



27 October 2017

Presentation to Select Equities

Attached is a presentation delivered today by Elders' Managing Director and CEO Mark Allison to Select Equities - Doing Business in China conference.

Peter Hastings

Company Secretary

A woman in a pink shirt and a dark cap is seen from the side, feeding a cow with a pile of hay. The cow is white with brown patches. The background is a clear blue sky.

Elders Limited

Select Equities “Doing Business in China”

Mark Allison – Managing Director and CEO
27 October 2017



Live it.

Agenda

- Elders Profile and Business Model
- Eight Point Plan
- FY17 Half Year Financial Performance
- Progress on FY17 Priorities
- Key growth activities to FY17
- Elders China Profile
- Elders China Business Model
- Elders China Key Learnings
- Summary

Elders Profile

- ✓ Iconic Australian agribusiness company
- ✓ 178 years old
- ✓ 2,000 employees
- ✓ 440 points of presence in Australia, Indonesia, Vietnam and China
- ✓ Servicing over 40,000 primary producers across Australia and international markets



Our Business Model

Retail Products



Farm Supplies

Fertiliser

\$1b retail sales

629k tonnes fertiliser

Agency Services



Livestock

Wool

Grain

9.0m head sheep

1.6m head cattle

367k wool bales

0.4m grain tonnes

Real Estate Services



Farmland

Residential

Property
Management

Franchise

\$889m Farmland sales

\$568m Residential sales

6,950 Properties under
management

134 franchisees

Financial Services



Agri Finance

Insurance

\$2.8b loan book *

\$1.5b deposit book *

\$44m StockCo book *

\$610m gross written
premium *

* Principal positions are held by
Rural Bank, StockCo and Elders
Insurance (QBE subsidiary)
respectively

Digital & Technical Services



Fee for Service

Auctions Plus (50%)

Elders Weather

Auctions
Plus

Elders
Weather

578k head
sheep

93k head
cattle

64.4m hits

Feed & Processing Services



Killara Feedlot

Elders Indonesia

Elders China

Killara

Indonesia

China

53k head

16k head










\$15m sales

Eight Point Plan

Our strategic vision for becoming an efficient user of capital and a business that generates returns for its stakeholders

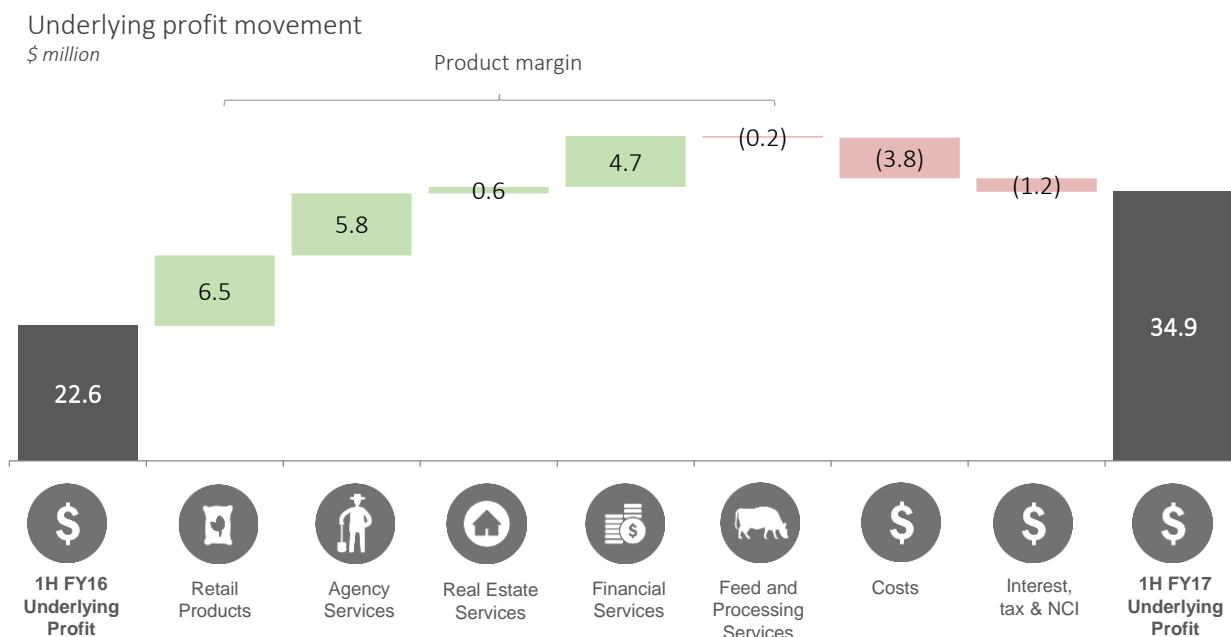


FY17 Half Year Financial Performance

\$ million	1H FY17	Change		1H FY16
		\$m	%	
Sales revenue	698.2	83.2	 14%	615.0
Underlying EBIT	41.3	13.2	 47%	28.1
Underlying profit after tax	34.9	12.3	 54%	22.6
Reported profit after tax	38.3	13.7	 56%	24.6
Net debt	170.4	44.4	 35%	126.0
Operating cash flow	(5.3)	19.2	 138%	13.9
Average working capital	235.5	8.0	 4%	227.5
Underlying return on capital (%)	30%	4%	 15%	26%
Underlying earnings per share (cents)	29.7	10.6	 55%	19.1

Performance by Product

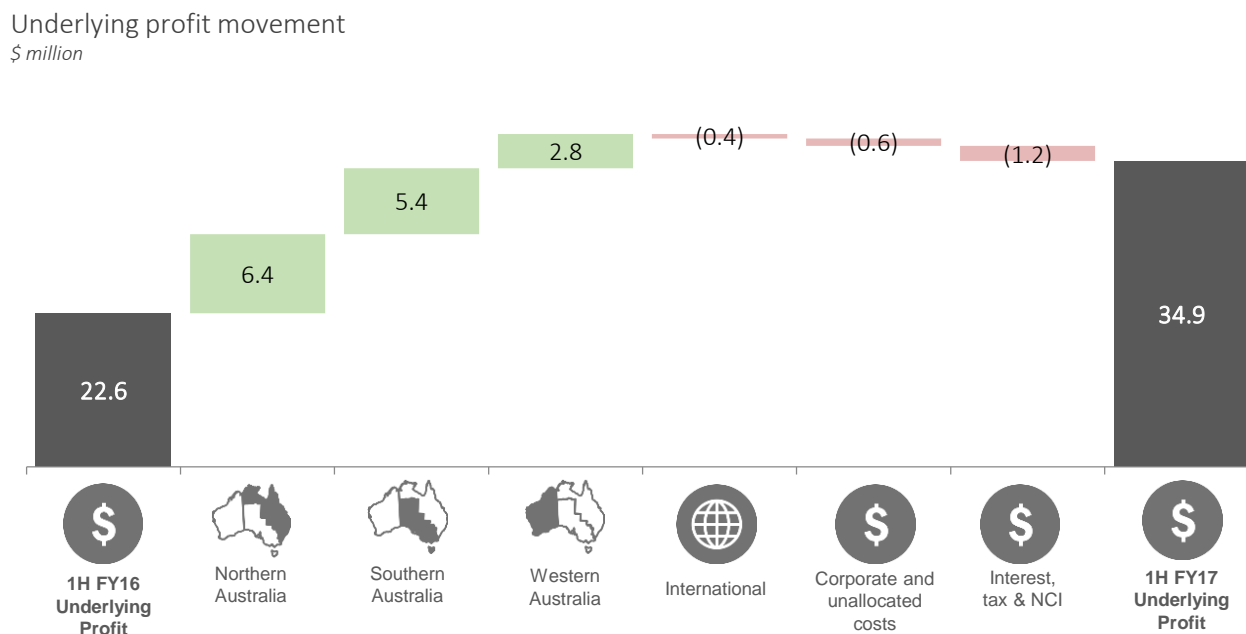
Margin improvement across product range



- Retail benefited from improved summer cropping conditions and geographical expansion
- Agency uplift with continued strong livestock prices and benefit from footprint growth
- Real Estate earnings improved with high farm land property turnover
- Financial Services boosted by StockCo and Elders Insurance acquisitions
- High input costs continue to adversely impact the overseas Feed and Processing businesses
- Higher costs to drive Eight Point Plan initiatives, including acquisitions and footprint growth
- Tax and non-controlling interests higher due to improved performance in partnerships

Performance by Geography

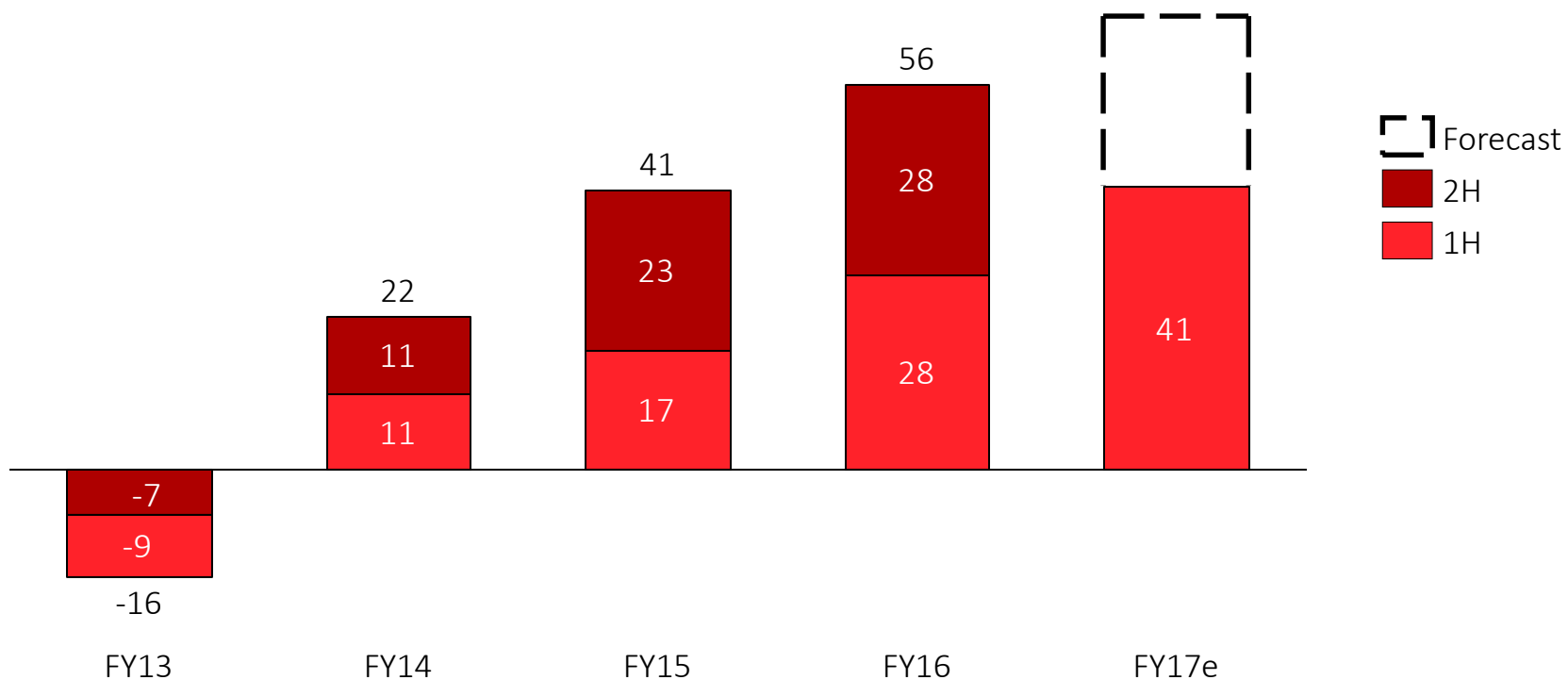
Improvement across Australian business units, headwinds for international segment



- Northern Australia benefitted from high cattle prices, normalised summer retail performance, and upside from geographical expansion
- Southern Australia performance driven by retail improvements and acquisitions, along with livestock agency upside from both high cattle prices and footprint expansion
- Western Australia improvement through higher livestock agency earn and increased farm land real estate sales
- High input costs continue to adversely impact the International margins
- Higher corporate and unallocated costs from increased incentives resulting from improved profitability across the business
- Tax and non-controlling interests higher due to improved performance in Australian partnerships

Elders Financial Progress

Underlying EBIT*
(\$ Million)

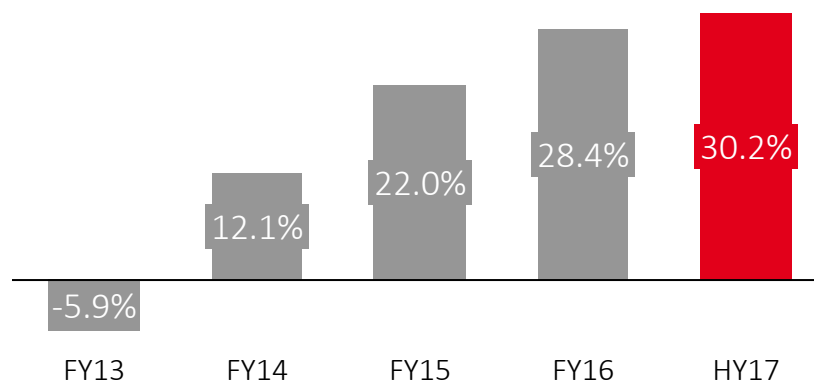


*Note: Excluding live export

An efficient user of capital, generating higher returns on investment

- Implemented a disciplined and methodical approach to capital allocation and management
- Generating a return on capital in excess of 20%
- Underlying return on capital drivers:
 - Increased profitability of the Retail business
 - Continued strong Agency earnings, particularly Livestock, which requires minimal working capital
 - Reallocation of capital to parts of business with higher earnings

Underlying Return on Capital*



Working Capital

\$ million	Mar-16	Mar-17	Change
Retail Products	119.3	134.9	13%
Agency Services	30.2	64.2	113%
Financial Services	(1.5)	5.6	Nm
Feed & Processing Services	48.4	54.8	13%
Live Export Services	45.1	8.1	-82%
Other	(35.4)	(36.0)	-2%
Working capital (balance date)	206.1	231.6	12%
Working capital (average)	227.5	235.5	4%

*Note: Excludes Live Export

Progress on FY17 Priorities

Delivering our promises to stakeholders

Safety Performance

- Lost time injuries increase to 5 from 2, target is zero LTIs
- LTI frequency rate at 1.7
- 50% decrease in days lost, March 2017 year to date
- Risk based decision making training developed
- Continued emphasis on employee and community health and wellbeing

Operational Performance

- \$41.3m underlying EBIT, up \$13.2m on last year
- Underlying ROC at 30.2%, up from 26.4% at March 2016
- Retail ROC improved from 13.3% to 22.2%
- Leverage ratio steady at 2.3
- Interest cover ratio improved from 7.9 to 8.2
- On track to resume ordinary dividends for FY17

Key Relationships

- Strengthened relationships in aligned financial service providers
- Continue to work with retail key suppliers, including improved position in WA fertiliser market
- Expanded digital client offerings
- Formalised rural charitable partnerships through launch of "Elders Give It"
- Continue to engage with key agricultural research bodies

Efficiency and Growth

- Continue to drive branch efficiency improvement program
- Real Estate footprint expansion in Western Australia
- Driving organic growth through improving sales force performance and attracting high performers
- Further 10% acquisition of Elders Insurance
- 30% acquisition of StockCo
- Structured review process of capital and cost initiatives
- Realisation of all hybrids resulting in a simplified capital structure

Balanced Growth Plan to FY20

Organic 50%

- Drive continuous business improvement
- Capture growth opportunities across our product and services portfolio
- Explore opportunities to expand our offering and leverage the Elders brand into new markets to capture new clients and customers
- Continuously drive and resource values based leadership through the organisation
- Investment in the development of our leaders and people
- Build deeper understanding of our customers to deliver profitable value add products and services

Acquisition 50%

- Continue to evaluate strategically aligned opportunities to expand our business
- Identify innovative solutions to target geographical and strategic gaps
- Maintain a disciplined approach to ensure acquisitions meet required financial hurdles
- Reallocation of capital from non-performing assets will occur if financial and quality targets are not met

Cost 0%

- Investment in resourcing to identify, integrate and support both organic and acquisition growth opportunities
- Efficiency gains through active cost management
- Reallocation and reduction of unproductive costs
- Develop and implement improved processes and approaches
- Maintain robust and conservative financial discipline

Increased geographical coverage with strategic growth across our retail, agency and real estate portfolios

Identified strategic gaps across the portfolio

- Retail
- Agency
- Real Estate
- Financial Services
- Feed and Processing

Toowoomba real estate

- Franchise real estate acquisition
- Residential and rural sales and property management

Northern NSW

- Organic growth of broadacre farm supplies through selective recruitment of key staff in existing branches
- Strengthened brand and client engagement

Ace Ohlsson, NSW

- Farm supplies acquisition
- 5 branches across horticultural regions along the east coast
- Dominant position in Sydney markets

Tasmania

- Organic growth of broadacre farm supplies and livestock business through selective recruitment of key high performing staff
- Strengthened brand and client engagement

MSS, Northern Riverina

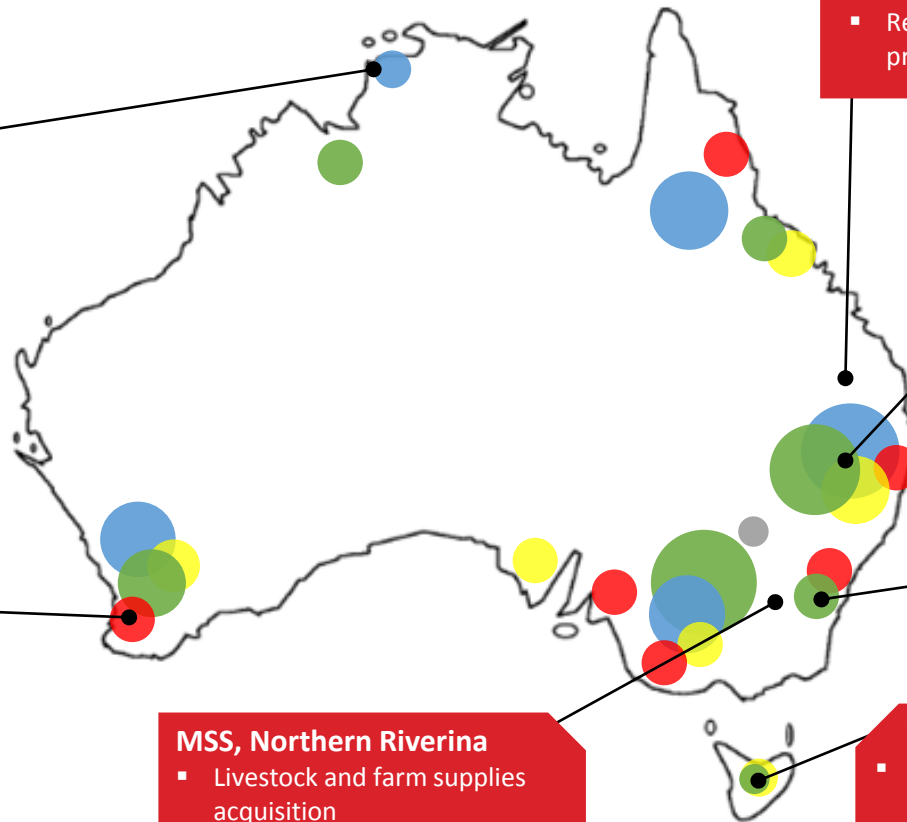
- Livestock and farm supplies acquisition
- Complimentary to Elders existing footprint, ensuring full regional coverage

Darwin

- Real estate acquisition, boutique property management

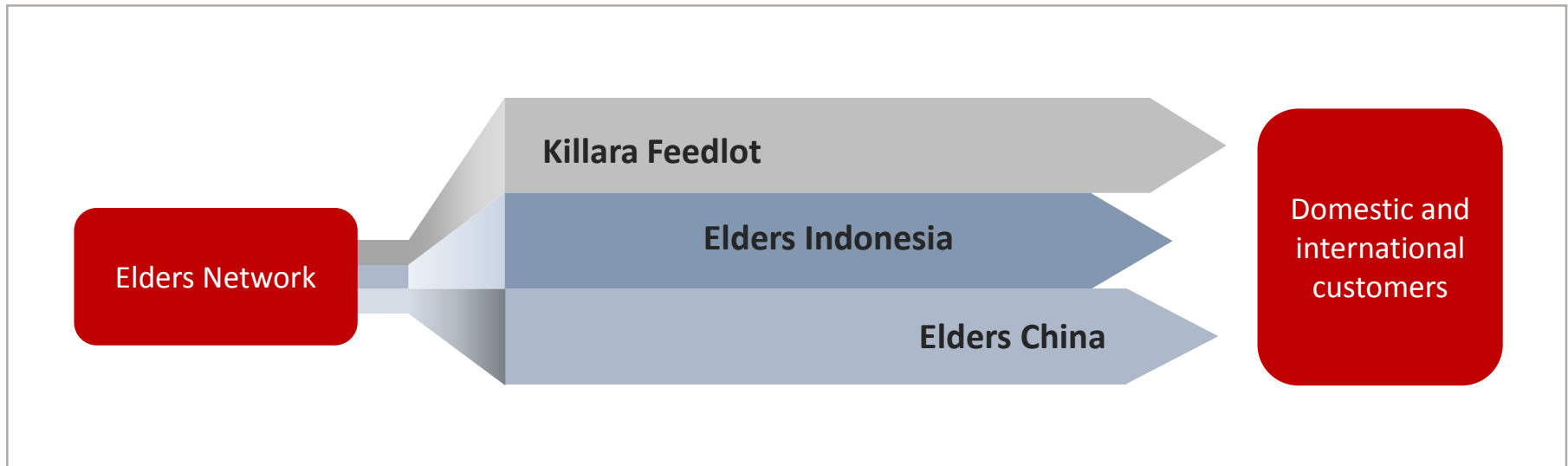
SDEA, South west WA

- Real estate acquisition
- Residential, rural and commercial sales and property management, across 3 branches



Feed and Processing Services

Our Feed and Processing Services portfolio aims to be an integrated red meat supply chain for the distribution of premium meat to customers throughout Australia and Asia. It leverages the power of the Elders brand and network to value add from the producers to consumers.



Elders branded meat portfolio



China Profile



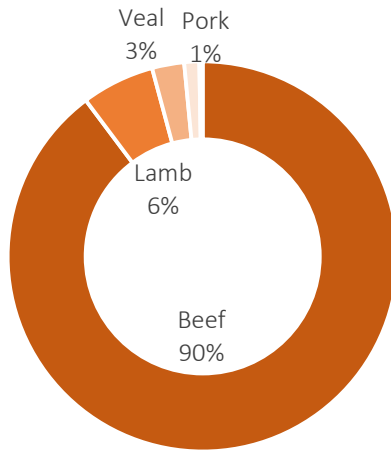
GRAND | HYATT

- Established presence in 5 locations
- Expansion into Vietnam underway
- Distributes premium quality meat from Australia with supply chain integrity
- Targets high-end food service channels (food chains, hotels and restaurants)
- Meat processing facility in Shanghai for portion-controlled steaks and manufacture hamburgers and sausages

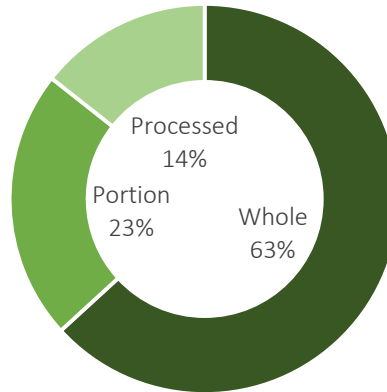


Elders China Business Model

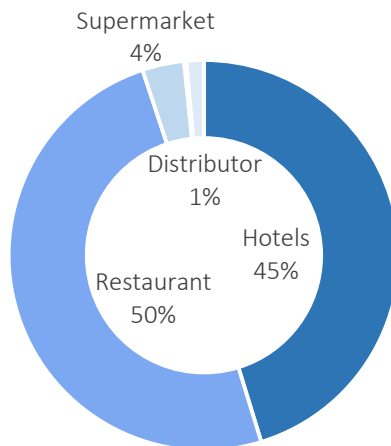
Margin generated by product



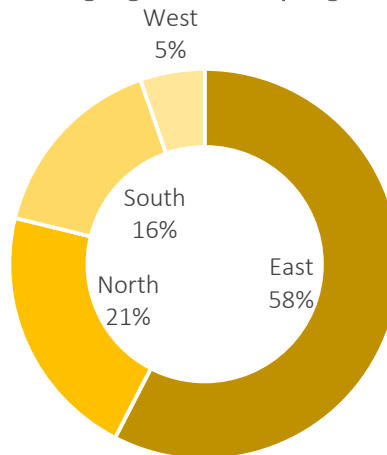
Margin generated by form



Margin generated by channel



Margin generated by region



- Operates without a Chinese partner
- Organically grown business
- Supplies to premium Western owned and operated hotels and restaurants
- Business dominated by beef products in different forms
- Diversification in regions across China, with greater significance in East (Shanghai) and North (Beijing) due to length of presence, population and urbanisation

Elders China Key Learnings

- **Commit for the long term:** Elders' brand presence in China has been built over 12 years and now has a strong reputation for quality in industry
- **Focus on core competency:** Elders turnaround came after a decision to focus on core products and functions through discontinuing non-core segments and outsourcing non-core functions
- **Develop long term partnerships:** Develop anchor customer and supplier relationships to maintain competitive advantage
- **Create replicable business model:** A simple business model can allow expansion of business whilst leveraging on fixed core functions
- **Watch out for growing pains:** Rapid geographic growth needs to be carefully managed to ensure profitability and return disciplines remain
- **Invest in the business:** Expect to invest time and effort to develop and manage an overseas business which has challenges that are not supported by Australian functions due to sovereign laws

Summary

- On track to complete Eight Point Plan FY17 commitments
 - Zero term debt
 - \$60m EBIT (through the cycles)
 - 20% ROC (through the cycles)
 - Capital structure simplified (preference share resolution)
 - Investor grade and dividend paying by FY17
- Established stable platform for growth
- Targeting consistent and quality 5-10% EBIT growth at a minimum of 20% ROC through to FY20
- Drive and enhance the development of our digital and technical service capabilities
- Remain agile and flexible to take advantage of, and fully optimise industry rationalisation and consolidation opportunities

A photograph of two men in cowboy hats herding a group of cattle in a grassy field. The scene is overlaid with a semi-transparent red filter. The man on the left is wearing a light-colored long-sleeved shirt and dark pants. The man on the right is wearing a plaid shirt and dark pants. They are walking away from the camera towards a group of cattle in the distance. A wooden fence and trees are visible in the background.

Elders

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Disclaimer and important information

Forward looking statements

This presentation is prepared for informational purposes only. It contains forward looking statements that are subject to risk factors associated with the agriculture industry many of which are beyond the control of Elders. Elders' future financial results will be highly dependent on the outlook and prospect of the Australian farm sector, and the values and volume growth in internationally traded livestock and fibre. Financial performance for the operations is heavily reliant on, but not limited to, the following factors: weather and rainfall conditions; commodity prices and international trade relations. Whilst every endeavour has been made to ensure the reasonableness of forward looking statements contained in this presentation, they do not constitute a representation and no reliance should be placed on those statements.

Non-IFRS information

This presentation refers to and discusses underlying profit to enable analysis of like-for-like performance between periods, excluding the impact of discontinued operations or events which are not related to ongoing operating performance. Underlying profit measures reported by the Company have been calculated in accordance with the FINSIA/AICD principles for the reporting of underlying profit. Underlying profit is non-IFRS financial information and has not been subject to review by the external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not considered to be related to ongoing operating performance.



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