



5 November 2020

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

AGM 2020 – Addresses by Chairman and CEO

Attached are the Addresses by the Ingham's Chairman and CEO which will be delivered at the Ingham's 2020 AGM to be held at 10.00am on 5 November 2020.

This announcement has been approved by the Chairman of Ingham's Group Limited.

A handwritten signature in blue ink that reads "David Matthews". The signature is fluid and cursive.

David Matthews
Company Secretary

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Annual General Meeting 2020 – Order of proceedings

Good morning ladies and gentlemen.

I am Peter Bush, the Chairman of Ingham's Group Limited and on behalf of the Board, I would like to welcome all shareholders and guests to our 2020 Annual General Meeting.

It's now 10am, and there being a quorum present, I declare the 2020 Annual General Meeting of Inghams Group Limited open.

Before I move on, I would like to extend my sincere sympathies to the Ingham's family following the passing of Bob Ingham in September.

While I did not know Bob personally, we are proud to continue to support the family's legacy and build on this great company that was conceived in 1918 and continues to go from strength to strength.

Today's virtual meeting reflects our response to Government restrictions on public gatherings and our ongoing commitment to keeping our stakeholders safe throughout the COVID pandemic. So, while we are not able to be together for the meeting today, we hope to make this AGM as interactive as possible for shareholders. You will be able to listen in real time, submit questions online in writing, and shareholders, proxy holders and shareholder company representatives may vote online. Please note that eligible voters can submit questions at any time – beginning now – and we will do our best to answer them during the meeting.

I am joined in the room today by: Non-Executive Director and Chair of the Finance and Audit Committee, Mike Ihlein; Non-Executive Director and Chair of the Risk and Sustainability Committee, Jackie McArthur; Non-Executive Director and Chair of the People and Remuneration Committee, Helen Nash; Managing Director and Chief Executive Officer, Jim Leighton; Chief Financial Officer, Gary Mallett; and Company Secretary, David Matthews.

Due to COVID restrictions, Non-Executive Directors Rob Gordon, Linda Bardo-Nicholls and Andrew Reeves are joining us online.

Also joining me in the room representing our external auditor is KPMG Partner, Julie Cleary.

Today's meeting will include the:

- Chairman's Address
- the Managing Director and Chief Executive Officer's Address, and
- The Formal Items of Business and Resolutions as set out in our Notice of Meeting

A guide to the online virtual meeting was lodged with the ASX and was also made available on the Investor Centre on our website.

In brief, today's virtual meeting enables shareholders to listen to the AGM proceedings online and view the supporting presentation. The left-hand side of the screen will show a picture of the speaker and you can follow the presentation slides on the right.

At the bottom of shareholders' screens are three interactive boxes that allow shareholders to 'get a voting card', 'ask questions' or 'download relevant AGM documents'. Only those who have logged on to the meeting as shareholders will have the ability to vote and ask questions.

All Items of Business will be voted on by poll, which is now open.

You may vote at any time during the meeting and voting will close five minutes after the formal Items of business. A timer at the top of the online meeting platform will count down to the close of voting.

The final voting results will be released to the market as soon as they are available after voting has closed.

If you have a question, click on the 'Ask a question' box, and follow the prompts. There is a character limit of 500 characters. Ensure you have enough time to type and submit your questions.



During the Items of Business, relevant questions will be read aloud to the meeting by our Company Secretary, David Matthews. We will make every attempt to answer all questions today.

If time constraints prevent us from doing this, responses to unanswered questions will be posted in the Investor Centre of the Ingham's website after the meeting.

I would like to thank shareholders who took the opportunity to ask questions in advance of today's AGM. These questions have been reviewed and will be responded to either during the course of the presentation or when we address the relevant Items of Business. Any questions received from shareholders prior to the AGM, or online today, may also be aggregated where there are similar questions.

I, along with some of my board and management colleagues met with Alan Goldin and Elizabeth Fish from the Australian Shareholders Association a couple of weeks back answering a large number of questions. We also received questions that raised similar relevant matters, and so far as possible, have incorporated these into the speeches today to avoid repetition.

If shareholders experience technical difficulties using the online platform, please call 1800 990 363.

Should we experience technical difficulties in broadcasting the AGM to shareholders, we will pause the meeting and aim to recommence at the earliest opportunity. If these difficulties persist, we will adjourn the meeting to 3pm today and lodge the adjournment details with the ASX and publish them on our website's Investor Centre.

Shareholders, proxyholders and guests who have registered to join the meeting today will be notified of the adjournment details by text message.

Link Market Services is the returning officer for this meeting.

I will now move to my address.

Chairman's Address

Today, I will cover some of the challenges of the unprecedented operating environment of the last 12 months and what the board and management have done to ensure business continuity.

Jim will provide you with more detail of some actions taken over that time and provide us with a trading update.

Financial Year 2020 will no doubt go down for most of us as the most remarkable year on record. Paradoxically, many of the events of FY20 have faded into the distance and almost been forgotten in the face of COVID. So, I do want to take a moment to reflect and remind us all of the months leading up to the pandemic.

For three years, the country was dealing with the effects of the drought and, for Ingham's, this manifested in record-high feed prices. To give that some perspective, feed input costs to the business in the previous six years had risen by not millions, but tens of millions of dollars. We dealt with this through a combination of cost and efficiency initiatives, astute forward feed purchasing, price adjustments and good management.

Most of us had direct or indirect experience of the bushfires over the November to January period and Ingham's escaped a close call at our Tahmoor and Bargo sites, thanks to our people and the NSW Rural Fire Service. Additionally, during this time and over many weeks, our operations team persistently found creative solutions to get product to customers when usual delivery routes were blocked by fires.

Despite drought and fires, financial performance was ahead of target when we were hit by COVID. The board were confident we would hit and likely exceed our financial targets.

Today, we have all adjusted our lives to deal with this pandemic and it's easy to overlook how, as an essential service, the Ingham's business had to assess and accommodate an enormous raft of challenges and changes to keep our people safe, our operations compliant and our products moving to customers and consumers. This included close collaboration with governments, unions, customers and other stakeholders to ensure continuity of



supply, the success of which is a testimony to Jim, his management team and our some eight thousand employees across Australia and New Zealand who worked tirelessly and continue to do so today!

We forget that New Zealand pretty much closed for business for four weeks. Restaurants and fast food on both sides of the Tasman shut down, and consumers switched from buying BBQ chicken to factory produced tray-packs, which all put an enormous burden on our people, production facilities and costs.

It is also clear that the many strategic capital projects in our plants over the previous 18 months began to bear fruits through efficiency, effectiveness and flexibility and, most importantly, cost improvements. The business was guided through the year by an experienced leadership team and adherence to the blueprint of our Five-Year Plan.

In spite of this, the disruption from COVID produced financial results that fell slightly short of our targets, including additional poultry inventory provisions of some \$9 million.

I can remind you that we delivered a Statutory Net Profit After Tax of \$40.1 million, and \$78.8 million on an Underlying basis. The Underlying result excludes the \$23.7 million impact of the adoption of the new AASB 16 leases accounting standard, and other non-recurring items.

This result, combined with strong cash generation, enabled us to provide shareholders with a fully franked dividend of 14 cents per share for the full year. This reflects a payout ratio of 66 per cent of Underlying Net Profit After Tax pre-AASB16.

We were pleased to be able to reward shareholders with a dividend when many companies chose to suspend in the face of COVID challenges.

The Management and Board recognise the critical nature of dividends to shareholders and we are pleased to announce today that, following the adoption of AASB 16, we have changed the dividend payout ratio range from 60 to 70 per cent of Underlying NPAT BEFORE the impact of AASB16; TO 60 to 80 per cent of Underlying NPAT, INCLUSIVE of the impact of AASB16 to give flexibility to continue to provide – other things being equal – cash dividends similar to historic payouts. This revised dividend policy will be the first plank in our Capital Management Strategy platform we plan to detail at the Half Year.

Shareholders will note the Board exercised its discretion to approve a reduced FY20 STI, capped at 45 per cent of the on-target dollar amount. The Board believe this decision reflects a fair and balanced assessment of the management team's performance, given the business was on track to meet or exceed the \$190 million EBITDA target established pre-COVID.

The initiatives taken by the management team to protect our people, transform operational performance in a commercial environment turned upside down, along with a focus on improving customer engagement scores, ensured the business would continue to operate and get back on track.

The Board notes the voting received from shareholders prior to today's meeting in relation to Resolution 5 on the Remuneration Report and Resolution 6 regarding the CEO's FY20 TIP.

In the course of preparation for the AGM, there has been considerable discussion regarding these resolutions.

Today's voting outcomes reflect feedback from shareholders that the Board's decisions on executive remuneration in FY20 were not in line with shareholder expectations.

The board takes this feedback from shareholders extremely seriously and provide an undertaking to maintain an open dialogue on remuneration with shareholders as we move forward from today's AGM.

We welcomed new appointments to the Board and to the Senior Management team over the past year.

I would like to welcome Mike Ihlein to the Board, who is standing for election today. Mike complements our Board skills with his experience as a Chief Executive Officer and Chief Financial Officer in major ASX listed companies including Brambles and Coca-Cola Amatil. Mike is Chairman of our Finance and Audit Committee.



Ricky Lau retired from our Board on 30 June this year. I thank Ricky for his contribution as a director of the Ingham's Group from 2013 as a representative of TPG.

Chief Financial Officer, Gary Mallett joined the team in October 2019. He brings more than 30 years of experience in a range of senior financial roles with companies including Brambles, Origin Energy and Senex Energy.

Mike and Gary's experience in listed companies bolsters our bench strength on prudent financial management to the benefit of our long-term profitable growth and return to shareholders.

During the year, we conducted an independent review of board composition and performance. This review concluded that we had an appropriately diverse and skilled group of directors able to add value to our business. The review also considered board development and succession, which continue to be work in progress.

Our biggest shareholder, Australian Super, expressed an interest in having better knowledge and understanding of the detail of our director's backgrounds, particularly their experience as it applies to the Ingham's board. We will, as a result, be updating our website with more detailed backgrounds on directors and senior management in the coming weeks.

We have detailed our commitment to safety, animal welfare and operating sustainably in both our Business Sustainability report and Corporate Governance Statement in our Annual Report. While I do not intend covering these today, I commend them to you to better know and understand our policies and commitments.

While we have all been challenged by COVID-19, Ingham's has fared well as a company through the crisis and our products continue to be viewed by consumers as the healthier and more economic protein choice.

We will continue to focus on keeping our people safe, maintaining pressure on continuous improvement and a bias for action. This, along with the Board's confidence in our leadership team and business model to deliver against our Five-Year Plan will, I am certain, result in more consistent, predictable, and reliable returns for all our stakeholders.

Other encouraging signs worth mentioning are:

- Australia's status as a leading agricultural sector and our reputation for providing safe and clean produce, augers well for export
- Total retail chicken volume is growing above the historical three-year run rate
- Australia is one of the world's top-five countries for per capita poultry consumption, and New Zealand is not far behind!
- The Ingham's brand has the highest brand awareness of any poultry brand in Australia at 83%
- Chicken continues to be the most affordable protein – averaging a quarter of the price of beef and half the price of pork, and
- speculation is that the wheat crop will be the best in 25 years and that feed prices will reduce as a result in time.

Furthermore, in the Prime Minister's recent address to the National Press Club in October, he proposed to allocate A\$1.5 billion towards manufacturing industry across six primary sectors, one of which is food and beverage – a sector that is one of the country's fastest growing and largest employers.

While it remains unclear precisely how Ingham's will benefit from these investments, we are already in conversation with the Government.

I will now handover to our Managing Director and Chief Executive Officer, Jim Leighton. Jim will take you through further operational highlights and more of the details that underpin our continuing improved performance.



Managing Director and Chief Executive Officer's address

I want to start by saying how proud I am of the Ingham's team and all they have achieved.

Echoing the Chairman's address, our five-year plan and our people have helped us to navigate through a challenging year and enabled us to continue to nourish our communities as an essential service provider.

We presented our five-year plan to investors in October 2019.

Our Plan was anchored by our Purpose to 'Nourish our World' and our commitment to make a positive difference for our people, products, partners, planet and profits.

This integrated approach was designed to deliver our objective, and that is, to deliver more consistent, predictable and reliable returns to our stakeholders.

It was incredibly fortunate to have this solid five-year plan in place for what has been a year like no other.

Throughout our first year of implementing the plan, it has enabled us to deliver profitable results and remain dynamic and adaptable during a volatile trading environment. It's proven its value.

Our plan has three strategic pillars geared for growth.

We are optimising the core of our operations through continuous improvement.

This has included the commissioning of new leg auto de-boning equipment at Te Aroha in New Zealand and Bolivar in South Australia.

Taking Bolivar's new leg auto de-boning equipment as an example, this capital investment was projected to deliver a payback within 13 months. Pleasingly, we delivered a payback on this investment in just eight months, and our production throughput on this line has doubled.

We have also brought online two new spin chillers at Somerville in Victoria, which have unlocked an additional 40 per cent capacity. This new equipment increases chilling capacity to maintain a lower temperature, therefore, allowing us to run the line more efficiently. We will also be installing a new spin chiller at Osborne Park.

These two projects are examples of how we are investing in the right technology to add value to our business.

We are also investing in our people and processes to create more value for shareholders.

For example, a project to address overall equipment efficiency across the business has delivered a 10 per cent efficiency gain, and saved millions of dollars across our primary processing plants.

The implementation of an integrated business planning process and a new Project Management Office is now in place and delivering short and long-term benefits.

Through integrated business planning, we have extended our planning horizon to a 52-week plan, and within the next two months, we will be extending out further to a 72-week horizon to enable us to better forecast performance, mitigate risks and execute our strategy.

This enhanced capability is critical in effectively planning and managing our entire business to achieve or exceed our financial targets.

We are transforming for tomorrow by embracing new ways of thinking and thus working.

In an Australian-first, we are constructing two new HatchCare hatcheries that are global best practice when it comes to animal welfare by providing greater nutrition to our day-old chicks. This will translate into a lower feed-conversion-ratio, and overall lower cost of production.

We're also excited to continue to bring new products to the market under our strategic pillar to create the new.



This includes launching some new brands, including The FREE RANGER, and plant-based brands including the Plant Collective and Let's Eat.

Our strategy is consumer-centric with an ambition to be the most trusted food producer in our market.

And, we are working closely with our partners to leverage consumer analytics to drive our actions. This is a win for customers as we will provide products that will help grow the category and optimise our collective profitability.

The 2020 financial results have delivered a practical demonstration of the value of our five-year plan, its impact on increasing resilience of the business and our ability to deliver profitable growth to our shareholders.

It has long been our focus to ensure the health, safety and wellbeing of our people. This deeply embedded safety culture has enabled us to stay safe and continue delivering our products to our communities during COVID.

Importantly, throughout COVID, our people trusted us to keep them safe, and they showed up with both passion and pride.

This is in stark contrast to offshore poultry and meat companies that had to shut down because their people didn't feel safe at work.

Since the pandemic emerged in February and March, we have taken many steps to keep our people and community safe.

To give you some perspective of the enormity of the tasks we successfully undertook throughout the pandemic we:

- responded quickly to a 50 per cent surge in demand in retail chicken sales, by shifting the product mix in our operations to match the fast-changing needs of customers from deli to tray-pack products
- we recorded more than 4,000 truck movements a week across Australia as we transported grain, feed, eggs, chickens, chicken meat and products for both domestic and international customers
- we kept our 100 sites operational during the financial year, with zero interruption of overall supply, and kept our 8,000 people safe and employed while also supporting our staff during school lockdowns with flexible shifts and working-from-home arrangements, and
- we installed four-hundred protection dividers across our operations to support physical distancing in our plants

In addition, when the second wave hit Victoria, we worked closely with the Government to support our status as an essential service, while educating and influencing more appropriate restrictive measures.

We also worked hard to keep up with customer demand while operating with a government-imposed reduced workforce in Victoria by streamlining our product lines.

The scale of the response required has been enormous but made possible by the amazing effort of every one of our employees working together to keep our people safe and our operations running.

With COVID remaining a threat, we'll continue to meet the highest safety standards.

Unfortunately, our people and our operations have not been immune to COVID:

- In May, we had two people in New Zealand test positive for COVID. Fortunately, swift reporting and contact tracing meant we did not have to close the facility.
- And, we proactively closed our Victorian Thomastown Further Processing Plant in July for two weeks when five of our employees tested positive for COVID.

Despite the challenges of COVID, we reduced our Lost Time Injury Frequency Rate by 45 per cent down to 3.8 and the Total Recordable Injury Frequency Rate down 63 per cent to 8.1.

Sadly, however, one of our team members sustained a serious incident at our Tahmoor facility in February. We are supporting him with his ongoing recovery and rehabilitation. This injury served as a stark reminder of the importance of staying safe.



The priority on our people's safety and wellbeing is further reflected in the recent completion of an organisational culture survey, where we established a baseline and actions to move us even closer to our desired state.

The food and beverage retail sector has had a challenging year, which included unprecedented and unpredictable demand during the panic-buying period at the beginning of COVID.

I would like to commend our people who received several notes of thanks from many of our customers during this time for outstanding support and service in meeting this demand.

It's pleasing to see that chicken continues to be a protein of choice for families across Australia and New Zealand.

It's predicted there will be a four per cent boost of another one million people around the Christmas table this year due to travel restrictions. The retail food sector is, therefore, likely to benefit.

That's great news for Ingham's, and our ambitious growth plans for our new products.

We're also working closely with our quick service restaurant customers to develop new in-store products to maximise sales. This includes a new chicken menu at McDonald's that launched in October.

We will continue to build on the foundations of our great partnerships with our customers by driving quality, innovation, a robust supply chain and, most importantly, trust!

Having completed the first quarter of trading for FY21, we have today provided a business update to the ASX.

In our first quarter, we achieved an increase in core poultry volume sold, up 6.2 per cent on the prior comparative period in FY20. This result is also up 7.5 per cent on the last quarter of FY20. This reflects strengthened demand across our customers with trading now at near pre-COVID levels.

We have also reduced poultry inventory levels by \$16 million in the first 17 weeks of FY21. We will continue with initiatives to further reduce inventory that resulted from COVID by the end of the current financial year, supported by Christmas demand.

There's also further upside expected with Australia's wheat crop production projected this harvest to be at, or close to, historical highs. Rabobank's recent 2020/21 Winter Crop Production Outlook has cited wheat production up 91 per cent year-on-year with an estimated 28.8 million tonnes.

With a significant crop, we expect feed pricing to reduce, however, there is likely to be a lag before it translates into lower costs due to our feed purchasing strategy and the time between harvest and delivery of our finished products. We do expect the improvements in the cost of grain to have a favourable impact on our financial results fully by Q4 of this financial year and flow into the next financial year.

Pleasingly, a recent report on La Nina and agriculture stock winners and losers is also favourable, with the report citing it expects Ingham's to be positively impacted.

While we cannot perfectly predict the year ahead due to the uncertainty of COVID, we have proven the resilience of our plan, business model and people as we work hard to deliver more consistent, predictable and reliable returns to our stakeholders.

I want to close by recapping on the seeds we have planted for long-term growth:

1. we have built a solid foundation for profitable growth and have demonstrated our resilience
2. we know where we are going and how to get there
3. we have the right people and the right resources in place to do so, and
4. we are beginning to see the benefits of improvement initiatives we have implemented in our results.

On that note, I would like to thank the Ingham's team for their ongoing commitment to providing quality products that our customers and consumers love and trust, enabling profitable growth, capital return and value creation for our shareholders.



It is my great pleasure, privilege and pride to continue to build upon the legacy of the Ingham's name, heritage and brand.

I would also like to thank our shareholders for your continued support of Ingham's.

Thank you.

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