

15 November 2016

2016 full year financial results and highlights

- Revenue up 10% to \$1.8bn (FY15: \$1.6bn)
- Underlying Gross profit up 2% to \$304.9m (FY15: \$297.7m)
- Underlying EBITDA¹ of \$42.3m (FY15: \$51.2m) in line with guidance
- Reported NPAT² of \$4.2m (FY15: \$14.1m) after \$14m restructuring and divestment activities (net impact \$9.1m)
- Improvement in working capital, down 24% to \$90.5m (FY15: \$118.8m)
- Final fully franked dividend of 2 cents per share for a total of 10 cents (FY15: 16 cents)
- Execution of 3 pillar 'Future Farming Strategy' focusing on: Investment, Innovation and Integration

Ruralco Holdings Limited (ASX: RHL) today released its full year results for the 12 months to 30 September 2016 with profit in line with the guidance provided to the market on 15th August 2016.

Directors declared a fully franked final dividend of 2 cents per share with a record date of 28 November 2016, payable to shareholders on 19 December 2016. The Dividend Reinvestment Plan will operate with respect to the dividend with a 2.5% discount.

The Group posted strong results in its core traditional businesses with rural supplies gross profit up 16% to \$118million (FY15:\$102million) and agency gross profit was up 3% to \$105million (FY15: \$102million).

Ruralco's Chief Executive Officer & Managing Director, Travis Dillon, said recent restructuring activities and disciplined balance sheet management provide a solid foundation for future growth.

"I am pleased with the underlying business performance delivered this year. While it is disappointing that our bottom line has been impacted by the restructuring in water and live exports and divestment of our non-core farm machinery business, we are in a much better position to take advantage of changing market conditions," he said.

Growth in retail and market-leading water footprint

The Group enhanced its rural supplies network with strategic acquisitions adding 14 new points of presence both during the year and with the most recent acquisition announced today.

"Activity to increase the retail footprint of the Group continues. We are delighted to announce that we have come to an agreement to acquire CRT member, TP Jones & Co and its four retail locations throughout Tasmania. The transaction is still subject to shareholder approval, which will be sought at the Group's AGM in February 2017."

Ruralco also continues to expand on its market-leading water footprint with two recently announced acquisitions in the Hunter region of New South Wales and the Murray Darling basin in South Australia.

"We have substantially increased our water services capability in Eastern Australia to match the strength of our business in the west, and there is a healthy pipeline of further water acquisitions and projects to execute in 2017. This investment and the increase in water projects activity we are seeing in the market aligns with the Federal

¹ Underlying gross profit, EBITDA and NPAT excludes the impact of non-recurring items

² Attributable to shareholders

Government's recently announced \$2.5 billion water infrastructure package to protect the environment and to assist in Australian regional economic development."

Resized and refocused live export business

"The livestock export business is now focused solely on Northern Australia. Our decision to build backgrounding and finishing operations maximises value along the protein supply chain, locking in top quality livestock for our customers in a tightening market.

"We continue to see strategic benefit in growing the live export business as it provides another channel to existing and new markets for our customers, such as Cambodia and China, and integrates the operations of our agency network," said Mr Dillon.

Step change partnership in insurance

Ruralco also announced a step change in its insurance business having come to an agreement to merge the assets forming the Ruralco Insurance business with established insurance brokers, Ausure Consolidated Brokers (ACB), part of Steadfast Group Limited, consolidating its insurance network across rural Australia.

"While the joint venture will allow for an immediate increase in the points of representation that Ruralco Insurance has, it will also provide better customer relationship management data, IT and underwriting capabilities, and will benefit our customers through improved pricing and products.

"There remains further development opportunities for our financial services business. There is a growing need for capital in the sector that is being driven by climate conditions and high livestock prices. This demand is stretching the limits of the traditional banks, leaving a clear gap in the market for our innovative finance team with their intimate customer knowledge."

Execution of Future Farming Strategy

Mr Dillon said the business achieved great progress on strategic priorities in 2016 and is focused on delivering growth through its three pillar, 'Future Farming Strategy'.

"While our priorities have not changed, we have repositioned our strategy to focus on three pillars – Investment, Innovation and Integration. Execution on these priorities will deliver value for all our stakeholders.

"Innovation is integral to the Future Farming Strategy and Ruralco aims to be an industry leader in commercialising AgTech through the right partnerships and investment in innovation.

"Our venture with US-based drone and data analytics provider, PrecisionHawk, is the first of these opportunities, providing our customers with state-of-the-art, advanced technology that will enable them to discover better and faster information about their farms using safe drone technology.

"Additionally, as a cornerstone investor with SproutX, Australia's leading AgTech accelerator program, we anticipate first mover advantage. This will position Ruralco as the path to commercialise new agricultural innovations. A National Farmers' Federation initiative backed by the Government, one hundred AgTech entrepreneurs have been identified in SproutX's initial incubator phase.

Outlook

“Agribusiness is cyclical; there are opportunities for sustainable profit and growth on either side of the cycle. Ruralco is differentiated from its peers through its investment in water, its operating model and by the integration of innovation into our core business and along our value chain for long-term benefit.

“We have acted decisively with respect to restructuring our operations, ensuring we have the right staff in the right areas. We continue to invest in building a scaleable back office, particularly through Program Elevate and this investment and the changes it will bring are critical for Ruralco’s future; I believe we have made the right changes at the right time.

“My Executive team is focused on balancing delivery of our strategy with improvements in operating leverage to ensure continued growth in shareholder returns. Ruralco is well positioned for the future.” Mr. Dillon concluded.

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Further information:

Claire Bond, National Media & Communications Manager

Phone: +61 (0) 439 610 375