



Will new leadership mean a turnaround in product innovation and production efficiency?

Company/ASX Code	Inghams/ING
AGM date	Thursday October 17, 2019
Time and location	10:00 am Vibe Hotel, North Sydney
Registry	Link
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Elizabeth Fish
Pre AGM Meeting?	Chair Peter Bush, Non-Executive Director Jackie McArthur, Craig Haskins, Investor Relations Director, and Grant Kerswell, Chief People Officer, and by phone Helen Nash Chair, People and remuneration Committee.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

While we understand that the Company believes that the audience who will attend an AGM and those at the Strategy Day would be different, an AGM should deal much more with the future and less with the past. Introducing new strategic directions for the organisation merely 3 working days after the AGM is a bad look. The ASA would have preferred a scenario wherein the Strategy Day was held after a short break from the AGM allowing people to have the chance to go to one or both.

Although revenue, profit after tax and earnings per share all increased, FY19 (financial year 2019) could not be called a good year. Some factors, such as the drought causing a major increase on feedstock prices, were out of the Company's control, however, problems with production rationalisation that led to higher costs and problems with regards to fulfilling an upsurge in customer demand sounds like very poor planning. It is unfortunate that Inghams did not explain why they decided to mothball a plant when instead of customer demand reducing, they faced increased demand. This unfortunately resulted in increased costs, as the sudden increased pressure put on the Edinburgh Parks plant.

Happily, many of the production bottlenecks that Inghams is and has been facing can be fixed through minimal capital expenditure.

The Company has a longstanding relationship with Woolworths, which is arguably their largest customer, and although the contract is up for renewal in the next two years, the company is comfortable that the relationship is on a strong footing.

The very important NZ operations have been put back on track although there is a still, unconfirmed, chicken virus recently detected in the South Island. As the time of finalising these voting intentions, it appears that this is unlikely to have a detrimental impact on Ingham's.

Five of last year's key management personnel (KMP) are gone, some by natural attrition but the majority because Inghams wanted to create a new culture with a well-defined growth strategy. Some didn't feel comfortable with this approach and others didn't fit in with it. The Company has now employed a number of people with extensive overseas poultry industry experience, which will hopefully mean that in addition to creating an expanded product range, Inghams will also benefit from better production efficiency.

It is hoped that shortly we will see that the new CEO ridding himself of his overseas directorship.

We look forward to reading a much more detailed Director skill matrix by next year.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	126.2	114.6	59.1	NA	NA
UPAT (\$m)	103.2	108	102	NA	NA
Share price (\$)	4.05	3.78	3.37	NA	NA
Dividend (cents)	19.5	21.1	2.6	NA	NA
TSR (%)	12.3	18.4			
EPS (cents)	33.79	30.81			
CEO total remuneration, actual (\$m)	2.903*	2.273			

***Two CEO's in one year**

For 2019, the CEO's total actual remuneration was **32.9 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Election of Andrew Reeves as a Director
ASA Vote	For

Summary of ASA Position

Mr Reeves has served as CEO and Managing Director for both ASX-listed entities and large-scale multinationals. He has also held senior roles at Lion Nathan and Coca Cola Amatil. Most recently he was CEO of George Weston Foods.

He is currently an Independent Non-Executive Director of Credit Union Australia, Netget Limited and Keytone Dairy.

Mr Reeves seems to add more expertise both in understanding the consumer, wholesale markets and importantly also large-scale production. ASA will vote their undirected proxies in favour of Mr. Reeves

Item 3	Election of Robert Gordon as a Director
ASA Vote	Undecided

Summary of ASA Position

Mr Gordon is currently the CEO and a director of Ricegrowers Limited, and a member of the Rabobank Agribusiness Advisory Board. His career spans more than 35 years in the FMCG and agribusiness sectors, including over 20 years in CEO and Managing Director roles for companies including Viterra Inc, Dairy Farmers Ltd and Goodman Fielder (Meadow Lea and Consumer Goods divisions).

Mr Gordon undoubtedly is a good fit for Ingham's but ASA questions if someone who already serves as the CEO of an ASX listed Company has the time to be on the board of an unrelated ASX company. We will wait until we hear him speak to make our decision.

He has already purchased shares in the Company to show his alignment with shareholders

Item 4	Re-election of Peter Bush as a Director
ASA Vote	For

Summary of ASA Position

Mr Bush has been Chairman of Ingham's He had a long and successful career in FMCG, including CEO of AGB McNair, Schwarzkopf and McDonald's Australia.

Mr Bush is also Chairman of Southern Cross Media. He holds 158,730 shares in the Company.

Peter Bush is a very experienced and strong Chairman. ASA will vote our undirected proxies in favour of Mr. Bush

Item 5	Re-election of Ricky Lau as a Director
ASA Vote	For

Summary of ASA Position

Mr Lau is a Senior Advisor of TPG based in Hong Kong. Mr Lau is not considered to be an independent director, as he is nominated as a Director by TPG, which is a substantial shareholder of the Company.

Considering the size of TPG's shareholding it is not unexpected that they would want board representation. ASA will vote undirected proxies in favour of Mr. Lau

Item 6	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO remuneration framework (annualised)

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.5	30.4	1.5	26.5
STI – Cash	0.75	15.3	1.125	19.9
STI – Equity	0.75	15.3	1.125	19.9
LTI	3.0	39	3.0	33.7
Total	6.0	100.0%	6.75	100%

The fact that no short term incentives (STI) were paid this year because the gateway of minimum budgeted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was not achieved is the correct decision. After all, that's what a gateway is for, the point where incentives become available to executives. Which is why awarding a deferred bonus share placement to the new Group CEO and NZ CEO is surprising. We accept the new CEO has done an exceptional job in 5.5 months he has been in the role, and he wasn't responsible for most of the profit shortfall which hit before he started. Although the new NZ CEO has done a good turnaround, the fact that he was part of the existing team make his bonus a bit more questionable. Happily, the bonus is in equity and will vest in three years.

From 2021 the STI will be based on a balanced scorecard, but for 2020 it will be the EBITDA gateway and non-financial gateway hurdles of safety performance, quality performance (including food safety) and the company's reputation.

Regarding the long-term incentive (LTI), it can be understood why a Company such as Inghams going through such considerable change believes that a mere 3 years is long term, but in an acknowledgement of alignment with retail shareholders the measurement period should be 4 or 5 years.

Earnings per share (EPS) is a good measurement but it is unfortunate that the hurdle is only known in the future as the Company's belief in commercial in confidence keeps it secret.

Total shareholder return (TSR) is the best measurement from a shareholders' point of view but it is unfortunate that half of this bonus is awarded for only being average.

Overall, we believe that the remuneration structure will both incentivise and reward and therefore will be voting in favour of it.

Item 7	Approval of FY19 LTI grant to CEO Jim Leighton
ASA Vote	For

Summary of ASA Position

This is for a grant that at the time of issue was valued at \$1,865,760 and if all the hurdles of the LTI are met at the end of June 2021 this will convert to a maximum of 506,862 shares.

While we would like to see LTI measured over a longer term, as we are voting in favour of the remuneration report, we will also vote for this resolution.

Item 8	Approval of FY20 LTI grant to CEO Jim Leighton
ASA Vote	For

Summary of ASA Position

This is for a grant that at the time of issue was valued at \$3,000,000 and if all the hurdles of the LTI are met at the end of June 2022 this will convert to a maximum of 938,491 shares.

As we have said regarding the remuneration report though, we would like to see it measured over a longer term. As we are voting in favour of the remuneration report, we will also vote for this resolution.

Item 9	Renewal of Proportional Takeover provisions in the Company's Constitution
ASA Vote	For

Summary of ASA Position

This is a standard vote every three years.

A proportional takeover bid is one where an offer is made to each shareholder for a proportion of that shareholder's shares, and not for the shareholder's entire shareholding.

The proportional takeover provisions decrease the risk that shareholders can lose control of the Company without realising it because they allow shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

The ASA votes in favour of this resolution.

Individuals or associates involved in the preparation of this voting intention own shares in this company.

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