

ASX Release



4 May 2021

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

MACQUARIE AUSTRALIA CONFERENCE PRESENTATION

Attached is an Inghams Group Limited presentation which will be delivered at the Macquarie Australia Conference on 4 May 2021.

This announcement has been authorised by the CEO and Chairman of Inghams Group Limited.

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

David Matthews
Company Secretary

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INGHAMS GROUP LIMITED

MACQUARIE AUSTRALIA CONFERENCE PRESENTATION

4 MAY 2021

LEADERSHIP CHANGE

Introducing Andrew Reeves as Inghams CEO and Managing Director

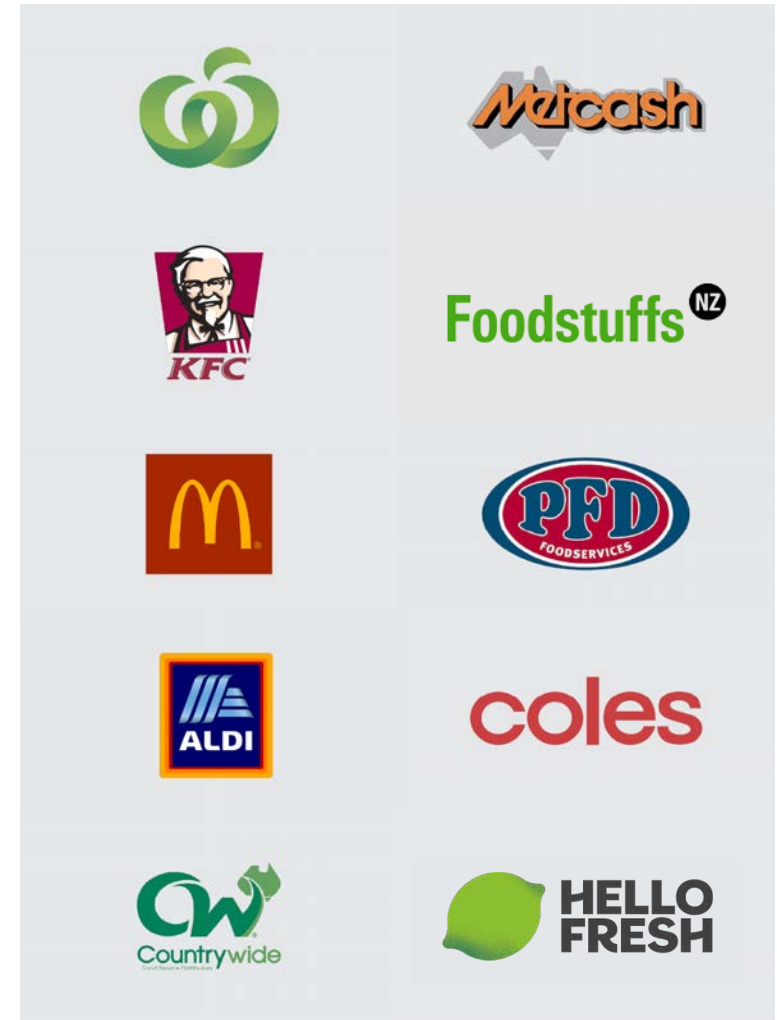
- Seamless CEO transition
 - Andrew served as a Non-Executive Director since 2019 on the Inghams Group Limited Board
- Andrew is an experienced consumer goods executive in the food and beverage sector
- Served as CEO and Managing Director of the Australian and New Zealand subsidiaries of large listed Australian and multinational companies
- CEO of George Weston Foods in Australia and New Zealand (2011 – 2016)
- Other senior roles including:
 - Managing Director, Lion Dairy & Drinks (formerly National Foods Limited)
 - Managing Director, Lion Nathan – Australia
 - Managing Director, Australia Coca-Cola Amatil
- Andrew has also served as Chair and Deputy Chair of the Australian Food & Grocery Council



WHO WE ARE AND WHAT WE DO

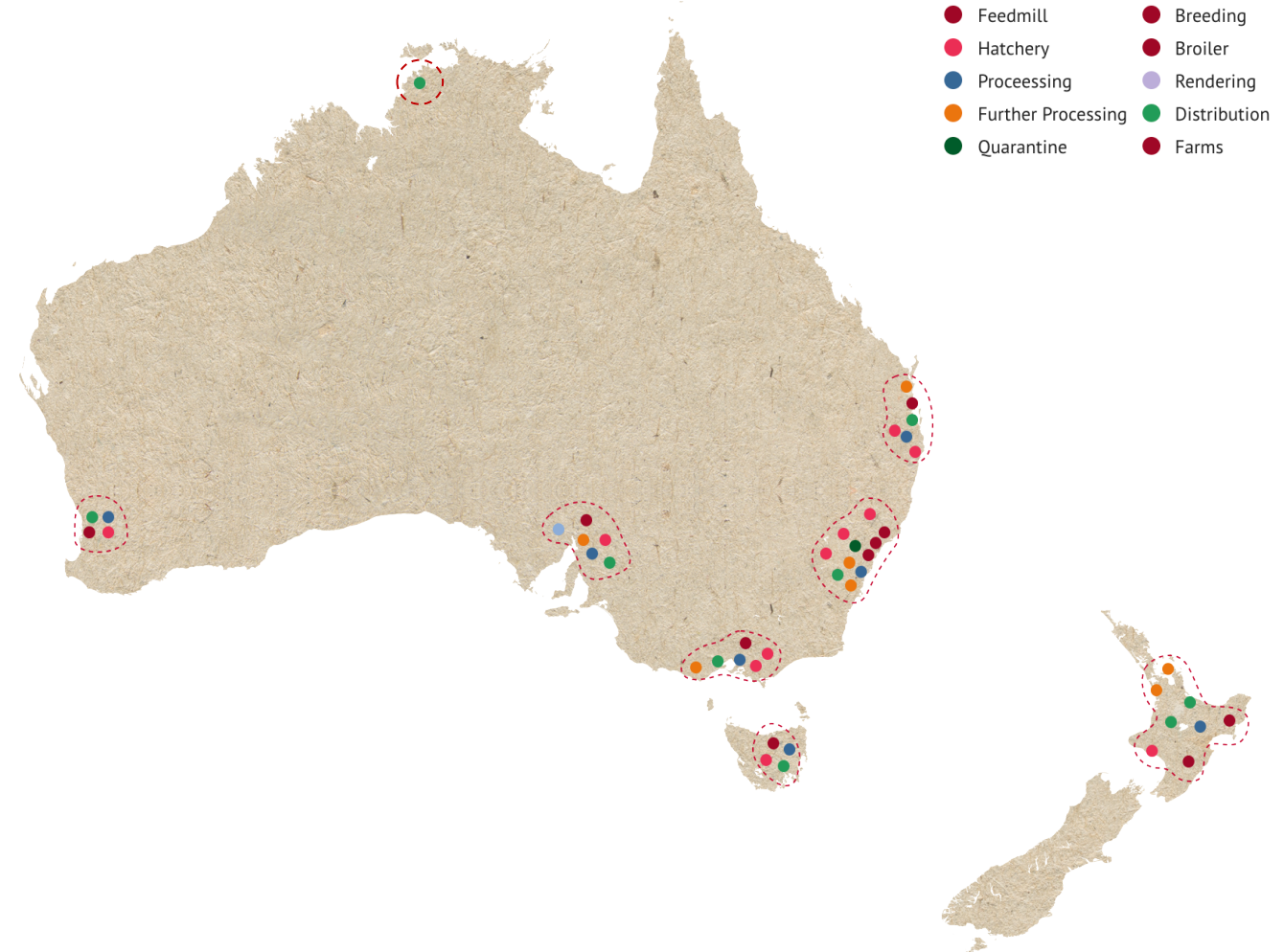
A proud history of quality and customer service

- Inghams is one of the largest integrated protein producers across Australia and New Zealand
- Provides chicken, turkey and plant-based protein products to major retail, quick service restaurants, foodservice distributors and wholesalers
- Long-standing commitment to sustainability and animal welfare, putting the consumer at the heart of everything we do



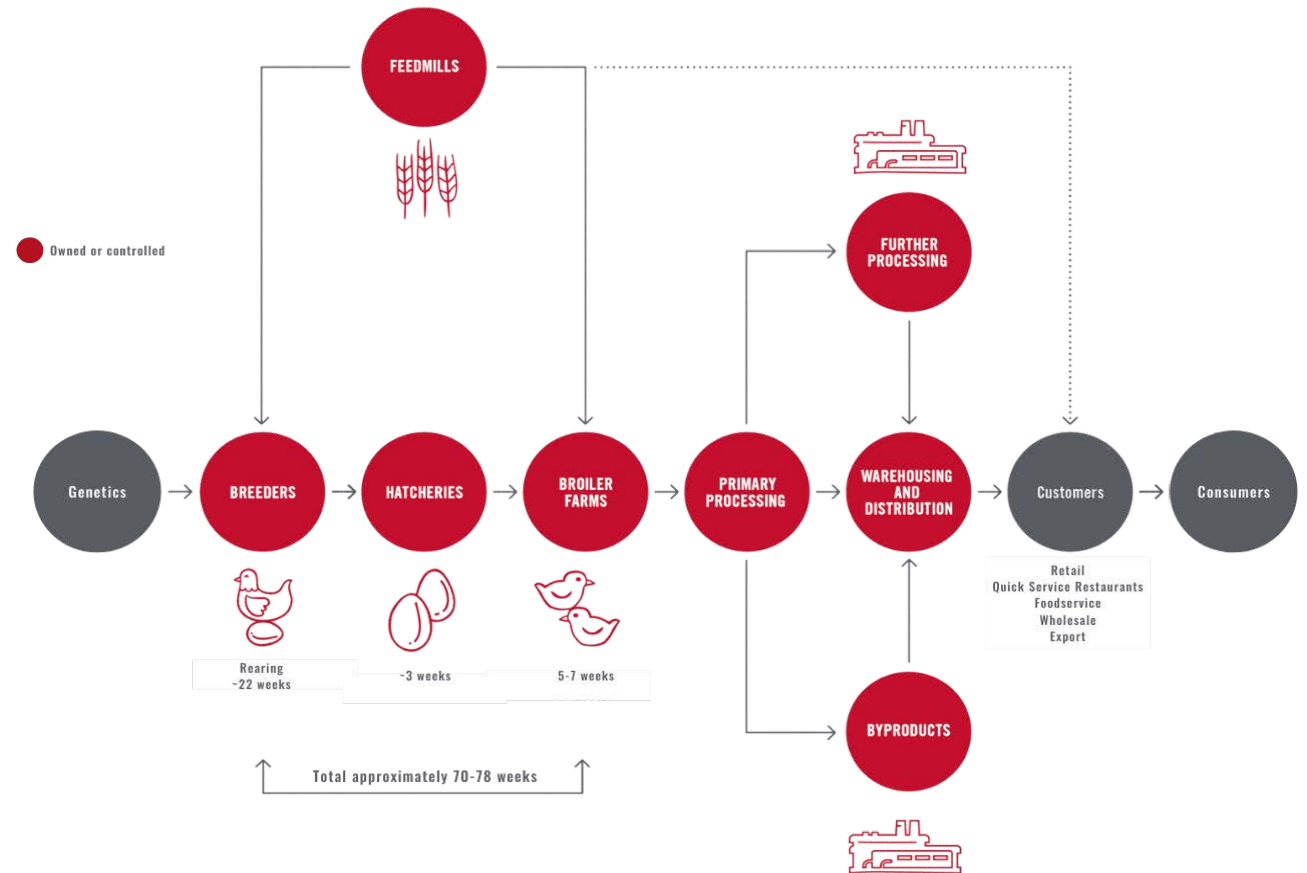
WELL DIVERSIFIED AU/NZ NETWORK

- Geographically diverse network
- Enhances management of agricultural and biosecurity risks
- Provides flexibility and greater resilience
- Ensures we can deliver continuity of supply to meet our customers' needs
- Ability to fully service national and local customer requirements
- Strong platform to support future growth



VERTICALLY INTEGRATED OPERATING MODEL

- Enables us to create value and realise efficiencies across a highly complex and large-scale supply chain
- Balance and operational excellence are key to margin capture
- Cost, capability and complexity create barriers to entry



OUR STRATEGIC FRAMEWORK

Delivering shareholder value through continued focus on five-year strategic plan

Our Objective:

To deliver more consistent, predictable and reliable returns

STRATEGIC PILLARS	OPTIMISE THE CORE	Create investment headroom through operational efficiencies	<ul style="list-style-type: none">▪ Deliver asset efficiency with modest capital spend▪ Implement a continuous improvement culture▪ Reframe customer relationships▪ Maximise the value of every bird
	TRANSFORM FOR TOMORROW	Invest in capabilities that distinguish Inghams from the competition	<ul style="list-style-type: none">▪ Manage our core new product development and portfolio mix to maximise margin▪ Build poultry and protein products / brands to deliver higher margins and offset cost base volatility
	CREATE THE NEW	Differentiation and diversity through brand and expansion	<ul style="list-style-type: none">▪ Be flexible, disciplined and well capitalised to take advantage of growth opportunities

REVIEWING 1H HIGHLIGHTS

Resilient demand conditions & strategic initiatives delivering operational momentum in first half

- Strong performance in 1H21
 - Solid growth in poultry volume
 - Five-year strategy delivering positive results
- Delivering for our customers through COVID-19
- Improving our safety performance
- Introduced our Capital Management framework
 - Supports capital needs and maximisation of total shareholder returns while enabling Ingham's to take advantage of future growth opportunities and appropriately maintain its asset base
 - Targeting dividend payout ratio range of 60-80% of Underlying NPAT (post-AASB 16 adjustments)
 - 1H21 AASB16 effect expected to be broadly consistent in 2H

	HY21	Variance to HY20	% Variance
Group Core Poultry Volume	224.6kt	8.7	4.0
Statutory EBITDA	\$215.6M	10.3	5.0
Statutory NPAT	\$35.3M	9.1	34.7
Underlying EBITDA (post AASB 16)	\$218.6M	9.1	4.3
Underlying NPAT (post AASB 16)	\$37.5M	8.3	28.4
Underlying EBITDA pre AASB 16	\$100.7M	9.0	9.8
Underlying NPAT pre AASB 16	\$46.5M	4.5	10.7
Dividend (fully franked)	7.5cps	0.2	2.7

	HY21	Variance to Jun-20	% Variance
Leverage (underlying pre AASB16)	1.7x	0.1	5.5
Net Debt	\$327.5M	(12.8)	(4.1)

BUSINESS UPDATE

- Good progress on **Optimise the Core** to deliver operational efficiencies across the business
- Core poultry volume slightly lower in 3Q compared to the prior year that had the benefits of early COVID-19 panic buying
 - Solid 1H volume growth of 4.0%
 - Lower 3Q volumes offset by operational efficiencies and net feed cost improvement
- The net impact of lower feed prices is being realised as expected
- Inventory level expected to be toward the upper end of the range at year-end
 - Continued progress in reducing excess frozen inventory from FY20
 - Seasonal build-up of frozen turkey and rebuilding 'fresh' inventory to normal levels following COVID-19 disruption
 - Normalisation of QSR product take-up
- Pakenham (VIC) hatchery is in the final stages of commissioning; Muckenburra (WA) remains on track for completion in 1H FY22
- NZ Hamilton feed mill sale completed in March 2021 - no material impact on future earnings
- Master brand packaging project underway and expected to be completed in H1 FY22
- Secured new supply agreements in the growing home delivery meal kit segment in Australia (Hello Fresh) and New Zealand (Hello Fresh and My Food Bag)

OBSERVATIONS ACROSS OUR CHANNELS

RETAIL

- Local lockdowns have had minimal impact on the business as we manage changes proactively with customers
- Consumer shopping behaviours continue to normalise
- Ongoing shift in customer demand to tray pack

QSR

- Post COVID-19 recovery has seen channel performance stabilise
- Slower promotional product take-up in Q3 vs 1H
- Trialing new products with key customers

FOOD SERVICE

- Volume across the channel has now largely returned to pre COVID-19 levels
- Impact from international tourism restrictions in Australia and New Zealand still being felt

WHOLESALE

- Broadening customer relationships continues to enable greater coverage of wholesale markets
- Reduced international tourism levels across Australia and New Zealand provide a headwind

EXPORT

- Anticipate volumes to slowly grow as export markets re-open
- Impacts from Export restrictions linked to 2020 Avian Influenza expected to continue reducing

PROJECT UPDATE

Pakenham hatchery commissioning nearing completion

- The hatchery takes eggs from our Breeder farms, hatches the chicks, and sends them out to broiler farms to grow up within 24-48 hours
- Automated technology system called 'HatchCare' that provides a more spacious environment, and immediate access to light, feed, water for the chicks
- It can hatch approximately 850,000 eggs every week
- First of its kind in Australia/New Zealand, with only 7 facilities estimated to be installed globally



PROJECT UPDATE

Pakenham hatchery commissioning nearing completion

- Commissioning expected to be completed by end of June
- Substantial animal welfare benefits including:
 - ✓ Provides feed and water to chicks upon hatching
 - ✓ Chicks have ~40% more living space
- Performance benefits include:
 - ✓ Improved hatch rates
 - ✓ Improved average live weight
 - ✓ Improved Feed Conversion Ratio



CONTINUOUS IMPROVEMENT PROGRAM

Securing cost savings with minimal capital required

- Continuous Improvement team with whole-of-business responsibility to identify savings and non-capital related improvements, offsetting underlying annual cost growth
- Drive accountability throughout the supply chain to identify opportunities in waste reduction and process improvement to lower overall operating costs
- Over 250 improvement opportunities identified
- Examples include:
 - Water reduction project at Somerville through improved operational controls – zero capital outlay resulting in over \$500,000 in annual savings and improved sustainability
 - At Lisarow, reduced downtime and improved through-put in the sausage operation – zero capital outlay to deliver over \$750,000 in annual savings
 - Implemented a variety of automation initiatives throughout the period - low capital requirement with a pay-back period of approximately 1 year

SUSTAINABILITY PRINCIPLES AND PRIORITIES



Animal welfare

- 100% of chicken grown at farms accredited by RSPCA in Australia
- State-of-the-art new HatchCare system at our two new hatcheries (VIC & WA)
- Launched antibiotic-free brand THE FREE RANGER



Environmental compliance and performance

- Planet KPIs for monitoring & setting environmental performance targets
- Baseline data for GHG emissions, water and energy use available from 2019
- Reduction targets are included in EMP's and are KPI's in senior leader scorecards



Climate change adaptation and resilience

- GHG emissions reduction from WA feed freight network optimisation
- Wetland biodiversity regeneration project at the QLD processing plant – Land for Wildlife surveys



Labour practices and safety

- FY21 YTD:
 - 21% reduction in LTIFR &
 - 31% reduction in TRIFR vs FY20
- COVID-19 requirements and controls enacted across all business units



Water stewardship

- Alliance for Water Stewardship (AWS) certification held by four sites – two with Platinum level
- Water reduction “Bolivar Blue” project, saving 100 million litres of water



Sustainable agriculture

- Research farm in QLD for more sustainable farming practices and feed formulations



Sustainable procurement

- Roll out of Supplier Code of Conduct to 3,000+ vendors
- Modern Slavery policy approved by the Board and implemented
- Focus on packaging, working toward 100% of Inghams packaging suitable for recycling



SUMMARY

- Seamless CEO transition
 - Remain focused on delivery of strategic pillars and key initiatives
- Consumer behaviour is showing signs of normalising
- Australian Export markets re-opening while lower NZ tourism resulting in a lower rate of growth in demand
- Core poultry volumes on a year-to-date basis performing well versus prior year despite slightly lower 3Q performance
- Optimise the Core is progressing well, realising benefits of operational efficiencies implemented across the business with modest improvement in net feed prices as expected
 - Implementation of operational efficiencies is improving margins
- Further enhancing the Company's Sustainability reporting

Q&A

*Nourish
Our World*



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