



14 December 2017

2017 AGM - CEO's Address

Attached is a copy of the Chief Executive Officer's presentation to the 2017 Elders Limited Annual General Meeting being held today in Adelaide.

Peter Hastings
Company Secretary



**Chief Executive's Presentation, Mr Mark Allison
2017 Annual General Meeting of Elders Limited**

INTRODUCTION

Good morning everyone and thank you for your attendance today.

As we move out of the first three years of the Eight Point Plan and reset to lead into the next growth phase, it is evident that the business has embraced and is committed to our strategic priorities. We have a clear resolve to realise our objective of continuing the consistent and high quality growth which has underpinned the company's achievements since FY14, and more specifically in FY17. We now have a solid and stable platform to capitalise on the many opportunities that lay ahead for Elders and the Australian agribusiness sector.

Today I am pleased to share the positive progress and results that we've achieved against our priorities this year, and how we are shaping up to drive growth and innovation towards 2020.

As our Chairman shared earlier, the safety and wellbeing of our people is the number one priority at Elders. Our lost time injuries stood at six



this year, which is up from four last year, although our lost time injury frequency is below all of our competitor benchmarks. The result we saw from a safety viewpoint is the reduction from 34 lost time injuries three years ago, down to six. In our Australian business we held our lost time injuries at two, and we had the increase of four in our international businesses in Indonesia and China.

Going forward, in order to reach our target of zero lost time injuries, we must eliminate complacency, and continue to work both individually and as a team to make Elders a safer workplace.

2017 was a year of significant financial performance for Elders, demonstrated by year on year improved statutory and underlying profits.

Statutory net profit after tax of \$116.0 million compares with a \$51.6 million profit in the previous year, resulting from strong underlying profits and the non-cash impairment reversal of the Elders brand name.

Underlying net profit after tax has improved \$16.5 million on the prior corresponding period to \$57.7 million.

A \$14.3 million improvement at the underlying EBIT level, to \$70.4 million, was due to improved profitability across the product range and a number of bolt on acquisitions in line with our Eight Point Plan priorities.



Elders also announced a fully franked final dividend of 7.5 cents per share, plus a fully franked special dividend of 7.5 cents per share, equating to a total dividend of 15 cents per share - which reflects a milestone in our progress under the direction of the Eight Point Plan.

Balanced growth was achieved across the portfolio, with the Retail business posting a \$7.8 million increase in margin due to normalised summer cropping conditions and geographical expansion. We enhanced our retail capability with the acquisition of Ace Ohlsson, a New South Wales based horticultural operation.

Sheep and cattle prices remained strong, which combined with the benefit from our footprint expansion, resulted in an \$11 million margin improvement in the Agency business.

Margins for the Real Estate business improved by \$2.7 million with low interest rates and high livestock prices continuing to generate demand for large cattle farming and broadacre cropping properties. Our real estate presence in the south west of Western Australia was strengthened by the acquisition of Southern Districts Estate Agency during the year.

The 30 percent purchase of the StockCo livestock financing business and an additional 10 percent of Elders Insurance boosted margins for



Financial Services to \$35.1 million, up \$8.9 million. Our total ownership in Elders Insurance now stands at 20 percent.

Elders' Feed and Processing Services improved 17 percent on last year through increased utilisation at Killara Feedlot and continued success in our paddock procurement strategies. This represented an increase of \$1 million in underlying profit.

Operating cash inflow of \$81.6 million for the year was up \$32.9 million on the prior corresponding period, underpinned by strong cash conversion of operating profits and variability of livestock activity leading up to balance date. Both investing and financing cash outflows were higher than last year through increased acquisition activity and a focus on simplifying the Company's capital structure.

Elders completed the realisation and cancellation of its Hybrid securities in the first half of FY17, simplifying our capital structure.

Our underlying return on capital continued to be above the 20 percent benchmark at 26.8 percent through continued strong Agency earnings, increased Retail margins, and our capital light initiatives across the business.



Exiting from the non-core Live Export business, while maintaining our important involvement in the trade through the sourcing of livestock, is not only driving cost efficiencies but has allowed Elders to invest in areas, such as technical and digital services, which are much more aligned with our growth agenda.

Our focus on building a high performance culture within our business continued throughout 2017.

We believe high engagement and enablement is key to building this culture within Elders, and we measure this annually through our employee effectiveness survey.

Overall engagement and enablement levels continue to sit above levels for other Australian organisations at 74 percent and 76 percent respectively. Elders was this year recognised at an international level with Korn Ferry's Employee Engagement Award. We were one of only two Australian companies to receive an award, alongside recipients from 21 countries.

In the last 12 months, we have also seen an improved participation in the 2017 performance review process, with more than 97% of employees and their managers setting and reviewing objectives.



Elders recognises outstanding performance through the One Elders Awards and through incentive initiatives which encourage and reward high performance and achievement.

The high performing culture within our business has enabled us to continue to attract and develop the right people for the right roles.

Elders continues to invest in upskilling and developing our people. We had 18 future and senior leaders participating in our Leadership Development Programs, nine inducted into the Stock and Station Agency Traineeship Program, and the Agronomy Graduate Program welcomed a further two graduates.

Attracting and maintaining a diverse workforce is an ongoing commitment and, in this regard, a special emphasis is placed on increasing the proportion of women holding management positions. We still have some way to go, but Elders has set measurable objectives, including maintaining the pipeline of female leaders above 25 percent – this figure currently sits at 28 percent. It is also encouraging to note that 38.3 percent of the some 2000 Elders employees are women, which has remained consistently higher than the Agriculture, Forestry and Fishing Industry average.



In fact, 2018 will see woman accounting for 40% of the Elders Board and some 30% of our Executive Committee.

Turning now to digital and technical services, in the past 12 months, we've continued to introduce products and services to benefit clients and create efficiencies to increase productivity in their businesses.

We've updated the Elders weather app and website to improve user experience and incorporated additional data. This year alone, we've had over five million hits on the Elders weather app and website.

We made significant developments to the Elders Online client portal and created more efficiencies for our clients by providing them with ease of access to their account information in real time.

Agriculture has increasing demands for digital solutions, and the rate of change is expected to increase with succession to future generations. This year, we began researching and developing phase one of Elders Smart Farmer app. The app will assist clients in making decisions on-farm by presenting consolidated and aggregated farm management data.



In another exciting development, the groundwork was undertaken in FY17 for the creation of a revolutionary offering for our clients, known as Thomas Elder Consulting – or TEC.

TEC will be a premium standalone agronomic fee-for-service business. Through TEC, Elders will provide another level of technical excellence to clients, as well as the broader industry and major multinational research and development partners.

Looking now at the communities in which we operate, Elders takes considerable pride in supporting, nurturing and re-investing in the rural and regional areas of our industry.

This year to further support these communities, we developed partnerships with three key not-for-profit organisations, to create the employee contribution program, Elders Give It. The three organisations include Royal Flying Doctor Service, landcare and beyondblue.

Elders Give It allows employees to contribute to any of the three chosen charities by contributing an amount of their choice pre-tax, or hosting fundraising events at a branch level.



Each partner has been carefully selected based on their relationships with the communities in which Elders' employees and clients live and work.

The relationship with the RFDS was further strengthened with the recent announcement of Elders becoming a major partner of the not-for-profit organisation, providing extensive support for the new flying intensive care unit as well as to a range of initiatives throughout FY18.

I'm pleased to share with you a short video from the launch event in a moment, which celebrates the relationship Elders has with the RFDS and the communities that we both support.

Elders continued to support the cause of rural mental health awareness through our partnership with the North Queensland Cowboys, and we provided support to the New South Wales Country Eagles and the country towns they represent.

Beyond our shores, we are also involved in supporting international communities in which we operate. In Indonesia, we've worked with the local government to improve the environmental impact of the waste water treatment plant associated with the feedlot. Elders also donates



over 20 kilos of beef each month to a local orphanage in Lampung caring for more than 100 children.

Turning now to the Eight Point Plan, which as you know was introduced in 2014. Although straight forward in concept, it is essential in articulating our vision and ensuring operations adhere to the strategic road map we have in place.

The plan has served to position Elders as a robust, resilient, innovative, efficient and dynamic business.

I am pleased by what we have achieved in the past year. Our platform for growth and evolution, shaped by the Eight Point Plan, is firmly entrenched and we are well placed to continue to make great strides and financial gains to provide value to you as our shareholders.

Elders anticipates another year of progress and innovation to elevate the business even further – especially in digital and technical services.

This year, we will be partnering with university researchers, international suppliers and government agencies, with a view to improving Australian



agricultural research, development and extension, and ultimately farm productivity and profitability.

Elders has played a significant role in Australian history throughout our 178 year journey and looking ahead to 2020, we are focused on quality growth and development, improving our service offering for clients and delivering value to our shareholders.

We're looking to invest in more branches, in the best areas, with the best people and the best offer, so we can continue to grow alongside Australian agriculture.

On behalf of our hard working team of employees right across the business, we thank you for your ongoing support and we look forward to sharing another strong period of growth, success and value generation with you all again this year.

I'm pleased with the dedication and commitment of our people across our Australian, Chinese and Indonesian businesses, and I would like to take this opportunity to thank our clients and shareholders for their support.



As I mentioned earlier, please enjoy this short video announcing Elders as a major partner of the Royal Flying Doctor Service.

Thank you.