

ASX Release



4 May 2020

Inghams Group Limited (ASX: ING, Ingham's)

Business Update and COVID-19 Response

In view of the impact of COVID-19 restrictions on the food supply chain, reduced visibility and volatile conditions in poultry markets, Ingham's Group provides the following market update:

- While the Group has been on-track for 2H FY20 to exceed 1H FY20 (underlying EBITDA pre the impact of AASB16), changes in volume and channel mix across our business today make it premature to draw any conclusions as to the trading results of our final 9 weeks of FY20.
- Ingham's New Zealand's current financial results are ahead of last year, however the impact of Level 4 restrictions (now relaxed to Level 3) on the poultry market and our operations in New Zealand mean there is less certainty that Ingham's New Zealand will deliver the planned higher FY20 result versus FY19.

CEO and Managing Director Jim Leighton said: "COVID-19 has presented unprecedented challenges and we have executed a swift realignment of our supply chain and operations in order to manage many substantial operational issues created by required social distancing protocols in our facilities. This has created additional complexity, inefficiency and cost and the temporary suspension of the production of some value enhanced products."

"In Australia COVID-19 restrictions created a temporary surge in retail sales in March and early April but as consumer behaviour normalised, store traffic has decreased and shopping behaviours altered."

"Out of home consumption of poultry products have been negatively impacted. Our major QSR customers have been resilient but their operations are largely restricted to drive through and home delivery. Customers supplying hospitality and tourism industries have significantly reduced purchases which has led to weaker conditions in the food service and wholesale markets."

"In New Zealand the Level 4 restrictions introduced in late March immediately closed all out of home channels. Retail volumes benefited from pantry stocking, but consumer activity has been subdued because of the stricter regime. We expect a return of some demand in out of home channels, particularly our QSR customers, under the new Level 3 regime," Jim Leighton said.

Balance Sheet, Liquidity and Costs

Ingham's has a strong balance sheet with good access to liquidity and funding. We are well supported by our lenders and we have significant headroom available within our covenants. We are closely managing our working capital and inventory, and remain focused on debtors and cashflow collection. In the limited circumstances where customers have encountered difficulties, we are working closely to support them.

Measures implemented to manage costs include management of annual leave balances, reducing discretionary spend, a new hire freeze and targeted reductions and deferral of capex. Our hatchery projects currently remain on track but will inevitably be delayed if international travel restrictions remain.

This announcement has been authorized by the Ingham's Group Board.

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A handwritten signature in blue ink that reads 'David Matthews'.

David Matthews
Company Secretary

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