

# Ruralco Update

UBS Australian Emerging Companies Conference Series

26 May 2015

Rick Maybury, General Manager Rural Supplies & Water Services

*Ruralco*  
HOLDINGS LIMITED



LOCAL SERVICE. NATIONAL STRENGTH

CELEBRATING THE PAST. BUILDING THE FUTURE

# Overview of Ruralco

---

LOCAL SERVICE. NATIONAL STRENGTH

*Ruralco*  
HOLDINGS LIMITED



---

CELEBRATING THE PAST, BUILDING THE FUTURE

# Key operating statistics (Current)

*Ruralco is a diversified rural services provider operating through both retail and wholesale channels to market*

## Stakeholders

|                                       |          |
|---------------------------------------|----------|
| Shareholders                          | 4,038    |
| Staff (as at 30 Sept-14)              | 2,108    |
| Agronomists<br>(~14 yr av experience) | 250      |
| Customers (retail)                    | 100,000+ |
| Market Cap                            | \$270m   |

## Footprint

|  |            |
|--|------------|
| Independent members<br>(Wholesale)     | 278        |
| Joint ventures & Corporate<br>(Retail) | 265        |
| <b>TOTAL</b>                           | <b>543</b> |

## Volumes

|                             |                 |
|-----------------------------|-----------------|
| Sales Revenue (FY14)        | \$1,356m        |
| Rural Supplies sales (FY14) | \$1,135m        |
| Total turnover              | \$4bn           |
| Fertiliser sales            | 600,000 tonnes  |
| Cattle marketed             | 1.3m head       |
| Sheep marketed              | 5.0m head       |
| Wool marketed               | 180k bales      |
| Water traded                | 400k megalitres |
| Water solutions sales       | ~\$80m          |
| Grain marketed              | 1.5m tonnes     |
| Real estate properties sold | 2,400           |
| Insurance premium written   | \$23m           |
| Finance broking book size   | \$270m          |



## Business Units

|      |                 |
|------|-----------------|
| 2006 | 11 (incl 5 JV)  |
| 2015 | 40 (incl 27 JV) |

# Origins of Ruralco



**R**  
Roberts

- Estab **1865**
- Head office Hobart

Roberts



**1970**

- Established as buying group
- Head office Sydney



150



43

Market cap \$m

13

180

132

198

177

270

**Since 2006 Merger...**

- ✓ Market cap increased six fold
- ✓ Equity network expanded from 97 to 265 outlets
- ✓ Earnings base diversified into new sectors

## Merger resulted in 6 key risks

- Minimal safety policies & procedures LTIFR > 20
- Geographic 70%+ profit - Tasmania
- Sector 80%+ sales - wholesale merchandise
- High gearing >100% debt / equity (Roberts)
- Growth Flat
- Diverse business models & fragmented management structure

1865

1970

2000

2006

2010

2014

# Strategy update

---

LOCAL SERVICE. NATIONAL STRENGTH

*Ruralco*  
HOLDINGS LIMITED



---

CELEBRATING THE PAST, BUILDING THE FUTURE

# Ruralco's strategic priorities - unchanged

## Strategy 1

Platform growth

**Broadening the company's operating platform geographically by partnering with quality regional businesses and people on a majority equity basis**

- Sustained and targeted expansion of retail footprint with focus on under-represented catchments
- Balanced use of corporate and joint venture channel models to attract and retain the leading operators

## Strategy 2

Horizontal integration

**Add product/activity portfolio throughout expanded operating platform**

- Diversification into adjacent sectors which extend our customer offering and leverage the existing distribution network
- Reducing exposure to cyclical earnings risk in the traditional activities

## Strategy 3

Business improvement & portfolio management

**Drive business improvement benefits including one efficient 'back office' and actively managing our portfolio of assets**

- Maximise the competitiveness of the network by delivering a cost effective and best practice back office and supply chain in conjunction with innovations which enhance the customers' sales experience
- Disciplined capital allocation leading to divestment of non-core businesses and non-strategic property

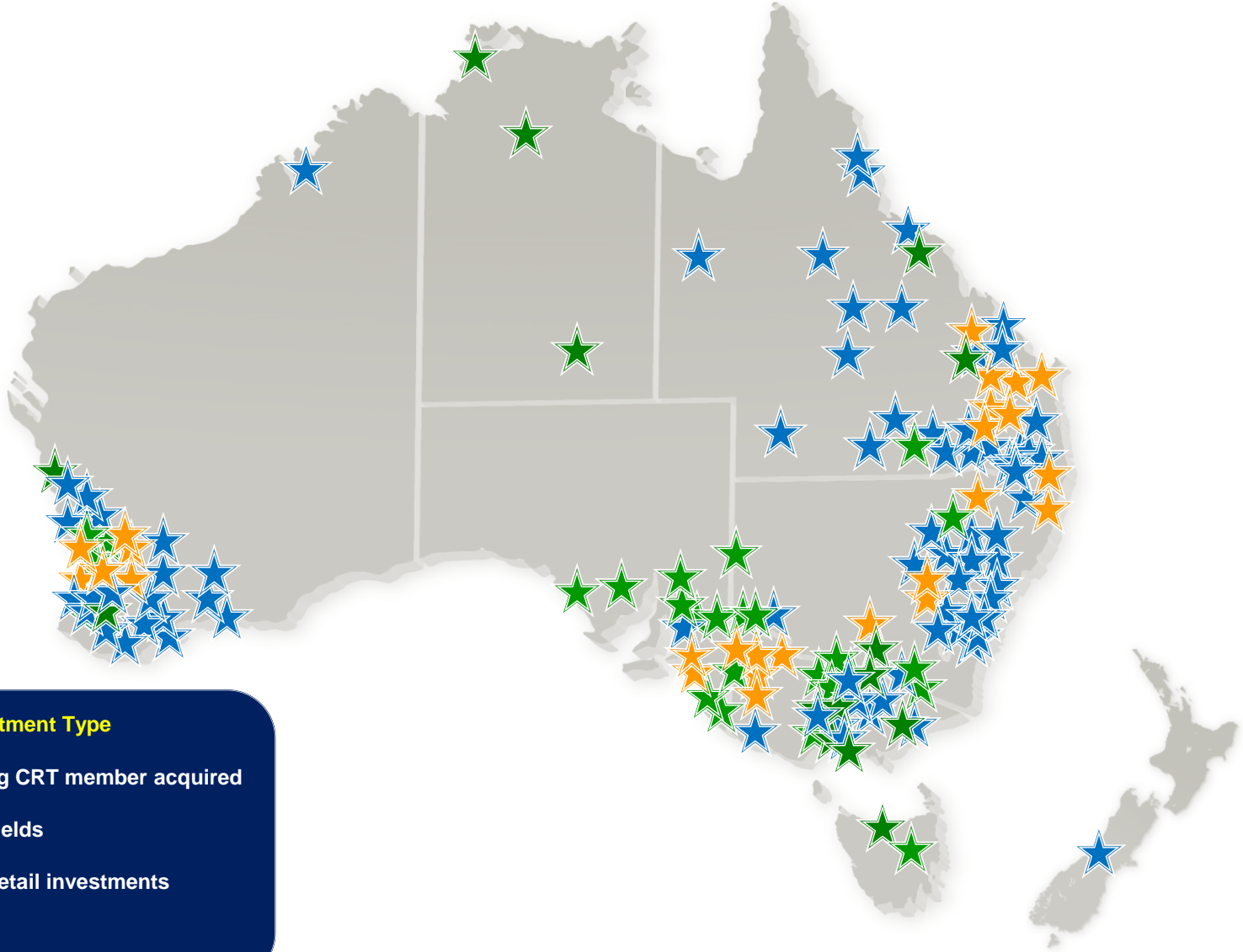
## Strategy 4

People & communities

**Own our local positioning with significant and enduring contributions to our regional communities**

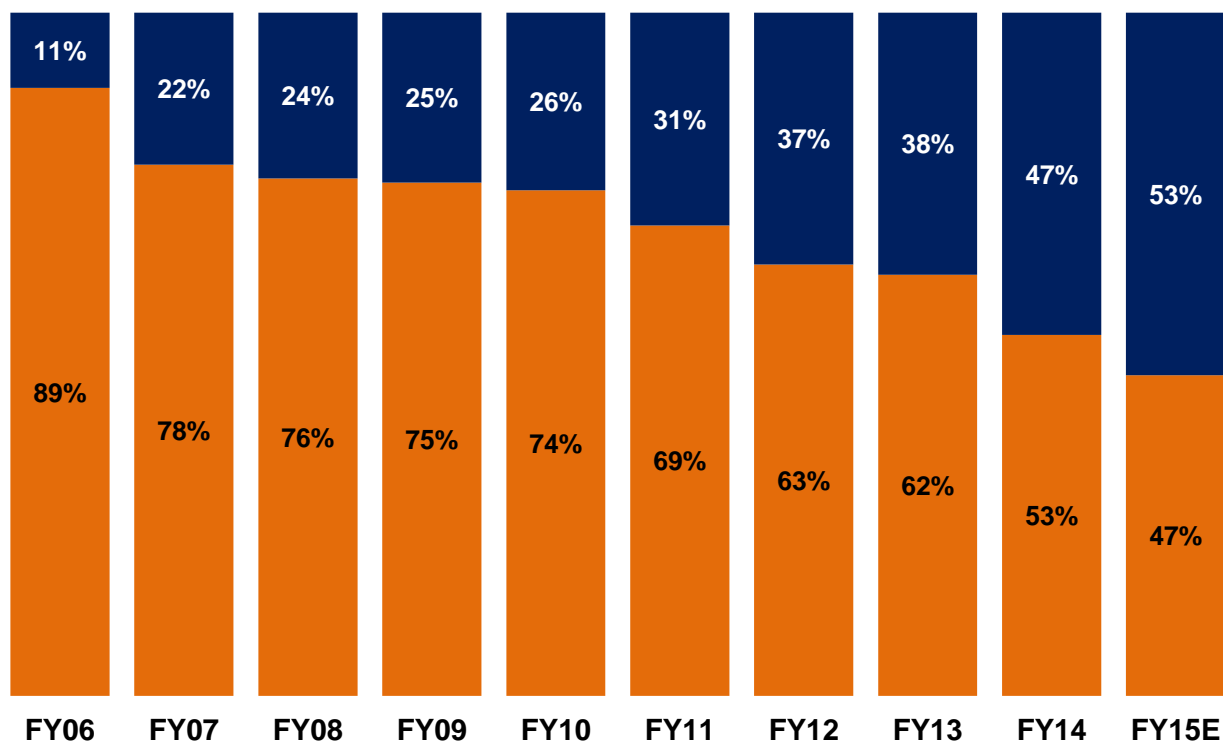
- Preservation and growth of iconic, local brands relevant to the markets and communities they operate in
- Ongoing annual contributions of over \$2m to organisations and initiatives our customers are passionate about
- Developing and incentivising our people through a business model that allows local, personalised, best practice services and products

# Platform growth - new locations added since 2006



# Channel diversification

**RETAIL / WHOLESALE SALES SHARE %**  
INCL DIRECT FERTILISER





# Horizontal integration and sector expansion

## Ruralco

### Pre-existing Sectors

Wholesale

Retail

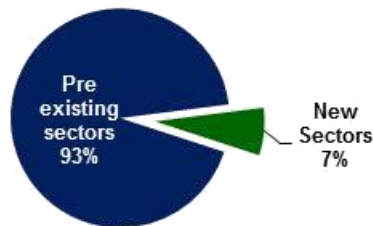
Rural  
Supplies

Rural  
Supplies

Agency  
Livestock  
Wool  
Real Estate

Tas Farm  
Equipment

FY07  
GROSS PROFIT  
\$140M



### New Sectors

Water

Grain  
marketing

Financial  
services

Live export

Information &  
soft commodity  
risk  
management

Products

agfarm  
Working hard for growers

Finance

Frontier  
International Agri  
A RURALCO PARTNER

Mecardo  
.com.au

ProWater  
TOTAL EDEN  
A RURALCO BUSINESS

Accelerate  
Advantage  
Agency

Ruralco  
FINANCE

Riemann  
wool platform

Solutions

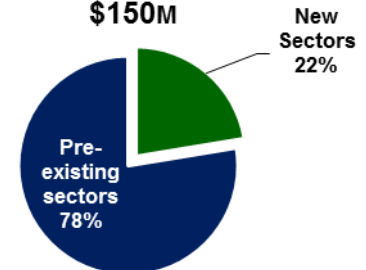
TOTAL EDEN  
Total Water Solutions  
A RURALCO BUSINESS

Insurance  
- NAS  
- CGU

Ruralco  
INSURANCE

AC AG CONCEPTS  
A RURALCO BUSINESS

1H15  
GROSS PROFIT  
\$150M



Ruralco  
WATER

Roberts  
Irrigation

ARCHARDS  
IRRIGATION  
A RURALCO BUSINESS

# Update on new business: Total Eden

**Strategic growth area that is counter cyclical to the Group's traditional earnings**



- Operational integration now complete with two distinct channels to market for all Ruralco water businesses:
  1. Water supplies: specialist retailer and wholesaler of water products - performing to business case
  2. Water services: expert design, construct and operate solutions for irrigation and water engineering as well as water broking - behind business case due to competitive margin pressure
- On track to deliver targeted FY15 synergies
- Total Eden and CRT Sydney warehouses now co-located. Project to consolidate duplicate warehouse space nationally well progressed
- Total Eden is collaborating with other Ruralco businesses and leveraging expertise and relationships
- The first 'store-in-store' will launch in Darwin in 2H15

# Update on new business: Live export

## Frontier International capitalises on demand for protein in SE Asia



- Ruralco's live export business, Frontier International Agri, achieved a gross profit of \$3.4m
- Over 60,000 head of cattle shipped
- Offsetting this strong gross profit result were mark to market fair value livestock adjustments and the impact of FX losses of \$2.5m reflective of prevailing market conditions
- Strategically supports the Ruralco agency business, providing a steady pipeline of sales for livestock agents across the network
- Actively developing new markets throughout Asia
- Despite challenging headwinds in the sector, the business has a strong pipeline and has committed to a second vessel to ensure its ability to meet demand

# 1H15 financial review

---

LOCAL SERVICE. NATIONAL STRENGTH

*Ruralco*  
HOLDINGS LIMITED



---

CELEBRATING THE PAST, BUILDING THE FUTURE

# Financial performance 1H15

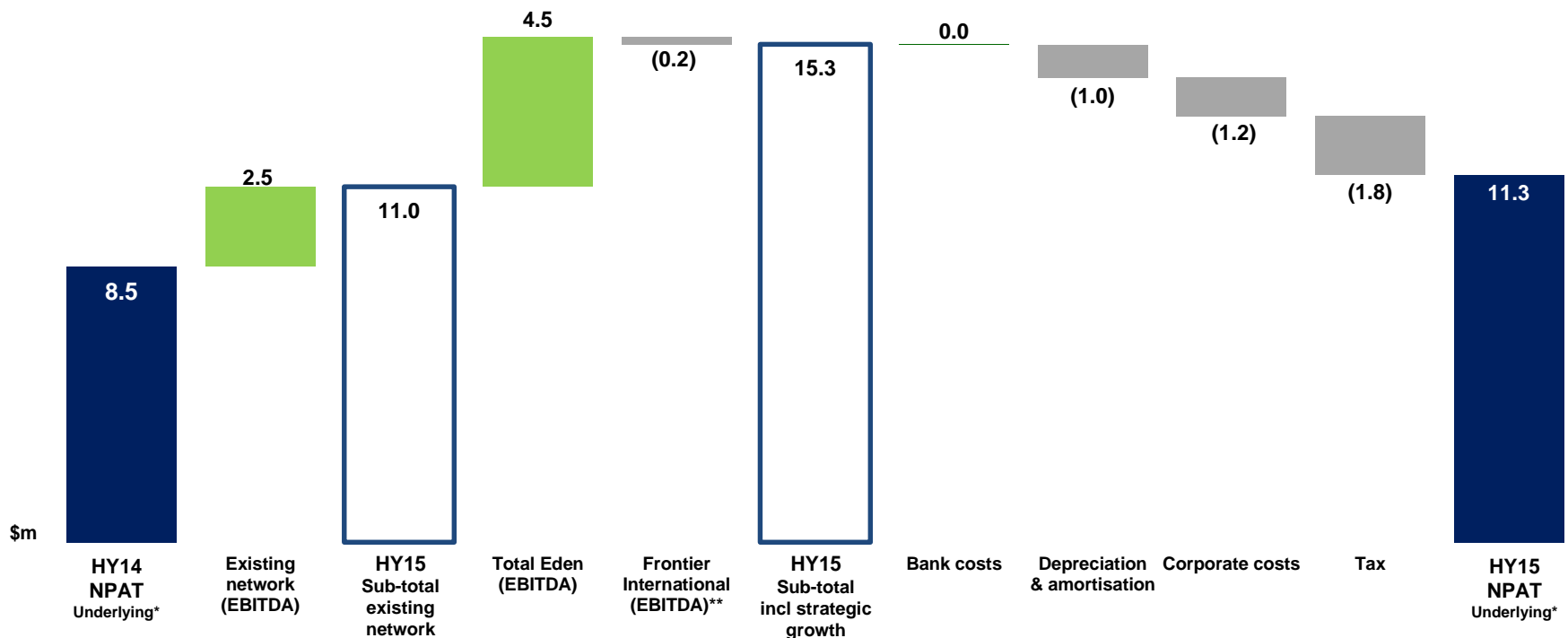
Strong growth in sales and profitability from continued investment in network growth and an ongoing focus on return on capital employed

| \$m                               | Half year ended 31 March |        |   | Change   |
|-----------------------------------|--------------------------|--------|---|----------|
|                                   | 2015                     | 2014   |   |          |
| <b>Sales revenue</b>              | 742.8                    | 544.6  | ↑ | 36%      |
| <b>Gross profit</b>               | 149.7                    | 115.5  | ↑ | 30%      |
| <b>EBITDA underlying</b>          | 26.9                     | 22.0   | ↑ | 22%      |
| <b>EBITDA reported</b>            | 25.7                     | 17.9   | ↑ | 44%      |
| <b>NPAT underlying*</b>           | 11.3                     | 8.5    | ↑ | 33%      |
| <b>NPAT reported*</b>             | 10.5                     | 5.1    | ↑ | 106%     |
| <b>Operating cash flow</b>        | (42.0)                   | (19.9) | ↓ | (111%)   |
| <b>Gearing</b> (net debt/ equity) | 45.1%                    | 36.7%  | ↑ | 8.4 ppts |
| <b>Earnings per share</b> (cents) | 13.5                     | 8.4    | ↑ | 61%      |
| <b>Interim dividend</b> (cents)   | 9.00                     | 8.00   | ↑ | 13%      |

\*NPAT presented is amount attributable to equity holders of the company

# Investments and existing network drive growth

- Growth has been driven by both new and traditional sectors
- Investment in the back office continues to ensure an adequate platform to support network growth

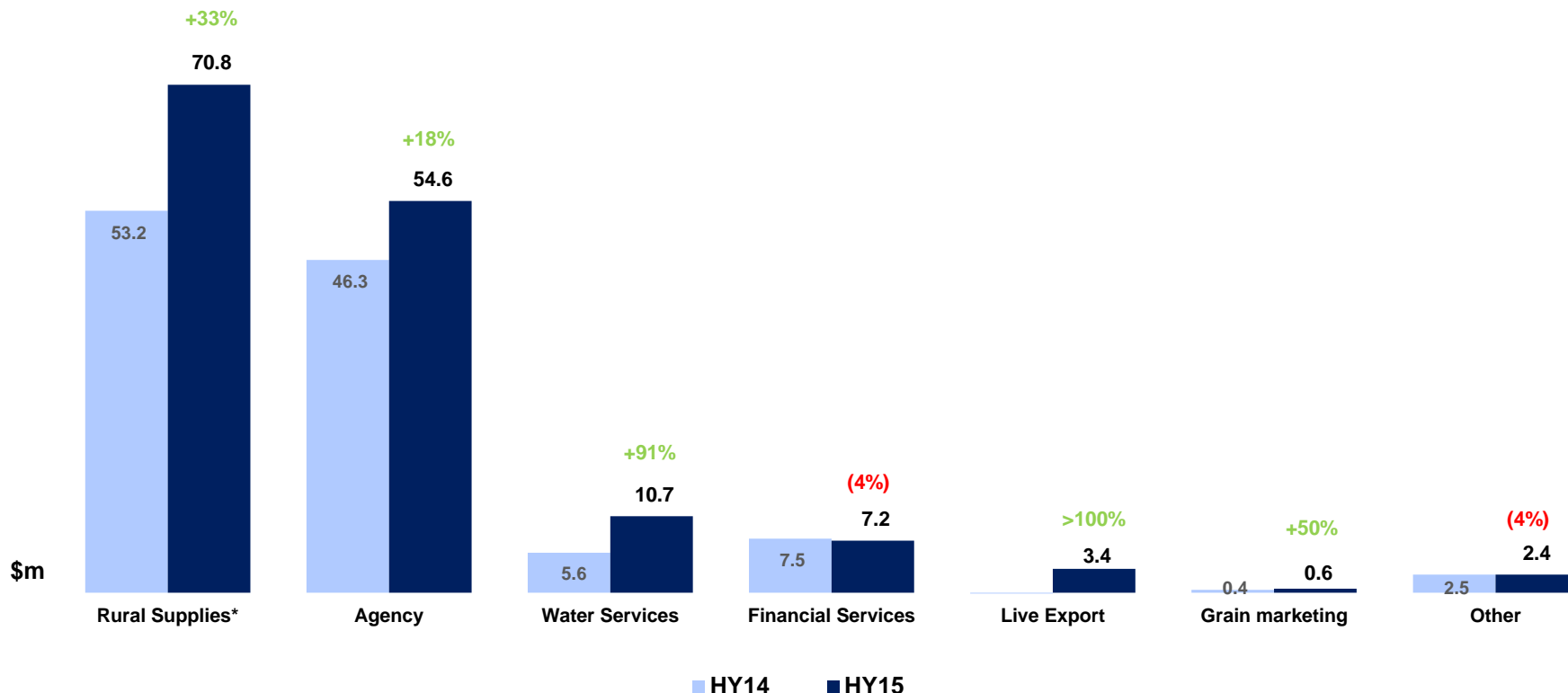


\*Underlying NPAT attributable to equity holders of the company

\*\*The movement in Frontier EBITDA includes \$2.5m of livestock mark to market adjustments and FX losses reflective of prevailing market conditions. The movement in EBITDA excluding these items is \$2.3m favourable.

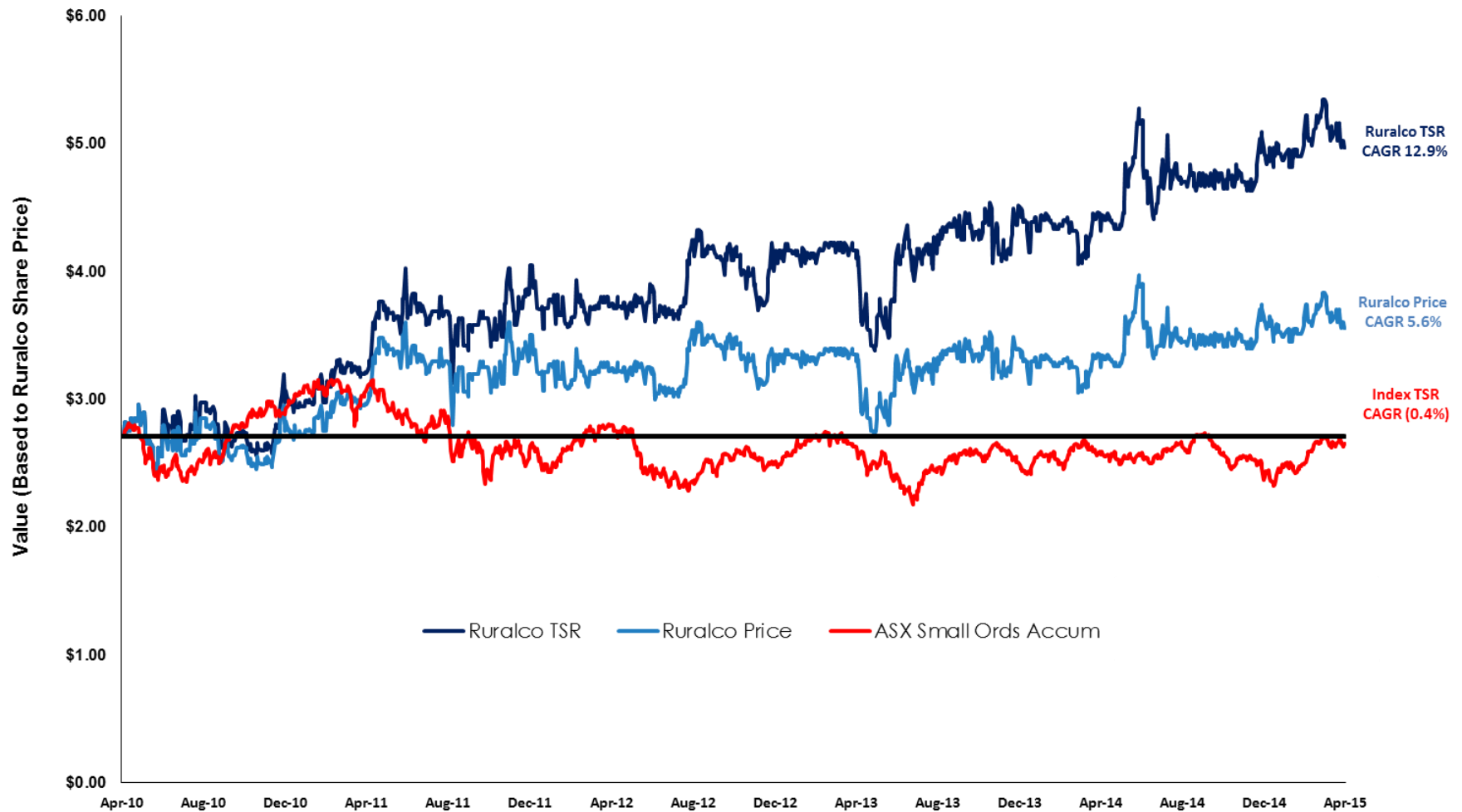
# Gross profit by activity

- Gross profit up 30% driven by growth across all activities except financial services
- The new Ruralco Seasonal Finance product was launched in 2H15 to generate future growth in financial services



\*Rural supplies includes the water supplies division

# Total shareholder return



Source: S&P Indices





# Disclaimer

The information contained in this presentation is general background information about Ruralco and its activities, and is in summary form 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. These should be considered, with or without professional advice, before deciding if an investment is appropriate.

The information contained in this presentation may include information derived from publicly available sources that has not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information in this presentation or any assumptions on which it is based.

All amounts are in Australian dollars unless otherwise indicated.

This presentation may contain forward-looking statements with respect to Ruralco's business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management practices which reflect Ruralco's views held as at the date of this presentation. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Ruralco. Readers are cautioned not to place undue reliance on any forward-looking statements. Actual results or performance may vary from those expressed in, or implied by, any forward-looking statements. Ruralco does not undertake to update any forward-looking statements contained in this presentation.

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. The primary non-IFRS information is earnings before interest, tax, depreciation and amortisation (EBITDA). The EBITDA measure is useful in understanding the Group's core operational performance. This document has not been subject to review or audit by the Group's external auditors.