



# INGHAM'S GROUP LIMITED

Bell Potter Home Grown Agriculture Conference 2021

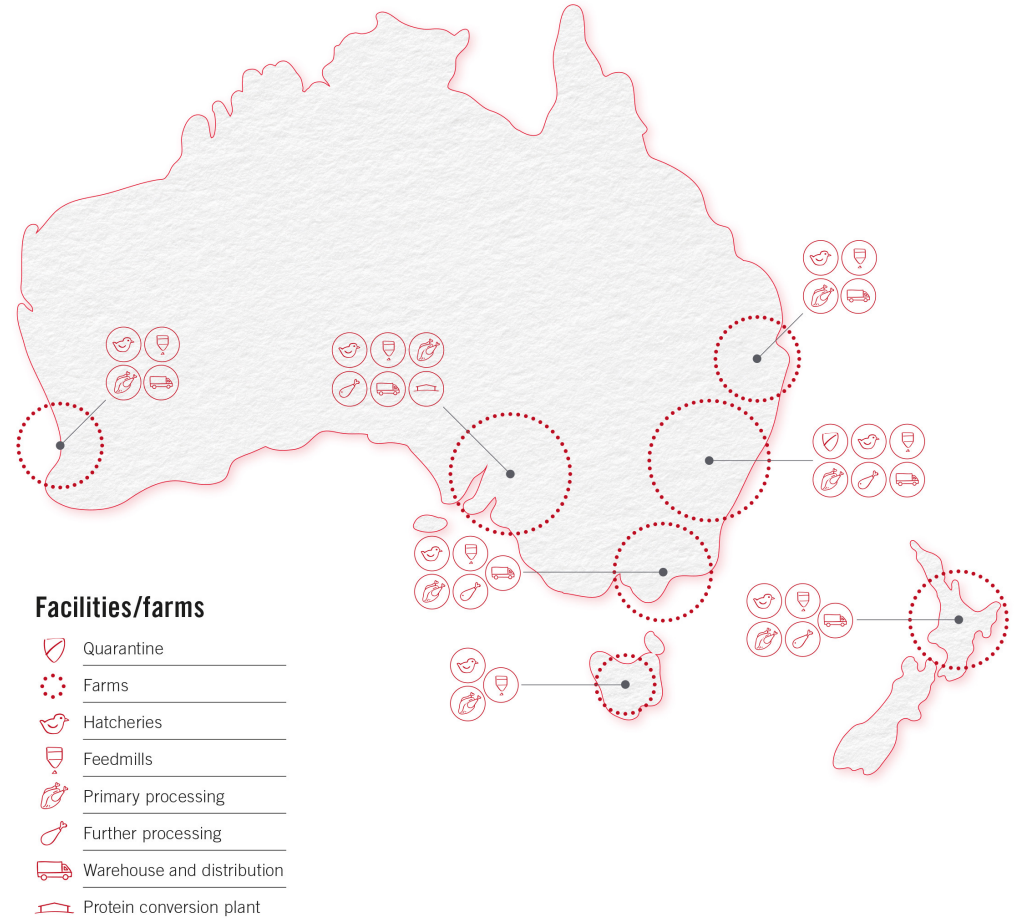
16 SEPTEMBER 2021



# WELL DIVERSIFIED AU/NZ NETWORK

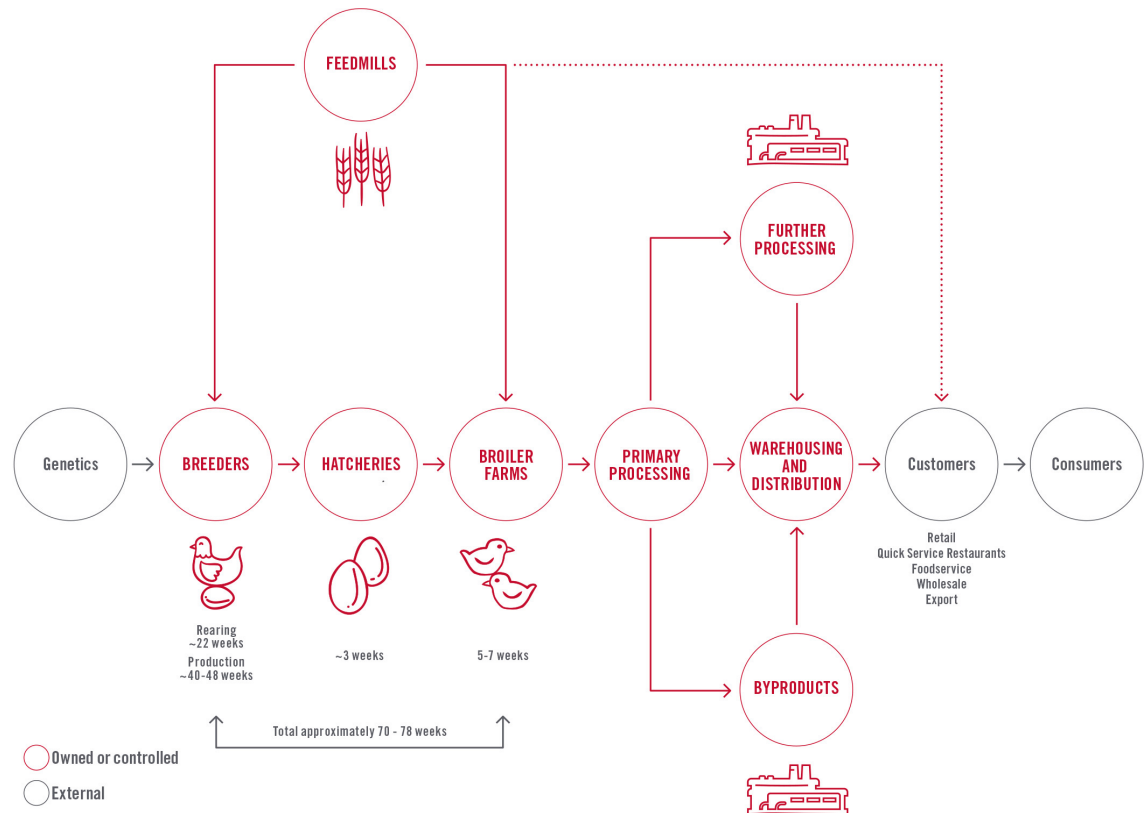


- Inghams is one of the largest integrated protein producers across Australia and New Zealand
- Provides chicken, turkey and plant-based protein products to major retail, quick service restaurants, foodservice distributors and wholesalers
- Long-standing commitment to sustainability and animal welfare
- Geographically diverse network provides flexibility and greater resilience
- Ability to fully service national and local customer requirements
- Strong platform to support future growth



# VERTICALLY INTEGRATED OPERATING MODEL

- Enables us to create value and realise efficiencies across a highly complex and large-scale supply chain
- Balance and operational excellence are key to margin capture
- Cost, capability and complexity create sustainable barriers to entry



# FY21 HIGHLIGHTS



Strong results and contribution from Optimising the Core strategy, with growth in key earnings metrics backed by a strong balance sheet

## Strong financial results

**Statutory EBITDA of \$443.9M**  
Up 14.5%

**Statutory NPAT of \$83.3M**  
Up 107.7%

**Total dividends of 16.5 cps**  
Up 17.9%

## Strong balance sheet

**Net debt of \$240.2 million at 30 June**

An improvement of 23.7% on the prior year due to strong cash generation

**Leverage of 1.2x**

Down from 1.8x at June 2020

## Executing on strategy and enhancing our ESG focus

**Focusing on revenue growth and continuous improvement benefits**

**Strategy delivering operational momentum and underpinning financial results**

**Advancing our ESG agenda by setting meaningful targets and reporting on our progress**



# CAPITAL MANAGEMENT



**Cashflow from operations**

**Cashflow from strategic activities**

**Cashflow from interest and tax**

➤ Cashflow from operations less lease payments of \$207.2M. Cash conversion ratio of 102.2% due to working capital management and strong 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

# PROGRESS ON OUR STRATEGY



Key focus on embedding strong foundations to support future growth opportunities

STRATEGIC PILLARS	ACHIEVEMENTS IN DELIVERY OF STRATEGY
<b>OPTIMISE THE CORE</b>	<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>
<b>TRANSFORM FOR TOMORROW</b>	<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>
<b>CREATE THE NEW</b>	<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>



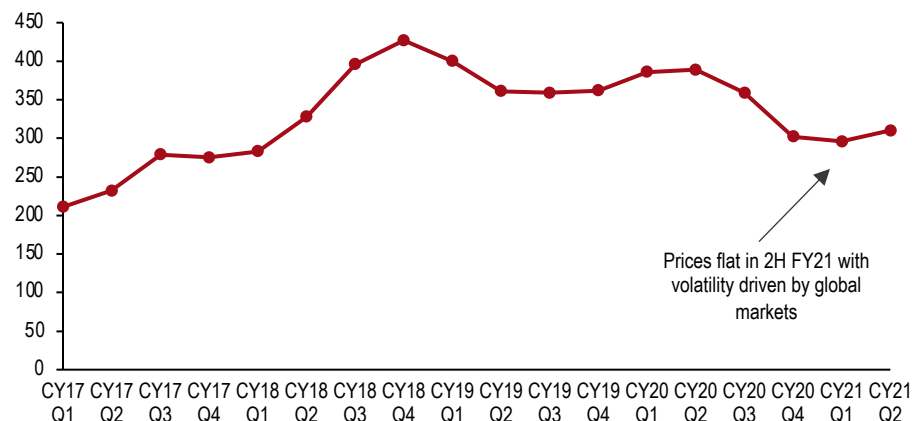
# EXTERNAL FEED MARKET OBSERVATIONS

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)

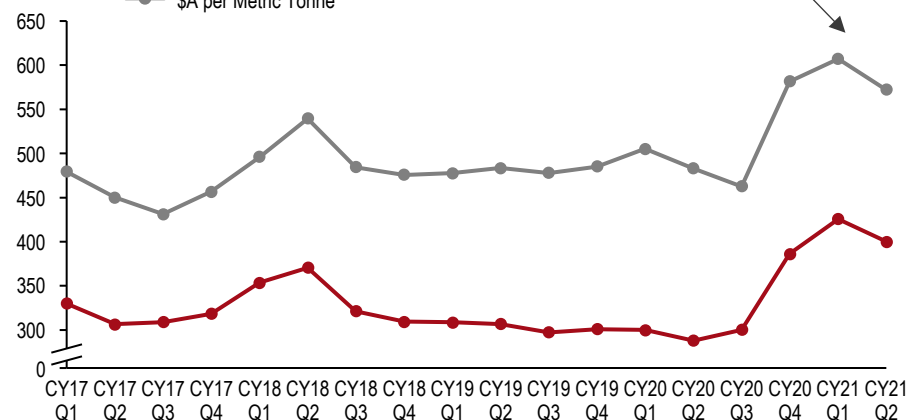
\$A per metric tonne



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

## Core to our strategy and underpins our future initiatives

- Our measures of GHG emissions, water usage and landfill waste generation have all improved year on year 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



## 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 enhanced disclosure

- Solid financial results achieved in FY21 and strong balance sheet position
- Consumer behaviour affected in the near-term by current lockdowns and restrictions
- Volumes expected to show continued growth with new business across various channels
- Focus on securing growth opportunities with existing customers and product innovation
- 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
- Optimise the Core program will continue to deliver meaningful benefits in excess of inflationary cost increases through operational efficiencies implemented across the business
- 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
- Embedding sustainability practices across the business focused on enhancing our Sustainability reporting



thank  
you





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