



16 November 2023

ASX/Media Announcement

AACo's branded beef strategy delivers positive results in challenging environment

- Operating Profit: \$30.1m vs \$38.3m pcp, with overall meat sales performance buffering reduced cattle prices and in-market price pressures
- Net Revenue: \$167.1m vs \$163.7m pcp, driven by increased volumes
- Operating Cash Flow: \$2.6m vs \$3.4m pcp
- Cost of production per kg decreased 5% vs pcp, despite inflationary cost pressures
- Operating profit margin: 18.0%, down 5.4 percentage points vs pcp
- Statutory Net Loss After Tax: \$105.5m vs profit of \$51.6m pcp, and Statutory EBITDA of negative \$124.9m vs positive \$92.3m pcp, due to softening cattle prices driving down the unrealised mark-to-market fair value adjustment of the herd
- NTA decrease of 8% to \$2.39 per share

FY24 First Half Overview

Australian Agricultural Company Limited (AACo)(ASX:AAC) has announced a first half operating profit of \$30.1 million, achieved despite a challenging operating environment.

While the result was down vs pcp, positive operating cash flow of \$2.6 million is in a similar range to the prior period (\$3.4m) and total revenue of \$167.1 million is up 2% vs pcp.

Revenue has now increased in each of the last three comparative periods, further demonstrating the effectiveness of the company's strategy, which focuses on selling beef under premium brands that maintain a consistently high quality, with relationships leveraged across our global commercial network to deliver positive outcomes.

This has enabled the company to withstand unfavourable market conditions, including reduced cattle prices which are now at four-year lows. Falling prices impacted statutory performance for the half, with the unrealised mark-to-market decline of \$175.5 million on our herd leading to a \$105.5 million statutory net loss after tax.

As a result of the company's strategy, while the reduction in cattle prices has an impact on our balance sheet and statutory performance, it is reflective of the herd value at a point in time and has a limited impact on our operating income and cash flow. This is illustrated by comparing recent periods, where our operating profit has remained above \$30 million, even with significant fluctuations in cattle prices.

Despite the decline in cattle prices, the strength of AACo's asset base remains, underpinning the NTA per share which now sits at \$2.39.

Managing Director and CEO David Harris says the results place AACo in a good position to navigate challenging global conditions.

"These are pleasing results considering the headwinds faced this period. They were achieved through a disciplined focus and determination to drive excellence across the value chain," Mr Harris said.

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“We’ve made further progress against our strategic priorities, effectively managed costs despite price and inflationary pressures and continued to build brand awareness in our key markets.

“It’s an outcome we can be proud of and positions the company well heading into the second half.”

Ongoing performance in market

The success of the Westholme and Darling Downs brands and the strength of our distributor partnerships drove improved meat sales performance.

AACo largely maintained its average meat sales price per kilogram vs the prior period, despite inflationary concerns and increased local supply creating price pressures in most markets.

First half results in North America demonstrate the success of the strategy, with price and volume maintained during the US herd liquidation and challenging macroeconomic conditions.

Overall, meat sales revenue has improved by \$9.5 million, with 15% higher volumes vs pcp.

The result was achieved through targeted in-market support and leveraging relationships with influential chefs to build brand awareness, as well as using our distribution network to maximise price potential and reach new customers.

AACo also celebrated 20 years in Korea, where our brand Darling Downs remains a household name.

Delivering on our strategy

The higher sales volumes were achieved while controlling costs in a high inflationary environment.

This disciplined approach resulted in a 5% reduction in costs of production vs pcp, further delivering on the company’s strategic focus of becoming a simpler and more efficient AACo.

AACo’s sustainability program continued to forge ahead in the first half of FY24, with significant progress made in developing a long-term nature positive strategy.

We are advancing our initial land-based carbon sequestration projects and have reached the half-way milestone in our pioneering Rangelands Carbon by Satellite project, which was announced alongside the launch of our sustainability framework in November 2021.

The company is continuing to develop its natural resources and assets. We have conducted successful dryland cropping trials with a combined footprint of 6,000 hectares across two of our North Queensland stations. The initial results are positive, and the program will aim to continue unlocking further farming potential within the region.

The Goonoo property expansion which continued through half one will see capacity increase up to 12%.

Operating outlook

AACo has also invested heavily in infrastructure in recent periods, combining an ongoing program of water infrastructure upgrades with our solar bores’ conversion.

Along with the Goonoo expansion, it puts AACo in a better position than previously to manage seasonal variability.

Herd liquidations in the US and Korea are continuing, increasing supply in those markets. However, we anticipate opportunities for Westholme and Darling Downs as supply becomes constrained and rebuilds commence.

“I’m happy with our progress during this period and the effort of all our employees to deliver on our strategic pillars,” Mr Harris said.

“The second half of the year sees AACo enter its 200th year of operation. It’s a significant milestone that we look forward to commemorating.

“Our focus though, remains on maximising performance and delivering results across the value chain.”

[ENDS]

Investor Briefing

The Australian Agricultural Company Limited (ASX:AAC) will hold a teleconference and webcast briefing for investors and analysts detailing HY24 Results on **Thursday 16th November at 10:00 am AEST**.

Conference details:

Webcast link – <https://ccmediaframe.com/?id=bppapjRv>

AACo Conference ID: 10034204

All Participants will be asked to provide the Conference ID when joining the Call.

Participant Dial-in Numbers

Australia Toll Free:	1800 809 971	Australia Alt. Toll Free:	1800 558 698
Australia Local:	02 9007 3187	Hong Kong Toll Free:	800 966 806
New Zealand Toll Free:	0800 453 055	UK Toll Free:	0800 051 8245
Auckland	09 929 1687	Singapore Toll Free:	800 101 2785
Canada/USA Toll Free:	855 881 1339	China	4001 200 659
Other international (metered)	+61 7 3145 4010	UAE	8000 3570 2705

Media Enquiries	Investor Enquiries
Aaron Wakeley Head of Government and Media Relations +61 438 144 127 awakeley@aacocom.au	Amy Draper Head of Finance Services and Investor Relations +61 7 3368 4415 ir@aacocom.au
For the purposes of ASX Listing Rule 15.5, AACo confirms that this announcement has been authorised for release to the market by the Board.	

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