

ASX Announcement

Monday, 15 November 2021

2021 Full-year Results

Elders delivers \$166.5 million Underlying EBIT, up 38% from FY20, and declares a final dividend of 22 cents per share (20% franked)

Australian agribusiness Elders (ASX:ELD) today released its results for the 12 months to 30 September 2021.

Elders reported statutory profit after tax of \$149.8 million. Underlying earnings before interest and tax (EBIT) of \$166.5 million and underlying earnings per share (EPS) of 96.7 cents, both increased by 38% compared to FY20.

Financial Metric	FY21 \$m	FY20 \$m	Year-On-Year Change	
Sales revenue	2,548.9	2,092.6	456.3	22%
Statutory profit after tax	149.8	122.9	26.9	22%
Underlying profit after tax	151.1	107.7	43.4	40%
Underlying EBIT	166.5	120.6	45.9	38%
Underlying return on capital (%) ¹	22.5%	18.9%	3.6%	-
Operating cash flow	142.2	142.3	(0.1)	0%
Underlying earnings per share (cents)	96.7	69.9	26.8	38%
Total dividend per share (cents)	42, 20% franked	22, fully franked	20	91%

¹ Return of capital = Rolling 12 months Underlying EBIT / (working capital + investments + property, plant and equipment + intangibles (excluding Elders brand name) – DTL on acquisitions – lease liabilities – provisions)

Elders' return on capital (ROC) of **22.5%** was up 3.6% on FY20, and significantly exceeded the company's 15% hurdle set in the Eight Point Plan strategy.

The final dividend of 22 cents per ordinary share takes total dividends declared for the year to 42 cents partially franked (20%), compared to 22 cents (fully franked) in FY20.

Financial performance improved across all geographic and product areas in FY21, with the exception of the Feed and Processing business which was challenged by higher feeder cattle prices.

The Rural Products business performed strongly, with gross margin of **\$284.8** million, up **30%** on FY20. This growth was driven by the successful integration of the FY20 AIRR acquisition and other bolt on acquisitions, together with the methodical implementation of margin improvement initiatives and the backward integration strategy amidst favourable market conditions. Agency services contribution grew due to strong livestock prices despite reduced volumes from limited domestic supply, with gross margin of **\$140.0** million, up **10%** on FY20. Real Estate Services gross margin was **\$50.7** million, up **33%** on FY20, reflecting ongoing network expansion and very high demand for both residential and farmland assets.

Progress on the third Eight Point Plan

In FY21 Elders embarked on the first year of its third Eight Point Plan, targeting 5% to 10% growth in EBIT and EPS through the agricultural cycles whilst maintaining strong financial discipline to generate a compelling ROC of at least 15%.

In FY21 EBIT and EPS grew by **38%** and ROC was **22.5%**.

Elders' Chief Executive Officer and Managing Director, Mark Allison, attributes the results to:

- a well-executed growth strategy, which targets 50% growth from acquisitions. The first full year of AIRR integration delivered \$61.2 million in Wholesale Products margin and nine other bolt on acquisitions were executed during the year;
- the successful implementation of business and margin improvement initiatives, including the Rural Products backward integration strategy through the Titan AG business. Gross margin in the Rural Products business increased from 13.4% to 14.1%;
- an ongoing focus on strengthening and expanding all core product areas, which has delivered growth across a strategically diversified portfolio of business units;
- favourable seasonal and market conditions, with industry outlook presently very positive; and
- a continued commitment to financial discipline in managing cost and capital.

"I am very proud of what we have achieved in FY21", said Mr Allison. "We have made tremendous progress on our current Eight Point Plan and are well positioned to continue our growth into FY22. We have built our business to perform well in challenging years and to outperform in better years."

Investing in innovation

The company has continued to invest in its staged system modernisation program aimed at delivering a more customer centric, cost efficient and enabled team. Elders has recruited a highly skilled leadership team with extensive experience in delivering critical system change projects. This has laid a solid foundation to commence "Wave 1" of the program in FY22, focussing on core financial and people management platforms which will underpin subsequent investments.

People and safety

During FY21 a workforce survey was conducted by Korn Ferry across the Elders' business, the results of which rank the engagement and enablement of the Elders' workforce above the 'high performance' benchmark. Mr Allison said, "it is pleasing to see our ongoing investment in people development and our commitment to maintaining our 'One Elders' culture being reflected in these results and positioning us as an employer of choice in Australian agriculture."

Elders recorded three Lost Time Injuries (LTIs) in FY21 and has continued to invest in safety initiatives in its quest to achieve a zero-injury workplace.

FY22 Outlook

Continued favourable seasonal conditions and high demand for agricultural commodities are expected to create excellent trading conditions in the first half of FY22.

The Rural Products outlook remains positive with the summer crop expected to drive strong demand in the first half of FY22, particularly for agricultural chemicals, fertiliser and seed. Global supply chain constraints are being actively managed through forward orders and risk diversification across suppliers, with global supply challenges expected to continue to drive higher input costs for fertiliser, agricultural chemicals and steel products.

Cattle and sheep prices are expected to remain high in the medium term, driven by limited supply and strong domestic re-stocker demand. The wool market is expected to continue to recover, driven by increased demand in China and Europe, which is supported by favourable conditions for production.

Strong demand for residential and farmland properties is expected to continue, fuelled by low interest rates, high commodity prices, the potential for increased activity with the cessation of COVID-19 restrictions and favourable seasonal conditions.

Good opportunities exist in the market for Elders to execute further high ROC acquisitions, building on those bolt on acquisitions which have completed in recent months.

Sustainability will remain a focus of the business through FY22. Mr Allison said, “work aligning our climate-related disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) continues. We have recently announced the following targets, and are actively working to achieve them; 100% renewable electricity in all Australian sites by 2025, 50% reduction in Scope 1 and 2 emissions intensity (tCO₂e/\$m sales revenue) by 2030, against a baseline year of 2021 (subject to commercially viable technology being available to address feedlot cattle emissions and consideration of investment in carbon offsets), and Net Zero Scope 1 and 2 emissions by 2050.” Full details can be found in our [Sustainability Report](#).

Mr Allison added “With our focus on safety, sustainability, innovation and financial discipline, we have laid the groundwork for sustained growth in FY22 and beyond. Significant opportunities remain to gain market share by serving new and existing customers in new and existing geographies with our multiple product and service portfolios. There is also significant value to be extracted from further improvements in our existing business as we continue to implement our third Eight Point Plan.”

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/10016071-asn10llo.html>. Please note that registered participants will receive their dial in number upon registration.

About Elders Limited

Elders is focused on creating value for all its stakeholders in Australia and internationally. We achieve this with the expertise and commitment of approximately 2,200 employees across Australia and in China.

In Australia, Elders works closely with primary producers to provide products, marketing options and specialist technical advice across rural, wholesale, agency and financial product and service categories. Elders is also a leading Australian rural and residential property agency and management network. This network includes both company-owned and franchise offices operating throughout Australia in major population centres and regional areas. Our feed and processing business operates a top-tier beef cattle feedlot in New South Wales and a small premium meat distribution business in China.

Elders is invested in the ongoing prosperity and wellbeing of rural and regional communities across Australia and remains committed to investing in, and developing, a resilient business. Elders is focused on future-proofing the Australian agriculture industry through sustainable initiatives across the areas of environment, people and community.

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Authorised by:

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