



ASX Announcement

Monday, 16 November 2020

2020 Full-Year Results

Elders continues its track record of year on year growth and declares a final 13c dividend

Metric (\$ millions, pre-AASB 16)	FY20	FY19	Change
Sales revenue	2,092.6	1,626.0	466.6 (29%)
Statutory profit after tax	124.2 (122.9 post-AASB 16)	68.9	55.3 (80%)
Underlying profit after tax	109.0	63.6	45.4 (71%)
Underlying EBIT	119.4	73.7	45.7 (62%)
Underlying return on capital	18.7% (20.2% pre-AIRR)	18.2%	0.5 ppt
Operating cash flow	110.5	11.2	99.3 (887%)
Underlying earnings per share (cents)	70.7	52.6	18.2 (35%)
Fully franked total dividend (cents)	22	18	4 (22%)

Australian agribusiness Elders (ASX:ELD) today released its results for the 12 months to September 2020, demonstrating the resilience of the Elders business model in a year marked by drought, bushfire and COVID-19. Elders also announced a fully franked final dividend of 13 cents per share.

Elders reported statutory profit after tax of \$122.9m (post-AASB 16). Underlying earnings before interest and tax (EBIT) of \$119.4m represents an increase of 62% on FY19 and underlying earnings per share (EPS) of 70.7 cents reflects a 35% increase on FY19.

Elders' return on capital (ROC) of 18.7% was 0.5 percentage points up on FY19. If the effect of the Australian Independent Rural Retailers (AIRR) acquisition is excluded, ROC is 20.2% - in line with the 20% ROC hurdle Elders set itself as part of the Eight Point Plan Strategy.

The dividend of 13 cents per ordinary share takes total dividends paid for the year to 22 cents fully franked, an increase of 22% or 4 cents on the previous year.

The result was driven by gross margin growth across all state geographies and products, combined with continued cost control and capital allocation discipline.

The performance of our Rural Products division was a highlight. The acquisition and integration of leading rural supplies wholesaler AIRR added \$44.0 million in wholesale gross margin, well in excess of acquisition business case projections. Elders also made excellent progress on its backward integration strategy, selling more of its own branded products at higher margins.

Within Agency Services, higher livestock prices provided upside and more than offset the soft wool market. Our Real Estate Services division achieved strong growth in both broadacre and residential property turnover. Financial Services delivered above acquisition case growth for the Livestock in Transit delivery warranty product.



The strong results are particularly pleasing given they were achieved despite ongoing drought and bushfires in the first half of the year and without any government assistance in the form of JobKeeper or other COVID-19 support measures.

Elders' Chief Executive Officer and Managing Director, Mark Allison, attributes the outcome to the company's clear and methodical Eight Point Plan strategy, combined with its nimble response to challenges that arose throughout the year.

"Our solid business foundations and strict financial discipline, together with a commitment to ensuring the safety and prosperity of clients, communities and staff across Australia allowed us to succeed despite challenging operating conditions in FY20" Mr Allison said.

"When the COVID-19 pandemic emerged, we proactively established a COVID-19 Response Committee that convened almost daily to monitor the evolving situation and respond swiftly. We focussed on minimising the risk to our employees and the communities we operate in whilst also ensuring we could continue to serve our clients and play our part in keeping the food supply chain operating."

Cancellation of COVID-19 working capital facility

One of the COVID-19 response measures Elders undertook in May 2020 was to establish a \$50m working capital facility to ensure the business had sufficient balance sheet headroom to withstand potential business interruptions as a result of the pandemic. Six months later, Elders has experienced no material business impact from COVID-19 and consequently, the facility has not been utilised since its inception. With low levels of community transmission, advances in contact tracing and progress towards a vaccine, the facility is now surplus to Elders' needs and has been cancelled.

Launch of the third Eight Point Plan

FY20 saw Elders close out its second Eight Point Plan, delivering consistent financial returns through the agricultural cycles and delivering on our advantage of being a pure play agribusiness.

Mr Allison notes that "Our FY20 results highlight the resilience of our business, the benefits of our diversification across both geographies and products, and our acquisition strategy."

In FY21, Elders embarks on a new, third, Eight Point Plan.

"Under our newly launched Eight Point Plan, we have again set ambitious financial goals – we are targeting 5 to 10% growth in EBIT and EPS through the agricultural cycles at a compelling ROC of 15%. In addition, in this plan we have introduced new non-financial goals around sustainability and brand trust. Also new is the Systems Modernisation Program – a multi-year investment in a new, best of breed operating platform that will improve client experience and enable internal efficiencies."

As always, safety is an important feature of the new Eight Point Plan.

"In FY20 we reported 2 Lost Time Injuries (LTI) which represents a significant improvement on the 9 LTIs recorded in FY19. Nonetheless, we strive for zero workplace injuries."

FY21 Outlook

The area planted to summer crop is expected to rebound from historically low levels last year, resulting in recoveries in demand for crop protection and fertiliser.



Cattle prices are expected to soften from the record high prices seen in FY20, however are expected to remain in the relatively high range.

Reduced consumer demand for apparel and disrupted clothing supply chains has raised levels of unsold textiles and raw fibres, which will likely result in wool prices remaining low in the near-term.

High levels of demand for farmland is expected to continue while potential farmland sellers are deferring selling decisions due to uncertainty created by COVID-19; this is expected to deliver ongoing strong farmland values in FY21.

In FY21 we will focus on developing our new, authentic, industry leading sustainability program across health, safety, community, environment and governance to drive profitability, and build a better business for our customers, our people, regional and rural Australia and other stakeholders to associate with, invest in and work in.

Significant growth opportunities exist to gain market share by serving new customers, in new geographies with our multiple product and service portfolios. Elders will remain adaptable as the on-going impacts of COVID-19 continue to minimally disrupt key inputs across the industry.

Investor Briefing

An investor briefing (webcast conference call) on these results will be held today at 10.00am AEDT.

Participants can register for the conference by navigating to <https://s1.c-conf.com/diamondpass/10009851-invite.html>. Please note that registered participants will receive their dial in number upon registration.

About Elders Limited: *Elders has been an integral part of Australia's rural landscape since 1839, providing a full range of services to Australian primary producers. Elders employs more than 2,100 committed staff, who help meet the needs of customers across Australia.*

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Authorised by The Elders Limited Board of Directors

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