

# Return on Investment Platform & Initiatives

PAC Partners Ag Conference

Greg O'Neil, General Manager CRT, Marketing & Communications

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*Ruralco*  
HOLDINGS LIMITED



LOCAL SERVICE. NATIONAL STRENGTH

CELEBRATING THE PAST, BUILDING THE FUTURE



# Our Strategies to deliver ROI

- Strategy 1 – Platform Growth
- Strategy 2 – Horizontal Integration
- Strategy 3 – Business Improvement & Portfolio Management
- Strategy 4 – Own our ‘local’ position

*“The result emphasizes the increasing quality and diversity of our earnings given the sustained drought in Queensland and Northern NSW and the dry conditions in the final quarter across much of southern Australia that has seen a reduction in winter crop yield prospects”.*

*John Maher, MD & CEO  
FY14 Results*

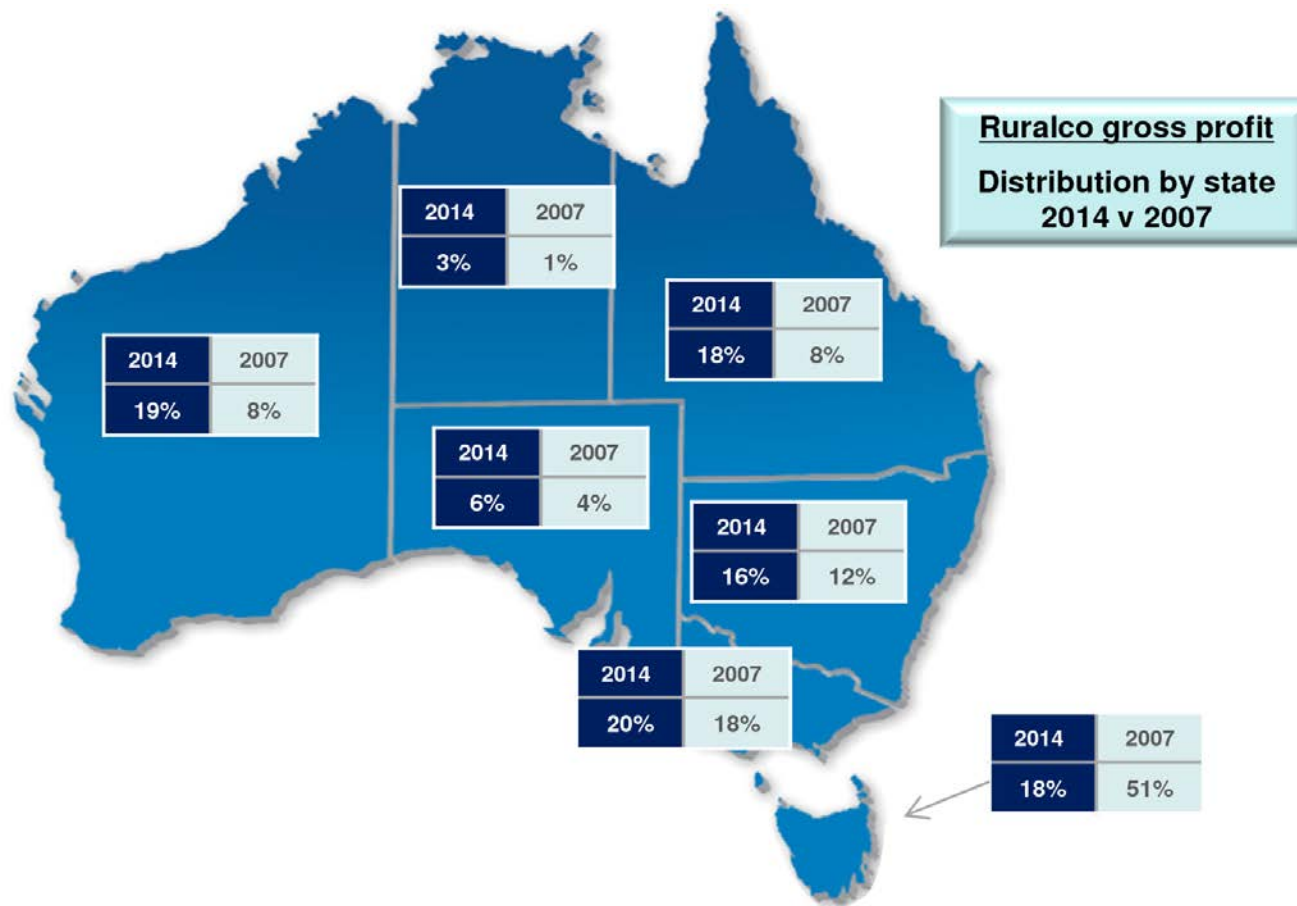
# Strategy 1 – Platform Growth

- Geographic expansion
  - Broadening the company's operating platform geographically by partnering with quality regional businesses and people on a majority equity basis
  - Provides diversification of geographic risk
- Equity locations growth since 2007

States & Territories	Business Units	New Outlets Since '07	New Outlets FY14
QLD	8	43	13
NSW	5	34	6
VIC	10	27	9
WA	3	43	19
SA	2	11	-
NT	2	4	-
TAS	2	2	-
NZ	-	1	1
<b>Total</b>	<b>32</b>	<b>165</b>	<b>48</b>
<b>CAGR</b>	<b>13%</b>	<b>15%</b>	

# Strategy 1 – Platform Growth

## Ruralco Gross Profit – State distribution 2014 vs 2007



# Strategy 1 – Platform Growth

New partners FY14



**Total Eden Water Solutions** – leading retailer of water products and designer of end to end water solutions 37 retail stores and service outlets plus distribution centres. National presence plus one greenfield site in NZ.

**Frontier International Agri** – establishment of new JV live export business

**Rodwells** – greenfield outlets at Cobram (Vic Riverina), Heyfield (Vic Gippsland) and Culcairn (NSW)

**Peter Dargan Livestock Pty Ltd** – acquisition well-established agency business, Wangaratta and Corowa (Vic Riverina)

**Northern Livestock & Property** – establishment of livestock business in Moura, Roma and Julia Creek (Qld) with respected agents

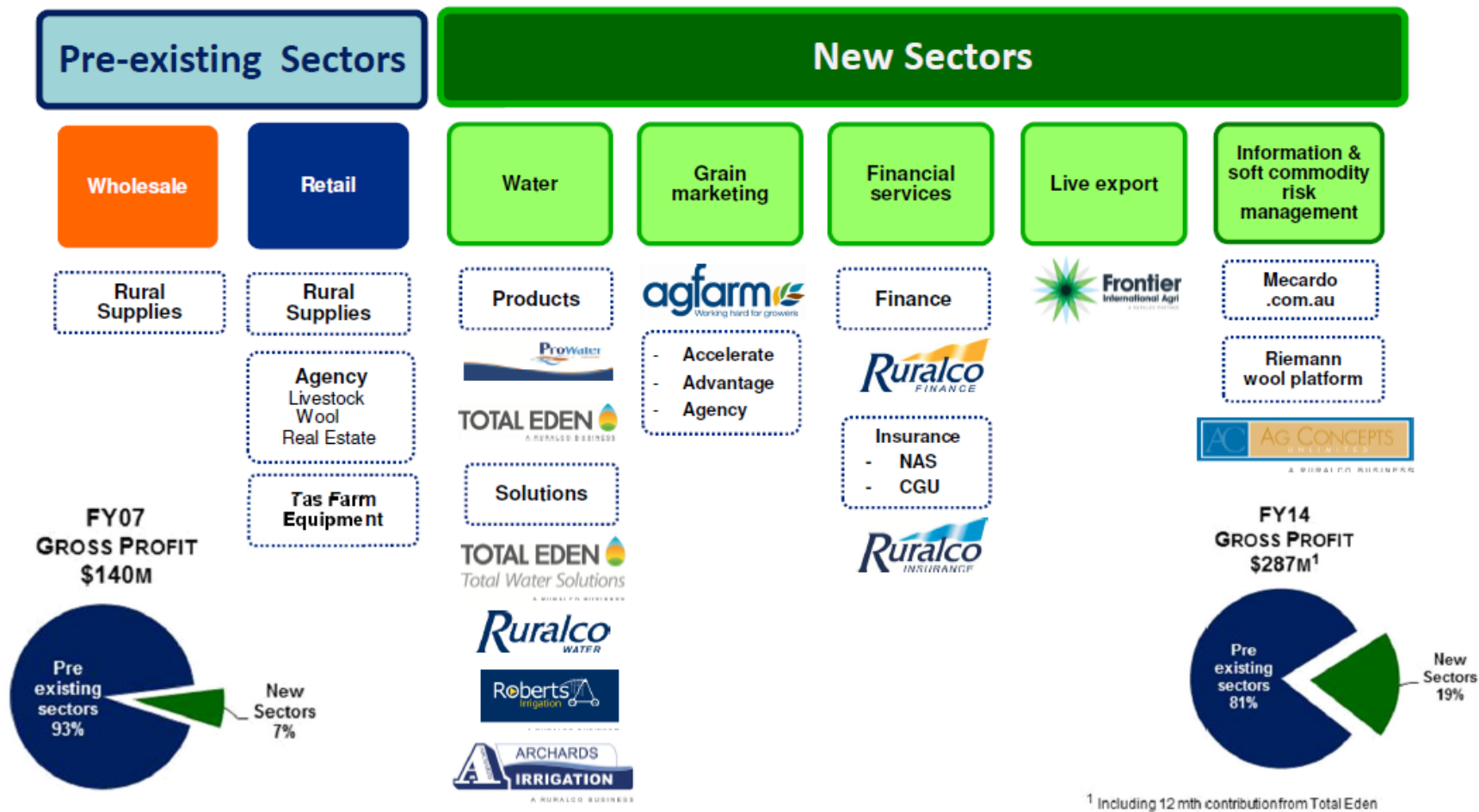
**Territory Rural Broome** – Establishment of branch in Broome with TE existing outlet



## Strategy 2 – Horizontal Integration

- Add product/activity portfolio throughout expanded operating platform
- New revenue streams
- Local owner operators focused on sales, service and innovation
- FY14 – Water services achieved a 95% lift in gross profit on the pcg due to Total Eden acquisition and significant lift from existing water broking network
- FY14 – Livestock provided a 33% lift in gross profit, assisted by establishment of Frontier International Agri

# Strategy 2 – Horizontal Integration





## Strategy 2 – Horizontal Integration

- The acquisition of “Total Water Solutions” business Total Eden on 28 February 2014 positions Ruralco as a significant provider of water management solutions across Australia.
- This expansion of the water portfolio acts as a natural hedge when cyclically low rainfall periods challenge earnings in the traditional rural supplies and agency activities



### Networks (Retail & Wholesale) division



37 stores  
4 distribution centres

Sales Revenue  
~\$100 m (annualised)

### Services division



2 Service outlets + storage sites  
Water solutions design, construction  
and maintenance

Sales Revenue  
~\$63 m (annualised)



# Strategy 2 – Horizontal Integration

## Growth Strategies

- Northern Australia agriculture – aligning land and fresh water availability with Total Eden's water solutions skills and existing Ruralco businesses
- Diversified into waste water management
- New Zealand greenfield presence established 2014
- Municipal and commercial landscaping/irrigation
- Retail range development including private labels
- Retail network expansion into opportunity 'gaps'

## Integration Strategies

- Procurement benefits flowing with increased scale in water products
- Progressive merge of state distribution centres
- Integration of Back Office – Finance, IT, AP, AR, Marketing and Internal Audit



## Strategy 2 – Horizontal Integration



### Frontier

- Live export business has taken only a short time to establish itself and is actively fulfilling customer orders
- In excess of 60,000 cattle shipped since establishment
- Business positioned to achieve expected performance range in FY15
  - Encouraging momentum with 2H14 EBITDA of \$1.1m
  - Shipping programme in place for FY15 with potential to add more capacity
  - Strong first year customer response to the Frontier team's proven specialties in procurement, logistics and delivery to specification



## Strategy 2 – Horizontal Integration



### Agfarm Accelerate

- Agfarm (Ruralco 50:50 JV with CHS Inc) input finance product
- Distributed through Ruralco's branch and agronomy network
- Enables growers to finance cropping inputs purchased through Ruralco outlets and then access Agfarm's expertise and products to market harvested grain

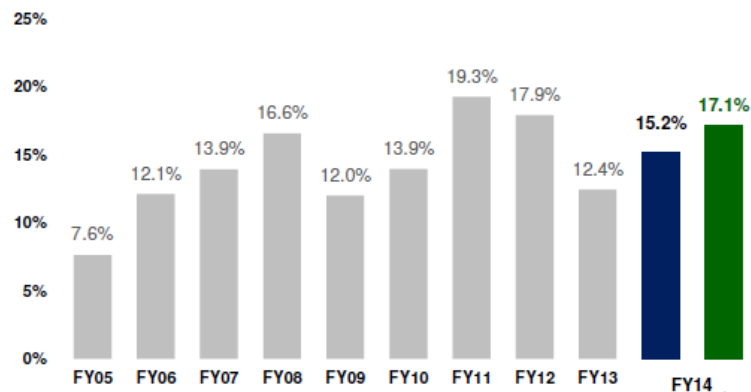


# Strategy 2 – Horizontal Integration

## Return Measures

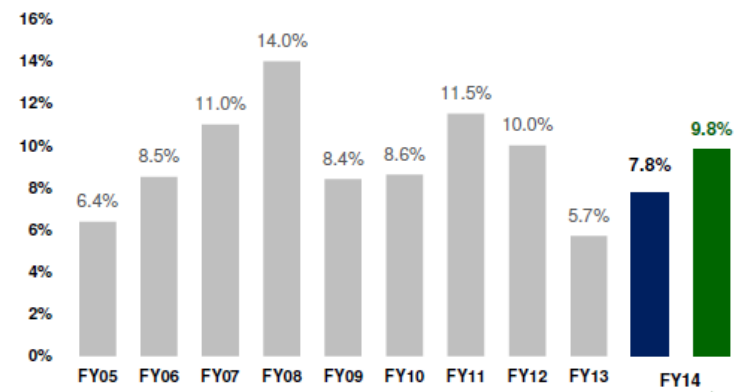
### RETURN ON CAPITAL EMPLOYED<sup>1</sup> (%)

UNDERLYING REPORTING



### RETURN ON EQUITY (%)

UNDERLYING REPORTING

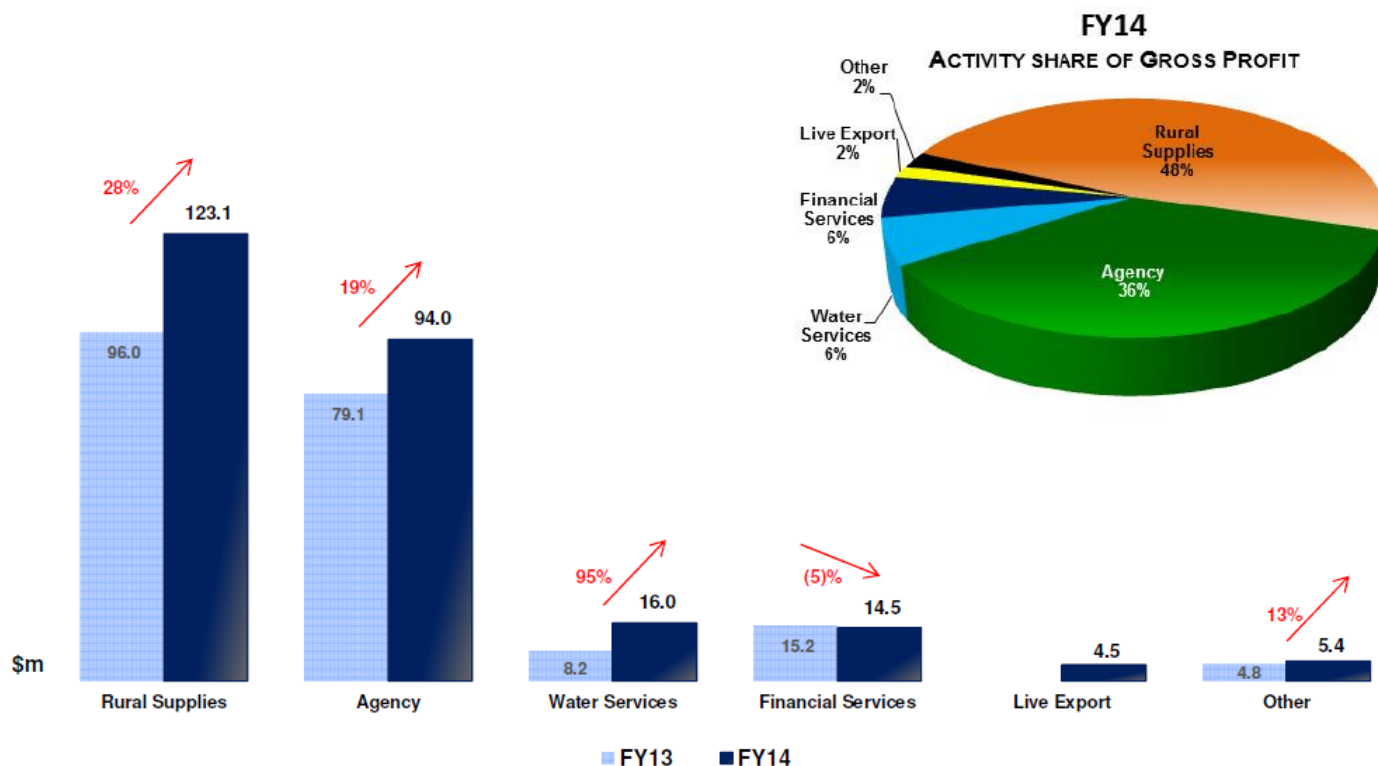


Existing platform  
excluding Total Eden & Frontier

# Strategy 2 – Horizontal Integration

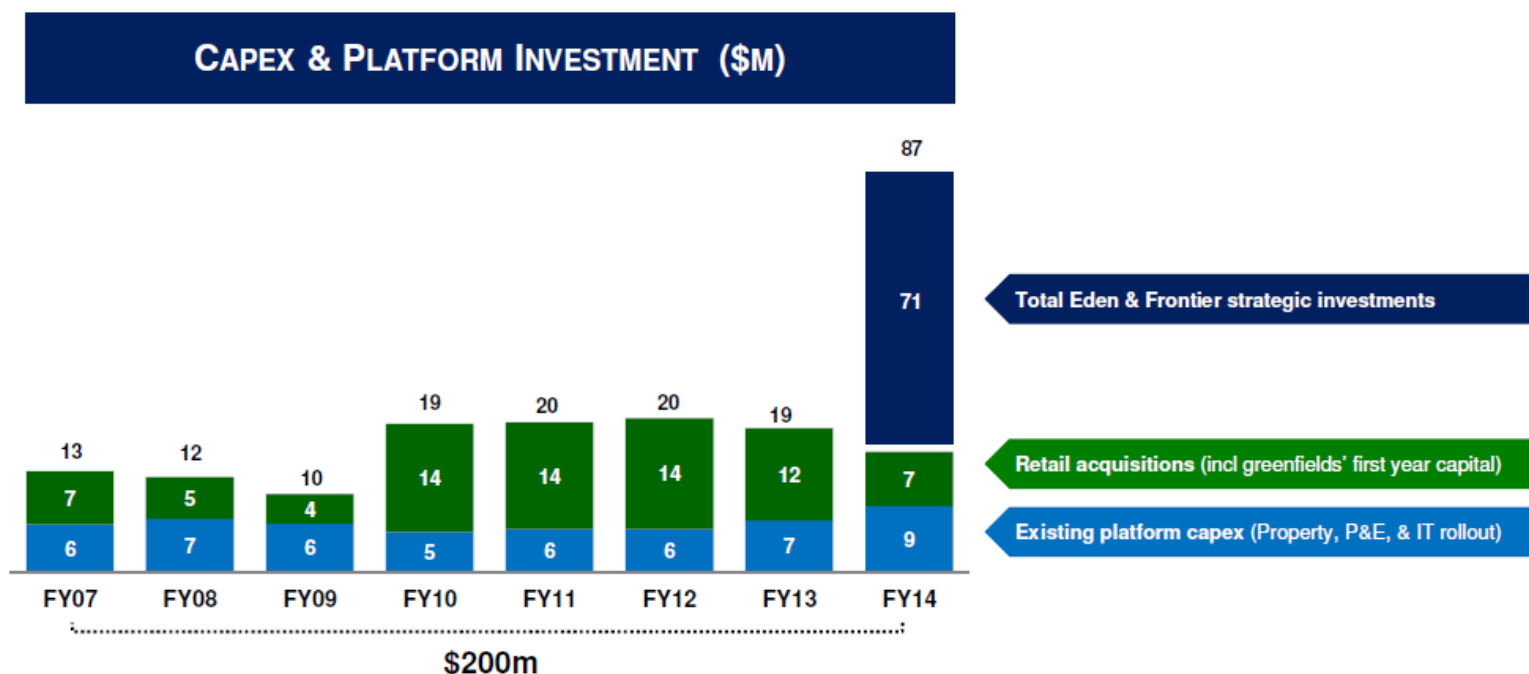
## Activity Performance

Gross profit up 26% with livestock and real estate driving agency growth and rural supplies, water also featuring



## Strategy 2 – Horizontal Integration

Since 2006 merger ~\$200m of cash flow has been reinvested into the business



**FY14:**

- Moderated retail acquisition activity with particular focus on executing and integrating the Total Eden and Frontier strategic investments as well as expediting “one IT platform” across whole of network and Tasmanian saleyard modernisation / consolidation strategy



# Strategy 3 – Business Improvement and Portfolio Management

Drive business improvement benefits including one efficient Back Office and actively managing our portfolio of assets

- **Back Office Efficiency**
  - Investment in IT platform
  - Centralisation of finance, transactional services and IT teams
  - Delivering scale, efficiency and network management benefits
- **Technology & Customer Sales**
  - Electronic water trading platform – Water Exchange
  - On-farm customer technical services combine the expertise of our agronomy specialists with the power of RuralcoLINK's app enabled product and R&D data – extended from crop protection into animal health
- **Portfolio Management**
  - Relocation of registered office from Hobart to peri-urban premises
  - Upgrade and consolidation of saleyards within best practice.



# Strategy 4 – Own the ‘local’ position – investing in our people and communities

Ruralco’s channels to market are built around our unique positioning of “owning local”

- Health and Safety focus
  - Significant investment risk identification and safety leading to a significant reduction in LTIFR
- Investment in staff
  - Improved people strategies to develop and retain staff including leadership and skills training opportunities
- Community Support
  - Continued partnership with Lee Kernaghan as brand ambassador
  - Contributions exceed \$2 million per annum to local organisations and charities

