

AUSTRALIAN AGRICULTURAL COMPANY LIMITED

Financial Results Presentation for the Half Year ended 30 Sept 2015



Jason Strong
Managing Director

25 November 2015



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Summary information only

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H1 FY16 Highlights¹

Safety

- Improvement in LTIFR by > 40%.
- Ongoing focus and a critical component of our approach

Financial

- 71% (\$107.2 million) increase in total sales
- Operating EBITDA² of \$11.5 million compared to a loss of \$8.2 million
- Statutory EBITDA² of \$92.1million compared to a loss of \$4.5 million
- 95% improvement in Net Operating Cash Flow

Operational

- 114% (13.7 million kg CW) increase in total meat & by-product sales volumes
- Wagyu meat & by-product sales prices increased 6%
- Shortfed/Other meat & by-product sales prices increased 10%
- Northern Beef made a positive contribution to Consolidated Operating EBITDA
- 190% increase in net transfers of cattle from Grassfed to Grainfed & Northern Beef

Strategy

- AACo's objective remains clear: a fully integrated branded beef business
- The strategy is now focussed on further increasing operating margin by:
 - Implementing a differentiated branding strategy
 - Investing in innovation and technology
 - Optimising our supply chains

1. Compared to the prior corresponding period (H1 FY15)

2. Operating EBITDA assumes all balance sheet inventory movements occur at a pre-defined standard price, in contrast to Statutory EBITDA which recognises unrealised movements in inventory at market price. For a full explanation of this measure refer to Section 5 of the Operating Financial Overview in AACo's 31 March 2015 Annual Report.



Strategy Update - Proof of Execution



	Before H1 FY14		PCP H1 FY15		Now H1 FY16
Total sales revenue (\$m)	177	→	151	→	258
Meat ¹ sales as a % of revenue	47%	→	76%	→	84%
Net internal transfers of cattle from Grassfed to Grainfed / Northern Beef (mil kg LW)	12	→	8	→	24
Grassfed cow breeding herd (‘000 head)	168	→	178	→	173
Average age of Grassfed cow breeding herd (years)	~7	→	~7	→	~6



1. Meat includes red meat, by-products and offal.

OUR VISION, OUR PROMISE, OUR GOALS

VISION To be trusted globally as producers of the finest quality Australian beef.

PROMISE To share the Australian experience.

GOALS

Organisational
alignment



Build an
authentic
Australian
brand



Secure
processing
capacity



Enhance cattle
procurement
capabilities
and strategies



Optimise
production
activities



Exploit our
know-how
and genetics



Safety
underpins
everything we
do



Agenda

1. H1 FY16 Results
2. Operations Update
 - 2.1 Safety
 - 2.2 Sales and Processing
 - 2.3 Production and Sourcing
3. Strategy Update
4. Recent Industry Awards
5. Appendix



1.1 H1 FY16 Group Results

\$M	H1 FY16	H1 FY15	Variance
Meat & By-product Sales	217.6	115.5	102.1
Live Cattle Sales	36.4	28.2	8.2
Crop Sales	4.2	7.3	(3.1)
Total Sales Revenue	258.2	151.0	107.2
Operating EBITDA ¹	11.5	(8.2)	19.7
Statutory EBITDA ¹	92.1	(4.5)	96.6
Net Operating Cash Flow	(3.0)	(55.3)	52.3

The improvement in H1 FY16 is driven by:

- Increased meat & by-product sales volumes and prices and stronger live cattle sales
- Increased throughput at the Livingstone Beef Facility
- Internal supply of cattle increasingly replacing external purchases



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1.1 H1 FY16 Group Results (cont.)

Cash flow summary

\$M	H1 FY16	H1 FY15	Variance
Cash from operations	7	(52)	59
Net finance costs	(10)	(4)	(6)
Net cash (outflow) from investing activities	(10)	(52)	42
Net proceeds from borrowings	15	50	(35)
Net increase / (decrease) in cash	2	(58)	60

The significant improvement in cash from operations in H1 FY16 is driven by:

- Positive increase of \$19m in operating EBITDA
- Reduction in working capital requirements of \$39m



1.1 H1 FY16 Group Results (cont.)

Balance sheet summary

\$M	30-Sept-15	31-Mar-15	Variance
Biological assets – Livestock	550	465	85
Trade and other receivables	30	30	-
Inventories and consumables	38	37	1
PPE & Intangibles	667	668	(1)
Trade & other payables	(36)	(34)	(2)
Net debt	(371)	(356)	(15)
Other liabilities	(69)	(49)	(20)

- A net increase in livestock inventory of \$85m as a result of the uplift in market valuation of AACo's herd.
- A \$15m increase in net debt used to fund working capital and feedlot cattle supply
- Days working capital has decreased 47 days



1.2 H1 FY16 Segment Results

Operating EBITDA ¹ (\$M)	H1 FY16	H1 FY15	Variance
Grainfed	2.7	5.1	(2.4)
Grassfed	16.9	0.3	16.6
Northern Beef	1.3	(3.0)	4.3
Corporate	(9.3)	(10.6)	1.3
Group	11.5	(8.2)	19.6

- Despite increased sales volumes and prices, the Grainfed division was impacted by higher volumes of lighter cattle inducted from the Grassfed division, at higher transfer prices and rising prices paid for external feeder cattle
- Conversely, the Grassfed division significantly benefited from higher internal transfer and external sale prices
- Throughput at Livingstone Beef is continuing to increase and conversion costs have steadily decreased through the period



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2.1 Operations Update - Safety



- Improvement in LTIFR by >40%
- However, management remains focused on continued improvement.
- The 'Leading Safety' Management Capability Training Program continues to be rolled out across the company.
- The program aims to further enhance the safety culture in the organisation and to increase the understanding and skills of leaders in driving behavioural change.



2.2 Operations Update – Sales and Processing



Key metrics	UoM	H1 FY16	H1 FY15	Variance
Wagyu Meat & By-product Sales	\$/kg CW	12.88	12.18	6%
	mil kg CW	6.7	5.5	21%
Shortfed/Other Meat & By-product Sales	\$/kg CW	8.18	7.43	10%
	mil kg CW	11.7	6.5	80%
Northern Beef Meat & By-product Sales	\$/kg CW	4.72	n/a	n/a
	mil kg CW	7.3	n/a	n/a
External Live Cattle Sales	\$/kg LW	2.43	1.86	31%
	mil kg LW	14.9	15.2	(1%)

- Sales prices of Wagyu and Shortfed/Other red meat are higher H1 FY16 vs pcp.
- Volume of meat sold is higher H1 FY16 vs pcp.
- Northern Beef sales volumes continue to increase.
- External live cattle sales prices increased by more than 30% on the back of rising live cattle prices in domestic and export markets.

Note:

Kg CW: kilograms of carton weight containing saleable boxed meat

Kg LW: kilograms of weight on a live animal





2.3 Operations Update – Production and Sourcing – Grainfed

Key metrics	UoM	H1 FY16	H1 FY15	Variance
Gross processing cost	\$/kg HSCW	1.21	1.13	7%
Cost of Production	\$/kg LW	3.45	3.50	(1%)
Kilograms produced	mil kg LW	18.1	12.2	48%
Finished cattle purchases	\$/kg HSCW	5.15	4.22	22%
	mil kg HSCW	7.1	6.2	15%
Store Cattle Purchases	\$/kg LW	3.18	2.53	26%
	mil kg LW	1.6	9.6	(83%)

- Kilograms produced increased by nearly 50% at a lower cost of production
- Finished cattle purchases as a proportion of meat & by-product sales have fallen from 54% to 28%
- Increased transfers from the Grassfed segment helped protect the operating margin from increased finished and store cattle prices.

Note: Kg CW: kilograms of carton weight containing saleable boxed meat
Kg LW: kilograms of weight on a live animal
Kg HSCW: hot standard carcase weight in kilograms



2.3 Operations Update – Production and Sourcing (cont.)

Northern Beef & Grassfed



	Key metrics	UoM	H1 FY16	H1 FY15	Variance
Northern Beef	Finished Cattle Purchases	\$/kg LW	1.60	n/a	n/a
		mil kg LW	9.2	n/a	n/a
Grassfed	Cost of Production	\$/kg LW	1.87	1.36	37%
	Kilograms produced	mil kg LW	21.9	29.2	(25%)
	Store Cattle Purchases	\$/kg LW	1.81	1.27	43%
		mil kg LW	1.8	14.8	(88%)

- Livingstone Beef processing costs are declining as throughput increases and operations are optimised
- Grassfed store cattle purchases decreased as the company focuses on lifting the productivity of its existing herd
- Grassfed cost of production increased due to additional transport and logistics costs from increased transfers of cattle into Grainfed
- Kilograms produced is lower due to transferring younger, lighter feeder cattle to the grain vertical and below average seasonal conditions



Note: Kg CW: kilograms of carton weight containing saleable boxed meat
Kg LW: kilograms of weight on a live animal

3. Strategy Update

Now that AACo is a vertically-integrated business, the focus is shifting towards further increasing operating margins and returns by adapting our activities to deliver increased scale and improvements in productivity and efficiency

➤ Centred around driving three interlinked strategic levers:

1. Product Branding



- Implementing a differentiated branding strategy

2. Innovation and Technology



- Leveraging opportunities in genetics and technology

3. Supply chain optimisation



- Developing world-class supply chains that are highly value creative



3. Strategy Update (cont.)



Implementing a differentiated branding strategy

Background

- Our traceable supply, sustainable practices and our unique heritage means that our boxed beef products can occupy a unique position in global food markets
- Furthermore, our involvement throughout the supply chain gives our brands an authenticity, which is difficult for other participants to replicate

Next Steps

- Pre-launch phase of the branding project will commence in early FY17 and frame a 5 year investment program to execute AACo's branding strategy.



3. Strategy Update (cont.)

Innovation & Technology

Background

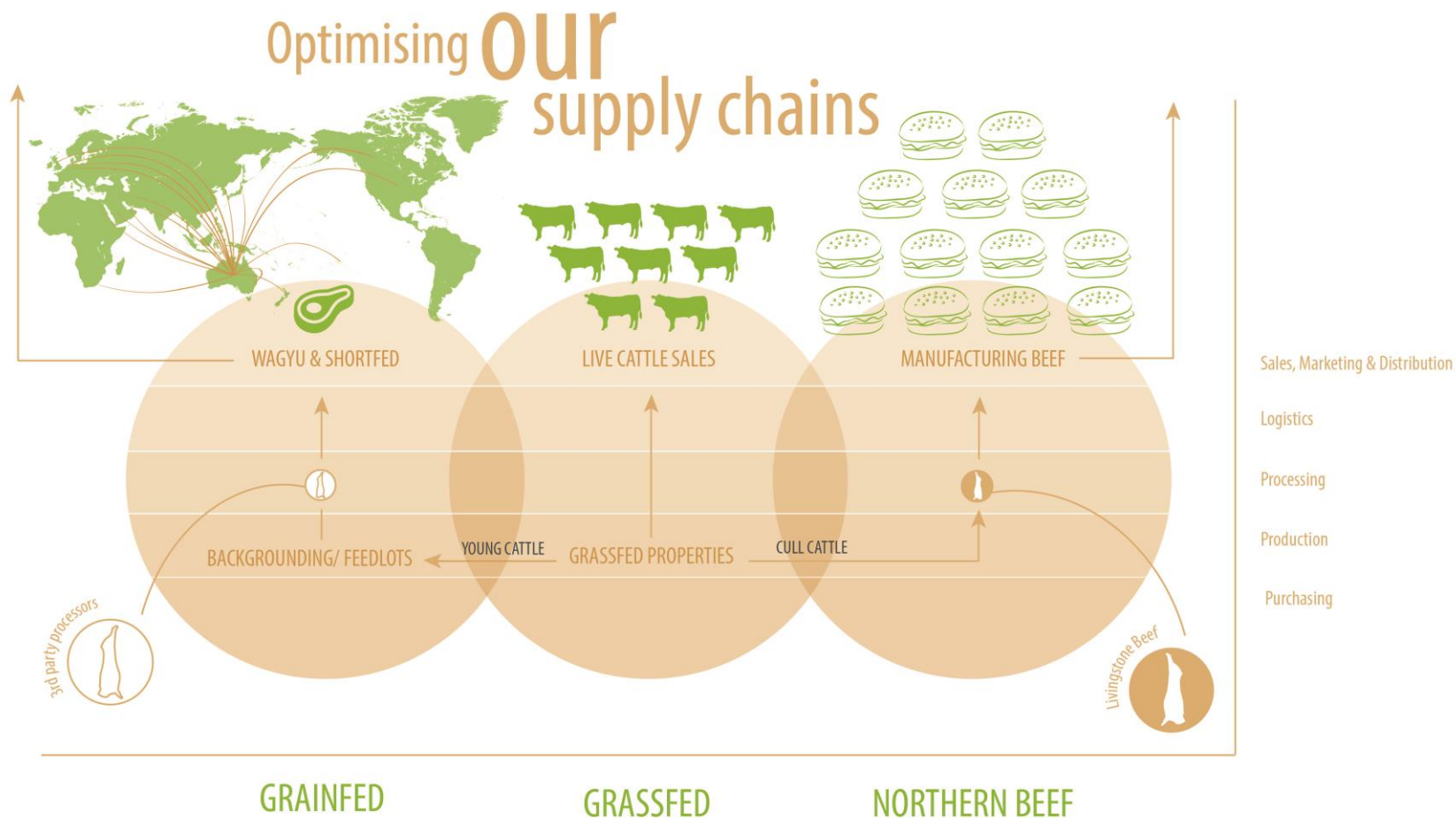
- With its vertically-integrated and large-scale supply chains, AACo has the unique ability to collect and analyse data, which when combined with the latest technology, can be leveraged to aid decision making and improve results.
- AACo is focused on unlocking step changes in productivity from the disciplined execution of innovation and technology strategies.

Next Steps

- Continue to invest significant resources into projects to optimise production and carrying capacity, and improve AACo's ability to predict and influence supply
- Enterprise Resource Planning System
 - The system provides a much clearer and robust view of our supply chains and will allow us to improve operational and financial performance.
 - Following “go-live”, the system is being rolled out across the company



3. Strategy Update (cont.)



4. Other matters – Recent Industry Awards

AACo Wagyu: Recognised as Australia's Best Beef

2015 has been a highly successful year for AACo's Wagyu beef brands, winning numerous medals across the country in branded beef competitions.

AACo was recognised as a finalist for the Royal Agricultural Society's President's Medal – the country's most prestigious agricultural award recognizing excellence in agricultural production. AACo was the only beef producer shortlisted as one of six finalists, from initial entries of over 5,000 products.

- World Steak Challenge – **Gold Medal**
- Royal Queensland Food and Wine Show – **Gold Medal**
- Royal Queensland Food and Wine Show – **Grand Champion Beef Brand**
- World Wagyu Forum Branded Beef Awards Crossbred Wagyu Class – **Silver Medal**
- Royal Melbourne Fine Food Awards – **Silver Medal**
- Royal Agricultural Society of NSW – **President's Medal Finalist**
- Sydney Royal Fine Food Show – **Silver Medal**



4. Other matters – Recent Industry Awards (cont.)

AACo's full blood and pure blood Wagyu beef has also received a number of awards this year.

- World Wagyu Forum Branded Beef Awards Fullblood Class – **Gold Medal**
- World Wagyu Forum Branded Beef Awards Fullblood Class – **Grand Champion Beef Brand**
- Royal Melbourne Fine Food Awards – **Gold Medal**
- Royal Queensland Food and Wine Show – **Silver Medal**
- Sydney Royal Fine Food Show – **Gold Medal**

It cements the world-class reputation of AACo's premium purebred Wagyu beef.

AACo's premium purebred Wagyu beef is one of the most sought-after and highest-quality beef brands in the world, with a minimum marbling score of nine.



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Questions

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5.1 Appendix – AACo Group Overview

Nature of Operations and Principal Activities

- The principal activities are:
 - Sales and marketing of boxed beef and cattle;
 - Production of beef including breeding, backgrounding, feedlotting and processing of cattle; and
 - Ownership, operation and development of grazing and farming properties.
- AACo owns and operates a strategic balance of properties, feedlots and farms comprising around 7 million hectares of land in Queensland, Northern Territory and Western Australia. This equates to roughly 1% of Australia's land mass.

AACo's Business Model

- The key foundation of AACo's strategy is that value exists in the beef supply chain. However, the structure of the industry creates volatility which means this value can, and does, move rapidly to different parts of the chain as market conditions change. To reduce its exposure to this volatility, AACo have moved towards a more vertically integrated business model and sought to increase its participation in each of the beef supply chains.
- AACo's traceable supply chains, sustainable practices and unique heritage means the company's boxed beef products can demand a premium in global markets.



5.2 AACo Supply Chains

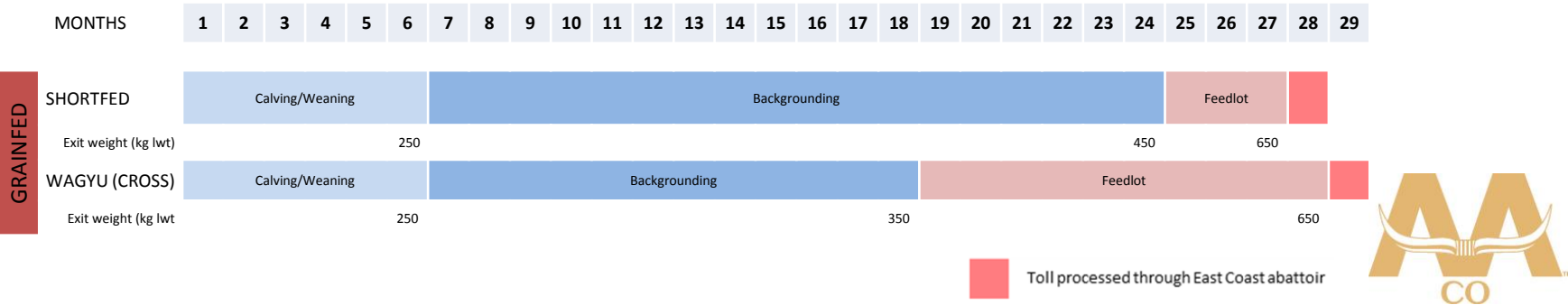
The business has been transformed to a vertically integrated beef business, focused on extracting value throughout each of the 3 key supply chains - Grainfed, Grassfed and Northern Beef.

Grainfed

Grainfed supply chain - focused on supplying premium grain finished Wagyu and shortfed beef to international customers. It consists of Central South Queensland properties, feedlots, and farming operations supplying grain to the feedlots.

The supply chain adds weight and value by backgrounding and feedlotting cattle, allowing AACo to capture additional margin and revenue. The cattle are processed through three external meat processing facilities in South East Queensland. This provides operational flexibility and market access through the varying licenses held.

Integration has resulted in increasing internal sourcing of cattle out of AACo's efficient and cost-effective Grassfed operations.

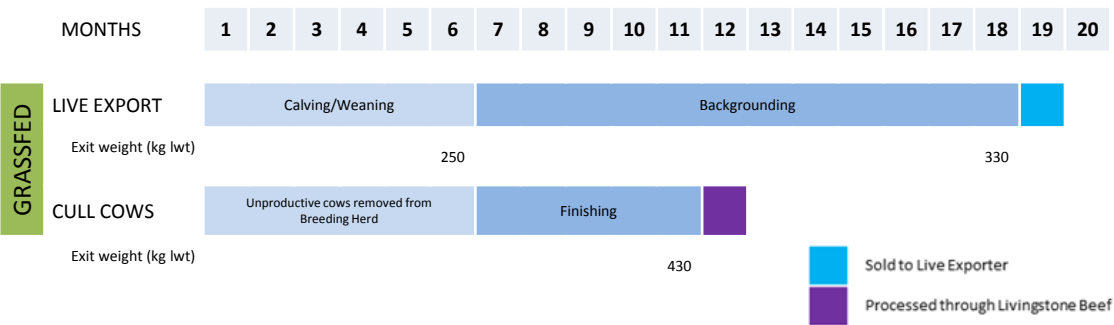


5.2 Supply Chains (cont.)

Grassfed

Grassfed supply chain - predominantly focused on supplying feeder cattle into the Grainfed operations and cull cows into Northern Beef’s Livingstone Beef Processing Facility. The Grassfed supply chain also sells live export cattle, however the volume sold has substantially reduced as we divert cattle into the Grainfed and Northern Beef supply chains for feeding and processing internally.

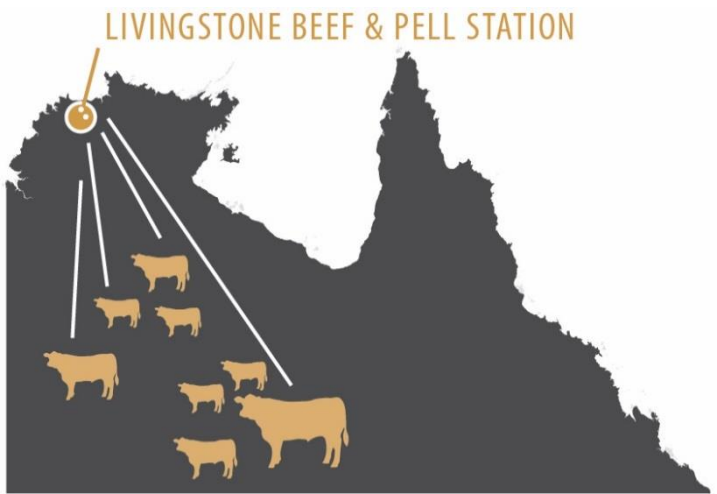
Grassfed supply chain - focused on optimising the productivity of AACo’s breeding herd and feeder cattle growth.



5.3 Supply Chains (cont.)

Northern Beef

Northern Beef - sells manufacturing meat primarily to overseas customers. Northern Beef contains the Livingstone Beef Facility and Pell Station. Pell station provides a strategic amalgamation point for cattle destined for the Livingstone Beef Facility.



5.4 Operations Map

