

MEDIA RELEASE

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ALLIANCE GROUP VALUE-ADD STRATEGY ON TRACK

DIRECTORS ELECTION RESULTS ANNOUNCED

Alliance Group is increasing its focus on capturing greater value from its products as the co-operative continues its transformation into a world-class food and solutions business, shareholders were told at the company's Annual Meeting in Palmerston North yesterday.

Last month, Alliance Group announced a profit of \$20.7m before distributions and tax, on revenue of \$1.7 billion. This week, the company will make a \$9 million profit distribution to supplying shareholders.

"The profit result was the best trading result since 2010," said Murray Taggart, chairman of Alliance Group.

"While this year's result enabled us to reward shareholders with a profit distribution, we recognise the need to lift the profitability further.

"Our goal is to build a more robust business with consistently higher profit margins to ensure we can maximise in-market value capture and take advantage of new manufacturing technologies to deliver even better returns to our farmer shareholders."

The 2018/19 season saw generally favourable farming conditions across the country, although severe storms during lambing in Hawke's Bay and serious drought in Tasman made for a more challenging season in those regions, said Mr Taggart.

"Strong livestock prices helped cushion the on farm financial impact of these challenges and Alliance's Store Stock scheme also enabled timely destocking for Tasman farmers."

Operating cashflow was strong at \$40.4m and this enabled Alliance to pursue an aggressive capital expenditure programme while still finishing the year with 63.4% equity and a strong balance sheet.

"The co-operative continued to invest in its plant network including opening a new venison plant and upgrades at Dannevirke and Smithfield plants.

"This lift in capacity comes on top of the introduction of night shift lamb and beef at our Levin plant as the company responds to strong support from North Island farmers."

The co-operative's new venison plant at Lorneville near Invercargill has delivered significant savings in overhead costs.

"Venison is a key species for Alliance and with our Lorneville and Smithfield plants, we now have the most modern venison processing facilities in the industry."

David Surveyor, chief executive of Alliance Group, said the company is on track to capture greater market value and pass those gains onto farmers.

"A visible example of this change was our purchase of 50% of the Meateor pet food business. This investment enables us to capture value from the next stage of processing in the pet food industry and supply directly into the large global pet food players."

Alliance's food service business in the UK also achieved significant growth, he said.

"We are expanding our food service programme in North America, Asia and New Zealand. The Te Mana Lamb and Silere Alpine Origin Merino lamb programmes have confirmed our ability to differentiate our product and capture a premium from the market. We are now looking to expand the premium lamb brand opportunity across our supply base."

The company has improved its performance in beef, but there was still more to do in this area.

"All three beef plants achieved record processing and our beef market share was up. Our beef performance has historically been a frustration for farmers and the company, but a determined focus on improvement at all levels of the supply chain has seen the profitability of our beef operation improve significantly at the same time as delivering a more competitive offer to farmers.

"The launch of our Handpicked premium offers is further evidence of our confidence in our beef business."

The global markets faced significant uncertainty over the past 12 months with the US-China trade war significantly disrupting trade in co-products such as wool and pelts, said Mr Surveyor.

"Elsewhere, there is still a huge amount of uncertainty around the EU-UK relationship and what the implications will be for our trade there.

"In Asia, African Swine Fever has devastated the Chinese pig herd and herds in other affected countries throughout the region. The resulting protein shortage is supporting both sheepmeat and beef returns. "

The market outlook for the new season remains positive across all species, he said.

"We have a full pipeline of opportunities to further improve the performance of the business to deliver better returns for our shareholders into the future.

“The 2019 year was another step toward transforming Alliance into a genuinely world-class business and our people deserve a lot of credit for their commitment to delivering a great result for the co-operative.”

Directors election results

The successful candidates to fill two vacancies on the board of Alliance Group are Murray Taggart and Don Morrison

52.74 per cent of eligible votes were exercised in the directors' election.

33.34 per cent of shareholders voted.

Ballot results:

Name	Votes
Don Morrison	30,623,140
Murray Taggart	28,634,998
Pat McEvedy	20,236,617

The unsuccessful candidate was Pat McEvedy

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NOTES TO EDITOR

Alliance Group is a co-operative owned by approximately 4,000 farmer shareholders.



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ALLIANCE

FARMERS' PRODUCE

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