

3 May 2022



# ASX Release

3 May 2022

**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 3 May 2022.

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

David Matthews  
Company Secretary

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# Inghams Group Limited



**2022 MACQUARIE AUSTRALIA CONFERENCE**

**3 MAY 2022**

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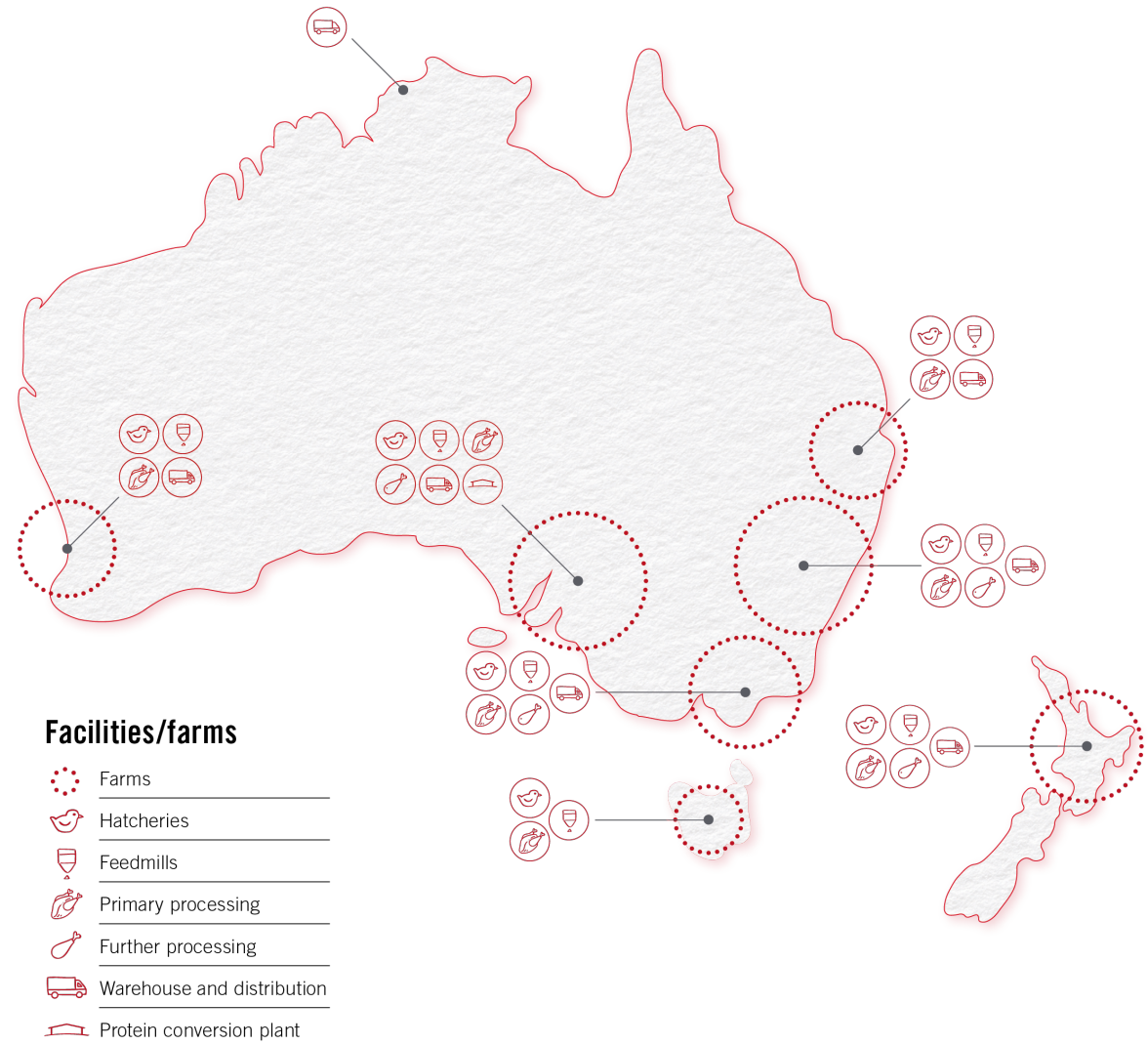
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# HIGHLY DIVERSIFIED AUSTRALIA / NZ NETWORK



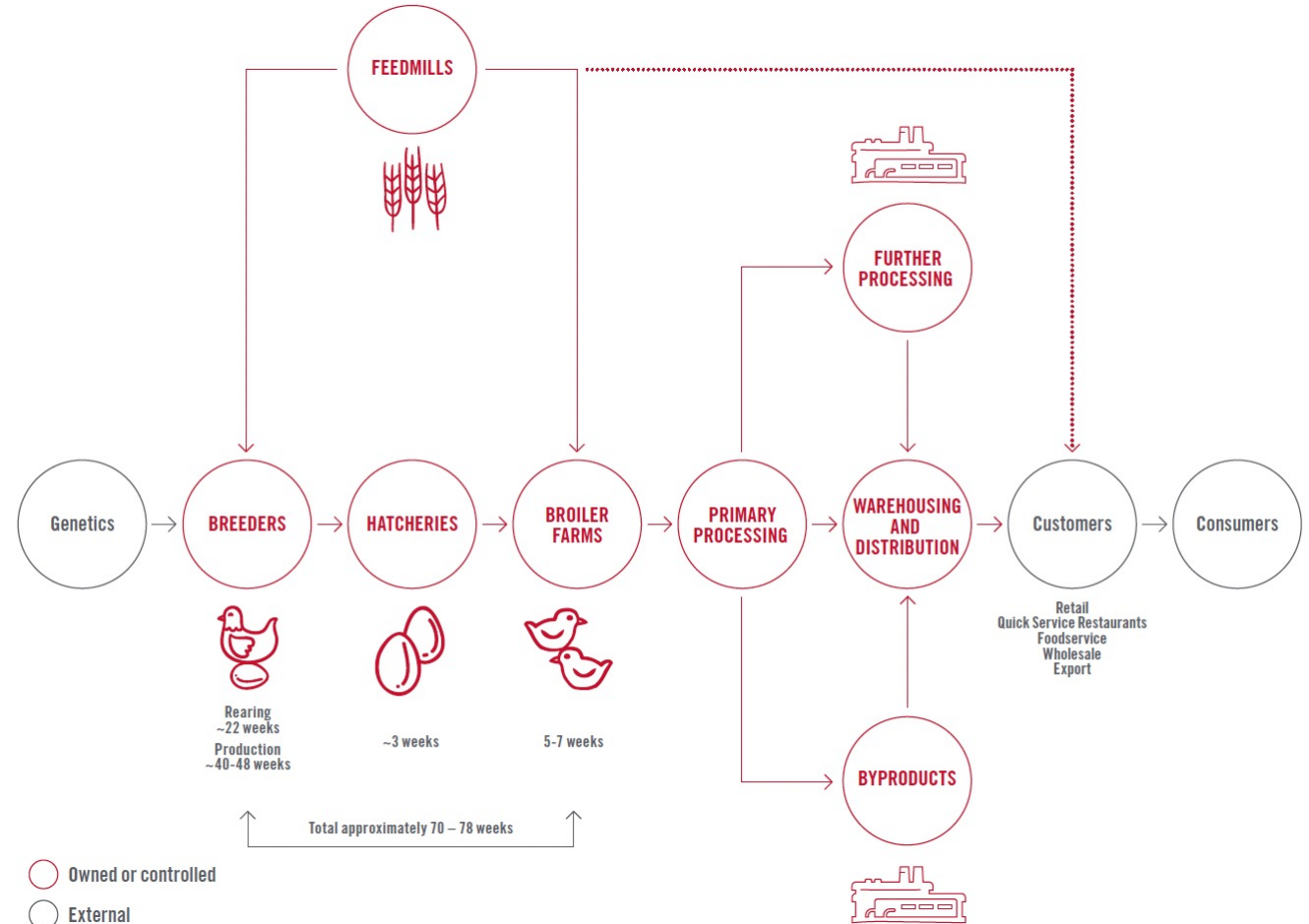
- Geographically diverse network
- Enhances management of agricultural and biosecurity risks
- Provides flexibility and greater resilience
- Ensures we can deliver continuity of supply to meet our customers' needs
- Ability to fully service national and local customer requirements
- Strong platform to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

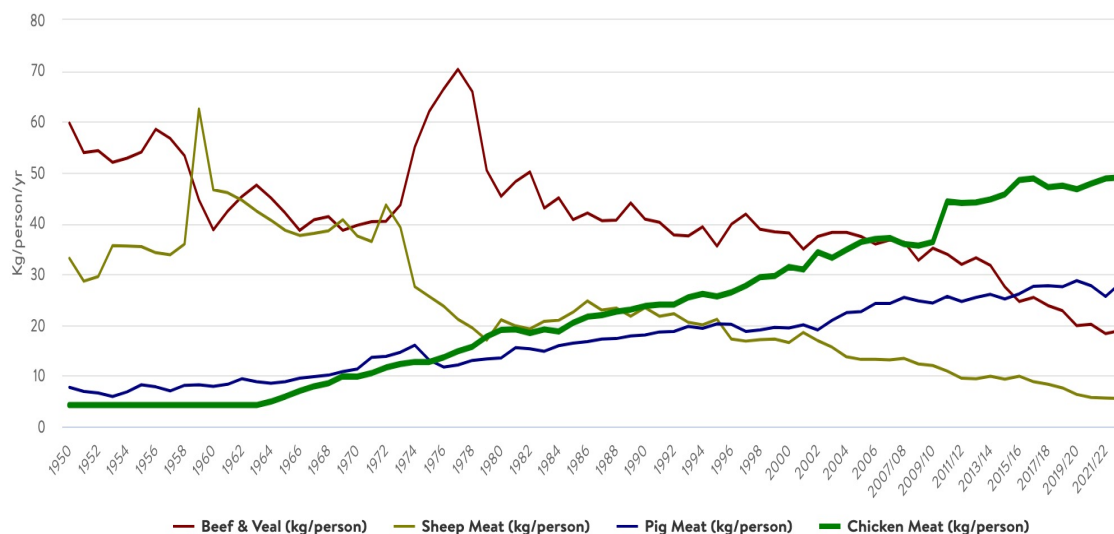


# POULTRY IS AN ATTRACTIVE & GROWING SECTOR

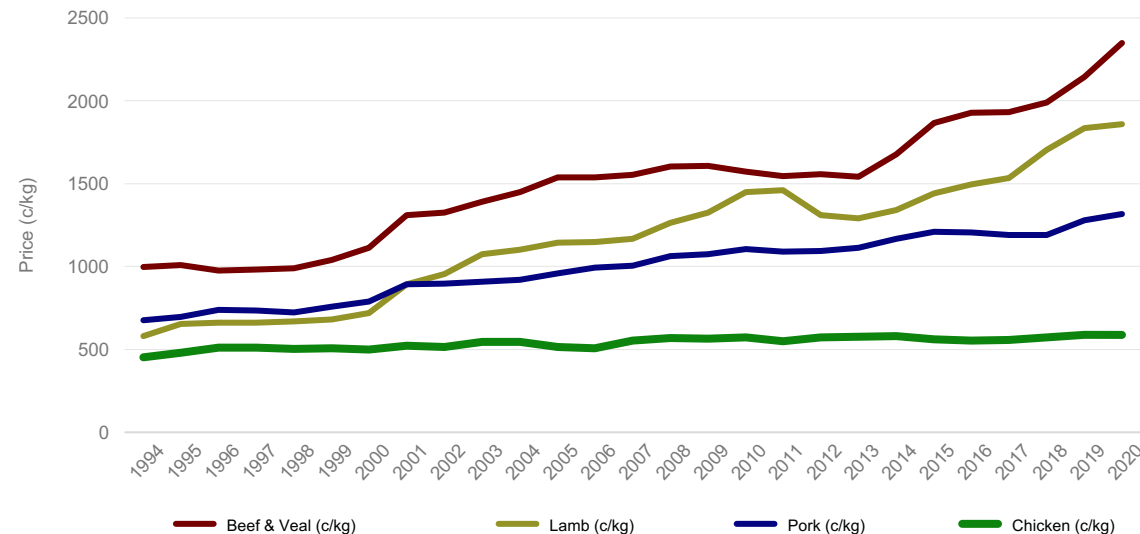


- **Affordable** – increasing affordability versus other meat proteins
- **Healthy** – a lean and versatile protein that continually finds favour with consumers that is aligned to the macro-trend towards healthier options across all channels
- **Sustainable** – chicken is the ‘green’ animal meat protein with a 5-times<sup>1</sup> smaller carbon footprint than red meat

Per capita protein consumption<sup>2</sup>



Australian retail meat prices<sup>2</sup>



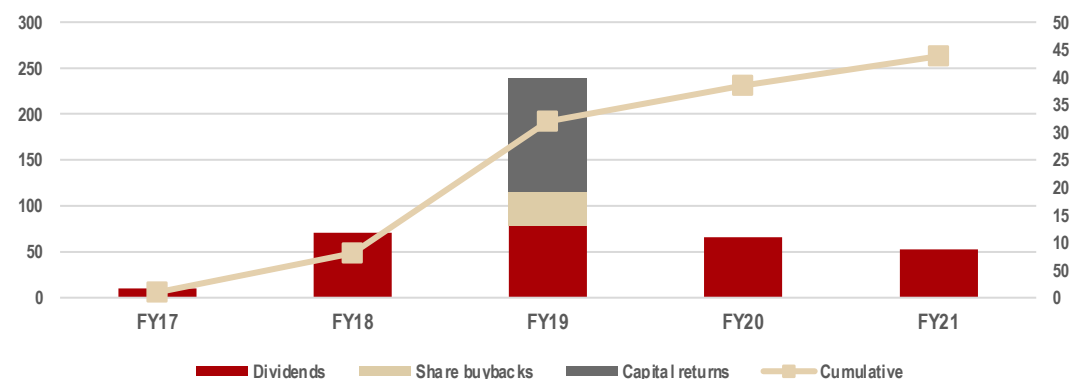
# HISTORY OF STRONG CASH GENERATION



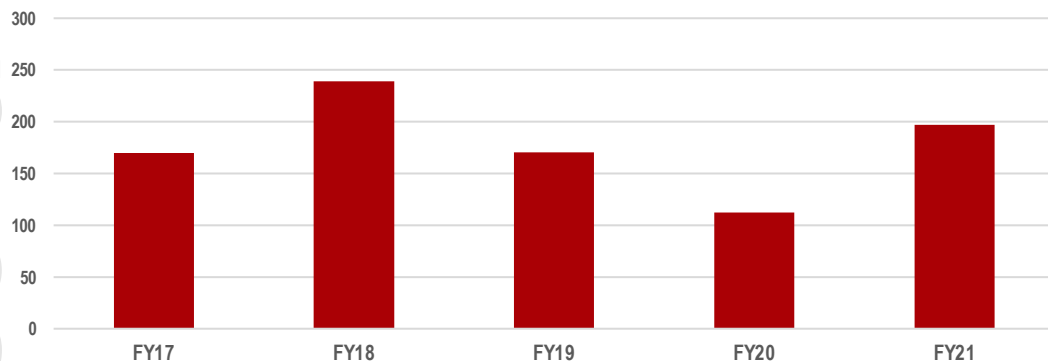
## STRONG CASH GENERATION WITH A HISTORY OF SOLID SHAREHOLDER RETURNS & INVESTMENT IN OUR BUSINESS

- Inghams has generated \$438 million in returns to shareholders since IPO
- Consistent cash flow generation
- Focus on investing in the business to maintain and grow capacity and capability

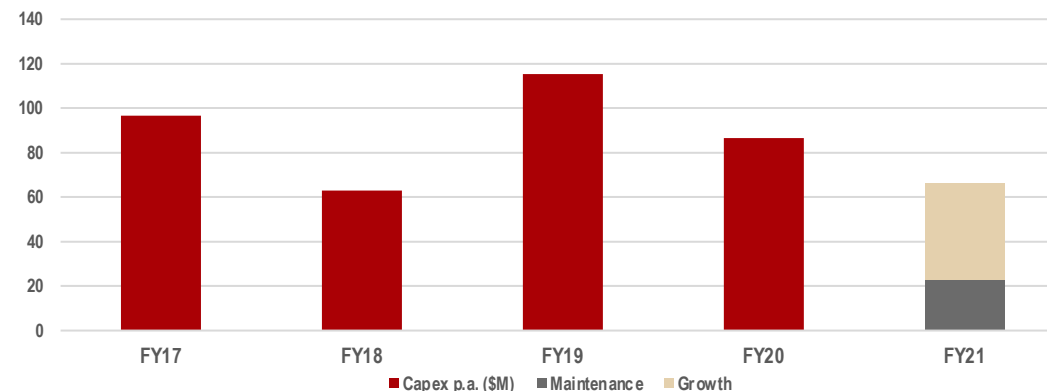
\$438M returned to shareholders since the IPO<sup>1</sup>



Operating cash flow pre AASB 16



Investment in maintaining and growing the business



1. Dividends are included in the financial year to which the dividend relates noting that final dividends are paid in the following financial year

# 1H22 FINANCIAL RESULTS



## STRONG VOLUME GROWTH OFFSET BY CHANNEL MIX SHIFT DUE TO EXTENDED LOCKDOWNS

- Headline financial results in-line with/ahead of prior corresponding period outcomes
- Results reflect the effective management of extended lockdowns and operational disruptions caused by COVID-19
- Good progress on strategic initiatives throughout the period, however progress significantly disrupted toward the end of the half due to COVID-19
- Benefits of strong volume growth offset by shift in channel mix and the Wholesale channel experiencing excess supply

	1H 22	1H 21	Variance	%
Group Core Poultry Volume (kt)	237.1	224.6	12.5	5.6
Statutory EBITDA (\$M)	220.4	215.6	4.8	2.2
Statutory NPAT (\$M)	38.4	35.3	3.1	8.8
Underlying EBITDA (\$M)	222.4	218.6	3.8	1.7
Underlying NPAT (\$M)	39.7	37.5	2.2	5.9
Underlying EBITDA pre-AASB 16 (\$M)	99.7	100.7	(1.0)	(1.0)
Underlying NPAT pre-AASB 16 (\$M)	48.1	46.5	1.6	3.4
Dividend (fully franked) (cps)	6.5	7.5	(1.0)	(13.3)

	Dec-21	Jun-21	Dec-20	Var to Dec-20
Leverage (underlying pre AASB16)	1.3x	1.2x	1.7x	0.4x
Net Debt (\$M)	264.6	240.2	327.5	62.9



# OPERATIONAL UPDATE



## RECOVERY HAS BEEN SLOWER AND MORE VARIABLE DUE TO ONGOING PANDEMIC AND WEATHER EVENTS

- The Inghams team continue to show great resilience and the ability to respond quickly and effectively to the challenges faced by the business
- 2H FY22 results have been seriously impacted by the ongoing effects of the COVID-19 Omicron outbreak, natural disasters and higher feed costs
- While employee attendance levels have improved, COVID-19 continues to affect operations and role vacancies remain elevated due to general labour shortages
- Costs remain elevated across the business, mainly driven by feed, supply chain and transport costs
- Some price increases have been achieved, and the business is actively seeking increases across the market to offset cost pressures; Wholesale pricing has recently improved from the lows earlier in 2H
- Australian operations are slowly recovering from Omicron impacts experienced early in 2H
  - WA operations impacted by Omicron – now through the worst effects; exhibited a similar pattern to Eastern states
  - Pace and pattern of recovery in eastern states has been variable due to ongoing labour shortages and impact of flooding in NSW and QLD during February/March, which affected site operations and supply chain activity
  - Production levels have significantly improved and approaching a full product range being produced
- New Zealand through the worst effects of Omicron and now in recovery stage
  - Progression and effects similar to those experienced in Australia
  - Financial impact partially mitigated by price increases and pre-emptive SKU rationalisation
- In 2H, due to processing capabilities, there has been a:
  - Volume shift from Retail to Wholesale channel
  - Product mix shift, which has had a detrimental effect on margin

# EXTERNAL FEED MARKET OBSERVATIONS

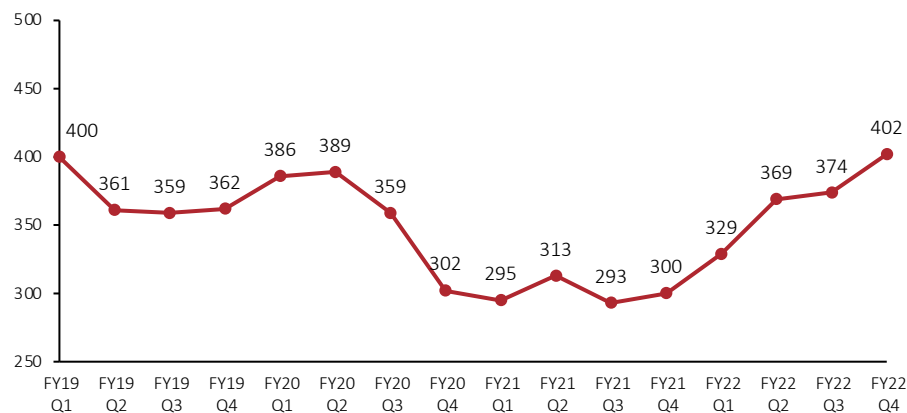


## FEED COSTS HAVE INCREASED DUE TO VOLATILITY IN INTERNATIONAL MARKETS

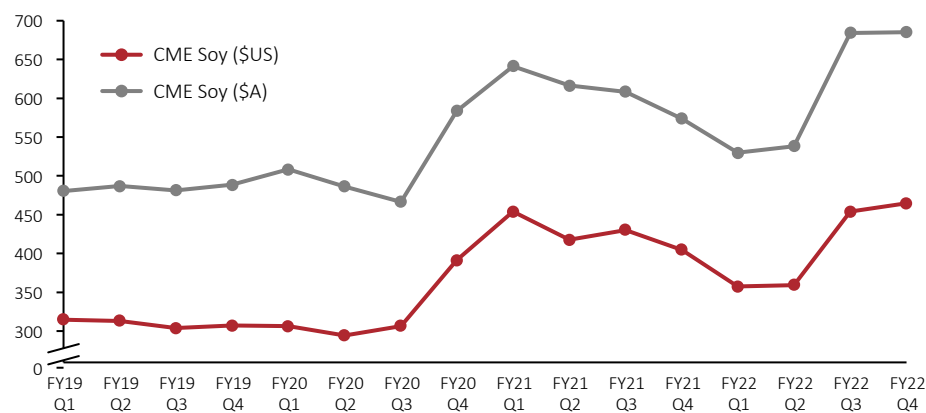
- Delivered feed cost contains cereal grains, protein meals, vitamins and minerals. Feed cost also includes transport and milling cost
- Grain imported into New Zealand operations is purchased from the international market

Spot wheat price<sup>1</sup> (as observed by Ingham's)

\$A per metric tonne



Spot CME<sup>2</sup> Soymeal futures



- Impact of the Ukraine / Russia conflict has added to an already tight global grain stocks situation keeping global prices at historically high levels
- Despite a large Australian wheat harvest in 2Q FY22, global demand for Australian wheat remains strong with exports at record levels
  - Domestic grain stocks anticipated to be low in 1Q FY23 and in the lead up to the new season harvest
- Production expectations for the upcoming crop are positive due to favourable planting conditions
- Soymeal prices remain elevated due to lower crop yields as a result of poor growing conditions in North and South America and higher transport costs

1. Spot prices shown above are for illustrative purposes only. Ingham's actual consumption prices will differ due to the purchase of delivered grain/soymeal as well as level of forward cover of between 3 – 9 months.

2. Chicago Mercantile Exchange

# LEADERSHIP IN ESG



- Over 30 years experience applying sustainability principles across the business
- Recognised industry leaders in water stewardship, sustainable agriculture and food production
- Research underpins our ability to identify and develop innovative approaches that result in more sustainable practices
- In FY21 we set 2030 Planet Targets, including a commitment to set Science Based Targets (SBT) for Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions based on the 1.5°C Pathway
- Set 2025 targets for Ingham's packaging. These align with the Australian Packaging Covenant, Australian National Packaging Targets and New Zealand Plastic Packaging Declaration
- Recently launched the Waitoa Free Range Chicken brand in New Zealand
  - New Zealand's only independently certified producer of net carbon-zero chicken



# SET THE FOUNDATIONS FOR LONG-TERM SUCCESS



1

## Elevated strategic partnerships

- Define the future of the category with our major trading partners (+5yr outlook)
- Align on mutually-beneficial opportunities e.g. joint product platforms and brands
- Codify shared ambitions, and define the growth agenda through joint 'strategic roadmaps'

2

## Continuous improvement

- Continuous improvement culture delivering improved effectiveness and capacity to lower costs, enhance yield, deliver a better product mix and reduce waste

3

## Aligned supply chain investment

- Invest behind unique capabilities that bring distinctive offerings to life
- Unlock efficiencies through process specialisation and automation
- Adapt our operating model to become the best strategic partner

4

## Future opportunities

- Identify opportunities to accelerate execution of strategic roadmaps and capability acquisition

# SUMMARY



## PACE OF RECOVERY SLOWER AND MORE VARIABLE AS A RESULT OF EXTERNAL FORCES

- Poultry is an attractive and growing sector with a significant price advantage over red meat alternatives
- Inghams has a track record of strong cash generation with a history of solid shareholder returns and investment in our business
- 2H FY22 results seriously impacted by the ongoing effects of the Omicron outbreak, Eastern Australia floods, higher feed and other input costs
  - Omicron has now also impacted trading and operations in New Zealand, WA during March/April
  - Flooding in NSW and QLD during February/March this year caused some additional site disruption and has contributed to transport and logistics costs
  - Inflation continues to rise, the labour market remains tight and ongoing supply chain disruptions
- Feed costs have continued to rise as we progress through the second half
- Some price increases have been achieved, and the business is actively seeking increases across the market to offset cost pressures





**THANK YOU**



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