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ASX RELEASE

CONDITIONS STARTING TO IMPROVE FOLLOWING A CHALLENGING YEAR

Inghams Group Limited (ASX: ING, Ingham's, the Company) today announced its full year financial results for FY22.

Highlights

- **Group core poultry sales volume growth of 4.2% on the prior corresponding period (PCP)**
- **Statutory EBITDA of $370.4 million, down 16.6% and Underlying EBITDA pre AASB 16 of $135.2 million, down 35.5%**
- **Statutory NPAT of $35.1 million, a decline of 57.9% and Underlying NPAT pre AASB 16 of $57.1 million, a decline of 43.6%**
- **Good progress on achieving price increases across all channels and customers, with benefit of NZ price increases realised in FY22 and AU/NZ price increases to mainly contribute to FY23 results**
- **Net Debt of $267.3 million and leverage of 2.0 times, at the top end of the Company's target range**

Ingham's CEO and Managing Director, Andrew Reeves, said: "I am very proud of the resilience and commitment shown by our people and the way they have responded to the numerous challenges we have faced during the year. These include significant operational disruptions caused by ongoing pandemic conditions, particularly during the 3rd quarter, and the significant increase in input costs, including increases in feed and fuel costs, which have been exacerbated by the war in Ukraine.

"We are greatly encouraged by the ongoing recovery taking place across the business, with our farming and plant operations continuing their recovery to normal operating levels, shifts, and product range.

"Our core business is in good shape. Our diverse network and market leading integrated operating model provides a strong platform that has helped us navigate the significant disruptions over the past two years and positions us well for the future."

FINANCIAL RESULTS

Core poultry sales volume grew by 4.2%, against a backdrop of a challenging trading environment during the year that was dominated by disruption and increased costs caused by the effects of the COVID-19 pandemic, the war in Ukraine and floods in parts of Australia.

Statutory EBITDA declined 16.6% on PCP to $370.4 million, while Statutory NPAT was 57.9% lower at $35.1 million. Given the major operational challenges in the 3rd quarter due to Omicron, it has not been possible to recover the financial results shortfall for that quarter, hence the full year results were significantly lower than PCP.

Cash flow from operations was $372.5 million for the full year, a decline of 17.5% versus PCP, as a result of the significantly lower trading results. There was a major channel mix shift to Wholesale, resulting in channel oversupply and lower pricing mainly in the 3rd quarter, a reduction in production of value-add product lines during the 2nd half, and higher input costs which were partially offset by customer price increases achieved during the year. The channel shift to Wholesale was industry wide,

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as during the COVID-19 Omicron period SKUs were temporarily rationalised, primarily impacting products sold within the Retail channel. Encouragingly, margins in the Wholesale channel are now significantly improved. The Company recorded a cash conversion ratio of 101.9%, driven by effective working capital management.

The Company's cost of sales increased by 5.7% in FY22. Significant cost inflation has been experienced across a broad variety of inputs, in particular for feed, ingredients and transport costs, with feed costs[1] increasing by $45.4 million. COVID-19 related costs such as overtime and compliance costs were significant during the year although these have now eased substantially from their peak levels in the 3rd quarter. Farming and plant operations are being rebalanced after the Omicron disruption which impacted plant efficiency, poultry weights and numbers in the field.

In Australia, revenue increased 1.7% on PCP. This was driven by core poultry volume growth of 5.2%, offset by a 3.5% decline in net selling prices arising from the channel mix shift from Retail to Wholesale combined with a price decline in an oversupplied Wholesale channel during the 3rd quarter, and a decline in external feed revenue. The significant shift in volume to the Wholesale channel was a result of the impact of labour constraints across the Company's processing operations due to the effects of COVID-19, which resulted in a simpler range of products needing to be produced. The decline in feed revenue as a result of a 2.8% decline in feed volumes was due to an ongoing customer transition in preparation for closure of the Group's WA Feedmill.

In New Zealand, core poultry volume was 2.0% lower than PCP as COVID-related lockdowns were reintroduced, including a period at Alert Level 4, which imposed strict personal travel rules and required many businesses, with the exception of essential services, to close. Revenue increased 1.2% on PCP, with growth of 3.3% attributable to price increases applied across all channels to help offset increasing feed costs, operational challenges with Omicron in the second half, and inflationary pressures, as well as a decline in feed revenue of 10.5% due to the sale of the Hamilton Feedmill in Q3 FY21.

Key Results Summary	FY22	Variance to FY21		% Variance
Group Core Poultry Volume (kt)	465.5	18.6	▲	4.2
Statutory EBITDA ($M)	370.4	(73.5)	▼	(16.6)
Statutory NPAT ($M)	35.1	(48.2)	▼	(57.9)
Underlying EBITDA ($M)	380.8	(67.9)	▼	(15.1)
Underlying NPAT ($M)	42.4	(44.3)	▼	(51.1)
Underlying EBITDA pre AASB 16 ($M)	135.2	(74.4)	▼	(35.5)
Underlying NPAT pre AASB 16 ($M)	57.1	(44.1)	▼	(43.6)
Dividends (fully franked) (cps)	7.0	(9.5)	▼	(57.6)

BALANCE SHEET & CAPITAL MANAGEMENT

Net debt increased to $267.3 million, up 11.3% on FY21 due to the effects of the lower 2H trading results. Despite this, net debt was broadly in-line with the December 2021 balance. As a result, the Company's leverage ratio was 2.0x at 30 June, remaining at the top of the Company's target range of 1.0x – 2.0x, benefitting from good working capital management and control over capital expenditure. Total capital expenditure of $61.9 million was 6.6% lower than PCP, due to disciplined expense management, ongoing project disruptions caused COVID-19 lockdowns and delays in equipment being shipped. Capital expenditure is expected to normalise as conditions ease, with a focus on enhancing network capability and capacity.

[1] Adjusted for incremental volume sold

Consistent with the half year, Inventories increased by $55.5 million due to an increase in the value of feed materials on hand ($46.7 million) which reflects higher volumes of grain procured directly from growers during the period, delivering a benefit to the Company as compared to other sources. Poultry inventory declined by $13.1 million. In line with the growth in feed Inventories, the Company's Payables balance increased $54.9 million, partly from an increase in the inventory procurement trade payable related to the above purchase of additional feed materials.

DIVIDENDS

Due to the significantly reduced profitability in the 2H period, a final dividend of 0.5 cents per share has been declared for FY22. Including the interim dividend paid earlier this year, the total dividend is 7.0 cents per share which equates to a FY22 payout ratio of 61.6%, within the Company's policy range.

SUMMARY

The Poultry sector remains a growing sector and enjoys a significant affordability advantage over red meat alternatives, which is particularly attractive in the current inflationary environment. Against this market backdrop, Inghams' core business is well positioned, with its geographically diverse network and integrated operating model underpinning its track record of strong cash generation.

The recovery that commenced in the fourth quarter across the Company's operations and channels is continuing, albeit there are still headwinds continuing into the 1st half of FY23, including the return of farming and operations to normal performance levels, supply chain delays, on-going absenteeism and broad-based inflationary impacts together with the timing of implementation of price increases.

Global events are expected to continue to place significant upward pressure on the price of key inputs, in particular feed ingredients and transport costs, with feed in particular expected to further increase in FY23.

The Company is making significant progress on securing price increases across all channels and customers to offset ongoing feed cost and inflationary pressures.

MARKET BRIEFING

Ingham's will hold a market briefing today at 10.00am (AEDT) today, 19 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://web.lumiconnect.com/#/366788122

If you prefer to dial-in to the presentation, please use the following number: +61 3 4158 8532

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

David Matthews

Company Secretary

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