



Private Bag 3016  
Hamilton 3240  
New Zealand

0800 651 156  
[www.lic.co.nz](http://www.lic.co.nz)

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**Market statement**

## **LIC posts half year result**

Livestock Improvement Corporation (NZX: LIC) has announced its half year result for the six months ended 30 November 2016.

LIC's total revenue for the six month period was \$131 million, 9.6 per cent down on the same period last year. However, net profit after tax (NPAT) was \$19.3 million, up 21 per cent from the previous year.

Chairman Murray King said it's been a tough environment on farm for the past couple of years and, as a key partner to farmers, LIC had also weathered the storm and was in good shape to face the challenges ahead.

He said the improvement in profitability in LIC's half year results was pleasing.

King said these results reflect the co-op's solid performance in artificial breeding (AB) and herd testing, as farmers continued to invest in solutions that delivered a return for their businesses. The result also reflected some tough but necessary cost reduction measures within the business.

He said while the downturn had reduced the overall national herd number, the genetics LIC selected and supplied to farmers were responsible for breeding more than three-quarters of the national herd, with sales similar to those achieved last year resulting in an increased market share.

"The genetic gain and value that LIC bulls deliver on New Zealand dairy farms continues to be confirmed in recent Ranking of Active Sires (RAS) lists, with LIC bulls regularly occupying 25 or more of the top 30 listed Breeding Worth (BW) All Breeds bulls."

Demand for LIC's herd testing services also rebounded, with sales up on the same time last year.

King said LIC had continued its transformation programme to protect and grow the co-op.

"We've scrutinised every part of the business to actively manage and minimise our operating costs, and look for better ways of doing business, with minimal impact to farmers or where possible improving it. This focus will continue through the rest of the year and beyond.

"Some of the initiatives that our farmers will be aware of include optimisation of AB Technician routes which will reduce our fuel bill by 1.3 million kilometres and increase the time AB Technicians spend on farm, more use of digital publications and offering farmers an additional source of income from sought after value-added Wagyu beef semen."

### **Summary, Half Year Result**

LIC's revenue and other income for the six months to 30 November 2016 was \$131 million, 9.6% down on the \$145 million achieved during the same period in 2015. Net profit after tax for the half year was \$19.3 million, up 21% from the previous year.

LIC's business, particularly artificial breeding (AB), is highly seasonal. Half year results incorporate the majority of AB revenues but not a similar proportion of total costs, and are therefore not indicative of the second half, nor the full year, result. No dividend is therefore declared at half year.

The business is currently forecasting a return to a modest level of profitability for the full year.

LIC continues to operate a strong balance sheet with total assets including cash, software, land and buildings and bull teams of \$355 million. Cash flows from operations were negative \$433,000 which, compared to negative \$17 million last year, reflect stronger cash collections despite lower sales levels and also reflect decreased operating costs.

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Media contact: Simon O'Rourke | [sorourke@lic.co.nz](mailto:sorourke@lic.co.nz) | 027 681 1944.

**About LIC**

*LIC is a New Zealand dairy farmer-owned co-operative that provides a range of services and solutions that focus on improving the productivity and prosperity of its farmers. This includes dairy genetics, information technology, herd testing, DNA parentage verification and farm advisory services through FarmWise. LIC's operations are structurally separated into two businesses – LIC the co-operative which runs the genetics and herd improvement operations and wholly-owned subsidiary LIC Agritechnology Company Limited which runs the agritechnology operations (including information technology systems and farm automation). With origins dating back to 1909, LIC has a long history of world-leading innovations for the dairy industry. Today the New Zealand-based co-operative employs more than 600 permanent staff, swelling to 2,000 during the peak dairy mating season. LIC also has subsidiaries in the United Kingdom, Ireland and Australia and agencies in South America, the US, Asia and South Africa. For more information: [www.lic.co.nz](http://www.lic.co.nz)*