Ruralco
HOLDINGS LIMITED

2015 Full Year Results

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Highlights

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Highlights

Record full year earnings

- Revenue up 18% to $1.6bn (FY14: $1.4bn)
- Underlying EBITDA up 18% to $51.2m (FY14: $43.5m)
- Underlying NPAT up 15% to $18.7m (FY14: $15.5m)
- ROCE up 1.8 ppts to 17% (FY14: 15.2%)
- Final dividend of 7 cents for a total of 16 cents for the year

Quality and diversity of earnings base mitigates impact of prolonged dry seasonal conditions

- Frontier live export business has continued to grow, contributing $125m to the increase in revenue and full year impact of Total Eden has contributed $85m to the increase in revenue and $8.9m to the increase in underlying EBITDA
- 18% increase in agency gross profit driven by volume growth from increased turn-off, customer penetration and higher livestock prices

Investment in operational capability to support a scaleable business

- Continued investment in IT and back office capabilities to realise supply chain and procurement synergies of Total Eden acquisition and support scaleable business

Continued focus on safety

- Continued to build on safety performance by improving reporting systems and focused training

Funding flexibility

- New rolling $150m debtor securitisation facility provides flexible funding that is scaleable

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Leadership team renewal

- New management team in place with newly appointed Managing Director and CEO, Travis Dillon and CFO, Adrian Gratwicke
- GM People & Culture, Elizabeth Hardaker, and GM Financial Services, Ian Perry, joining the Executive team

Travis Dillon

New Managing Director and Chief Executive Officer

Travis joined Ruralco in 2007 and has held several senior leadership roles including General Manager – Mainland Operations and General Manager – Rural Retail. During his tenure, Travis has overseen all rural operations including livestock, wool, merchandise, live export and real estate. Travis has been involved with the agribusiness industry for over 20 years and has extensive experience in all activities across the group.

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

Steve Williams
General Manager Water Supplies

Adrian Gratwicke
Chief Financial Officer

Rick Maybury
General Manager Rural Supplies & Water Services

Angie Somann-Crawford
General Counsel & Company Secretary

Elizabeth Hardaker
General Manager People & Culture

Ian Perry
General Manager Financial Services

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Financial overview

Financial overview

Financial highlights	Year ended 30 September 2015 $m	2014 $m		Change %	Commentary
Sales revenue	1,599.9	1,355.9	↑	18%	• Full year impact of Total Eden and Frontier contributed $210m to revenue
Gross profit	307.0	257.1	↑	19%	• Agency and live export gross profits up $23m from volume and livestock price increases
EBITDA underlying	51.2	43.5	↑	18%	• Result includes $4.2m increase in bad debt expense and $2m increase in corporate costs from increased investment in capability and IT
EBITDA reported	45.3	37.0	↑	22%	• Lower net significant items excluded from underlying results than prior year
NPAT underlying[1]	18.7	15.5	↑	21%	• Impact of the above, ETR maintained at 33%
NPAT reported[1]	14.1	10.6	↑	33%	• Record results driven by full year impact of strategic growth acquisitions, increased scale of live export business and strong agency market conditions
Operating cash flow	17.9	17.7	↑	1%	• Strong EBITDA growth offset by expansion growth in working capital
Working capital	117.8	102.2	↑	15%	• Improved working capital efficiency reflected in reduced average working capital as a % of sales to 8.8% (2014: 9.3%)
ROCE[2]	17.0%	15.2%	↑	1.8 ppt	• Strong operational results and growth in agency business, which is less capital intensive
Gearing[3]	21.0%	14.6%	↑	6.4 ppts	• Reflects the use of existing finance facilities to fund acquisitions and grow the existing network
EPS (cents)	18.03	15.27	↑	18%	• Growth in NPAT with only minor increase in shares from operation of Dividend Reinvestment Plan
Underlying EPS (cents)	24.10	22.40	↑	8%	• Growth in underlying NPAT and full year impact on weighted average number of shares from capital raising in FY14
Final dividend (cents)	7.0	8.0		(13%)	• Brings full year dividend 16 cents in total, consistent with prior year

1: NPAT presented is amount attributable to equity holders of the Company (excl NCI). Underlying NPAT and EBITDA excludes non recurring significant items ($4.6m at NPAT and $5.8m at EBITDA) associated with establishing the new debtors securitisation facility, certain strategic review and restructuring costs and costs associated with senior management changes.

2: ROCE (return on capital employed) = Weighted average capital employed for the year divided by underlying EBITDA

3: Gearing = net debt/(net debt+ equity), comparative restated also

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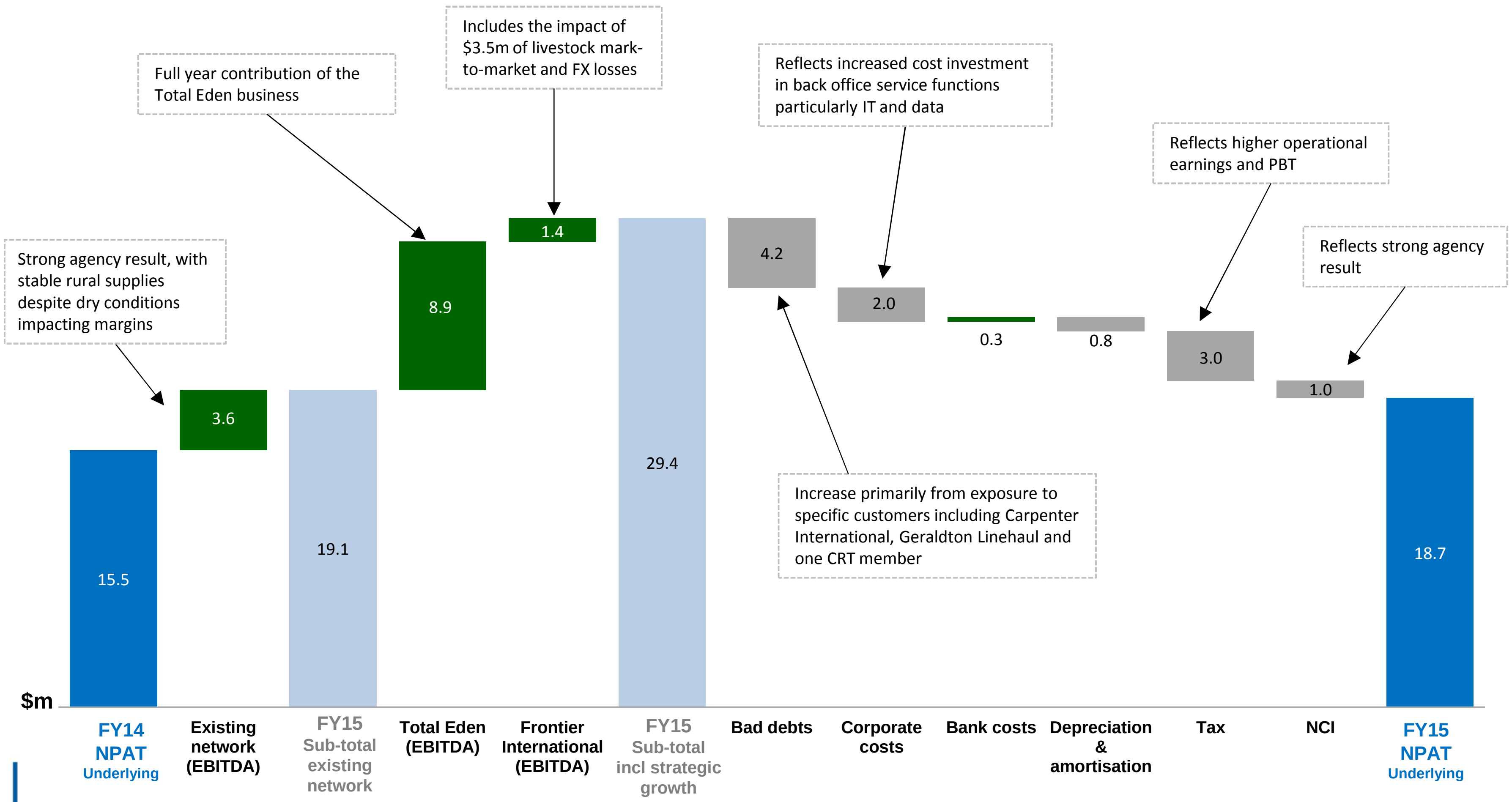
Underlying NPAT bridge



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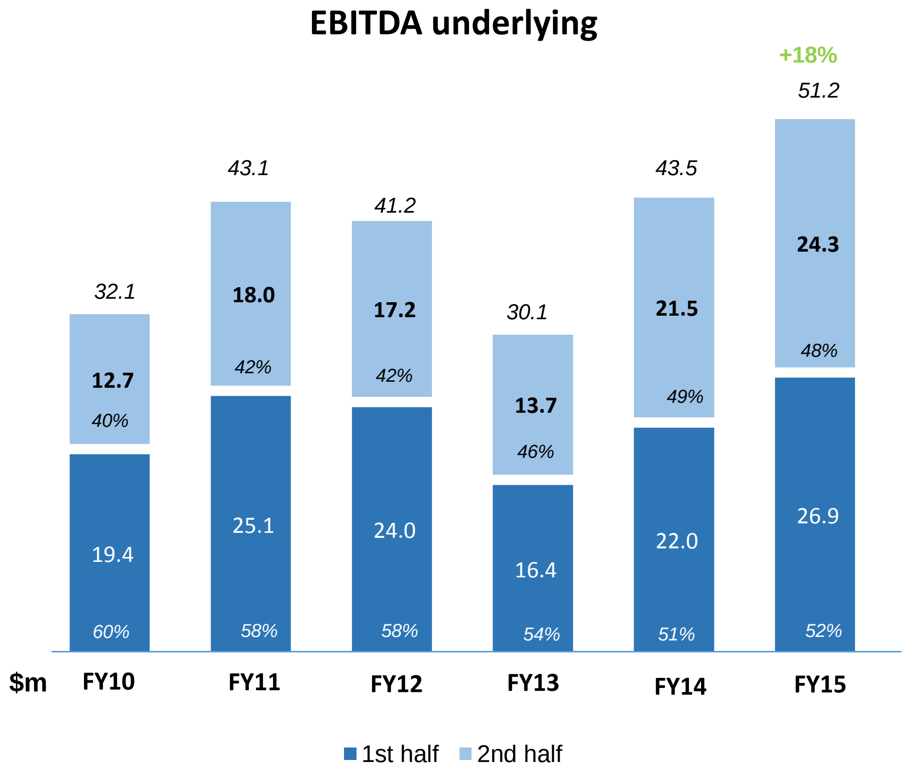
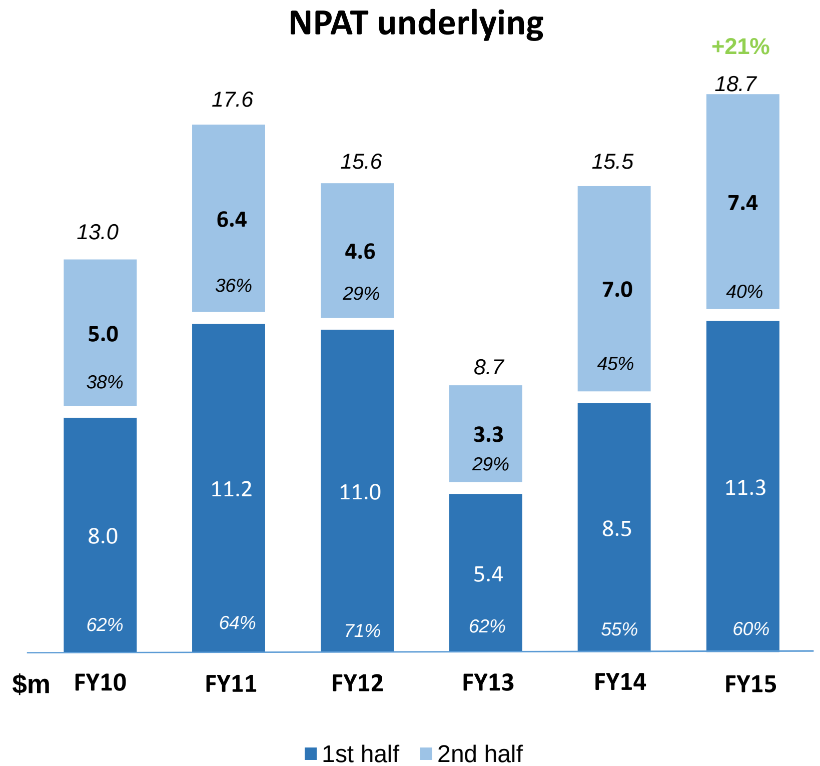
Full year profitability split

Record result from full year impact of strategic growth acquisitions and strong market conditions in the agency business

- 18% growth in underlying EBITDA
- 21% growth in underlying NPAT





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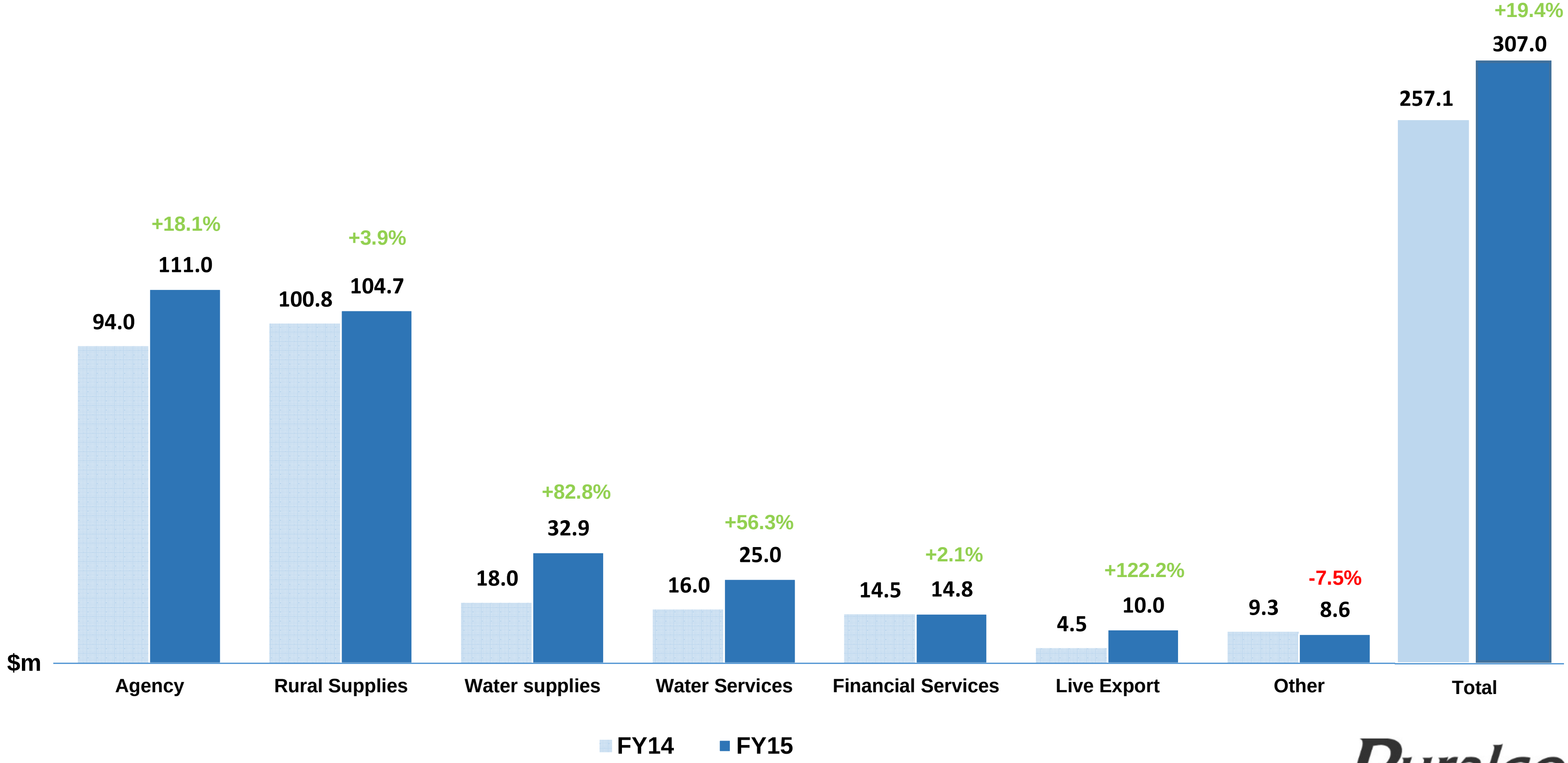
Gross profit by activity

- 19% increase in gross profit reflects strong market conditions in livestock agency (price and volume) and full year impact of Total Eden and Frontier
- Stable rural supplies despite prolonged unfavourable seasonal conditions in some key markets



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Balance sheet, cash flow and funding

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Balance sheet

Abridged balance sheet	Balances as at 30 September 2015 $m	2014 $m	Change $m	Change %	Commentary
Trade receivables	376.2	332.8	43.4	13%	• Reflects growth in the underlying business and year on year cutoff/timing. Reduction in the Group's average DSO to 82 days (2014: 89 days) reflects improved ageing and collection activity
Inventory (incl livestock)	119.9	108.5	11.4	10%	• Reflects growth in the underlying business with ongoing focus on selling down slow and obsolete stock improving average DIO to 32 days (2014: 33 days)
Trade payables	(378.2)	(339.1)	(39.1)	12%	• Reflects growth in the underlying business and year on year cutoff/timing leading to decrease in average DPO to 100 days (2014: 108 days)
Working capital	**117.8**	**102.2**	**15.6**	15%	• Reflects decrease in AR/AP spread and small increase in inventory yet improved working capital efficiency is reflected in reduced average working capital as a % of sales to 8.8%
As a % of sales[1]	*8.8%*	*9.3%*	*n/a*	*(0.5 ppts)*	
Property, plant & equipment	39.9	42.8	(2.9)	(7%)	• $1.6m decrease primarily from triennial revaluation of land and buildings
Intangibles	134.2	122.0	12.2	10%	• Reflects range of bolt-on acquisitions plus increased IT development costs
Investment – JV & associates	8.9	8.7	0.2	2%	• Share of profit from investment in Agfarm offset by dividends received
Other items (net)	(19.3)	(15.8)	(3.5)	22%	• Increase in deferred consideration relating to acquisitions and current tax liability from increased profit
Capital employed	**281.6**	**259.9**	**21.7**	8%	

1: Average working capital for the year divided by full year revenue

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Cash flow

Abridged cash flow	2015 $m	2014 $m	Change $m	Change %	Commentary
	Year ended 30 September				
Net operating cash flow	**17.9**	**17.7**	**0.2**	**1%**	• Increased operating cash flows reflecting strong EBITDA performance offset by expansion growth in working capital
Capital expenditure	(8.2)	(8.5)	0.3	(3%)	• $2.6m decrease in PPE capex offset by increased investment in IT (intangibles)
Acquisitions & subsidiary investments	(18.8)	(62.6)	43.8	(70%)	• FY15 includes bolt-on acquisitions in water services and the retail network
Divestments	0.4	17.3	(16.8)	(97%)	• FY14 included proceeds from the disposal of Elders investment
Sale of assets & other	1.8	6.4	(4.5)	(71%)	• FY14 included the proceeds from a property sale
Investing cash flow	**(24.8)**	**(47.4)**	**22.6**	**48%**	• FY15 acquisitions funded from the Group's cash flows and existing finance facilities
Equity raising	-	66.7	(66.7)	(100%)	• FY14 acquisitions funded by capital raising and asset sales
Dividends paid	(12.4)	(16.2)	3.8	(23%)	• Decrease in cash impact of dividends declared from operation of Dividend Reinvestment Plan in FY15
Net repayment of borrowings	(8.8)	(20.6)	11.8	(57%)	• FY15 reflects final repayment of depositors book. FY14 reflects benefit of cash raised from capital raising
Financing cash flow	**(21.2)**	**29.9**	**(51.1)**	**(171%)**	
Change in cash held	**(28.1)**	**0.2**	**(28.3)**		• Cash applied to paying down borrowings and funding bolt-on acquisitions

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Funding

Net debt	Balances as at 30 September 2015 $m	2014 $m	Change $m	Change %	Commentary
Net cash	**(1.2)**	**26.9**	**(28.1)**	**(105%)**	• Reflects more efficient cash/debt management and funding of acquisitions
Current debt	(52.0)	(27.0)	(25.0)	93%	• FY15 comprises debt drawn against the new $150m debtor securitisation facility (refer below). FY14 comprises cash advance and term debt drawings (facilities now closed)
Non-current debt	-	(24.4)	24.4	(100%)	
Gross drawn debt	**(52.0)**	**(51.4)**	**(0.6)**	**1%**	
Other loans	(3.9)	(3.5)	(0.4)	11%	
Deposit book	-	(7.3)	7.3	(100%)	• Repaid remaining deposit book during the year
Finance lease liabilities	(1.9)	(2.6)	0.7	27%	
Total Net debt	**(59.0)**	**(37.9)**	**(21.1)**	**56%**	• Increase in net debt primarily reflects expansion growth in working capital and acquisitions whilst maintaining dividend payout
Total shareholders' equity[1]	**(222.5)**	**(222.0)**	**(0.5)**	**0.2%**	
Gearing ratio[2]	*21.0%*	*14.6%*	*6.4ppts*		• Increased gearing reflects increased closing net debt position and remains comfortably within managements expectations

New debtor securitisation facility:
- Commenced July 2015, rolling 12 months (subject to annual review)
- $150m facility
- Cost effective
- Covenants: Interest Cover and Tangible Net Worth
- Secured against eligible rural supplies and livestock agency trade debtors with proceeds used to pay down debt

Available facilities:

Facility ($000)	Maturity	Facility limit	Utilised at 30 Sept 2015
Multi option facility	Mar-16	60,000	1,869
Debtor securitisation facility	Jul-16	150,000	52,000

1: Includes equity attributable to NCIs
2: Gearing = Net debt/ (net debt + equity)

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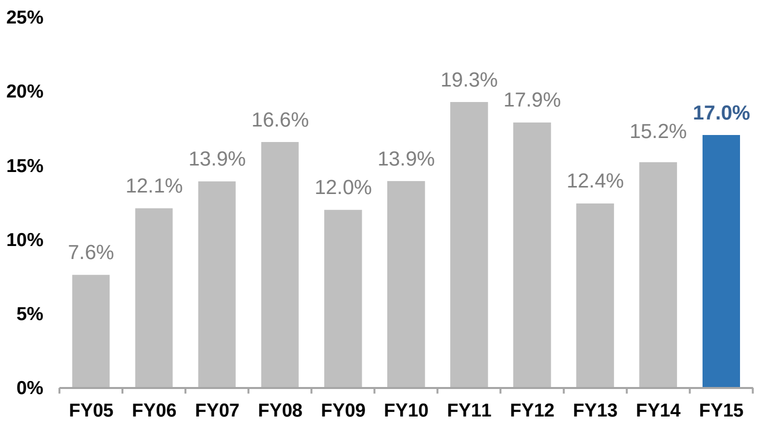
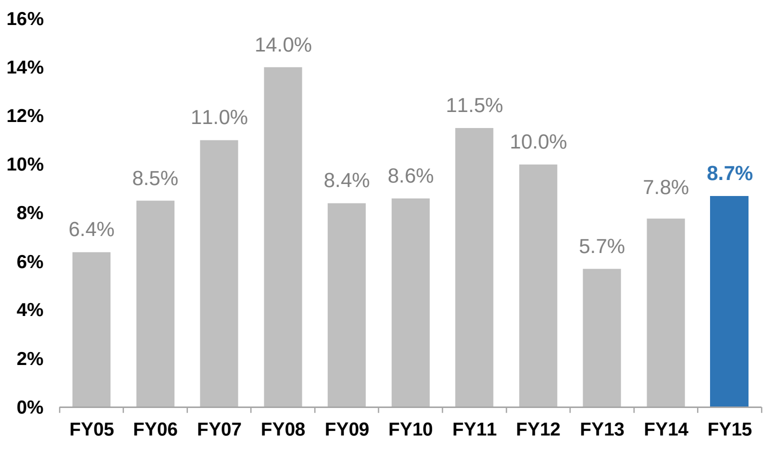
Return measures

- Growth in underlying ROCE and ROE from continued focus on working capital efficiency and growth in agency business (less capital intensive)

Underlying return on capital employed (ROCE) [1]



Underlying return on equity (ROE) [2]



1: Underlying EBITDA divided by weighted average capital employed for the year divided by
2: Underlying NPAT divided by weighted average shareholders equity for the year excluding NCI

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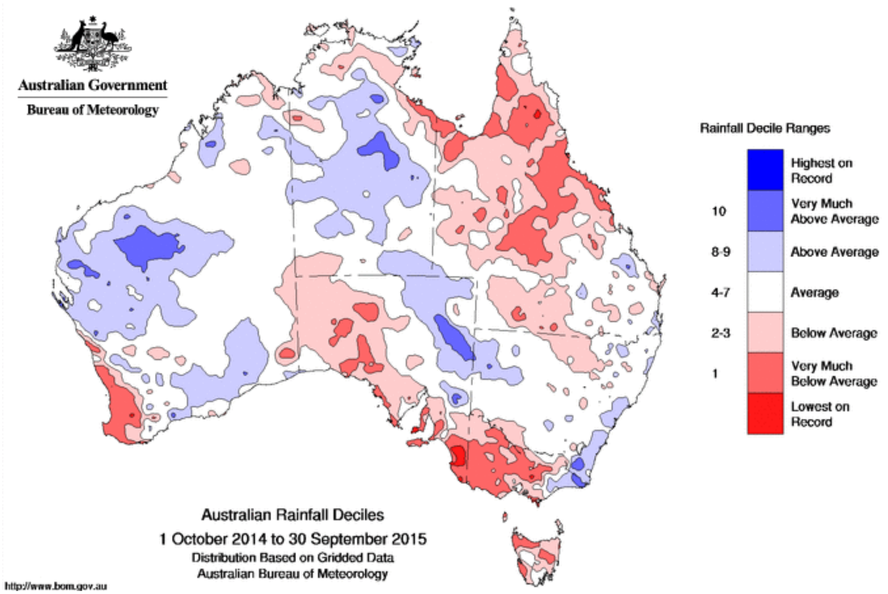
Review by activity

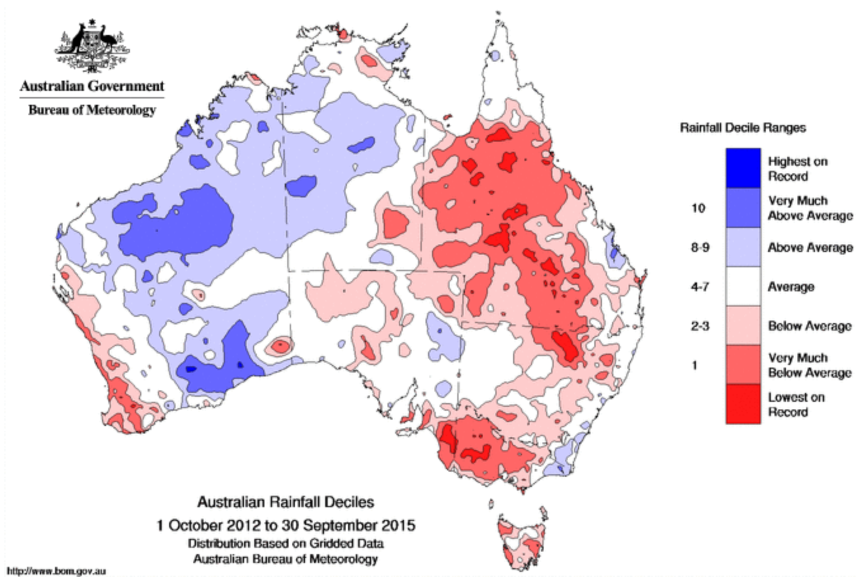
Seasonal conditions

- To put the Group’s results in context, set out below is the rainfall deciles for FY15 and over the past 3 years
- Stable rural supplies result despite prolonged unfavourable seasonal conditions, particularly in Queensland, Victoria and Tasmania
- Continued dry conditions across the year has kept livestock turn-off levels high, contributing to growth in the livestock agency and live export business

2015 – rainfall deciles (1 year)



2012-2015 – rainfall deciles (3 years)



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Review by activity: Rural Supplies

- Rural Supplies gross profit 3.9% above pcp driven by top line growth despite continued prolonged dry conditions prevailing throughout parts of Queensland, Victoria and Tasmania, which has put margins under pressure
- Launch of private label chemicals under the Relyon brand and proprietary portfolio in partnership with Marubeni as part of continued focus on leveraging the network to deliver increased profitability
- CRT engaged with stakeholders across the membership and supplier base to develop a new trading model for FY16 implementation. New model features less complexity and increased transparency and will enhance trading relationships between CRT, its members and suppliers
- Continued retail footprint growth with the acquisition of the Mackay Rural Group and WH Bailey & Sons, which strengthens our horticulture and fertiliser presence

MACKAY RURAL SUPPLIES
A RURALCO BUSINESS
CRT Your Local Bloke

Review by activity: Water supplies

- Water supplies gross profit 82.8% above pcp reflecting full year impact of Total Eden water supplies business with solid results delivered through the realisation of improved margins and cost savings initiatives
- Water supplies procurement now managed across the Ruralco Network. Integration of Total Eden onto the SAP platform provides a modern warehouse and planning system and enhanced control and increased management visibility
- NSW supply chain fully integrated with Ruralco and consolidation of QLD warehouses currently underway
- Expanded private label and proprietary brand offer from First Source, our wholesale channel, which gained greater penetration throughout Total Eden business. Further synergies also realised by distribution of these brands across the CRT and ProWater network

FIRST SOURCE
A RURALCO BUSINESS

Review by activity: Agency

Livestock

- Livestock gross profit 26% above pcp driven by increased volumes, customer penetration and strong cattle prices through most of the year. This was underpinned by the high level of turn-off, strong international demand for Australian protein and the low Australian dollar

Wool

- Wool gross profit 15% above pcp driven by buoyant pricing and higher volumes sold (11% above pcp) post the Easter break driven by strong Chinese demand and the continuing low Australian dollar

Real estate

- Real estate gross profit 4% above pcp driven by increased domestic and international demand for rural property and the positive economic outlook for the soft commodities sector

Ruralco PROPERTY

Review by activity: Water services

- Water services gross profit 56.3% above pcp reflecting the full year impact of the Total Eden water services business.
- Margin pressure from the downturn in mining in Western Australia continued to have an impact on the water services sector but action has been taken to increase penetration of the agricultural sector, focus on northern and eastern Australia to leverage Ruralco's network and expertise and the effect of cost synergies has lead to a stronger second half
- Water broking gross profit 23% above pcp driven by sustained elevated demand for water entitlements across a number of farming sectors and from international investors

TOTAL EDEN
Total Water Solutions
A RURALCO BUSINESS

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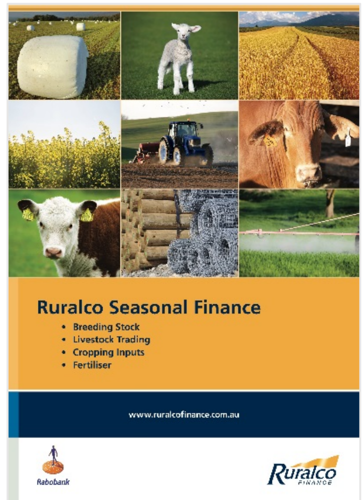
Review by activity: Financial services

- Financial services gross profit 2.1% above pcp driven by growth in insurance revenue but the softening market has continued to put pressure on premium prices
- The recently launched Ruralco Seasonal Finance off-balance sheet financing product in partnership with Rabobank with $7.8million in loans credit-approved by year end
- Consolidation and restructure of the Ruralco Finance, Ruralco Insurance and Agconcepts businesses completed and new General Manager of Financial Services, Ian Perry, recruited to drive growth and performance
- Mecardo platform continued to expand with a 141% increase in subscriber numbers with +800 receiving regular updates

mecardo
EXPERT MARKET ANALYSIS



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Review by activity: Grain marketing

- Share of profits from Agfarm 12% below pcp driven by lower grain volumes this harvest as high cash price of grain has meant demand for pooled products was lower
- Successful commercialisation of Agfarm's input finance product, Accelerate, has increased customer penetration for both Ruralco and Agfarm
- Accelerate enables Agfarm to secure grain commitments much earlier in the production cycle, whilst growers are financed (off balance sheet) to purchase their cropping inputs from Ruralco before accessing Agfarm's expertise and products to market their harvested grain
- Appointment of new management team within Agfarm with renewed focus on innovative marketing solutions to service growers

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Review by activity: Live export

- Ruralco's live export business, Frontier International Agri, achieved a gross profit of $10million (122% above the pcp) and has established itself as a major supplier in the key Indonesian, Vietnamese and Chinese export markets
- Offsetting this strong result was the impact of mark-to-market fair value and FX losses of $3.5million incurred earlier in the year. Excluding their impact the business performed to business case
- Over 132,000 head of cattle and sheep shipped in the year with growth in exports to Vietnam mitigating the volatility in the Indonesian permit allocations for feeder cattle and the collapse in the export dairy market earlier in the year
- The live export activity continues to strategically support the Ruralco agency business providing a steady pipeline of sales for livestock agents across the network
- Second vessel due to start shipping in January which will improve Frontier's logistics cost profile, enhance scheduling flexibility and support sales pipeline growth

Frontier International Agri
A RURALCO PARTNER

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Strategy update

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Strategy evolution, resetting the focus

1

Leveraging the network

- Build on market leading position in water, the most fundamental farming input
- Maximise market share along the entire protein supply chain
- Step change in Financial services, supporting our customers and the network
- Strategic investments along the value chain to support the network offer

2

Network growth

- Grow the high yielding agency business through acquisition and recruitment
- Leverage market leading water footprint as the industry consolidator
- Fill remaining gaps in the retail network through greenfield sites, acquisition and growth in CRT membership

3

Back office optimisation

- Scalable platform for growth achieving economies of scale through fit for purpose systems and processes
- Trusted business partner to the network

4

People and culture

- Embedding safety in everything we do
- Our values drive a winning culture
- Retaining, attracting and developing the best talent

What success looks like for Ruralco

> To lead in our chosen agribusiness sectors and be the preferred partner and employer of choice in those sectors.
>
> We champion Australian agriculture locally and globally and are known for our innovation, flexibility and service, delivering profitable outcomes for stakeholders.

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Ruralco's values underpin our success

Our values serve as a compass for our actions and describe how we work and who we aspire to be

COMMON SENSE
Decisions based on sound reasoning

INTEGRITY
We're honest transparent and principled

ACCOUNTABILITY
We own and take responsibility for our actions

LEADERSHIP
Everyone leads by example

AIM HIGH
We challenge ourselves to exceed expectations

LOYALTY
To our people, partners and local communities

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Outlook

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Outlook

Ruralco's strategy to diversify its platform is progressing well. Performance will continue to be influenced by seasonal, market and international trade related factors

- Ongoing challenging seasonal conditions in certain regions will impact the cash flows of some farmers potentially supressing demand for inputs
- Continuing low AUD is expected to be positive to all agricultural sectors with wool, grain, livestock and real estate all benefiting
- Demand for water services and products is expected to remain strong particularly with volatile seasonal conditions and continuing on-farm investment in water infrastructure
- Live export business scaling up to a two vessel model from January 2016 with the opening of new markets into China, continued growth in Vietnam and a less volatile Indonesian market - all supporting a strong sales pipeline for the next 12 months
- Investor appetite for agricultural properties expected to continue and increased volume of transactions generally within the sector will continue to underpin the outlook for the rural property sector

"Leadership renewal is now complete with the appointment of Travis Dillon as the new Managing Director. The refreshed executive team is confident about the future and Ruralco's position for growth in what is an increasingly exciting time in the sector" – Ruralco Chairman, Mr Richard England

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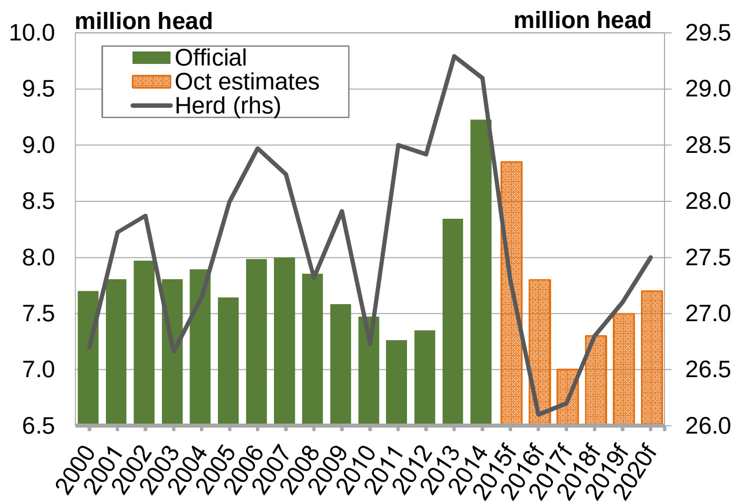
Appendix

Mecardo commodity update

Cattle

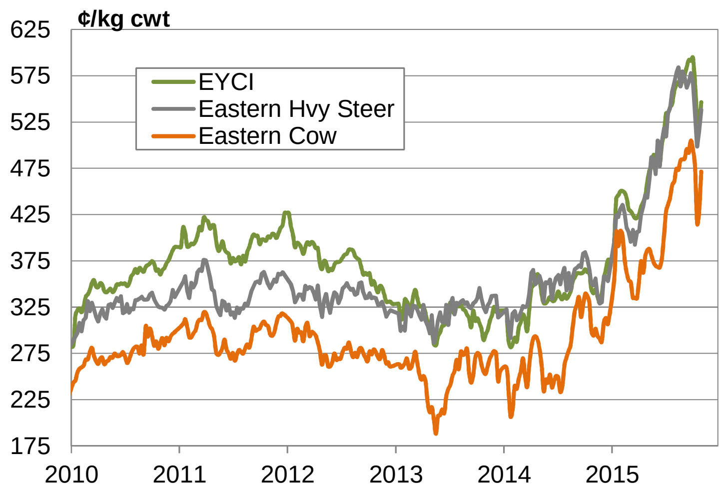
- Cattle herd to fall to a 20-year low of 26.1 million herd in 2016
- The start of the herd rebuild phase will see cattle supply fall around 10% in 2016 and another 10% in 2017
- Robust export demand and lower A$ are expected to support firm domestic finished steer and cow prices in 2016 and beyond
- Tighter store cattle supplies and a post-drought spike in restocker demand will underpin further upside momentum for young cattle markets (EYCI) in 2016 under average rainfall conditions
- That situation is likely to be exacerbated by the anticipated strength in live export markets and robust feedlot demand, which will result in a major intensification in buyer competition

Figure 1. Australian cattle slaughter and herd estimates



Source: ABS, MLA Projections

Figure 2. EYCI and Eastern States finished cattle

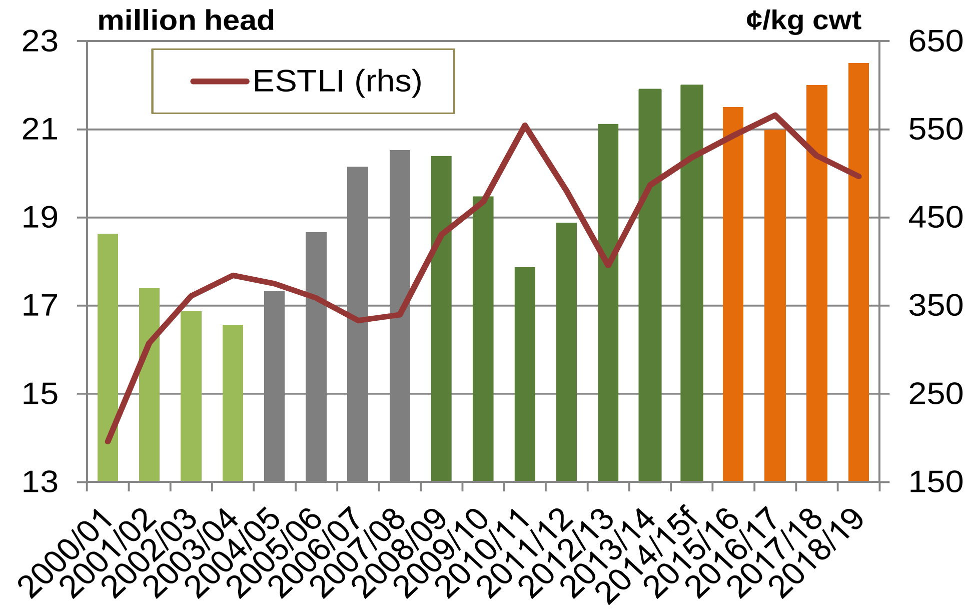


Source: MLA, NLRS

Lamb

- Lamb markets experienced three major shifts in demand over the last 15 years
- Within each demand cycle, supply tends to be the main driver of prices
- Based on 2013/14 and 2014/15 market developments, a new demand cycle can be identified
- Robust export and domestic demand is expected to support firmer lamb prices in 2015/16 and in 2016/17 when numbers are projected to dwindle under a flock rebuild scenario
- Softening A$ and reduced competition from New Zealand in 2015/16 also bode well for lamb markets

Figure 2. Lamb slaughter and prospective prices

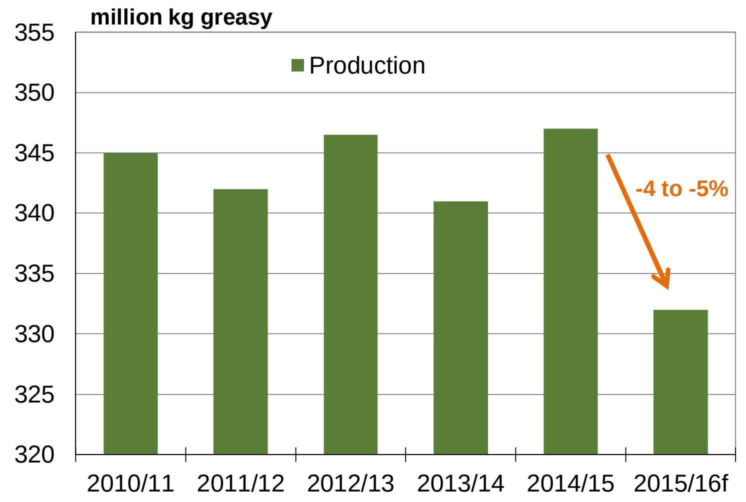


Source: ABS, MLA, ABARES, ACU Bars = slaughter (lhs)

Wool

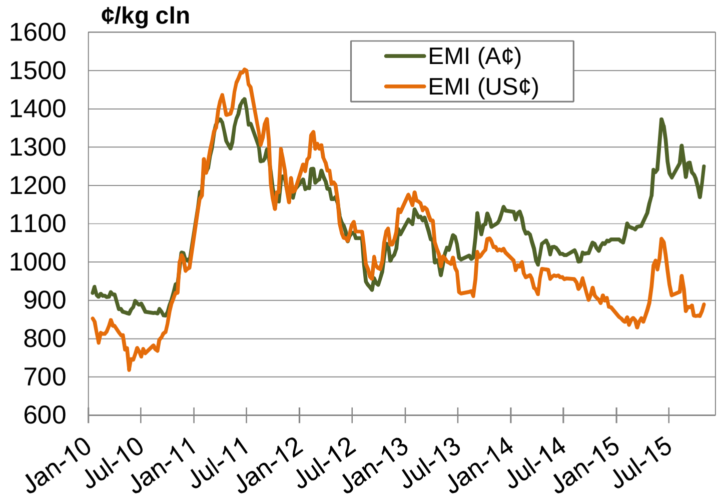
- Wool production is pegged to fall 5-6% in 2015/16 on the back of a reduction in flock size and a smaller wool cut per sheep
- Wool markets seem to have found a bottom for the down cycle started in mid-2011 in US$ terms, concurrently to other apparel fibres such as cotton and polyester
- Softening A$ has provided a buffer for domestic producers in the last 18 months
- Weak A$ will continue to play an important role in supporting firm wool prices in A$ terms in 2016

Figure 1. Wool Production - million kg greasy



Source: AWPFC

Figure 2. Eastern Market Indicator (EMI) - A¢ vs US¢

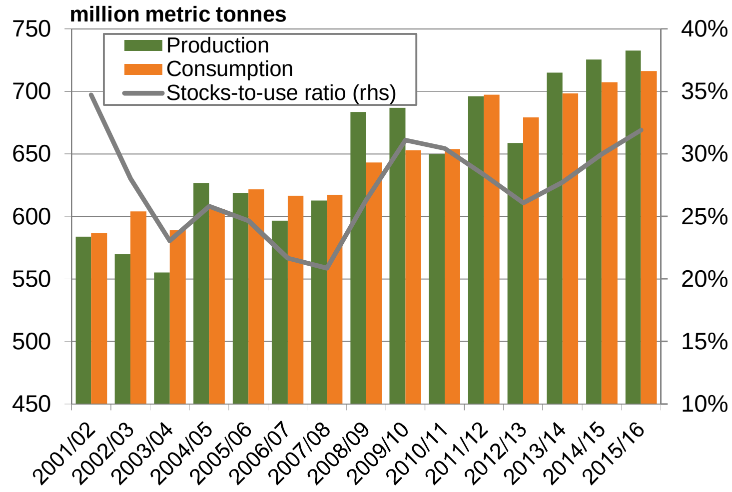


Source: AWEX

Grains

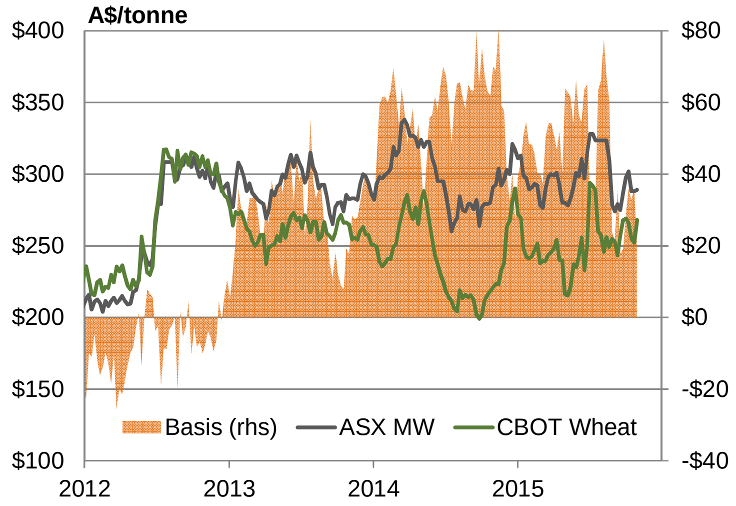
- World stocks are comfortable – Stocks-to-use ratio at 15-year high
- Weaker A$ providing support for local wheat prices in our terms
- Local basis to global markets receding from 2013-15 levels.
- Prices largely tracking sideways since 2013 at good levels.

Figure 1. Global wheat supply/demand scenario



Source: USDA

Figure 2. ASX NSW Wheat, CME Wheat and local basis



Source: CBOT, ASX

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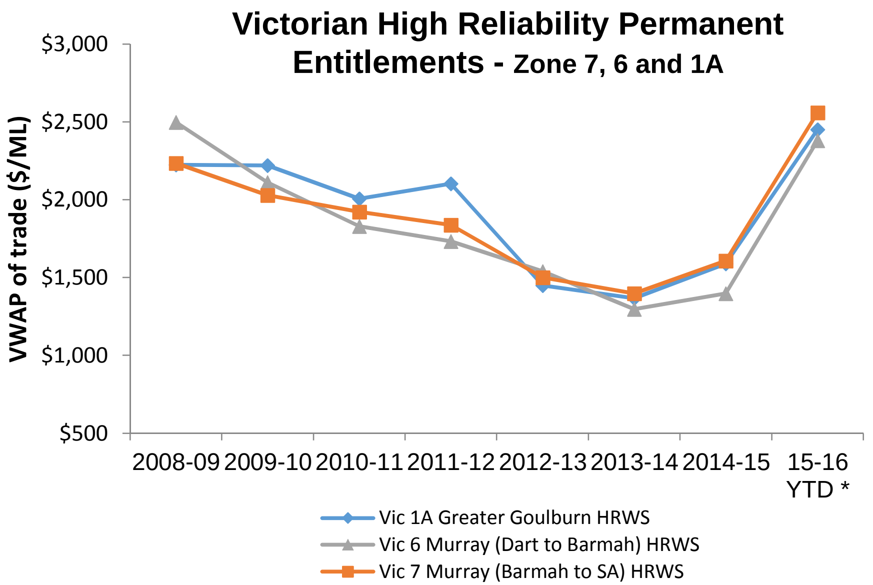
Water

- Murray Darling Basin active storage only 48% compared to 72% at the same time last year. This has resulted in lower allocations YTD, particularly for NSW General Security entitlements
- Temporary allocation price ranging between $200 to $300 / ML leading to limited rice plantings in the Murray Valley and shift to buying hay for Goulburn dairies
- Strong demand for permanent entitlements from institutional investors, almond industry and family operations as balance sheets improve. Prices up 40% to 50% over the past 18 months
- Commonwealth using on-farm efficiency programs (rather than direct buybacks) for remaining water requirement under the Basin Plan



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All amounts are in Australian dollars unless otherwise indicated.

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