

ASX Release



20 August 2021

Ingham's delivers strong FY21 results backed by solid volume growth and operational efficiency gains

Highlights

- Group core poultry sales volume growth of 4.2% on the prior corresponding period (pcp), showing resilience of poultry demand
- Solid total revenue growth of 4.4% supported by positive net selling price performance across most channels
- Statutory and Underlying EBITDA growth of 14.5% and 9.6% respectively, driven by volume growth and operational efficiencies
- Underlying EBITDA pre AASB 16, increased 16.6% to \$209.6 million
- Statutory NPAT of \$83.3 million, up 107.7% and Underlying NPAT of \$86.7 million, up 57.4%, with Underlying NPAT pre AASB 16, up 28.4%
- Leverage of 1.2x, down from 1.8x at June 2020, with closing Net Debt of \$240.2 million
- Total dividends of 16.5 cps (fully franked) for the year, up 17.9% on pcp, reflecting a payout ratio of 71% of Underlying NPAT in line with policy

Inghams Group Limited (ASX: ING, Ingham's, the Company) today announced its full year financial results for FY21.

Ingham's CEO and Managing Director, Andrew Reeves, said: "Our results today demonstrate the resilience of our business, the effectiveness of our strategy and the ongoing demand for poultry.

"These strong financial results are underpinned by solid poultry volume growth and a recovery across the majority of our key channels during the year. Operationally, we are in a strong position and our optimisation strategy has made a positive contribution to the results we have delivered.

"I would like to acknowledge the contribution the entire Ingham's team has made to this result. They have ensured that we maintained supply to customers and consumers across Australia and New Zealand during the year, including during the most recent COVID-19 lockdowns and restrictions introduced in some Australian locations.

"Ingham's high safety standards enabled us to keep operating throughout COVID-19 with minimal operational disruption and perform our role as an essential service provider whilst also protecting our employees and contractors. Our ability to respond quickly and effectively to the challenges that COVID-19 presents, speaks to the resilience and agility of our business and the unwavering commitment of our people to deliver great outcomes for our customers and consumers."

Financial Results

Ingham's FY21 results are underpinned by resilient demand for poultry and the encouraging operational outcomes arising from the delivery of the strategic plan.

Core poultry sales volume grew a healthy 4.2%, with demand growth across the majority of our channels.

Statutory EBITDA was \$443.9 million, an increase of 14.5% on pcp, while Statutory NPAT increased 107.7% to \$83.3 million. Underlying EBITDA pre AASB 16 increased 16.6% to \$209.6 million and Underlying NPAT pre AASB 16 was \$101.2 million, up 28.4%. Total dividends for the period were 16.5 cents per share (fully franked), an increase of 17.9% and reflecting a payout ratio of 71% of Underlying NPAT.

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Cash flow from operations (before lease payments) was \$450.4 million for the year, an increase of 15.5% versus pcp. The Company recorded a cash conversion ratio of 102.2%, an improvement of 340 basis points, driven by solid trading levels and prudent working capital management.

Optimising the Core, the Company's program of continuous improvement, is delivering strong outcomes, driving lower costs, enhancing yield and reducing waste. Through this program, Ingham's is delivering greater asset efficiency and return with modest capital spend. In FY21 the business carried out approximately 200 improvement projects. Looking ahead, the business will be working on around 320 improvement project opportunities in FY22.

In Australia, core poultry volume growth of 3.9% was driven by greater demand as COVID-19 restrictions in place in the middle of the year were eased and removed. Revenue growth was 4.8% for the year, with Underlying EBITDA growth of 7.8% to \$375.9 million. Pleasingly, margins also improved during the year, driven by operational cost efficiencies, procurement savings and the year-on-year benefit in stock obsolescence. In New Zealand, strong core poultry volume growth of 6.3% was recorded with a continued recovery in key channels. Total revenue growth of 2.2% was supported by poultry revenue growth of 5.3%, partially offset by a reduction in feed revenue due mainly to the sale of the Hamilton Feed Mill in the second half. Underlying EBITDA increased 20.3% to \$72.8 million, supported by improving demand, further operational efficiencies and cost control measures.

	FY21	Variance to FY20	% Variance
Group Core Poultry Volume	446.9kt	18.2	▲ 4.2
Statutory EBITDA	\$443.9M	56.1	▲ 14.5
Statutory NPAT	\$83.3M	43.2	▲ 107.7
Underlying EBITDA	\$448.7M	39.4	▲ 9.6
Underlying NPAT	\$86.7M	31.6	▲ 57.4
Underlying EBITDA pre AASB 16	\$209.6M	29.9	▲ 16.6
Underlying NPAT pre AASB 16	\$101.2M	22.4	▲ 28.4
Dividends (fully franked)	16.5cps	2.5	▲ 17.9

Balance Sheet & Capital Management

The balance sheet is in a strong position, with Net Debt declining during the period to \$240.2 million, or 23.7%, which leaves Ingham's well positioned for future growth opportunities.

Poultry inventories declined by \$30.0 million as the Company successfully reduced the excess frozen processed poultry stock that had built up as a result of the effects of COVID-19 disruptions and lockdowns late in FY20 and are now within the Company's desired band. Receivables were higher in line with high sales levels over the last few months.

Total capital expenditure of \$66.3 million was lower than the prior period, reflecting the disruptions caused by border closures and lockdowns and a disciplined approach to capital management during this period. Ingham's made solid progress on key projects, including its two new hatcheries, with the Victorian facility now operational and Western Australia expected to commence around mid year FY22. In addition, the NZ\$17 million investment in a new fully cooked processing line in Auckland is progressing well and is expected to be completed in the first half of FY22.

Dividends

Dividends declared for FY21 were 16.5 cents per share (fully franked), an increase of 17.9% on the previous financial year. This represent a payout ratio of 71%, which is consistent with the Company's dividend policy for a payout ratio of between 60-80% of Underlying NPAT.

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Sustainability

The Company has made good progress on a range of sustainability initiatives across the business in FY21, despite the ongoing disruptions caused by COVID-19. Sustainability is embedded into the business, and Ingham's is a recognised industry leader in water stewardship, sustainable agriculture and sustainable food production. This year 2030 Planet targets were set, which will ensure the delivery of meaningful reductions in GHG emissions, water usage and landfill waste by 2030. Later this year, the first report aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations will be published.

Summary

Ingham's achieved strong financial results in FY21 and its balance sheet has further strengthened.

The Company is pleased to advise that Ingham's and Woolworths have agreed in principle to an ongoing supply agreement for poultry products on broadly similar terms.

Throughout the COVID-19 pandemic, Ingham's high safety standards and operational agility enabled the Company to keep operating with minimal operational disruption.

Ingham's expect to see the consumer recovery restart when vaccination rates increase and the current lockdowns are lifted, despite the near-term uncertainty created by these measures. In line with this, volumes are expected to show continued growth with new business across various channels.

Feed costs have stabilised during the second half however volatility in international commodity markets has led to domestic pricing holding firmer. The Company continues to hold between 3-9 months forward purchase cover on key feed ingredients.

In line with strategy, the Optimise the Core program will continue to deliver meaningful benefits in excess of inflationary cost increases through operational efficiencies implemented across the business.

Market Briefing

Ingham's will hold a market briefing to be held at 10.00am (AEST) today, 20 August, hosted by Andrew Reeves (Chief Executive Officer and Managing Director) and Gary Mallett (Chief Financial Officer). The webcast can be accessed using the following link:

<https://edge.media-server.com/mmc/p/p9ggosct>

Participants who prefer to dial-in to the presentation can use the following link to register and receive a dial in number, passcode, and a unique access PIN.

<https://s1.c-conf.com/diamondpass/10015217-sn864g.html>

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

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