



Monday, 15 May 2017


## 2017 Half-Year Results Investor Presentation

Attached is the investor presentation in connection with the financial results for the 6 month period ended 31 March 2017.

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 11 May 2017, you can register to view and listen to the live commentary of the presentation. For details, refer to that announcement.

**Peter Hastings**  
Company Secretary

A woman wearing a pink long-sleeved shirt and a dark cap is shown in profile, feeding a cow. She is holding a large pile of green hay. The cow is white with a grey face. The background is a clear blue sky. A large red rectangular overlay is positioned in the center of the image, containing the title and date.

# Elders Limited

## 2017 Half Year Results Presentation

15 May 2017



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# Disclaimer and important information

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## 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.



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# FY17 Half Year in Review

## Solid performance for financial metrics

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- Lost time injuries increase to 5 from 2
- Statutory net profit after tax of \$38.3m, up \$13.7m
- Underlying net profit after tax of \$34.9m, up \$12.3m
- Underlying EBIT of \$41.3m, up \$13.2m
- Operating cash outflow \$5.3m for the half, down \$19.2m
- Underlying return on capital of 30.2%, up from 26.4% at March 2016
- Realisation of all hybrids resulting in a simplified capital structure
- Underlying earnings per share 29.7 cents, up 10.6 cents

# Progress on FY17 Priorities

Delivering our promises to stakeholders

## Safety Performance

- Lost time injuries increase to 5 from 2, target is zero LTIs
- LTI frequency rate at 1.7
- 50% decrease in days lost, March 2017 year to date
- Risk based decision making training developed
- Continued emphasis on employee and community health and wellbeing

## Operational Performance

- \$41.3m underlying EBIT, up \$13.2m on last year
- Underlying ROC at 30.2%, up from 26.4% at March 2016
- Retail ROC improved from 13.3% to 22.2%
- Leverage ratio steady at 2.3
- Interest cover ratio improved from 7.9 to 8.2
- On track to resume ordinary dividends for FY17










## Key Relationships

- Strengthened relationships in aligned financial service providers
- Continue to work with retail key suppliers, including improved position in WA fertiliser market
- Expanded digital client offerings
- Formalised rural charitable partnerships through launch of "Elders Give It"
- Continue to engage with key agricultural research bodies

## Efficiency and Growth

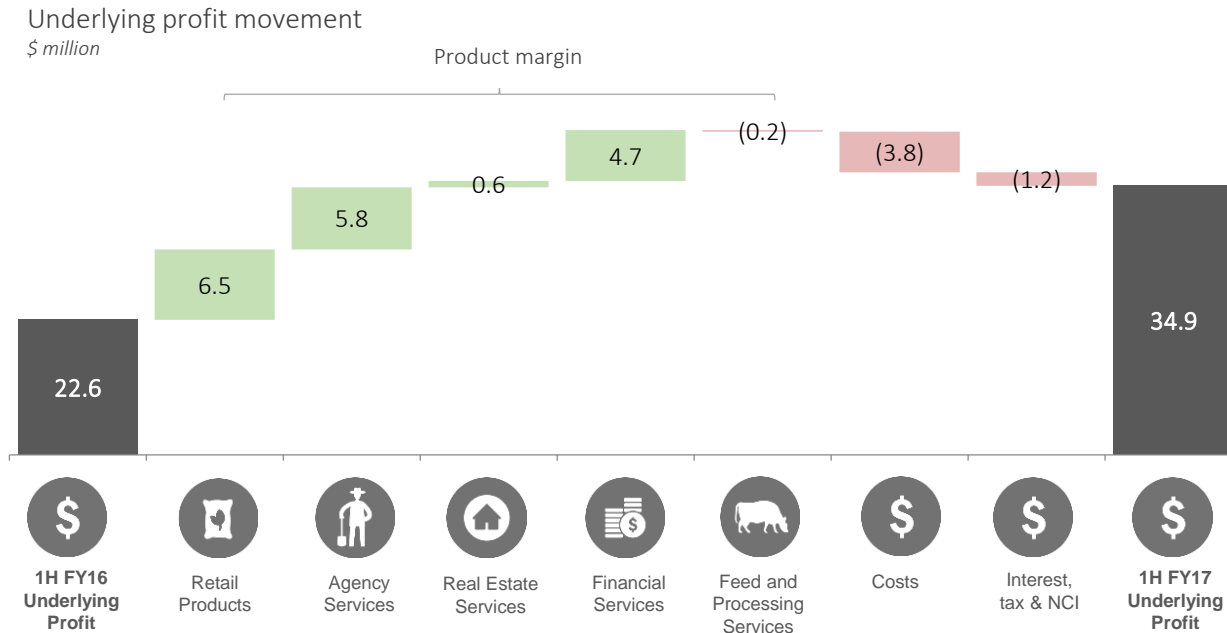
- Continue to drive branch efficiency improvement program
- Real Estate footprint expansion in Western Australia
- Driving organic growth through improving sales force performance and attracting high performers
- Further 10% acquisition of Elders Insurance
- 30% acquisition of StockCo
- Structured review process of capital and cost initiatives
- Realisation of all hybrids resulting in a simplified capital structure

# Half Year Financial Performance

\$ million	1H FY17	Change		1H FY16
		\$m	%	
Sales revenue	698.2	83.2	 14%	615.0
Underlying EBIT	41.3	13.2	 47%	28.1
Underlying profit after tax	34.9	12.3	 54%	22.6
Reported profit after tax	38.3	13.7	 56%	24.6
Net debt	170.4	44.4	 35%	126.0
Operating cash flow	(5.3)	19.2	 138%	13.9
Average working capital	235.5	8.0	 4%	227.5
Underlying return on capital (%)	30%	4%	 15%	26%
Underlying earnings per share (cents)	29.7	10.6	 55%	19.1

# Performance by Product

## Margin improvement across product range

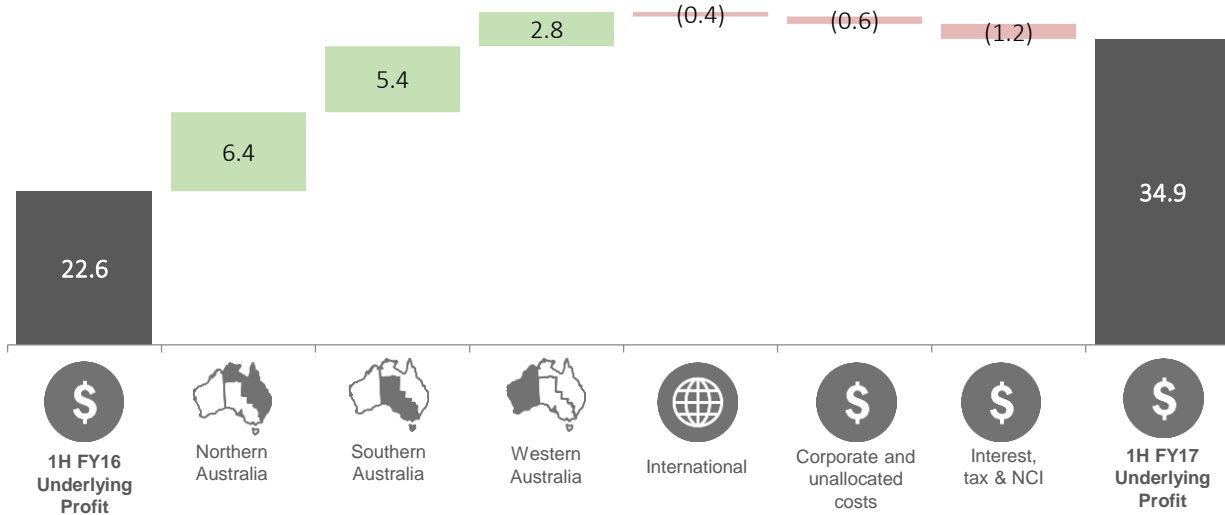


- Retail benefited from improved summer cropping conditions and geographical expansion
- Agency uplift with continued strong livestock prices and benefit from footprint growth
- Real Estate earnings improved with high farm land property turnover
- Financial Services boosted by StockCo and Elders Insurance acquisitions
- High input costs continue to adversely impact the overseas Feed and Processing businesses
- Higher costs to drive Eight Point Plan initiatives, including acquisitions and footprint growth
- Tax and non-controlling interests higher due to improved performance in partnerships

# Performance by Geography

Improvement across Australian business units, headwinds for international segment

Underlying profit movement  
\$ million



- Northern Australia benefitted from high cattle prices, normalised summer retail performance, and upside from geographical expansion
- Southern Australia performance driven by retail improvements and acquisitions, along with livestock agency upside from both high cattle prices and footprint expansion
- Western Australia improvement through higher livestock agency earn and increased farm land real estate sales
- High input costs continue to adversely impact the International margins
- Higher corporate and unallocated costs from increased incentives resulting from improved profitability across the business
- Tax and non-controlling interests higher due to improved performance in Australian partnerships

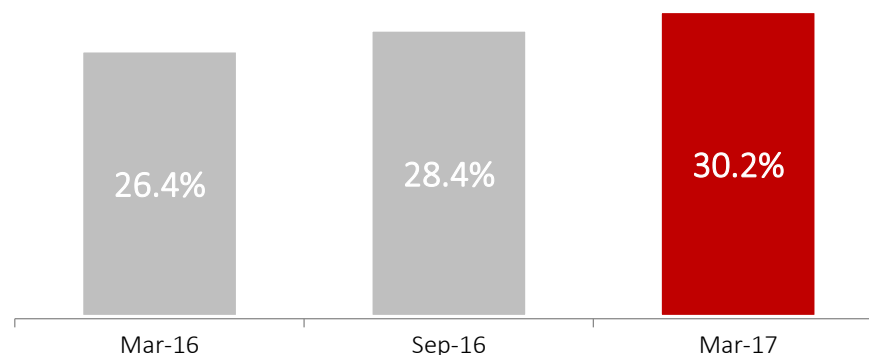


# Capital Employed

Return on capital well in excess of targeted 20%

- Underlying return on capital drivers:
  - Increased profitability of the Retail business
  - Continued strong Agency earnings, particularly Livestock, which requires minimal working capital
- Higher working capital balances, arising from:
  - Increased activity in Retail
  - Increase at balance date due to higher livestock activity in the Agency business
  - Investment in Financial Services through provision of shareholder funding to StockCo
  - Higher livestock prices and increase in occupancy at the Killara feedlot
  - Lower Live Export balances due to reduced shipping activity

## Underlying Return on Capital



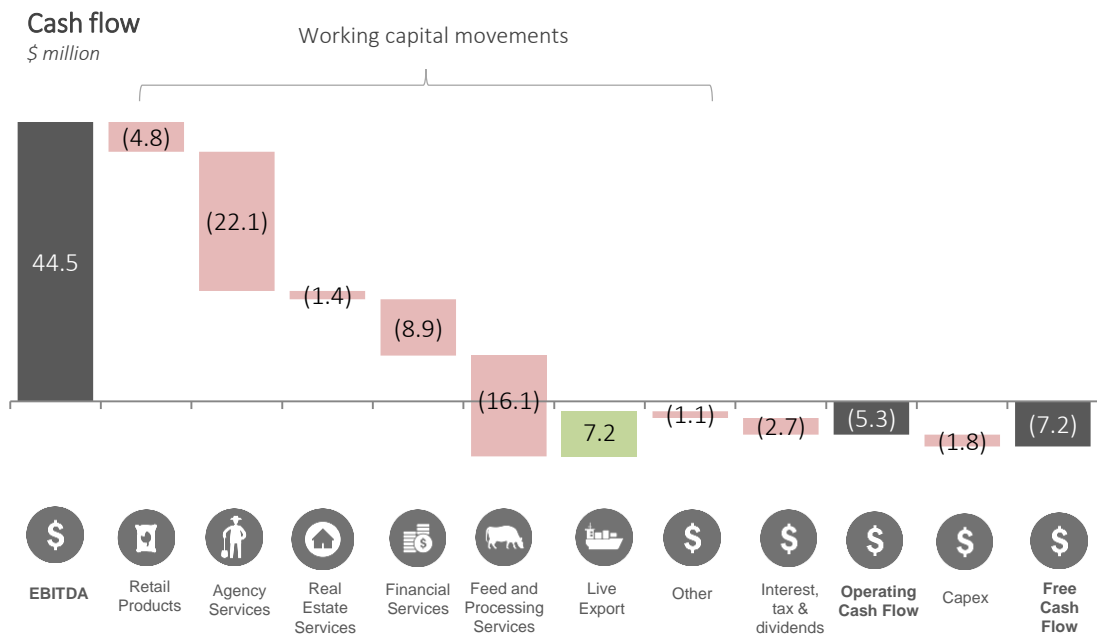
## Working Capital

<i>\$ million</i>	Mar-16	Mar-17	Change
Retail Products	119.3	134.9	13%
Agency Services	30.2	64.2	113%
Financial Services	(1.5)	5.6	Nm
Feed & Processing Services	48.4	54.8	13%
Live Export Services	45.1	8.1	-82%
Other	(35.4)	(36.0)	-2%
<b>Working capital (balance date)</b>	<b>206.1</b>	<b>231.6</b>	<b>12%</b>
<i>Working capital (average)</i>	<i>227.5</i>	<i>235.5</i>	<i>4%</i>

# Operating Cash Flow

## Positive EBITDA offset by working capital movements

- Strong EBITDA cash conversion, offset by increased working capital usage
- Working capital usage reflects:
  - Higher activity in the Agency business leading up to balance date
  - Investment in Financial Services through provision of shareholder funding to StockCo
  - Increased occupancy and higher cattle prices in the Feed and Processing feedlots
  - Reduction in Live Export working capital balances in line with reduced shipping activity

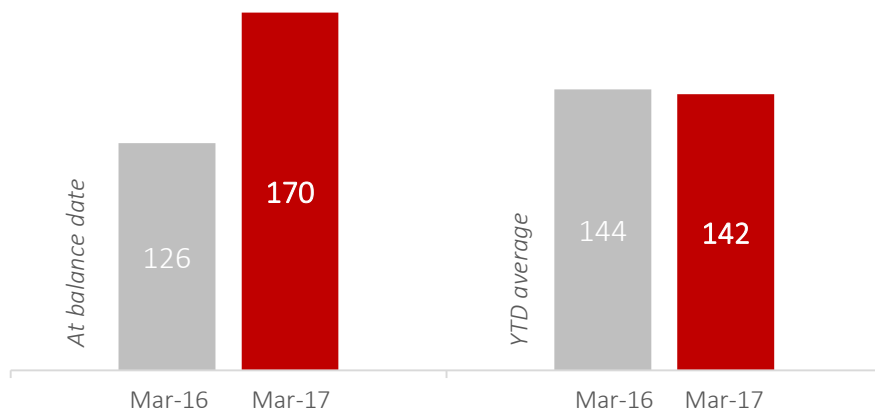


	Retail Products	Agency Services	Real Estate	Financial Services	Feed & Process	Live Export	Other	Total
EBITDA adjusted	18.7	24.2	6.7	4.8	3.7	0.1	(13.8)	44.5
Working capital	(4.8)	(22.1)	(1.4)	(8.9)	(16.1)	7.2	(1.1)	(47.1)
Interest, tax and dividends							(2.7)	(2.7)
Operating cash flow	13.9	2.1	5.4	(4.1)	(12.4)	7.3	(17.5)	(5.3)

# Net Debt

## Key debt ratios stable

Net debt  
\$ million



- Increase in net debt at balance date represents net hybrid outflow, higher working capital balances and investments in Elders Insurance and StockCo
- Average net debt steady over period
- Despite higher net debt at balance date, key ratios have remained stable due to strong EBITDA generation

Key Ratios	Mar-16	Mar-17		Change
Leverage (net debt to underlying EBITDA)	2.3	2.3		-
Interest cover (underlying EBITDA to net interest)	7.9	8.2	↑	4%
Gearing (net debt to equity)	98%	95%	↓	3%

# Pathway to FY17 Target

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## Tailwinds



- Favourable summer cropping season
- Livestock prices remain strong
- Full year benefit of footprint expansion in retail and livestock segments
- Increased Financial Services earnings through acquisitions
- Investment in Real Estate bolt-ons including Southern Districts Real Estate

## Headwinds



- Expected lower rainfalls impacting the winter cropping season
- Livestock prices expected to gradually decline in the second half
- Easing of farm land real estate earnings
- Continued pressure in Feed and Processing until lower input costs eventuate
- Increased employee incentives

# FY17 Outlook

## Gradual decline in livestock prices expected

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### Retail

- Rainfall is forecast to be below average and temperatures higher than average for most of Australia to June, potentially impacting crop yields. Acquisition and footprint expansion during the second half of the 2016 financial year are expected to deliver further benefits.

### Agency

- Tight supply for both sheep and cattle is expected to continue throughout winter and into early spring. Prices are expected to remain buoyant in the short term but will subside as volumes increase later in the year. Price decline will be accelerated if the forecasted drier than average winter conditions occur, with growers forced to offload livestock earlier. Wool bales received in store suggest activity will improve in the second half.

### Real Estate Services

- Demand for farm land property is expected to ease in line with the potential decline in livestock prices. Western Australian performance is expected to lift with the acquisition of Southern Districts Estate Agency bolstering sales agency and property management earnings.

### Financial Services

- Earnings growth achieved in the first half is expected to continue with the StockCo and Insurance acquisitions.

### Feed & Processing

- Killara feedlot margins on principally held cattle will continue to be under pressure from high supply costs (cattle prices). Margin pressure will continue for the international operations until cattle prices ease.

### Cost and Capital

- Continued focus on controlling underlying cost base and improving productivity measures throughout the business. Investment in strategic and growth initiatives will increase cost and capital usage.

# Eight Point Plan

1

## VALUES, PERFORMANCE & BRAND

To deliver our plans through a values, safety and performance based culture that optimises the iconic Elders brand and positioning

2

## RETAIL PRODUCTS

To deliver profitable and capital light growth of our retail products portfolio with an enhanced customer benefit and experience

3

## AGENCY SERVICES

To deliver profitable growth of the agency services portfolio through business improvement, recruitment and acquisition for our livestock and wool businesses and through focused growth of our grain business

4

## REAL ESTATE SERVICES

To deliver profitable growth of the real estate services portfolio through driving business improvement, recruitment and acquisition for all real estate services

## STRATEGIC INTENT:

To achieve a sustainable EBIT and ROC in 2020, by providing value creating products and services both in Australia and internationally

5

## FINANCIAL SERVICES

To deliver profitable growth of the financial services portfolio through business improvement, product development and upstream investment in our financial services businesses

6

## DIGITAL & TECHNICAL SERVICES

To grow our digital and technical services, expand our knowledge of customer needs, deliver markets to customers, to enable our customers to increase productivity and leverage Elders digital capability to expand customer base and build brand

7

## FEED & PROCESSING SERVICES

To deliver continuous improvement in EBIT and ROC for all businesses with active portfolio composition management

8

## COST, CAPITAL & EFFICIENCY

To deliver ongoing innovative efficiency gains through improved processes and approaches



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# Balanced growth plan to FY20

## Organic 40%

- Drive continuous business improvement
- Capture growth opportunities across our product and services portfolio
- Explore opportunities to expand our offering and leverage the Elders brand into new markets to capture new clients and customers
- Continuously drive and resource values based leadership through the organisation
- Investment in the development of our leaders and people
- Build deeper understanding of our customers to deliver profitable value add products and services

## Acquisition 40%

- Continue to evaluate strategically aligned opportunities to expand our business
- Identify innovative solutions to target geographical and strategic gaps
- Maintain a disciplined approach to ensure acquisitions meet required financial hurdles
- Reallocation of capital from non-performing assets will occur if financial and quality targets are not met

## Cost 20%

- Efficiency gains through active cost management
- Reallocation and reduction of unproductive costs
- Develop and implement improved processes and approaches
- Maintain robust and conservative financial discipline



APPENDIX

**Elders** Live it.



# Business Model



\* Principal positions are held by Rural Bank, StockCo and Elders Insurance (QBE subsidiary) respectively

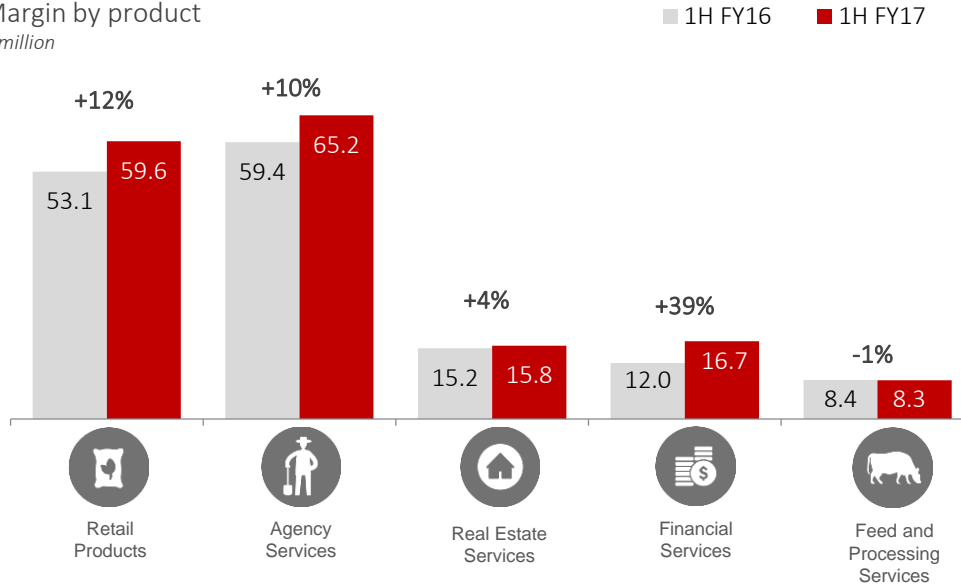
Based on FY16 statistics (full year)

# Business Segmentation

<i>\$ million</i>	Northern Australia	Southern Australia	Western Australia	International Geographies	1H FY17 Margin	Average Working Capital
<b>Retail Products</b>	Farm Supplies and Fertiliser				59.6	163
<b>Agency Services</b>	Livestock, Wool, and Grain				65.2	42
<b>Real Estate Services</b>	Farmland, Residential, Property Management, Franchise				15.8	2
<b>Financial Services</b>	Agri Finance, Insurance and Financial Planning				16.7	5
<b>Feed &amp; Processing Services</b>	Killara Feedlot			Indonesia China	8.3	50
<b>1H FY17 Margin</b>	63.5	72.9	27.0	2.2	165.6	

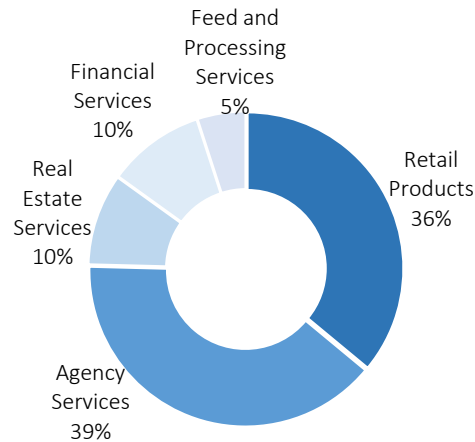
# Business Performance by Product

Margin by product  
\$ million



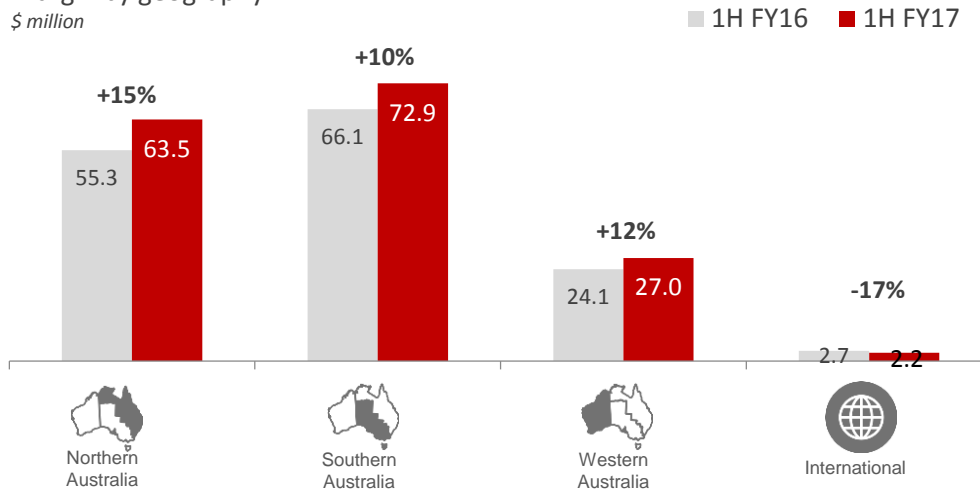
- **Retail:** Benefited from improved summer cropping conditions and geographical expansion
- **Agency:** Continued strong livestock prices and benefit from footprint growth
- **Real Estate:** Earnings improved with high farm land property turnover
- **Financial Services:** Margin boosted by StockCo and Elders Insurance acquisitions
- **Feed and Processing:** High input costs continue to adversely impact the overseas Feed and Processing businesses

Margin generated by product



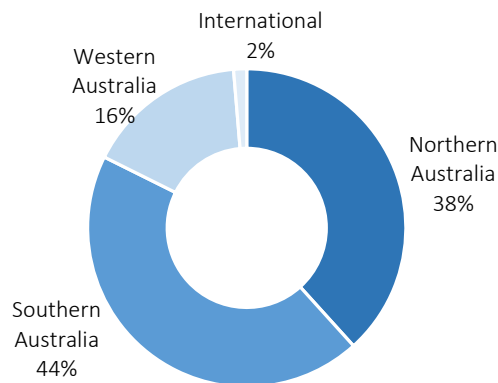
# Business Performance by Geography

Margin by geography  
\$ million

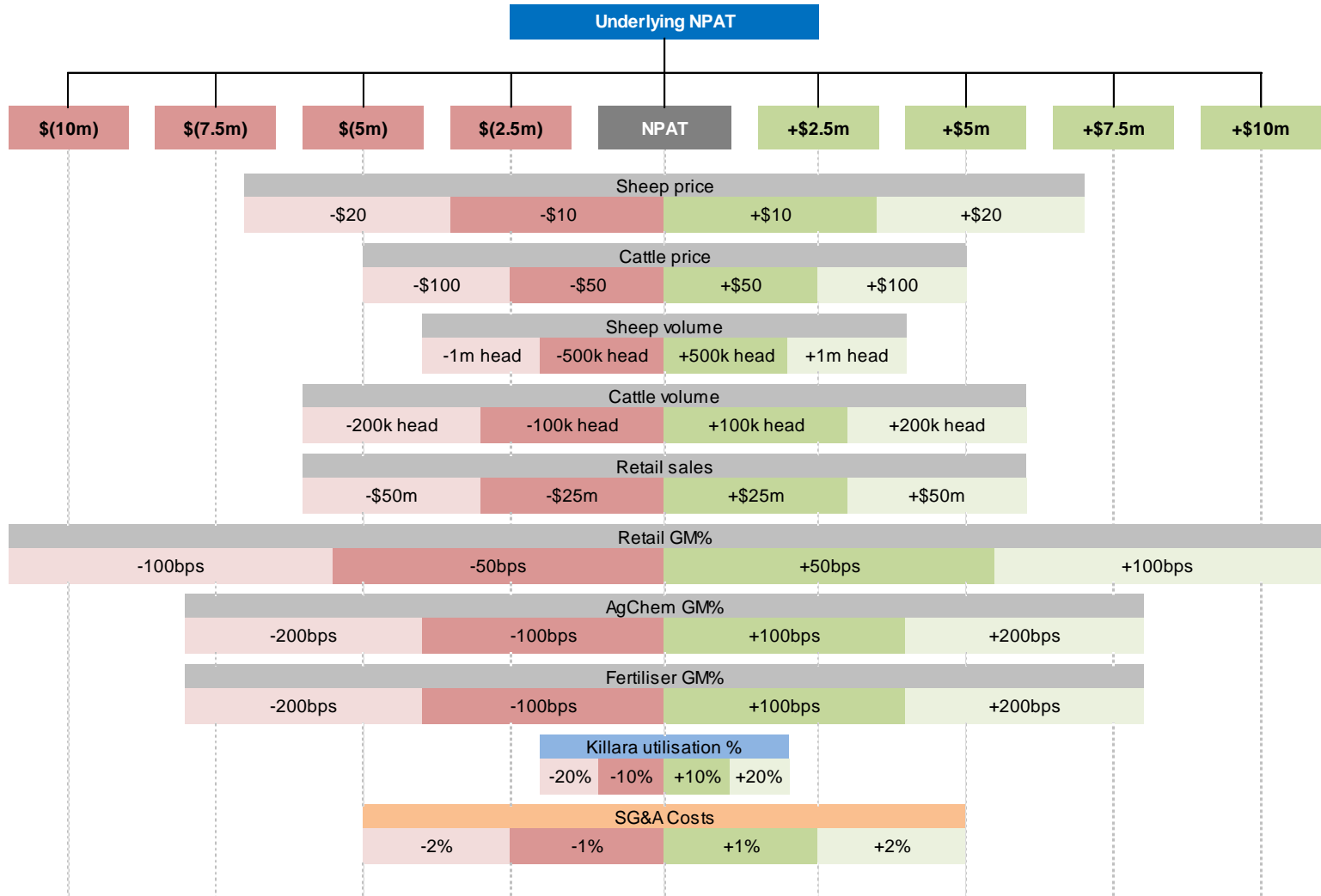


- **Northern Australia:** Benefitted from high cattle prices, normalised summer retail performance, and upside from geographical expansion implemented during FY16
- **Southern Australia:** Performance driven by retail improvements and acquisitions, along with livestock agency upside from both high cattle prices and footprint expansion
- **Western Australia:** Improvement through higher livestock agency earn and increased farm land real estate sales
- **International:** High input costs continue to adversely impact the International businesses

Margin generated by geography



# Profit Sensitivity

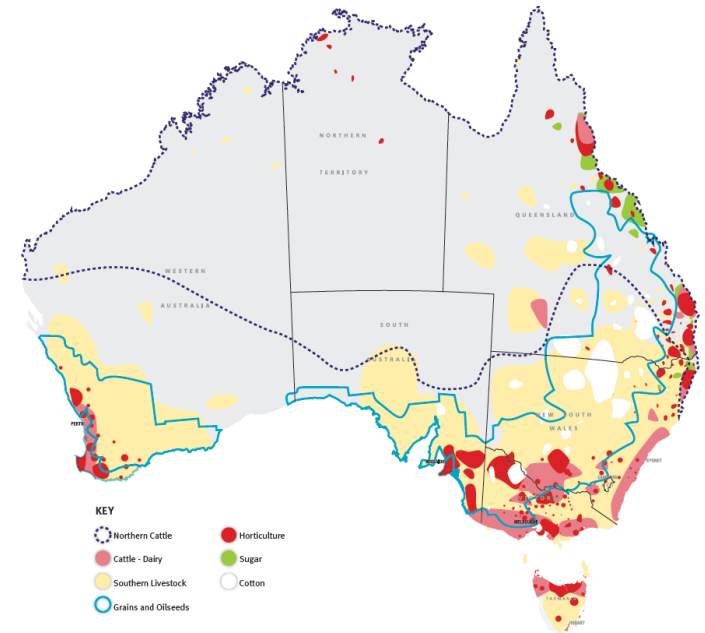
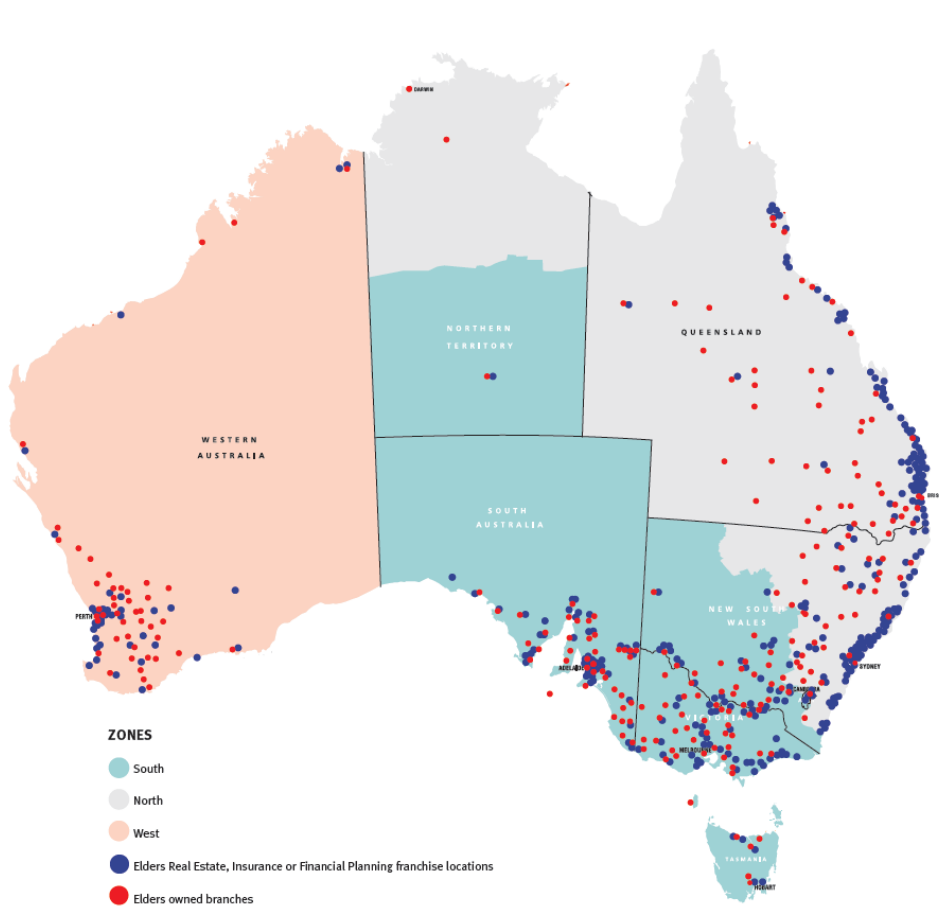


# Strategic Gap Analysis



- **Retail**
  - Target for 20% market share
  - Fertiliser growth in WA through CSBP
  - Increase presence in horticulture industry
  - Expand skill base and value add to grow fee for service advisory
- **Agency**
  - Targeted footprint and agent growth in livestock services
  - Expand grain network accumulation
- **Real Estate**
  - Increase company owned presence in major regional centres in Australia
  - Aggressively expand franchise network
- **Financial Services**
  - Increase productivity of banking staff
  - Growth in Insurance gross written premiums
  - Growth in StockCo livestock product
- **Feed and Processing**
  - Controlled growth in feedlots
  - Expansion of fine food beef business into ASEAN countries

# Points of Presence



- 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
- Targeted expansion of footprint through recruitment and acquisition



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