

ASX Release



19 February 2021

Inghams Group Limited (ASX: ING, Ingham's)
Half Year Results to 26 December 2020

Ingham's delivers strong half year results due to resilient demand and operational momentum

- Group core poultry volume growth of 4.0% on the prior corresponding period (pcp) and 5.6% on the second half of FY20, reflecting strengthened demand across most channels and the return of overall trading volumes to pre COVID-19 levels
- Solid total revenue growth of 4.6% despite declining external feed revenue, with total poultry revenue growth of 6.1%, ahead of volume growth
- Good progress achieved in the reduction of frozen poultry inventory arising in FY20 due to COVID-19, down \$42.3million during the half year and now close to normal levels
- Statutory and Underlying EBITDA growth of 5.0% and 4.3% respectively driven by volume growth and improvements in operational efficiencies, Underlying EBITDA pre AASB 16 up \$9.0 million or 9.8%
- Statutory NPAT of \$35.3 million up 34.7% and Underlying NPAT of \$37.5 million up 28.4%, with Underlying NPAT pre AASB 16 up 10.7%
- Leverage¹ of 1.7x down from 1.8x at June 2020 with Net Debt of \$327.5 million at December 2020
- Interim dividend of 7.5 cps (fully franked), up 0.2 cps on pcp, reflecting a payout ratio of 74.3% of Underlying NPAT post AASB 16, in line with the revised dividend policy

	HY21	Variance to HY20	% Variance
Group Core Poultry Volume	224.6kt	8.7	▲ 4.0
Statutory EBITDA	\$215.6M	10.3	▲ 5.0
Statutory NPAT	\$35.3M	9.1	▲ 34.7
Underlying EBITDA	\$218.6M	9.1	▲ 4.3
Underlying NPAT	\$37.5M	8.3	▲ 28.4
Underlying EBITDA pre AASB 16	\$100.7M	9.0	▲ 9.8
Underlying NPAT pre AASB 16	\$46.5M	4.5	▲ 10.7
Dividend (fully franked)	7.5cps	0.2	▲ 2.7

	HY21	Variance to Jun-20	% Variance
Leverage ¹ (underlying pre AASB 16)	1.7x	0.1	▼ 5.5
Net Debt	\$327.5M	(12.8)	▲ (4.1)

¹ Leverage is Net Debt / LTM Underlying EBITDA pre AASB 16

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Inghams Group Limited (ASX: ING, Ingham's, the Company), Australia and New Zealand's largest integrated poultry producer, today announced its financial results for the half year ended 26 December 2020.

Ingham's CEO and Managing Director Jim Leighton said: "Today's results are a testament to the great work of our team and their execution of our five-year strategic plan and the resilience in demand for poultry.

"These results have been delivered despite the continued impact of COVID-19, ongoing high realised feed prices and the partial closure of Australia's poultry export channels due to industry Biosecurity issues in Victoria. Our strategy is driving performance and delivering improved returns.

"Our team proudly fulfilled its role as an essential service provider throughout COVID-19 disruptions that occurred during the half year, maintaining supply to customers with operations fully maintained across Australia and New Zealand since re-opening of our Thomastown facility on 3 August. Our ability to respond quickly and effectively to these challenges has further strengthened our customer relationships and our reputation as a trusted and reliable supplier of poultry across Australia and New Zealand."

CAPITAL MANAGEMENT

Net Debt increased by \$12.8 million to \$327.5 million during the half year period, largely due to continued construction of new HatchTech hatcheries in Victoria and Western Australia and seasonal working capital. Working capital benefited from effective management to reduce poultry inventory by \$42.3 million but was more than offset by the typical increase in debtors associated with Christmas trading and 26 December 2020 financial close.

Cash flow from operations was \$181.9 million during the half, or \$58.9 million pre AASB 16, 12% higher than pcp with improved trading partially offset by working capital.

Total capital expenditure of \$31.5 million reflects a disciplined approach to capital management during the period, lower than normal, with the challenges associated with COVID-19. This included further investment of \$22.3 million in the two new hatcheries during the half year, with Victoria expected to be commissioned around mid-year 2021 and Western Australia during the second half of 2021.

During the period the Company extended maturing debt facilities to November 2023 and November 2024 respectively. At half year end Ingham's total debt facilities are \$545 million, with \$125 million in undrawn capacity.

Dividends

The Board declared an interim fully franked dividend of 7.5 cents per share, representing a payout ratio of 74.3% of Underlying NPAT. This is in accordance with Ingham's revised dividend policy payout ratio of 60-80% of Underlying NPAT, post AASB 16. The record date for the dividend is 18 March 2021 with a payment date of 8 April 2021.

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FEED COST OBSERVATIONS

Late 2020 delivered a bumper wheat harvest in excess of 30 million tonnes, with an easing in observed spot wheat prices during the first half of FY21 before stabilising early in the second half. Prices have not reached anticipated lows due to strong international demand, driven by competitive relative pricing of Australian wheat against international commodity grain prices. Soymeal prices rallied towards the end of the first half of FY21 with prices continuing to rise in Q3 FY21.

Ingham's remains forward covered between three and nine months, in line with procurement strategy.

OUTLOOK

Ingham's will continue to focus on the execution of our five-year strategy to deliver more consistent, predictable and reliable returns to shareholders.

The net impact of lower feed prices is expected to be modest in the second half, given the recent surge in international demand and our customer cost pass through mechanisms.

Ongoing volatility remains in regard to Ingham's operating conditions and/or consumer behaviours due to COVID-19 and the potential re-opening of some Australian export markets.

The Company expects the second half of FY21 to experience normal seasonal influences.

INVESTOR BRIEFING

Ingham's will present its results today via webcast and teleconference commencing at 9:30am AEDT on Friday 19 February 2021.

A live URL link to the teleconference and presentation will be made available via webcast at:
<https://webcast.openbriefing.com/7081/>

Participants wishing to participate in Q&A are encouraged to join the teleconference and pre-register for this event using the URL link below, following which a unique passcode and PIN will be provided along with dial in details:

<https://s1.c-conf.com/diamondpass/10012130-p0q7sg.html>

This announcement has been authorised by the Inghams Group Limited Board.

David Matthews

Company Secretary

Investor Enquiries

Carrie Barrack

carrie@catoandclive.com / +61 422 464 028

Media Enquiries

Sue Cato

cato@catoandclive.com / +61 419 282 319

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APPENDIX

Reconciliation of Underlying EBITDA to Statutory EBITDA

\$m	1H FY21	1H FY20	Var	%
Statutory EBITDA	215.6	205.3	10.3	5.0
<i>(Profit) / Loss on sale of assets</i>		0.7		
<i>Impairment of assets</i>		2.0		
<i>Restructuring</i>	3.0	1.5		
Excluded from Underlying	3.0	4.2	(1.2)	(28.6)
Underlying EBITDA	218.6	209.5	9.1	4.3
AASB 16 leases impact	(117.9)	(117.8)	(0.1)	(0.1)
Underlying EBITDA pre AASB 16	100.7	91.7	9.0	9.8

Reconciliation of Underlying NPAT to Statutory NPAT

\$m	1H FY21	1H FY20	Var	%
Statutory NPAT	35.3	26.2	9.1	34.7
<i>(Profit) / Loss on sale of assets</i>		0.5		
<i>Impairment of assets</i>		1.5		
<i>Restructuring</i>	2.2	1.0		
Excluded from Underlying	2.2	3.0	(0.8)	(26.7)
Underlying NPAT	37.5	29.2	8.3	28.4
AASB 16 leases impact	9.0	12.8	(3.8)	(29.7)
Underlying NPAT pre AASB 16	46.5	42.0	4.5	10.7