



# ASX Release

21 August 2020

## Inghams Group Limited Full Year 2020 Financial Results

Inghams Group Limited (ASX: ING, Ingham's), Australia and New Zealand's largest integrated poultry producer today announced its financial results for the year ended 27 June 2020.

### A resilient result despite interrupted momentum from COVID-19 challenges

Result is consistent with our May Business Update reflecting uncertain trading conditions and challenges in our supply chain and operations. Following a difficult Q1 performance, positive operating momentum was delivered through Q2 and Q3. This progress was interrupted by a decline in Q4 poultry demand caused by COVID-19 restrictions across customer channels, including a Level 4 restriction period for 5 weeks in New Zealand.

Inghams Group Limited CEO and Managing Director Jim Leighton said, "Having worked hard to rebuild our operating cadence through the first half of the year, we continued that progress into the third quarter. The COVID-19 pandemic brought significant challenges to the Australian and New Zealand poultry markets and to our supply chain and operations. Today's results demonstrate resilience but not immunity from these challenges."

### FINANCIAL RESULTS

	FY20	Variance To PCP		Var %
Group Core Poultry Volume	428.7kt	13.8	▲	3.3
Statutory EBITDA	\$387.8M	145.6	▲	60.1
Underlying EBITDA pre AASB16	\$179.7M	(28.9)	▼	(13.9)
Statutory NPAT	\$40.1M	(86.1)	▼	(68.2)
Underlying NPAT pre AASB16	\$78.8M	(24.4)	▼	(23.6)
Full Year Dividend	14.0cps	(5.5)	▼	(28.2)
Leverage (underlying)	1.8x	(0.5)	▼	(38.5)

### KEY HIGHLIGHTS

- Following a difficult Q1, positive operating momentum delivered through Q2 and Q3 was interrupted by a decline in poultry demand in Q4 which created industry over-supply in Australia and New Zealand
- Group core poultry volume increased 3.3% year on year despite 2H volumes falling below 1H due to COVID-19 disruption



- Australian core poultry year on year growth of 4.3% was offset by a 2% decline in New Zealand core poultry volumes largely attributable to the Level 4 restrictions
- Adoption of the new lease standard AASB16 had a significant impact on statutory results with Statutory EBITDA of \$387.8m including a positive benefit of \$229.6m and Statutory NPAT of \$40.1m reflecting a negative impact of \$23.7m
- Underlying Group EBITDA pre AASB16 decreased 13.8% to \$179.7m. Underlying NPAT pre AASB16 decreased 23.6% to \$78.8m. These declines reflect the significant financial impact of previously disclosed Further Processing Network issues in 1H, and COVID-19 disruption impacting Q4.
- The transition to AASB16 resulted in the recognition of right-of-use assets of \$1.429b and lease liabilities of \$1.472b on the balance sheet at year end
- Cash conversion pre AASB16 of 98.4% reflects good cash collection despite inventory build that negatively impacted working capital
- Net debt of \$314.7m increased \$50.9m as a result of higher inventory levels mainly due to COVID-19, and significant capital project spend
- Realised feed cost remained elevated due to tight domestic wheat supply and inflation of key imported ingredients

Jim Leighton added “The Ingham’s team has performed exceptionally well in managing through the increased cost, complexity and volatility that COVID-19 has imposed on our business. We introduced measures to minimise the potential impacts of the coronavirus on our people whilst mitigating disruption to our supply chain. We have also worked collaboratively with our customers, and our operations have quickly responded to changing demand requirements to ensure supply continuity of our high quality products during this period of considerable stress and uncertainty.”

## **DIVIDENDS**

The Board declared a final fully franked dividend of 6.7 cents per share (record date 16 September 2020, payment date 7 October 2020). Total dividends declared for the year are 14 cents (fully franked) per share which represents a payout ratio of 66% which is within the company’s dividend policy of 60-70% of underlying NPAT pre AASB16.

## **OUTLOOK**

Poultry continues to show resilience as a preferred protein, with consistency of supply and attractive pricing. However, conditions remain uncertain as Government restrictions in Australia and New Zealand continue to impact consumption of poultry products.

Market supply may be impacted by COVID-19 restrictions resulting in reduced capacity or closures in poultry processing plants. Our diversified network ensures that we are well positioned to maintain supply as circumstances develop. Since year end we have completed a ten day closure of our Thomastown Further Processing Facility due to COVID-19. Our Victorian operations are currently operating with a reduced workforce as mandated by Victorian Government policy.

Ingham’s remains focused on our cost base and productivity across our supply chain and maintaining industry leading food safety and quality, people safety and the highest standards of animal welfare.



## APPENDIX

### Reconciliation of FY2020 underlying EBITDA pre AASB16 to Statutory EBITDA

\$ millions	FY20	FY19	Var	%
<b>Statutory EBITDA</b>	<b>387.8</b>	<b>242.2</b>	<b>145.6</b>	<b>60.1</b>
Impact AASB16	(229.6)	-		
(Profit) / Loss on sale of assets	(0.4)	(49.7)		
Impairment of assets	20.3	-		
Restructuring	1.6	18.3		
Mitavite trading	-	(2.2)		
<b>Underlying EBITDA pre AASB16</b>	<b>179.7</b>	<b>208.6</b>	<b>(28.9)</b>	<b>(13.9)</b>

### Reconciliation of FY2020 underlying NPAT pre AASB16 to Statutory NPAT

\$ millions	FY20	FY19	Var	%
<b>Statutory NPAT</b>	<b>40.1</b>	<b>126.2</b>	<b>(86.1)</b>	<b>(68.2)</b>
Impact AASB16	23.7	-		
(Profit) / Loss on sale of assets	(0.3)	(34.9)		
Impairment of assets	14.2	-		
Restructuring	1.1	12.8		
Mitavite trading	-	(1.5)		
Finance exit costs	-	0.6		
<b>Underlying NPAT pre AASB16</b>	<b>78.8</b>	<b>103.2</b>	<b>(24.4)</b>	<b>(23.6)</b>

This announcement has been authorised by the Inghams Group Board.

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Company Secretary

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