



17 November 2014

## 2014 Full Year Financial Results Presentation

Attached is the presentation of the financial results for the 12 month period ended 30 September 2014.

**Peter Hastings**  
Company Secretary

# FY14 RESULTS

Results for the 12 months to 30 September 2014

Monday, 17 November 2014

Elders

*Elders*

175 YEARS

# FY14 priorities

## Safety Performance

- ✓ Lost time injuries from 33 to 20
- ✓ Target is to be LTI free

## Operational Performance

- ✓ \$77.3m underlying profit turnaround
- ✓ All segments have lifted earnings contribution
- ✓ Eight Point Plan developed and being implemented
- ✓ EBIT margin lifted to 2% from -3%
- ✓ ROC at 12% up from -10%

## Leadership Renewal

- ✓ Board renewal with two new NEDs and new Chair
- ✓ Experienced agribusiness CEO appointed with track record of delivering value
- ✓ Executive Committee established to align structure with strategy
- ✓ Ongoing investment in leadership renewal and development

## Capital Management

- ✓ ROC improved in line with renewed focus
- ✓ Average working capital reduced 27% from FY13
- ✓ Capital raising completed in October 2014 to eliminate term debt
- ✓ Refinance completed in October 2014 with appropriate working capital facilities for seasonal and live export demand

# FY14 results overview

- Statutory net profit after tax of \$3.0m up from \$(505.3)m
- Underlying net profit after tax of \$8.8m up from \$(68.5)m
- Uplift across all product and geographic segments
- Divestment of non-core assets complete
- Net debt reduced to \$137.6m; down from \$255.2m last year
- \$57m equity raising undertaken
- New flexible banking facilities with support of three core financiers
- First clean audit report since 30 September 2011
- Eight Point Plan launched with structured implementation



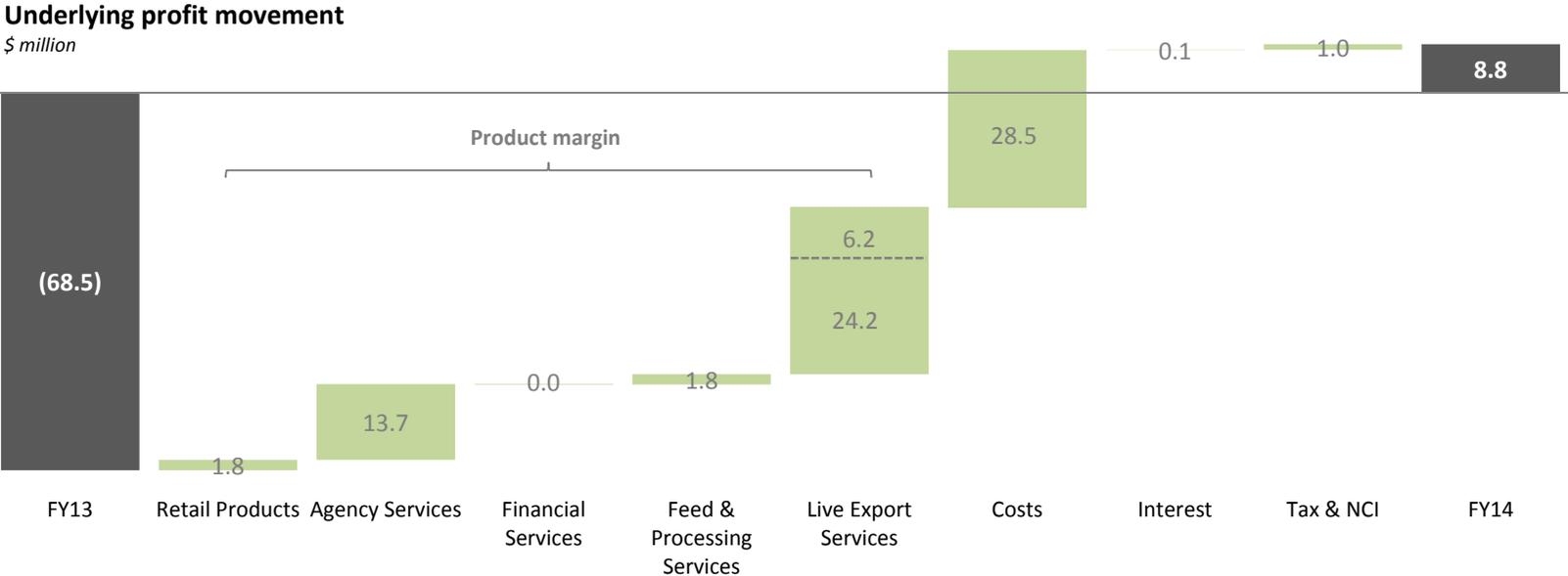
# Key financial indicators

| \$ million                           | 2014    |   | 2013    | Change from 2013 |
|--------------------------------------|---------|---|---------|------------------|
| Sales revenue                        | 1,431.5 | ↑ | 1,422.1 | + 9.4            |
| Underlying EBIT                      | 27.3    | ↑ | (48.9)  | + 76.2           |
| Underlying profit / (loss) after tax | 8.8     | ↑ | (68.5)  | + 77.3           |
| Reported profit / (loss) after tax   | 3.0     | ↑ | (505.3) | + 508.3          |
| Net debt                             | (137.6) | ↓ | (255.2) | - 117.6          |
| Term debt                            | (34.1)  | ↓ | (143.8) | - 109.7          |
| Reported net financing costs         | (23.2)  | ↓ | (33.2)  | - 10.0           |
| Operating cash flow                  | 15.1    | ↑ | (81.6)  | + 96.7           |
| Return on capital                    | 11.7%   | ↑ | (9.5)%  | + 21.2%          |



# Underlying profit by product

## Profit uplift across all products



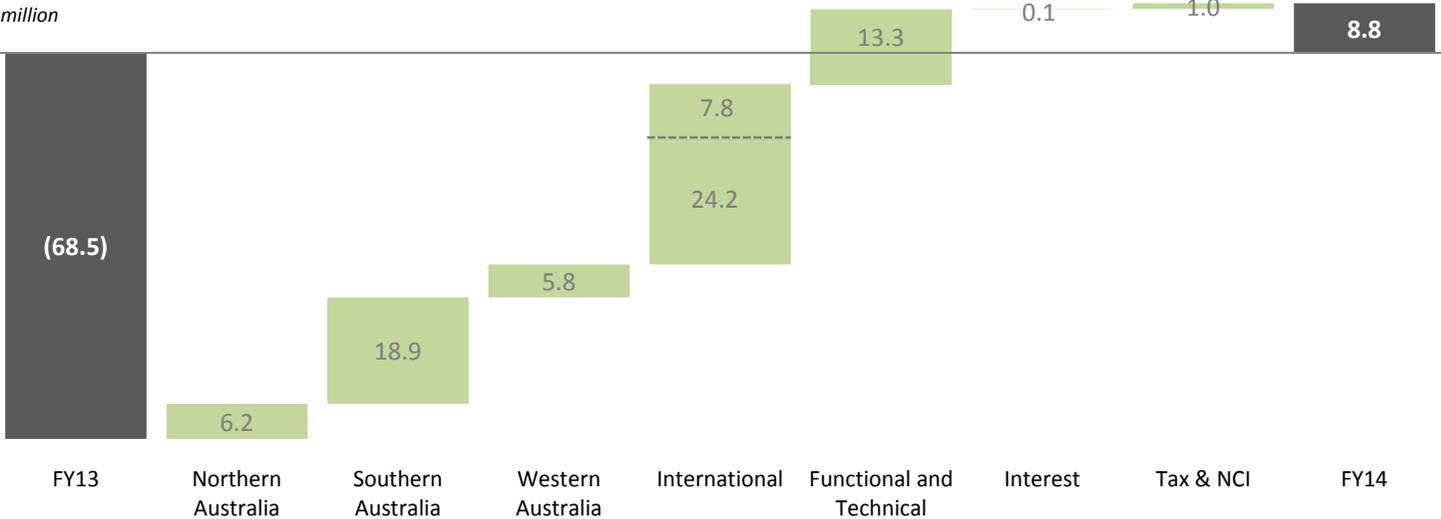
- Strong Agency margin contribution from Livestock and Real Estate
- Solid performance from Live Export notwithstanding \$24.2m FY13 balance sheet adjustment
- Successful cost reduction program



# Underlying profit by geography

Improvement in all geographic segments

Underlying profit movement  
\$ million



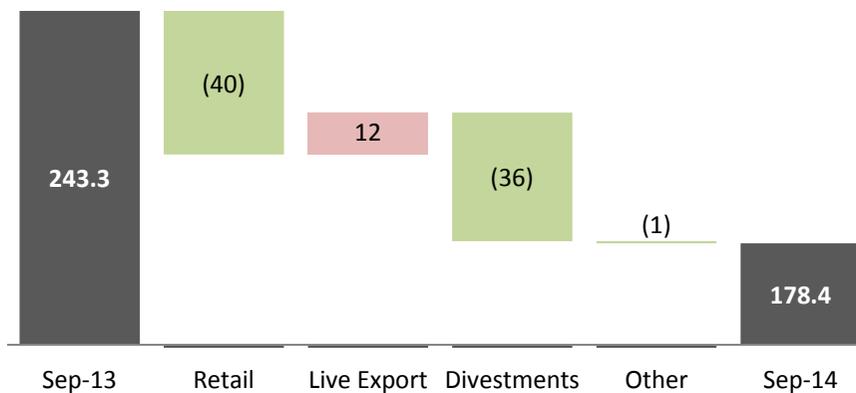
- All Australian geographical segments responded to Retail, Agency, Financial Services strategies and cost reduction initiatives
- Cost saving benefits evident throughout business
- International segment net uplift \$7.8m



# Working capital

## Improvement in working capital efficiency

Working capital movement  
\$ million



- Reduced Retail debtors and inventory
- Restock of Live Export business
- Completion of divestment of non-core assets
- Expect higher working capital in FY15 with seasonal improvements
- Delivered on capital management program

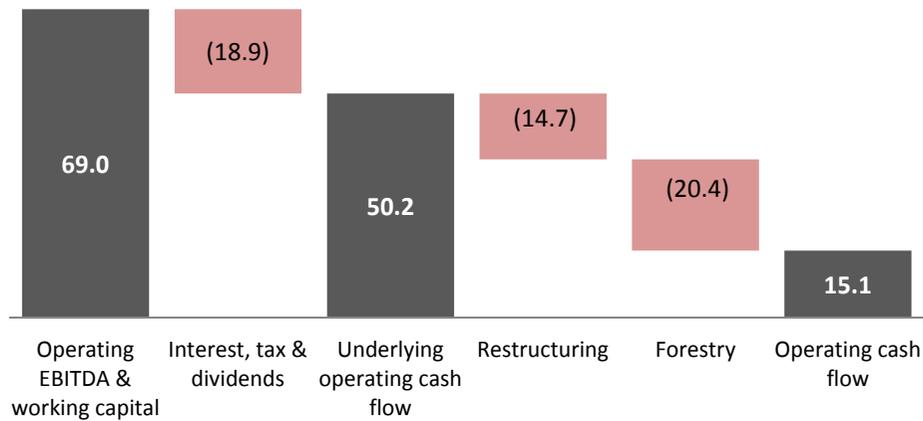
|                              | Sep-13       | Sep-14         |
|------------------------------|--------------|----------------|
| Inventory                    | 116.3        | <b>84.8</b>    |
| Livestock                    | 36.7         | <b>41.1</b>    |
| Trade and other receivables  | 345.4        | <b>302.1</b>   |
| Trade and other payables     | (255.1)      | <b>(249.6)</b> |
| <b>Total working capital</b> | <b>243.3</b> | <b>178.4</b>   |



# Cash flow

## Strong cash flow generation from core business

Operating cash flow  
\$ million



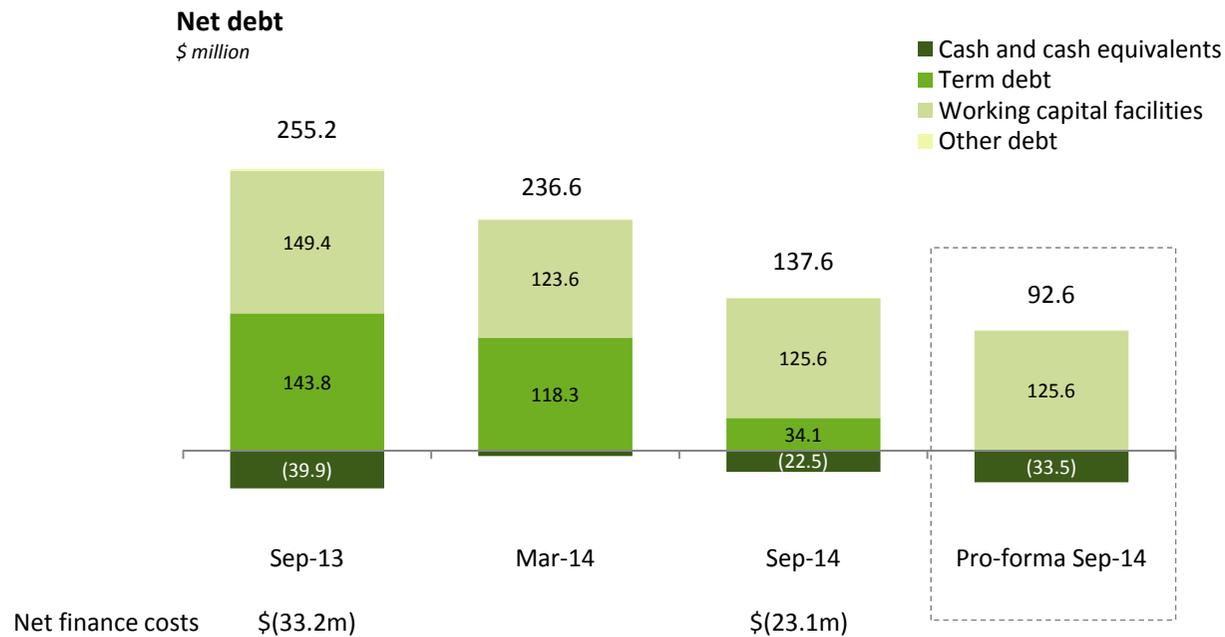
- Improved cash flow generation through increased profitability and working capital management
- “Non-recurring” outflows relating to:
  - FY13 restructuring and residual Auto divestment payments
  - Forestry exit
- Opportunity for future cash flow generation to be invested into growing the business

| \$ million                                   | Operating EBITDA & working capital cash flow |                 |                    |                |             |        | Total       |
|--|--|-----------------|--------------------|----------------|-------------|--------|-------------|
|  | Retail Products                              | Agency Services | Financial Services | Feed & Process | Live Export | Other  |             |
| EBITDA adjusted                              | 22.5   | 20.5            | 9.9                | 5.4            | 5.1         | (32.4) | <b>31.0</b> |
| Working capital                              | 40.1   | 4.3             | (0.3)              | 7.1            | (11.7)      | (1.5)  | <b>38.0</b> |
| Operating EBITDA & working capital cash flow | 62.6   | 24.8            | 9.6                | 12.5           | (6.6)       | (33.9) | <b>69.0</b> |



# Debt position

## Successful reduction of debt

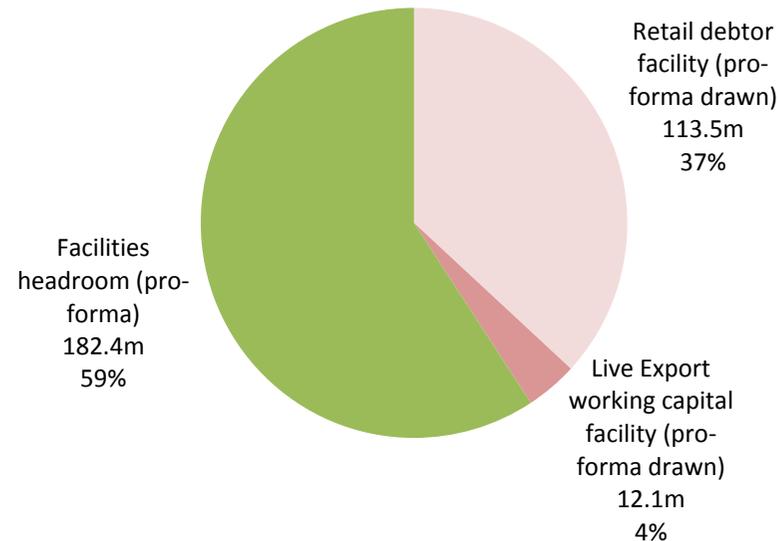


- Net debt almost halved
- Term debt down 76% from repayments with divestment proceeds
- Working capital facilities down with seasonally lower debtors
- Net finance costs reduced 30%
- Pro-forma net debt \$92.6m, term debt paid down to zero



# Post recapitalisation and refinance

## Balance sheet reset and platform for growth created



- Recapitalisation and refinance completed in October 2014
- Zero term debt
- Working capital facilities of \$308m, pro-forma drawn to \$126m with headroom of \$182m
- New debt facilities flexible to cater for seasonal changes and to support implementation of Eight Point Plan



# Business model

## Retail Products



- Farm Supplies
- Fertiliser

\$888m retail sales  
685k tonnes fertiliser

## Agency Services



- Livestock
- Wool
- Grain
- Real Estate

9.6m head sheep  
1.7m head cattle  
352k wool bales  
1.2m grain tonnes  
\$1.4b real estate sales

## Financial Services



- Banking
- Insurance

\$2.9b loan book  
\$1.5b deposit book  
\$580m gross written premium

## Feed & Processing Services



- Killara Feedlot
- Elders Indonesia
- Elders China

Killara 47k head  
Indonesia 19k head  
China \$11m sales

## Live Export Services



- Short haul livestock
- Long haul livestock

144k head short haul  
42k head long haul

## Online Platforms

Agsure

Auctions Plus (50%)



Based on FY14 statistics, excluding discontinued operations

# Business segmentation

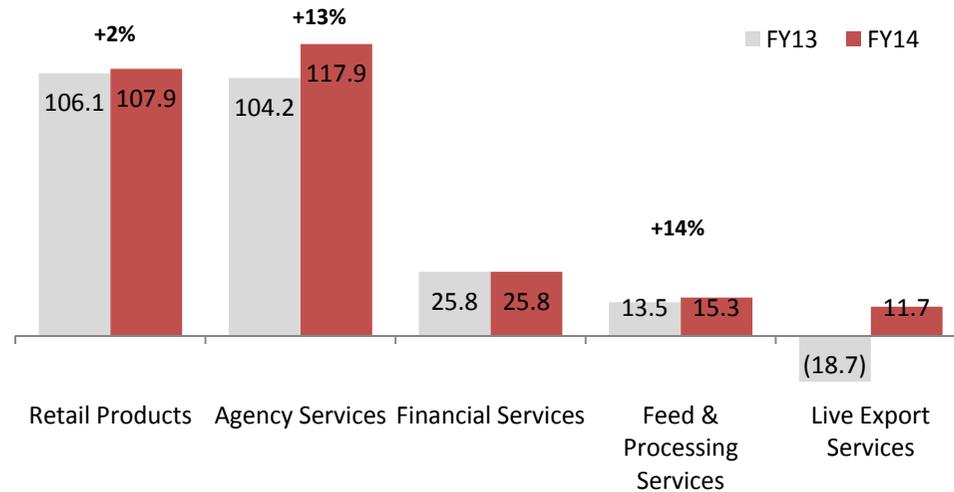
| <i>\$ million</i>          | Northern Australia                        | Southern Australia | Western Australia | International Geographies | FY14 Margin | Working Capital |
|----------------------------|---|--------------------|-------------------|---------------------------|-------------|-----------------|
| Retail Products            | Fertiliser and Farm Supplies              |                    |                   |                           | 107.9       | 128             |
| Agency Services            | Livestock, Wool, Real Estate and Grain    |                    |                   |                           | 117.9       | 20              |
| Financial Services         | Banking, Insurance and Financial Planning |                    |                   |                           | 25.8        | -               |
| Feed & Processing Services | Killara Feedlot                           |                    |                   | Indonesia<br>China        | 15.3        | 31              |
| Live Export Services       |   |                    |                   | Short Haul<br>Long Haul   | 11.7        | 22              |
| FY14 Margin                | 96.5                                      | 118.8              | 44.6              | 18.7                      |             |                 |



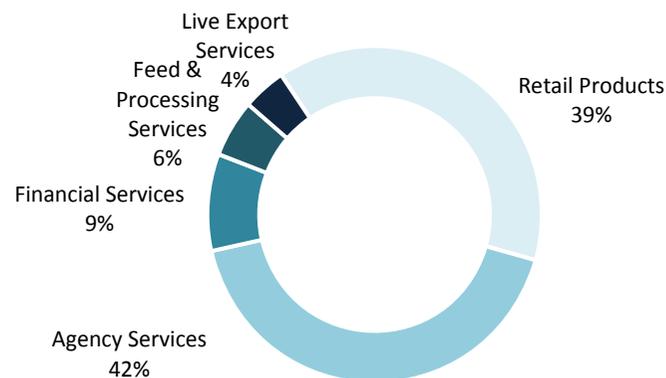
# Business performance – by product

## Margin growth by product

\$ million



## Margin generated by product

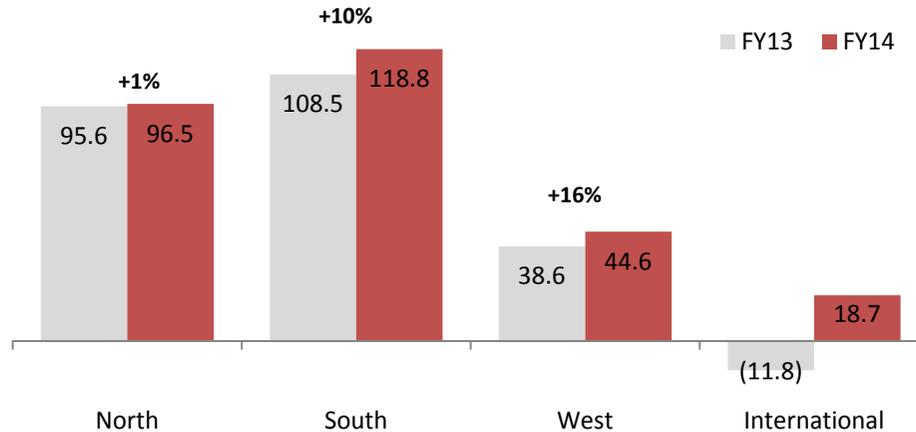


- Retail Products: Good winter break in South and West offsetting continued dry Northern conditions. Benefits also from decentralisation of retail management
- Agency Services: Strong Livestock volume and price uplift
- Financial Services: Steady pipeline of new lending
- Feed & Processing: Increased feedlot utilisation and margins
- Live Export: Strong demand from short and long haul destinations



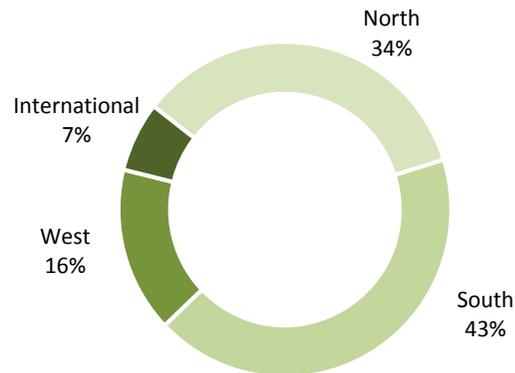
# Business performance – by geography

**Margin growth by geography**  
\$ million



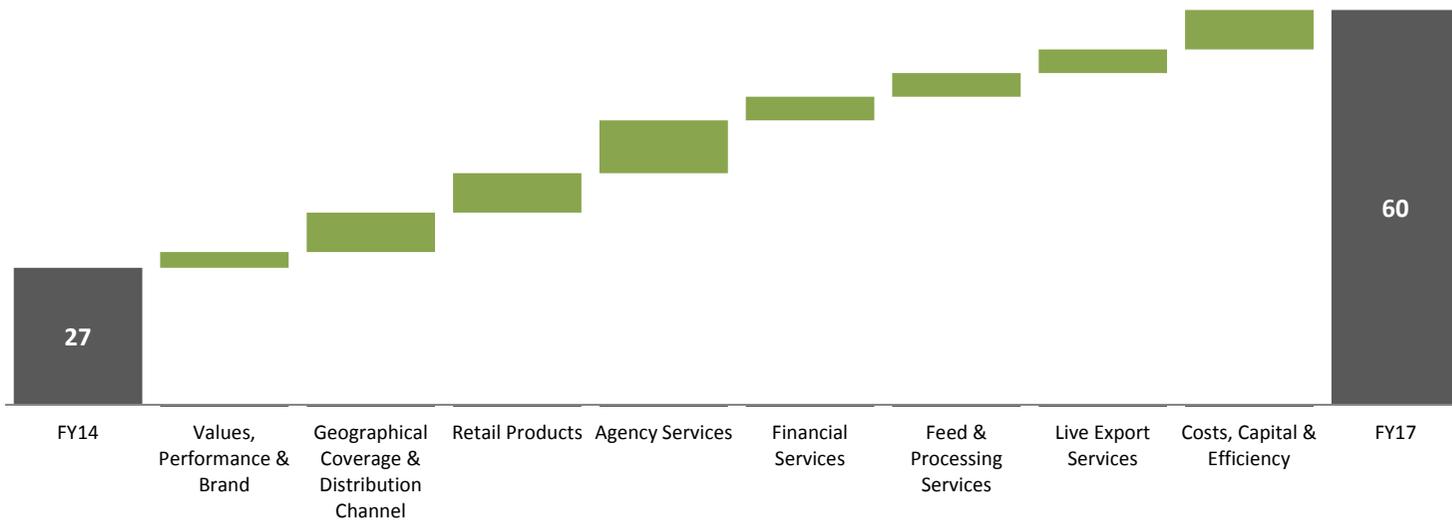
- North: Improved margin from Livestock and Killara feedlot despite tough Retail conditions
- South: Benefitted from strong Agency and Retail sales
- West: Solid performance from all products
- International: Strong demand from Indonesia and China

**Margin generated by geography**



# Eight Point Plan – step by step

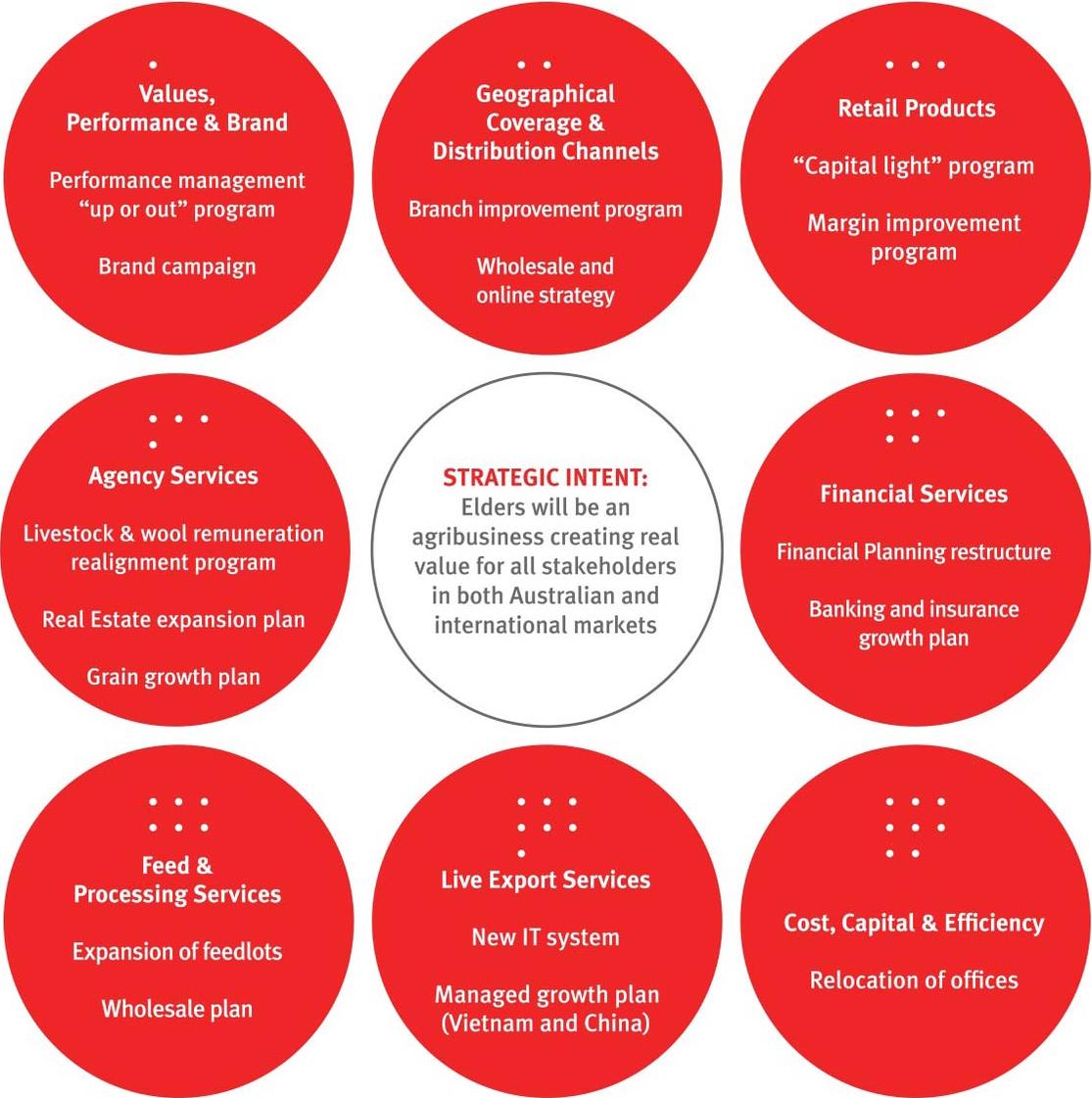
**Underlying EBIT opportunities**  
*\$ million*



- Three year strategic plan
- Initiatives identified; various stages of due diligence and implementation
- Steady, incremental growth in EBIT from all products and geographic areas
- FY15 Annual Operating Plan (AOP) in place



# Eight Point Plan early progress



# Outlook

## **Retail Products**

- Dry spring and summer conditions for most of Australia
- Assume average winter cropping season

## **Agency Services**

- Upward pressure on cattle prices with tightening supply and robust global demand
- Increase in sheep flock to support export demand
- Positive real estate activity driven by local and foreign investment
- Wool volumes easing driven by weaker pricing and the continuation of high slaughter rates

## **Financial Services**

- Uplift in banking and development of long term strategic agendas with joint venture businesses

## **Feed and Processing Services**

- Feedlot well utilised and growing demand for beef in Indonesia and China

## **Live Export Services**

- Strong demand for live cattle and sheep from Indonesia, Vietnam and China

## **Cost and Capital**

- Normalising Retail working capital



# FY15 priorities

## Safety Performance

- Continued emphasis on safety
- Implement employee safety engagement plan
- Target is to be LTI free

## Operational Performance

- Increase underlying EBIT
- Improve ROC
- Implement remuneration for agency employees that drives performance
- Margin management program for selected and non price sensitive retail products
- Develop capital light business model for farm supplies and fertiliser
- Ongoing emphasis on cost control
- FY15 AOP implementation

## Key Relationships

- Create a values, safety and performance based culture
- Maintain high levels of employee effectiveness and enablement
- Build mutually beneficial relationships with key stakeholders

## Efficiency and Growth

- Implement comprehensive branch benchmarking program
- Investigate expansion of online platforms
- Implement growth strategies for agency businesses
- Supplier rationalisation for farm suppliers and fertiliser
- Explore opportunities to expand and establish domestic and international red meat supply chains



175  
YEARS