



16 December 2016

## 2016 AGM - CEO's Address

Attached is a copy of the Chief Executive Officer's presentation to the 2016 Elders Limited Annual General Meeting being held today in Adelaide.

Peter Hastings  
Company Secretary



## **Chief Executive's Presentation, Mr Mark Allison 2016 Annual General Meeting of Elders Limited**

### **INTRODUCTION**

Good morning everyone and thank you for your attendance today.

As we enter the third year of our Eight Point Plan, it is evident that the business and our key stakeholders are responding well to our strategic priorities, and that we are well structured to capitalise on the opportunities that lay ahead for Elders and the Australian agribusiness sector.

Today I am pleased to share the positive progress and results that we've achieved against our priorities this year, and how we're shaping up to drive growth and innovation towards 2020.

As our Chairman shared earlier, the safety and wellbeing of our people is the number one priority at Elders, so I will begin today by sharing the improvements we've seen across the business.

Last year I stood here and reported continual improvement in our safety culture.



Today I am pleased to share, that 12 months on, we are again in a position of progress across the safety and wellbeing of our people.

In 2016, we reduced our total lost time injuries from 14 to 4, and the lost time injury frequency rate from 3.4 to 1.0.

Whilst these numbers tell an impressive story, I am conscious that a number of our people are still returning home injured and in addition requiring time away from their work in order to recover.

Therefore our goal of zero Lost Time Injuries in 2017 remains in place and crucial.

As our Chairman mentioned, the continuation of our safety campaign Stand Up Speak Up, has contributed to a stable safety engagement rate at 83%.

This year we also entered into a partnership with the North Queensland Cowboys, to tackle the stigma and start conversations surrounding mental wellbeing, particularly within some of the rural and remote communities in which we operate.



I am a firm believer that managers who take safety seriously, show the same discipline and focus required to run a business well in all respects. As such, we are instilling this message throughout our leadership team and broader business on an ongoing basis.

Going forward, in order to reach our aim of zero lost time injuries, we must eliminate complacency, and continue to work both individually and as a team to make Elders a safer workplace.

Within the past 12 months, we have designed and tested a new, online, work, health and safety reporting system with improved mobile accessibility and reporting capabilities, which we plan to implement in this coming year. This will provide accurate and real time reporting of all incidents.

2016 was a year of strong financial performance for Elders, demonstrated by year on year improved statutory and underlying profits.

Statutory net profit after tax of \$51.6 million compares with a \$38.3 million profit in the previous year. Our underlying net profit improved \$13.2 million on the prior corresponding period to \$41.2 million.



Elders' \$15.7 million improvement at the underlying EBIT level, to \$56.2 million, was largely due to improved sales activity in retail and strong livestock agency performance.

This was also supported by a broad based focus on growth and efficiencies, in line with our Eight Point Plan.

Positive seasonal conditions lifted winter crop demand and sales activity, resulting in our Retail products posting a \$15.1 million improvement in underlying profit.

High cattle prices have driven higher livestock earnings and also real estate sales demand for large cattle farming properties. This contributed to a \$5.2 million underlying profit improvement for Agency Services, and a \$1.7 million underlying profit improvement in Real Estate Services.

Our 10% acquisition of Elders Insurance from QBE, as well as an increase in sales of the StockCo livestock finishing finance product contributed to a \$0.8 million underlying profit improvement for Financial Services.

In the last couple of month's we have also completed the acquisition of an additional 10% in Elders Insurance, taking our total equity holding to



20% of issued capital. In addition, we acquired 30% of StockCo Australia.

Recent high Australian cattle prices adversely impacted margins within our Feed and Processing Services, and in combination with our increased maintenance investment in Killara, resulted in reduced occupancy for this feedlot.

A strong operating cash inflow of \$48.7 million reflected the improved supplier trading terms in the Retail business, as well as reduced inventory in the Live Export business.

This year we announced a managed exit from our Live Export business.

As such, our southern business operations have ceased and a managed divestment of the northern business as a going concern is currently progressing with a number of parties.

Our capital simplification strategy remains on track, with a successful \$97 million capital raise completed during the year.

Elders' wholly owned subsidiary, Elders Finance Pty Ltd acquired just over 700,000 Elders Hybrid securities for a total of \$67 million.

Elders Finance now owns 72% of all Elders Hybrids on issue.



Net debt was reduced by more than \$50 million, due to strong operating cash inflows and disciplined capital usage.

Debt reduction was also achieved with unutilised cash held from the capital raise and the hybrid acquisition.

Our 28.4% return on capital was an improvement of 6.5% on the previous year, and well above our target of 20% return on capital.

This was primarily driven by improved EBIT generation, lower working capital balances in the Retail products, and a clear, disciplined capital allocation process within the business.

Our focus on building a high performance culture within our business continued throughout 2016.

We believe high engagement and enablement is key to building this culture within Elders, and therefore is measured annually through our employee effectiveness survey.

This year, our survey results showed our overall engagement and enablement levels continue to rank amongst the best of all Australian organisations.



In the last 12 months, we have also seen an improved participation in the 2016 performance review process, with more than 95% of employees setting and reviewing against objectives. Supporting this, we continued with incentive plans that align shareholder expectations and employee performance with reward.

Our investment in the training and development of our people continues, with more than 182 leaders participating in our portfolio of Leadership Development Programs this year.

In the 2016 year, more than 14 trainees were inducted into our Stock and Station Agency Traineeship Program and a further 3 agronomy graduates accepted into our new Agronomy Graduate Program.

In the past 12 months we've made significant progress in deepening our client relationships, particularly within the digital space.

In June this year we launched our new online client community Elders Insiders.

Elders Insiders is an Eight Point Plan initiative, and acts as a real-time voice for the wider Elders community.





The platform provides us with instant customer satisfaction details and feedback, and this deeper information ensures that we are making the right key decisions that meet the needs of our clients.

In just three months, the platform has provided instant feedback and insights from our customers about health and wellbeing, a new weather app, customer loyalty programs and retail promotions.

In addition, we have also launched a number of new websites and the 'Elders Online' client portal, providing clients with an online solution to access their account information and email communication preferences.

We've also launched the Red Notebook App and audio market report functionality, which allows clients to listen to any market report on demand, following a sale or event.

We are focussed on ensuring new information is at the fingertips of our clients, and assisting them in making the best decisions for their individual business needs.

We know that our clients and the communities in which we operate are our fundamental reason for being. For that reason, our clients and local communities always come first.



This year we engaged in regional sponsorship agreements in key regions both domestically and internationally, ensuring we support and invest back into communities in which we operate.

In the farm supplies and fertiliser space we have made progress with our supplier relationships, forming a new agreement with CSBP in Western Australia for fertiliser supply, and securing supplier registrations for Elders home branded products.

We've continued to develop and implement a capital light/return on capital driven business model, rationalising and refocusing our relationships with our supply partners to develop mutually beneficial business models.

We continue to focus on new opportunities for growth and new markets, particularly in our livestock and feed and processing businesses.

While continuing the expansion of our fine food business in China, we have also successfully launched the new Killara Black Angus brand in Jakarta and Bali, providing high end restaurants in Indonesia with high quality, Australian beef.



To support these growth plans in Indonesia, this year saw the opening of a new Elders Bali sales office.

We continue to invest in the education of and compliance of our customers, and we ensure welfare standards are executed well above and beyond industry standard.

Now, more than ever, we are focussed on efficiency and growth, and ensuring Elders is positioned as Australia's leading agribusiness.

As a result, we have expanded our presence in Tasmania, successfully integrated several acquisitions across real estate, agency, retail, and financial services and we have launched a new Elders Grain platform.

In addition, our 90 day improvement program continues to lift branch performance across the network.

Now turning to our Eight Point Plan. This plan is our strategic vision for becoming an efficient user of capital. And a business that produces acceptable returns for all our stakeholders while servicing our customers' needs.

As we progress into our final year of Elders' Eight Point Plan, we are now in a position to reset our strategic intent and focus on our path to 2020 as a profitable agribusiness.



Clear opportunities exist for us to grow our digital and technical services offering, adding further value and productivity for our stakeholders.

It is evident from the ideas and initiatives that are being implemented, that we have an experienced team, and the right people within the business to take control of our own future.

We are well aware that until the business is in a position to be distributing dividends to you as our shareholders, we have not achieved success.

With that said, our capital structure is no longer a material impediment to this, and so it is our goal to start paying dividends in December 2017.

As shareholders, you can be confident that Elders is now in a strong position for growth, focussed on the future, and delivering greater value for our key stakeholders.

On behalf of our hard working team of employees right across the business, we thank you for your ongoing support and we look forward sharing another strong period of growth, success and value generation with you all again next year.