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MEDIA RELEASE

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LIC half-year financial result in line with market guidance despite cost pressures

Summary of financials

- Total Revenue from Continuing Operations, up 4.6% at \$177.2 million
- Net Profit After Tax (NPAT) from Continuing Operations: \$33.3 million, down 6.4% from the same period last year
- Underlying Earnings forecast range at year-end: \$21.5-25.5 million (previously \$20-26 million)
- 2023-24 Underlying Earnings forecast range: \$22-28 million

LIC has released a strong half-year result for the 2022-23 financial year, despite cost pressures, confirming it is on track to deliver a year-end result in line with expectations and guidance previously provided to the market.

Reporting increased revenue (up 4.6%) but a drop in profit (down 6.4%) compared to the same period last year, Board Chair Murray King says he is pleased with the result given the current challenging economic conditions.

“Like many other Kiwi businesses we’ve been challenged during this time by staff shortages, a weaker kiwi dollar and rising costs associated with record inflation, but we’re pleased to confirm we remain on track to achieve a strong result at year-end and keep up the positive momentum from our previous years’ performance.

“On behalf of the Board, I want to thank our farmers for their continued support, particularly as they are facing these same headwinds. A special thanks also to our team who have rallied together through staff shortages to continue to deliver a reliable service to our farmers. I look forward to presenting the full year result in July.”

King says the increased revenue was driven by further growth in uptake of the co-op’s premium bull genetics and animal health tests, which reflects growing commitment from farmers to breed the best cows, faster.

“Kiwi farmers are continuing to sharpen their focus on herd improvement to help meet their environment goals, investing in their herds now so they’re sustainable and profitable into the future. We’re proud to be part of the solution for this, enabling them to breed genetically superior animals which produce more milk with a lower environmental footprint, and at a faster rate.”

Recent research has found that long term users of LIC genetics have almost doubled the speed of improvement in their herds over the last decade (10gBW per annum 2012-2016, to 19gBW per annum 2017-2021), while farmers who don’t use LIC genetics have had lower rates of genetic gain over the same period (7gBW to 10gBW).

King said the co-op’s prolonged and substantial investment in genomics has been the key contributor of this improvement as the technology enables accurate identification of elite bulls at a younger age so they can be made available to farmers earlier and fast track the rate of genetic gain on farm.

A record graduation rate of young bulls joining LIC’s artificial breeding (AB) teams this season is also testament to its work in genomics, after the superior performance of these bulls predicted by genomics was validated by herd testing data from their first crop of daughters now being milked on farms across the country.

“It’s incredibly pleasing to see farmers are reaping the rewards of their co-op’s investment into genomics on their behalf – both in their herds now with the increased speed of improvement and also with a strong pipeline of elite genetics to support them into the future.”

The increasing uptake of cow wearable devices was also reflected in the result, as more farmers extended their herd’s artificial breeding period, capitalising on the devices’ heat detection capabilities to utilise short gestation genetics.

“These devices provide farmers with real-time data and insights to monitor their cow’s performance, health and fertility and we’re pleased to partner with wearables suppliers (Afimilk, Allflex via Protrack, CowManager, Datamars Tru-Test, Halter, SmaXtec and Waikato Milking Systems) to enable two-way flow of this data between the devices and our herd management software (MINDA).”

King said other highlights from the reporting period include the promising results from the co-op’s methane research programme which confirmed bulls’ genetics play a role in how much methane they emit, highlighting the potential for farmers to breed low methane-emitting cows in the future. This work has now progressed to mating bulls identified as low and high methane emitters to test whether the variation is passed on to their daughters. Research to breed more heat tolerant cows is also continuing.

The co-op’s market guidance for year-end has been tightened, with Underlying Earnings now expected to be in the range of \$21.5-25.5 million (previously \$20-26 million). The co-op is also forecasting 2023-24 Underlying Earnings in the range of \$22-28 million.

King said the co-op’s focus to year-end is to continue working hard to deliver its three strategic commitments in the co-op’s strategy - operational excellence, faster genetic improvement and software reliability and performance.

Ends

This statement has been authorised for release by the Board of Directors.

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Notes to financial information*

- LIC’s half-year result incorporates the majority of revenues from core artificial breeding (AB) and herd testing services, but not a similar proportion of total costs so are not indicative of the second half, nor the full year, result.
- No dividend is declared at half year.
- These numbers should be read in conjunction with the financial details in the Interim Report and 2022 Annual Report.
- Figures have not been audited, with the exception of 31 May 2022 comparatives.
- Underlying Earnings: this is NPAT excluding bull valuation and nil paid share valuation movements and is considered useful to investors as it is the basis on which LIC has historically reported and determination of dividends. Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.
- Discontinued operations: LIC divested its automation business in 2021-22. Accounting standards require any profits from the Automation business to be disclosed as Discontinued Operations.
- Bull team valuation: LIC’s elite bull team is its largest biological asset, valued at \$93.1million at 22-23 year-end. This valuation is based on an independent model that looks at future revenue streams and costs associated with the current bulls owned, discounted back to current value.
- Market guidance is provided on the basis that no significant climate event or milk price change takes place, nor any major impacts from *M. bovis* or Covid-19.

About LIC

LIC is a farmer-owned co-operative and world leader in pasture based dairy genetics and herd management. LIC exists to deliver superior genetics and technological innovation to help its shareholders sustainably farm a profitable animal. With origins dating back to 1909, LIC has a long history of developing and delivering world-leading innovations for the dairy industry. The co-op continues to be one of the sector’s biggest private investors in research and development. Today the New Zealand-based co-op employs more than 700 permanent staff, swelling to 2000 during the spring peak dairy mating season. LIC also has offices in the United Kingdom, Ireland and Australia. All LIC profit is returned to its farmer owners/shareholders in dividends, or reinvested for new solutions, research and development. www.lic.co.nz