**TRANSCRIPTION**

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**[START OF TRANSCRIPT]**

Hugh Killen: Good morning. And thank you for joining AACo's Results Presentation for Financial Year 2022. I'm Hugh Killen, Managing Director and CEO of AACo. And joining me today is our Chief Financial Officer, Nigel Simmonsz. I will start our presentation this morning by running through the key highlights of our company's performance. I will then take a closer look at our progress against strategy in FY22, and how it has helped us deliver these results. Followed by how our strategy will provide ongoing growth opportunities into the future. And after this, I'll go through our regional and brand progress for the year in more detail.

Hugh Killen: I'll then hand over to Nigel to take us through the financials, after which I'll briefly discuss sustainability with you. And I'll finish up with an update on our operating environment as we move into financial year '23. Before I continue, let me tell you a little bit about AACo. The Australian Agricultural Company known as AACo is one of Australia's largest integrated cattle and beef producers. Established in 1824, AACo is the oldest continuously operating company in Australia.

Hugh Killen: We own and operate around 6.4 million hectares of land across Queensland in the Northern territory. At AACo, we undertake three principle activities. Distribution of high quality branded beef into global markets, breeding, growing, and feedlotting of our animals, and ownership, operation, and development of pastoral properties. And it's important for you to understand our purpose and why we exist. We're evolving together to benefit future generations.

Hugh Killen: To do what we do best, we must continuously adapt and change. This is why we've been around for nearly 200 years. And it is how we will continue to adapt to make the challenges of the future. The land we nurture, the people we grow, the animals we care for, and the exceptional product we create are the hallmarks of our success. And our responsibility we take extremely seriously. Our spirit and craftsmanship combined with years of experience cultivating cattle on our pristine pastoral assets is unique to our country and our company.

Hugh Killen: And we take great pride in that. It's what positions us internationally as the finest producers of Australian Wagyu. But we are only today's custodians. And we feel it's our business to leave our world in a better shape for the generations to come. Now, let's turn to our executive summary on slide number six. I'm pleased to report that we delivered an excellent set of results this year by our testament to our focus delivery on strategy.

Hugh Killen: The improved performance of our brands in market and our product to make AACo a simpler and a more efficient business. We delivered an operating profit increase of 105% to 49.9 million dollars driven mainly by improved operating margins. Average Wagyu meat sales price per kilo increased by 21%. And cattle sales margins also grew. Our branded beef programme continues to show strong progress. We're dialling down to now represent 83% of branded meat sales.

Hugh Killen: And we launched our sustainability framework, supporting positive chains through our business industry and communities. On the balance sheet, we successfully refinanced our debt facilities and saw further strengthening of our asset position. In addition to the 254.5 million dollar increase in our pastoral property and improvements value, the value that of our herd also increased by 199 million dollars, helping to drive net assets to 1.36 billion dollars. And leading to a significant increase in AACo's NTA per share to $2.27.

Hugh Killen: Overall, our bottom line statutory net profit after tax increased by 91 million dollars to 136.9 million dollars. This is our strongest net profit results since listing on the ASX. Turning now to slide seven, and a closer look at our progress against strategy in FY22. The results we have delivered this year have come off the back of key wins under our strategic pillars. AACo achieved significant growth in the branded beef business with a focus on price premiumization that resulted in the further 21% increase in Wagyu meat sales price per kilogramme compared to FY21.

Hugh Killen: Westholme and Darling Downs now represent 83% of branded meat sales, an increase of 9% on the same time last year. And we also achieved significant growth in key markets, particularly North America, where branded meat sales have increased by 56% versus PCP. We welcome the successful launch of our sustainability framework in FY22. And have set about building on this platform. In addition to launching our framework, AACo also generated 74,000 Australian carbon credit units through our beef cattle herd management carbon project.

Hugh Killen: AACo is now an even safer and a better place to work. We've had a 10% improvement in lost time injury frequency rates compared to FY21. And we have gold level recognition for Mental Health First Aid Australia. Our disciplined focus on costs and the drive to make AACo a simpler and more efficient business has also continued in FY22. This resulted in a further 6% reduction in the cost of production in FY22 versus the prior comparative period.

Hugh Killen: Moving now to slide eight, and how we're positioned to continue building on our strategy in FY23. Our purpose and vision statement sit at the centre of our plans for growth. Leveraging the foundations put in place to continue delivering under our strategic pillars. A simpler and more efficient AACo, where we will continue to improve operational efficiencies and develop a data strategy focused on value creation. Delivering full potential from our brands, where we will focus on further building our presence in the USA and drive the greats of Westholme.

Hugh Killen: Executing on our sustainability framework, where we will look to accelerate our sustainability programme through our five commitments. And work hard to mitigate our climate impact. And also produce food in a way that benefits future generations. Developing our natural resources and assets, where we're extending our golf farming trials, and exploring the potential for alternate asset use. Making AACo a great place to work, which will focus on connecting our people to our purpose and enabling great leaders.

Hugh Killen: We will invest back into the business under these strategic pillars. In doing so, we'll be able to build on our strong FY22 results, and further grow the company as we look for our 200th anniversary in 2024. Turning now to our regional performance. As we've talked about at the half year, strategic revenue management is another core part of our business strategy and operations. This includes a relentless focus on maximising returns from every cut of meat that we produce. And allocating volume through our global distribution networks to get the right cuts to the markets that will deliver the best value at the right time.

Hugh Killen: This approach has been particularly important during the ever changing landscape that COVID-19 gave us. Now, let's have a look at the regions in more detail, starting with North America. We have had a great year in North America with our branded meat sales increasing by 56% versus the prior year. This has come off the back of price and volume increases driven by return to food service, as well as our focus on targeted allocation of product increasing Westholme's brand awareness and helping us to manage sales across the entire area of the carcass.

Hugh Killen: A combination of highly engaged and branded content, digital paid and earned media, as well as using the right chef engagement, is delivering new food service customers, customer leads, and commercial results. Our approach to this market has been intentional. We laid the groundwork for this breakthrough in COVID. And have been able to leverage our relationships and distribution network to achieve a 35% increase in branded meat sales price per kilo. The USA will remain a key strategic market for AACo in FY23. And the further expansion of Westholme into the US market is a key initiative to delivering a full potential from our brands in the future.

Hugh Killen: Moving now, into Asia. Reduced sales value in Asia has come off the back of an intentional reallocation of volume away from retail into food service markets around the world as part of our overall global strategy. Despite fire value cuts been allocated to other markets, it was impressive to see the teams still deliver a 6% increase in price.

Hugh Killen: This price increase has mainly being driven by the strength of the Darling Downs brand in South Korea. Improved instore navigation and brand disability, which enabled a better shopping experience, helped Darling Downs retain a leading Wagyu market share with our premium marketplace partners, EMart, in FY22. This was supported by improved online and offline brand experience focusing on building education. And we look forward to continuing to support and grow this brand in Korea.

Hugh Killen: Jumping now to Australia on slide 13. This year, the focus in Australia has been on price premiumization through brand. As with Asia, we intentionally reallocated volume away from this market to higher paying markets, which helped drive a 7% increase in the average dollar per kilo in this region. Westholme sales grew in the order of 80% as we grew pricing off the back of improved brand awareness amongst consumers. And its key menu placements were achieved. Australia remains our spiritual home and a key market for the business.

Hugh Killen: Moving now to Europe and the Middle East on slide number 14. As a food service focused market, Europe and the Middle East had robust volume increases in FY22. We're satisfied with the progress we've made in this market. Training and education will be key initiative in FY23 to improve brand awareness and to share the Westholme story. I'll now hand over to Nigel, who will run through our financial performance for the full year in more detail.

Nigel Simonsz: Thank you, Hugh. And good morning, everyone. We appreciate your interest in AACo, and what has been a notable set of financial results for FY22. Positively, we've seen higher profitability this year with an increase in operating profit of 105% to 49.9 million this period, as well as a higher operating profit margin of 18.1%, which is up nine percentage points this year. A major positive drive up of our results is an average increase in meat sales price per kilo of 21% versus the prior year.

Nigel Simonsz: This was achieved with price premiumization through brand, and the ability we have to allocate volume and cuts across our major markets to achieve the best value. The increase in meat sales price has been instrumental in driving top line revenue growth of approximately 4%. This helps to offset lower volumes of meat sold during the period, as Hugh referred to earlier. Net operating cash flow has increased by 32% to 24.2 million.

Nigel Simonsz: And we have seen a significant strengthening of our net tangible assets position, which has increased by 30% versus the prior period. And now, turning to slide 17, where I'll talk to revenue in more detail. Total revenue for the period increased by 10.5 million versus FY21. This result has been driven by higher meat and cattle sales pricing, which was offset by lower volumes sold. Meat sales revenue increased on PCP by 8.5 million to 208.5 million. This was driven by a 21% increase in average Wagyu meat sales prices realised per kilogramme, worth an additional 36.8 million this period.

Nigel Simonsz: And importantly, this was achieved in the face of an adverse foreign exchange impact of 5 million versus the prior year. And as referred to earlier, this increase in pricing offset a 14% decrease in volume sold during the year, which was worth approximately 28 million dollars. Cattle sales revenue also increased marginally on the prior period to 67.5 million. And this increase was due to a 15% increase in average price worth 8.9 million dollars, which was partially offset by 11% lower volume sold, worth 6.9 million. The cattle price increases are reflective of the record high trading and restock of cattle market pricing the industry has experienced this year.

Nigel Simonsz: And now, turning to our profit and loss summary on slide 18. As referred to earlier, operating profit improved by 25.5 million to 49.9 million in FY22. This was largely due to a combined increase of 28.7 million in meat and cattle sales gross margins, which came through high average sales pricing and revenue, as referred to earlier. We have also seen a significant improvement in net profit after tax of 91.4 million to 136.9 million this year. And this result was driven by a positive unrealized market-to-market adjustment of 129.6 million to the value of the underlying herd.

Nigel Simonsz: And now, moving to our cash flow summary on slide 19. Another highlight of this year's performance is higher operating cash flow of 24.2 million versus 18.4 million in the prior year. This is our fourth consecutive year of positive operating cash flow generation. And comes off the back of the key drivers highlighted on this slide, including higher revenue receipts, and positive movements in net working capital, partially offset by increased operating expenditure, as our kilogrammes produced during the year increased by 28%.

Nigel Simonsz: And now, turning to slide 20, our balance sheet summary. Our balance sheet has strengthened significantly this year, which has been supported by the continued growth in our pastoral property and improvements portfolio, that increased by over 250 million dollars over the year. This positive movement reflects substantial market increases seen in comparable property sales, as well as our management practises and investment in these properties. We also saw robust growth in the value of our herd, which increased by 199 million dollars overall this year.

Nigel Simonsz: This increase was driven by higher Australian cattle market values for both Wagyu and non-Wagyu animals. As well as increased total head count, following improved brandings off the back of investment in the supply chain. And the company's internal breeding programme rebuilding from the impacts of droughts and floods in previous years. The growth of the value of our property portfolio and herd has supported an increase in overall net assets of 30% to 1.36 billion. An NTA is now valued at $2.27 per share. And as mentioned during our half year results presentation, we successfully completed the refinance of our debt facilities in FY22, which increased our borrowing capacity by another 50 million dollars.

Nigel Simonsz: Bringing our total capacity to 600 million, which leaves us with approximately 231 million in available borrowing capacity at the end of the year. Importantly, our gearing ratio of 22.5% remains well within our targeted range of 20 to 35%. And we maintain substantial headroom within our covenants. The strength of our underlying assets combined with the additional optionality of our increased borrowing capacity, positions the business well moving into our next phase of growth. And with that, I'll now hand back to Hugh to take you through AACo sustainability framework.

Hugh Killen: Thanks, Nigel. FY22 marked a major milestone for AACo with the release of our sustainability framework and five major commitments in November. AACo has an ambition to be the sustainability leader in the Australian pastoral sector. Our framework, which is the first of its kind for the Australian beef industry, is the first step. And has helped guide our climate and sustainability activity since its launch. We've begun work on each of these commitments that we made at the same time.

Hugh Killen: We're encouraged by the response from the industry and decision-makers in government. And will continue to work with our stakeholders to achieve our desired outcomes. As we referred to earlier, this is a priority area in which AACo will leverage these results to invest in FY23. We look forward to giving you a more fulsome update on sustainability as part of the release of the sustainability report later this year.

Hugh Killen: Moving on now to slide 23, and our operating outlook. Turning our attention to the future, there are a number of evolving dynamics that we are following closely. Geopolitical risk is increasing on a global scale. China is experiencing resurges in COVID cases, and are taking stringent measures to combat this. And the conflict in Ukraine continues to unfold. These issues are likely to create continued disruption in global supply chains, which we do not see moderating in the next 12 months. And anticipate that this will exert upward pressure on costs.

Hugh Killen: Adding to this, we're observing worldwide increases in inflationary pressures. US inflation figures have hit a 40 year high. And the Federal Reserve has started to increase benchmark interest rates to combat this. Closer to home, the Australian Reserve Bank has also raised rates earlier this month. In this environment, we are likely to see key input costs across the entire base supply chain increase.

Hugh Killen: On a positive note, we anticipate to sustain price growth for quality pricing into the future. This is expected to be driven by higher beef import demand from China, while beef production is forecast to remain relatively flat as the major beef producing nations enter a phase of herd contractions. A strong rebound of food service will continue in our key markets. This dynamic will support the continued delivery of the full potential of our brands.

Hugh Killen: As we also continue to invest, in opportunities fueled by the rise of the home shift. Importantly, AACo's herd rebuilding is continuing to progress well. We've seen increased kilogrammes produced to 28% this year. The headcount of our herd is increased by approximately 42,000 to 382,000 head. And our brandings have increased materially year-on-year. This positions us well to take advantage of a rise in global demand for quality beef through FY23 and beyond.

Hugh Killen: Finally, to our closing remarks on slide number 24. In closing, I'd like to thank the entire AACo team for their hard work to produce this result. I'm proud of what they've delivered. And thank them for their efforts. We've made material progress executing against our strategy. And we've delivered a strong outcome. We're satisfied with the progress today. But there's more work to do. And we're looking forward to moving to the second horizon of our strategy. AACo is growing. Moving forward, our focus is on investing back into the business and continuing to execute against our strategy. Thank you for joining us this morning. This ends our presentation. Nigel and I are happy to take any questions.

Operator: Thank you. If you wish to ask a question via phone, please press star one on your telephone, and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question.

Operator: If you wish to ask a question by the webcast, type your question in the Ask-A-Question box, and hit submit. Your first question comes from John Dirks from CLSF. And he's asked, given higher prices achieved on products, it appears volumes are down significantly since gross sales. Only modest of what... Sorry. Since gross sales have only modestly improved, is this a correct ready? And if so, has volume declined?

Hugh Killen: Thanks for the question, John. It's Hugh here. I'll answer the first part of the question. And Nigel, if you want to expand, you can. Nigel actually referred to this question on slide 17 of our presentation. And reduced Wagyu meat sales volume of 14% down has come off the back of the historic lower carving numbers that hit us over the last couple of years. Also, including the drought and gulf flight event.

Hugh Killen: So, this is actually really well in line with the Australian industry reduction in curve. As I said in my closing remarks, really importantly, from an AACo perspective, our kilos produced this year are up 28%. That's great news. And I heard it's grown by 42,000 heads. So, as we move into FY23 and beyond, those increases or standards in pretty good steps to actually deliver further revenue going forward. Any further on that one, Nigel?

Nigel Simonsz: No, nothing further to add here.

Hugh Killen: Okay.

Operator: Thank you. The next question is a follow-up question from John Dirks. How does the price premium increase of 21% compared to the border market price for red meat since the latter has also increased substantially?

Hugh Killen: I think it again, thanks for the question, I believe it compares very strongly. The overall base pricing price index, if you look at Mikado's data is up around 4% for the year. And so, 21% from an AACo perspective is really good in that context. And it really underlines our focus on brands and that price premiumization into the markets that we go into.

Hugh Killen: And it's one of the flexibilities that AACo's got is we can go across a couple of different markets. I also think the commodity beef market, depending where you are in that 100 day cattle, shorter feed cattle, the margins that are very tight at the moment given where both beef prices and even prices in cattle prices are. So, even on that, that means as well I believe, that 21% is particularly healthy for America.

Operator: Thank you. Your next question is a phone question from Charlie Kingston, private investor, please go ahead.

Charlie Kingsto...: Yeah, yeah. Just a quick question. Just considering how good conditions are with the cattle prices and land. Obviously, skyrocketing as per your upward revaluations. I mean, just bearing in mind that as you know better than anyone, that agriculture is inherently cyclical. Is there an argument to be made that potentially AACo should be paying a dividend now, or paying down some debt, or even selling off some land to capitalise on these buoyant conditions? And is that a focus for you and the management team?

Hugh Killen: Charlie, thanks for the question. I think trying to explain during the prepared remarks today, that now we want to continue to invest back into the business, which is as you know, pretty typical for agricultural businesses when you've got the right cash flowing out. Been thrown off the business to invest back into operations or continue to do that. That's one of the reasons why we see very good uplift in terms of the valuation of our properties.

Hugh Killen: You're right. It is a really good time to be in agriculture at the moment. And I believe the work that we've done at AACo to make the company significantly more efficient, and simpler. And have the right tools that is disposed that'll make the right decisions, will place us in a very, very strong position when seasonal conditions change in the future. And absolutely, that is absolutely going to happen at some point. So, the dividend question for you is ultimately that's one for the board. And I know the chairman will look forward to updating everyone on that at the AGM.

Charlie Kingsto...: Okay. But so, there's no firm target as to if you hit a certain amount of consistent earnings that you will start returning some of that in the form of a dividend? Or, again, the NTA is going up. But it's certainly not specific to AACo. But you are trading currently traded a discount to NTA. Is there a prospect of a potential buyback to close that inherent discount? Or, is that not necessarily a focus for the board?

Hugh Killen: Look, my focus at the moment on the operational side of the business and making sure that we've got the right capital to invest back into it. That's showing good results over time. The share price, obviously over the last two years, at the point, very strongly in that regard. It's we've got more work to do. The company's got more work to invest in. And we want to continue to improve those assets. So, ultimately, share buybacks and those type of things you refer to in your questions, is one for the board to talk to. And it's probably a great question for the AGM.

Charlie Kingsto...: Okay. Thank you. And then just finally, just the carbon opportunity. Can you elaborate a bit further on that? There's plenty of I think, AACo owns 1% of the Australia's land mass or thereabouts. And there's plenty of attention going on carbon farming, and rotational grazing, et cetera. How big an opportunity do you see this for AACo?

Hugh Killen: In terms of carbon and natural capital more broadly across AACo's part, it's a key plan about sustainability strategy. And I think there is a very significant opportunity in the future for AACo in this space, and actually for all Northern producers as well, the big landholders. The way that we think about soil carbon is we need to get the technology and the science, right, to be able to benchmark that properly. And I think in terms of our context, it's not just soil carbon, but landscape carbon. And we've got a project that's actually in flight now to do that. And we are working with a number of partners to deliver that.

Hugh Killen: So, I think there will be a material opportunity. There will be material opportunity in natural capital as well. And we're really looking forward to talking to the market about that in July when we bring our sustainability strategy forward. But I think the interesting thing for a business such as ours, there is an opportunity that's much broader than just soil carbon. You've got landscape carbon. We've got the value of natural capital across our state as well. And I think in the future for AACo, it won't just beef protein as well. I think there's going to be other opportunities that's going to come from our natural estate as well.

Charlie Kingsto...: So, just follow-up on that. I'm sure you follow the pack horse model buying land and then potentially going to be rotationally grazing, et cetera, and generating carbon credits year in year out. Is that something you're looking at to generate a more consistent revenue stream for the company?

Hugh Killen: A simple answer to that would be yes. The pack horse model is super interesting. I know a lot about. And it works well in the production system it operates in. We're already investing into infrastructure to be able to intensify and our version of rotationally graze given our scale is a lot larger. We're doing that now. And I believe that will give us better carbon opportunity in the future, as well as we actually register those projects and get them through.

Hugh Killen: The big challenge in the Northern production systems is actually get the right science and benchmarking in place in terms of measuring soil carbon, which is ultimately why I didn't put a target into our sustainability framework on day one. And we'll have that done in the next couple of years. So, there will absolutely be an opportunity for the Northern pastoral industry. And AACo's just part of that to benefit from those models such as pack horse, and some of the other rotational systems that are put in further south in the Southern part of Australia.

Hugh Killen: But going forward, it needs to be fit for purpose in the range lands Northern environment that we operate in, which is why I refer to landscape carbon and not just soil. And been able to measure the whole feed bio mass and not just soil carbon. And that whole entire cycle that, or biogenic carbon cycle is actually a key part of our initiatives that we'll be delivering on the next two years. From that, it opens up the opportunity to actually register those projects and create another revenue stream.

Charlie Kingsto...: Right. Thank you.

Operator: Thank you. Once again, if you wish to ask a question via the phone, please press star one on your telephone. And if you wish to ask a question via the webcast, please type it into the Ask-A-Question box and hit submit. Your next question comes from the webcast from Chris Bretchenbatch from LidaTray. And they have asked, can you advise the cost breakdown of putting meat onto the plate? Natural increase, transport, processing, abattoir, sorry, abattoir, marketing, etc. Are further value-added opportunities local processing, etc., so cattles aren't stressed, etc.?

Hugh Killen: Thank you for the question there, Chris. There's a lot in that. I might ask the CFO to speak to about some of the cost reduction metrics. And then depending how it goes, and that one, I'll follow back up, and some of the other parts of the question. Nice having you, mate.

Nigel Simonsz: Yeah, no problems. Certainly, as so there's lots of components to the question. But broadly, feedlot costs and the cost of feeding the animals in that intensive production system represent the greatest component of cost in the animal. And roughly, about 40% of production costs overall. And when it comes to the other parts of the supply chain, and breeding, growing, and processing effectively, shares the remainder of the cost construct of an animal.

Hugh Killen: I'm just looking at the question. In terms of local processing, we move all of our cattle down through our supply chain where they're feed either on the Darling Downs near Dalby or Emerald. And so, we have a relatively well-managed left into our processing partners. And obviously, animal welfare is key to everything we do in that. So, try and make sure that our cattle is well-tended and well looked after as we bring them into processing.

Operator: Thank you. There are no further questions at this time. That does conclude our conference for today. Thank you for participating. You may now disconnect.

**[END OF TRANSCRIPT]**