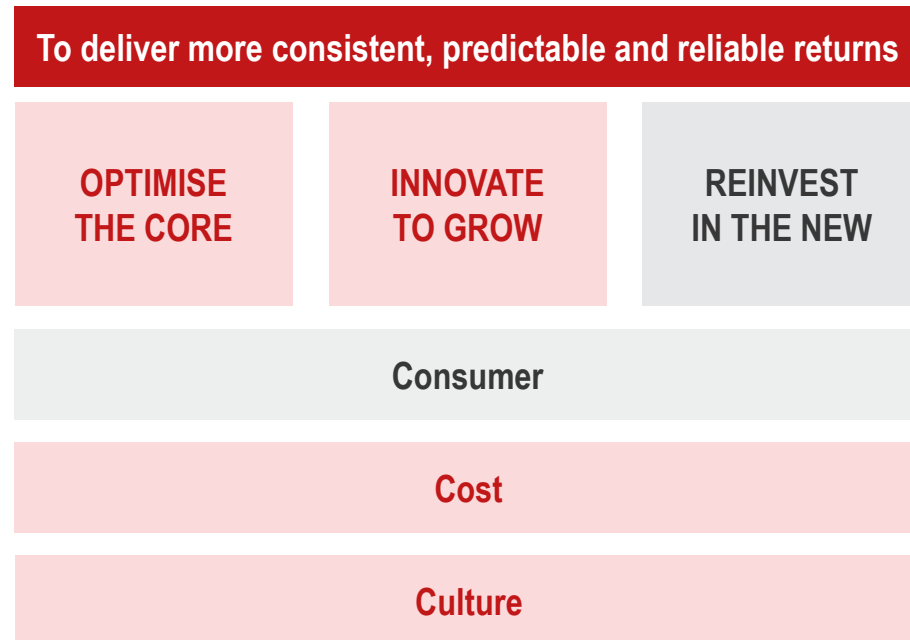
FEED



# 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 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



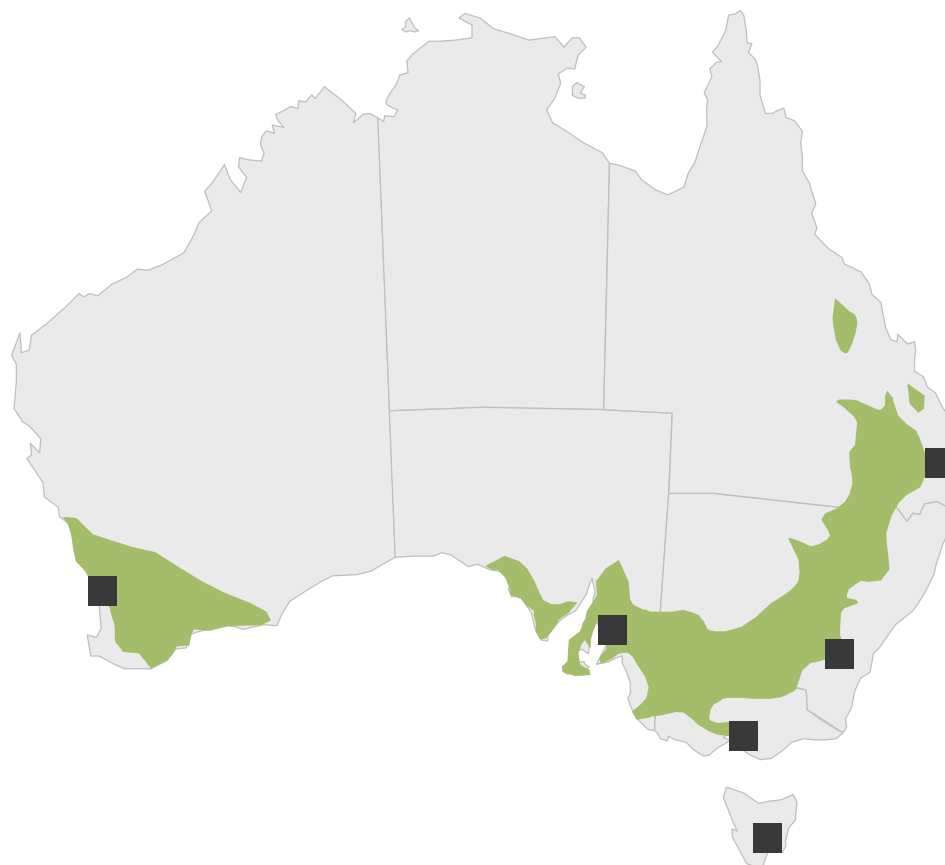
# OUR NATIONAL NETWORK MITIGATES RISK TO DELIVERED COST AND CREATES A COMPETITIVE ADVANTAGE



TOTAL	('m MT)
5 year average	23.2
'18/19E.	17.0
'19/20F – Nov 19	16.5

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	1.4	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







# UNLOCKING OUR POTENTIAL

FARMING

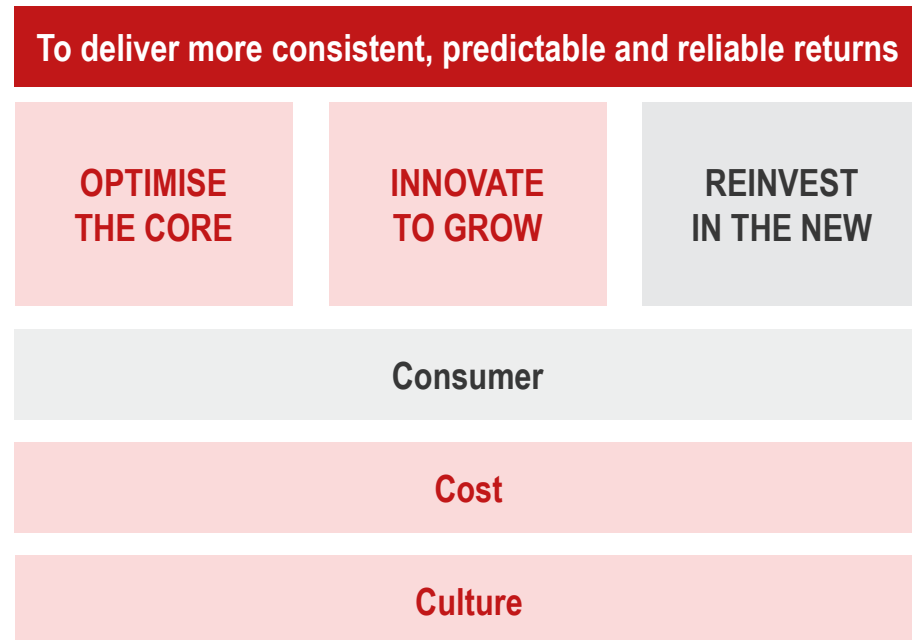




# FARMING FOCUS AREAS

**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







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# UNLOCKING OUR POTENTIAL

## PRIMARY PROCESSING

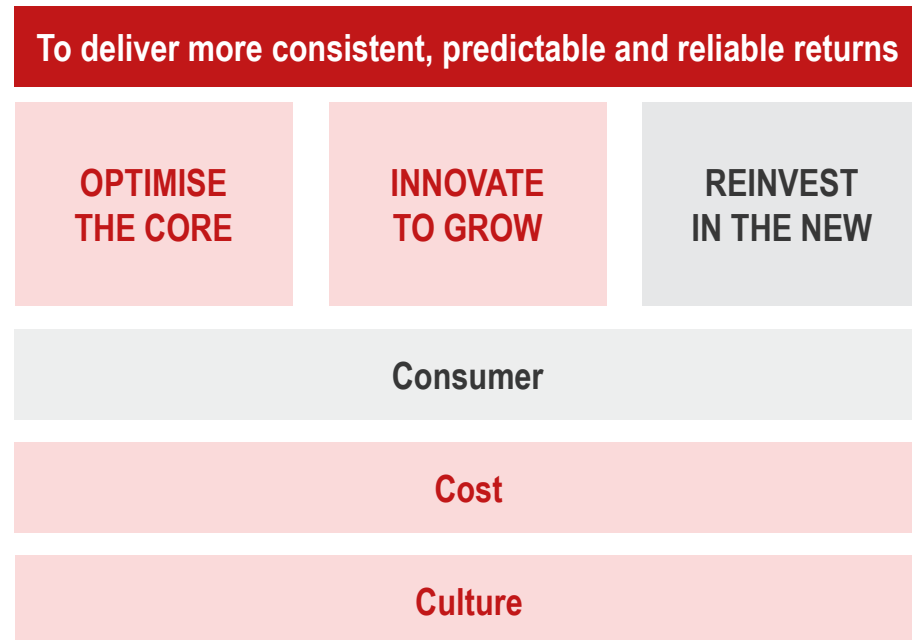




# PRIMARY PROCESSING FOCUS AREAS

**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 – DELIVERING YIELD UPSIDE

- 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

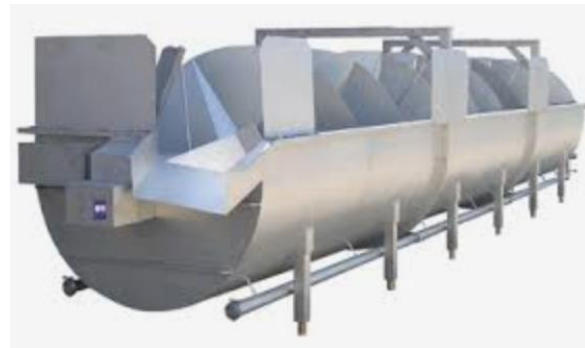
INDICATIVE

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>



# 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%**







# UNLOCKING OUR POTENTIAL

FURTHER PROCESSING



# CASE STUDY – TURKEY TURNAROUND

A horizontal view of the business can unlock incremental value

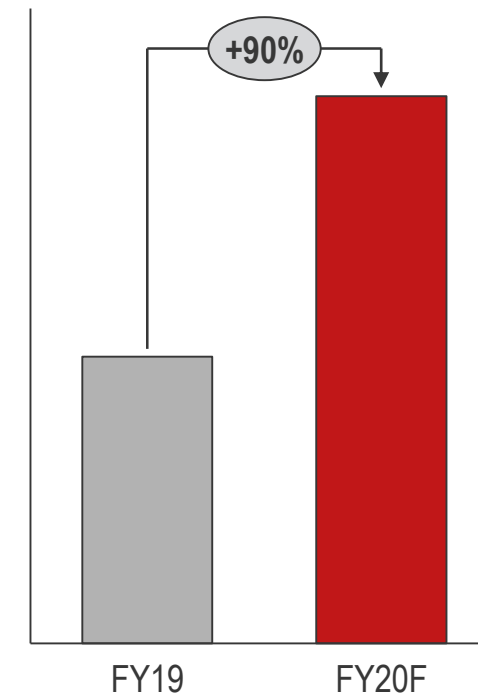
Siloed ways of working coupled with short term planning was resulting in sub-optimal decision making

John Alldis 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

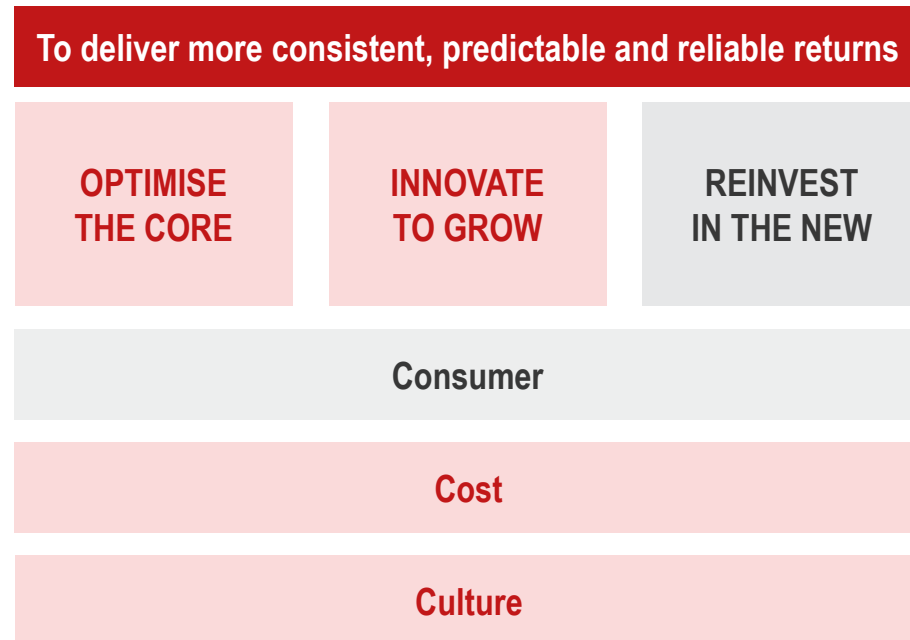
TURKEY ACTUAL MARGIN (\$)



# 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)

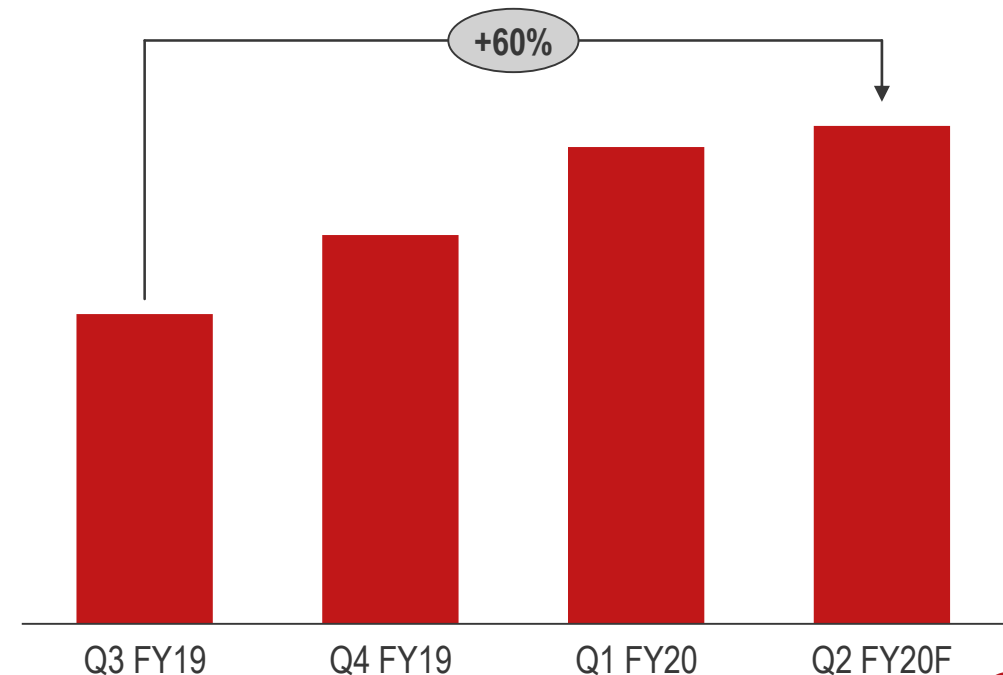
### 1. Simplify production scheduling

- 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







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# UNLOCKING OUR POTENTIAL

## MARKETING

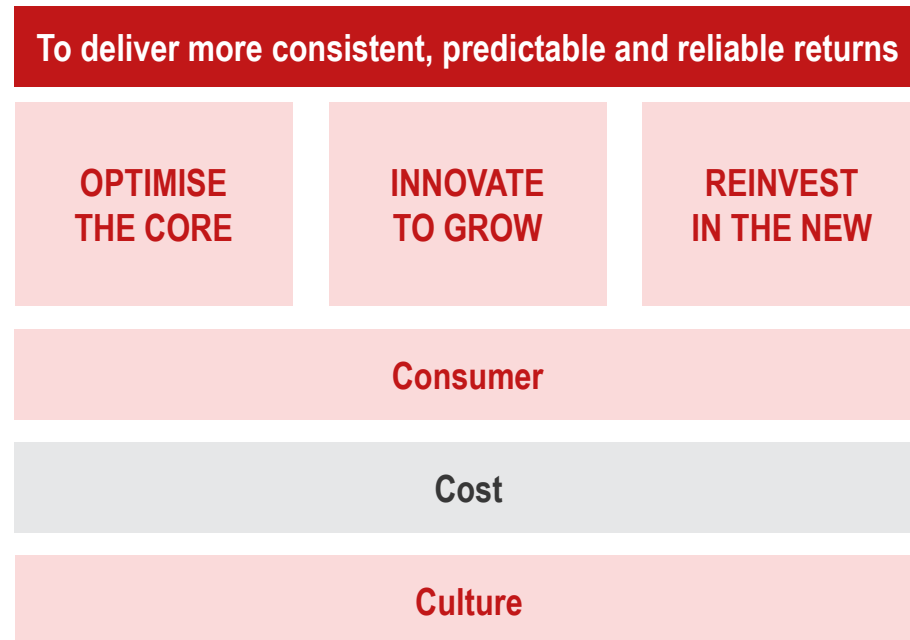




# MARKETING FOCUS AREAS

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

## INGHAM'S STRATEGIC FRAMEWORK



 Short term focus

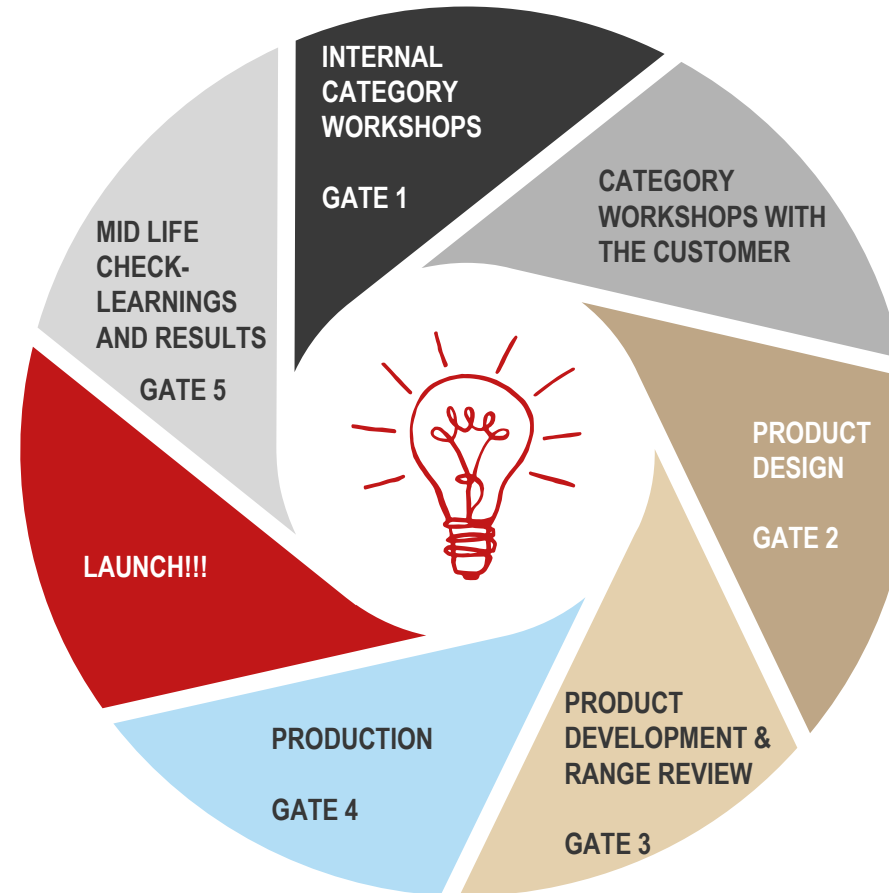
## SHORT TERM PRIORITY INITIATIVES

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



# CASE STUDY – 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







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**CHRIS CROESE**  
CHIEF CUSTOMER OFFICER

**UNLOCKING  
OUR POTENTIAL**

**SALES**

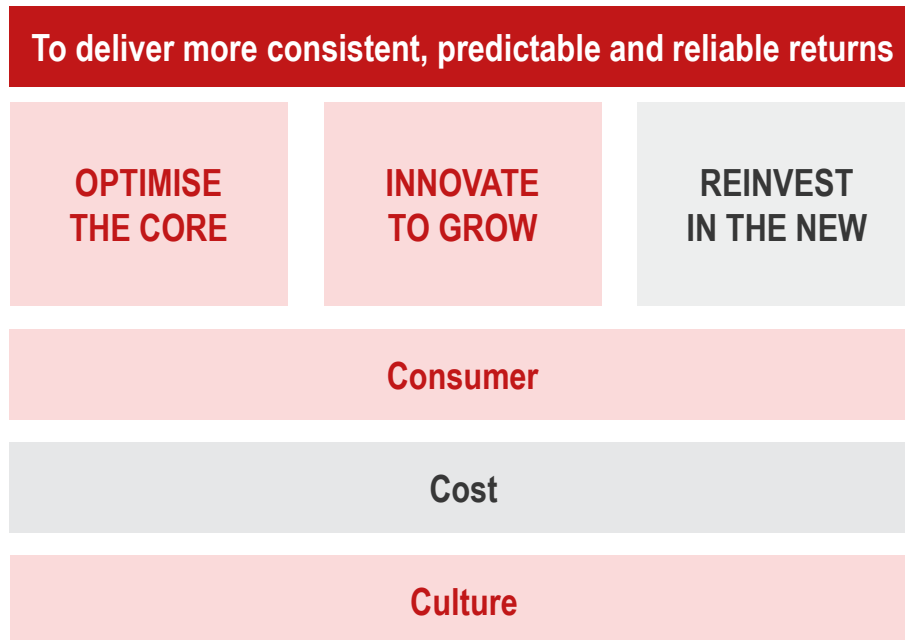





# SALES FOCUS AREAS

**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







# UNLOCKING OUR POTENTIAL

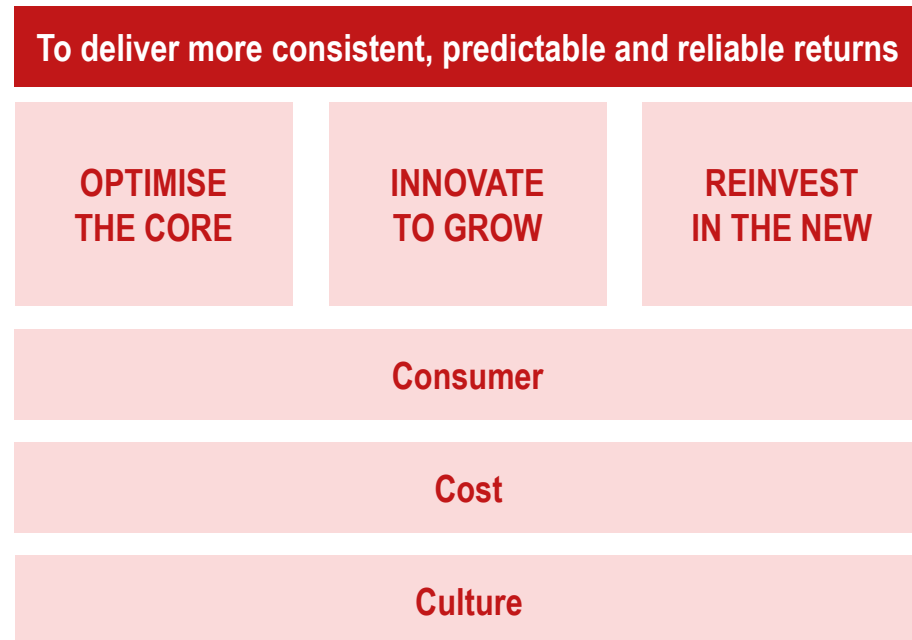
NEW ZEALAND





# NEW ZEALAND FOCUS AREAS

## INGHAM'S STRATEGIC FRAMEWORK

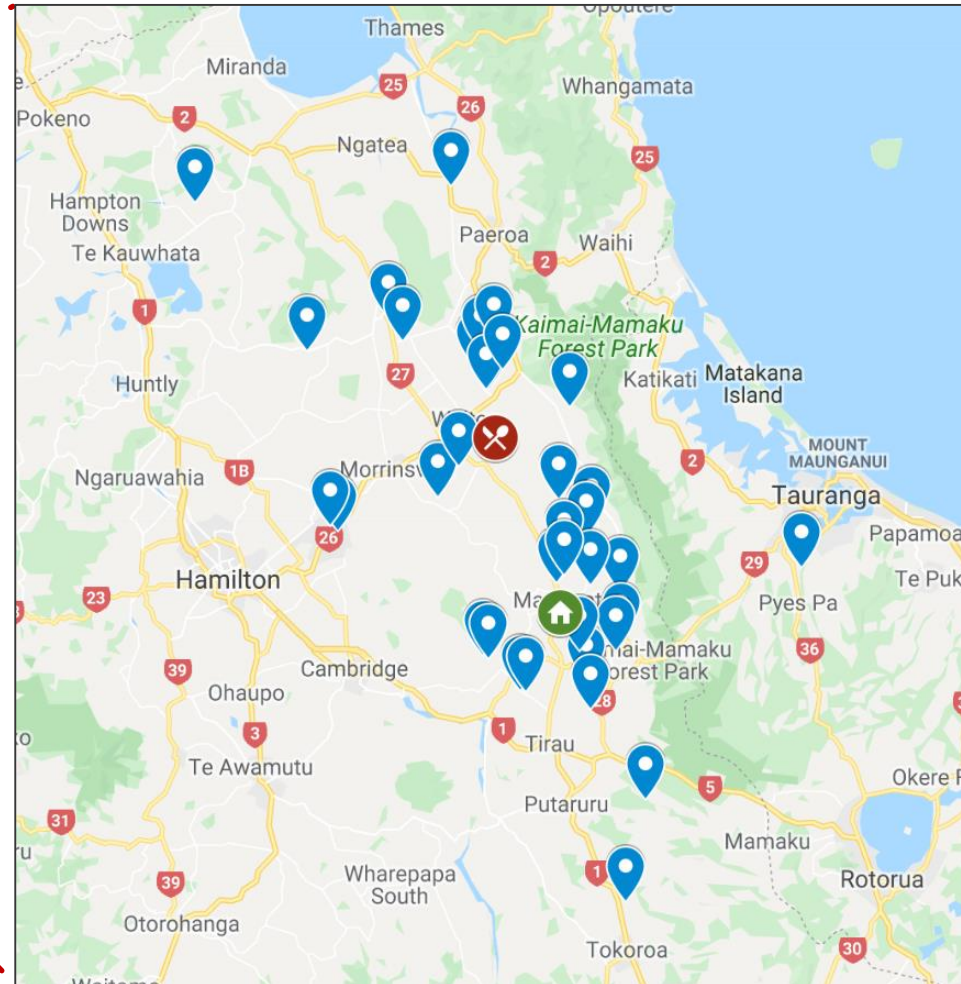
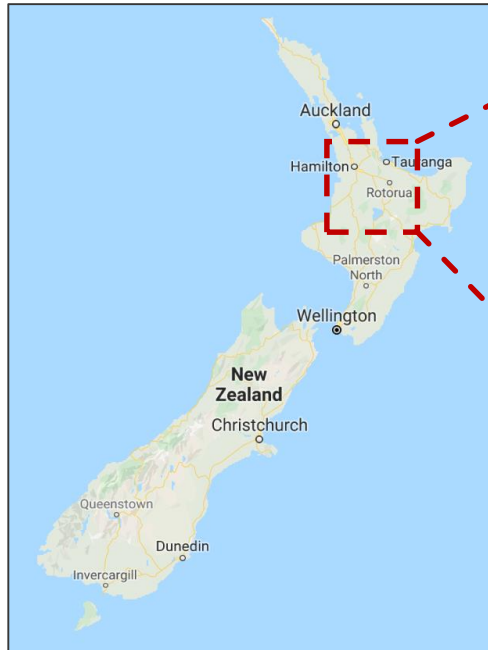


## SHORT TERM PRIORITY INITIATIVES

- 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*







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**JIM LEIGHTON**

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

# SUMMARY





# OUTLOOK

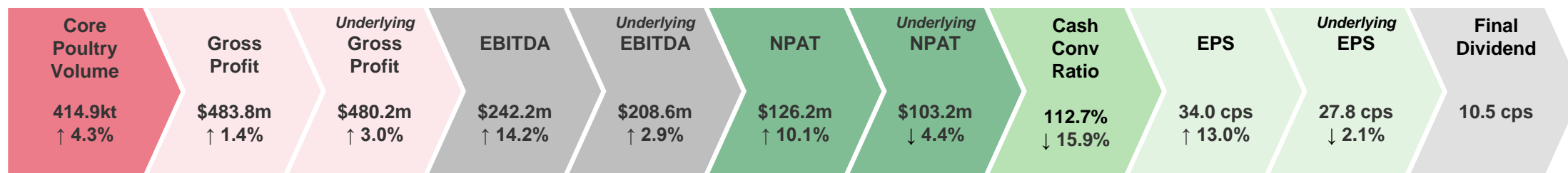
- Trading to plan through Q1 FY2020
- EBITDA run rate expected to be lower in the 1H than the 2H of FY2020 reflecting impact of feed prices and Further Processing (as previously discussed)
- Adoption of AASB16 will have no economic impact to the group
- Initial recognition of a right of use asset and 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)





# APPENDIX

# FINANCIAL HIGHLIGHTS FY 2019 VS FY 2018



## 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 cps<sup>1</sup>
- > 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



# SEGMENT INFORMATION - AUSTRALIA

\$ millions (AUD)	Jun-19	Jun-18	Variance	%
<b>Australia</b>				
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
<b>EBITDA</b>	<b>213.1</b>	<b>175.2</b>	<b>37.9</b>	<b>21.6</b>
EBITDA %	10.1%	8.7%	1.4	
<b>Underlying EBITDA</b>	<b>179.0</b>	<b>165.9</b>	<b>13.1</b>	<b>7.9</b>
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	%
<b><u>New Zealand</u></b>				
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
<b>EBITDA</b>	<b>29.1</b>	<b>36.8</b>	<b>(7.7)</b>	<b>(20.9)</b>
EBITDA %	7.6%	9.9%	(2.3)	
<b>Underlying EBITDA</b>	<b>29.6</b>	<b>36.8</b>	<b>(7.2)</b>	<b>(19.6)</b>
Underlying EBITDA %	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



