



16 May 2016

## 2016 Half-Year Results Investor Presentation

Attached is the investor presentation in connection with the financial results for the 6 month period ended 31 March 2016.

Elders CEO, Mark Allison, and CFO, Richard Davey, will deliver this presentation by webcast and simultaneous teleconference at 10.00am (AEST) today.

As advised to the ASX on Thursday 12 May 2016, you can register to view and listen to the live commentary of the presentation by clicking below:

[Register, view and listen to webcast](#)

If you wish to ask a question (or your computer does not have audio) you will need to dial in to a simultaneous teleconference call:

**Phone: 1800 908 299**

**Quote conference ID: 418650**

The presentation and audio will be archived and available via the Elders Limited website.

**Peter Hastings**  
Company Secretary



# 2016 Half Year Results Presentation

16 May 2016





# FY16 Half Year in Review

*Delivering continued progress*

- Statutory net profit after tax of **\$24.6m** up \$8.7m
- Underlying net profit after tax of **\$19.4m** up \$3.2m
- Underlying EBIT of **\$25.2m** up \$3.3m
- Operating cash inflow **\$13.9m** for the half
- Return on capital of **22%** up from 18% at March 2015

# Progress on FY16 Priorities

## Safety Performance

- ✓ LTI reduced from 8 to 2 at half year
- ✓ Developing new safety reporting system
- ✓ Phase 2 'Stand Up Speak Up' launched
- ✓ Mental health partnership with North Queensland Cowboys

## Operational Performance

- ✓ \$19.4m underlying profit up from \$16.2m
- ✓ ROC at 22%, up 4%
- ✓ Retail ROC increased from 6% to 12%
- ✓ Long Haul restructure
- ✓ 36 branches under performance improvement program

## Key Relationships

- ✓ Developing online client community for ongoing market research
- ✓ Integrated national brand campaign
- ✓ Client focussed online resources (Market Report app, websites, weather app)
- ✓ Regional sponsorship agreements in key focus regions
- ✓ Partnership with SwarmFarm Technology to develop innovative tech solutions
- ✓ High transparency, communication and engagement with key and potential investors
- ✓ Refocusing relationships with key suppliers

## Efficiency and Growth

- ✓ Controlled underlying cost base
- ✓ New leadership roles driving Real Estate and Innovation
- ✓ Review of Banking business efficiency
- ✓ Launched Elders Grain platform
- ✓ 2 China feeder and slaughter shipments
- ✓ Elders Insurance acquisition
- ✓ NSW footprint expansion
- ✓ Real Estate acquisitions and adjacent businesses
- ✓ Tasmanian footprint established
- ✓ New sales offices in China

# Half Year Financial Performance

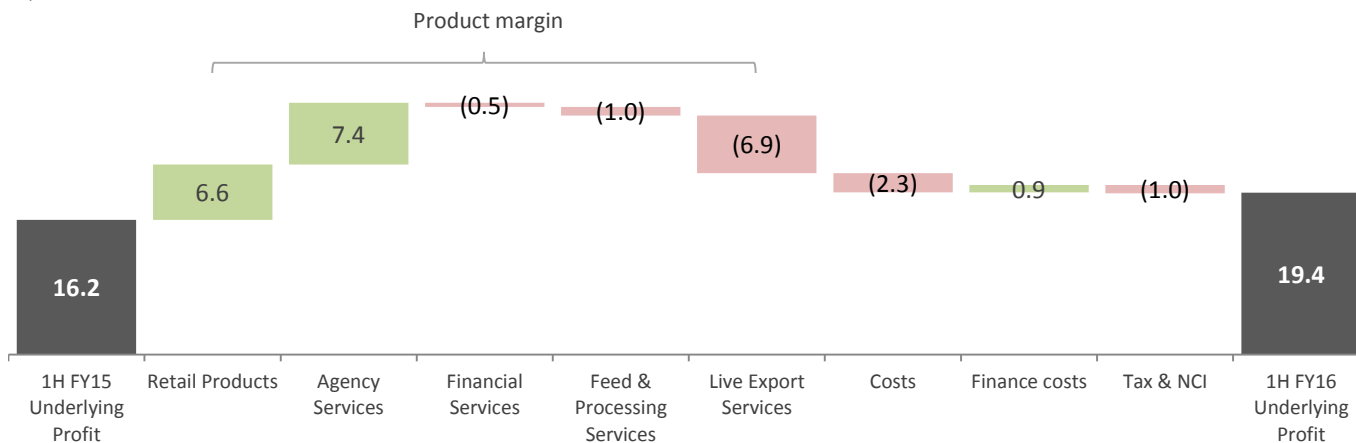
\$ million	1H FY16	Change		1H FY15
		\$m	%	
Sales revenue	727.8	99.2	↑ 15.8%	628.6
Underlying EBIT	25.2	3.3	↑ 15.1%	21.9
Underlying finance cost	(4.0)	0.9	↓ 18.4%	(4.9)
Underlying profit after tax	19.4	3.2	↑ 19.8%	16.2
Reported profit after tax	24.6	8.7	↑ 54.7%	15.9
Operating cash flow	13.9	5.6	↑ 67.5%	8.3
Average net debt	(144.0)	(30.2)	↑ 26.5%	(113.8)
Average working capital	231.9	33.8	↑ 17.1%	198.1
Return on capital (%)	22%	4%	↑ 22.2%	18%
Diluted underlying earnings per share (cents)	16.4	5.6	↑ 51.9%	10.8

# Performance by Product

*Improved Retail and Agency performance, offset by underperformance in Live Export*

## Underlying profit movement

\$ million



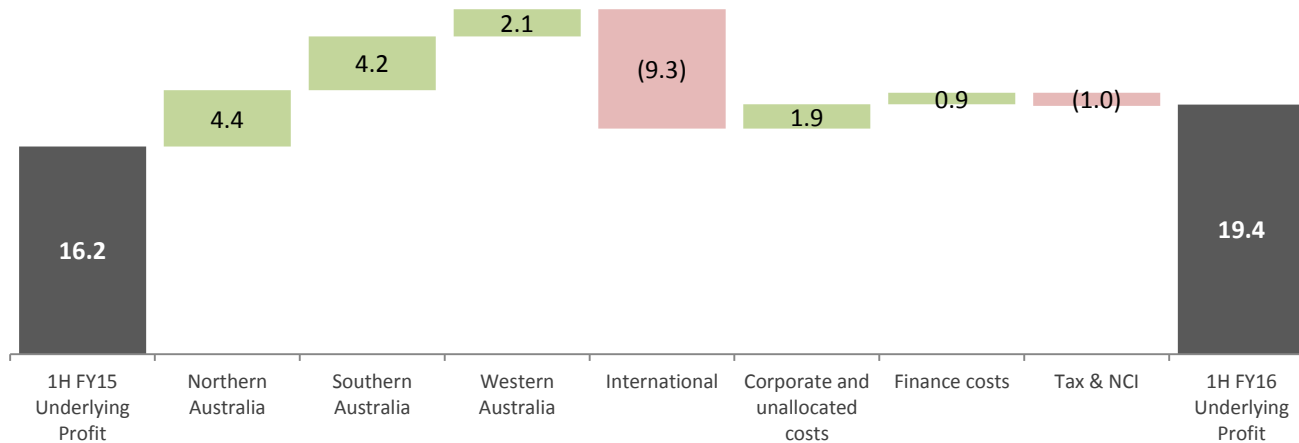
- Retail improvement through increased sales activity
- Agency upside from continued strong cattle prices and demand for broadacre real estate properties
- Margins in the Feed and Processing businesses declined with high cattle prices
- Live Export Short Haul markets saw increased competition and declining margins
- Controlled underlying costs, offset by higher costs through Eight Point Plan investment

# Performance by Geography

*Strong performance in the Australian geographies, offset by headwinds in International markets*

## Underlying profit movement

\$ million



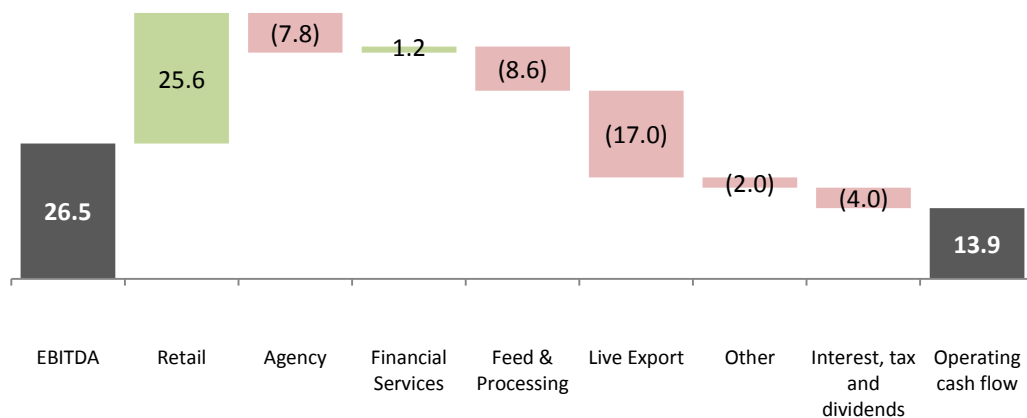
- Continued strong cattle prices supported growth across the Australian segments, however adversely impacted earnings of the International businesses through higher input costs
- Retail products in northern Australia benefitted from renewed confidence in dryland cotton areas
- Strengthening Australian dollar and increased competition placed pressure on the earnings of the International businesses
- Benefits from cost reduction activities flowing through Corporate and unallocated costs

# Operating Cash Flow

Positive operating cash flow underpinned by strong earnings

## Operating cash flow

\$ million



- Strong underlying EBITDA translated to cash flows for the business
- Working capital cash flow usage reflects:
  - Normal Retail seasonal movements
  - Higher cattle prices and increased principal cattle in Killara feedlot
  - Higher debtor balances for Short Haul Live Export resulting from increased volume shipped at half year

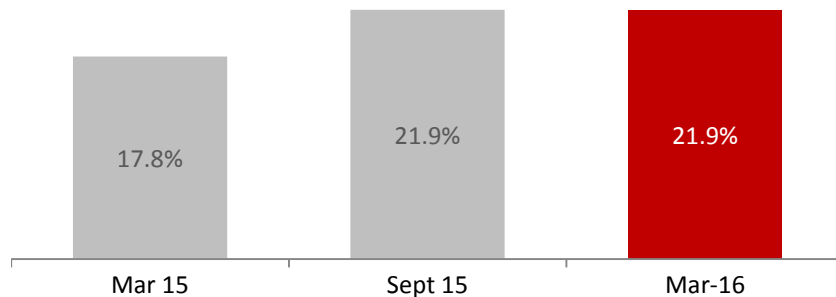
	Retail	Agency	Financial	Feed &	Live	Other	Total
\$ million	Products	Services	Services	Process	Export		
Adjusted EBITDA	11.5	26.4	4.0	3.5	(2.6)	(16.4)	26.5
Movements in Assets and Liabilities	25.6	(7.8)	1.2	(8.6)	(17.0)	(2.0)	(8.6)
Interest, tax and dividends						(4.0)	(4.0)
	<b>37.1</b>	<b>18.6</b>	<b>5.2</b>	<b>(5.2)</b>	<b>(19.6)</b>	<b>(22.4)</b>	<b>13.9</b>



# Capital Deployed

*Return on capital stable*

## Return on Capital



## Working Capital

Average Working Capital \$ million	Mar-15	Sep-15	Mar-16
Retail Products	141.3	150.5	147.8
Agency Services	35.2	31.4	44.2
Feed & Processing Services	29.6	33.1	45.3
Live Export Services	20.1	25.8	28.5
Other	(28.1)	(25.7)	(35.2)
	<b>198.1</b>	<b>215.1</b>	<b>230.6</b>

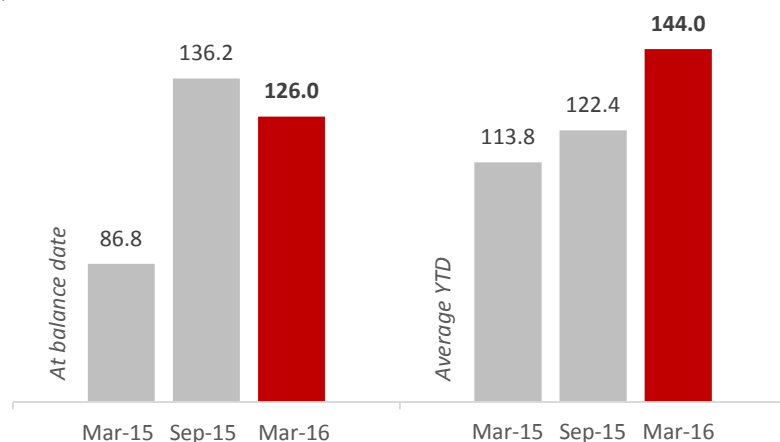
- ROC highlights:
  - Continued strong Agency earnings, with minimal capital requirement
  - Retail return improved from 6% to 12%
  - Offset by reduced return on downstream livestock businesses
  
- Key movements in average working capital from March 2015 relate to:
  - Increased activity in the Retail business
  - High livestock prices driving working capital increase in Agency and Feed & Processing businesses
  - Higher debtor balances for Short Haul Live Export resulting from increased volume shipped for the half

# Net Debt

Key ratios improving

## Net debt

\$ million



Key Ratios	Mar-15	Sep-15	Mar-16	Change
Leverage [ <i>net debt to EBITDA</i> ]	2.2	3.3	2.7	(0.5)
Interest cover [ <i>EBIT to net interest</i> ]	1.9	3.4	5.9	4.0
Gearing [ <i>net debt to equity</i> ]	73%	122%	93%	(20%)

- Increased net debt from March 2015 mainly relates to increased working capital funding requirements
- Interest cover has improved with lower interest cost and stronger earnings
- Further improvements on leverage and gearing ratios required



# Capital Structure

*Committed to simplifying capital structure*

- Ongoing review of capital structure and options in relation to funding business growth and acquisitions
- Hybrid remarketing process not initiated; 2.5% pa margin step up from 30 June 2016
- Continue to assess options around hybrid capital
- Objective remains to commence dividends for FY17

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### Values, Performance & Brand

- ✓ New leadership roles
- ✓ WHS improvements
- ✓ Investment in training and development

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### Geographical Coverage & Distribution Channels

- ✓ NSW expansion
- ✓ Established Tasmanian footprint
- ✓ Ongoing branch performance improvement plan

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### Retail Products

- ✓ Capital light programs
- ✓ Better procurement
- ✓ Price book improvements

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### Agency Services

- ✓ Real Estate leadership and adjacent opportunity growth
- ✓ Livestock and wool product development
- ✓ New grain model launched and operating

## Eight Point Plan

# Actions Delivered

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### Financial Services

- ✓ New General Manager
- ✓ Elders Insurance acquisition
- ✓ Productivity review in banking business

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### Feed & Processing Services

- ✓ China footprint growth
  - ✓ Killara optimized
- ✓ Assessment of branded beef opportunities in Asia

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### Live Export Services

- ✓ Long Haul restructure
- ✓ Managing animal welfare throughout supply chain
- ✓ China feeder and slaughter shipments

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### Cost, Capital & Efficiency

- ✓ Controlled cost base
- ✓ Improved funding structure
  - ✓ Disciplined capital deployment
- ✓ Successful business acquisitions





# FY16 Outlook

*Positive outlook for Australian businesses, with Live Export to remain under pressure*

**Retail:** The winter cropping outlook for northern and western Australia is positive, with average winter crop production expected in southern Australia

**Agency:**

- Livestock: Cattle and sheep prices are expected to remain strong due to tight supply and high demand
- Real Estate: Strong activity in rural real estate is expected to continue with interest rates remaining low and large broadacre property sales in the pipeline
- Wool: Revenues and earnings are expected to remain stable for the remainder of the year

**Financial Services:**

- Banking: Focus on productivity of workforce
- Insurance: Acquisition of 10% stake in Elders Insurance is expected to boost earnings in the second half

**Feed and Processing:**

- Killara: Margins on principally held cattle will be under pressure with continued high supply costs
- Indonesia: Peak activity period for the feedlot will occur in the second half, however potential lower than expected cattle import quotas and high supply prices may present challenges
- China: Sales activity is expected to increase through new customers and geographical expansion

**Live Export:**

- Short Haul: Increased competition and higher supply costs will continue to put pressure on earnings, particularly in Vietnam
- Long Haul: China feeder slaughter opportunity to become clearer over the next 6 months

**Cost and Capital:** Investment in strategy and growth initiatives will increase cost and capital usage; albeit continued focus on base cost and improvement in productivity measures

# Pathway to FY17 Target

*On track to meet EBIT \$60m and ROC 20% target*

## Tailwinds



- Livestock prices remain strong
- Potential China feeder and slaughter live export market
- Increased access to critical west Australian fertiliser market
- Strong pipeline of organic and acquisition growth opportunities

## Headwinds



- Declining livestock herd
- Challenging Live Export conditions
- Margin pressures for Feed and Processing

A photograph of a man in a red sweater and pink shirt examining sheep in a field. He is leaning over, looking closely at the sheep. In the background, another man in a red jacket is looking at a smartphone. The scene is outdoors, with a white fence and a grassy field. The lighting is warm, suggesting late afternoon or early morning. The word "Appendix" is overlaid in white text on the left side of the image.

# Appendix

# Business Segmentation

<i>\$ million</i>	Northern Australia	Southern Australia	Western Australia	International Geographies	1H FY16 Margin	Average Working Capital
<b>Retail Products</b>	Farm Supplies and Fertiliser				<b>53.1</b>	<b>147.8</b>
<b>Agency Services</b>	Livestock, Real Estate, Wool, and Grain				<b>74.6</b>	<b>44.2</b>
<b>Financial Services</b>	Banking, Insurance and Financial Planning				<b>12.0</b>	-
<b>Feed &amp; Processing Services</b>	Killara Feedlot			Indonesia China	<b>8.6</b>	<b>45.3</b>
<b>Live Export Services</b>				Short Haul Long Haul	<b>0.5</b>	<b>28.5</b>
<b>1H FY16 Margin</b>	<b>55.3</b>	<b>66.1</b>	<b>24.1</b>	<b>3.3</b>	<b>148.8</b>	

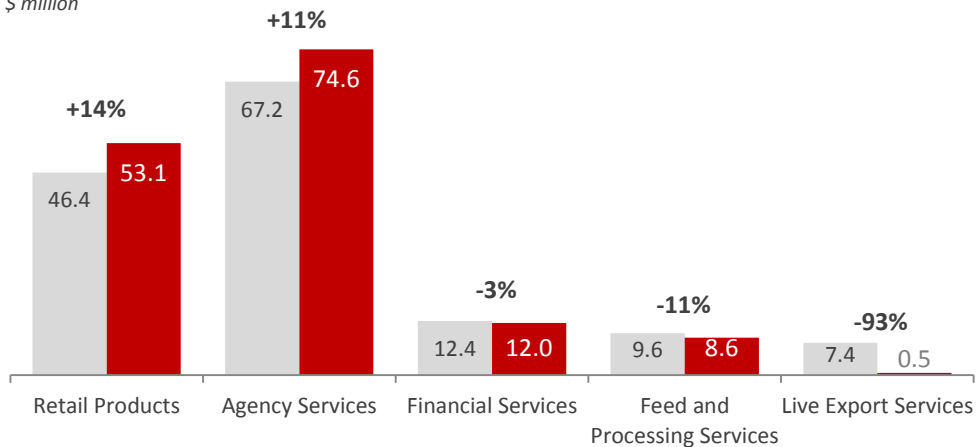


# Business Performance by Product

## Margin by product

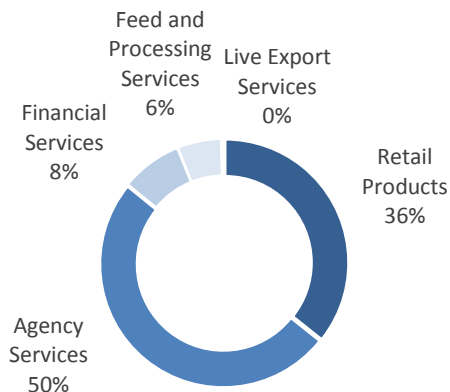
\$ million

■ 1H FY15 ■ 1H FY16



- **Retail:** Increased earnings through higher activity, particularly in in dryland cotton areas
- **Agency:** Strong livestock prices across the country and higher broadacre real estate activity
- **Financial Services:** Stable banking earnings, slight drop in insurance earnings
- **Feed and Processing:** High livestock prices adversely impacted all businesses
- **Live Export:** High domestic cattle costs and increased competition has impacted earnings

## Margin generated by product

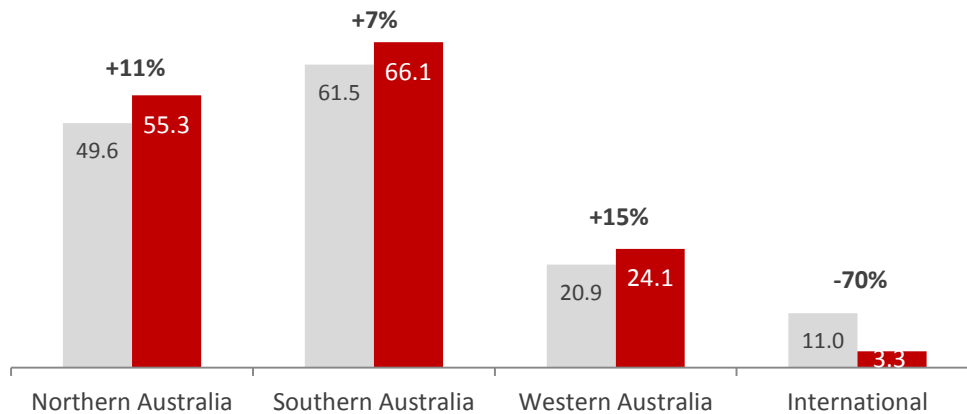


# Business Performance by Geography

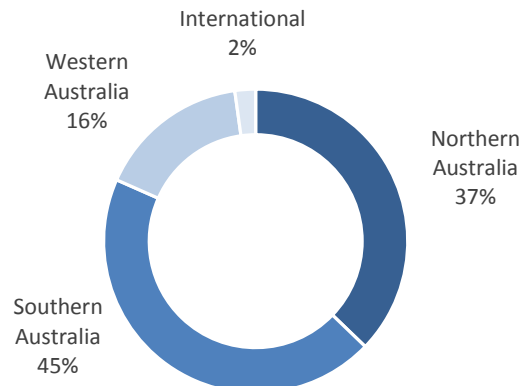
## Margin by geography

\$ million

■ 1H FY15 ■ 1H FY16

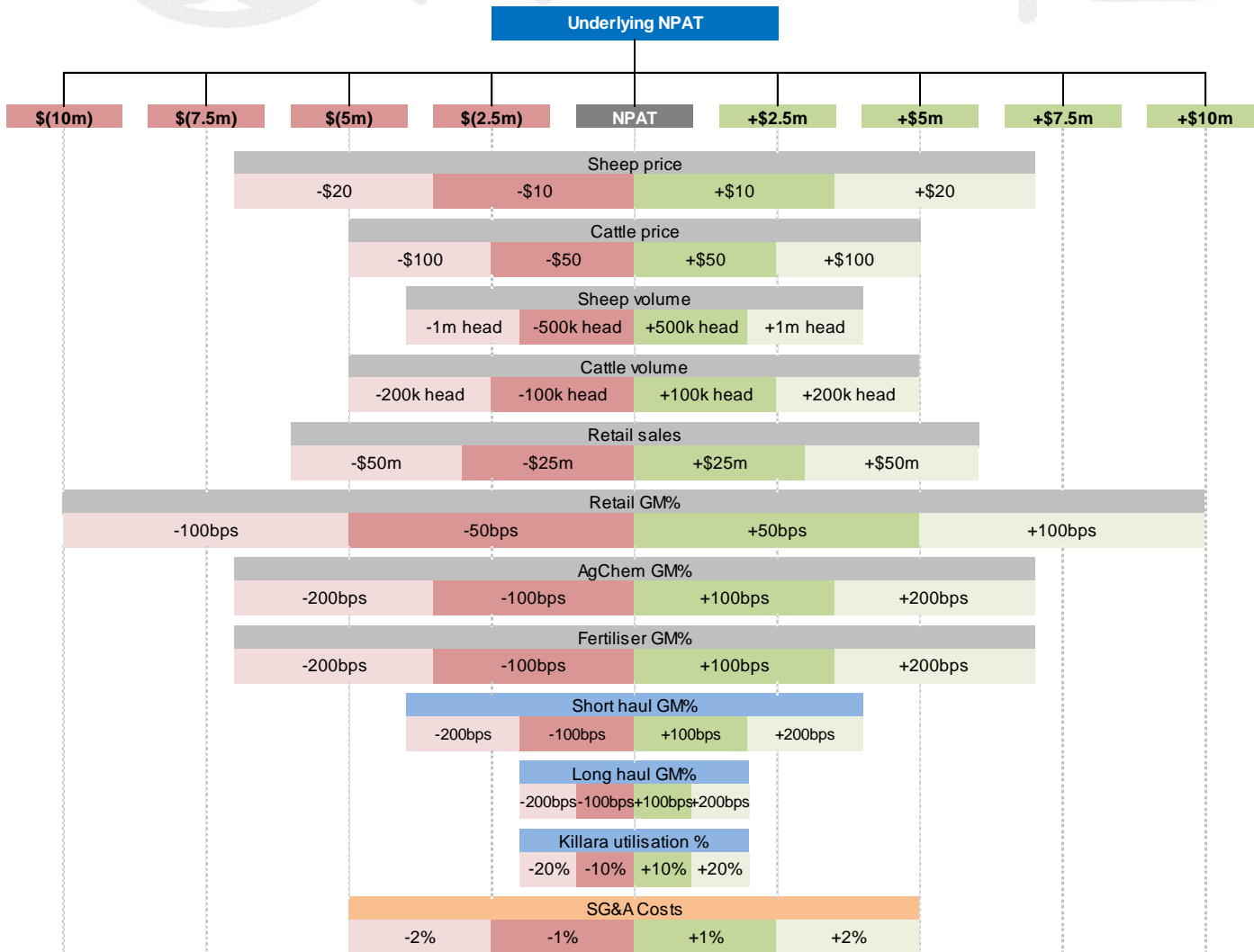


## Margin generated by geography



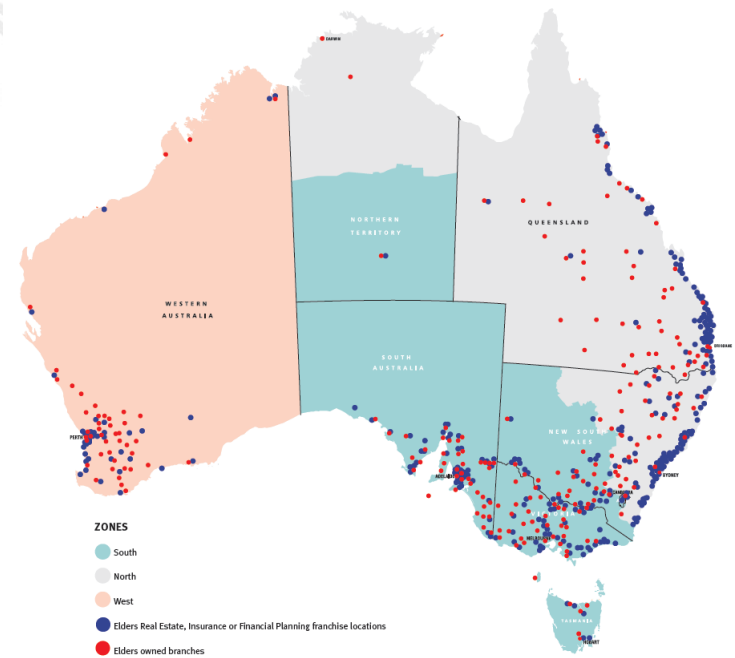
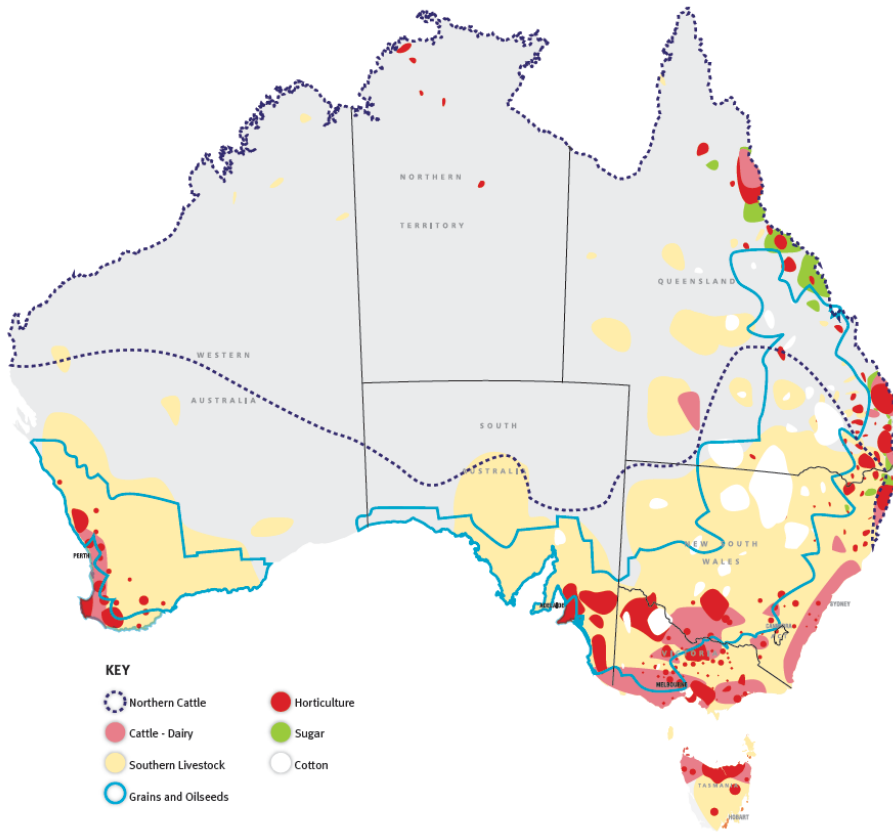
- **North:** Increase driven by strong livestock volume and prices, higher broadacre real estate activity and improvement in farm supplies in cotton growing regions
- **South:** Increase driven by strong livestock prices, higher broadacre real estate activity and improved fertiliser margins
- **West:** Strong cattle prices and broadacre residential real estate
- **International:** High input costs and maturing markets have impacted earnings

# Profit Sensitivity



# Points of Presence

*Elders' footprint in Australian agriculture*



- Over 440 points of presence in Australia and overseas including full service branches, real estate and insurance franchises
- Key produce areas covered through our footprint
- Focus on improving reach into horticulture and sugar segments





Live it.

# Disclaimer and Important Information

## Forward looking statements

This presentation is prepared for informational purposes only. It contains forward looking statements that are subject to risk factors associated with the agriculture industry many of which are beyond the control of Elders. Elders' future financial results will be highly dependent on the outlook and prospect of the Australian farm sector, and the values and volume growth in internationally traded livestock and fibre. Financial performance for the operations is heavily reliant on, but not limited to, the following factors: weather and rainfall conditions; commodity prices and international trade relations. Whilst every endeavour has been made to ensure the reasonableness of forward looking statements contained in this presentation, they do not constitute a representation and no reliance should be placed on those statements.

## Non-IFRS information

This presentation refers to and discusses underlying profit to enable analysis of like-for-like performance between periods, excluding the impact of discontinued operations or events which are not related to ongoing operating performance. Underlying profit measures reported by the Company have been calculated in accordance with the FINSIA/AICD principles for the reporting of underlying profit. Underlying profit is non-IFRS financial information and has not been subject to review by the external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not considered to be related to ongoing operating performance.