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ASX Release

22 August 2018

Inghams Group Limited Full Year Financial Results FY2018

Financial Results (comparison to Pro forma FY2017 – Appendix i)

- Core Poultry volumes of 397.7kt, increased 3.2%
- Gross Profit of $476.9m, increased 4.4%
- EBITDA of $212.0m, increased 8.7%
- Underlying EBITDA of $208.9m, increased 7.1% (Appendix ii)
- NPAT of $114.6m, increased 12.4%
- Net Cash provided by operating activities excluding interest and tax of $260.6m, 122.9% of EBITDA
- Net Debt of $145.4m, leverage ratio of 0.7x
- Final Dividend (fully franked) of 11.6 cps

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer today announced its financial results for the full year ending 30 June 2018 (FY2018).

Key highlights – growing volumes and earnings with strong cash flow

- Strategy implementation continues to deliver benefits
- Continued growth in core poultry volumes
- Rising feed and energy costs either offset via operational improvement or increased market prices
- Project Accelerate delivering improved yields, lower unit costs and improved asset utilisation with further opportunities identified
- Capital investment program on track, expanding capacity and improving efficiency
- Strong operating cashflow supported by strategic asset sales
- Planned Capital Return of $125m (33.0 cps) subject to ATO approval

Core Poultry Volume	Gross Profit	*Underlying* EBITDA	EBITDA	*Underlying* NPAT	NPAT	Cash Conv Ratio	Net debt	EPS	Final Dividend
397.7kt ↑ 3.2%	$476.9m ↑ 4.4%	$208.9m ↑ 7.1%	$212.0m ↑ 8.7%	$112.5m ↑ 10.3%	$114.6m ↑ 12.4%	122.9% ↑13.6%	$145.4m ↓ 154.2m	30.8 cps ↑ 12.4%	11.6 cps

Inghams Group Limited CEO Mick McMahon said, "The results are very pleasing and reflect both good progress on implementing our strategy and continued strong demand for Ingham's quality products, supported by consumer preference for great value, healthy and versatile poultry products".

Poultry volumes (excluding ingredients) grew by 3.2% across the Group while Gross Profit increased 4.4% to $476.9m supported by continued progress on Project Accelerate initiatives covering automation, labour productivity, procurement, network rationalisation and other initiatives.

Underlying EBITDA increased 7.1% to $208.9m for the full year, while EBITDA of $212.0m increased 8.7% (including the net positive effect of profit on sale and restructuring charges), and NPAT increased 12.4% to $114.6m.

Project Accelerate continues on schedule and the benefits are being realised in line with our expectations, while further opportunities have been identified. The rationalization of the Further Processing network in Australia was announced in the half, with implementation progressing as planned.

The performance of the Australian business continued to improve while challenging market conditions were experienced in New Zealand, with the market oversupplied through the second half.

Volumes in the Australian Third Party Feed business have declined as a result of cost pressure on small poultry customers (e.g. the exit of Red Lea from the industry) and our focus on profitability within the segment. New Zealand Third Party Feed volumes have been strong primarily due to of improved trading conditions in the Dairy Feed segment.

Cash flow for the full year was very strong benefiting from continued improvements in working capital management supported by strategic asset sales, consistent with our strategy. Net Cash from Operating Activities (excluding the benefit of working capital funding) was 112.1%.

The capital program remains on track with spending lower than the comparative period and in line with expectations. Major projects underway include the expansion of our breeder farm network in New Zealand and a greenfield feedmill in South Australia which will be in commercial production from Q1 FY19.

"The business continues to make progress against our strategy, demonstrated by improved operational and financial performance" said Mr. McMahon. "It is very pleasing to see the progress we have made reflected in continued volume growth and improving earnings, supporting strong cash generation. This provides options for capital management as well as continued investment in the business", he said.

Dividends
The Board declared a final fully franked dividend of 11.6 cents per share (record date 12 Sep 2018, payment date 4 Oct 2018).

The company confirms its dividend policy is unchanged with an intention to pay fully franked dividends of 70% of NPAT across the full year.

Capital Management
Further to the 1H results announcement of the capital management review, an independent review of capital management options was undertaken. At the Initial Public Offering (IPO) an additional $150m of capital was raised. Post IPO, strong cashflow and trading performance has resulted in Net Debt reducing to $145.4m with a leverage ratio of 0.7x. The Board has approved a capital return of $125m (33.0cps) to shareholders (subject to a class ruling from the ATO).

As part of the strategic review of our Third Party Feed business Inghams have reached agreement to sell the Mitavite horse feed business to Adamantem Capital for $59.5M subject to normal conditions precedent. This transaction is expected to complete in Q4 CY18. Upon completion, the Board intends to proceed with an on-market share buy-back of up to 5% of issued capital. Macquarie Capital has been appointed to manage the on-market buyback.

FY2019 Outlook
Demand for poultry products continues to grow.

Strategy implementation remains on track with further opportunities identified and Project Accelerate benefits expected to continue to underpin cost reduction, profit improvement and cash generation.

Cost increases due to rising feed and energy costs are expected to continue and, where they are unable to be offset, will flow through to market price increases.

The New Zealand market dynamic remains challenging and this is expected to continue into 1H FY19.

Capital Management plans will be progressed as above.

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 twelve feedmills, breeder and broiler farms, eleven 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 i

Reconciliation of FY17 Statutory results to pro forma FY17

$ millions (AUD)		FY2017 52 weeks
Statutory EBITDA		**160.3**
IPO transaction costs	1	28.0
Advisory fees	2	1.2
Write off previous LTI scheme	3	4.2
Transformation & relocation costs	4	6.1
Full period public company costs	5	(1.0)
53rd Week	8	(3.8)
Pro forma EBITDA		**195.0**
Statutory NPAT		**59.1**
IPO transaction costs	1	19.6
Advisory fees	2	0.8
Write off previous LTI scheme	3	4.2
Transformation & relocation costs	4	4.3
Full year public company costs	5	(0.8)
Cost of exit from finance facilities	6	12.5
Capital structure adjustment	7	4.5
53rd week	8	(2.2)
Pro forma NPAT		**102.0**

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 to be recognized in FY17 relating to the previous 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

Appendix ii

Reconciliation of FY18 underlying EBITDA to Statutory EBITDA

$ millions	Jun-18	Jun-17	Variance	%
EBITDA (underlying)	**208.9**	**195.0**	**13.9**	**7.1**
Profit on sale of assets	**19.4**	**6.9**	**12.5**	
Cardiff		*0.5*		
Mount Martha		*6.4*		
Wanneroo	*14.1*			
Leppington	*5.3*			
Restructuring	**(16.3)**	**(6.9)**	**(9.4)**	
FY17 restructuring		*(6.9)*		
Redundancy	*(4.2)*			
Farming exits	*(4.6)*			
Network cross over costs	*(2.5)*			
FP network optimisation	*(5.0)*			
Reported EBITDA	**212.0**	**195.0**	**17.0**	**8.7**

Profit on Sale

> Relates to the sale and leaseback of Wanneroo and the sale of Leppington, which completed in December 17 and April 18 respectively

Restructuring

> Redundancies relate to a reweighting of volume to QLD / SA as capacity is adjusted at a number of sites

> Farming exits relate to NSW (end of lease) as farming capacity shifts to SA and exits of contract growers

> Other network costs include crossover and setup costs related to new sites including new feedmills and the new QLD distribution centre

> Further Processing network optimisation relating to the relocation of Cleveland FP production to South Australia and Victoria