

# Annual General Meeting



*Ruralco*

**WE'RE HERE FOR AUSTRALIAN FARMERS™**



# Agenda

- ▶ Chairman's Address
- ▶ MD & CEO Presentation
  - Highlights
  - Financial overview
  - Strategy Update
  - Market Update
  - Equity Raise
- ▶ Business of the Meeting



A photograph of two men standing in a tomato field. The man on the left, wearing a blue button-down shirt, is holding two ripe, orange-red tomatoes in his hands and looking down at them. The man on the right, wearing a light-colored short-sleeved shirt and a wide-brimmed straw hat with an orange band, is looking towards the first man. The background is filled with rows of green tomato plants under a clear sky. A semi-transparent blue triangle is overlaid in the top right corner, containing the text.

# Meeting Opening and Chairman's Address

**Rick Lee**



A wide-angle photograph of a vast green pasture under a bright blue sky with scattered white clouds. In the foreground, a large herd of cattle, including black and white Friesians and brown cows, is gathered along a dirt path or fence line. The cattle are facing towards the right side of the frame. In the background, a range of low mountains is visible on the horizon. A dark blue triangular graphic element is positioned in the top right corner, containing the text.

# Managing Director & CEO Presentation

Travis Dillon



# Highlights

# FY2016 Results Highlights

- ▶ Revenue up by 10%, reduced working capital by 24%, and strong growth in core traditional business with Rural Supplies gross profit up 16%
- ▶ Execution of Investment strategy with acquisitions in Rural Supplies and Water, creating 19 new points of presence
- ▶ Successful launch of private label product portfolio and pursuit of targeted innovation partnerships delivering on Integration and Innovation strategies
- ▶ Step change insurance partnership announced with Ausure Consolidated Brokers (a Steadfast Group Limited company) to expand scale of insurance business
- ▶ Launch of Program Elevate, an IT enhancement program that will enable Ruralco's growth and innovation aspirations
- ▶ Final fully franked dividend of 2 cents per share for a total of 10 cents for the year (FY15: 16 cents). Dividend Reinvestment Plan (DRP) operated with a 2.5% discount



A photograph of two men in a field of green plants. The man on the left is wearing a dark blue short-sleeved shirt, brown shorts, and a brown cap. The man on the right is wearing a light blue long-sleeved shirt, dark blue cargo pants, and a blue cap. He is holding a red pepper. In the background, there is a red barn and trees. A blue diagonal overlay is on the right side of the image.

# FY16 Financial Overview

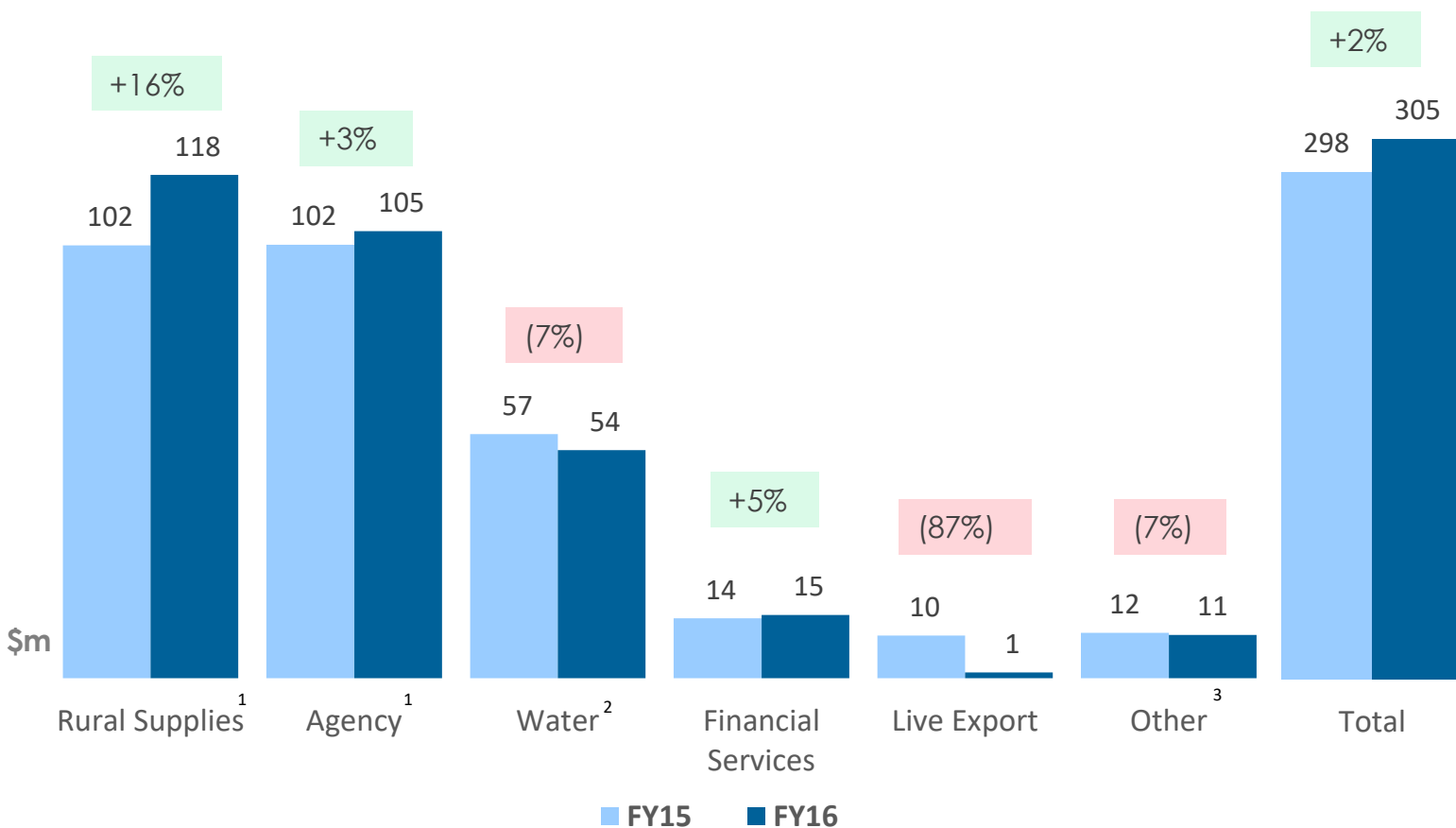
# Financial Overview

	Year ended 30 September			Commentary
	2016	2015	Change	
<b>Sales revenue (\$bn)</b>	1.8bn	1.6bn	10%	Growth in rural supplies and live export revenue (high live export price)
<b>Underlying Gross profit (\$m)*</b>	304.9	297.7	2%	Organic and acquired growth in rural supplies and margin improvement from private label product sales has been offset by margin pressure in live export and underperformance in water retail sales
<b>Opex as % of GP</b>	86.1%	83.1%	3ppts	Opex increase from portfolio growth compounded by negative impact on gross profit from underperformance in Water retail and Live Export
<b>Underlying EBITDA (\$m)</b>	42.3	51.2	(17%)	Within guidance range provided to the market on 15 August 2016
<b>Underlying NPAT (\$m)</b>	13.4	18.7	(28%)	Lower operating result mitigated by savings in financing costs and lower minority interest share of profit (live export driven)
<b>Reported NPAT (\$m)</b>	4.3	14.1	(70%)	Reflects impact of \$14m of non-recurring items - largely restructuring charges – and within guidance provided to the market on 15 August 2016
<b>Working capital (\$m)</b>	90.5	118.9	(24%)	Improved working capital control and usage (avg. working cap % of sales reduced to 7.9% (FY15: 8.8%))
<b>Operating cash flow (\$m)</b>	38.1	17.9	113%	Lower cash earnings is more than offset by improvement in working capital
<b>Underlying ROCE r12 (%)</b>	13.6%	17.0%	3.4 ppts	Lower operating result
<b>Gearing (%)</b>	22.8%	20.8%	2 ppts	Small increase and well within Group Gearing Policy with funding capacity to support ongoing growth strategy
<b>Underlying EPS (cents)</b>	17.0	23.9	(6.9 cents)	Reflects underperformance of Live Export (included in underlying results) and water retail business
<b>Basic EPS (cents)</b>	5.4	18.0	(12.6 cents)	As above including the impact of restructuring charges
<b>Final dividend – fully franked (cents)</b>	2.0	7.0	(5.0 cents)	Brings full year dividends to 10 cents per share (FY15: 16 cents)
<b>Underlying dividend payout ratio (%)</b>	59%	67%	(8 ppts)	This full year underlying payout ratio is within Board preferred target range

\*Adjusted to include impact of sales commissions paid to employee agents in current year and pcg and excludes inventory related adjustments included as part of non-recurring significant items



# Gross Profit by Activity



- ▶ **Rural Supplies:** Organic growth from diverse retail footprint, margin improvement from launch of private label products range and network growth acquisitions
- ▶ **Agency:** Strong real estate volumes and improved cattle sales market share (relative to supply decline) combined with record high prices
- ▶ **Water:** Lower water retail sales from adverse seasonal conditions, particularly in the WA and QLD markets
- ▶ **Financial Services:** New Seasonal Finance product and growth in insurance book
- ▶ **Live Export:** Lower margins from excess shipping availability in the market and high Australian cattle prices that were unmatched to customer price expectations

Notes:

<sup>1</sup> Reclass adjustments include:

- Salesperson commissions paid to employee agents/brokers previously reported in OPEX now in Gross Profit (FY15 \$9.7m impact ; FY16 \$11.3m impact) as considered a cost of sale in agency business
- Warehouse management costs previously reported in "Other" now included in "Rural Supplies" as a cost of sale

<sup>2</sup> Water includes water retail, water services and water broking

<sup>3</sup> "Other" includes farm machinery gross profit , rental income and sundry income/expense

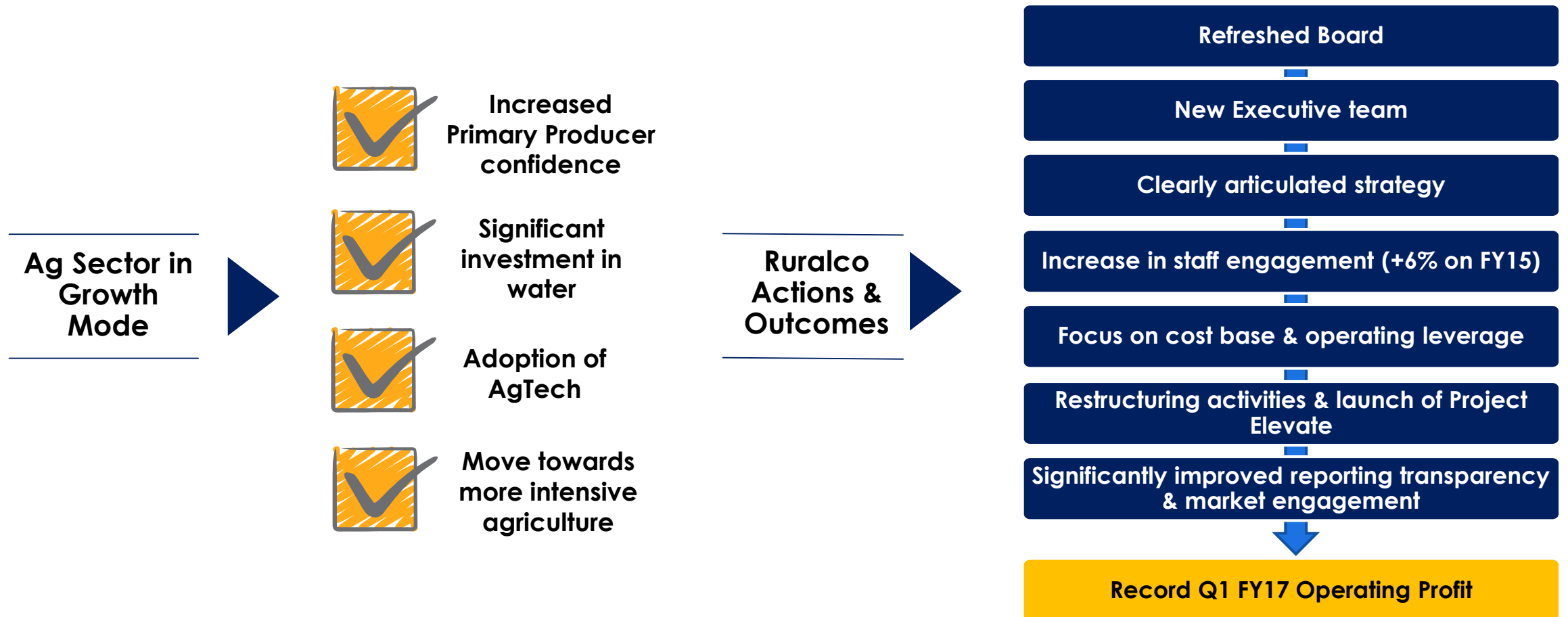


# Strategy Update



# Ruralco's pathway to success

Extensive strategic and operational actions undertaken over the past 12-18 months, coupled with a diversified business model, ensures Ruralco is uniquely positioned for success



# Clearly Articulated Strategy

## FUTURE FARMING STRATEGY

*We're here for Australian farmers*

*Strategy Execution + Improved Operating Leverage = NPAT & EPS Growth*

### INVESTMENT

- 💧 *Leading consolidator in water retail and services sectors*
- 📁 *Fill remaining gaps in the retail network*
- 🔧 *Grow the high yielding agency business*

### INNOVATION

- 👉 *Commercialise the 'next wave' of AgTech*
- ✓ *Be a leader in the future of farming*
- 🌀 *Invest in digital transformation*
- 💡 *Empower our employees and customers with the latest in innovation*

### INTEGRATION

- 💧 *Bringing world class technology to the water industry*
- 💰 *Step change in Financial Services*
- 📁 *Strategic investments along the rural supplies value chain*
- 🐄 *Maximise market share along the entire protein supply chain*

SCALEABLE BACK OFFICE

PEOPLE & CULTURE



# Execution Against Strategy

Ruralco now well positioned to deliver

**Strategy execution:**  
Organic growth from  
underlying business

- ✓ Positive Q1 trading update
- ✓ Improved opex as % of gross profit
- ✓ Tight control of working capital
- ✓ Maintaining prudent capital structure
- ✓ Optimised debt funding facility

**Improved Operating  
Leverage**

**NPAT + EPS  
growth**

**Strategy execution:**  
Portfolio of  
acquisitions

- ✓ Aligned to strategy
- ✓ Attractive acquisition metrics: Pro-forma annualised EBITDA of ~\$13.6 million<sup>1</sup>, Average implied multiple of ~4.5x<sup>2</sup>, EPS accretive<sup>3</sup>
- ✓ Quality businesses
- ✓ Low integration risk
- ✓ Increases scale

**up to \$65 million**  
EQUITY RAISING

Notes:

<sup>1</sup> EBITDA contribution based on maintainable annual earnings on a standalone basis adjusting for non-recurring items and modest cost synergies and excluding transaction costs or integration costs

<sup>2</sup> The multiple has been calculated based on the initial purchase price divided by the pro-forma annualised earnings of the acquisitions. This calculation excludes the estimated contingent consideration and any EBITDA increases that may be associated with these future payments

<sup>3</sup> On a full year earnings basis. NPATA excludes amortisation that will result from the acquisitions on any potential acquired identifiable intangible assets. The impact of purchase price accounting has not been completed but will impact future depreciation and amortisation expense

# Recently Announced Portfolio Of Acquisitions

## Portfolio of acquisitions aligned to Investment and Integration pillars of Future Farming Strategy

### To fill the remaining gaps in the rural supplies network

- TP Jones & Co:** located in key agricultural markets in TAS, long standing CRT member (subject to shareholder approval at AGM on 17 February 2017)
- Great Northern Rural Services:** located in Geraldton, a hub of WA's broadacre, livestock and horticulture markets, long standing CRT member (Completed on 1 October 2016)
- Sid Newham Rural Supplies:** located in Bathurst, bolstering Ruralco's retail footprint in a priority growth area of NSW, long standing CRT member (Completed on 2 February 2017)

### To be the leading industry consolidator in the water retail and services sector

- Irrigation Tasmania:** located amongst major irrigation water schemes, provides scale on the East Coast (Completion due 1 March 2017)
- Mildura Irrigation Centre:** located in Mildura, sophisticated irrigation business with IP that will be used across the business (Completed 1 February 2017)
- River Rain:** located on the Murray River, specialist provider of soil moisture and irrigation services with IP that will be used across the business (Completion due 1 March 2017)
- Riverland Irrigation:** located on the Murray River, has synergistic benefits when combined with River Rain (Completed 1 November 2016)
- Hunter Irrigation:** located in the Hunter region, adds scale to Total Eden retail business in the region (Completed 1 November 2016)

### Delivering a step change to financial services

- Ausure Consolidated Brokers:** 50% equity interest in this JV, transforms Ruralco's previously sub-scale insurance business into a scaleable operation (Completed 13 December 2016)





# Market Update



# Update on FY17 outlook

- ▶ Ruralco released a trading update to the market on 23 January 2017 regarding its first quarter. It's been a strong start to FY17 with earnings exceeding last year's record Q1:
  - Rainfall has been favourable to the summer cropping season across most of the country leading to growth in sales of agricultural chemicals and pre-season fertiliser. Improved farmer confidence and cash flows have also led to increased demand for **general rural merchandise**
  - Above average rainfall experienced in the first quarter, particularly in southern Australia, has led to a slower than expected start to the year in **Water Services** but the impact of the reset cost base is expected to lead to a full recovery of earnings in this existing water business by the end of the year
  - **Live Export** volumes have increased on the same period last year with a solid sales pipeline in place for the remainder of the half
- ▶ January 2017's results have performed to management's expectations and the first half is anticipated to remain strong compared with the prior year. The next critical event impacting the full year outlook will be the timing and extent of the season break in winter cropping regions
- ▶ The impact of completed acquisitions to earnings in the first half will be modest with the more significant acquisitions being completed in February/March
- ▶ Management are pleased with early progress made towards achieving targeted opex as a % of gross profit of 80% with embedded cost savings resulting from last year's cost-out initiative
- ▶ Management's focus over the next 6 month is to continue the successful integration of the newly acquired portfolio of acquisitions



A photograph of three people shaking hands in front of a large, light-colored metal barn. On the left, a man in a red and black plaid shirt and jeans is shaking hands with a man on the right in a blue checkered shirt and jeans. A woman in a black jacket, blue hoodie, and a black baseball cap with a logo stands between them, smiling. To the left of the group is a large grey water tank on a wooden stand. To the right is the back of a white pickup truck. The scene is lit with warm, golden light, suggesting late afternoon or early morning. A semi-transparent blue triangle is overlaid on the top right corner of the image.

# Equity Raise Update

Adrian Gratwicke  
CFO

# \$65 million Equity Offering - Overview

- ▶ Ruralco launched an Equity Offering on 15<sup>th</sup> February 2017 to raise up to \$65 million to fund a portfolio of acquisitions and provide enhanced balance sheet flexibility
- ▶ Equity Offering comprises:
  - An institutional placement to raise approximately \$30 million ("Institutional Placement"); and
  - A 1 for 6 accelerated non-renounceable entitlement offer to raise approximately \$35 million ("Entitlement Offer")
- ▶ Offer price of \$2.66 per New Share under the Entitlement Offer and Institutional Placement:
  - Represents a discount of 10% to TERP<sup>1</sup> of \$2.95 and 11.5% to the last traded price of \$3.00 on 14<sup>th</sup> February 2017
- ▶ New Shares under the Entitlement Offer are being offered to all eligible shareholders on a pro-rata basis
- ▶ The Institutional Placement and institutional component of Entitlement Offer ("Institutional Entitlement Offer") closed 16<sup>th</sup> February 2017
- ▶ Retail component of the Entitlement Offer ("Retail Entitlement Offer") will open on 22<sup>nd</sup> February 2017 and close on 8<sup>th</sup> March 2017



# \$65 million Equity Offering - Update

## In an announcement lodged with the ASX last night, Ruralco confirmed:

- ▶ Successful completion of the \$29.9 million Institutional Placement; and
- ▶ Successful completion of the \$22.6 million institutional component of the 1 for 6 accelerated pro rata non-renounceable entitlement offer
- ▶ Thereby raising approximately \$52.5 million and reflecting very strong support from both existing and new investors
- ▶ This represented a take up rate of 57% from all eligible institutional shareholders and 100% when the non-participation of Ruralco's largest shareholder is excluded<sup>1</sup>

## Next steps

- ▶ Retail component of the Entitlement Offer ("Retail Entitlement Offer") will open on 22<sup>nd</sup> February 2017 and close on 8<sup>th</sup> March 2017 and is expected to raise approximately \$12.5 million
- ▶ Eligible retail shareholders will be able to apply for additional shares in excess of their entitlement up to a maximum of 100% of their entitlement under the Retail Entitlement Offer
- ▶ New shares will rank equally in all respects with existing ordinary shares
- ▶ The Retail Offer Booklet will be dispatched to eligible shareholders on 22<sup>nd</sup> February 2017

# Business of the Meeting





# Business of the Meeting

## Ordinary Business

### 1. Financial Report

To receive and consider the Annual Financial Report of the Company and its controlled entities for the financial year ended 30 September 2016 including the report of the Directors, Directors' Declaration and Independent Auditors Report.

Questions in relation to the reports?

# Business of the Meeting

## Ordinary Business

### **Resolution 1: Adoption of the Remuneration Report for the Year ended September 2016**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the Remuneration Report for the year ended 30 September 2016 (set out on pages 40-55 of the Company’s Annual Report 2016) be adopted.”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
53,335,118	1,823,789	937,656	299,936



# Business of the Meeting

## Ordinary Business

### **Resolution 2: Election of Director: Richard John Lee**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Richard John Lee, who was appointed by the Board on 5 September 2016, be elected as a Director of the Company”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
55,237,104	72,573	982,217	104,605

# Business of the Meeting

## Ordinary Business

### **Resolution 3: Re-Election of Director: Michael John Millner**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Michael John Millner, who retires by rotation in accordance with clause 20.2 of the Company’s Constitution, be re-elected as a Director of the Company.”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
55,191,545	106,866	982,217	115,871



# Business of the Meeting

## Ordinary Business

### **Resolution 4: Re-Election of Director: Trudy Joy Vonhoff**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Trudy Joy Vonhoff, who retires by rotation in accordance with clause 20.2 of the Company’s Constitution, be re-elected as a Director of the Company”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
53,755,728	1,557,195	982,512	101,064

# Business of the Meeting

## Special Business

### **Resolution 5: Approval of TP Jones Acquisition**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company’s wholly owned subsidiary Roberts Limited ACN 009 475 647 to complete the TP Jones acquisition on the terms and conditions set out in the explanatory notes.”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
53,731,646	1,595,322	984,684	84,847



# Business of the Meeting

## Special Business

### Resolution 6: Re-insertion of Proportional Takeovers Provision in the Constitution

To consider and, if thought fit, pass the following resolution as a special resolution:

“That the proportional takeover provisions at clause 13 of the Company’s Constitution, in the form attached to this Notice of Meeting as Annexure A, be re-inserted into the Constitution for a period of three years commencing on the day this resolution is passed.”

Proxies received In Favour	Proxies received Against	Open Votes	Abstain
55,106,147	179,152	930,979	180,221

# Disclaimer

The information contained in this presentation is general information about Ruralco and its activities, and does not purport to be complete. It is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of individual investors. Before making an investment decision you should consider whether it is suitable for you in light of your own circumstances, and take appropriate advice.

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The financial results of Ruralco are reported under the International Financial Reporting Standards (IFRS). Throughout this document non-IFRS financial indicators are included to assist with understanding the Group's performance. This document has not been reviewed or audited by the Group's external auditors.



# Appendix : Ruralco's Key Business Activities

Business Activity	Meaning
Agency	The Agency activity within Ruralco covers all business activities that relate to the commercialisation of Australian livestock, wool and real estate including marketing, advice, and residential and export sales execution. The agency activity includes a number of respected brands that have significant market share within their geographic operating areas
Rural Supplies	Rural Supplies includes a number of iconic brands including CRT, Australia's largest group of independent rural retailers. Our rural supplies businesses cater to the diversity of Australia's primary industry sector and provide a comprehensive range of animal health and crop protection products, fertilisers and general rural merchandise products. Our access to Australia's leading agricultural supply companies ensures the products we offer meet the highest standards for quality, reliability and competitiveness. Our staff's expertise and their knowledge of local conditions and markets also gives our customers confidence that that they are dealing with a true local who has their interests at heart
Water	Ruralco's professional water network works hand-in-hand with water infrastructure operators, on-farm irrigators and water traders to deliver practical and workable solutions. Together, they can provide complete water solutions, from irrigation services and planning, through to water management systems and equipment supply and installation. This service is complemented by the largest network of water brokers in Australia who facilitate all types of water trading requirements. We continually strive to be a leader in providing environmentally sustainable solutions and partner with key suppliers to ensure our customers have access to the latest water technologies. Ruralco's focus on water is a clear differentiator from its competitors.
Live Export	Frontier International Agri is a Ruralco partnership in Live Export. Their mission is to be the supply partner of choice for leading beef, dairy and breeding cattle and sheep customers in selected world markets. Their focus is expert management through the entire supply chain — from on-farm in the country of origin through to on-farm and beyond in the destination country. Frontier aims to deliver an outstanding product to customers who demand high quality and performance, backed by outstanding service in nutrition, health and animal husbandry, and animal welfare
Financial Services	The Ruralco Financial Services team are specialists in Ag and commercial business finance lending and insurance with a thorough understanding of the needs of rural customers. Through our access to an extensive panel of lenders, our finance representatives will source and tailor a financial solution that best suits the customer's circumstances. Ruralco can help with home or term loans, line of credit, seasonal finance, overdraft, asset or vehicle and equipment finance and insurance.

An aerial photograph of a vast agricultural landscape, showing a patchwork of rectangular fields in various shades of brown, tan, and green, separated by thin lines of trees or fences. The perspective is from a high altitude, looking down on the terrain. The overall color palette is muted and earthy.

*Ruralco*

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