



Monday, 9 April 2018

Retail and Agency acquisition growth, Indonesia divestment

- Elders agrees to acquire all shares in Titan Ag (Crop Protection) based on 5x average normalised EBIT, subject to earn out
- Assets of Titan include 163 APVMA registrations
- Titan's average normalised EBIT approximately \$7m per year over the last 3 years
- Titan offers strong near term growth opportunities and allows Elders to capture trader margin
- Acquisition funded through free cash flow and existing debt facilities
- Kerr & Co Livestock acquisition expected to complete 1 May 2018
- Elders confirms divestment of Indonesian feed and processing assets

Elders Limited (ASX:ELD) today announces it will acquire Titan Ag and Kerr & Co Livestock, and divest the feed and processing assets from the Company's Indonesian portfolio.

Elders' chief executive officer and managing director, Mark Allison says Elders is focused on quality growth and development, improving the service offering for clients and delivering value to shareholders.

"We have a clear resolve to realise our objective of continuing the consistent and high quality growth which has underpinned Elders' achievements. We now have a solid and stable platform to capitalise on the many opportunities that lie ahead for Elders and Australian agribusiness," he said.

Elders enters binding agreement to acquire Titan Ag

Elders, through its wholly owned subsidiary Elders Rural Services Australia Limited, has entered into a binding agreement to buy all the shares in Titan Ag Pty Ltd (**Titan**). The agreement is subject to customary conditions precedent, including the conduct of final due diligence enquiries by Elders. Elders expects the transaction to complete, subject to satisfaction of the conditions precedent, on 1 May 2018.

Titan is an Australian based producer and supplier of crop protection and animal health chemicals and fertiliser. Titan formulates its products locally in Australia, via toll manufacturers, combined with sourcing from China and India. Since commencement of its business in 2006, Titan has sold these products in Australia under the Titan brand exclusively through Elders. Titan products have achieved good market recognition and acceptance initially in Victoria and South Australia, and in more recent years particularly in Western Australia and Northern New South Wales.



Titan is the registrant of 163 Australian Pesticides and Veterinary Medicines Authority (**APVMA**) registrations in connection with its product range. These registrations are complementary to Elders' existing 23 APVMA registrations and permit the sale of the registered products in Australia for the purposes and uses stated on the relevant product labels.

Based on the historical performance of Titan, Elders expects Titan to generate annualised additional Earnings Before Interest and Tax (**EBIT**) between \$6.5m and \$7.5m in its first full year of Elders' ownership (the year ending 30 September 2019).

The purchase price is payable in three tranches, 70% on completion, 10% on the first anniversary of completion and a final tranche of 20% on the second anniversary of completion, which is subject to an earn out hurdle based on financial year ending 30 September 2020.

The key personnel of Titan, including the founders Andrew Ericsson and Martin Cayzer, will be employed by Elders on and from completion.

Mr Allison, said Titan represents an attractive opportunity to extend Elders' participation in the supply chain for quality agricultural chemicals. "Titan is a quality brand that has the potential to significantly grow sales of its product range. Many Australian primary producers have already identified Titan products as effective and reliable and we look forward to growing what is already a very successful business."

"We thank our key retail suppliers for their continuous support of Elders and we will continue to work with them in our growth strategy," Mr Allison said.

Expected completion of Kerr & Co Livestock acquisition

Elders confirms the acquisition of Kerr & Co Livestock (**Kerr & Co**) is expected to complete on 1 May 2018.

Established in 1983 by Michael Kerr, Kerr & Co is currently the largest privately owned independent livestock business in the south west of Victoria. The transaction will enable Elders to increase its Agency business in a highly valuable livestock region of Australia. All four key Kerr & Co personnel will be employed by Elders but will continue to operate under the Kerr & Co Livestock brand. Kerr & Co transacted approximately 416,000 sheep and 16,000 cattle in the last financial year.

Elders announces divestment of PT Elders Indonesia business

Elders today confirms it will divest its feedlot and processing assets from its Indonesian subsidiary, PT Elders Indonesia (**PTEI**), following a comprehensive performance review of its feed and processing business unit in line with the Company's strategic Eight Point Plan.

PTEI operates an integrated feedlot in Lampung with capacity of approximately 8,200 head, an abattoir in Bogor and a retail meat distribution business.

Mr Allison, said that within the Company's feed and processing portfolio, the Indonesian feedlot and processing assets have performed below the required return on capital.

"Elders prioritises investment in, and retention and growth of, business units which generate a consistent return on capital at a level which creates wealth for our shareholders. High cattle costs and changing Indonesian governmental policies have adversely affected the performance of our Indonesian business, making it appropriate to divest these assets" Mr Allison said.



“Elders is committed to the live export and red meat industries in Australia and we will continue to have a presence in Indonesia, China and Vietnam through our retail meat distribution businesses in those countries which we intend to grow.”

A conditional asset sale agreement with PT Pramana Austindo Mahardika (**PAM**) has been signed for completion on 30 June 2018. The agreement is subject to completion of several conditions precedent over the coming months.

PAM is an Indonesian led joint venture established in 2015 to participate and invest in the Indonesian beef supply chain through the expertise, experience and network of its owner group.

Mr Allison also said that exiting from the feedlot and processing facilities in Indonesia will allow Elders to redirect capital to the retail meat distribution business in Indonesia, as well as initiatives which are more aligned with the Company's acquisition strategy.

Further Comment:

Mark Allison
Chief Executive Officer
0439 030 905

Media enquiries:

Annie Ashby
Elders Communications
0427 570 518