

RIDLEY CORPORATION LIMITED

INVESTOR PRESENTATION – HALF YEAR TO 31 DECEMBER 2016



RIDLEY

- ✓ Positive growth in Poultry and Pig sectors.
- ✓ Fish and white meat rendering strong first half, offset by lower supply of red meat.
- Tough first half year in Dairy and Aquafeed, but stronger second half year predicted for both sectors after rally in November and December.
- ✓ New feedmill commissioned pre Christmas at Lara, Geelong, with plans to scale up to full operating level activity in second half.
- ✓ Wasleys rebuild completed within one year of the Pinery bushfire, covered by insurance proceeds.
- ✓ Domestic production of Novacq™ commenced for prawn farm trials.
- ✓ Novacq™ production & harvesting technology secured on 16 Jan 2017.
- ✓ Preparations made to produce Novacq™ prawn feed from Thailand feedmill.
- ✓ Residual Property segment costs annualised to less than \$1 million.
- ✓ Positive progress made with regard to new feedmills - new Aquafeed mill in Tasmania announced on 20 Jan 2017.

FINANCIAL HIGHLIGHTS



Consolidated result - in \$m	1H FY17	1H FY16	1H FY15	FY16	FY15
EBIT - AgriProducts	22.9	27.7	25.6	53.7	50.4
Property costs	(0.5)	(1.3)	(1.2)	(2.0)	(2.7)
Corporate Costs	(4.8)	(4.7)	(4.3)	(9.6)	(8.9)
Net Finance Expense	(2.6)	(2.7)	(2.8)	(5.4)	(5.0)
Tax Expense	(4.4)	(4.6)	(4.6)	(12.6)	(9.3)[#]
Net operating profit before non-recurring items	10.6	16.6	12.7	26.3	24.5
Dry Creek	-	(6.3)	(1.6)	0.4	(3.6)
Non-recurring revenues	3.5	-	-	0.9	0.3[#]
Net profit	14.1	10.3	11.1	27.6	21.2

- ❑ AgriProducts half year result of \$22.9m in a period of difficult trading conditions in a couple of key Ridley sectors.
- ❑ Property costs - controlling annualised holding costs to \$1.0m budget.
- ❑ Corporate costs at consistent level with no material movements or structural changes.
- ❑ Finance cost of higher debt levels offset by interest on deferred consideration from Dry Creek sale.
- ❑ Dry Creek costs ceased from 2 June 2016 and segregated from ongoing operations.
- ❑ Wasleys pre-tax fire damage insurance recovery proceeds of \$3.5m for the half year with minimal 2H activity.
- ❑ Net profit after tax of \$14.1m, up \$3.8m on same period last year.

The Directors believe that the presentation of the unaudited non-IFRS financial information on slides 3 and 21 is useful for shareholders as it reflects the significant movements in operations and cash flows of the business.

AGRIPRODUCTS

- ❑ **EBIT result for agribusiness of \$22.9m** - below the long term growth trend path as Dairy and Aquafeed sectors confront severe economic and commercial issues.
- ❑ **Poultry** - reliable year on year performance, with slight increases in volume reflective of consumer preferences. Wasleys rebuild completed in half year (see next slide).
- ❑ **Pig** - starting to see returns from prior year investment in skills and resources in a fast-growing and profitable sector.
- ❑ **Aqua-feeds** - unable to sustain last year's strong performance without Huon volume.
- ❑ **Dairy** - despite retrospective milk price reductions late in FY16 severely impacting farmer confidence, cash flows and feed plans, a positive result has been recorded with a stronger finish to the half year.
- ❑ **Rendering** - strong performances in poultry and fish have been partially offset by decline in raw material supply in highly competitive red meat market.
- ❑ **Packaged Products**- continued uplift in earnings from improvements in all aspects of Packaged Products service delivery.
- ❑ **Supplements** - absence of the dry season in northern Australia adversely affected sales of Dry Season blocks and loose mix.

❑ Wasleys feedmill (Pinery bushfire Nov 2015)

- Site decimated by bushfire, with extensive damage to storage, premix, grain intake facilities.
- Disaster Recovery Plan immediately implemented to maintain continuity of supply to all customers.
- Insurer immediately engaged to mitigate Ridley losses.
- 21 site footprint throughout eastern states provides risk mitigation for all customers.
- Support provided to Ridley local community.



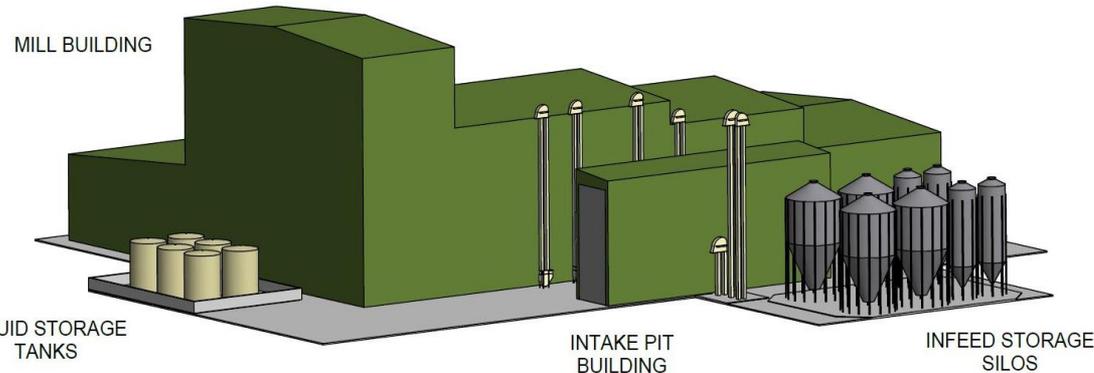
❑ Wasleys rejuvenation (Nov 2016)

- New for old replacement of fixed assets, with insurance proceeds recorded as sundry income.
- Significant technological advancement on many items of electrical and pre-mix equipment.
- Site efficiency and traffic flow improvements facilitated at no incremental cost to Ridley or insurer.
- Full operations restored to site within 12 months of disaster.
- No interruption of supply achieved throughout the period.



❑ Tasmania feedmill (20 Jan 2017)

- Site secured post balance date at Westbury for new feedmill to service Tasmanian salmon industry.
- 25% interest in Inverell feedmill facility divested post balance date for cash proceeds, profit, and to divert production into Narangba once new Westbury feedmill fully operational.
- Only state of the art equipment selected, strong focus on efficiency and low running costs.
- Annualised capacity of up to 50ktpa on a 5 day shift structure.
- On-site bulk storage capacity and fit for purpose warehouses for both raw materials and finished goods.
- Reduced supply chain costs, shorter delivery lead times and from being able to collaborate more closely on new product development and dietary enhancements.



❑ Novacq™ technology (16 Jan 2017)

- Novacq™ harvesting and production technology secured on exclusive basis.
- Partnering with water management and treatment expert UAT, using patented technology jointly adapted to Novacq™ production.
- Moved to sustainable and environmentally responsible continuous production cycle from batch production - water-borne nutrients retained and pond discharge avoided.
- Minimum purchase of 50 equipment “pond sets” committed for an investment of c.\$5m.



Lara feedmill

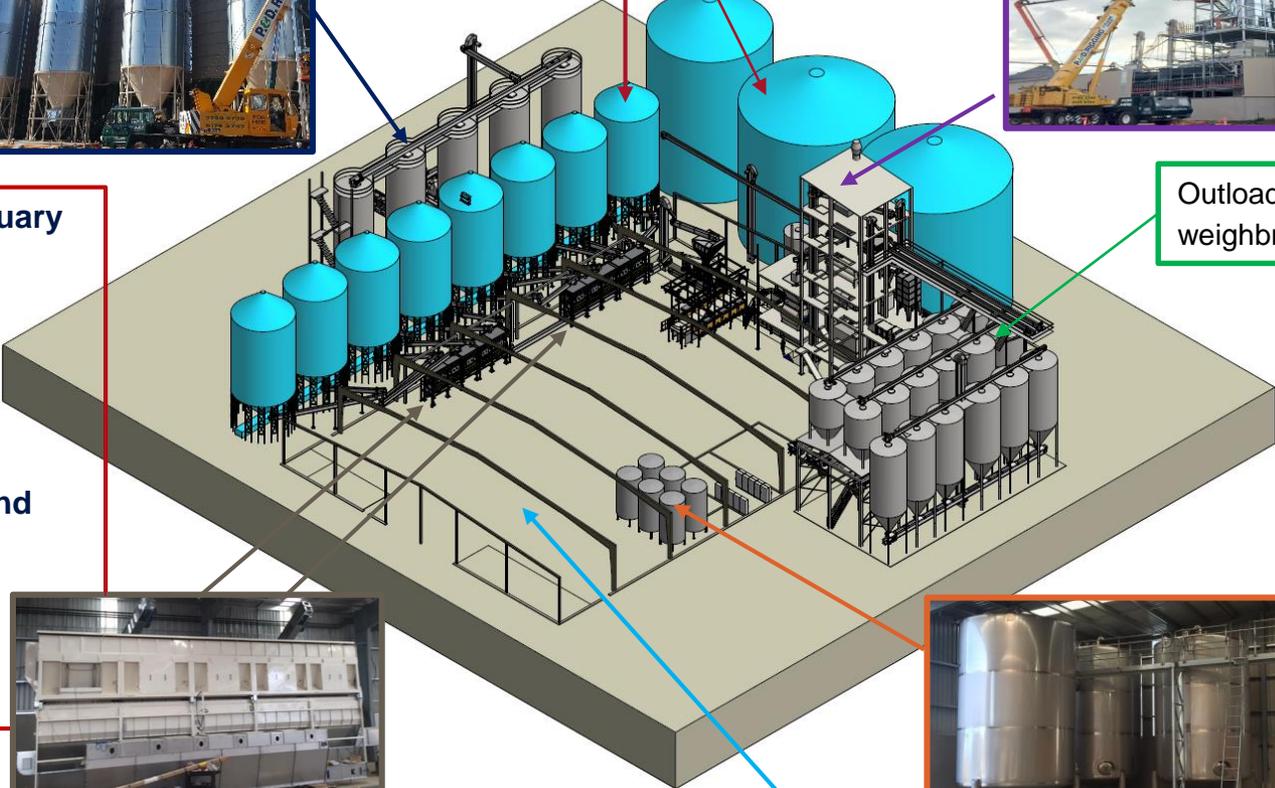
- ✓ Official launch on 6 February 2017.
- ✓ State of the art facility incorporating latest developments in feedmilling technology.
- ✓ Can now pursue new pig and poultry customers and volumes.
- ✓ Transferring volumes across from Pakenham mill to secure freight savings.

New meal silos



Existing silo storage

New tower capping – early Aug'16



Outloading and weighbridge



Grain & meal hoppers

Warehousing



Tallow storage tanks

NOVACQ™

NOVACQ™ – OUR COMPETITIVE ADVANTAGE

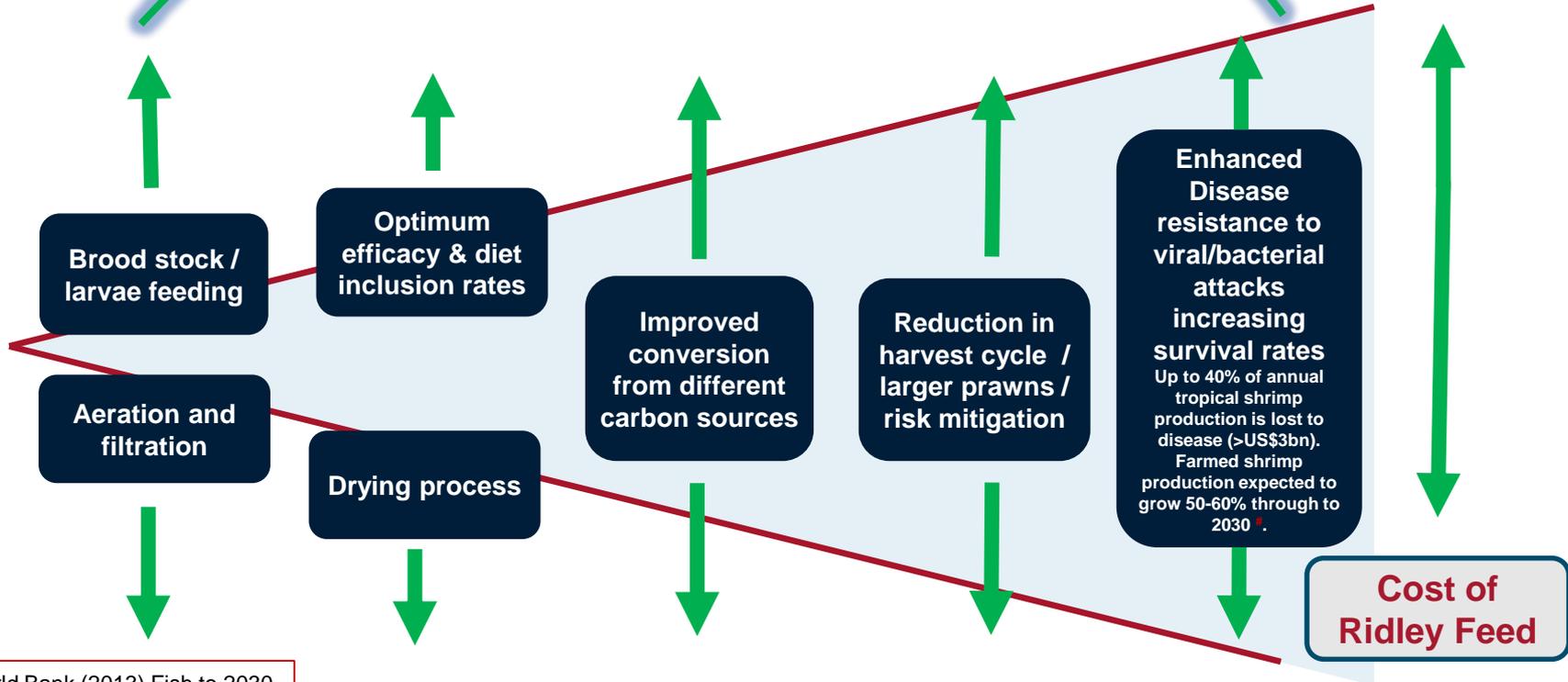


HOW TO IMPROVE THE “JAWS OF VALUE” WITH NOVACQ™

CSIRO Licence

Crustacean – Australia, Thailand, Indonesia, Malaysia & Philippines Licence
We are endeavouring to extend our existing licences to new territories and applications

Livestock Yield / Performance



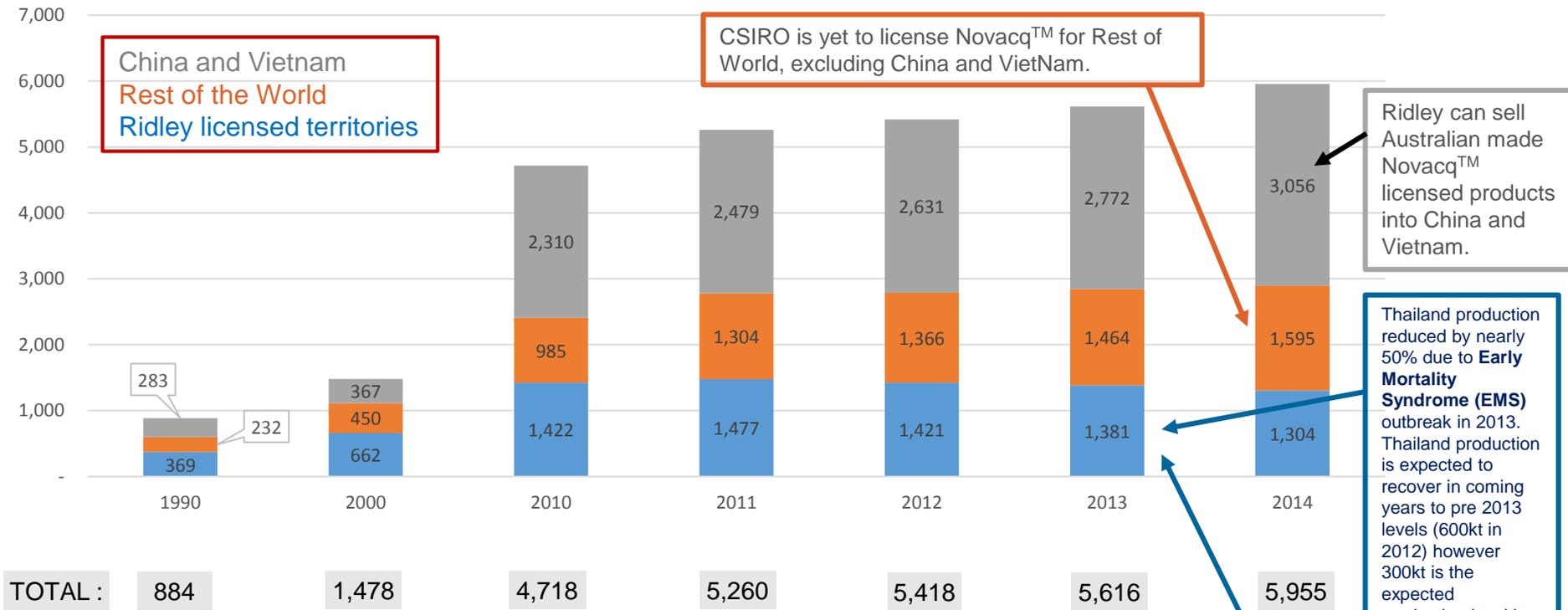
World Bank (2013) Fish to 2030

NOVACQ™ - THE SIZE OF THE PRIZE



Estimated shrimp/prawn feed requirement assuming 1.3 standard FCR #

In '000 metric tonnes



China and Vietnam
Rest of the World
Ridley licensed territories

CSIRO is yet to license Novacq™ for Rest of World, excluding China and VietNam.

Ridley can sell Australian made Novacq™ licensed products into China and Vietnam.

Thailand production reduced by nearly 50% due to **Early Mortality Syndrome (EMS)** outbreak in 2013. Thailand production is expected to recover in coming years to pre 2013 levels (600kt in 2012) however 300kt is the expected production level in 2016 (source: Thai Shrimp Association).

Indonesian prawn **production** increased from 368kt in 2012 to 623kt in 2013 to meet world demand while Thailand suffered from **EMS**.

FCR is Feed Conversion Ratio, namely the ratio of say 1kg of feed required to put on 1kg of weight of the prawn. The lower the FCR, the better the return to the prawn farmer. A conservative 1.3 FCR has been assumed in producing the above estimates of demand for feed, but in reality varies by country and feed quality.

- ❑ Lab-based trials over the past 4 years in both Australia and Thailand, consistently demonstrated Biomass improvements of 40% or more.
- ❑ Trials also exhibit improvements in animal well-being via enhanced resistance to viral/bacterial attacks, and thereby increasing survival rates and the value of Novacq™.
- ❑ What does it do?
 - ✓ Novacq™ acts as a 100% natural metabolic stimulant that **increases food intake** and permits the animal to **utilize the feed more efficiently**.
 - ✓ Because of this, the **animal will grow faster** & provide a shorter culture cycle, using less feed to grow a bigger shrimp. It **improves Feed Conversion Ratio**, saving money as the feed cost is the major farming operational cost.
 - ✓ Novacq™ also appears to **improve disease resistance**.
 - ✓ Novacq™ can be used to **help replace fishery resources in shrimp diets** - important for consumers, retailers and sustainability.
 - ✓ Novacq™ can **reduce diet protein levels without performance loss** - important to help control nutrient levels in ponds and effluent discharge to the environment.
- ❑ Project status

Approximately half way through a five year applied R&D program to commercialise Novacq™ in Australian and overseas licensed territories.



Harvested Novacq™ to be dewatered and dried



After drying/processing "pure" Novacq™

After drying

After grinding



Prawn feed with Novacq™ included

7.5Ha of prawn ponds in Yamba, NSW secured for Novacq™ production

- ✓ Ponds have been lined, silos erected and bunded, and site secured.
- ✓ Equipment has been developed for continuous cycle of production and harvest, with ongoing refinements to further improve efficiency and drive down the cost of production.
- ✓ Dewatering and drying solution achieved in last six months.
- ✓ Technology ready to transport to Thailand.
- ✓ First product from the site already in feed trials.
- ✓ 2016 calendar investment at Yamba over \$2m.



Silo for pond-side settlement of harvested Novacq™ (fore) & silo storage (back)



Standard prawn ponds have to be levelled and lined with protective sheeting

- ❑ Continuous improvement in all facets of production cycle is critical for environmental sustainability and optimisation of shareholder returns.
- ❑ Have secured long term supply agreement for third party technologies developed for, and critical to, specific Novacq™ requirements. After refinement, this technology to be transported to offshore production site(s) in second half year.
- ❑ Have recently selected the dewatering and drying technology to provide Novacq™ in a form suitable for the feedmill.

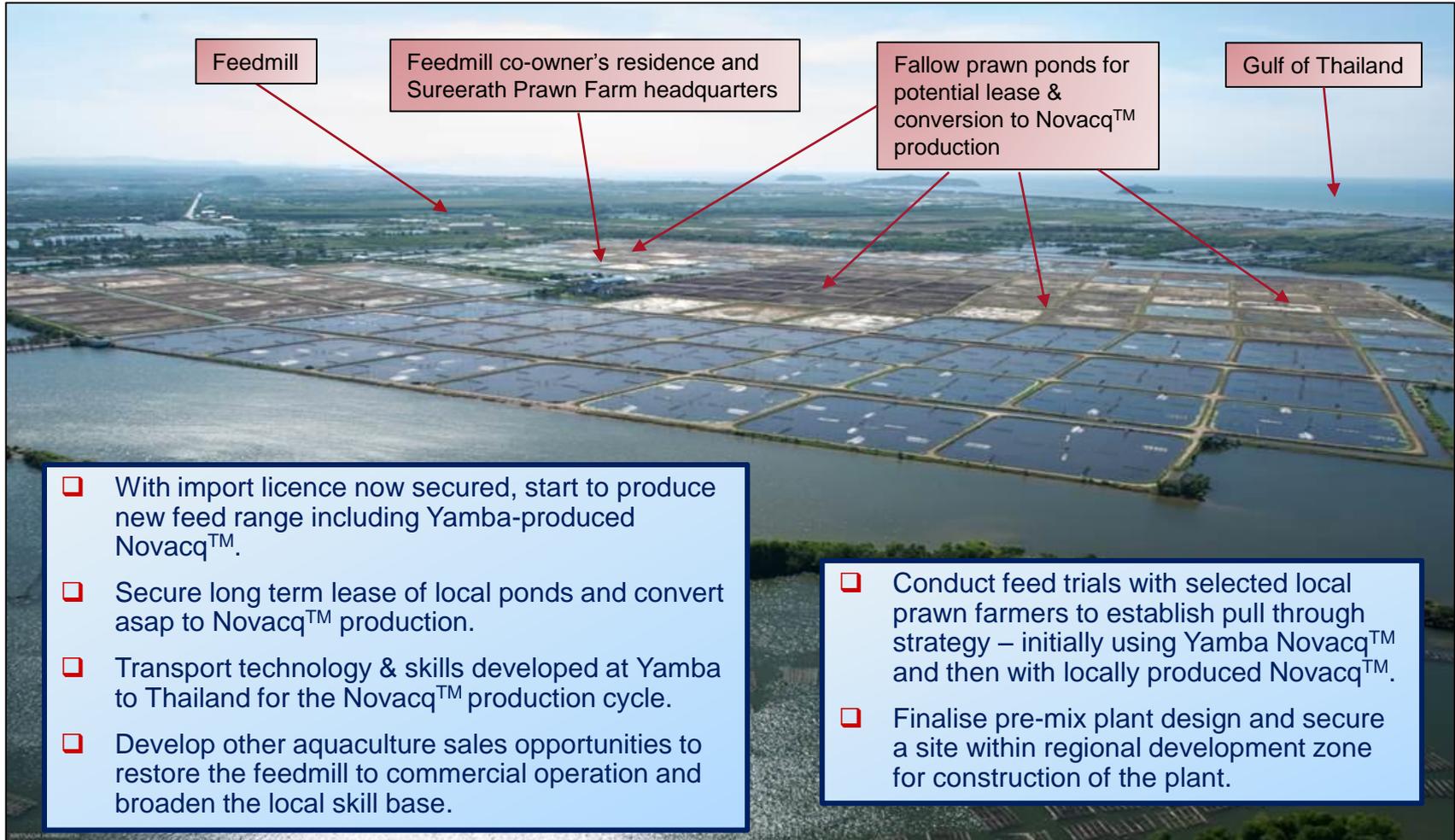
Strategy for Yamba:

- ❑ Service the Australian market.
- ❑ Export trial quantities to Thailand to expedite in-field feed trials.
- ❑ Continuous testing and trialling to progressively increase harvest yield, reduce commercial costs prove efficacy and disease resistance, and determine optimum inclusion rate in Ridley diets.
- ❑ Transport the full Novacq™ cycle technology to overseas Ridley Novacq™ production site(s), commencing at Chanthaburi.
- ❑ Sell Novacq™ to the prawn farmer included within a completely new Extreme diet range, from Starter zero to Grower 2 to cover the full prawn life cycle.

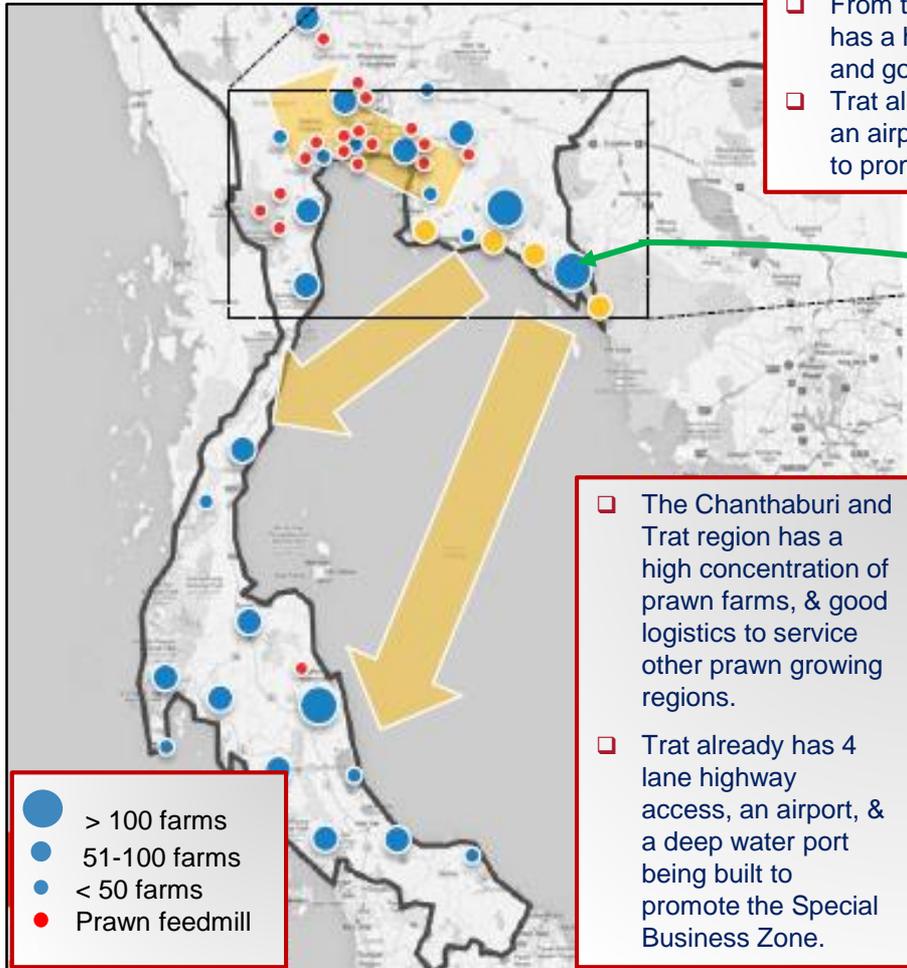
CHANTHABURI – LAST SIX MONTHS



- ❑ Developing engineering design for a blending operation to produce a prawn feed pre-mix combining Novacq™ with Proteins, Vitamins & Minerals.
- ❑ Approval received to build two blending facilities with c.140kt combined output capacity.
- ❑ Product branding and bagging developed using Ridley diets and nutrition support.
- ❑ 100% owned Ridley Thailand entity established through Government concession.
- ❑ Applied for licence to import Novacq™ to include in diets for local trials.
- ❑ Safety processes and systems introduced, and capital works completed e.g. external emergency exit for feedmill tower.



FINANCIAL HIGHLIGHTS

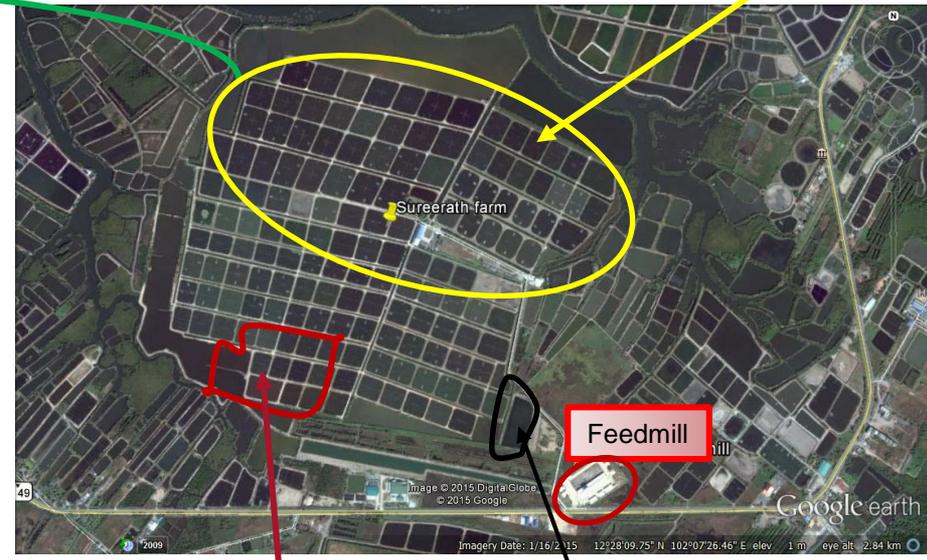


- ❑ From the Chanthaburi and Trat, region has a high concentration of prawn farms and good logistics.
- ❑ Trat already has 4 lane highway access, an airport, & a deep water port being built to promote the Special Business Zone.

Capacity to expand Novacq™ production by securing other ponds within the current farm

- ❑ The Chanthaburi and Trat region has a high concentration of prawn farms, & good logistics to service other prawn growing regions.
- ❑ Trat already has 4 lane highway access, an airport, & a deep water port being built to promote the Special Business Zone.

- > 100 farms
- 51-100 farms
- < 50 farms
- Prawn feedmill



Long term lease negotiations for 14 ponds within Sureerath Prawn Farm of feedmill co-owner.

Site identified for processing facility

PROPERTY

NELSON COVE COASTAL SOLUTION

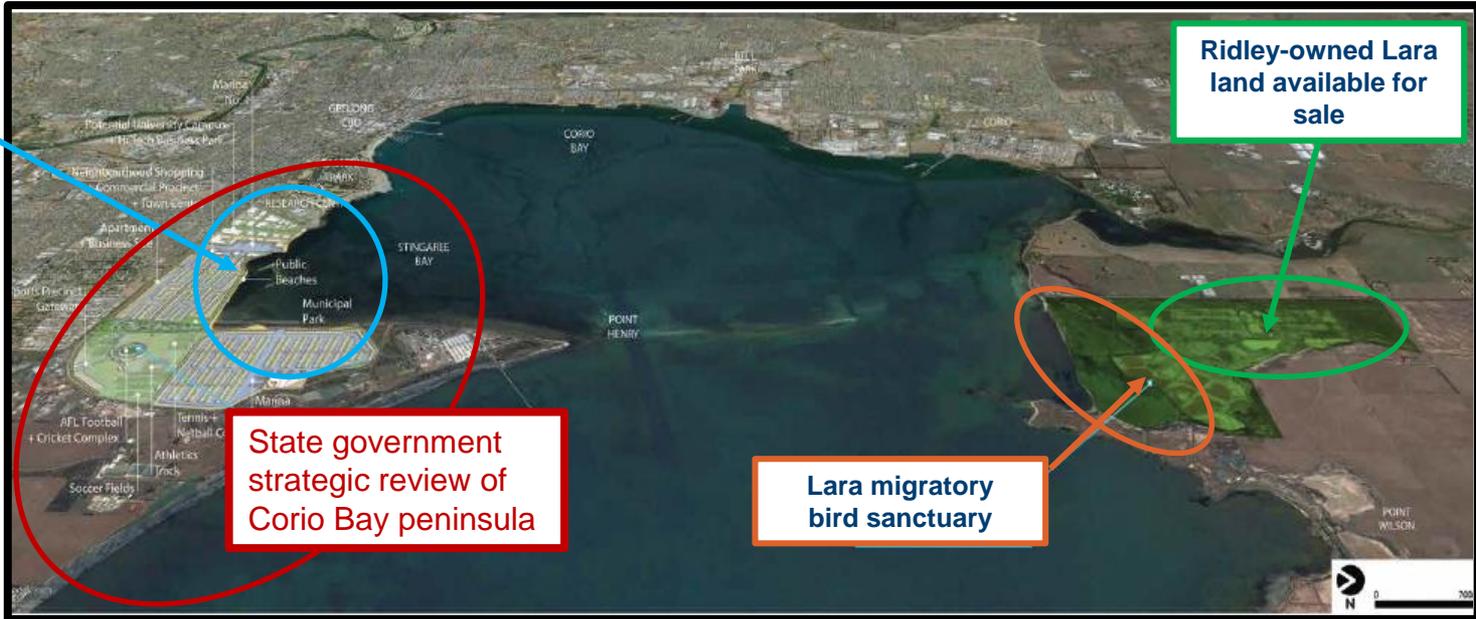


Publication of State Government's master plan for the Corio Bay peninsula overdue -

- Resheduled from December 2016 to "early 2017" due to its strategic importance for the region.
- Will give insight into nature & timing of development opportunity for Nelson Cove.

Low lying shoreline subject to inundation, sea level rise, and stormwater

Solution provided in Ridley concept plan, with protection from sea level rise & creation of public beachfront



One of Australia's largest outdoor sporting precincts – all privately funded

Solution for flood prone neighbouring residential areas

Land set aside for community - schools, parks, retail, bike trails, recreation, etc.

New public beaches, marinas & waterfront for lifestyle & tourism

2,000 construction and permanent jobs for the region

1,000+ acres of bird sanctuary preserved forever

CONSOLIDATED FINANCIALS

BALANCE SHEET - ASSETS



Balance Sheet - in \$m	Dec 2016	Dec 2015	June 2016	June 2015
Assets held for sale	2.3	33.5	-	34.1
Other Current Assets	234.8	247.8	228.5	217.7
Property, plant & equipment (P,P&E)	174.8	141.5	160.2	139.5
Investment property	3.2	3.1	3.1	3.2
Investments	1.3	2.3	3.7	2.3
Intangibles	77.4	77.4	76.4	78.2
Non-current receivable	-	-	5.5	-
Other non-current assets	6.2	1.5	7.4	1.5
Total Assets	500.0	507.1	484.8	476.5

- ❑ **Assets held for sale / Investment property** - comprises equity accounted JV investment disposed of on 31 January 2017 for \$3.3m gross cash proceeds and book profit.
- ❑ **Other current assets** - includes unpaid Huon debt of \$17.5m, \$2.8m increase in cash and \$5.4m in inventory, offset by reduction in debtors of \$1.9m.
- ❑ **P,P&E** - \$14.6m of development capex, \$7.3m of maintenance capex, offset by DA of \$7.1m.
- ❑ **Investments** - reclassification of JV investment to asset held for sale.
- ❑ **Intangibles** - value of software additions fully offset by amortisation charge for the period.
- ❑ **Non-current receivable** - final Dry Creek instalment of \$5.5m (net present value at 30 June 2016) reclassified as current at 31 December 2016.

BALANCE SHEET - LIABILITIES



Balance Sheet - in \$m	Dec 2016	Dec 2015	June 2016	June 2015
Current payables	123.0	156.0	145.9	158.7
Current provisions	13.0	13.1	12.9	12.7
Current tax liabilities	0.5	4.9	8.3	7.1
Non-current borrowings	111.0	97.7	69.4	67.7
Non-current Provisions	0.6	0.5	0.5	0.5
Total Liabilities	248.1	272.2	237.0	246.7
Net Assets	251.9	234.9	247.8	229.8

>\$17m increase in shareholders funds in last 12 months

- ❑ **Payables** - \$33.0m reduction reflects lower drawdown of trade payables facility & timing of payments within trading terms.
- ❑ **Tax** - final FY2016 tax paid in Dec 2016, with first FY2017 instalments paid in half year, generating low value current liability.
- ❑ **Borrowings** - movement reflects increase in working capital from timing differences; net debt of \$79.7m after offsetting \$31.3m of cash on hand at period end.
- ❑ **Equity** - no changes in equity in either period.
- ❑ **Dividend** - final dividend of 2.5cps paid on 30 October 2016, franked to 100%.
- ❑ **Dividend** - interim dividend of 1.5cps proposed but not provided in the half year.

Consolidated Cash flow - in \$m	1H FY17	1H FY16	FY16	FY15
Consolidated EBITDA	26.9	27.9	53.5	51.0
Movement in working capital	(26.1)	(35.6)	(19.3)	7.0
Maintenance capex	(7.3)	(5.5)	(14.9)	(12.8)
Operating cash flow	(6.5)	(13.2)	19.3	45.2
Development capex	(14.6)	(3.7)	(19.3)	(20.6)
Dividends paid	(7.6)	(6.1)	(10.6)	(10.6)
Payments for Intangibles	(1.0)	(0.5)	(1.3)	(0.4)
Net proceeds from sale of assets	5.7	9.9	22.0	3.5
Net finance expense	(2.8)	(2.8)	(5.4)	(4.9)
Net tax (payments)/refund	(10.9)	(9.6)	(13.9)	(6.6)
Other net cash outflows	(1.0)	(0.2)	(0.9)	(2.0)
Cash in/(out) flow for the period	(38.7)	(26.2)	(8.3)	3.6
Opening net debt as at 1 July	(41.0)	(32.7)	(32.7)	(36.3)
Closing net debt	(79.7)	(58.9)	(41.0)	(32.7)

- ❑ In a challenging trading period, a strong consolidated EBITDA of \$26.9m.
- ❑ Working capital affected by delay in recovery of \$17.7m of Huon debt, and \$33.0m reduction in period end creditor balance. Creditor payments and debt collections generally within agreed terms.
- ❑ \$14.6m Development capex includes completion of Lara feedmill which was launched on 6 Feb 2017.
- ❑ 2.5cps final cash dividends paid, up 0.5cps from prior year.
- ❑ \$5.0m instalment received on prior year Dry Creek sale.
- ❑ Tax payments are in line with prior year earnings uplift and Dry Creek sale.

OUTLOOK

- ❑ **Safety** - continue our journey to improve safety at Ridley.
- ❑ **Organic growth** - extract further earnings uplifts from existing assets in other sectors through process of continuous improvement & strategic asset investment.
- ❑ **Lara feedmill** - expedite the ramp up of the new Lara feedmill and target new volumes.
- ❑ **Novacq™ domestic** - continue the production and harvesting continuous improvement program and transport the technology to Thailand.
- ❑ **Novacq™ overseas** - secure site for overseas production of Novacq™ for inclusion in Chanthaburi feedmill diets for local trials and launch of commercial sales.
- ❑ **Construction** - secure development approvals and commence construction of the new aquafeed mill in Tasmania.
- ❑ **New feedmills** - continue to pursue other new feedmill opportunities through incremental volume and/or savings in logistics.
- ❑ **Innovation** - continue to look for and develop innovative, unique and value adding raw materials such as Novacq™ to deliver improved FCR's# for livestock farmers.
- ❑ **Nelson Cove** - work collaboratively with Victorian state government to secure development approvals for Nelson Cove project.
- ❑ **Other property** - continue to pursue strategies to minimise holding cost and generate shareholder returns from surplus property holdings.

FCR is Feed Conversion Ratio – the ratio of kgs of feed required to deliver kgs of meat, the lower the better.

❑ Dairy

- Dairy farmer confidence jolted by sharp falls in milk price in May/June, causing downturn in the most cyclical of Ridley's operating sectors.
- Being non-intensive farming, the animals can survive on pasture and forage.
- No supplementary feeding will weaken dairy herd for future breeding and milk production.

Green shoots

- ✓ Last year, forage had to be purchased; this year, should be self sufficient in pasture.
- ✓ Progressive (if moderate) upward movements in milk price in recent months.
- ✓ Soft grain prices which lower the overall cost of feed.
- ✓ Continuing reasonable banding for exchange rate and Australian exports.
- ✓ Indicators are that the cycle may have bottomed out for a stronger second half outlook, with positive momentum gathered in Nov and Dec.

❑ Aquafeed

- Significant percentage of production volume was for Huon, although 2016 earnings impacted by warm water and El Nino conditions which caused cessation of summer salmon production.
- Long, drawn out court process to recover debt for >4 months of feed ordered, supplied, accepted, and fed to salmon biomass.

Green shoots

- ✓ Diets with Novacq™ already in prawn trials with first commercial sales in the 2017 calendar year.
- ✓ New salmon volumes being targeted and capital committed to new, smaller scale feedmill in Tasmania (ASX: 20 Jan 2017).
- ✓ Diversification through prawn & barramundi, with new kingfish volume secured.
- ✓ New extruder capacity to run test diets in small runs without disrupting production.
- ✓ Significant capital upgrade in progress at Narangba.
- ✓ Recent analysis of Ridley Salmon VP feed supports our v belief that we generally outperform our competitors.
- ✓ Divestment of JV interest at Inverell (ASX: 31 Jan 2017).

- ❑ **Poultry** - keep working harder to improve customer returns by providing a premium quality and service and supporting the ongoing industry growth in both broiler (meat) and layer (egg) based on consumer demand for healthy, value for money meat protein source.
- ❑ **Pig** - leveraging the technical expertise and new Lara feedmill to support the sales team to turn contacts into contracts.
- ❑ **Dairy** - there are reasonable indications that the downturn has bottomed out and confidence is returning, and a more positive outlook exists for the second half year. The Ridley Dairy service offering has provided support during this period to those farmers who have maintained their feeding regime and herd health.
- ❑ **Aqua-feed** - undertaking a major capital upgrade at Narangba to install a new extruder for short run, trial diets. Some consolidation of production back to Narangba to occur following the post balance date sale of the 25% JV interest at Inverell, with the remainder of toll manufactured volume to bring in-house when the new Tasmanian feedmill is commissioned.
- ❑ **Rendering** - executing plant improvement plans and upgrades to improve operating efficiency and product yields, reduce waste, and pursue technologies for the extraction of high value end products.
- ❑ **Packaged Products** - conducting a number of brand refresh and repackaging campaigns to improve store presence and brand awareness, and running promotions for trimmed range of products to service the juvenile and companion animal markets.

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