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ASX Release

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Inghams Group Limited Half Year Financial Results FY2019

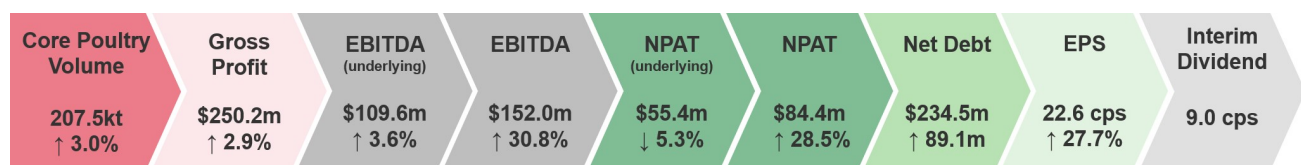
Financial Results (comparison to 1H FY18)

- Core Poultry volumes of 207.5kt, increased 3.0%
- Gross Profit of \$250.2m, increased 2.9%
- Underlying EBITDA of \$109.6m, increased 3.6% (Appendix i)
- EBITDA of \$152.0m, increased 30.8%
- Underlying NPAT of \$55.4m, declined 5.3%
- NPAT of \$84.4m, increased 28.5%
- Cash flow from operations of \$102.8m, Cash conversion of 98.0%
- Net Debt of \$234.5m, leverage ratio of 1.1x
- Interim Dividend (fully franked) of 9.0 cps

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer today announced its financial results for the half year ending 29 December 2018 (1H FY19).

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 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



Inghams Group Limited CEO Jim Leighton said, "The results are pleasing and reflect further progress on our strategy implementation and the continued demand for Ingham's quality products."

Core poultry volumes (excluding ingredients) grew by 3.0% across the Group while Gross Profit increased 2.9% to \$250.2m supported by continued progress on initiatives covering automation, labour productivity, procurement and network rationalisation. The first half saw significant cost increases relating to feed driven by the drought conditions in Australia and while every effort was made to offset these increases through internal initiatives, ultimately these were passed through to the market.

Underlying EBITDA increased 3.6% to \$109.6m for the half year, while EBITDA of \$152.0m increased 30.8% (including the net positive effect of profit on sale and restructuring charges). Underlying NPAT declined 5.3% to \$55.4m driven by the change in tax legislation on hybrid mismatch structures which relates to the NZ royalty charge. NPAT increased 28.5% to \$84.4m (including the net positive effect of profit on sale and restructuring charges).



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Project Accelerate continues to deliver benefits as expected and further opportunities have been identified. The rationalisation of the Further Processing network in Australia was announced last year, with implementation completed in 2H FY19. The performance of the Australian business was strong which offset a disappointing New Zealand performance driven mainly by the loss of some farms in early 2018 and the subsequent rebalancing of the operations thereafter.

Volumes in the Australian Third-Party Feed business declined as a result of the exit of Red Lea from the industry and the sale of Mitavite. The sale of the horse feed business Mitavite to Adamantem Capital for \$59.5m was completed on 12 October 2018.

Cash flow for 1H FY19 was strong, benefiting from continued improvement in working capital supported by strategic asset sales, consistent with our strategy. Net Cash generated from underlying operating activities was \$102.8m.

As a result of the strong cashflow and post the \$125m capital return, Net Debt increased by \$89.1m to \$234.5m with a leverage ratio of 1.1x.

“The business continues to deliver improved operational and financial performance” said Mr. Leighton. “It is very pleasing to see the progress we have made reflected in continued volume growth and improving earnings despite the significant increases of our feed costs. We will continue to focus on our engine room as we work on defining our 5 year strategic plan. H1 FY19 results reflect positively on our ability to deliver against commitments while at the same time further formalising our go forward plans for consistent profitable growth.”

Dividends

The Board declared an interim fully franked dividend of 9.0 cents per share, with a record date 14 March 2019, and payment date 9 April 2019.

The company confirms its dividend policy is unchanged for FY19 with an intention to pay fully franked dividends of 70% of underlying NPAT across the full year.

The dividend policy for FY20 is under review given the impacts of AASB 16 on NPAT.

Capital Management

As announced in December 2018, an on-market share buy-back of up to \$50m of Inghams ordinary shares will commence immediately and this reflects the net proceeds from the sale of Mitavite.

FY2019 Outlook

Demand for poultry products continues to grow at historical levels.

The implementation of Project Accelerate remains on track with further opportunities identified.

The outcome of the strategic plan will be shared in Q4 FY19.

Expect feed costs to remain high through to the start of the next domestic grain harvest in December, with the impact offset where possible or passed on to the market when necessary.

The New Zealand business has seen recent improvements in its operations and we expect this will continue to slowly improve throughout the remainder of 2H FY19.



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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 twelve feed mills, 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.

Media contact

Julia Seddon – General Manager Corporate Affairs M: + 61 (0) 416 059 424 E: jseddon@ingham.com.au

Appendix i

Reconciliation of 1H FY2019 underlying EBITDA to Statutory EBITDA

\$ millions	Dec-18	Dec-17	Variance	%
EBITDA	152.0	116.2	35.8	30.8
Profit on sale of assets	(53.9)	(14.1)	(39.8)	(282.3)
Impairment of assets	2.3	-	2.3	100.0
Restructuring	11.4	6.8	4.6	67.6
Mitavite	(2.2)	(3.1)	(0.9)	(29.0)
Underlying EBITDA	109.6	105.8	3.8	3.6

Reconciliation of 1H FY2019 underlying NPAT to Statutory NPAT

\$ millions	Dec-18	Dec-17	Variance	%
NPAT	84.4	65.7	18.7	28.5
Profit on sale of assets	(37.7)	(9.9)	(27.8)	(280.8)
Impairment of assets	1.6	-	1.6	100.0
Restructuring	8.0	4.8	3.2	66.7
Mitavite	(1.5)	(2.1)	(0.6)	(28.6)
Finance exit costs	0.6	-	0.6	100.0
Underlying NPAT	55.4	58.5	(3.1)	(5.3)