Monday, 15 May 2017

2017 first half financial results

- **Statutory net profit after tax of $38.3m, up 56% (+ $13.7m) from pcp**
- **Underlying profit after tax of $34.9m, up 54% (+ $12.3m) from pcp**
- **Underlying EBIT of $41.3m, up 47% (+ $13.2m) from pcp**
- **Return on capital of 30.2%, up from 26.4% at 1H FY16**
- **Realisation of all hybrids resulting in a simplified capital structure**
- **On track with FY17 priorities**

Elders Limited (ASX:ELD) has today released its half year results for the six months to 31 March 2017, again delivering an increased statutory and underlying profit, and solid progress on FY17 priorities.

Statutory net profit after tax of $38.3 million compares with a $24.6 million profit in the prior corresponding period. Underlying net profit has improved $12.3 million on the prior corresponding period to $34.9 million.

Underlying earnings before interest and tax (EBIT) of $41.3 million were primarily driven by improved seasonal conditions, and benefits from geographical growth.

Net debt at balance date was $170.4 million, but average net debt over the period fell by $2 million to $142 million. The Company's balance sheet remains strong and key ratios are stable.

Elders' chief executive officer Mark Allison said that the half year results reflect the progress to date of a company-wide focus on both organic and acquired growth, in line with the Company's Eight Point Plan and return on capital objectives.

"Our focus has been to ensure we're continuing to grow our service to clients through strategic initiatives, including an extension of our current product offerings and expansion of our geographical footprint," Mr Allison said.

Operational Update

"Our retail arm has again outperformed the prior corresponding period, with a $6.5 million improvement in earnings, driven by normalised summer conditions and geographical expansion, including the recruitment of high performing staff in Tasmania and New South Wales," he said.

"Earnings from our agency services business improved on the prior corresponding period with an increase of $5.8 million, driven by record livestock and wool prices across the country, and benefits from footprint growth."

“These high livestock prices, coupled with low interest rates, were favourable for the real estate business, generating increased demand for large cattle farming and broadacre cropping properties. Elders increased its turnover of farm land real estate by $76 million or 15%, compared with the prior corresponding period.”

Acquisitions including the 30% equity stake of livestock financing company StockCo and an additional 10% of the equity in Elders Insurance, boosted financial services earnings for the first half.

High cattle costs adversely impacted Elders’ overseas feed and processing businesses, however this impact was offset by earnings improvements delivered through higher occupancy and increased efficiency at the Killara feedlot.

The exit from Elders’ live export logistics business is well advanced, with completion of the sale expected in the short term.

Return on capital continues to improve on a rolling 12 month basis, recording a 3.8% increase on the prior corresponding period to 30.2%, largely driven by the retail and agency businesses.

Delivery on Key Priorities

Mr Allison said Elders is delivering on all its key priorities, and emphasis will continue to remain on safety performance.

“We have reported 5 lost time injuries, up from 2 in the first half of last year. We consider this unacceptable given we are striving for an injury free workplace. Accordingly, we continue to invest in ongoing safety engagement and training initiatives, new safety reporting systems, and tools to ensure our employees return home safe each day.”

“Building on our key relationships remains a priority for FY17, delivering expanded product offerings and engagement tools for our clients and stakeholders.”

“Elders’ online platforms, including a grain app, weather app, client portal, and client community, continue to develop in-line with our customers’ needs.”

The realisation of all hybrids in the first half has simplified the capital structure to one class of listed security, being the fully paid ordinary shares. Elders remains on track to resume the payment of ordinary dividends for FY17.

FY17 Outlook

“Acquisition and footprint expansion delivered in the second half of FY16, are expected to deliver further benefits in the retail and agency businesses.”

“High prices for both sheep and cattle are likely to continue in the short term and then subside as volumes increase later in the year.”

“Demand for livestock properties is expected to ease in line with the potential decline in livestock prices. However, performance in Elders’ West Australian real estate operations are expected to offset this, as the benefits from our recently acquired Southern Districts Estate Agency business located in Bunbury are realised."

"Earnings growth achieved in the first half for financial services is anticipated to continue into the second half, through the StockCo and Insurance acquisitions."

Given the above outlook, Elders is expecting to report full year underlying EBIT on the high side of previous guidance provided in connection with the Eight Point Plan, which was $60m EBIT plus or minus 10% through the cycle.

ENDS

Further information
Mark Allison, Chief Executive Officer, 0439 030 905
Richard Davey, Chief Financial Officer, 0437 167 772

Media enquiries
Fiona Stuckey, Head of Brand, 0419 226 384

Conference call and presentation
Details for the conference call and webcast slide presentation are as follows:

Conference call	**Webcast slide presentation**
10.00am (AEST) Monday, 15 May 2017	Register, view and listen to webcast
Phone: 1800 908 299 Quote conference ID: 836300	This webcast will stream the audio, so if you do not wish to ask a question, you do not have to call into the conference call. Note: the slide presentation will not be available until the presentation is scheduled to begin but you can use this link to test your browser.