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

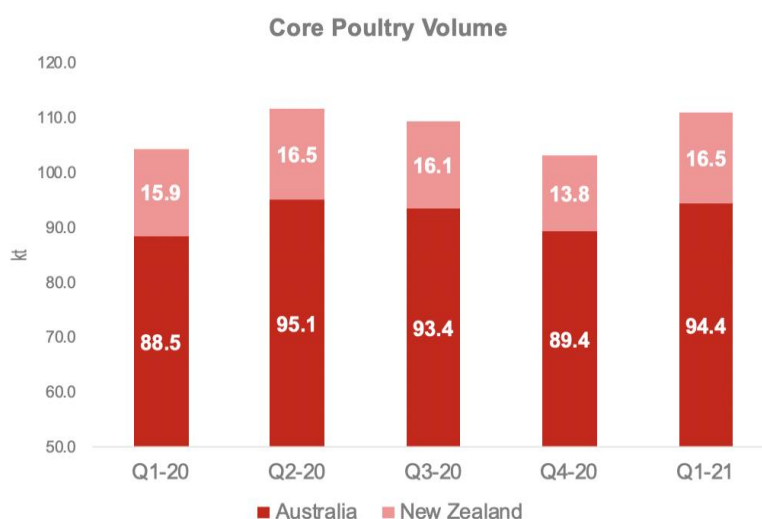
## Business Update and Change to Ingham's Dividend Policy

- Poultry demand has strengthened, with trading volumes in the first quarter of FY2021 up 6.3 per cent on the first quarter of FY2020, and up 7.5 per cent on the last quarter of FY2020.
- Solid progress in the reduction of poultry inventory levels resulting from COVID-19 impacts in FY2020, with initiatives continuing to deliver further reductions in inventory levels by the end of FY2021, supported by Christmas demand.
- Anticipated feed cost reductions in the second half of FY2021 expected to fully realise the benefits in cost of sales by the last quarter of the 2021 financial year.
- Dividend policy reviewed following the adoption of the new leases standard AASB 16 and revised to a 60 to 80 per cent payout ratio of Underlying Net Profit After Tax (NPAT), inclusive of the impact of AASB 16.
- The FY2021 interim dividend<sup>1</sup>, determined under the revised policy, is expected to be paid in April 2021.

Having completed the first quarter of trading in the 2021 financial year, Ingham's today announced that core poultry volume sales had increased and at quarter end, were near pre COVID-19 levels. The Company also announced a revision in dividend policy to a 60 to 80 per cent payout ratio of Underlying Net Profit After Tax (NPAT), inclusive of the impact of the new leases standard AASB 16.

## Business Update - Q1 FY2021

Core poultry volume sold in Q1 FY2021 of 110.9 kt increased by 6.2 per cent on the prior comparative period (Q1 FY2020) and was up 7.5 per cent on the prior quarter (Q4 FY2020). This was driven by growth in both Australia and New Zealand. Despite the COVID-19 restrictions in place during this quarter in New Zealand and Victoria, including the Thomastown plant shutdown, demand has pleasingly strengthened across our customers and is now trading at near pre COVID-19 levels.



During the quarter, Ingham's made solid progress in the reduction of poultry inventory levels resulting from COVID-19 impacts in FY2020. The Company continues with initiatives for further reductions in inventory levels by the end of FY2021, supported by additional demand associated with the Christmas period. Poultry inventory has reduced by \$16m in the first 17 weeks of FY2021.

Some increase in feed costs was observed during the quarter however conditions preceding the new crop harvest in late 2020 continue to appear favourable. With feed prices currently expected to reduce significantly in the second half of FY2021, Ingham's expects to realise benefits in cost of sales by the last quarter of FY2021.

## COVID-19 Operational Update

Stage 4 lockdowns implemented across Victoria in August and Level 2 restrictions in New Zealand have impacted Ingham's facilities in these areas. Ingham's successfully navigated restrictions to maintain operations at these facilities with no downtime. In Victoria, while operating with a reduced workforce, and in New Zealand, the Company swiftly and successfully applied learnings from the first COVID-19 wave to meet customer demand throughout this period.

Since the reopening of the Thomastown facility on 3 August following a two-week shutdown associated with COVID-19 cases, Ingham's has fully maintained operations across all facilities in Australia and New Zealand.

Ingham's CEO Jim Leighton said: "While navigating continued complexity associated with the COVID-19 pandemic in the first quarter of the financial year, we have maintained an unwavering commitment to the safety and employment of our people, while fulfilling our role as an essential service provider to the people of Australia and New Zealand. The speed and scale of our response, particularly in the second-waves impacting Victoria and Auckland, was made possible by the enormous efforts of our people who worked together to keep the business running to ensure customer demand was met."

## Change to Dividend Policy

The Ingham's Board today announced that it has reviewed its dividend<sup>1</sup> policy following the adoption of the new leases standard AASB 16. The revised dividend policy is to have a payout ratio of 60 to 80 per cent of Underlying Net Profit After Tax (NPAT), inclusive of the impact of AASB 16.

From FY2021 Ingham's will report its underlying results inclusive of the impact of AASB 16. The increase in the top end of the dividend policy range provides the Board with flexibility to most appropriately determine dividends moving forward, allowing for the negative impact of AASB 16 on NPAT during the early years of adoption of this accounting standard.

Ingham's Chairman, Peter Bush, said: "We were pleased to provide shareholders with a fully franked dividend of 14 cents per share in relation to the 2020 financial year, reflecting a payout ratio of 66 per cent of Underlying NPAT pre AASB 16, within our prior target payout range of 60 to 70 per cent. This was particularly important in light of the challenges that many people have faced throughout the COVID-19 pandemic."

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<sup>1</sup> In assessing any future dividend payments, the Directors may consider a number of factors, including the general business environment, the operating results and financial condition of Ingham's, future funding requirements, capital management initiatives, tax considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Ingham's, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.



"The Board recognises the importance of dividends to shareholders and have revised the dividend payout ratio range to 60 to 80 per cent of underlying NPAT inclusive of the impact of AASB 16. Assuming appropriate business performance, this provides us with the flexibility to continue to pay cash dividends at levels similar to historic payouts, all other things being equal, and to increase dividends as earnings grow."

It is expected that the FY2021 interim dividend, determined under the revised policy, will be paid in April 2021.

This announcement has been authorised by the Board of Inghams Group Limited.

David Matthews  
Company Secretary

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