

MEDIA RELEASE

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ALLIANCE GROUP ANNOUNCES ANNUAL RESULTS

Alliance Group is making significant progress towards its goal of transforming the co-operative with an improved financial performance and a \$11.4 million distribution to farmer shareholders.

The 100% farmer-owned co-operative has doubled its operating profit to \$20.2 million for the year ending 30 September 2017.

The net profit before tax and pool distributions was \$28 million, which includes extraordinary items relating to a land sale at Makarewa, Southland.

The result is based on a growing record revenue of \$1.53 billion. Alliance's core debt has halved to \$19 million over the past year. The shareholders' equity ratio is 71% (70.6%, 2016). Murray Taggart, chair of Alliance Group, said Alliance is now a much fitter co-operative as a result of a focus on lifting efficiency, lowering costs and capturing more value from global markets.

"The numbers tell a positive story. We are welcoming new shareholders, achieving a stronger balance sheet, improving our profitability and, most importantly, offering better livestock pricing for our farmers."

Farmer shareholders had also benefited from firmer international pricing for beef, lamb, venison and co-products, he said.

"Lamb prices are particularly strong and venison is increasingly recognised as a premium product.

"We also now have a balance sheet that allows us to undertake a number of exciting initiatives and introduce innovative practices.

"Alliance has a wide range of short, medium and long-term programmes underway as we seek to gain deeper market penetration and capture more value from existing markets."

David Surveyor, chief executive of Alliance Group, said the co-operative continued to work hard to maximise the price it pays farmers for livestock while offering a range of other incentives.

"We have improved our pricing structures in response to feedback from our farmers. This includes offering more minimum price contracts, which provides greater certainty for farmers and ensures they can have greater confidence when budgeting."

In addition to paying out more than \$15 million in loyalty payments, Alliance's strategy had allowed the co-operative to pass significant gains to farmer shareholders in farmgate prices during the season.

The company is also investing in building its competitive advantage by incorporating the best practice from around the world, lifting processing and improving the operational performance across plants.

“This year, we have invested more than \$10 million in robotic/primal cutting technology and reconfiguring the boning room at Dannevirke, completed a major upgrade of Lorneville and undertook a capital investment programme at Pukeuri.”

Alliance was particularly pleased with the significant improvement in the overall safety performance, said Mr Surveyor. “Our Total Recordable Injury Frequency Rate has improved by approximately 40% year on year. We will continue to work on improving safety because we owe it to our people and their families. Excellence in health and safety is at the core of our values and who we are.”

The company was also growing its product portfolio and reach with a range of activities in domestic and global markets as part of its efforts to lift sales and marketing.

“We are focused on growing our markets and evolving to a more sophisticated player and capturing more value for our farmer shareholders. That includes creating a differentiated portfolio of products and a suite of premium brands in which to house them.

“We have established a dedicated food service team in the UK to target high-end restaurants and hotels.

“We were also the first New Zealand company to dispatch chilled lamb to China as part of a six-month trial programme.”

Mr Surveyor said Alliance recognised there was still a lot of hard work ahead for the co-operative.

“Profitability is not at the level we want for a company of this size and we need to capture gains more quickly. Alliance Group needs to run faster.

“We are a farmer-owned co-operative and it’s important we maximise the value we create for New Zealand’s best farmers. We are seeking to ensure the changes and progress we have made are sustainable, through further investment, growing value-add, capturing market value and building organisational capability.”

The graphic below shows the price per head:

Distributions

POOL DISTRIBUTIONS \$11.4 MILLION

	LAMB	\$1.80 /head
	SHEEP	\$1.00 /head
	CATTLE*	\$10.00 /head
	DEER	\$7.50 /head
	CALVES	\$1.00 /head

*all cattle including prime, cow and bull

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NOTES TO EDITOR

Alliance Group is a co-operative owned by approximately 5,000 farmer shareholders and is the world's largest processor and exporter of sheepmeat.



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