



ASX Release

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Inghams Group Limited Half Year Financial Results FY2020

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 ended 28 December 2019 (1H FY20).

Business regained operating momentum after a difficult first quarter

Operating result in line with expectations as the business cycled the financial impacts of the Further Processing (FP) Network restructure as previously announced, which impacted volumes, costs, mix and margin

- Australian operating performance turned around through the half with FP issues now resolved
- NZ turnaround on track with strong year on year growth despite market impact of Infectious Bursal Disease Virus (IBDV)

Inghams Group Limited Managing Director Jim Leighton said, "The results are in line with our expectation as the business entered the half with the significant volume, cost, mix and margin headwinds from the FP restructuring. Pleasingly, operating momentum improved through the half and those issues are now behind us."

Financial Results

	1H FY20	Variance To PCP		Var %
Core Poultry	216.0 kt	8.5	▲	4.1
Statutory EBITDA	\$205.3m	53.3	▲	35.1
Underlying EBITDA pre AASB16	\$91.7m	(17.9)	▼	(16.3)
Statutory NPAT	\$26.2m	(58.2)	▼	(69.0)
Underlying NPAT pre AASB16	\$42.0m	(13.4)	▼	(24.2)
Dividend	7.3cps	(1.7)	▼	(18.9)
Leverage	1.7x	(0.4)	▼	(30.8)

KEY HIGHLIGHTS

- Positive momentum evident as five-year strategic plan is implemented across the business
- Growth in Core Poultry volumes of 4.1% reflects ongoing strong consumer demand and business performance by our key customers across our major sales channels
- Feed costs remained elevated due to the deterioration of the Australian wheat harvest
- Statutory EBITDA of \$205.3m increased 35.1% reflecting the treatment of lease expenses and financing under the new lease standard AASB16. Statutory NPAT of \$26.2m reflects the impact of AASB16 of \$12.8m



- Underlying Group EBITDA pre AASB16 decreased 16.3% to \$91.7m for the half. Underlying NPAT pre AASB16 decreased 24.2% to \$42.0m
- The transition to AASB16 resulted in the recognition of “right of use” assets and leases liabilities of \$1.6B on the balance sheet at balance date
- Cash conversion pre AASB16 of 59.5% is in line with seasonally stronger sales and the timing of the 28 December close
- We were able to maintain continuity of supply to all of our customers despite the impact of bushfires

“Our new leadership team is in place and significant work is being undertaken across the business to deliver on our objective of consistent, predictable and reliable growth. Across operations, benefits are being realised as the new Continuous Improvement framework is implemented. Our sales and marketing team are aligned to partner in growth with customers and to monetize new opportunities.”

DIVIDENDS

The Board declared an interim fully franked dividend of 7.3 cents per share (record date 16 March 2020, payment date 9 April 2020). The company’s dividend policy remains unchanged to pay fully franked dividends of 60-70% of underlying NPAT pre AASB16 across the full year.

OUTLOOK

Market conditions remain favourable for the poultry industry as the most competitive protein based on price and reliability of supply.

Business tracking to plan and we continue to monitor the impact of bushfires, weather and health events on our consumers and customers

Our 5-year strategic growth plan is on track and embedded throughout the business.

Our New Zealand turnaround plan is well on track despite the impact of IBDV. The market currently remains closed to exports to Australia and we anticipate industry supply will rebalance.

Driving a high performance culture to support continuous improvement and accretive growth.

Feed cost outlook remains elevated and further collaboration with customers to mitigate costs continues.



APPENDIX

Reconciliation of 1H FY2020 underlying EBITDA pre AASB16 to Statutory EBITDA

\$ millions	1H FY20	1H FY19	Var	%
Statutory EBITDA	205.3	152.0	53.3	35.1
Impact AASB16	(117.8)	-		
(Profit) / Loss on sale of assets	0.7	(53.9)		
Impairment of assets	2.0	2.3		
Restructuring	1.5	11.4		
Mitavite trading	-	(2.2)		
Underlying EBITDA pre AASB16	91.7	109.6	(17.9)	(16.3)

Reconciliation of 1H FY2020 underlying NPAT pre AASB16 to Statutory NPAT

\$ millions	1H FY20	1H FY19	Var	%
Statutory NPAT	26.2	84.4	(58.2)	(69.0)
Impact AASB16	12.8	-		
(Profit) / Loss on sale of assets	0.5	(37.7)		
Impairment of assets	1.5	1.6		
Restructuring	1.0	8.0		
Mitavite trading	-	(1.5)		
Finance exit costs	-	0.6		
Underlying NPAT pre AASB16	42.0	55.4	(13.4)	(24.2)

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 eleven feedmills, breeder and broiler farms, nine 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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