Monday, 20 May 2019

2019 first half financial results and highlights

- **On track to deliver FY19 guidance**
- **Return to average winter cropping conditions are expected**
- **Statutory net profit after tax of $27.4m, down $14.0m from the pcp**
- **Underlying net profit after tax of $26.4m, down 34% ($13.3m) from the pcp**
- **Underlying EBIT of $33.5m, down 27% ($12.2m) from pcp**
- **Underlying return on capital of 18.4%**
- **Operating cash outflow of $13.1m**
- **Fully franked interim dividend of 9.0 cents per share declared**

Elders Limited (ASX:ELD) today released its half year results for the six months to 31 March 2019, continuing to deliver on its Eight Point Plan initiatives despite the reduced activity in agriculture due to the hot and dry conditions across Australia. Elders also announced a fully franked interim dividend of 9 cents per share.

Statutory net profit after tax of $27.4 million compares with a $41.4 million profit in the prior corresponding period (pcp). Underlying net profit, compared with pcp, decreased by $13.3 million to $26.4 million.

Underlying earnings before interest and tax (EBIT) of $33.5 million ($45.8 million pcp) reflected lower wool volumes, increases in costs associated with footprint growth, and continued investment in digital and technology areas.

Operating cash outflow of $13.1 million, included investment in increased Titan chemical inventory levels which will support backward integration initiatives and earnings in the second half. Variability of livestock activity around balance date also impacted the half year cashflow.

Year to date average net debt rose by $81 million to $224 million at March 2019, as a result of investment in Titan, including working capital, and other bolt on acquisitions, and increased retail balances carried due to the seasonal conditions. Return on capital was impacted by the same factors.

Elders' Chief Executive Officer and Managing Director, Mark Allison, said "we have continued our commitment to the Eight Point Plan and the resolve to achieve continuous high quality growth, despite the very difficult conditions being experienced by the Australian agriculture sector, including many of Elders' clients, in the first half of the year."

"Consistent with our philosophy that keeping our people safe is our top priority, and is an indicator of how well the business is being run, our target remains an injury free workplace. Notwithstanding that target, in the first half of 2019, our lost time injuries (LTIs) were one, up from nil at the same time last year."

Mr Allison said Elders was striving for an injury free workplace through risk based decision making, training and development, and a continued emphasis on employee and community safety, health and wellbeing.

Operational update

Turning to the operations of the business, Mr Allison said “Despite reduced summer crop plantings and production, the Retail business showed resilience through geographical diversification and other growth initiatives including backward integration through Titan.”

“While Agency gross margin was down $3.1 million, this was largely due to Wool performance which followed the market as as whole with lower volumes due to dry conditions and lower sheep levels. Livestock earnings were impacted by lower cattle prices, however higher cattle volumes from dry conditions and lack of feed offset this. Additionally, our sheep business improved in both volumes, due to our bolt on acquisition strategy, and prices.”

“In Financial Services, the commencement of the new Rural Bank arrangement during March will provide a secure revenue stream for the life of the contract (with lower margin offset by lower costs). Approximately 95 Agri Finance relationship managers and support staff transferred employment from Elders to Rural Bank successfully with minimal impact to client experience and service.”

“Costs increased by $7.5 million to drive Eight Point Plan initiatives, including acquisition and organic footprint growth, and investment in our digital and technology areas,” Mr Allison said.

FY19 Outlook

As announced to the ASX on 14 March 2019, Elders expects to deliver underlying EBIT for the 12 months to 30 September 2019 in the range of $72-75 million (compared to FY18 underlying EBIT of $74.6 million).

Underlying net profit after tax (NPAT) for the 12 months to 30 September is expected to be in the range of $61-65 million (compared to FY18 NPAT of $63.7 million).

Mr Allison noted “Return to average winter cropping conditions are expected, and increased retail earnings will flow from Titan as inventory held over the half year balance date is sold to producers for use with their winter crop. Both cattle and sheep volumes are expected to be lower due to limited supply, with sheep prices expected to remain high.”

”Financial Services earnings are expected to increase due to the new Rural Bank arrangement and returns from increased shareholder loans to StockCo.”

“Earnings will be generated from new Livestock and Wool in transit delivery guarantees associated with Elders’ agency services, which will be launched in the second half, replacing the QBE underwritten insurance products Elders currently distributes.”

Mr Allison, noted the Company’s commitment to the Eight Point Plan and the resolve to achieve continuous high quality growth in line with our target of 5-10% EBIT growth, from 2017, through the agricultural cycle to 2020.

Further information
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Conference call and presentation
Details for the conference call and webcast slide presentation are as follows:

Conference call	Webcast slide presentation
10.00am (AEST) Monday, 20 May 2019	Register, view and listen to webcast
Phone: 1800 908 299 Quote conference ID: 132254	This webcast will stream the audio, so if you do not wish to ask a question, you do not have to call into the conference call. Note: the slide presentation will not be available until the presentation is scheduled to begin but you can use this link to test your browser.