

18 November 2021

ASX/Media Announcement

AACo posts positive interim result

- Operating Profit of \$30.0m vs \$23.5m* pcp
- Net Statutory profit after tax of \$83.2m vs (\$1.7m) loss* pcp
- Overall 9% increase in Wagyu meat sales price per kilogram vs pcp driven by strategic market allocation and continued execution of Branded Beef Strategy Westholme and Darling Downs now represent 83% of branded meat sales
- Further strengthening of the balance sheet as NTA increased by 7% to \$1.88 per share and net assets now exceed \$1.1b
- Impact of lower calving rates from prolonged drought and Gulf flood continue, with meat sales volume down 8% vs pcp consistent with broader industry decreases in slaughter rates

*Includes \$6.7m JobKeeper income

Australian Agricultural Company (AACo) (ASX:AAC) has posted an improved operating profit of \$30 million, driven by stronger operating margins compared to the prior period.

The result was particularly positive, in context of the reduced meat volumes sold due to the historical impacts of drought and the Gulf flood event.

Managing Director and CEO Hugh Killen said it demonstrated the strength of AACo's business in what is still an uncertain operating environment.

"What's especially pleasing is how we achieved the result, with higher margins in-market and growing brand awareness," he said.

"Overall, the business delivered a 9 per cent increase in average meat sales pricing compared to the previous period, driven by strategic market allocation and the continued execution of our branded beef strategy.

"The result was also supported by higher cattle sales margins on the back of record high market prices."

Commercial Overview

Mr Killen says strategic market allocation was a key factor in the result, underpinned by AACo's strong brand portfolio and distribution partnerships.

"Westholme and Darling Downs now represent 83 per cent of total branded meat sales, further demonstrating progress against strategy," he said.

"AACo has continued to adapt to fluctuating market dynamics. Those adjustments have helped drive 55 per cent branded sales growth in North America vs pcp.

"There is strong demand for high value loin and rump cuts in North America, supporting an average branded meat sales price per kilo increase in the region of 33 per cent vs pcp.

"We've re-allocated some product away from Asia to realise these premiums, though the region still represents more than 50 per cent of total meat sales.

"There have been promising signs of COVID-19 food service restrictions starting to ease in some markets. We will continue to monitor the changes and look forward to the return of diners to restaurants."

Operating Environment

Lower calving levels during 2018-2020 due to prolonged drought and the Gulf flood event continued to impact meat volume sold in the half, with a decrease of 8 per cent vs the prior period. This is consistent with the record low slaughter volumes being seen in the industry.

"Pleasingly, increased brandings during the period have contributed to an overall increase in total live weight kilograms produced of 31 per cent vs the prior period," Mr Killen said.

Sustainability Framework

Mr Killen says he will release a sustainability framework tomorrow that will underpin the company's future as a food producer and landowner.

"Sustainability has always been a core part of our business. In 2019 we launched our sustainability benchmarking report which was recently updated with our progress and key metrics," he said.

"The framework will embed sustainability at the core of our business and will be used to prioritise our activities, set goals and hold ourselves accountable. It deals with the here and now while helping us evolve together to benefit future generations."

Debt Refinancing

Mr Killen says a successful refinance during the period provides AACo with increased capacity and flexibility.

"This new refinancing agreement will assist the business through its next phase of strategic growth and support our ongoing work to improve efficiencies."

[ENDS]

Investor Briefing

Australian Agricultural Company (AAC) will hold a teleconference and webcast briefing for investors and analysts detailing First Half FY22 Results on Thursday 18th November at 10:30 am AEST.

Conference details:

Webcast link - https://ccmediaframe.com/?id=x2RlzpME

AACo Conference ID: 10017820

All Participants will be asked to provide the Conference ID when joining the Call.

Participant Dial-in Numbers

Australia Toll Free:	1800 809 971	Australia Alt. Toll Free:	1800 558 698
Australia Local:	02 9007 3187	Hong Kong Toll Free:	800 966 806
New Zealand Toll Free:	0800 453 055	UK Toll Free:	0800 051 8245
Auckland	+64 9 929 1687	Singapore Toll Free:	800 101 2785
Canada/USA Toll	18558811339	China	4001 200 659
Free:			
Other international	+61731454010	UAE	8000 3570 2705
(metered)			

Investor Enquiries	
Investor Relations Team	
07 3368 4400	
ir@aaco.com.au	

For the purposes of ASX Listing Rule 15.5, AACo confirms that this announcement has been authorised for release to the market by the Board.