



H1 FY22 Results Presentation
18 November 2021

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Non-IFRS information

Operating Profit and Statutory EBITDA are unaudited, non-IFRS financial information. These terms are further defined in the definition section of the presentation located in the appendix.





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Executive Summary

- Operating Profit of \$30.0M up vs pcp \$23.5M¹ driven by improved operating margins mainly through:
 - Improvements in average Wagyu meat sale price of 9% per KgCW.
 - Higher cattle sales margins supported by record trading and restocker cattle market prices.
- Net Profit after tax of \$83.2M vs pcp (\$1.7M) loss.
- Westholme and Darling Downs now represent 83% of branded meat sales².
- Developed our Sustainability Strategy Framework, helping to support positive change through our business, industry and communities.
- Successful refinance of Club Debt facilities completed with increased capacity and flexibility.
- Continued growth in NTA with an increase of 7% to \$1.88/share vs pcp, and net assets now exceed \$1.1B.

Note 1: Operating Profit ex JobKeeper H1 FY21 \$16.8M.

Note 2: Branded meat sales represents total meat sales excluding trim.

Executive Summary

- AACo's lower calving levels in previous years (due to prolonged drought and the Gulf flood event) have continued to impact meat sales volume in H1 FY22 (down ~8% v pcp). This is consistent with broader industry decreases in slaughter rates which are at 36 year lows.
- AACo's previous years lower calving levels are expected to continue to impact meat sales volume available for sale into H2 FY22 and FY23 due to the ~3.5 year F1 Wagyu animal lifecycle.
- Positively, increased brandings during the period have contributed to an overall increase in total live weight kilograms produced of 31% vs pcp.

Progress H1 FY22

Consumer + Customer Centricity

"Branded Beef Strategy"



Wagyu Meat sales
\$/KgCW increase

+ 9%

+ 55%
Branded Sales¹
Growth
North America

83%
Branded Sales¹
Westholme and
Darling Downs

8x

Audience reach through
Westholme Influencer strategy
versus own digital channel

Operational Excellence

"Creating a simpler and more efficient AACo"



Developed Sustainability
Framework and Commitments



(13%)

Reduction in cost of
production vs pcp

Disciplined focus on cost continues
Supply & demand planning enhancements

Our Team

*"Creating a high performance culture where our
dedicated and passionate people can thrive"*



Created and launched our guiding
Purpose and Vision Statements



+ 3 pts
Employee
Engagement
Score

+ 17%
Positive LTIFR
improvement

Gold level recognition
Mental Health First Aid Australia



>25% Women in Leadership

Note 1: Branded meat sales represents total meat sales excluding trim.

Commercial *Overview*

Strategic allocation driving higher average \$/Kg.

North America

- Branded meat sales¹ average \$/Kg price 33% favourable vs pcp supported by strong demand for higher MBS loins and rumps.

Asia

- Branded meat sales¹ average \$/Kg price 1% favourable vs pcp.
- Product reallocated from Asia across all cut categories as price premiums realised in North America and Europe/Middle East.

Australia

- Branded meat sales¹ average \$/Kg price 9% favourable vs pcp.

Europe/Middle East

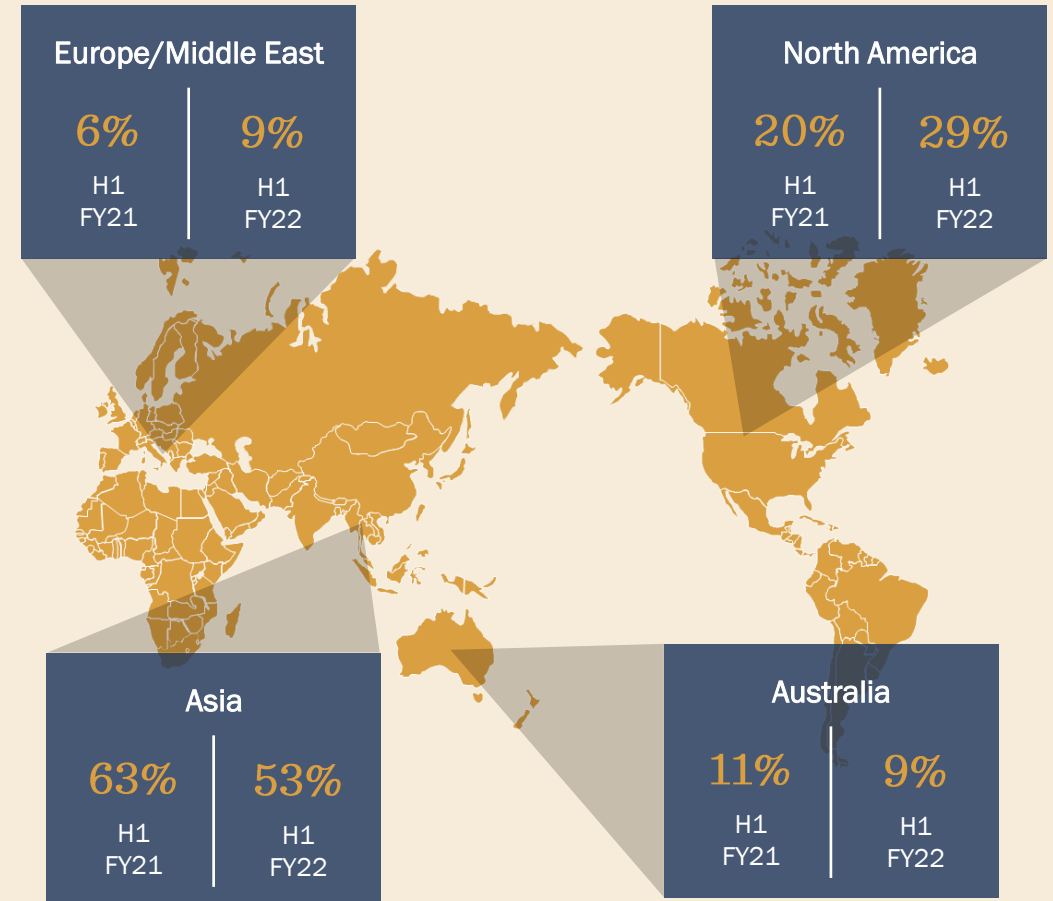
- Branded meat sales¹ average \$/Kg price 8% unfavourable vs pcp reflective of change of mix, with increased demand for secondary cuts.

Covid-19

- Increase in global vaccination rates leading to in-market restrictions easing.

Note 1: Branded meat sales represents total meat sales excluding trim.

Regional Proportion of Total Meat Sales





WESTHOLME

– QUEENSLAND –
AUSTRALIA

Continued growth in Westholme brand presence in the USA through strong focus on chef engagement via digital channels.

Built further Brand awareness with consumers through Direct to Consumer gourmet e-marketplaces in the USA.

Foodservice re-opening programs to support key customers in Australia.



TENDER

JUICY

FRESH
FROM
NATURAL
PASTURE

FRESH
CUT

Hormone

NATURAL
HIGH
PROTEIN

DARLING

ESTD

2002

DOWN'S

GRILLS

BORN
WILD

South Korea in-store programs driving shopper engagement and supporting an increase in retail price.

New digital marketing program commenced to build brand awareness in South Korea.

Brand refresh implemented in Hong Kong retail following the success of new branding in South Korea.



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Financial Performance

Highlights

Growth

Meat
Sales

\$102.9M

Flat vs pcp

Wagyu Meat
Sales Price

\$17.52/kg

+ 9% vs pcp

Profit

Operating
Profit

\$30.0M

+ 28% vs pcp
+ 79% vs pcp (ex JobKeeper)

Operating
Profit Margin

20.9%

+ 9 ppt vs pcp (ex JobKeeper)

Cash Flow / Net Assets

Operating
Cash Flow

\$17.3M

(22%) vs pcp
(5%) vs pcp (ex JobKeeper)

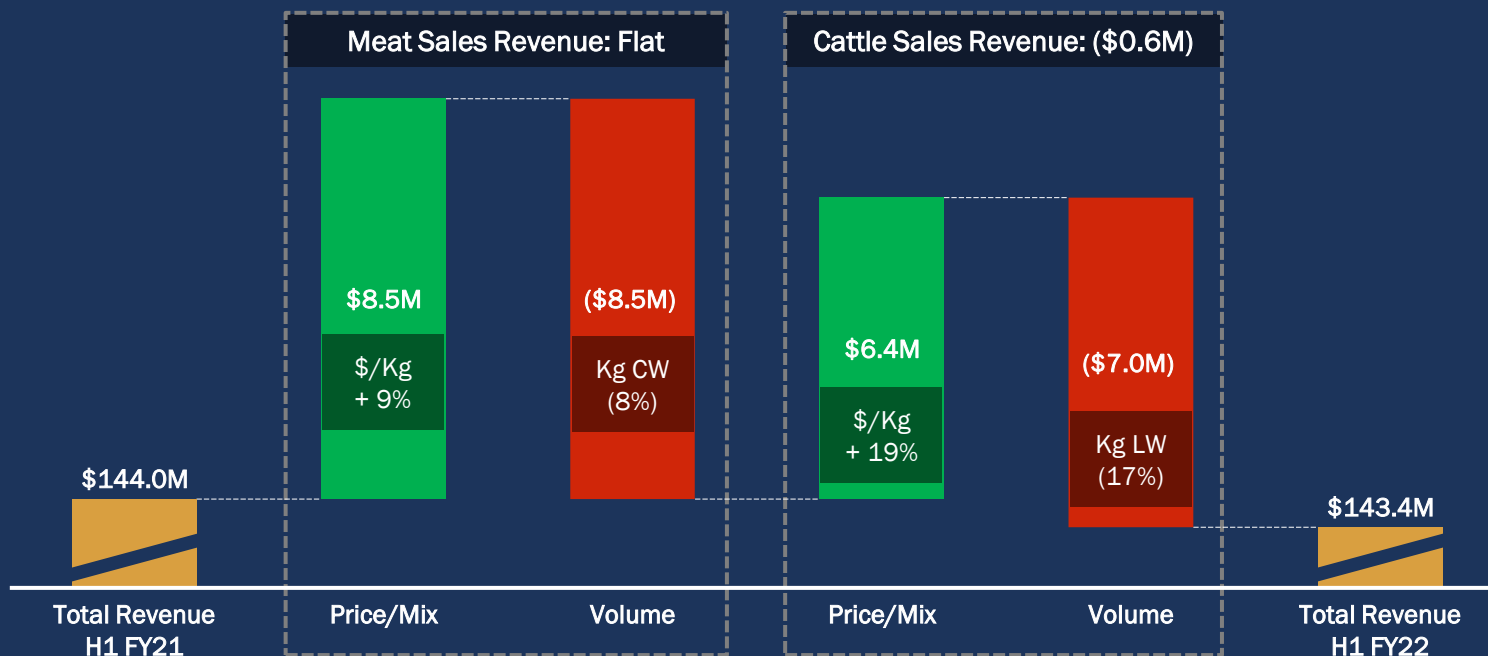
Net Tangible
Assets

\$1.88/Share

+ 7% vs pcp

Revenue

H1 FY22 revenue in line with pcp supported by improved price realisation, offset by lower volumes.



- Average increase of 9% in Wagyu meat sales price/mix, driven by strategic allocation of product across markets, in particular loins and rumps into North America. \$8.5M price/mix increase achieved despite an unfavourable foreign exchange variance of \$6.9M vs pcp.
- Reduced Wagyu meat sales volume of 8% due to impacts of historic lower calving affected by drought and Gulf flood event.
- Record high trading and “restocker” cattle market pricing also supported cattle sales, offset by lower volumes sold vs pcp.

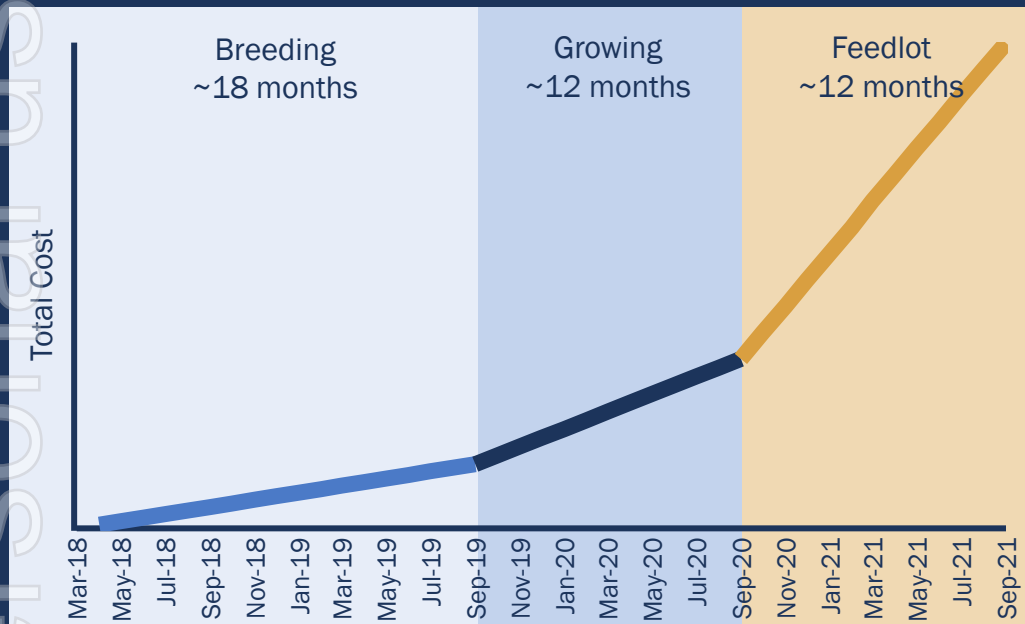
Cost of *Production*

Cost of production decrease of 13% vs pcp driven by improved seasonal conditions and productivity.

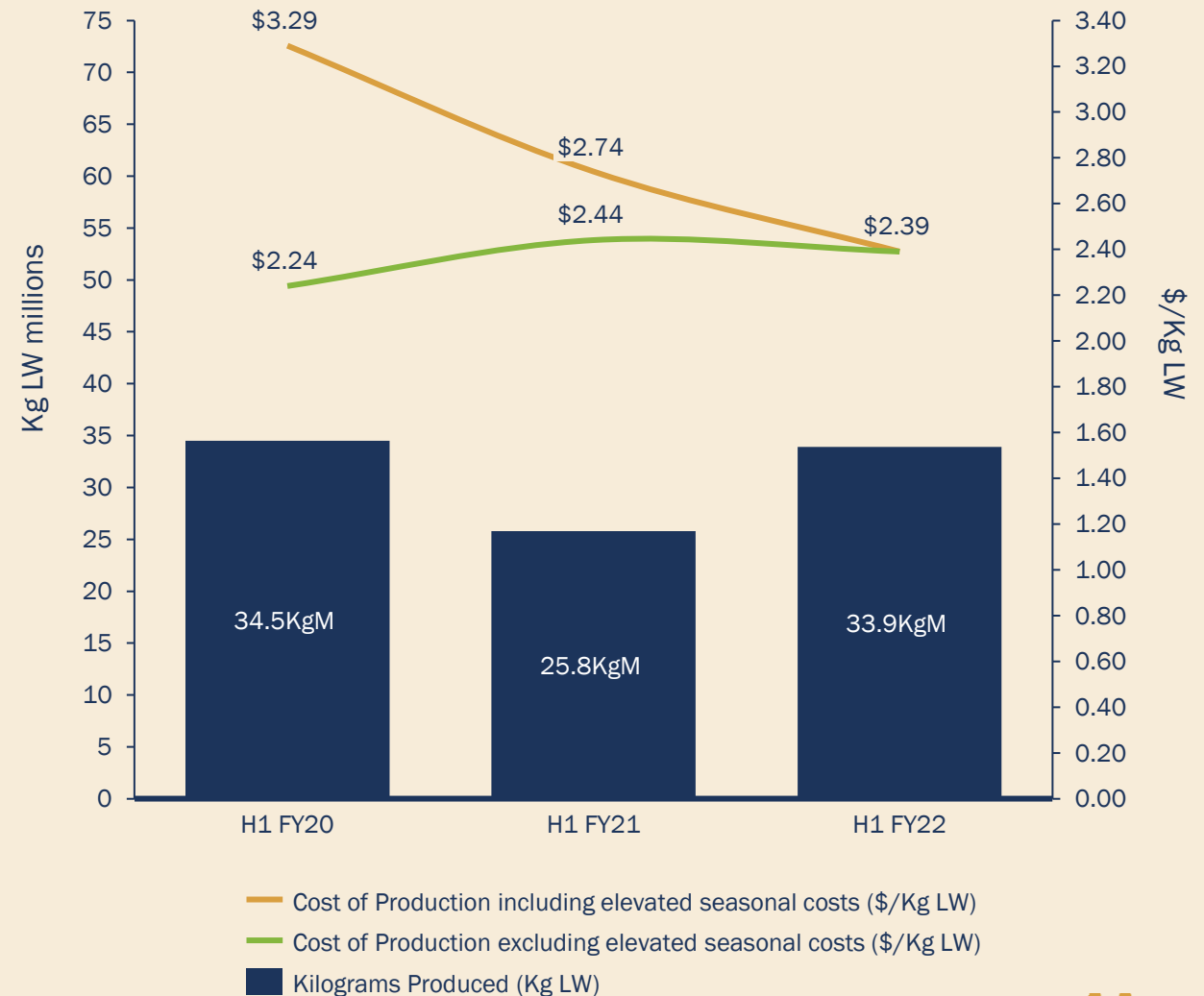
Kilograms produced have increased by 31% vs pcp off the back of higher brandings during the period.

Increased breeding kilograms produced have had a positive impact on cost of production due to proportion of fixed cost base in this part of the business.

Indicative cost build and timeline of internally produced Wagyu-F1 terminal animal



Cost of production vs kilograms produced



Operating Profit *Waterfall*

Improved sales margins driving positive operating profit of \$30.0M vs \$23.5M pcp.



1. Favourable sales margins off the back of higher \$/Kg across meat and cattle sales, as well as lower net attrition. This was achieved despite an unfavourable foreign exchange variance of \$6.9M vs pcp.
2. \$4.6M variance in foreign exchange gains and losses, primarily due to hedging activities.

Profit & Loss *Summary*

Improved sales margins driving positive operating profit of \$30.0M vs \$23.5M¹ pcp.

- H1 FY22 meat sales revenue in line with pcp supported by improved price realisation of 9%, offset by lower volumes of 8%.
- Average increase in cattle sales pricing of 19%, offset by lower head sold vs pcp.

Record Australian cattle market prices supporting positive unrealised mark to market adjustment of \$87.0M to the value of the underlying herd, driving:

- Statutory EBITDA of \$137.0M vs \$15.0M¹ pcp.
- Net profit after tax of \$83.2M vs (\$1.7M)¹ pcp.

Note 1: H1FY21 includes \$6.7M relating to JobKeeper.

Profit and Loss Summary (\$M)	H1FY22	H1FY21	CY v PY
Meat Sales	102.9	102.9	-
Cattle Sales	40.5	41.1	(0.6)
Total Sales Revenue	143.4	144.0	(0.6)
Cost of Goods Sold valued "at cost"	(96.9)	(104.1)	7.2
Gross Margin	46.5	39.9	6.6
Operating Profit	30.0	23.5¹	6.5

Statutory Profit/(Loss) Reconciliation (\$M)	H1FY22	H1FY21	CY v PY
Operating Profit	30.0	23.5¹	6.5
Unrealised mark-to-market of herd	87.0	(10.0)	97.0
Cost vs Fair Value: Kgs sold or produced	19.3	1.7	17.6
Other income / (expense)	0.7	(0.2)	0.9
Statutory EBITDA (FV basis)	137.0	15.0¹	122.0
Depreciation and amortisation	(9.7)	(9.5)	(0.2)
Other income / (expenses)	-	(0.4)	0.4
Statutory EBIT	127.3	5.1¹	122.2
Finance costs	(7.4)	(7.2)	(0.2)
Income tax benefit / (expense)	(36.7)	0.4	(37.1)
Net Profit / (Loss) After Tax	83.2	(1.7)¹	84.9

Cash Flow *Summary*

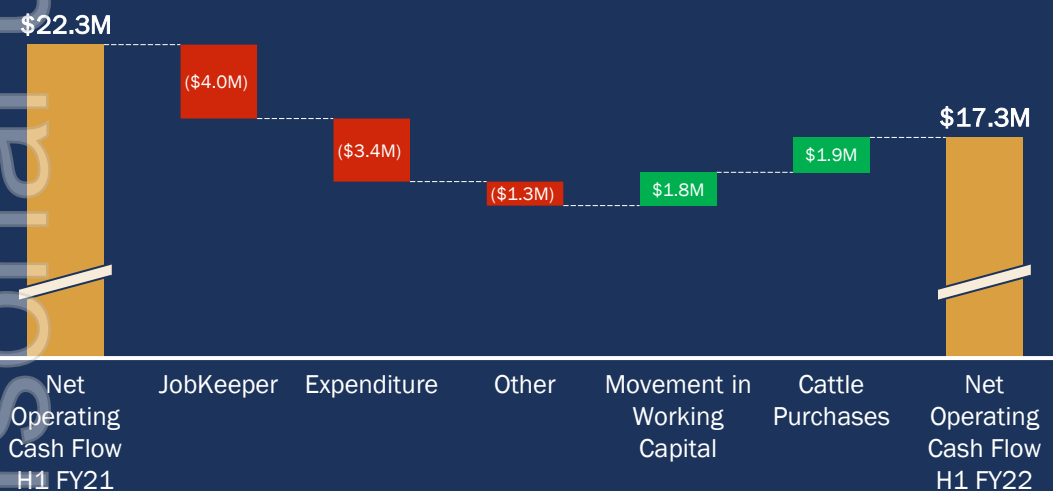
Positive operating cash flow of \$17.3M vs \$22.3M pcp.

Lower net operating cash flow vs pcp driven primarily by:

- JobKeeper cash receipts in pcp of \$4M.
- Offset by lower cattle purchases and favourable working capital movements.

Net financing cash flow reduction of \$14.1M reflects cash management strategies to optimise finance costs. This does not impact on total available borrowing capacity.

Net Operating Cash Flow vs pcp



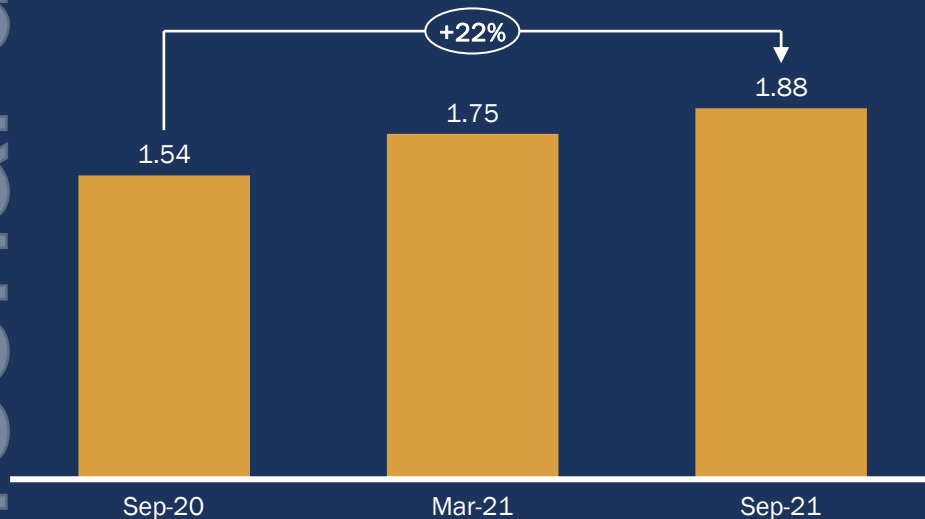
Consolidated Statement of Cash Flows (\$M)	H1FY22	H1FY21	CY v PY
Receipts from Customers	151.6	152.5	(0.9)
Payments to Suppliers and Employees	(125.8)	(122.6)	(3.2)
Net Financing Costs	(8.5)	(7.6)	(0.9)
Net Operating Cash Flow	17.3	22.3	(5.0)
Net Investing Cash Flow	(3.2)	(2.5)	(0.7)
Net Financing Cash Flow	(9.7)	(23.8)	14.1
Net Increase / (Decrease) in Cash	4.4	(4.0)	8.4
Opening Cash Balance	8.9	18.2	(9.3)
Closing Cash Balance	13.3	14.2	(0.9)

Balance Sheet *Summary*

Financial position strengthens with net assets now exceeding \$1.1B and NTA of \$1.88/Share.

- Successful refinance of existing Club Debt Facilities.
 - Total committed facility capacity increased to \$600M.
 - Approximately \$240M available borrowing capacity.
 - Significant headroom under existing covenants.
- Gearing ratio pre AASB 16 of 24.8% in line with targeted ratio 20-35%.
- ROCE 2.1% vs 1.9% FY21.

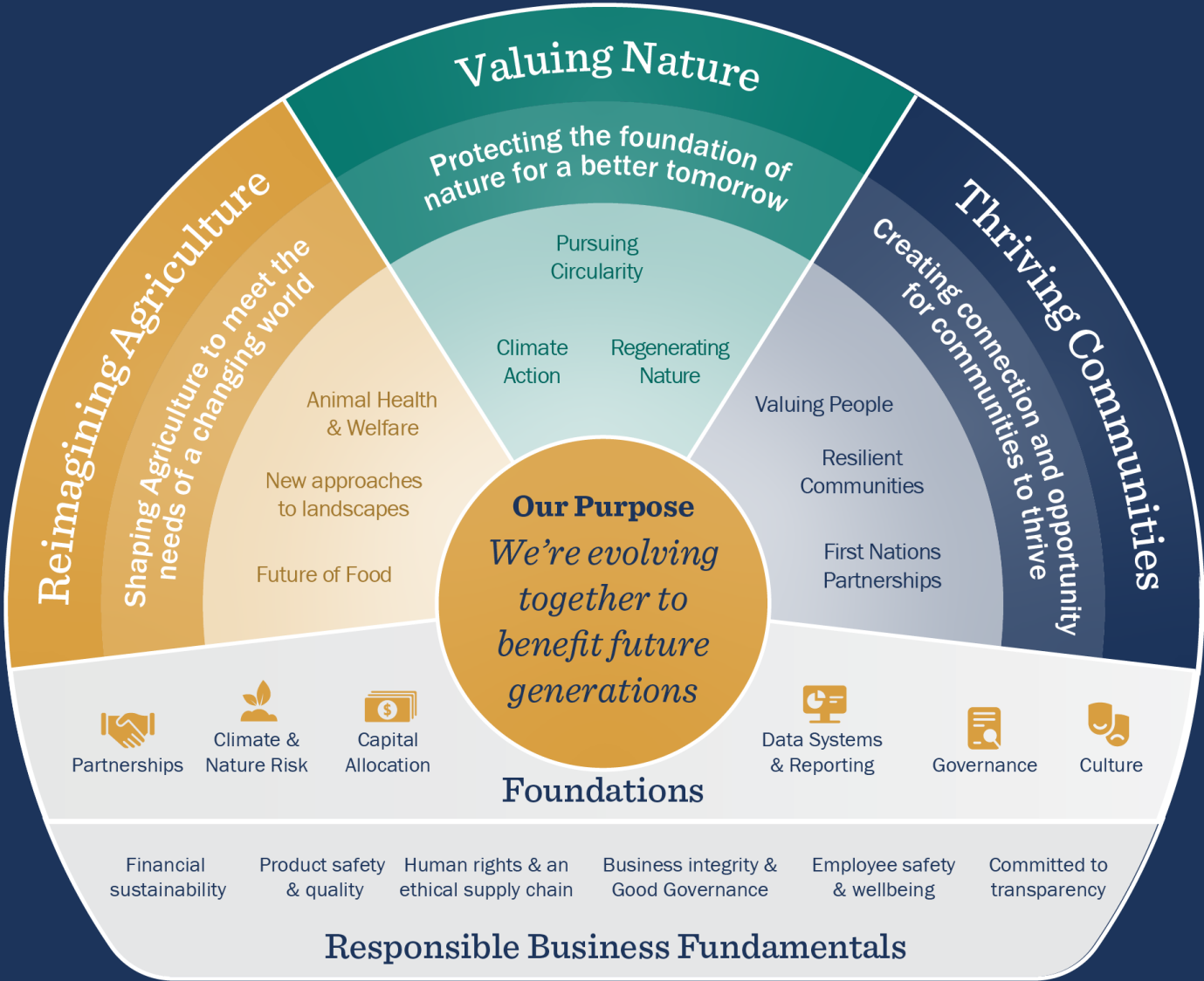
Net Tangible Assets \$/share



Consolidated Statement of Financial Position (\$M)	Sep-21	Mar-21
Livestock	653.0	537.4
PPE & Intangibles	982.6	978.8
Right-of-Use Assets	23.2	21.6
Other Assets	50.6	47.8
Total Assets	1,709.4	1,585.6
Interest-Bearing Liabilities	367.9	369.0
Lease Liabilities	24.0	22.2
Deferred Tax Liability	156.4	118.8
Other Liabilities	34.2	31.0
Total Liabilities	582.5	541.0
Net Assets	1,126.9	1,044.6
<i>Gearing ratio post AASB 16¹</i>	25.3%	26.9%
<i>Gearing ratio pre AASB 16¹</i>	24.8%	25.7%
<i>Net Tangible Assets (\$/Share)</i>	\$1.88	\$1.75

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 half-year ended 30 September 2021 for further detail on AASB 16.

Sustainability Strategy *Framework*



Operating Environment

Global Beef Market*

Global demand outweighs supply

Strong global demand for beef supported by continued shortages of protein supply in Asia, and a resurgent demand seen in many developed markets.

China pork production is estimated to contract further in 2022 and beef imports to grow for the eighth consecutive year in a row.

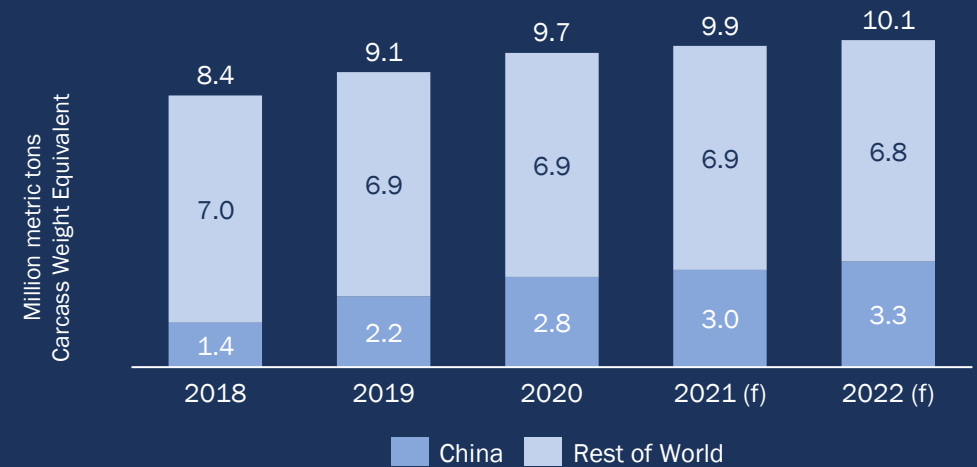
Beef export supply has been restricted from key players including Australia, Argentina and Brazil.

The US herd rebuild appears to have peaked, with drought fuelling a current liquidation of the cow herd, mitigating some of the shortfall of imported lean beef supplies from Australia and New Zealand.

USA beef production is forecasted to be down 3% in 2022 as tighter cattle supplies weigh on slaughter, constraining exports which are expected to decrease by 4% in the same year.

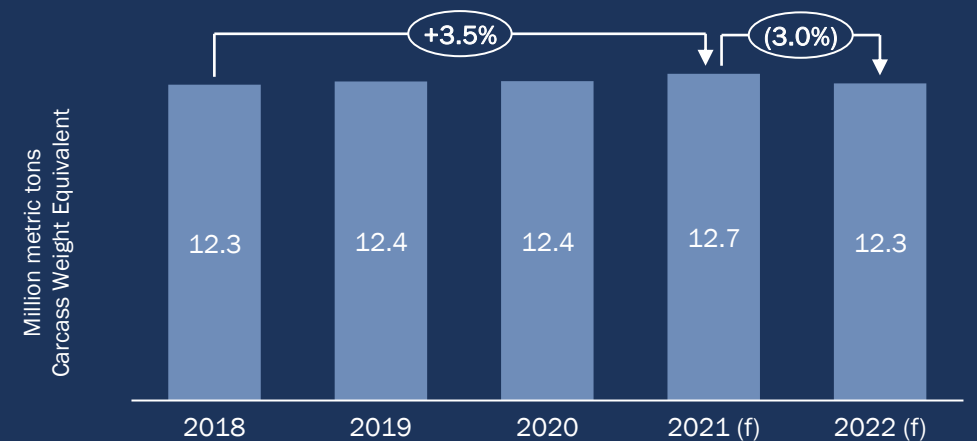
*Comments on this slide are attributed to the following sources: USDA-FAS-PSD Livestock and Poultry: World Markets and Trade October 21, MLA Cattle Industry projections 2021 – Australian cattle – October update.

Total Beef Imports by calendar year



Source: USDA-FAS-PSD Livestock and Poultry: World Markets and Trade October 21

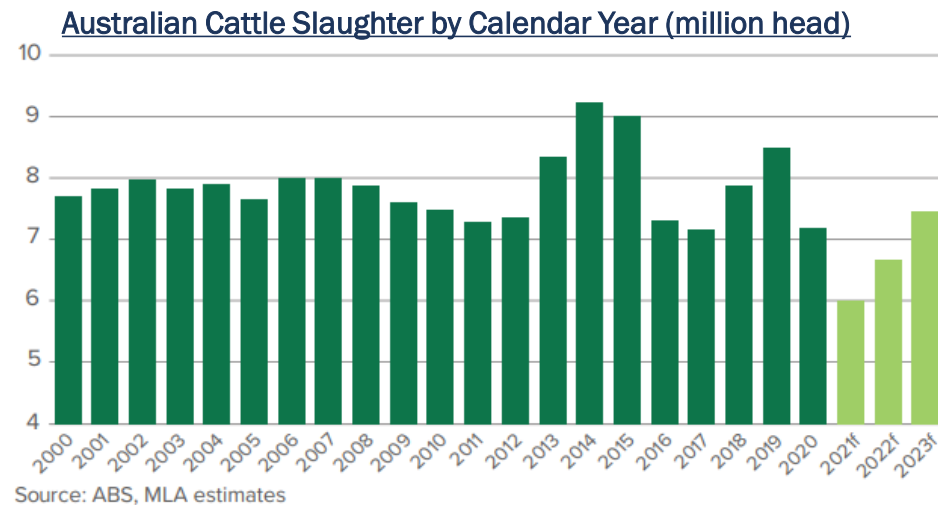
USA Beef Production by calendar year



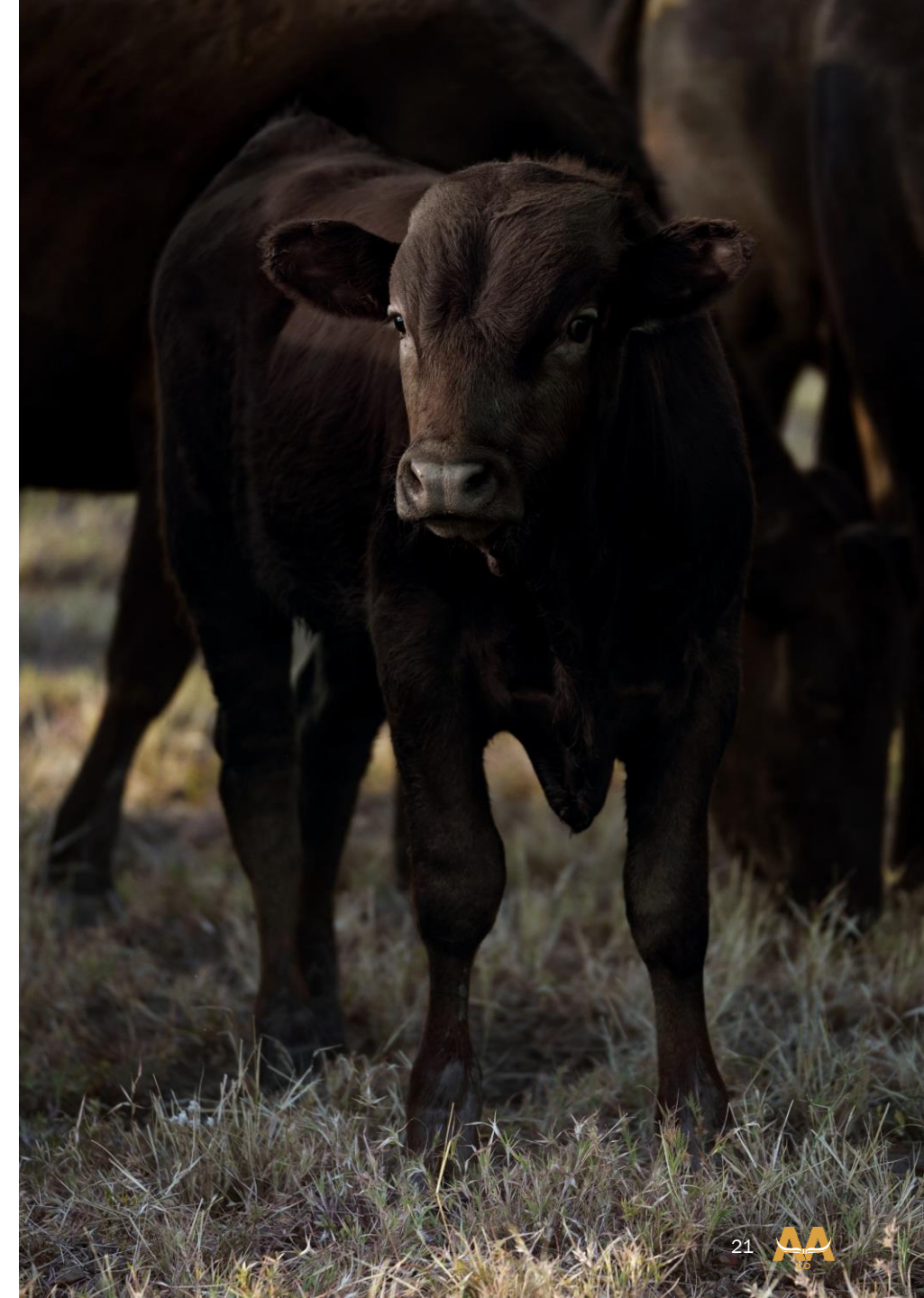
Source: USDA-FAS-PSD Livestock and Poultry: World Markets and Trade October 21

Australian cattle industry outlook*

- Positive conditions encouraging producers to retain stock for breeding purposes, supporting the start of a National herd rebuild from the 25 year lows experienced in 2020.
- High demand for cattle in a low supply environment has driven strong pricing across all classes, with the EYCI breaking through the historical AUC 1000/Kg in July 2021.
- Ongoing supply constraints have seen MLA revise their forecast National slaughter rates to 6 million head for 2021, 16% down on 2020 and the lowest level seen in 36 years.
- Slaughter rates only expected to return to levels exceeding 2020 in 2023.



*Comments on this slide are attributed to the following sources: MLA Cattle Industry projections 2021 – Australian cattle – November update.



Closing Remarks





Questions



Appendix

Definitions

Term	Definition
Cost of Goods Sold (COGS) valued “at cost”	Represents the actual production cost the Company incurred over the multi-year timeline required to produce the meat and cattle that was sold during the period. This is in contrast to Cost of Goods Sold as presented in the statutory financial statements which instead uses the fair value (less costs to sell) of the cattle sold live or used in the production of sold meat. As Fair Value is a market-based measurement and is not entity-specific, Management believe that profit measures using actual costs incurred to calculate COGS, more accurately reflect entity performance than profit measures which use Fair Value to determine COGS.
Cost of Production	Total production costs incurred during the period throughout the breeding, backgrounding and feedlot operations of the Company, divided by the number of total live weight kilograms of cattle produced during the period.
Operating Profit	The measure of Operating Profit is a key indicator which is used to monitor and manage the Company and represents an adjusted statutory EBITDA. Operating profit differs from Statutory EBITDA in that it excludes unrealised mark-to-market movements in the value of the herd. Additionally, it calculates Cost of Goods sold ‘at cost’ rather than using fair value, as required in Statutory EBITDA.
Fair Value	Fair value, as defined by AASB 13 Fair Value Measurement, is an accounting measurement which represents the amount that would be received to sell an asset in an orderly transaction.
Fair value changes in Livestock	Fair value changes in Livestock (less costs to sell) occur through changes in market pricing and quantity or composition changes in the herd due to growth, attrition, natural increase, beef transfers, purchases or sales. All changes to the livestock balance are recorded as fair-value gains or losses in the statutory statement of profit or loss in accordance with AASB 141 Biological Assets and AASB 13 Fair Value Measurement, and can represent both realised (in the case of quantity movements) and unrealised gains/losses (in the case of market price movements).
Unrealised mark-to-market of herd	Represents only the market price component of fair value changes of livestock. This value is calculated by referencing the change in market pricing from the close of the previous period, 31 March, to the close of the reported period, 30 September. This price difference is then applied against the quantities represented in the closing herd. This solely represents the impacts of changes in market prices on the value of the closing herd and is therefore an unrealised gain or loss. Fair value changes driven by changes in the herd size and composition, are not included in this number.
Cost vs Fair Value: Kgs sold or produced	Represents the difference between meat and cattle COGS, as well as attrition measured at Fair Value vs actual cost to produce.
Statutory EBITDA	Statutory EBITDA is unaudited, non-IFRS financial information and represents earnings before interest, tax, depreciation and amortisation, and gain/loss on equity investments.
LTIFR	Lost Time Injury Frequency Rate determined as the number of lost time injuries in a defined period, times by the total number of hours worked in the same period, per 1 million hours worked.
KgLW	Kilograms Live Weight
KgCW	Kilograms Carton Weight
PCP	Prior Comparative Period
NTA	Net Tangible Assets

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