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# ASX Release

## Growth in volume and margins, and solid operating performance drive very strong FY24 result

Inghams Group Limited (ASX: ING) (Inghams, Company) today announced its FY24 financial results.

FY24 was a 53-week trading period. All financial information and comparisons to the previous financial year of 52-weeks are provided on a FY24 53-week basis unless otherwise noted.

**Key results**

- **EBITDA of $471.1 million, up 12.6% and Underlying EBITDA pre AASB 16 of $240.1 million, up 30.8% on the prior corresponding period (PCP)**
- **NPAT of $101.5 million, an increase of 68.0% and Underlying NPAT pre AASB 16 of $109.2 million, an increase of 31.3% on PCP**
- **Group core poultry sales volume increased 2.8% on PCP to 476.4$^{KT}$, with net selling price (NSP) growth of 5.4% to $6.28/kg**
- **Total fully franked dividends declared or paid of 20.0 cents per share, representing growth of 37.9% on PCP and a payout ratio of 73.1%**
- **Net Debt of $347.9 million and leverage of 1.5x**

Inghams CEO and Managing Director, Andrew Reeves, said: "In FY24, Inghams has delivered its highest earnings on an Underlying pre AASB 16 basis since listing in 2016.

"Our strong results are underpinned by volume growth, improved margins, and good cost control and operational outcomes across both farming and processing.

"The key long-term fundamentals supporting the poultry sector remain in place, with poultry continuing to be the affordable protein of choice for consumers."

**FINANCIAL RESULTS**

Core poultry volume increased 2.8% on the prior corresponding period (PCP), with a shift in channel mix to Retail, and significantly higher volume in New Zealand due to the strong recovery in operational performance compared to FY23. Retail volumes experienced growth of 20.9$^{KT}$ as consumers responded to cost-of-living pressures by increasing the frequency of in-home dining, which was partially offset by a reduction in volumes in QSR and other out-of-home channels.

Revenue increased 7.2% on PCP to $3.3 billion, driven by the growth in core poultry volume and higher core poultry net selling prices ($/kg) (NSP) of 5.4% following price increases implemented in FY23 and FY24 in response to the significant cost increases borne by the business due to the current inflationary environment.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 12.6% on FY23 to $471.1 million. Underlying EBITDA pre AASB 16 increased 30.8% to $240.1 million, which is the highest for the Company since listing in 2016. Net profit after tax (NPAT) increased 68.0% on PCP to $101.5 million.

Total costs within EBITDA increased by 6.2% (+$163.0 million) on PCP. Internal feed costs increased $10.1 million, while cost of sales increased $129.5 million due to growth in volume, general cost inflation, and the effect of the conversion of a significant number of grower contracts from fixed to performance based variable contracts of $19.0 million (previously treated as AASB 16 Leases), partially offset by efficiencies and an improvement in operational performance. While the general rate of cost inflation moderated during the period, higher cost growth was observed across salary & wages, utilities, husbandry, ingredients, and repairs & maintenance. Employee costs increased during FY24, with increases in salaries and wages and the provision for short and long-term incentives in line with improved financial and operational results.

Net finance expense increased 9.7% on PCP due to both higher interest rates and a higher average debt balance during the year due to the various investments and acquisitions completed in FY24.

Cash flow from operations was $453.1 million for FY24, an increase of $81.2 million on PCP, reflecting higher earnings and improved cash conversion which increased 7.3 percentage points to 97.7%.

**Australia**

In Australia, core poultry volume increased 1.9% versus PCP, reflecting the shift in channel mix to Retail, with a decline in volumes across QSR and other out-of-home channels as consumers responded to cost-of-living pressures.

Revenue increased 6.3% on PCP, driven by volume growth and a 5.3% increase in core poultry NSP in response to cost growth across the business, with a decline in external feed revenue of 8.6% due to the closure of the Wanneroo feedmill in April 2023. Total costs (Underlying pre AASB 16) increased 5.2%, driven by a modest increase in internal feed costs (+2.4%), and 4.6% growth in other costs due to higher volumes and general inflation.

**New Zealand**

New Zealand core poultry volume grew by 8.4% versus PCP, driven by a return to normal operating capacity. New Zealand channel volume performance exhibited a similar pattern to Australia, with cost-of-living pressures reflected in consumers shifting to in-home dining, delivering solid Retail volume growth of 2.8$^{KT}$.

New Zealand revenue increased 12.4% on PCP, driven by core poultry volume growth and an increase of 4.8% in core poultry NSP, mainly reflecting the effect of FY23 price increases. Total costs (Underlying pre AASB 16) increased 7.5% versus PCP with a decline in internal feed costs, in line with lower international feed pricing, partially offset by the increase in volume. Growth in other costs was the result of higher promotion and brand related costs, distribution, labour, utilities, and repairs & maintenance costs.

**WOOLWORTHS SUPPLY AGREEMENT FOR AUSTRALIA**

Inghams has agreed in-principle commercial terms for the renewal of its multi-year supply agreement for Australia (Agreement) with Woolworths. This new Agreement will see Inghams remain Woolworths' number one poultry supply partner. The Agreement, which is on satisfactory commercial terms, will be phased in over FY25.

The Agreement provides for a phased reduction in annual volume, which facilitates Inghams customer diversification strategy to a broader and more balanced customer portfolio and aligns with Woolworths' approach of diversifying its supplier mix across its fresh poultry category.

Inghams has secured significant new business for FY25 from other customers and is actively working on additional new business opportunities. Planning for the implementation of the new Agreement is well progressed, and the effect of the Agreement and other new business is factored into the Company's FY25 guidance and outlook.

**INVESTING IN NETWORK & AUTOMATION**

The Company progressed or completed several important investments during the year, focused on capability, capacity and network resilience.

Two key network-related acquisitions were completed in FY24. Inghams acquired Bromley Park Hatcheries in New Zealand in October for NZ$4.5 million (excluding working capital of $2.1 million). As part of this acquisition, Inghams entered into a long-term lease with a third party for the land and facilities. In December, the Company completed the acquisition of the strategically important Bolivar Primary Processing facility in South Australia for $75.6 million (excluding acquisition costs). In January 2024, the new distribution centre in Hazelmere (WA) became operational. The Hazelmere DC is the third of a three-facility DC investment program and is expected to provide significant operational efficiencies as we supply fresh and frozen chicken to Western Australia.

On 7 March 2024, the Company announced the acquisition of the Bostock Brothers (BBL) organic chicken business in New Zealand for $35.3 million. The acquisition of BBL aligns with Inghams strategy and provides growth and margin opportunities which include greater domestic market share, export, and expansion into value-added and further processed categories. Following regulatory approval, the business was acquired on 1 July 2024.

The Company's automation investment program saw the installation of its four new leg deboning machines completed toward the end of the first half of FY24, earlier than forecast and ahead of budget. The installation of four new waterjet cutters is progressing well and remains on-track for completion in FY25.

Two other new projects of note were commenced during the period. While each requires a comparatively small capital outlay, they are expected to generate significant business benefits over time. The first of these involves converting a Lisarow production line to a fully cooked capability. This will add a second fully cooked manufacturing site to our network, provide east coast production capability and capacity, while also providing dual-site contingency. The second project is the transfer of our Value Enhanced (VE) production from the primary production facilities at Somerville (VIC) and Murarrie (QLD) to the further processing operation at Ingleburn (NSW). Inghams currently produces a range of VE products within its primary production facilities. Completion of the project will enable the implementation of higher returning projects across the primary processing operations.

**BALANCE SHEET & CAPITAL MANAGEMENT**

Inventories and Biologicals increased by $23.0 million on PCP, due largely to an increase in processed poultry inventories during the period.

Right-of-Use assets and Lease Liabilities both declined (19.1% and 16.8% respectively) due to the removal of the Bolivar primary processing facility lease following the acquisition of the property in December 2023, and the conversion of a significant number of grower contracts from fixed to performance based variable contracts during the period.

Total capital expenditure and acquisitions during the period was $168.3 million, following the Company's acquisition of the previously leased Bolivar Primary Processing facility, the acquisition of Bromley Park Hatcheries, expenditure of $9.3M on the northern New South Wales breeder triangle, and investments in automation equipment of $21.4 million. As a result, Property, Plant and Equipment increased by $100.5 million.

Net debt increased $85.4 million versus PCP to $347.9 million due to the various processing equipment, and business and property acquisitions completed during the period. Leverage remained stable at 1.5 times versus PCP and is within our target range of 1.0 to 2.0 times of Underlying EBITDA pre AASB 16.

**DIVIDENDS**

The Board declared a fully franked final dividend of 8.0 cents per share. Reflecting the strong financial performance of the Company, total fully franked dividends declared or paid for FY24 were 20.0 cents per share, an increase of 37.9% on FY23 and representing a payout ratio of 73.1%, which is within the Company's target range of 60-80% of Underlying NPAT.

**GUIDANCE & OUTLOOK**

Inghams provides the following guidance for FY25, based on normalised FY24 (52-week) results:

- **Core poultry volume growth**: -1% to -3%
- **Underlying EBITDA (pre AASB 16)**: $236 million to $250 million (representing flat to ~6% growth)

The guidance provided for FY25 considers several key factors, including current operating performance, the new Woolworths agreement for Australia, a sustained improvement in the price of key feed inputs, and Wholesale market pricing somewhat below the levels of FY24.

Consumer conditions in the near term are expected to remain challenging due to cost-of-living pressures, with inflation expected to remain elevated during FY25.

FY25 core poultry volume is expected to be a little lower than FY24 due to the phased introduction of the new Woolworths supply agreement and the ongoing effects of cost-of-living pressures on consumers. Similarly, channel mix will reflect the effects of these factors, with some improvement expected in QSR channel volume during the period. Core poultry net selling prices are expected to show modest growth, excluding the potential effect of any significant feed cost reductions.

Based on current commodity pricing trends, Inghams expects some net benefit from potentially lower key feed costs in FY25.

In FY25, the Company expects to deliver annualised cost savings through procurement, operational, and continuous improvement initiatives that will significantly contribute to offsetting general inflationary effects.

Capital expenditure of approximately $100 million is forecast for FY25, excluding the Bostock acquisition which will settle during 1H25.

**MARKET BRIEFING**

Inghams will hold a market briefing today at 10.00am today, 23 August, hosted by Andrew Reeves (Chief Executive Officer and Managing Director) and Gary Mallett (Chief Financial Officer).

The webcast can be accessed using the following link: https://my.eu.lumiconnect.com/735-610-695

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

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Company Secretary

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