ASX Release

22 August 2017

Inghams Group Limited Full Year Financial Results FY2017

Financial highlights FY17 (compared to FY16)

- Pro forma poultry volumes 495.3kt, up 11.5%
- Pro forma revenue $2,383.9m, up 3.3%
- Pro forma EBITDA $195.0m, up 16.4%
- Pro forma net profit after tax $102.0m, up 22.8%
- Statutory net profit after tax $59.1m, up 134.5%
- Pro forma net debt of $297.7m, EBITDA to net debt 1.5x
- Final dividend 9.5 cents per share, fully franked

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer, today announced its statutory financial results for the 53 weeks ended 1 July 2017 including pro forma results for the 52 weeks ended 24 June 2017.

Key highlights

- Performance exceeded prospectus forecasts
- Strong volume growth in Australia driven primarily by retail and QSR demand
- Improved New Zealand trading conditions and performance in the second half
- Project Accelerate initiatives delivering as expected
- Continued progress in extending key customer contractual coverage
- Further investment in capability including key people, technology and capital assets
- Capital investment program on track, expanding capacity and improving efficiency

Inghams Group Limited CEO Mick McMahon said "FY2017 was a landmark year in Ingham's long and proud history following its listing on the Australian Stock Exchange on 7 November 2016.

"The Group has delivered against prospectus forecast, supported by good progress on implementing our strategy. Our results reflect continued strong demand for Ingham's quality products supported by consumer preference for great value, healthy and versatile poultry products.

"Overall poultry volumes increased 11.5% (7.5% for core chicken and turkey products), with stronger than expected growth in Australia and improving New Zealand volume growth in the second half," Mick McMahon said.

Group pro forma revenue growth of 3.3% reflected the growth in volumes, partially offset by the deflationary effect of feed costs and changes to poultry sales mix.

Pro forma gross profit increased 8.1% to $456.8M driven by volume growth and progress on implementation of Project Accelerate initiatives, including increased automation of primary processing plants, labour productivity, procurement efficiencies and network rationalisation including the closure of the Cardiff plant.

Group pro forma EBITDA increased 16.4% to $195.0m versus prospectus forecast of $190.1m.

Pro forma net debt reduced to $297.7m with very strong operating cash, supported by working capital improvements and cash from the sale of surplus properties.

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Significant investment continues to be made in capacity expansion with the expanded Murraylands hatchery and Monarto breeder farm complex in South Australia now operational. Additional breeder capacity at Yumali (SA) is nearing completion and construction of a new SA feedmill is progressing on schedule.

The costs of the Group's IPO and pre-IPO restructuring initiatives previously disclosed were reflected in the statutory net profit after tax of $59.1m.

Mick McMahon said "It was a busy period with strong volume growth, strategy implementation and significant capital investment all underway while listing as a public company.

"It is very pleasing to see the progress we have made reflected in volume growth and improved financial performance, especially our strong cash generation and reduction in net debt," he said.

Dividends

The Board of Inghams Group Limited has declared a fully franked final dividend of 9.5 cents per share to be paid on 4 October 2017, bringing the total dividend for FY2017 to 12.1 cents per share.

The total dividend represents ~70% of post-IPO pro forma net profit after tax (NPAT).

Outlook

Continued growth in poultry volumes is expected, with Australian volume growth expected to align more closely with historical trends as we cycle a number of customer EDLP initiatives, while the improved New Zealand second half performance has continued into FY2018.

Implementation of Project Accelerate remains on track with further benefits expected from automation, labour productivity and procurement initiatives underway, as well as benefits to be captured as we rebalance the supply chain the following rapid volume growth in FY2017.

Project Accelerate benefits, supported by energy efficiency initiatives and recovery of increased costs via market pricing, are expected to help offset increasing electricity prices.

The effect of increasing feed prices over recent months is expected to be mitigated by forward cover arrangements (of approximately 9 months), feed cost pass through mechanisms in place with customers (covering approximately 60% of Australian volume) and market recovery of increased prices over time.

In recent weeks the market has seen price increases off the back of increasing costs.

Some further asset sales are expected to improve cash flow, reduce debt and help offset the cost of further restructuring initiatives.

Capex levels are expected to reduce from the FY2017 peak although further opportunities to invest in the business may arise with increased focus on identified opportunities in farming, further processing, commercial feed sales and measured growth in exports.

A strategic review of the commercial stock feed business (third party feed sales) has commenced and will consider options to grow shareholder value.

ends

All numbers are pro forma, unless labelled otherwise. A reconciliation from Statutory EBITDA to pro forma EBITDA and Statutory NPAT to pro forma NPAT is included in the Appendix.

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About Ingham's

Ingham's is Australia and New Zealand's leading integrated poultry producer supplying leading retail, quick service restaurants and food service customers, processing 4 million birds per week and employing more than 8,000 people. Ingham's operations include 10 feedmills, breeder and boiler farms, 11 hatcheries, seven primary processing plants, seven further processing plants and nine distribution centres. Ingham's was founded in Sydney in 1918 by Walter Ingham and listed on the Australian Stock Exchange in November 2016.

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Appendix

Reconciliation of Statutory results to pro forma

$ millions		FY2017	Prospectus FY2017	FY2016
Statutory EBITDA		**160.3**	**154.5**	**106.6**
IPO transaction costs	1	28.0	28.9	0.4
Advisory fees	2	1.2	1.0	3.1
Write off legacy LTI scheme	3	4.2	4.5	-
Transformation & relocation costs	4	6.1	6.4	59.6
Full period public company costs	5	(1.0)	(0.9)	(2.2)
53rd Week		(3.8)	(4.3)	-
Pro forma EBITDA		**195.0**	**190.1**	**167.5**
Statutory NPAT		**59.1**	**52.7**	**25.2**
IPO transaction costs	1	19.6	20.2	0.3
Advisory fees	2	0.8	0.7	2.2
Write off legacy LTI scheme	3	4.2	4.5	-
Transformation & relocation costs	4	4.3	4.5	41.8
Full year public company costs	5	(0.8)	(0.8)	(1.6)
Cost of exit from finance facilities	6	12.5	15.3	-
Capital structure adjustment	7	4.5	4.0	15.2
53rd Week	8	(2.2)	(2.3)	-
Pro forma NPAT		**102.0**	**98.8**	**83.1**

1. Removal of costs of listing on ASX in November 2016
2. Relates to fees for services charged by TPG entities that will not be incurred post listing
3. Relates to the remaining share based payments expense recognized in FY17 relating to the legacy LTI scheme
4. Consulting and other costs in relation to the transformation program and the costs relating to the relocation of head office incurred in FY16
5. Adjustment to include a full period of public company related costs and replacement LTI scheme
6. Payment for the early termination of interest rate swap contracts and write off of deferred borrowing costs resulting from refinancing as part of the listing
7. Adjustment to reflect the interest and financing costs for the capital structure in place as a result of the listing
8. Removal of 53rd week