

**RIDLEY CORPORATION LIMITED**  
**ANNUAL GENERAL MEETING 21 NOVEMBER 2014**  
**CHAIRMAN'S ADDRESS**

In my address today as Chairman of Ridley, I will reflect on the 2014 financial year, covering the financial result and sector performance, some non-financial highlights, progress on sales and redevelopment of surplus land, and outcomes to date from the strategic review of our feedmilling assets. At the conclusion of my address, I will invite our Managing Director and CEO, Tim Hart, to provide some insights into our strategy and focus for the year ahead. After Tim's address, we shall proceed to the formal items of business of the meeting. At the conclusion of the meeting, we will showcase one of our leading innovation programs which we are conducting in collaboration with CSIRO and which was covered by the ABC in its 13 April 2014 edition of Landline.<sup>#</sup>

**OUR 2014 FINANCIAL RESULTS**

The 2014 financial year has delivered \$17.6 million of net profit after tax. With a full year of operation for all continuing sites and in the absence of any divestments or impairments, the 2014 result sets the benchmark from which Ridley can measure the success of its strategy to focus on growing the core business of providing premium quality, high performance animal solutions.

The result of the agribusiness operations, as measured by Earnings Before Interest and Tax, (or EBIT,) rose from \$28.1 million to \$40.1 million, an increase of 43%. Whilst part of this improvement reflects an additional six months of earnings from the Laverton rendering site, there have been significant year on year increases in earnings in each of the dairy, poultry and aquafeed sectors.

**Sectors**

Our rendering business held up well in the face of poultry meal price softness caused by the closure of the overseas poultry meal markets following the October 2013 reported outbreak of Avian Influenza in New South Wales. With raw material intake at continuing high levels and a number of internal projects currently underway to improve operating efficiency and reliability at the Laverton plant, the immediate and long term outlook for rendering remains positive. In recent months both rendering sites have been fully integrated with the Ridley-wide Enterprise Resource Planning platform.

In 2014 our Dairy business recovered stronger than expected from the sharp lows in confidence experienced in January and February 2013. The new season in Dairy has started well and is expected to deliver another good year, with farmers generally in good spirits. The milk price to feed cost ratio has been maintained in positive territory, with the softening of the milk price counterbalanced by lower raw material prices as we enter the grain harvest period.

Our Aquafeed business also performed above expectation in 2014, with strong sales volumes recorded for salmon and also for the prawn, barramundi and kingfish species. We are optimistic about the long term contribution of aquaculture and the growth prospects for the Australian aquafeed sector. We are also confident that our Aquafeed diets will be able to maintain a commercially attractive value proposition against both the local competition and imported products.

Experts are continuing to forecast modest but compounding growth into the foreseeable future, and our Poultry mills are well located to take advantage of increasing bird numbers in all the key forecast growth regions. Our challenge is to make sure that we continue to provide the most compelling customer value proposition by having the actual and back up capacity and operating standards to consistently deliver the highest quality product on a timely basis.

### **Capital return**

Having been approved at the Ridley shareholders' meeting in late June 2013, the return of 7.5 cents per share of Ridley capital was effected in early July 2013. We were able to issue the final ATO Class Ruling for the capital return on 5 August 2013 which confirmed the expected tax treatment as a reduction of the cost base of Ridley shares.

### **Bank facilities**

In December 2013 our banking relationships were strengthened through the rollover of the existing twin bank facility for a further five year term. The new facility remains unsecured and operates within appropriate banking covenants which provide significant head room for expansion activities. With low gearing achieved through the retirement of debt using the Cheetham Salt sale proceeds and operations consistently generating strong cash returns, the company is well positioned for growth.

### **Land development**

In June 2014 we were delighted to announce the appointment of Sanctuary Living as our development partner for the proposed project at Moolap, just beyond Geelong in Victoria. This appointment followed an extensive selection process and a visit by the Ridley Board to the Sanctuary Lakes development south west of Melbourne. Sanctuary Lakes is a master planned community developed from a former salt field by Sanctuary Living and is a shining example of the vision and capacity for project delivery that the Ridley Board were looking for.

We are now working with our development partner towards securing the necessary approvals to redevelop the Moolap site but are being cautious in our timeframes given the modern day complexities associated with any new development. We recently entered into exclusive negotiations with the State Government to acquire 289 hectares of Crown land within the former Moolap salt field. Through the application of private sector funding, this land, together with land already owned by Ridley, has the potential to generate future employment opportunities and transform a disused area of Geelong into a vibrant community with residential, tourism, conservation and public amenity uses.

### **Land sales**

In February 2014 we announced the sale of the former salt field site at Bowen in Queensland and on 30 June 2014, we sold surplus Ridley property located north of the former Dry Creek salt field in South Australia. On the same day we also executed an agreement to sell the former feedmill site at Dalby in Queensland, a transaction which was completed on 11 August 2014. These transactions represent a significant move forward in our property realisation strategy, which contributed in excess of \$4.5 million cash and \$2 million profit for the year.

We are currently seeking expressions of interest to acquire various parcels of land at both Lara and Dry Creek. Responses from these processes which the Board considers to have the capacity to deliver a favourable outcome for Ridley shareholders will be pursued, otherwise we will continue to be patient in our endeavour to optimise the returns for Ridley shareholders and secure the development approvals that will generate an uplift in land values.

## **Land acquisition**

At the November 2013 Annual General Meeting I advised that we were undertaking a review of our existing mill assets as a basis for modernisation, renewal, consolidation and expansion. The 7 August 2014 acquisition of a strategic parcel of land on the north eastern outskirts of Geelong in Victoria is the first publicly announced outcome from this work.

The land parcel at north eastern Geelong comprises a total of 5.3 hectares on two titles, with frontage and easy access to the Princes Highway just outside of Geelong, and 21,000 tonnes of grain silo storage capacity.

Our long-term aspiration is to build a poultry and pig feedmill on the site. We have recently announced the securing of Government grant funding and are currently working through the planning approval and customer commitment processes required for the new feedmill project to proceed.

A new facility and service offering within a designated growth region, in close proximity to both grain supply and customer livestock farms, is exactly the kind of opportunity identified in the core business review and we expect to announce more initiatives during the coming year once we have secured the additional feedstock volumes and/or savings in logistics required for a number of potential projects to hurdle.

## **Outlook**

In all of our key business sectors, the outlook for Ridley as a dedicated agribusiness remains positive, not only with business improvement and organic growth opportunities but also with our perennial pursuit of “bolt-on” or larger scale acquisition opportunities which meet our requirements in respect of core competencies, synergies and hurdle rates.

The recently announced landmark free trade agreements with China will boost the long term prospects not only for the Australian Dairy industry but for all livestock producers as a whole, and Ridley expects to be a beneficiary of increased demand for safe and high quality Australian livestock products.

Our confidence in the future of the Dairy sector is reflected in the recently commenced construction of a new blending facility at the existing Ridley Terang site in Western Victoria. Responding to local demand, the new facility will be used to blend grain mixes, including various types of co-products, as an additional and complementary category of feed offering.

Lastly, I would like to thank my fellow directors, and all staff and management for their contributions to what has been a progressive year in the implementation of our agribusiness growth strategy.

## **Shareholder questions**

I will now respond to shareholder questions received and not covered during the business of the meeting.

Firstly, the length of the performance period for the Performance Rights to be issued to the Managing Director is three years, and the total shareholder return is measured against the stated comparator group as a combination of the movement in share price adjusted for any share capital dilutions and dividends. There is no relevant allowance for inflation and the movements and adjustments are all at nominal values.

The purpose of the Long Term Incentive Plan is to align the interests of shareholders and senior executives. The Managing Director and Senior Executives with the greatest ability to positively influence the operating performance are incentivised to generate superior share price and dividend performance against an appropriate comparator group, and will not receive any financial reward from the Long Term Incentive Plan unless Ridley outperforms 50% of the comparator group companies ranked 101 to 300 in the ASX as at the effective date of grant as measured over a three year period.

The consideration of executive remuneration as published in the Remuneration Report of a company's annual report is a mandatory item of business for a listed company's Annual General Meeting. The provision of financial incentives aligned to shareholder interests by way of short and long term schemes is a standard means of recruiting and retaining top talent required to grow and develop complex businesses that are listed on the Australian Securities Exchange.

Non-Executive Directors do not participate in any short or long term incentive plan, nor are they eligible to participate in the Employee Share Scheme.

In recent years the Company has divested its North American interests that were a significant cash drain on the Company, and also the salt business, which required large sums of capital investment to maintain its ageing assets and was increasingly falling victim to the vagaries of the weather patterns that have become far less predictable and more extreme in recent years. The Company has reinvested these funds by acquiring two leading rendering businesses, each of which provides an essential service in New South Wales and Victoria in processing animal offal and which also play a pivotal role in the protein supply chain for our feedstock core business into the future.

This comprehensive restructure into a dedicated agribusiness has enabled us to return capital of 7.5 cents per share in July 2013, and achieve a low level of gearing which gives us the scope to conduct an extensive mill modernisation programme in the coming years which we believe will deliver growth and prosperity for all our shareholders. In the first full year of stewardship by our current Managing Director, the core business result improved from \$28.1 million to a Ridley record of \$40.1 million, including the full year's contribution from our prior year Laverton rendering plant acquisition compared to six months in the prior year.

We understand the incremental value to our shareholder base of franking, and the timing of our dividend declarations and for payment of any dividends at the end of April and October is designed to ensure that we are able to maximise the effective value of the dividend in our shareholders' hands by franking any dividends to the maximum extent available.

Ridley is continually looking to improve the performance of our feed and there is a structured programme of applied research and development conducted each year. The CSIRO-partnered Novacq project, which you are about to see at the end of the meeting, is our highest profile project, however our long term value proposition is dependent upon continual improvement in our feed to deliver improved health and well being of our customers' livestock.

I would now like to hand over to our Managing Director Tim Hart who will share his thoughts with you on our strategy and focus for the year ahead.

# The link to the Landline presentation on Novacq is provided following:

<http://www.abc.net.au/landline/content/2014/s3984247.htm>