



H1 FY21 Interim Results Presentation
19 November 2020



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Executive Summary

Positive H1 performance in uncertain and unprecedented COVID-19 environment.

Swift and nimble response to COVID-19 during this period of uncertainty.

Despite impact on global food service markets, strength of our global distribution reach and in market presence has helped deliver:

- Average meat sales price per Kg improvements of 14.5%.
- Westholme brand growth from 7% to 22% of total meat sales.

Continued progress made in moving to a simpler & more efficient AACo:

- Operating profit \$23.5M (\$16.8M pre Jobkeeper) vs \$6.3M pcp.
- Operating cash flow \$22.3M (\$18.3M pre Jobkeeper) vs \$11.0M pcp.
- Statutory EBITDA profit of \$15.0M vs (\$3.4M) loss pcp.
- Net loss after tax (\$1.7M) vs (\$14.1M) pcp.

Executive Summary

In line with impacts to the Australian national cattle herd, lower AACo brandings due to drought and Gulf floods translate into lower meat production volume:

- H1 meat production volume 9% lower vs pcp.
- Lower meat sales expected in H2 vs H1.
- Cattle sales are expected to reduce in H2 FY21.

AACo continues to monitor developments in the COVID-19 pandemic and the measures being implemented in the economy to control and slow the outbreak. The impact on FY21 consolidated and regional results remains uncertain and cannot be reasonably estimated at this time.



COVID-19 *Response*

Swift transition to conducting business in a COVID safe manner with our primary focus being the safety of our staff, animals, communities and company.

All 16 global food service export markets impacted by pandemic restrictions since March 2020 – ongoing uncertainty.

Commercial response focused on retail and trialling D2C opportunities to deliver product at optimum value, leveraging:

- Strength of global distribution reach and partnerships combined with in market presence of key commercial team members to enable an agile commercial response to rapid changes in market context.

Implemented disciplined focus on cost and cash flow optimisation measures which included:

- Re-prioritising expenditure.
- Senior executive and Board pay reductions from May to July 2020.
- Temporary stand-down and reduced working hours for corporate and commercial teams in Q1.

Government assistance programs in the form of Jobkeeper totalled \$6.7M operating profit and \$4.0M operating cash flow and supported AACo in preserving a substantial part of its workforce.

“Primary focus being the safety of our staff, animals, communities and company”

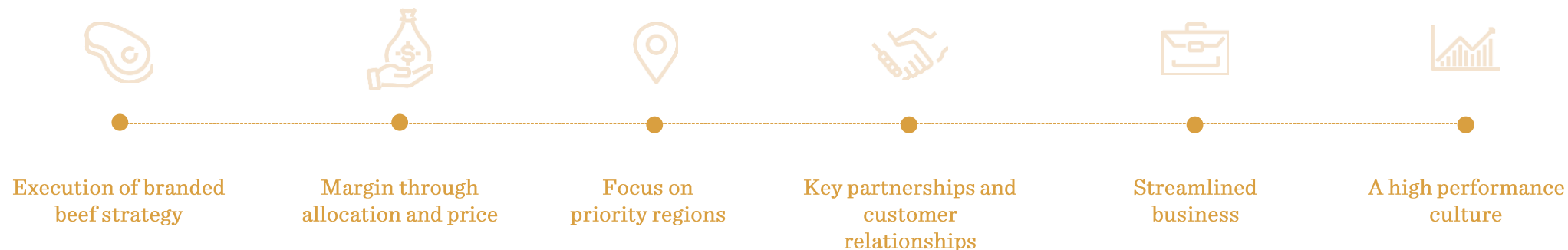


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Progress Against *Strategy*



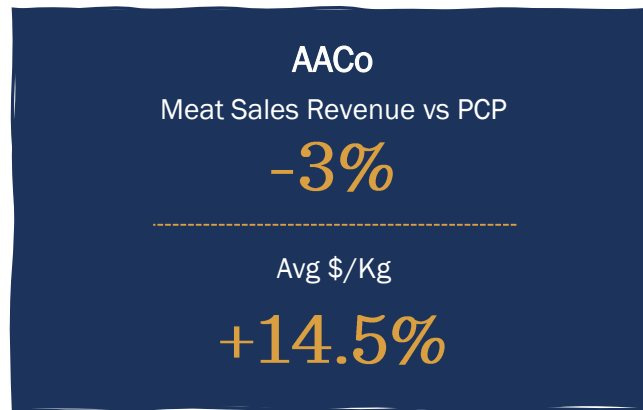
Progress in H1 FY21



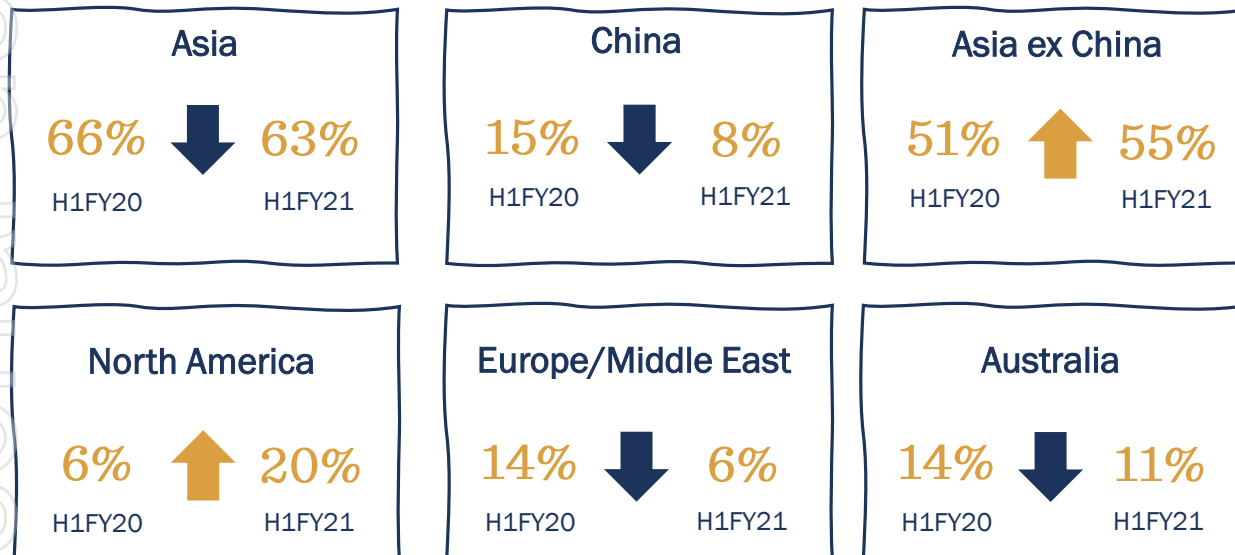
The flexibility and resilience shown by the business in H1 FY21 demonstrates that our Branded Beef Strategy makes us a better, more robust business – and is testament to the progress we have made so far.

- Strength of our global supply network and partnerships, in market presence and wide distribution footprint, enabled us to move into new retail channels and trial D2C sales opportunities while not compromising on price:
 - Increased meat \$/Kg +14.5%.
 - Westholme sales increased from 7% to 22% of total meat sales.
- Industry leadership and close management of our operations, combined with efficiency improvements and a disciplined focus on cost across the supply chain have positively supported our results.
- Increased talent depth and leadership capability in key functional roles across the business.

Regional Performance *Meat Sales*



Regional/Market Proportion of Total Meat Sales



COVID-19 Commercial *Pivot*

Leveraged distribution partnerships to move into new retail channels and trial D2C opportunities.

- Strategic market allocation and optimisation.
- Successful shift to retail in North America.
- Use of Digital Media to target and capture audience.
- Refresh of Darling Downs Brand in South Korea.

A balanced channel strategy is an important part of AACo's overall strategy and Food Service remains an integral channel for the business.



Customer *Centricity*

- Digital Media focused campaigns.
- Created and launched the “Cooking at home with Westholme” series in partnership with Chef Clayton Wells aimed at educating home chefs on buying and cooking Wagyu at home.
- Developed Westholme unboxing experience, bringing brand experiences to the home.
- Launched the Westholme Plates for Good initiative with partner restaurants to support venue staff impacted by COVID-19.
- Launched industry first Westholme Flavour wheel.

Financial *Performance*



Financial Performance: *Financial Highlights*

- **Resilient H1 FY21 performance in the face of COVID uncertainty with delivery of positive operating profit¹ and cash flow.**
 - Operating profit¹ \$23.5M (\$16.8M pre Jobkeeper²) vs \$6.3M pcp.
 - Operating cash flow \$22.3M (\$18.3M pre Jobkeeper²) vs \$11.0M pcp.
- **Improved operating profit as the business made progress in executing against its Branded Beef Strategy and continued its disciplined focus on managing cost and unlocking value across the supply chain.**
 - \$/Kg of meat sales has increased by 14.5% vs pcp.
 - Reduction in controllable cost of approximately \$22M combined with the benefit of lower adverse seasonal related costs of c.\$28M.
- **Strong balance sheet with net assets of \$917.6M.**
 - NTA of \$1.54 per share vs \$1.37 pcp, an increase of 12%.
 - Gearing ratio 27.7% (pre-AASB 16) vs 28.8% pcp, comfortably in line with targeted 20-35%.
 - ROCE 1.8% vs 0.5% pcp.
- **Statutory EBITDA profit of \$15.0M in H1 FY21 vs (\$3.4M) loss pcp.**
- **Net loss after tax (\$1.7M) vs (\$14.1M) pcp.**

Note 1: The measure of Operating Profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information. Operating Profit assumes movement in Livestock and inventory volume at cost of production, while Statutory EBITDA results include revaluations based on livestock market values.

Note 2: Jobkeeper assistance totalled \$6.7M Operating Profit and \$4.0M Operating Cashflow.

\$M	H1 FY21	H1 FY20	Var \$
Meat Sales	102.9	105.8	(2.9)
Cattle Sales	41.1	77.0	(35.9)
Total Sales	144.0	182.8	(38.8)
Operating Expenditure	(97.4)	(142.9)	45.5
Cattle Purchases	(16.2)	(9.3)	(6.9)
Operating Gross Profit	30.4	30.6	(0.2)
Change in Herd at Cost of Production	(2.8)	(0.2)	(2.6)
Meat Inventory Change	1.1	(7.0)	8.1
Adjusted Gross Profit	28.7	23.4	5.3
Corporate Expenses	(10.3)	(15.3)	5.0
Other incl. FX	5.1	(1.8)	6.9
Operating Profit¹ (EBITDA ex SGARA)	23.5	6.3	17.2
<i>Change in livestock value (SGARA) + Other</i>	(8.5)	(9.7)	1.2
Statutory EBITDA profit/(loss)	15.0	(3.4)	18.4

Statutory EBITDA profit of \$15.0M in H1 FY21 vs (\$3.4M) loss pcp.

Positive operating¹ profit of \$23.5M vs \$6.3M pcp.

Positive operating¹ profit of \$16.8M pre Jobkeeper².

- Total sales decrease of \$38.8M vs pcp.
 - Meat sales \$2.9M lower as volumes reduced in line with decreased meat production volume this half, largely offset by 14.5% higher \$/Kg as the business made progress in executing against its Branded Beef Strategy and focused on strategic market allocation.
 - Cattle sales decrease from elevated levels in H1 FY20 off the back of strategic destocking. Lower Kgs sold in H1 FY21 vs pcp offset by higher cattle price levels.
- Disciplined focus on cost optimisation saw a reduction in controllable cost of approximately \$22M combined with the benefit of lower adverse seasonal related costs of c.\$28M.
 - Reduced operating and corporate expenditure by streamlining costs across the supply chain including in backgrounding, feeding, cattle transport and processing.
- Total Jobkeeper² assistance of \$6.7M included in other income.

Note 1: The measure of Operating profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information. Operating profit assumes movement in Livestock and inventory volume at cost of production, while Statutory EBITDA results include revaluations based on livestock market values.

Note 2: Jobkeeper assistance totalled \$6.7M operating profit and \$4.0M operating cash flow.

\$M	H1 FY21	H1 FY20	Var \$
Receipts from Customers	152.5	193.5	(41.0)
Payments to Suppliers and Employees	(122.6)	(175.1)	52.5
Net Financing Costs	(7.6)	(7.4)	(0.2)
Net Operating Cash Flow	22.3	11.0	11.3
Net Investing Cash Flow	(2.5)	(11.7)	9.2
Net Financing Cash Flow	(23.8)	2.1	(25.9)
Net Increase / (Decrease) in Cash	(4.0)	1.4	(5.4)
Opening Cash Balance	18.2	7.6	10.6
Closing Cash Balance	14.2	9.0	5.2

Positive operating cash flow of \$22.3M vs \$11.0M pcp.
Positive operating cash flow of \$18.3M pre Jobkeeper¹.

- Delivered positive operating cash flow:
 - Supported revenue by pivoting to retail and trial of D2C sales with a focus on strategic market allocation and price optimisation.
 - Disciplined focus on managing cost and optimising value.
 - Continued progress towards a simpler and more efficient AACo.
 - COVID-19 cost reduction response.
- Net financing cash flow reduction of \$25.9M reflects cash management strategies to optimise finance costs payable. This does not impact on total available borrowing capacity.
- Optimising cash flow and operating expenses in the current COVID-19 climate remains as a continuing focus for the business.

Note 1: Jobkeeper assistance totalled \$6.7M operating profit and \$4.0M operating cash flow and supported AACo in preserving a substantial part of its workforce.

\$M	30 September 2020	30 September 2019
Livestock	462.9	473.0
PPE & Intangibles	868.0	872.6
Right-of-Use Assets	24.4	28.2
Other Assets	56.3	61.8
Total Assets	1,411.6	1,435.6
Borrowings	359.3	379.8
Lease Liabilities	29.1	33.4
Deferred Tax Liability	64.4	64.5
Other Liabilities	41.2	44.5
Total Liabilities	494.0	522.2
Net Assets	917.6	913.4
<i>Gearing ratio post AASB 16¹</i>	29.1%	30.3%
<i>Gearing ratio pre AASB 16¹</i>	27.7%	28.8%
<i>Net Tangible Assets (\$/Share)</i>	\$1.54	\$1.37

Strong balance sheet position with net assets of \$917.6M.

- AACo maintains comfortable head room under existing bank covenants.
- Approximately \$190M headroom available in Facility A & B.
- Gearing ratio pre AASB 16¹ of 27.7% in-line with targeted ratio of 20-35%.
- ROCE 1.8% vs 0.5% pcp.

Note 1: AASB 16 Leases replaces existing leases guidance and introduces a single on-balance sheet accounting model for lessees. Refer AACo Financial Report for the year ended 30 September 2020 for further detail on AASB 16.

Operating Environment



Outlook for *Australian beef industry**

- International demand for Australian red meat remains buoyant through COVID-19.
- Sustainable demand is being driven by long-term global trends – including a growing urban middle-class and ongoing focus on meat safety.
- Customer demand is transitioning to retail and direct consumer sales – through digital platforms, virtual cooking classes and restaurant quality meal kits.
- These consumer trends are likely to continue during COVID-19 and beyond.
- Geopolitical uncertainty will continue to impact some markets and segments – such as Chinese processing restrictions impacting Trim category beef sales.

*Source: MLA Industry projections 2020 – Australian cattle – October update, Bain The Great Reluctance June 2020, McKinsey USA Restaurants and Post COVID May 2020; McKinsey European Restaurants August 2020

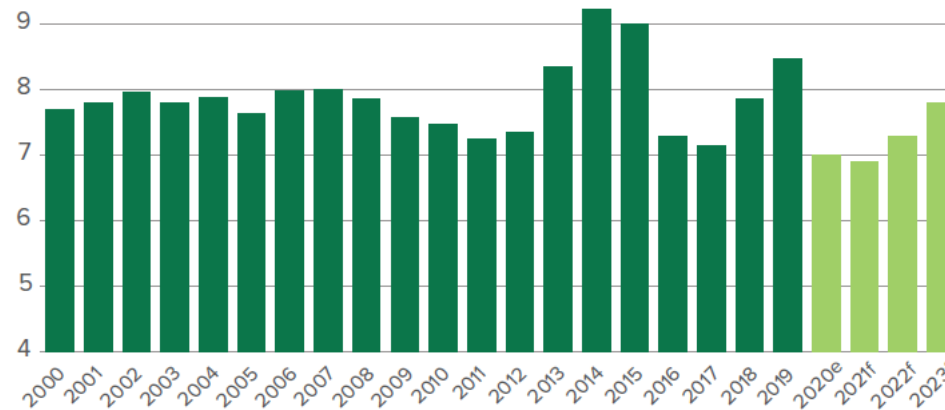


Outlook for *Australian cattle industry**

Stifled by prolonged drought and compounded by the national bushfire crisis, Australian cattle producers endured an extremely difficult start to 2020.

- National herd forecast at lowest level in past 20 years.
- Calendar year-to-September 2020 eastern states cattle slaughter 14% below 2019.
- Greater declines seen through second half of the year with a decrease of 26% from July to Sep compared to an average 8% decline in the first half of 2020.
- National cattle slaughter is forecast to decline 17% in 2020 with further decreases forecast in 2021.
- Forecast La Niña weather event, combined with a decline in slaughter levels, particularly female throughput, should lend support to the national herd rebuild.

Australian Cattle Slaughter by Calendar Year (million head)



Source: ABS, MLA estimates

*Source: MLA Industry projections 2020 – Australian cattle – October update



Looking *Forward*

Consistent with impacts to the Australian national herd, prolonged drought conditions of 2018-2020 resulted in the strategic destocking of our properties over the past two years with an overall decrease in head of 19% for FY20 as reported in our FY20 results.

The headwinds of the droughts and Gulf flood impacts are still being felt due to our progeny cycle.

Lower AACo brandings in the effected periods due to drought and Gulf floods have translated into lower meat production volume.

- H1 meat production volume 9% lower vs pcp.
- Lower meat sales expected in H2 vs H1.
- Cattle sales are expected to reduce in H2 FY21.

AACo continues to monitor ongoing geopolitical risk.

Global COVID-19 cases increased in October – outlook remains uncertain.

- High cases in North America and new waves in Europe accompanied by Northern Hemisphere winter.
- The business is monitoring developments and measures being implemented in the economy. The impact on FY21 results remains uncertain and cannot be reasonably estimated at this time.



Appendix

Financial Performance: *Profit & Loss Summary Excluding Livingstone*

\$M	H1 FY21	H1 FY20	Var \$
Meat sales	102.9	105.8	(2.9)
Cattle Sales	41.1	77.0	(35.9)
Total Sales	144.0	182.8	(38.8)
Operating Expenditure	(96.2)	(140.7)	44.5
Cattle Purchases	(16.2)	(9.3)	(6.9)
Operating Gross Profit	31.6	32.8	(1.2)
Change in Herd at Cost of Production (CoP)	(2.8)	(0.2)	(2.6)
Meat Inventory Change	1.1	(7.0)	8.1
Adjusted Gross Profit	29.9	25.6	4.3
Corporate Expenses	(10.3)	(14.6)	4.3
Other incl. FX	5.1	(1.6)	6.7
Operating Profit¹ (EBITDA ex SGARA)	24.7	9.4	15.3
<i>Change in livestock value (SGARA) + Other</i>	(8.5)	(9.7)	1.2
Statutory EBITDA profit/(loss)	16.2	(0.3)	16.5

Note 1: The measure of Operating profit is a key indicator which is used to monitor and manage the Company. It eliminates the potential distraction caused by unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of actual financial performance under the control of management. Hence the Company believes that external stakeholders benefit from this metric being reported. Operating Profit is unaudited, non-IFRS financial information. Operating profit assumes movement in Livestock and inventory volume at cost of production, while Statutory EBITDA results include revaluations based on livestock market values.



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Thank you