



14 November 2016

2016 Full Year Financial Results Presentation

Attached is the presentation of the financial results for the 12 month period ended 30 September 2016.

Sanjeeta Singh
Joint Company Secretary

E L D E R S
L I M I T E D
2 0 1 6 F U L L Y E A R
R E S U L T S
P R E S E N T A T I O N

14 NOVEMBER, 2016

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.

FY16 Year in Review

Solid performance across all key metrics

- Reduction in lost time injuries from 14 to 4
- Statutory net profit after tax of \$51.6m, up \$13.3m
- Underlying net profit after tax of \$41.2m, up \$13.2m
- Underlying EBIT of \$56.2m, up \$15.7m
- Operating cash flow \$48.7m for the year
- Underlying return on capital of 28.4%, up from 21.9% at September 2015
- Underlying earnings per share 45.4 cents, up 11.5 cents
- Completed successful \$97m net equity capital raise with 72% of hybrids now held by Elders Finance

FY16 Priorities

Delivered our promises to stakeholders

Safety Performance

- ✓ Reduction in lost time injuries from 14 to 4
- ✓ LTI frequency rate reduced from 3.4 to 1.0
- ✓ Employee safety engagement stable at 83%
- ✓ Designed and testing a new mobile WHS reporting system
- ✓ Increased emphasis on employee and community health and wellbeing

Operational Performance

- ✓ \$41.2m underlying profit up \$13.2m
- ✓ Underlying ROC at 28.4%, up from 21.9% at 30 September 2015
- ✓ Retail ROC improved from 8.3% to 17.9%
- ✓ Leverage ratio improved from 3.1 to 1.4
- ✓ Interest cover ratio improved from 4.7 to 6.3
- ✓ Cessation of long haul and managed divestment of short haul Live Export

Key Relationships

- ✓ Developed online client community for ongoing market research and customer satisfaction
- ✓ Increased customer satisfaction index results
- ✓ Supplier registrations in place for Elders home brand products
- ✓ New agreement with CSBP in WA for fertiliser supply
- ✓ Expanded digital client offerings (Red notebook app, websites, weather app)
- ✓ Employee engagement and enablement stable at 73% and 72% respectively

Efficiency and Growth

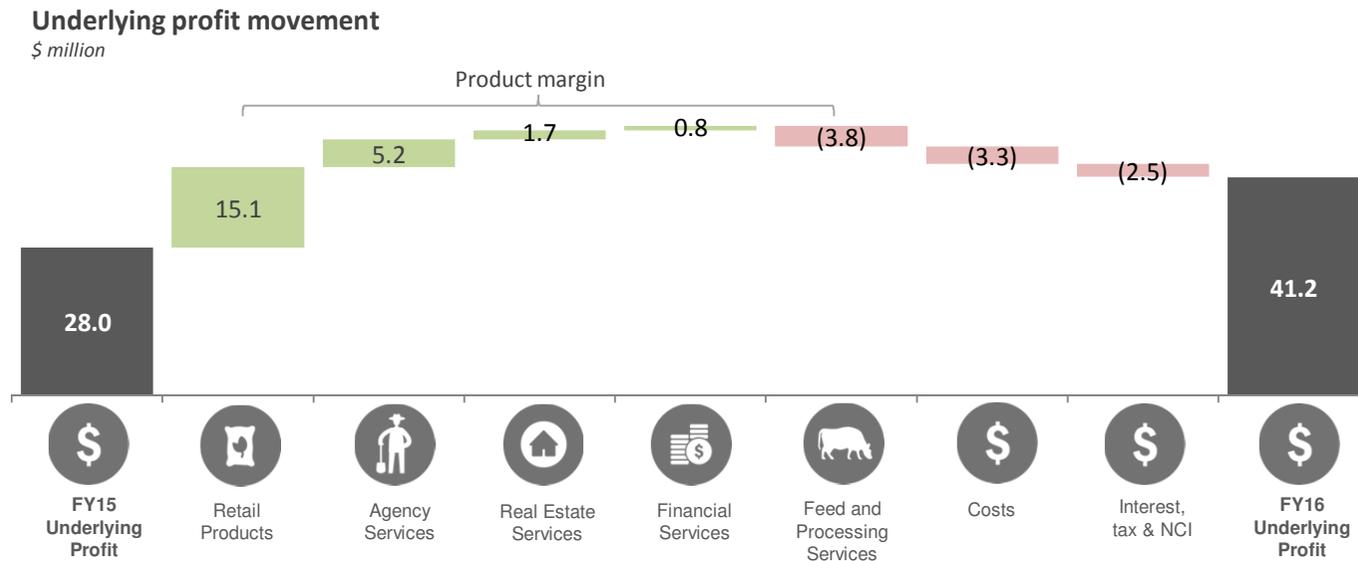
- ✓ 90 day improvement program continued to lift branch performance
- ✓ Expanded Tasmanian presence
- ✓ Successful integration of multiple acquisitions across real estate, agency and retail
- ✓ 30% equity acquisition of StockCo
- ✓ Acquired 10% Elders Insurance
- ✓ Launched Elders Grain platform
- ✓ Structured review process of capital and cost initiatives
- ✓ \$97m net equity capital raised to fund hybrid acquisition

Full Year Financial Performance

\$ million	FY16	Change		FY15
		\$m	%	
Sales revenue	1,425.2	117.3	↑ 9.0%	1,307.9
Underlying EBIT	56.2	15.7	↑ 38.8%	40.5
Underlying profit after tax	41.2	13.2	↑ 47.1%	28.0
Reported profit after tax	51.6	13.3	↑ 34.7%	38.3
Net debt	(86.1)	50.1	↓ 36.8%	(136.2)
Operating cash flow	48.7	54.0	↑ n/m	(5.3)
Average working capital	216.0	0.9	↑ 0.4%	215.1
Underlying return on capital (%)	28.4%	6.5%	↑ 29.7%	21.9%
Underlying earnings per share (cents)	45.4	11.5	↑ 33.9%	33.9

Performance by Product

Strong retail and agency performance

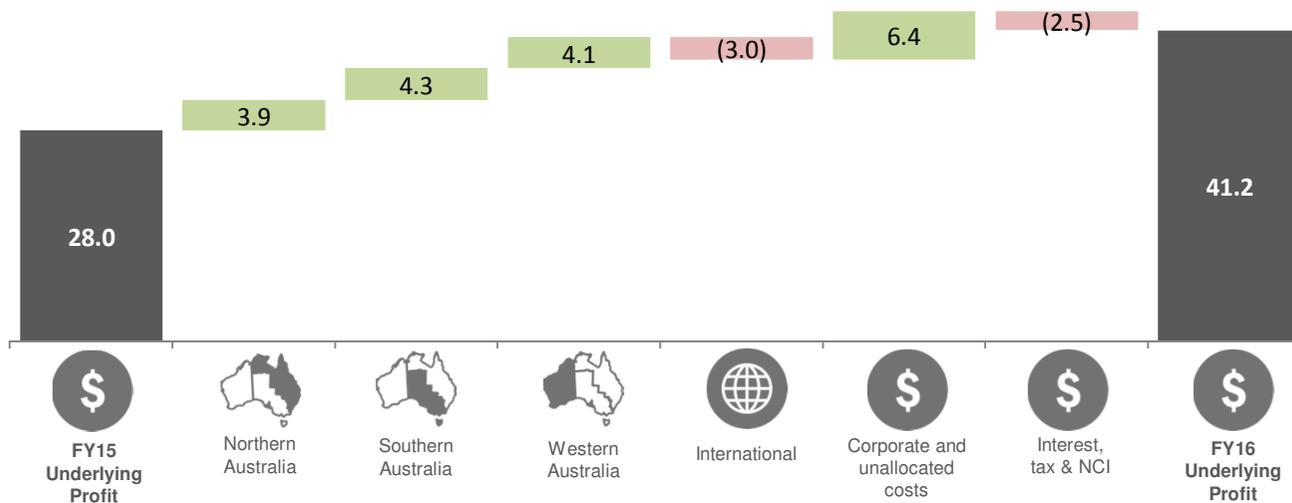


- Retail earnings improvement from price book management, supplier rationalisation and improved rainfall across the country
- Agency uplift with continued strong livestock prices and acquisitions
- Real Estate earnings higher on the back of strong demand for cattle farming properties and low interest rates
- Financial Services boosted by dividends received arising from 10% acquisition of Elders Insurance
- Feed and Processing businesses impacted by high Australian cattle costs and lower occupancy in Killara feedlot
- Higher costs to drive Eight Point Plan initiatives, including acquisitions
- Tax and non controlling interest higher due to improved performance of partnerships

Performance by Geography

Improvement across Australian business units, headwinds for International segment

Underlying profit movement
\$ million



- Strong retail and livestock performance underpinned improvement across all Australian geographies
- Northern Australia benefitted from high cattle prices and retail upside resulting from recovery in cotton growing regions, increased plantings and expansion in New South Wales
- Southern Australia performance driven by retail improvements and acquisitions, along with livestock agency upside from high cattle prices
- Western Australia upside in retail through improved seasonal conditions and livestock agency with record cattle prices
- High input costs, pricing pressures and strong Australian dollar impacted the international businesses
- Corporate costs reduced resulting from property cost savings and favourable tendering of service contracts

Capital Deployed

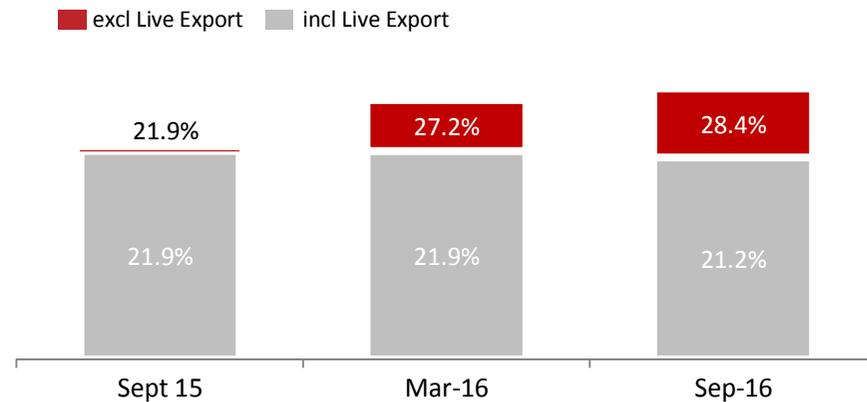
Return on capital in excess of targeted 20%

- Underlying return on capital improvement drivers:
 - Working capital efficiency and increased profitability in the retail business
 - Increased profitability of the livestock agency business
 - Capital allocation based on disciplined business case process
 - Wind down of the long haul Live Export business

- Lower working capital balances, arising from:
 - Focussed inventory management and improved supplier trading terms in retail
 - Wind down of the long haul Live Export business

- Stable working capital deployed throughout the year despite higher sales activity in retail

Return on capital



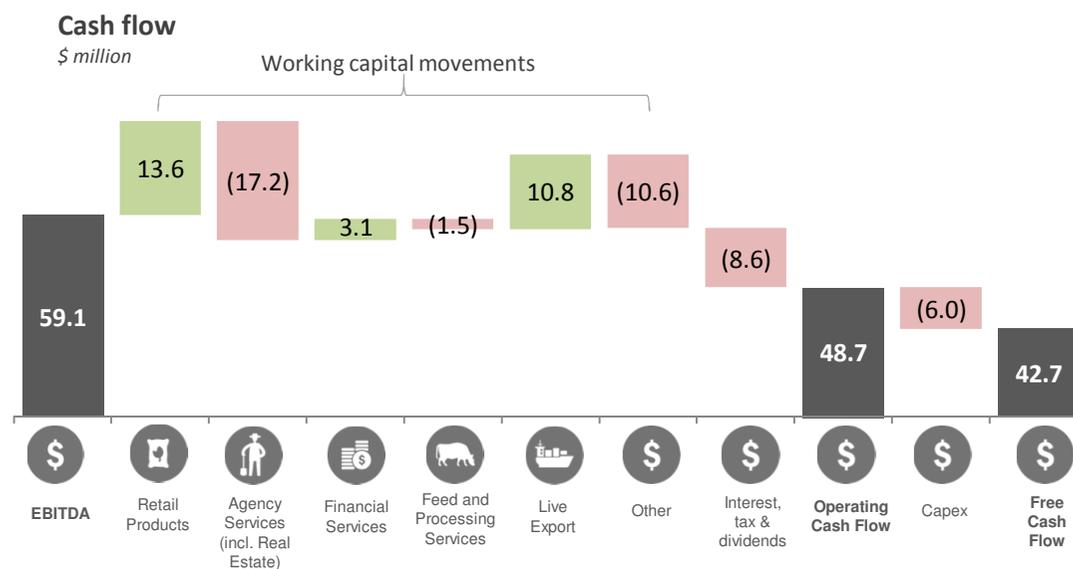
Working Capital

\$ million	Sept-15	Sept-16	Change
Retail Products	146.2	131.2	↓ 10%
Agency Services (incl. Real Estate)	27.3	41.4	↑ 52%
Feed and Processing Services	39.0	38.9	↓ 0%
Live Export Services	28.7	17.1	↓ 40%
Other	(21.7)	(37.0)	↑ 71%
Working capital (balance date)	219.5	191.6	↓ 13%
Working capital (average)	215.1	216.0	↑ 0%

Operating Cash Flow

Strong cash inflows from operations

- Strong EBITDA cash conversion
- Working capital benefits in Retail offset by unfavourable timing of livestock related payments
- Lower cash requirement for Live Export as a result of the wind down of the long haul business

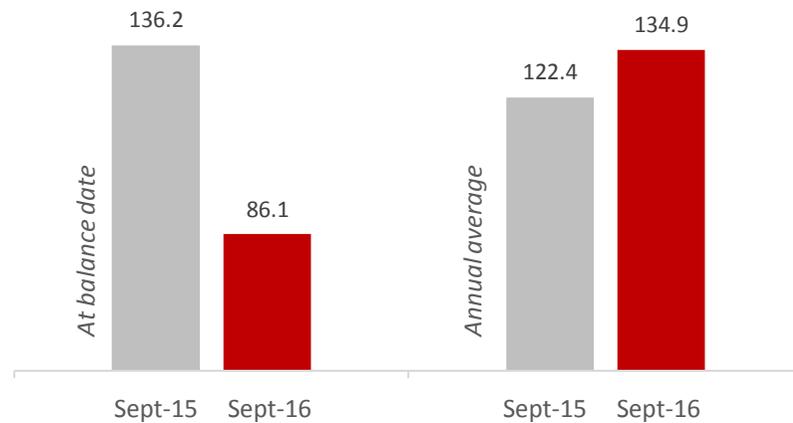


\$ million	Retail Products	Agency Services	Financial Services	Feed & Process	Live Export	Other	Total
EBITDA adjusted	41.4	40.9	10.9	5.4	(9.5)	(30.0)	59.1
Working capital	13.6	(17.2)	3.1	(1.5)	10.8	(10.6)	(1.8)
Interest, tax and dividends						(8.6)	(8.6)
Operating cash flow	55.0	23.7	14.0	3.9	1.3	(49.2)	48.7

Net Debt

Key debt ratios improved

Net debt
\$ million



Key ratios	Sept-15	Sept-16	Change
Leverage [<i>net debt to underlying EBITDA</i>]	3.1	1.4	↓ 1.7
Interest cover [<i>underlying EBITDA to net interest</i>]	4.7	6.3	↑ 1.6
Gearing [<i>net debt to equity</i>]	122%	46%	↓ 76%

- Significant improvement in balance date net debt and key ratios from:
 - Strong operating cash flow generation
 - Unutilised equity capital raise proceeds
- Average net debt higher due to the \$30m hybrid acquisition in August 2015 and other business acquisitions during the year
- Unutilised equity capital raise proceeds available to fund future initiatives and acquisitions

Capital Structure

Capital structure no longer impediment to paying dividends

- \$67m hybrid acquisition successfully completed using \$97m net equity capital raised
- 72% of hybrids now owned by Elders Finance
- Board and management continue to assess options for non-controlled hybrids on issue
- Intend to recommence dividends in December 2017 for FY17, at payout ratio of up to 35% of underlying NPAT on an annualised basis

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Values, Performance & Brand

- ✓ Performance culture
- ✓ Local community engagement
- ✓ Capability development
- ✓ Leadership diversity

• •
Geographical Coverage & Distribution Channels

- ✓ Retail footprint expanded in Tasmania and NSW
- ✓ Agency footprint expanded in Gundagai and Tasmania

• • •
Retail Products

- ✓ Consignment stock
- ✓ Margin management
- ✓ Better supplier terms, limits and rebates
- ✓ CSBP Fertiliser supply agreement

• • •
Agency Services

- ✓ Elders Grain platform
- ✓ Livestock electronic sale contracts
- ✓ Real estate acquisitions in Darwin and Toowoomba
- ✓ New real estate franchise offices opened

**Eight
Point
Plan**

**Actions
Delivered**

• • •
Financial Services

- ✓ Acquired 10% of Elders Insurance
- ✓ Acquired 30% of StockCo
- ✓ Generated new leads through cross-sell campaign
- ✓ Organisational restructure

• • •
Feed & Processing Services

- ✓ Killara branded product launched and distributed in China and Indonesia
- ✓ Expansion of China footprint

• • •
Live Export Services

- ✓ Managing animal welfare throughout supply chain
- ✓ Cessation of long haul business
- ✓ Managed divestment of short haul

• • •
Cost, Capital & Efficiency

- ✓ Focus on cost savings
- ✓ Post implementation reviews
- ✓ Equity capital raise
- ✓ Hybrid acquisition
- ✓ Reduced cost of capital

FY17 Priorities

Safety Performance

- Continued emphasis on safety
- Strengthen employee safety engagement program
- Deployment of mobile WHS reporting system
- Target is to be LTI free

Financial and Operational Performance

- Achieve Eight Point Plan targets
- FY17 Annual Operating Plan
- Sustainable growth in underlying EBIT
- Deliver a minimum of 20% ROC
- Drive cost and capital optimisation initiatives
- Dividends for FY17
- Manage key debt ratios to investor grade levels

Key Relationships

- Continue to develop values and performance based culture across the organisation
- Raise engagement with clients and stakeholders through online community
- Enhance Elders brand
- Engage and support local communities
- Maintain high transparency levels, communication and engagement with key investors and potential investors

Efficiency and Growth

- Drive Retail growth through gross margin improvement and capital light strategy
- Targeted growth of Agency business through recruitment and acquisitions
- Expansion of Real Estate company owned and franchise models across regional and metropolitan areas
- Improve productivity and drive book growth in Financial Services
- Develop Digital and Technical offering
- Managed growth in Feed and Processing businesses
- Managed divestment of short haul Live Export business
- Disciplined cost and capital allocation

Eight Point Plan – Towards 2020

• Values, Performance & Brand

To deliver our plans through a values, safety and performance based culture that optimises the iconic Elders brand and positioning.

• • Retail Products

To deliver profitable and capital light growth of our retail products portfolio with an enhanced customer benefit and experience.

• • • Agency Services

To deliver profitable growth of the agency services portfolio through business improvement, recruitment and acquisition for our livestock and wool businesses and through focused growth of our grain business.

• • • Real Estate Services

To deliver profitable growth of the real estate services portfolio through driving business improvement, recruitment and acquisition for all real estate services.

STRATEGIC INTENT

To achieve a sustainable EBIT and ROC in 2020, by providing value creating products and services both in Australia and internationally.

• • • Financial Services

To deliver profitable growth of the financial services portfolio through business improvement, product development and upstream investment in our financial services businesses.

• • • Digital and Technical Services

To grow our digital and technical services, expand our knowledge of customer needs, deliver markets to customers, to enable our customers to increase productivity, and leverage Elders digital capability to expand customer base and build brand.

• • • Feed and Processing Services

To deliver continuous improvement in EBIT and ROC for all businesses with active portfolio composition management.

• • • Cost, Capital & Efficiency

To deliver ongoing innovative efficiency gains through improved processes and approaches.

Outlook

Positive conditions expected for FY17

Retail:

- Cooler and wetter than average conditions are likely to prevail for most of Australia for the remainder of the 2016 calendar year, which is expected to improve summer crop plantings of sorghum, rice and cotton.

Agency:

- Cattle prices are expected to remain well above long term averages, driven by restocker demand and reduced supply. Livestock volumes are expected to be strong in the first half of FY17 with good feed availability across most of Australia. Grain activity is expected to be strong with the new Elders Grain platform operational for a full harvest season.

Real Estate Services:

- Positive real estate activity driven by high demand for agricultural properties and sustained low interest rates. Property management earnings will benefit from property management acquisitions completed during FY16, with potential for additional uplift in earnings arising from the pipeline of business development opportunities.

Financial Services:

- Benefit from Elders' 30% acquisition of StockCo in October 2016 and increased demand for funding to purchase livestock, assuming continued strong livestock prices and availability of feed. Insurance earnings will benefit from the full year 10% ownership of Elders Insurance.

Feed and Processing:

- Cattle on feed expected to remain high in Killara, reflecting dry conditions. Demand for beef in Indonesia is subdued due to market price increases, with performance dependent on volume of cattle import permits issued by the Indonesian government. Improved results expected in the China business following investment in expansion in FY16.

Cost and Capital:

- Investment in strategic and growth initiatives will increase cost and capital usage.

Appendix to Full Year Results Presentation

Business Model



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

Business Segmentation

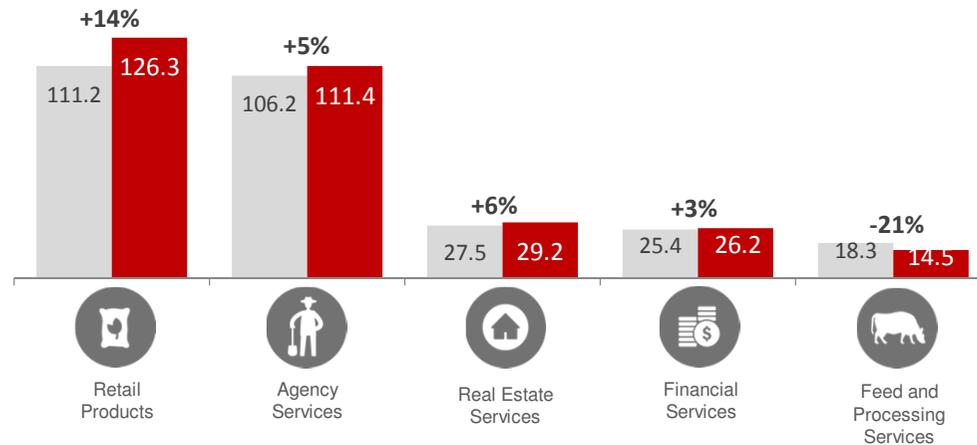
<i>\$ million</i>	Northern Australia	Southern Australia	Western Australia	International Geographies	FY16 Margin	Working Capital
Retail Products	Farm Supplies and Fertiliser				126.3	131
Agency Services	Livestock, Wool, and Grain				111.4	41
Real Estate Services	Farmland, Residential, Property Management, Franchise				29.2	-
Financial Services	Agri Finance, Insurance and Financial Planning				26.2	-
Feed & Processing Services	Killara Feedlot			Indonesia China	14.5	39
FY16 Margin	115.3	131.2	56.3	4.8	307.6	

Business Performance by Product

Margin by product

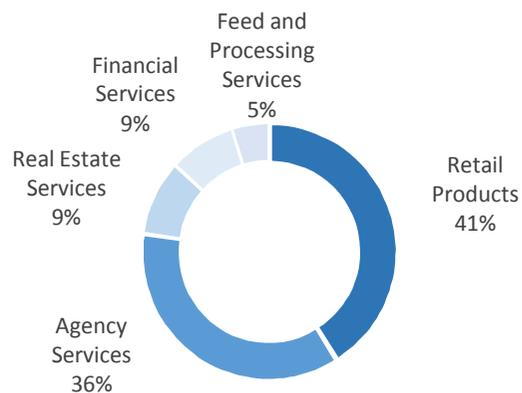
\$ million

■ FY15 ■ FY16



- **Retail:** price book management, supplier rationalisation and improved climate conditions across the country
- **Agency:** uplift with continued strong livestock prices and acquisitions
- **Real Estate:** strong demand for cattle farming properties and low interest rates
- **Financial Services:** boosted by dividends received arising from 10% acquisition of Elders Insurance
- **Feed and Processing:** impacted by high Australian cattle costs and lower occupancy in Killara feedlot

Margin generated by product

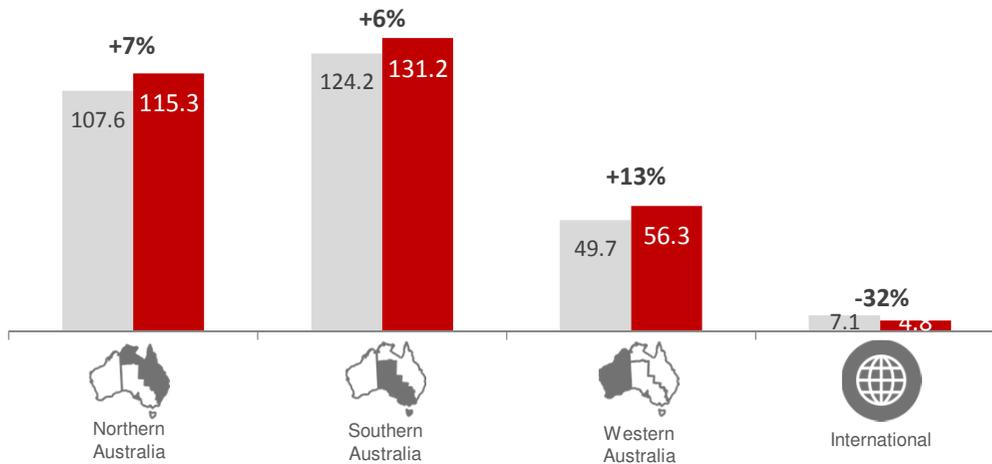


Business Performance by Geography

Margin by geography

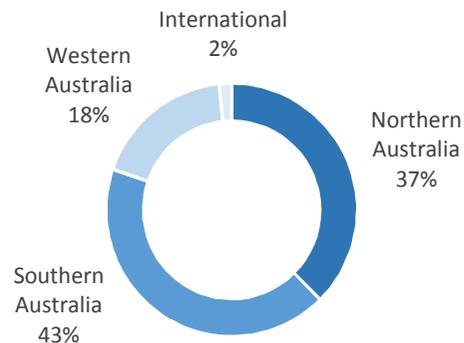
\$ million

■ FY15 ■ FY16

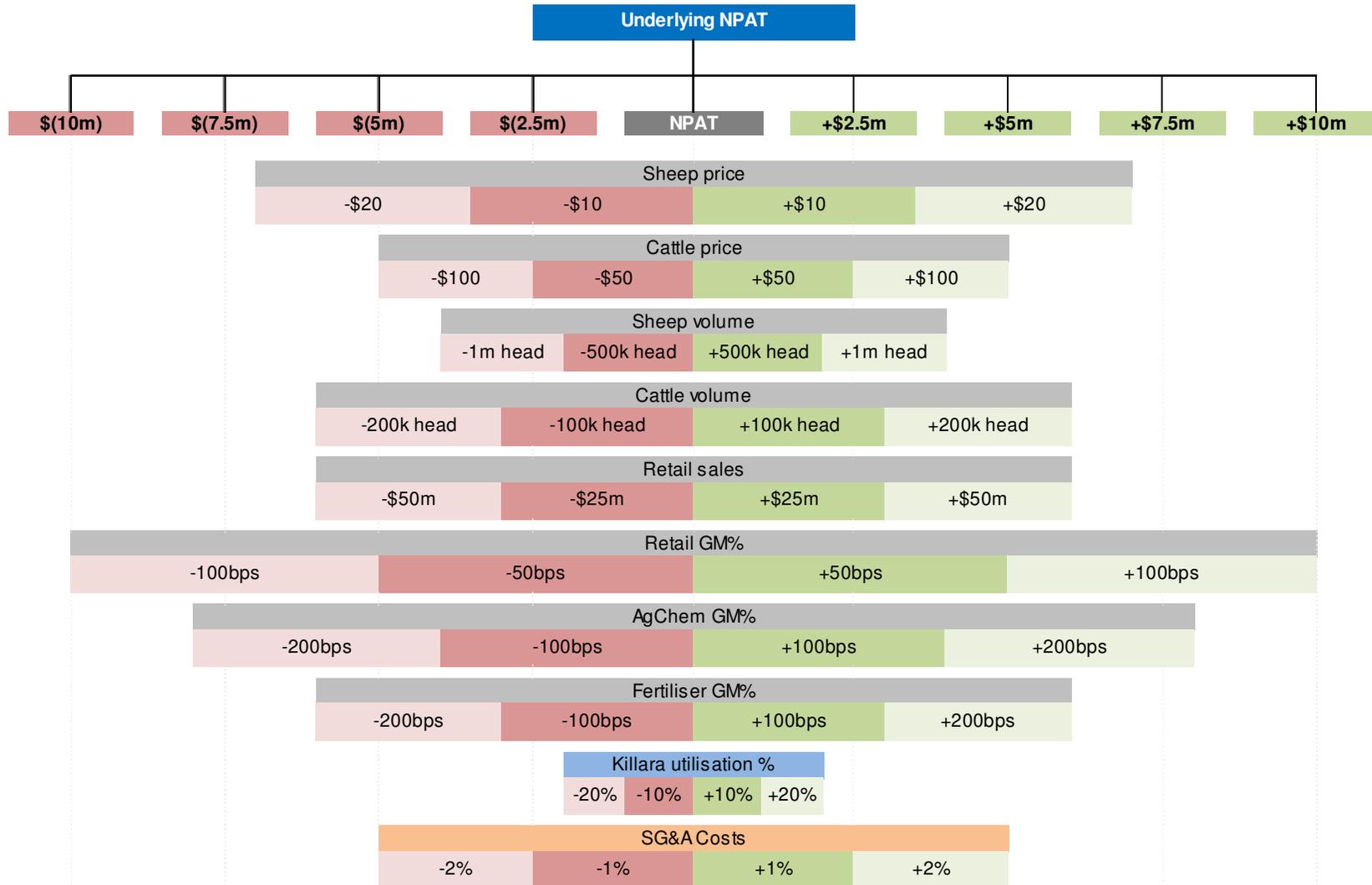


- **North:** Improvement in Retail driven by recovery in cotton growing areas and strong livestock and real estate activity
- **South:** Increase driven by Retail and strong livestock prices
- **West:** Improvement across all Agency products and higher Retail earnings
- **International:** Profitability impacted by higher input costs and expansionary costs

Margin generated by geography



Profit Sensitivity

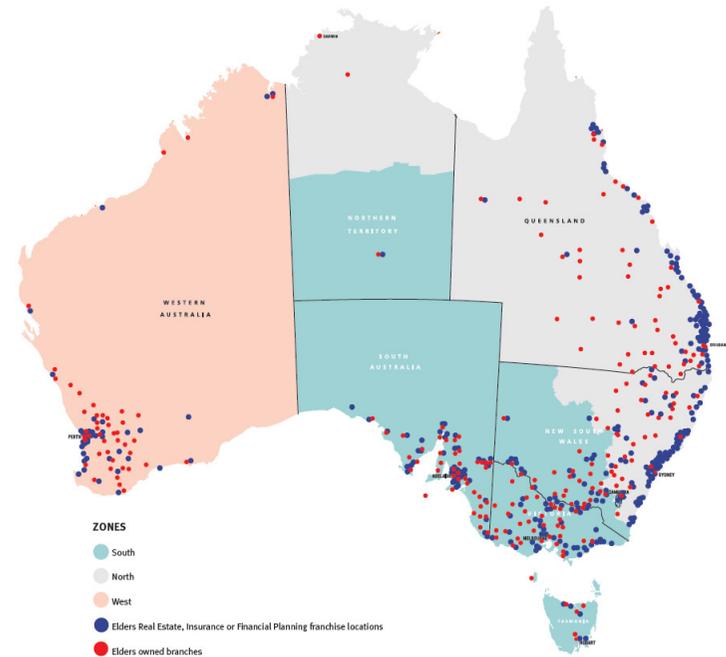
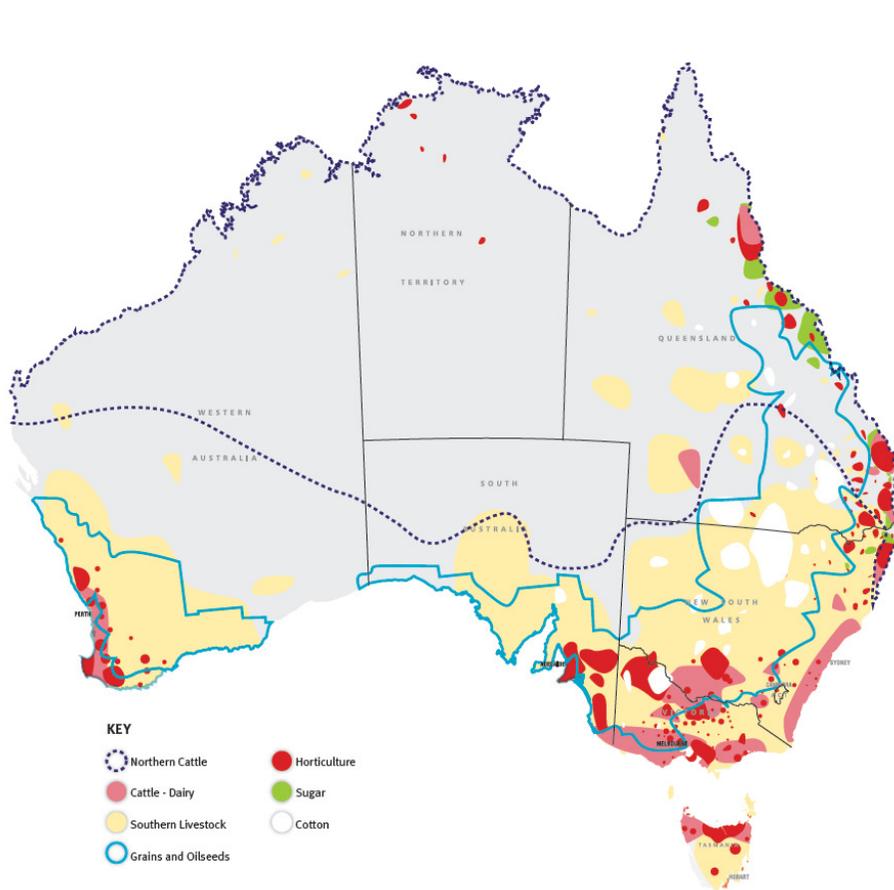


Strategic Gap Analysis



- **Retail**
 - Target for 20% market share
 - Fertiliser growth in WA through CSBP
 - Increase presence in horticulture industry
 - Expand skill base and value add to grow fee for service advisory
- **Agency**
 - Targeted footprint and agent growth in livestock services
 - Expand grain network accumulation
- **Real Estate**
 - Increase company owned presence in major regional centres in Australia
 - Aggressively expand franchise network
- **Financial Services**
 - Increase productivity of banking staff
 - Growth in Insurance gross written premiums
 - Growth in StockCo livestock product
- **Feed and Processing**
 - Controlled growth in Killara and Indonesian feedlots
 - Expansion of fine food beef business into ASEAN countries

Points of Presence



- Over 440 points of presence in Australia and overseas including full service branches, real estate and insurance franchises
- Key produce areas covered through our footprint
- Targeted expansion of footprint through recruitment and acquisition



Live it.