



# INGHAM'S GROUP LIMITED

2021 Annual Results Presentation

20 AUGUST 2021



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# PRESENTATION OF FINANCIAL INFORMATION



**Financial information is provided on a post AASB 16 basis unless otherwise stated**

On 5 November 2020 Ingham's announced that it will report its underlying results inclusive of the new leases standard AASB 16.

The underlying results in this document include the impact of AASB 16 unless otherwise stated.

To support understanding of the impact of AASB 16 Ingham's has also provided additional information for FY21 in the Appendix to this presentation (or as stated elsewhere in this document).

# GROUP PERFORMANCE HIGHLIGHTS

Andrew Reeves  
CEO & Managing Director



# GROUP HIGHLIGHTS



## Strong results, delivering on Optimising the Core strategy

### Strong financial results

- Statutory EBITDA of \$443.9M up 14.5%, Statutory NPAT of \$83.3M
- Underlying EBITDA of \$448.7M up 9.6%, Underlying NPAT \$86.7M
- Underlying EBITDA pre AASB 16 of \$209.6M up 16.6%, Underlying NPAT pre AASB 16 of \$101.2M
- Total dividends of 16.5 cps, up 17.9%
- Cash generation resulted in leverage improving to 1.2x from 1.8x at June 2020

### Underpinned by solid poultry volume growth

- Group core poultry volume growth of 4.2%
- Strengthened demand across most channels and overall trading volumes well ahead of pre COVID-19 levels

### Focusing on revenue growth and continuous improvement benefits

- A dedicated team focused on process improvement and waste elimination, with 320 improvement project opportunities identified for FY22
- Revenue growth of 4.4%

### Advancing our ESG agenda

- Launching our targets and committing to reducing our impact on the planet
- Providing greater transparency on our progress against our ESG commitments

### Strategy delivering positive results

- Delivering operational momentum and underpinning financial results

# FY21 FINANCIAL HIGHLIGHTS



## Growth in key earnings metrics backed by a strong balance sheet

	FY21	FY20	Variance	%
Group Core Poultry Volume (kt)	446.9	428.7	18.2	4.2
Statutory EBITDA (\$M)	443.9	387.8	56.1	14.5
Statutory NPAT (\$M)	83.3	40.1	43.2	107.7
Underlying EBITDA (\$M)	448.7	409.3	39.4	9.6
Underlying NPAT (\$M)	86.7	55.1	31.6	57.4
Underlying EBITDA pre AASB 16 (\$M)	209.6	179.7	29.9	16.6
Underlying NPAT pre AASB 16 (\$M)	101.2	78.8	22.4	28.4
Dividend (fully franked) (cps)	16.5	14.0	2.5	17.9

	FY21	FY20	Variance	%
Leverage (underlying pre AASB 16)	1.2	1.8	0.6	▼ 33.3
Net Debt (\$M)	240.2	314.7	74.5	▼ 23.7

- Growth in core poultry volume of +4.2% reflects the resilience of poultry
  - Overall trading volume now ahead of COVID-19 trading levels
- Volume and revenue growth, combined with continued operational efficiencies, net feed cost benefit and frozen poultry inventory reduction driving earnings improvement
- Total fully franked dividends of 16.5 cps, reflecting a payout ratio of 71% of Underlying NPAT, an increase of +17.9%
- Leverage at 1.2x, a reduction from 1.8x at June 2020
- Net debt of \$240.2 million, down 23.7% on June 2020 due to strong cash generation

# OBSERVATIONS ACROSS OUR CHANNELS



## RETAIL

- Performing well despite COVID-19 effects
- Following strong growth in 1H, Australian demand in 2H moderated versus the prior corresponding period (pcp) due to elevated demand arising from mid-2020 COVID-19 restrictions
- NZ demand lower due to reduced tourism as a result of border closures
- Ongoing shift in customer demand to tray pack

## QSR

- Good performance post COVID-19 lockdowns earlier in the year with stronger 2H performance
- In Australia, volume growth continued in the second half with multiple successful promotions run by major QSR operators
- In NZ, stronger volume growth was also experienced, driven by promotions, Limited Time Offers and new products
- Trialing new products with key customers

## FOOD SERVICE

- Volume growth improved in 2H with the easing of restrictions seeing demand returning to pre COVID-19 levels
- In Australia, increased local travel due to closed borders saw a strong improvement in demand in regional areas
- Impact from international tourism restrictions in Australia and New Zealand still being felt

## WHOLESALE

- Volume grew strongly in the second half versus prior year, following slower growth in 1H, driven by securing of new business and expansion of coverage
- Broadening customer relationships

## EXPORT

- Australian export volumes were lower versus pcp due to partial export market closures impacted by Bird Flu outbreak in some farms outside Ingham's network
- Anticipate volumes to slowly grow as export markets re-open
- NZ export volumes recorded strong growth due to reduction of surplus inventory built during the national lockdown of Q4 prior year

# PROGRESS ON OUR STRATEGY



## Key focus on embedding strong foundations to support future growth opportunities

STRATEGIC PILLARS	ACHIEVEMENTS IN DELIVERY OF STRATEGY
<p><b>OPTIMISE THE CORE</b></p>	<ul style="list-style-type: none"> <li>▪ Continuous improvement culture delivering improved effectiveness and capacity to lower costs, enhance yield, deliver a better product mix and reduce waste</li> <li>▪ Continuing to transform our strong organisational culture into a constructive culture to drive workforce engagement, efficiency and innovation</li> <li>▪ Integrated Business Planning delivering product optimisation and aligning production with customer requirements</li> <li>▪ Sale of non-core Hamilton NZ feed mill and associated NZ dairy feed supply business for NZ\$11.45M</li> </ul>
<p><b>TRANSFORM FOR TOMORROW</b></p>	<ul style="list-style-type: none"> <li>▪ Construction of HatchTech hatcheries in Victoria and Western Australia to further improve animal welfare and drive lower costs of production. The Victorian facility now operational and Western Australia expected to commence around mid year FY22</li> <li>▪ Redland Bay research farm operational, with a focus on optimising feed and raising the bar on animal welfare standards</li> </ul>
<p><b>CREATE THE NEW</b></p>	<ul style="list-style-type: none"> <li>▪ Enhanced focus on the premium market through branded and private label product innovation</li> <li>▪ Free Ranger, launched in April 2020, continues to grow and now in over 300 stores</li> <li>▪ Supercrunch range outperforming expectations, new SKU's added and excellent consumer feedback</li> <li>▪ Ongoing success of plant-based products introduced into retail and QSR in Australia and NZ</li> <li>▪ Innovation such as the McSpicy burger launched into McDonalds</li> <li>▪ New packaging delivered Ingham's masterbrand into Freezer that has a premium look, has higher appetite appeal and delivers on the brand promise of 'Always Good'</li> </ul>



# FINANCIAL RESULTS

Gary Mallett  
Chief Financial Officer

**INGHAM'S**  
*Nourish Our World*



## Improved financial results achieved in a challenging operating environment

- Volume:** Core poultry volume +4.2% despite reduction in external feed volumes, challenging market conditions including intermittent lockdowns, closed international borders and export market disruptions
- Revenue:** Revenue +4.4% as positive net selling prices were reflected across most channels
- Gross Margin %:** +1.0pp to 27.0% due to a combination of volume and revenue growth, improved operational performance, the realisation of continuous improvement initiatives and the change in the obsolete stock provision \$13.6M
- Distribution:** +3.1% due to volume and CPI increases partly offset by improved route optimisation
- SGA:** +11.6% cost increase due to higher insurance and legal settlements
- AASB 16:** +\$9.2M NPAT improved due to non-recurring adjustments of \$6.3M on adoption and the reduction in AASB 16 interest of \$4.0M related to a reduced lease liability
- Tax:** Effective tax rate 26.4% is down 2.5pp due to the receipt of an R&D tax credit of \$8.5M for a prior year claim partially offset by a provision under IFRIC 23 for an uncertain tax matter

\$M	FY21	FY20	Variance	%
<i>Core Poultry volumes (kt)</i>	446.9	428.7	18.2	4.2
<i>Total Poultry volumes (kt)</i>	556.1	532.6	23.5	4.4
<i>External Feed volumes (kt)</i>	368.9	406.0	(37.1)	(9.1)
Revenue	2,668.8	2,555.3	113.5	4.4
Gross Profit	720.2	663.5	56.7	8.5
<i>Gross Profit % Revenue</i>	27.0	26.0	1.0	3.9
<b>EBITDA</b>	<b>443.9</b>	<b>387.8</b>	<b>56.1</b>	<b>14.5</b>
<i>EBITDA % Revenue</i>	16.6	15.2	1.4	9.2
Depreciation & Amortisation	(265.3)	(263.4)	(1.9)	0.7
<b>EBIT</b>	<b>178.6</b>	<b>124.4</b>	<b>54.2</b>	<b>43.6</b>
Net finance expense	(65.6)	(68.3)	2.7	(4.0)
Tax expense	(29.7)	(16.0)	(13.7)	85.6
<b>NPAT</b>	<b>83.3</b>	<b>40.1</b>	<b>43.2</b>	<b>107.7</b>
Underlying EBITDA	448.7	409.3	39.4	9.6
Underlying NPAT	86.7	55.1	31.6	57.4
Underlying (pre AASB 16) EBITDA	209.6	179.7	29.9	16.6
Underlying (pre AASB 16) NPAT	101.2	78.8	22.4	28.3

# BALANCE SHEET



## Strong balance sheet provides a platform for future growth

- **Inventories:** Reduced \$24.0M due to selling down of excess frozen processed poultry inventory built up in FY20 due to COVID-19, offset by increased value of feed on hand
- **Receivables:** Increased \$19.5M, in line with significantly higher sales in June 21 compared to the PCP which were impacted by COVID-19 lockdowns
- **Payables:** Trade payables flat on prior period, with the inventory procurement trade payable facility reducing \$11.7M to \$110.0M
- **Provisions:** due to higher employee, legal and makegood
- **Right-of-use Assets:** Reduced by \$54.3M due to amortisation offset by CPI increases, additions and lease extensions
- **Lease Liabilities:** Decreased \$40.0M due to lease payments offset by additions, CPI increases and extensions
- **Net Debt:** improved due to strong trading cash generation and lower capital spend
- **Tax Balances:** Movement due to higher income tax payable at year-end

\$M	Jun-21	Jun-20	Variance
Inventories/Biologicals*	328.5	352.5	(24.0)
Receivables*	224.7	205.2	19.5
Payables	(400.6)	(406.4)	5.8
<b>Working Capital</b>	<b>152.6</b>	<b>151.3</b>	<b>1.3</b>
Provisions	(131.7)	(120.6)	(11.1)
<b>Working Capital &amp; Provisions</b>	<b>20.9</b>	<b>30.7</b>	<b>(9.8)</b>
PP&E	457.9	450.3	7.6
Right-of-use Assets	1,374.9	1,429.2	(54.3)
Other Assets	5.8	14.2	(8.4)
Lease Liabilities	(1,432.3)	(1,472.3)	40.0
Other Liabilities	(3.3)	(7.6)	4.3
<b>Capital employed</b>	<b>423.9</b>	<b>444.5</b>	<b>(20.6)</b>
Net Debt	(240.2)	(314.7)	74.5
Net Tax balances	(20.1)	(0.7)	(19.4)
<b>Net Assets</b>	<b>163.6</b>	<b>129.1</b>	<b>34.5</b>

\* Note: Provisions within Inventories and Trade Receivables have been reclassified to 'Provisions'

# CASH FLOW



## Improved cash conversion through operating cash generation and prudent capital management

- Cash conversion:** Higher cash conversion, with a 340 basis point improvement from solid trading and working capital management
- Capital Investment:** COVID-19 lockdowns and border closures disrupted some access to sites to complete projects, reducing spend \$20.4M on PCP. Key projects during the year included two hatcheries at \$33.6M and the \$9.8M FP “fully cooked” line in Auckland
- Proceeds from Sale of Assets:** Relates to the sale of Hamilton Feedmill in New Zealand
- Tax paid:** The reduction in tax paid of \$35.2M in FY21 is due to non-recurrence of the residual tax payment on the sale of Mitavite in FY20 and the receipt of a \$8.5M prior year R&D tax credit in FY21

\$M	Jun-21	Jun-20	Variance
<b>Statutory EBITDA</b>	<b>443.9</b>	<b>387.8</b>	<b>56.1</b>
Non-cash items	(3.3)	6.8	(10.1)
<b>EBITDA excluding non-cash items</b>	<b>440.6</b>	<b>394.6</b>	<b>46.0</b>
Changes in operating working capital	(1.3)	(9.3)	8.0
Changes in operating provisions	11.1	4.5	6.6
<b>Cash flow from operations</b>	<b>450.4</b>	<b>389.8</b>	<b>60.6</b>
Capital expenditure	(66.3)	(86.7)	20.4
Proceeds from sale of assets	10.7	9.5	1.2
Other payments / receipts	0.2	0.2	0.0
<b>Net cashflow before financing &amp; tax</b>	<b>395.0</b>	<b>312.8</b>	<b>82.2</b>
Dividends paid	(52.8)	(66.1)	13.3
Shares purchased / sale share	(1.7)	(3.4)	1.7
Interest paid / received	(12.5)	(14.1)	1.6
Interest & principal – AASB 16 Leases	(243.1)	(232.5)	(10.6)
<b>Net cashflow before tax</b>	<b>84.9</b>	<b>(3.3)</b>	<b>88.2</b>
Tax paid	(10.9)	(46.1)	35.2
Amortisation borrowings / forex	0.5	(1.5)	2.0
<b>Net (increase) / decrease net debt</b>	<b>74.5</b>	<b>(50.9)</b>	<b>125.4</b>
<b>Cash Conversion Ratio</b>	<b>102.2%</b>	<b>98.8%</b>	<b>▲ 340 bps</b>



# CAPITAL MANAGEMENT OUTCOMES



<b>Cashflow from operations</b>	<b>Cashflow from strategic activities</b>	<b>Cashflow from interest and tax</b>
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▶ Cashflow from operations less lease payments of \$207.2M. Cash conversion ratio of 102.2% due to working capital management and improved trading results

## Strong cash generation

**Sustaining capital<sup>1</sup>**  
Annual spend range of approximately 75-90% of depreciation pre AASB 16

▶ Expenditure spend of \$22.9M (40% of depreciation), was below the target range due to COVID-19 disruptions and prudent capital management

**Maintaining a strong balance sheet**  
Target leverage<sup>2</sup> (underlying pre AASB 16) of 1.0x to 2.0x

▶ Strong balance sheet, with leverage of 1.2 times

**Reliable dividends to shareholders**  
Dividend payout ratio 60-80% of Underlying NPAT

▶ Dividend of 16.5 cps, reflecting a payout ratio of 70.8% of Underlying NPAT

**Investing in growth opportunities & major projects**  
Where aligned with strategy and expected to deliver returns in excess of specified hurdles

▶ Growth and major project capex of \$33.6M spent on new HatchTech hatcheries in VIC and WA and \$9.8M investment in Auckland FP facility

**Additional returns to shareholders**  
Capital returns / special dividends / share buybacks

**Maximise shareholder value**  
Over time the objective is to deliver a return on invested capital in excess of WACC<sup>3</sup>

▶ ROIC of 22.4% up +4.0pp on June 2020

1. Sustaining capital includes maintenance, replacement, regulatory and stay-in-business capital

2. Leverage = Net Debt / LTM Underlying EBITDA pre AASB 16, Net Debt comprises of borrowing facilities less cash and cash equivalents

3. Weighted Average Cost of Capital

# EXTERNAL FEED MARKET OBSERVATIONS

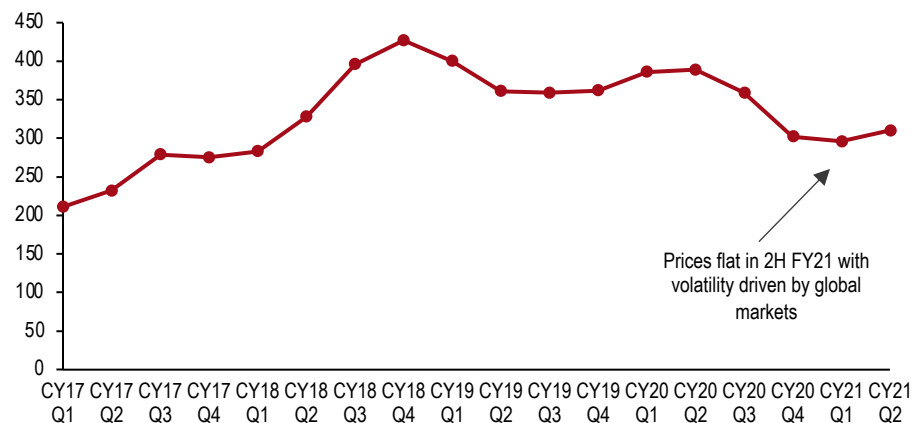


Wheat pricing holding firm in 2H FY21 while soymeal prices have eased slightly but remain above historical levels

- 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

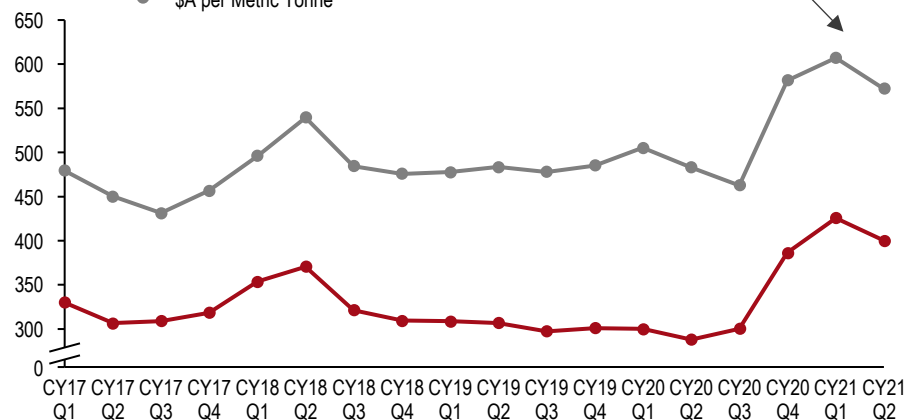
Spot wheat price<sup>1</sup> (as observed by Ingham's)

\$A per metric tonne



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

● \$US per Short Tonne  
● \$A per Metric Tonne



- Bumper wheat harvest in late 2020 of over 30m MT, reflected in wheat prices easing during 2H FY21 from historical highs for the current crop
- 2H wheat prices firmed due to strong international demand, with investor flows and physical commodity demand pushing some offshore grain markets higher during the second half of FY21
- Higher than expected export in 1H CY21 have reduced stocks domestically in some regions, creating some domestic price volatility
- Soymeal pricing has started to ease from the highs in Q1 CY21
- In FY21, the net impact of lower feed prices was realised as expected

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

# SEGMENT PERFORMANCE

Andrew Reeves  
CEO & Managing Director



## Growth in revenue combined with operational efficiencies drive performance

\$M	FY21	FY20	Var	%	Highlights:
<b>Core Poultry volumes (kt)</b>	<b>380.7</b>	<b>366.4</b>	<b>14.3</b>	<b>3.9</b>	<ul style="list-style-type: none"> <li>Revenue growth of 4.8% delivered against a backdrop of intermittent COVID-19 lockdowns and a challenging trading environment</li> <li>Core poultry volume growth of 3.9% driven by recovery and growth in QSR and Foodservice channels and greater coverage of wholesale</li> <li>Improvement in margin driven by the realisation of operational cost efficiencies, procurement savings and the year-on-year benefit in stock obsolescence of \$11.9M, offset by higher insurance and legal costs</li> <li><b>Retail:</b> 2H trading moderated compared to the prior period, which was elevated due to COVID-19</li> <li><b>QSR:</b> Volume growth supported by successful QSR promotions and a favourable product mix</li> <li><b>Food Service:</b> Volume growth supported by easing of restrictions in 2H and increased local tourism driving regional demand</li> <li><b>Wholesale:</b> Stronger performance the result of new business wins and expansion of coverage</li> <li><b>Export Poultry, By Products &amp; External Feed:</b> Export core poultry headwinds due to partial market export market closures. External feed and By Products performed better than prior year due to domestic demand</li> </ul>
Total Poultry volumes (kt)	477.5	457.0	20.5	4.5	
Feed volumes (kt)	258.4	277.8	(19.4)	(7.0)	
Revenue	2,275.2	2,170.1	105.1	4.8	
<b>Statutory EBITDA</b>	<b>371.8</b>	<b>327.8</b>	<b>44.0</b>	<b>13.4</b>	
<i>EBITDA (% Rev)</i>	16.3	15.6	0.7	4.8	
<b>Underlying EBITDA</b>	<b>375.9</b>	<b>348.8</b>	<b>27.1</b>	<b>7.8</b>	
<i>Underlying EBITDA (% Rev)</i>	16.5	16.1	0.4	2.5	
<b><u>Underlying – pre AASB 16</u></b>					
<b>Underlying EBITDA</b>	<b>171.8</b>	<b>151.1</b>	<b>20.7</b>	<b>13.7</b>	
<i>Underlying EBITDA (% Rev)</i>	7.6	7.1	0.5	7.0	
<b>Underlying Gross Profit</b>	<b>416.4</b>	<b>384.9</b>	<b>31.5</b>	<b>8.2</b>	
<i>Underlying Gross Profit (% Rev)</i>	18.3	17.7	0.6	3.4	



## NZ growth supported by strong volumes and efficiencies in a challenged market

\$M	FY21	FY20	Var	%
<b>Core Poultry volumes (kt)</b>	<b>66.2</b>	<b>62.3</b>	<b>3.9</b>	<b>6.3</b>
Total Poultry volumes (kt)	78.6	75.6	3.0	4.0
Feed volumes (kt)	110.5	128.2	(17.7)	(13.8)
Revenue	393.6	385.2	8.4	2.2
<b>Statutory EBITDA</b>	<b>72.1</b>	<b>60.0</b>	<b>12.1</b>	<b>20.2</b>
<i>EBITDA (% Rev)</i>	18.3	15.9	2.4	15.1
<b>Underlying EBITDA</b>	<b>72.8</b>	<b>60.5</b>	<b>12.3</b>	<b>20.3</b>
<i>Underlying EBITDA (% Rev)</i>	18.5	15.7	2.8	17.8
<b><u>Underlying – pre AASB 16</u></b>				
<b>Underlying EBITDA</b>	<b>37.8</b>	<b>28.6</b>	<b>9.2</b>	<b>32.2</b>
<i>Underlying EBITDA (% Rev)</i>	9.6	7.4	2.2	29.7
<b>Underlying Gross Profit</b>	<b>92.0</b>	<b>75.5</b>	<b>16.5</b>	<b>21.9</b>
<i>Underlying Gross Profit (% Rev)</i>	23.4	19.6	3.8	19.4

### Highlights:

- Core poultry volumes grew 6.3%, driven by a recovering wholesale and foodservice channel, continued strength in QSR and lapping the disruption in Q4 of prior year during the full national lockdown
- Total revenue growth of 2.2%, feed revenue (-10.6%) mainly impacted in 2H due to the sale of the Hamilton Feed Mill. Poultry revenue grew by 5.3%
- Good progress during year with reducing surplus inventory, with levels now back to pre COVID-19 levels
- Underlying EBITDA pre AASB 16 up by \$9.2M with improving demand, further operational efficiencies and cost control. Royalty charge from NZ to Australia was reduced by \$6.0M for FY21, with a neutral outcome for the Group
- Retail:** Retailers reporting softer trade due to impact of border closures on traffic numbers
- QSR:** Stronger demand across the board
- Food Service:** Demand is recovering but not yet back to pre COVID-19 levels. Tourist areas severely impacted by the border closure
- Wholesale:** Growth in home meal delivery kits
- Export:** Strong volumes during the year to assist with reducing surplus inventory built during the national lockdown of Q4 prior year

# STRATEGY IN ACTION

Andrew Reeves  
CEO & Managing Director

**INGHAM'S**  
*Nourish Our World*



# PAKENHAM HATCHERY, VICTORIA



## First of its kind in Australia/New Zealand

- The hatchery takes eggs from our Breeder farms, hatches the chicks, and sends them out to broiler farms
- Automated technology system called 'HatchCare' that provides a more spacious environment, and immediate access to light, feed and water for the chicks
- One of only 7 facilities installed globally
- Capacity to hatch approximately 850,000 eggs every week
- Substantial animal welfare and performance benefits including:
  - Feed and water to chicks upon hatching
  - Chicks have ~40% more living space
  - Improved hatch rates
  - Improved average live weight
  - Improved Feed Conversion Ratio





# AUCKLAND PLANT



## Investing in the plant to improve capability, capacity and efficiency

- Investing NZ \$17 million in the Auckland processing facility
  - Project to complete in 1H FY22
- Increased overall network capacity to meet forecast growth in demand. Provides improved processing capability
- Strong customer interest and supports bringing new products to market
- Key benefits
  - Ability to provide fully cooked product, at scale
  - Supports creation and delivery of new product options to market
  - Improved operational efficiencies, offsetting annual cost pressures
  - New production line enables increased volume through-put in less time





## Installed new Spin Chiller at Osborne Park

- Spin Chiller at Osborne Park, Western Australia, installed in 2H
- Spend of around \$8 million
- The Spin Chiller is the largest single piece of equipment in a processing facility
  - Used to reduce the internal temperature of chickens to sub-4 degrees Celsius within a few hours
- Installing the new Spin Chiller allows us to achieve a number of important outcomes:
  - Provides a safer working environment
  - Improve the shelf life of our products through the rapid lowering of product temperatures
  - Significant reduction in water usage
  - Can support a significant increase in total production, currently around 360,000 birds per week

## Lyndhurst Distribution Centre

- Investing in the network to ensure ongoing business efficiency into the future
- The current distribution centre is nearing its lease expiry and was deemed too small and outdated for projected Victorian demand growth
- Planning has commenced for the move of our Lyndhurst Distribution Centre (DC) to new premises, and we have entered into a long-term lease with a developer/owner for new facility
- The new facility can support an increase in processing of approximately 35% to meet future freezing and holding capacity requirements
- Significant financial benefits over time
  - Approximately \$1 million in annual rent savings
  - Significant savings in transport costs and labour efficiency gains
- Similar projects planned for South Australia and WA
- Expecting to take occupation in late FY22

# SUSTAINABILITY

Andrew Reeves  
CEO & Managing Director



## Core to our strategy and underpins our future initiatives

- This year we set our 2030 Planet targets including our commitment to set Science Based Targets (SBT)
- Our 2030 Planet targets include a commitment to set Science Based Targets for Scope 1 and Scope 2 GHG emissions based on the 1.5°C Pathway. By 2030, we will reduce:
  - Scope 1 and Scope 2 absolute GHG emissions by 43% against a 2019 baseline
  - Water intensity (kL/T) needed to process our products by 20% against a 2019 baseline
  - Waste to landfill intensity (kg/T) by 20% against a 2020 baseline
- Ingham's first TCFD (Taskforce on Climate-Related Financial Disclosures) report will be published in the 2021 Company Annual Report, including a disclosure pathway
- Released our Modern Slavery Statement during the year
- Launched our 2025 Packaging targets in line with the Australian Packaging Covenant
- Our plan is to set concrete actions to deliver on our targets, whilst increasing our transparency with improved reporting on progress with our initiatives

## Key focus areas across our operations showing good progress

- Despite the disruptions caused by COVID-19, we made good progress in FY21
- Our measures of GHG emissions, water usage and landfill waste generation have all improved year on year



**4.4%** reduction in absolute GHG emissions against previous year



**4.6%** reduction in Water intensity against previous year



**5.4%** reduction in Landfill Waste intensity against previous year



Key Animal Welfare Indicators developed in line with AssureWel and Bristol University standards



GivING program Foodbank partnership, where food destined for waste now is redirected, contributing to **844,950** meals.



**24%** improvement in LTIFR<sup>1</sup> to 2.9

**25%** improvement in TRIFR<sup>2</sup> to 6.1



**170** employees attended 'GROW' leadership development program



**2%** improvement in our senior leadership female representation



Launched paid pandemic & vaccination leave policy for our frontline people

1. LTIFR refers to Lost Time Injury Frequency Rate.

2. TRIFR refers to Total Recordable Injury Frequency Rate.



# STRATEGIC EVOLUTION & SUMMARY

Andrew Reeves  
CEO & Managing Director



## Elevating our focus on brand, product and customer

- Undertaking a review of the strategic priorities
  - Identify opportunities to leverage and evolve current activities
  - Optimise the Core delivering significant benefits with a meaningful pipeline of projects that will benefit FY22 and beyond
  - Drive category growth and secure new growth opportunities
  - Product differentiation and value add
- Three key active workstreams have been launched across the business
  - **Brand architecture** program to develop a meaningful, long-term suite of brands that we will support with investment
  - **Product portfolio** program to identify opportunities and pathways to increase our share of branded products, and to develop clear strategies across white label, Ingham's, and our value-add/specialty brands
  - Delivering a **Growth roadmap** for poultry, supported by strong and deep customer engagement, thought leadership and insights
- Assess appropriate external opportunities, aligned to core business or adjacencies, to expand existing operations
- Progressing our ESG agenda, including target setting and disclosure

# SUMMARY



- Solid financial results achieved in FY21 and strong balance sheet position
- Seamless CEO transition
  - Comprehensive review of Ingham's operations over the past five months
  - Review of strategic priorities to be undertaken in 1H FY22
- Ingham's and Woolworths have agreed in principle to an ongoing supply agreement for poultry products on broadly similar terms
- Embedding sustainability practices across the business focused on enhancing our Sustainability reporting
- Securing growth opportunities with existing customers and product innovation
- Consumer behaviour affected in the near-term by current lockdowns and restrictions
- Volumes expected to show continued growth with new business across various channels
- Feed costs have stabilised, however volatility in international commodity markets has led to domestic pricing holding firmer. We continue to hold between 3-9 months forward cover
- Optimise the Core program will continue to deliver meaningful benefits in excess of inflationary cost increases through operational efficiencies implemented across the business
- Investing in our network through projects including the WA hatchery, NZ FP plant expansion, Murarrie red area replacement, a new breeder triangle servicing Queensland, a new waste-water treatment plant at Osborne Park and commencing a systems modernisation project



# APPENDIX

**INGHAM'S**  
*Nourish Our World*





# AASB 16 LEASE IMPACT



## AASB 16 impact reduced with NPAT benefiting by \$9.2M

- Land and Buildings:** Ingham's has a large leased property portfolio. Right-of-use assets increased due to lease extensions and contractual rent increases, this had a corresponding increase in the lease liability
- Contract Growers:** are classified as a Right-of-use assets due to the fixed and capital component of the fee structure
- EBITDA:** improved +\$9.5M due to the increase in payments related to CPI remeasurements and additions and non-recurring adjustments to inventory of \$6.3M on adoption of the standard in the pcp
- Interest:** declined \$4.0M due to the unwinding of the lease liabilities
- NPAT:** impact in FY21 was \$14.5M which is expected to improve around \$3M in FY22
- Land & Buildings:** increased on average 0.3 years to the due extension of leases with options
- Growers:** decreased on average 0.7 years due to contracts expiring and moving to performance based contracts

Balance Sheet \$M	FY21	AU	NZ	FY20
Land & Buildings	852.0	738.8	113.2	814.6
Growers	515.6	426.0	89.6	601.6
Equipment	7.3	5.5	1.8	13.0
<b>Right-of-use Assets</b>	<b>1,374.9</b>	<b>1,170.3</b>	<b>204.6</b>	<b>1,429.2</b>
<b>Lease Liability</b>	<b>(1,432.3)</b>	<b>(1,222.4)</b>	<b>(209.9)</b>	<b>(1,472.3)</b>
<b>Capital Employed</b>	<b>(57.4)</b>	<b>(52.1)</b>	<b>(5.3)</b>	<b>(43.1)</b>
Tax	20.5	19.1	1.4	10.0
<b>Net assets</b>	<b>(36.9)</b>	<b>(33.2)</b>	<b>(3.9)</b>	<b>(33.1)</b>
P&L Impact \$M	FY21	AU	NZ	FY20
<b>EBITDA</b>	<b>239.1</b>	<b>203.9</b>	<b>35.2</b>	<b>229.6</b>
Depreciation	(208.9)	(177.4)	(31.5)	(208.5)
<b>EBIT</b>	<b>30.2</b>	<b>26.5</b>	<b>3.7</b>	<b>21.1</b>
Net finance expense	(50.8)	(44.9)	(5.9)	(54.8)
Tax expense	6.1	5.5	0.7	10.0
<b>NPAT</b>	<b>(14.5)</b>	<b>(12.9)</b>	<b>(1.5)</b>	<b>(23.7)</b>
Ave. Term (years)	FY21	AU	NZ	FY20
Land & Buildings	12.7	12.4	14.6	12.4
Growers	3.4	3.3	3.9	4.1
Equipment	1.2	0.9	1.5	1.5

# PROFIT & LOSS RECONCILIATION



Profit & Loss \$M	FY21 Statutory	Excluded from underlying	FY21 Underlying	AASB 16 Leases	FY21 Underlying (Pre AASB 16) (Reported)	FY20 Underlying (Pre AASB 16) (Reported)
Core Poultry volume (kt)	446.9		446.9		446.9	428.7
By-Products volume (kt)	109.2		109.2		109.2	103.9
Total Poultry volume (kt)	556.1		556.1		556.1	532.6
Feed Volume (kt)	368.9		368.9		368.9	406.0
Core Poultry Revenue	2,415.4		2,415.4		2,415.4	2,284.5
By-Products Revenue	48.7		48.7		48.7	47.6
Total Poultry Revenue	2,464.1		2,464.1		2,464.1	2,332.1
Feed Revenue	204.7		204.7		204.7	223.2
<b>Revenue</b>	<b>2,668.8</b>		<b>2,668.8</b>		<b>2,668.8</b>	<b>2,555.3</b>
Cost of sales	(1,948.6)		(1,948.6)	(211.8)	(2,160.4)	(2,094.9)
<b>Gross profit</b>	<b>720.2</b>		<b>720.2</b>	<b>(211.8)</b>	<b>508.4</b>	<b>460.4</b>
<i>Gross profit %</i>	27.0		27.0		19.1	18.0
Distribution expense	(142.2)		(142.2)	(20.1)	(162.3)	(157.4)
Sales & admin	(134.5)	4.8	(129.7)	(7.2)	(136.9)	(123.6)
JV	0.4		0.4		0.4	0.3
<b>EBITDA</b>	<b>443.9</b>	<b>4.8</b>	<b>448.7</b>	<b>(239.1)</b>	<b>209.6</b>	<b>179.7</b>
<i>EBITDA %</i>	16.6		16.8		7.9	7.0
Depreciation	(265.3)		(265.3)	208.9	(56.4)	(54.9)
Interest	(65.6)		(65.6)	50.8	(14.8)	(13.6)
<b>PBT</b>	<b>113.0</b>	<b>4.8</b>	<b>117.8</b>	<b>20.7</b>	<b>138.5</b>	<b>111.2</b>
Tax	(29.7)	(1.4)	(31.1)	(6.1)	(37.2)	(32.4)
<b>NPAT</b>	<b>83.3</b>	<b>3.4</b>	<b>86.7</b>	<b>14.5</b>	<b>101.2</b>	<b>78.8</b>

1. Reclassification of export costs from Cost of sales to Distribution expense and staff shop costs from Sales & admin to Cost of sales

# EBITDA & NPAT RECONCILIATION



\$M	FY21	FY20	Var	%
<b>Statutory EBITDA</b>	<b>443.9</b>	<b>387.8</b>	<b>56.2</b>	<b>14.5</b>
<i>(Profit) / Loss on sale of assets</i>	0.5	(0.4)	0.9	(225.0)
<i>Impairment of assets</i>	0.0	20.3	(20.3)	(100.0)
<i>Restructuring</i>	4.3	1.6	2.7	168.8
<b>Excluded from Underlying</b>	<b>4.8</b>	<b>21.5</b>	<b>(16.7)</b>	<b>(77.7)</b>
<b>Underlying EBITDA</b>	<b>448.7</b>	<b>409.3</b>	<b>39.4</b>	<b>9.6</b>
<i>AASB 16 adjustments</i>	(239.1)	(229.6)	(9.5)	4.1
<b>Underlying EBITDA pre AASB 16</b>	<b>209.6</b>	<b>179.7</b>	<b>29.9</b>	<b>16.6</b>

\$M	FY21	FY20	Var	%
<b>Statutory NPAT</b>	<b>83.3</b>	<b>40.1</b>	<b>43.2</b>	<b>107.7</b>
<i>(Profit) / Loss on sale of assets</i>	0.3	(0.3)	0.7	(233.3)
<i>Impairment of assets</i>	0.0	14.2	(14.2)	(100.0)
<i>Restructuring</i>	3.1	1.1	1.9	172.7
<b>Excluded from Underlying</b>	<b>3.4</b>	<b>15.0</b>	<b>(11.6)</b>	<b>(77.3)</b>
<b>Underlying NPAT</b>	<b>86.7</b>	<b>55.1</b>	<b>31.6</b>	<b>57.4</b>
<i>AASB 16 adjustments</i>	14.5	23.7	(9.2)	(38.8)
<b>Underlying NPAT pre AASB 16</b>	<b>101.2</b>	<b>78.8</b>	<b>22.4</b>	<b>28.4</b>

- **(Profit)/Loss on sale of assets:** relates to the loss on sale of Hamilton mill and sale of surplus farms in the prior year
- **Impairments of assets:** in the prior year relates to impairment of Cleveland (QLD) further processing site lease \$10.7M; the Wacol (QLD) feed mill site carrying value \$6.7M and Muchea (WA) Feedmill site impaired \$0.8M upon termination of acquisition
- **Restructuring:** costs relate to redundancy payments arising from structural changes 1H and a legal settlement relating to Mitavite 2H
- **AASB 16 leases EBITDA impact:** Included in EBITDA (\$239.1M) is cost of sales (\$211.8M), distribution (\$20.1M) and sales & admin (\$7.2M)

# SEGMENT RECONCILIATION



\$M	Group FY21	Group FY20	Var	Australia FY21	Australia FY20	Var	NZ FY21	NZ FY20	Var
<b>Statutory EBITDA</b>	<b>443.9</b>	<b>387.8</b>	<b>56.1</b>	<b>371.8</b>	<b>327.8</b>	<b>44.0</b>	<b>72.1</b>	<b>60.0</b>	<b>12.1</b>
(Profit) / Loss on sale of assets	0.5	(0.4)	0.9	0.0	(0.4)	0.4	0.5	0.0	0.5
Impairment of assets	0.0	20.3	(20.3)	0.0	20.3	(20.3)	0.0	0.0	0.0
Restructuring	4.3	1.6	2.7	4.1	1.1	3.0	0.2	0.5	(0.3)
<b>Underlying EBITDA</b>	<b>448.7</b>	<b>409.3</b>	<b>39.4</b>	<b>375.9</b>	<b>348.8</b>	<b>27.1</b>	<b>72.8</b>	<b>60.5</b>	<b>12.3</b>
AASB 16 adjustments	(239.1)	(229.6)	(9.5)	(204.1)	(197.7)	(6.4)	(35.0)	(31.9)	(3.1)
<b>Underlying EBITDA pre AASB 16</b>	<b>209.6</b>	<b>179.7</b>	<b>29.9</b>	<b>171.8</b>	<b>151.1</b>	<b>20.7</b>	<b>37.8</b>	<b>28.6</b>	<b>9.2</b>

- Group restructuring costs in FY21 due to redundancy payments arising from structural changes and a legal settlement relating to Mitavite
- FY21 loss on sale relates to Hamilton Mill in NZ
- Australia: AASB 16 adjustments increased in FY21 due to:
  - Land & Buildings – lease extensions and contracted CPI rental increases
  - Growers – contracted price increases and agreement modifications
- New Zealand: AASB 16 adjustments increased in FY21 due to:
  - Land & Buildings – lease extensions and contracted CPI rental increases
  - Growers – the addition of a new grower during the period



# RETURN ON INVESTED CAPITAL (ROIC)



Achieved a ROIC of 22.4% for FY21

- Achieved a ROIC of 22.4% for the year, up from 18.4% in pcp
- Measure introduced as part of our capital management framework
- ROIC defined as:
  - Underlying NOPAT pre AASB 16 *divided by* Average capital invested pre AASB 16

\$M	FY21	FY20
<b>Return On Invested Capital (ROIC)</b>		
Underlying NPAT pre AASB 16	101.2	78.8
Interest – net of tax	10.4	9.5
<b>Net Operating Profit After Tax</b>	<b>111.6</b>	<b>88.3</b>
Average Capital Invested pre AASB 16	497.3	478.9
<b>ROIC %</b>	<b>22.4%</b>	<b>18.4%</b>

# FY20 AASB 16 IMPACT



Profit & Loss \$M	FY20 Underlying (Reported)	Less: Reclass <sup>(1)</sup>	FY20 Underlying (Revised)	AASB 16 impact \$M	FY20 Reported	Less: Reclass <sup>(1)</sup>	FY20 Revised
<b>Revenue</b>	<b>2,555.3</b>		<b>2,555.3</b>	<b>Revenue</b>	<b>-</b>		<b>-</b>
Cost of sales	(1,912.8)	21.0	(1,891.8)	Cost of sales	(224.1)	21.0	(203.1)
<b>Gross profit</b>	<b>642.5</b>	<b>21.0</b>	<b>663.5</b>	<b>Gross profit</b>	<b>(224.1)</b>	<b>21.0</b>	<b>(203.1)</b>
Distribution expense	(117.4)	(20.5)	(137.9)	Distribution expense	0.0	(20.5)	(20.5)
Sales & admin	(116.1)	(0.5)	(116.6)	Sales & admin	(5.5)	(0.5)	(6.0)
JV	0.3		0.3	JV	-		-
<b>EBITDA</b>	<b>409.3</b>	<b>-</b>	<b>409.3</b>	<b>EBITDA</b>	<b>(229.6)</b>	<b>-</b>	<b>(229.6)</b>
Depreciation	(263.4)		(263.4)	D&A	208.5		208.5
<b>EBIT</b>	<b>145.9</b>		<b>145.9</b>	<b>EBIT</b>	<b>(21.1)</b>		<b>(21.1)</b>
Interest	(68.4)		(68.4)	Interest	54.8		54.8
<b>PBT</b>	<b>77.5</b>		<b>77.5</b>	<b>PBT</b>	<b>33.7</b>		<b>33.7</b>
Tax	(22.4)		(22.4)	Tax	(10.0)		(10.0)
<b>NPAT</b>	<b>55.1</b>	<b>-</b>	<b>55.1</b>	<b>NPAT</b>	<b>23.7</b>	<b>-</b>	<b>23.7</b>

1. Reclassification of costs from Cost of Sales to Distribution expense and Sales & Admin to Cost of Sales to reflect the back out of rental payments within EBITDA by correct cost category

## Certain non-IFRS information is referred to in this presentation and are defined below

- **EBITDA:** Earnings before Interest, Tax, Depreciation and Amortisation
- **EBIT:** Earnings before Interest and Tax
- **Gross Profit:** Revenue less cost of sales
- **Underlying Gross Profit pre AASB 16:** Underlying Gross Profit excluding AASB 16 leasing impacts
- **Underlying EBITDA:** Underlying EBITDA excluding any profit or loss on sale of assets, restructuring expenses, impairments and trading results for business sold as a going concern, inclusive of AASB 16 Leases
- **Underlying EBITDA pre AASB 16:** Underlying EBITDA excluding AASB 16 leasing impacts
- **Underlying NPAT:** Net Profit After Tax excluding any profit or loss on sale of assets, restructuring expenses, impairments and trading results for business sold as a going concern after being tax effected, inclusive of AASB 16 Leases
- **Underlying NPAT pre AASB 16:** Underlying NPAT excluding AASB 16 leasing impacts after being tax effected
- **Earnings Per Share (EPS):** NPAT divided by the weighted average shares outstanding during the period
- **Net Debt:** Debt less cash and cash equivalents
- **LTM:** Last twelve months
- **PCP:** Prior corresponding period
- **Total Poultry:** includes core chicken and turkey products and by products
- **Core Poultry:** refers to chicken and turkey products for human consumption, excluding by-products
- **Cash Conversion ratio:** Cash Flow from Operations divided by EBITDA excluding non-cash items
- **Working Capital (Operating):** Working capital adjusted for non-operating items including but not limited to interest accruals and proceeds from sale of assets
- **ROIC:** Return on Invested Capital