



# 2016 Half Year Results

*Ruralco*



# Agenda

1 Half year highlights

2 Financial overview

3 Balance sheet,  
Cash flow and  
Capital management

4 Review by  
activity

5 Strategy update

6 Outlook







Half year highlights



# Half year highlights

## Headlines

- Revenue up 8% to \$803.7m (1H15: \$742.8m)
- Underlying EBITDA up 2% to \$27.5m (1H15: \$26.9m)
- Underlying NPAT up 2% to \$11.5m (1H15: \$11.3m)
- Underlying ROCE up 1.7 ppts to 17.4% (1H15: 15.7%)
- Interim fully franked dividend of 8 cents per share (1H15: 9 cents)

## Consecutive year of record half year earnings

- Growth driven from our diverse network of vertically integrated businesses in line with strategy
- Improved customer penetration, strong livestock prices and higher real estate volumes contributing to a 10% increase in Agency GP
- Network growth strategy has increased geographical diversity contributing to an 8% increase in Rural Supplies GP
- Turnaround in water services and strong demand for water entitlements contributing to a 4% increase in Water GP

## Increased funding flexibility and capital management clarity

- Reduced cost and increased tenure (to 18 months) of the \$60m Multi Option Facility (MOF)
- Clear guidelines established by the Board for target gearing and the Group's dividend policy

## Targeted acquisitions in line with strategy

- Continuing to pursue and deliver our targeted acquisition strategy in vertical integration and network growth





Financial overview

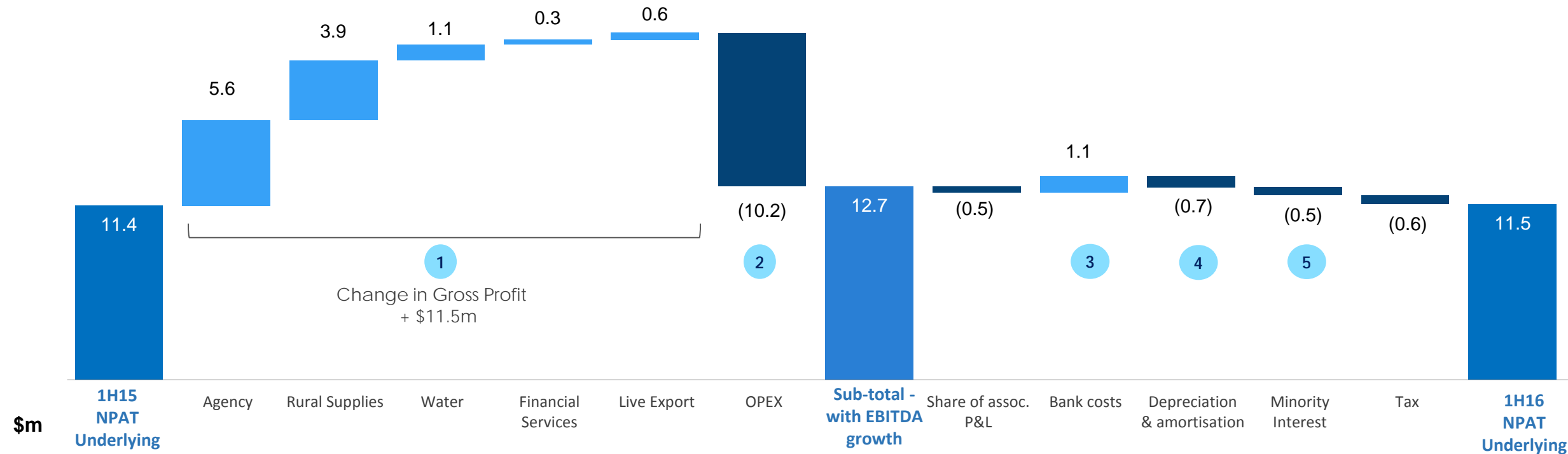


# Financial overview

	Half year ended 31 March				Commentary
	2016	2015		Change	
Sales revenue (\$m)	803.7	742.8	↑	8%	Driven by volume growth in agency, rural supplies and live export
Gross profit (\$m)	160.2	149.7	↑	7%	Volume growth in agency, rural supplies and water activities
Underlying EBITDA (\$m)	27.5	26.9	↑	2%	Higher gross profit is partly offset by higher personnel costs from increased commissions paid to agents, the impact of acquisitions and capability investment in the prior year and a change in STI accrual policy
Underlying NPAT (\$m)	11.5	11.3	↑	2%	Lower financing costs of \$1.1m is offset by higher depreciation & amortisation (impact of acquisitions and IT capital investment), higher tax expense and higher minority interest share of profits (business growth)
Reported NPAT (\$m)	10.8	10.5	↑	3%	Lower significant items, which this period includes costs associated with restructuring in legal and Total Eden retail partially offset by the gain on disposal of a non-core subsidiary
Working capital (\$m)	158.9	162.3	↓	(2.1%)	Improvement in working capital control and usage (% of sales reduced from 8.3% to 7.2%)
Operating cash flow (\$m)	(29.5)	(42.0)	↑	30%	Good reduction in operating cash outflow (H1 timing coincides with peak in working capital cycle) reflects improved working capital efficiency
Underlying ROCE r12 (%)	17.4%	15.7%	↑	1.7 ppts	Reflects improved r12 EBITDA in key businesses (agency, water and live export) and working capital efficiency
Gearing (%)	33.3%	31.1%	↑	2.2 ppts	Reflects peak in working capital cycle (funded via debtor securitisation facility) but remains within target range
Underlying EPS (cents)	14.6	14.6	-	-	In line with prior year and reflects increased earnings offset by higher shares on issue due to operation of the Group's DRP
Basic EPS (cents)	13.7	13.5	↑	0.2 cents	Reflects impact of lower significant items despite the higher number of shares on issue
Interim dividend – fully franked (cents)	8.0	9.0	↓	(1.0 cents)	Brings dividend in line with Board preferred dividend payout range – refer Section 3 for new Capital Management policies
Underlying dividend payout ratio (%)	54.8%	61.6%	↓	(6.8 ppts)	Within Board preferred target range



# Underlying NPAT drivers

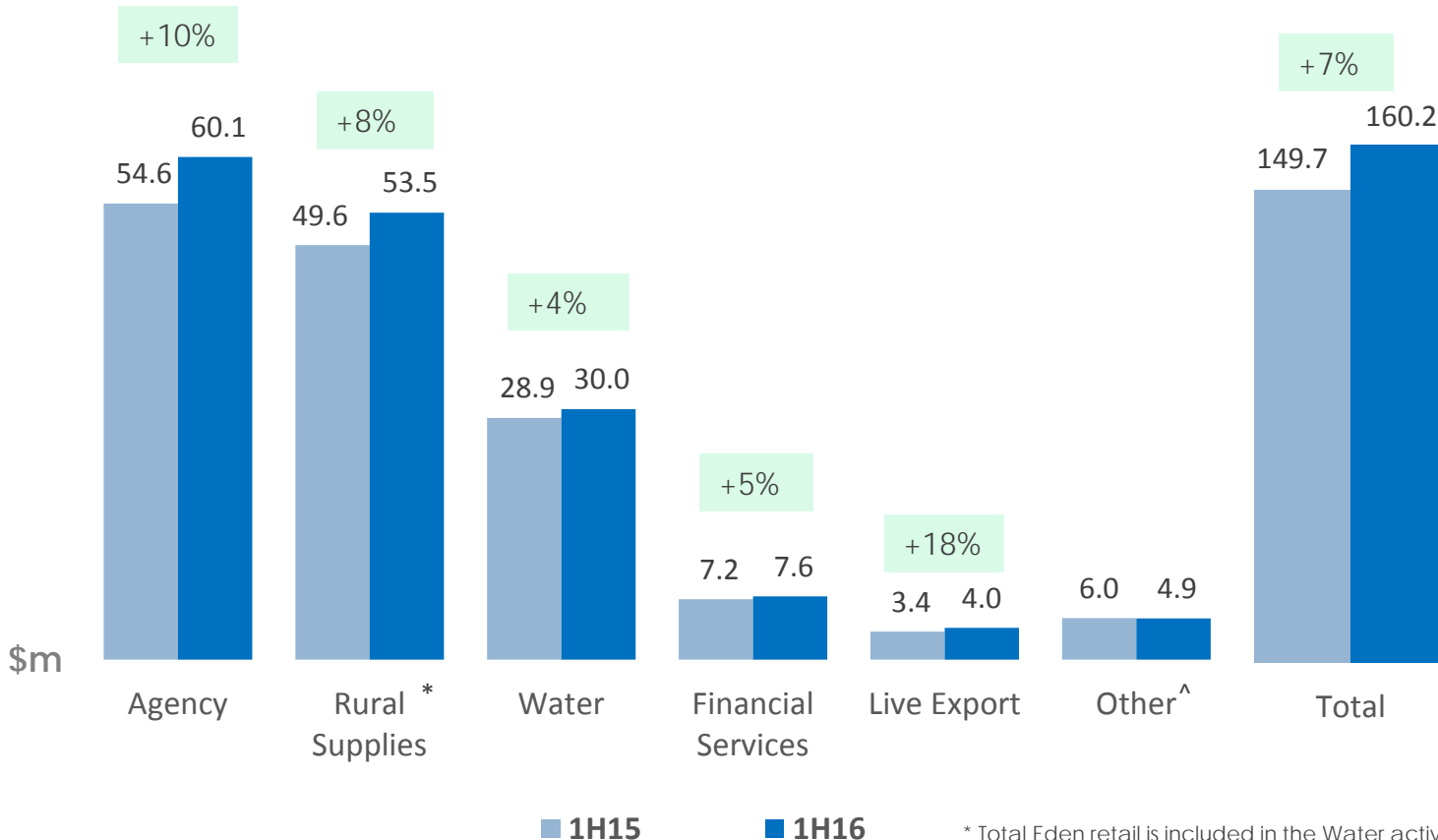


- 1 Gross profit growth across all key business activities (refer next page)
- 2 Improvement in bad debts expense is offset by higher cost base from impact of acquisitions, higher commissions paid to agents, impact of capability investment and change in STI accrual policy

- 3 Lower finance cost reflecting impact of more cost effective debtor securitisation program and increased funding efficiency
- 4 Impact from capitalisation of completed Total Eden SAP implementation and acquisitions
- 5 Reflects higher share of profits attributable to minority shareholders primarily from growth in livestock businesses



# Gross profit by activity



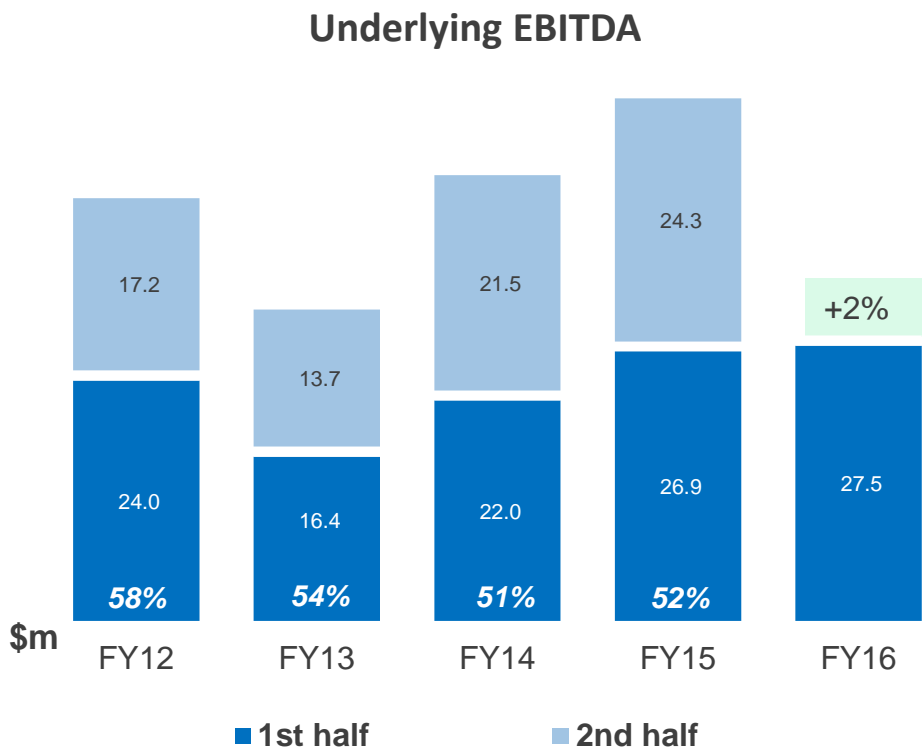
- **Agency:** Improved customer penetration, strong livestock prices and increased real estate volumes
- **Rural Supplies:** Network growth has increased geographical diversity mitigating the impact of dry conditions
- **Water:** Turnaround in Total Eden water services business and strong water broking results on the back of increased demand for water entitlements
- **Financial Services:** Reflects volume growth from Ruralco Seasonal Finance product
- **Live Export:** Volume growth reflecting higher dairy cattle exports by Frontier

<sup>\*</sup> Total Eden retail is included in the Water activity in this presentation. The pcg has been adjusted to reallocate the respective GP from Rural Supplies to Water

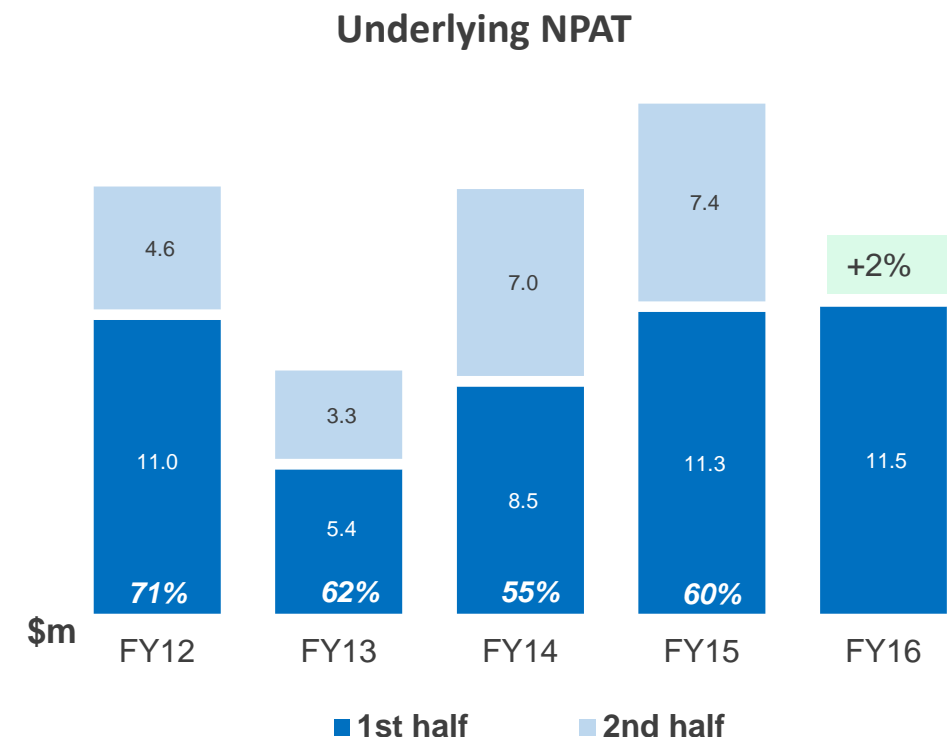
<sup>^</sup> "Other" includes farm machinery GP, rental income and sundry income

# Profitability split

Diversification strategy is smoothing seasonal impacts between H1 and H2



The difference between the Group’s EBITDA and NPAT is predominantly due to our effective tax rate of 32% and the Group’s JV business model, which is used to attract and retain key agents, particularly in livestock businesses







**Balance sheet**  
**Cash flow**  
**Capital management**



# Balance sheet

Ongoing focus on working capital management continues to provide balance sheet support for bolt-on acquisitions and control of gearing metrics within Board approved targets

Abridged balance sheet	Balances at 31 March				Commentary
	2016 \$m	2015 \$m	Change \$m	Change %	
Trade receivables	389.6	409.2	(19.6)	(5%)	Reduction in the gross debtors is matched by a reduction in average DSO from 38 to 36 days reflecting management focus on ageing and collection discipline
Inventories (incl livestock)	165.5	132.4	33.1	25%	Increase largely driven by delayed timing of rural supplies sales in some regions due to later rainfall than the pcip. Despite the increase, DIO has improved from 29 to 25 days
Trade payables	(396.2)	(379.3)	(16.9)	4%	Increase reflects higher inventory position and business growth
<b>Working capital</b>	<b>158.9</b>	<b>162.3</b>	<b>(3.4)</b>	<b>(2.1%)</b>	Improved AR/AP spread sufficient to offset increased inventory position
<i>r12 average working capital</i>	134.8	142.3	(7.6)	(5%)	Reflects underlying improvement in working capital control
<i>Avg. working capital as % of sales</i>	7.2%	8.3%	n/a	(1.1 ppts)	Reflects continued improvement in working capital usage
<b>Property, plant &amp; equipment</b>	41.9	40.2	1.8	4%	Impact of acquisitions
<b>Intangibles</b>	140.1	128.2	11.8	9%	Impact of acquisitions, software purchases and capitalised IT development costs
<b>Investment - associates</b>	9.0	8.7	0.3	4%	Increase from share of profits from Agfarm since the pcip
<b>Other items (net)</b>	(15.3)	(16.6)	1.3	(8%)	Includes tax related balances, make good provisions and employee benefit liabilities
<b>Total capital employed</b>	<b>334.6</b>	<b>322.8</b>	<b>11.8</b>	<b>4%</b>	Increase primarily reflects the impact of acquisitions and IT capital investment since the pcip



# Cash flow

Focus on working capital management and efficient use of the debtor securitisation facility has improved cash generated from operations

Abridged cash flow	Half year ended 31 March				Commentary
	2016 \$m	2015 \$m	Change \$m	Change %	
Reported EBITDA	26.7	25.7	1.0	4%	Driven by business growth
Net change in working capital	(45.7)	(62.5)	16.8	27%	Improvement in working capital efficiency
Net finance cost	(0.3)	(0.9)	0.6	67%	\$1.1m lower finance costs from a more efficient debtor securitisation program is partly offset by \$0.5m lower interest income
Tax paid	(10.2)	(4.3)	(5.9)	(137%)	Higher PAYG tax instalments paid
<b>Net operating cash outflows</b>	<b>(29.5)</b>	<b>(42.0)</b>	<b>12.5</b>	<b>30%</b>	Having an operating cash outflow in the first half is in line with seasonal trend
Capital expenditure	(6.0)	(3.5)	(2.5)	(71%)	Increase from IT development spend to complete Total Eden SAP integration
Acquisitions	(6.2)	(9.9)	3.7	37%	Purchase of Mackay Rural Group and Statewide Irrigation in the period
Purchase of Treasury shares	(2.1)	-	(2.1)	(100%)	Shares purchased on market to satisfy LTI vesting and grants (including employee share scheme)
Divestments and other disposals	1.2	1.1	0.1	9%	Disposal of non-core assets
<b>Investing cash outflows</b>	<b>(13.1)</b>	<b>(12.3)</b>	<b>(0.8)</b>	<b>(7%)</b>	
Dividends paid	(8.9)	(7.6)	(1.4)	(18%)	Increase in dividends paid to minority interest shareholders reflecting higher FY15 profits than the pcip
Net change in borrowings	65.4	43.0	22.4	52%	Used to fund working capital, pay tax and fund acquisitions
<b>Financing cash inflows</b>	<b>56.5</b>	<b>35.5</b>	<b>21.0</b>	<b>59%</b>	
<b>Change in cash held</b>	<b>13.9</b>	<b>(18.8)</b>	<b>32.7</b>	<b>174%</b>	
<b>Cash at end of period</b>	<b>12.7</b>	<b>8.0</b>	<b>4.7</b>	<b>59%</b>	



# Funding

Average net debt for the last six months is 6% lower than the pcg as the Group controls its working capital position and improves funding efficiency

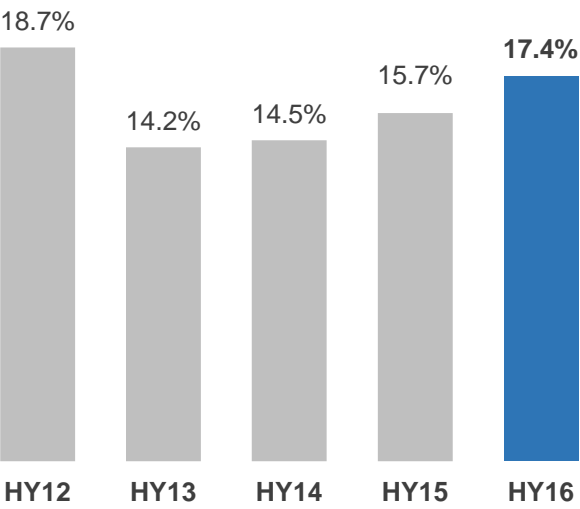
	Balances as at 31 March				Commentary
	2016 \$m	2015 \$m	Change \$m	Change %	
Net cash	12.7	8.0	4.7	59%	
Current debt	(120.0)	(104.4)	(15.6)	15%	Increase in debt to fund working capital, pay tax and fund investments, facility due to roll over in July 16
Non-current debt	-	-	-	-	
Gross drawn debt	(120.0)	(104.4)	(15.6)	15%	Increase in cheaper debt via the Group's debtor securitisation facility compared to the pcg
Other loans	(2.2)	(1.5)	(0.7)	43%	
Finance lease liabilities	(1.6)	(2.3)	0.7	(29%)	
Total net debt	(111.1)	(100.4)	(10.7)	11%	
Total shareholders' equity	(223.4)	(222.4)	(1.0)	0.5%	
Gearing ratio	33%	31%	n/a	2 ppts	Consistent with seasonal trend for this point in the trading cycle and remains within the preferred gearing range of 25-45%
Average net debt (6 months)	(98.9)	(105.3)	6.4	(6%)	Reflects tighter working capital control and improved funding efficiency
Leverage (Net debt/r12 EBITDA)	2.14x	2.07x	n/a	n/a	
Facility	Maturity	Available \$m	Utilised \$m	Commentary	
Debtor securitisation facility	Jul 16	150	120	A rolling 12 month facility secured against eligible merchandise and livestock receivables	
Multi Option Facility	Oct 17	60	-	Key terms renegotiated in the period with tenure increased to 18 months at a decreased cost	

# Return Measures

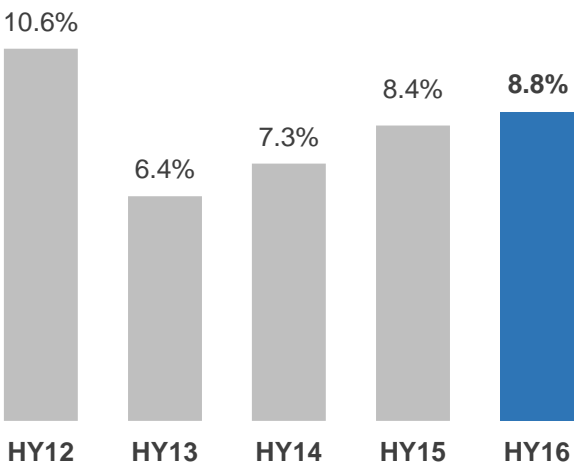
Growth in underlying ROCE and ROE from continued focus on working capital efficiency assisted by strong agency performance (less capital intensive)

Consistent growth in underlying EPS since HY13 reflects growth in earnings from diverse network of integrated businesses

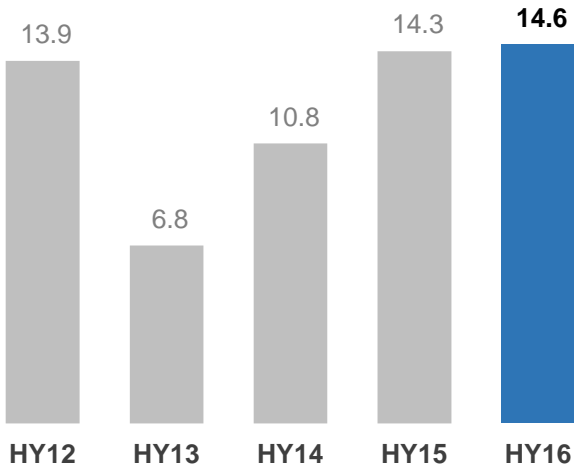
Underlying return on capital employed (ROCE)



Underlying return on equity (ROE)



Underlying earnings per share (EPS)\*



\* HY12 to HY15 underlying EPS re-presented using the 79m of shares on issue at HY16 to provide more direct comparisons following the impact of capital raisings and operation of the DRP since FY14



# Capital management

- At the Group's AGM on 19 February 2016, the Board stated its intention to review its approach to capital management within the context of its refreshed strategy and growth aspirations
- The Board has now completed this review and has identified new policy approaches to dividend determination and gearing
- In concluding on these new policies, the Board recognises the following demands on the Group's cash flows:
  - To provide an adequate return to the shareholders of Ruralco (being a diversified agribusiness);
  - To fund the Group's working capital and maintenance capex requirements;
  - To fund the Group's growth acquisitions in line with stated strategic objectives; and
  - To maintain an optimal capital structure and repay debt as required to meet applicable banking covenants.
- Acknowledging these competing demands, the Board has established the following guiding principles:

**Dividend policy:** The Board has a preference to maintain a dividend payout ratio of between 40-60% of underlying earnings per share. In the context of 1H16, underlying EPS was 14.6 cents per share and the interim dividend declared was 8 cents per share. This brings the payout ratio to 54.8%, within the range preferred by the Board

**Gearing:** The Board has a preference to maintain a gearing ratio of between 25-45% on a normalised business cycle basis. In the context of 1H16, the Group's gearing was 33.3%, which is within the Board's preferred range with the Group's working capital cycle traditionally resulting in higher gearing in the first half of the year

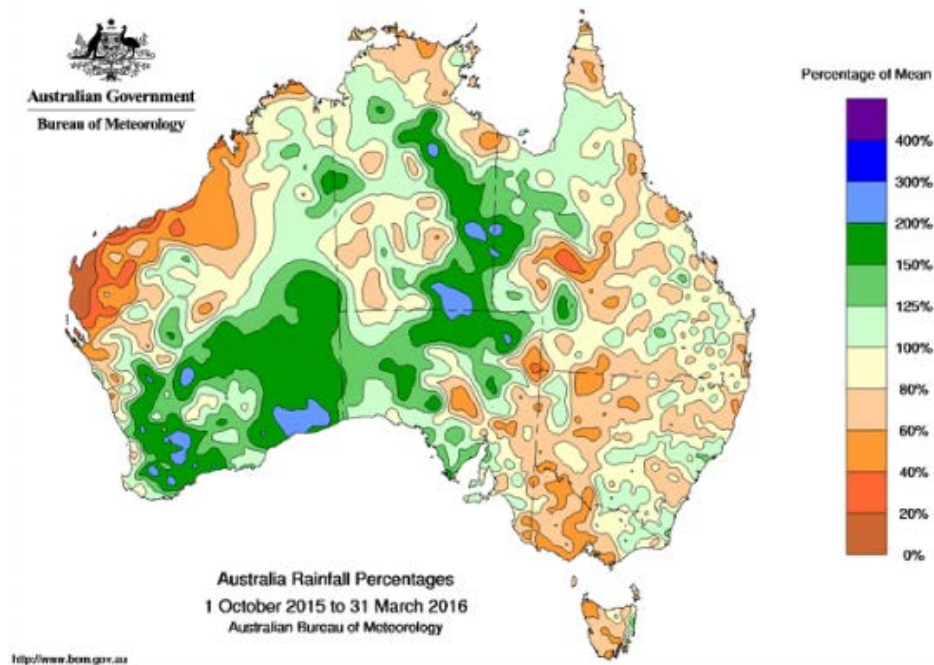


**Review by activity**



# Seasonal conditions

Rainfall % of mean – six months ended 31 March 2016



- To provide context to the Group's half year result, the chart opposite highlights the drier than average conditions experienced in most of the country:
  - Prolonged dry conditions in TAS, VIC, NSW, South East SA and much of QLD;
  - Higher than average rainfall in southern WA and parts of central Australia
- The Group's geographical diversity and investment in water businesses has allowed this mix of seasonal conditions to be optimised

# Agency



## Livestock

- Livestock gross profit 10% above pcp driven by improved customer penetration and strong livestock prices (increased restocker demand, reduced supply and strong international demand keeping prices high)

## Real estate

- Real estate gross profit 19% above pcp driven by higher volumes sold and the impact of real estate network growth acquisitions

## Wool

- Wool gross profit 4% below pcp with lower volumes sold reflecting the impact of dry conditions on wool cut, which has also led to an increase in turn-off rates. Despite this, the Group has increased its market share of wool receivals compared to the pcp



# Rural supplies



- Rural supplies gross profit 7% above pcg driven by top line growth and margin improvement in merchandise
- The increase in geographical diversity from network growth acquisitions and strong growth in the Group's water and chemicals proprietary product portfolio has mitigated the impact of dry seasonal conditions
- Successful launch of a more competitive CRT trading model on 1 January 2016
- Growth in CRT membership with 7 new locations: Skipton, Avoca and Seymour (VIC); Lucindale, Jamestown (SA); Lakeland(QLD); and Heatherbrae (NSW)

# Water



## Water broking

- Water broking gross profit growth driven by long running demand for both temporary and permanent water entitlements

## Total Eden

- Integration of the Total Eden business including systems, processes and management complete
- Peter Weaver, newly appointed Executive General Manager Water, focused on optimising the water solutions businesses
- Achievement of turnaround plan in Total Eden water services on target
- Strong momentum in irrigation project work with Total Eden recently awarded the contract for the Swan Valley Irrigation Scheme in Tasmania, a project to install a 37km underground pipe network and pump station that will guarantee water delivery to 22 private landholders to enhance agricultural productive capacity in the region
- Slightly below target performance by Total Eden retail business driven by a more subdued water selling season this year, particularly in WA and QLD



# Live export



- Frontier gross profit 18% above pcg reflecting a 3% increase in volumes sold
- Underlying sales mix in the period is more weighted to dairy cattle into the Chinese market, which has offset reduced volumes to Vietnam
- Vessel utilisation is playing an increasing role in trading decisions amongst competitors, leading to margin pressure
- Launch of the Greyman vessel in April, a G Class Vroon ship that is a leader in livestock logistics technology and animal welfare and increases the shipping flexibility and competitiveness of the business

# Financial Services



## Ruralco Finance

- Simplified application process for customers expected to drive further growth in the lead up to peak winter sowing period (April/May)
- Improved network take up, particularly in Accelerate product, and improved broker coverage expected to drive ongoing volume growth of the loan book

## Ruralco Insurance

- Continued improvement in insurance broker coverage

## Ag Concepts

- Mecardo platform subscriber base growth with 1,400+ receiving regular industry updates





**Strategy update**

# Our four strategic priorities

1

## Vertical integration

Maximise market share along the entire protein supply chain

Build on market leading position in water the most fundamental farming input

Step change in Financial services, supporting our customer and the network

2

## Network growth

Grow the high yielding agency business through acquisition and recruitment

Leverage cornerstone water footprint as the industry consolidator

Fill remaining gaps in the retail network through greenfield sites and acquisition

3

## People and culture

Safety at every workplace and in every procedure

A winning culture

Retaining, attracting and developing the best team in the industry

4

## Back office optimisation

Scalable platform for growth achieving economies of scale through best of breed systems and processes to maximise the return on every dollar invested in support functions

Trusted business partner to frontline managers, building a better business



# Vertical integration

## Protein

- Frontier has moved into cattle backgrounding and finishing programs in Northern Australia and grain feedlot trials for domestic supermarket and export processors in Southern Australia. To facilitate this move Frontier have undertaken grazing property leases in the north and have secured an agreement for contract (custom) feeding of their cattle in a southern feedlot. The combined total capacity of these positions is approximately 20,000 head

## Value chain

- Order book strong for the Group's proprietary product portfolio in water and chemical segments. The Group has obtained exclusive access to Marubeni's private label proprietary products in the half with training conducted with our key agronomists in the period and a local product evaluation currently underway

## Supporting innovation and AgTech

- Ruralco has agreed to be a cornerstone investor in SproutX, Australia's leading AgTech accelerator program. SproutX is a joint initiative of the National Farmers Federation and Findex Australia to foster Australian innovation and commercialise the best new AgTech ventures in farming. Our involvement in SproutX would provide Ruralco with first mover advantage, positioning us as the path to market for new Ag innovations

# Network growth

- Growth in CRT membership with 7 new locations : Skipton, Avoca and Seymour (Vic); Lucindale, Jamestown (SA); Lakeland(QLD); and Heatherbrae (NSW)
- Expanded retail network with acquisition of Complete Ag & Seed in South Australia – increases our exposure to horticulture in SA; and Statewide Irrigation & Rural Supplies in Bendigo – a blended business for rural supplies and irrigation that boosts our market share and water footprint in the Bendigo region
- Increase in broker coverage in Ruralco Finance and Ruralco Insurance through recruitment and the acquisition of insurance books
- Increase in broker coverage (through recruitment and the setting up of greenfield sites in QLD and SA) combined with increased training and roll out of a user friendly online trading platform has increased the profile of the water broking business within the network. This is driving increases in market share and establishing us as the leading water broking business in Australia



# People & culture

- LTIFR reduced to 2.98% with a significant reduction in livestock incidents. Safety improvement plans are in place for all high risk businesses/activities and training videos have been developed and rolled out for training and internal purposes
- Graduate program launched in January 2016 with 4 graduates on a two year rotational program
- Initiatives to further support our Diversity policy and action plans include support of flexible working arrangements and roll out of a paid maternity leave scheme effective from July 2016
- Agreement with Macquarie University announced to support their “Women in MBA” program with the Group committing to placing senior leaders into the program over the next four years
- Significant investment in training and development with year round program available to all staff
- Following the Engagement Survey conducted in August 2015, significant work has been undertaken to review and improve on strong baseline results with detailed action plans by business unit to align our values and strategic direction
- Lifeline partnership progressing well – contribution to date equates to 1,000+ calls for help being answered with an additional \$40,000 raised through the Ruralco and CRT network

# Back office optimisation

- Cost efficiencies realised through review and negotiation of key indirect procurement contracts
- Completed centralisation of Total Eden accounts payable and payroll functions and integration onto SAP
- Expense Management system implemented and increase in % of suppliers using EDI from 40% to 62%, driving procure to pay efficiencies
- Centralisation of all PPSR registrations and roll out of Group-wide policy to improve debtor security
- Multi Option Facility (MOF) extended to October 2017 at a decreased cost to the Group
- IT governance framework significantly enhanced to drive greater efficiency. Group wide Outlook migration and roll out of online management reporting tool carried out in the half
- Launched program to upgrade RuralcoNet, Project Elevate, which aims to provide a framework and foundation for our e-commerce models across all key operating activities. This will allow our network to get ahead of the competition by providing the technology platforms necessary for the years ahead. First step is a key back office improvement project focused on pricing, accounts payable and rebates





Outlook

# Outlook

## Seasonal conditions

- Bureau of Meteorology is expecting May to July rainfall to be above average for most of mainland Australia, which is much needed in the broadacre crop growing regions

## Agency

- Livestock prices are expected to remain high in the short to medium term driven by continuing global demand and reducing supply
- Lower production is expected to support wool prices in the short term
- Low interest rates and the continuing interest of domestic and foreign buyers in the sector is expected to continue to drive growth in real estate

## Live export

- Now with greater control of vessel scheduling and associated costs this positions the Frontier business well for the northern dry season, albeit short haul margins are currently under pressure

## Water

- Below-average inflows and current dry conditions has led to storage levels being well below average. Opening water availability for 2016-17 is almost certain to be very low, which is expected to keep water entitlement prices high

## Strategy

- Full pipeline across all key strategic growth areas



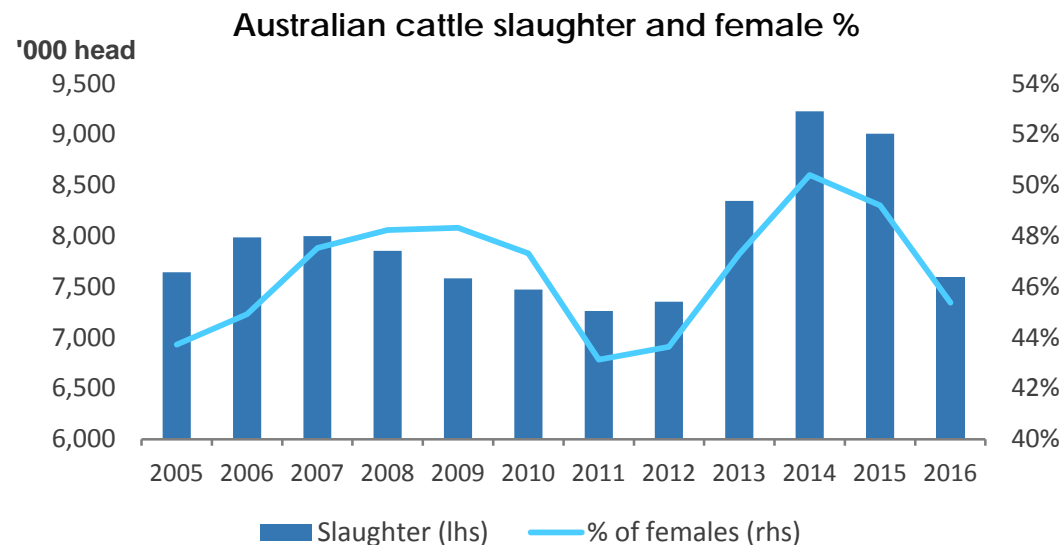


## Appendix – Market Analysis

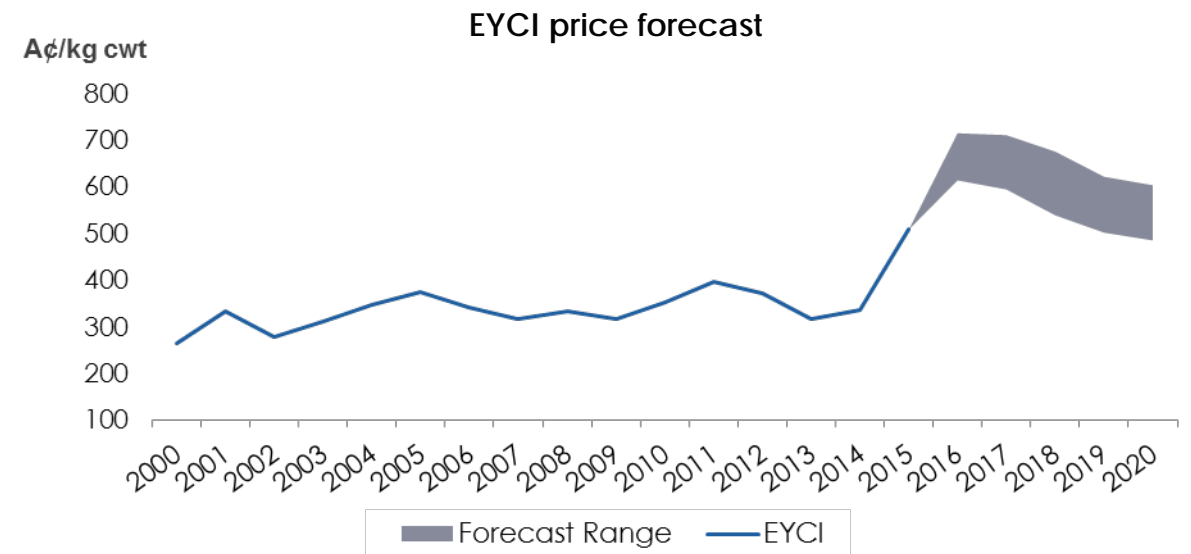


# Cattle

- Cattle prices have been remarkably high in 2015/16 with the eastern young cattle indicator (EYCI) reaching record levels
- After unusually high levels in the past three years, female turn-off is expected to fall in 2016
- A cattle herd rebuild will occur; of course this is subject to seasonal conditions, especially in QLD
- Turn-off over the past three years has been at an unsustainable level. If these levels were maintained it would result in Australia running out of cattle in seven years



Source: ABS, MLA Projections

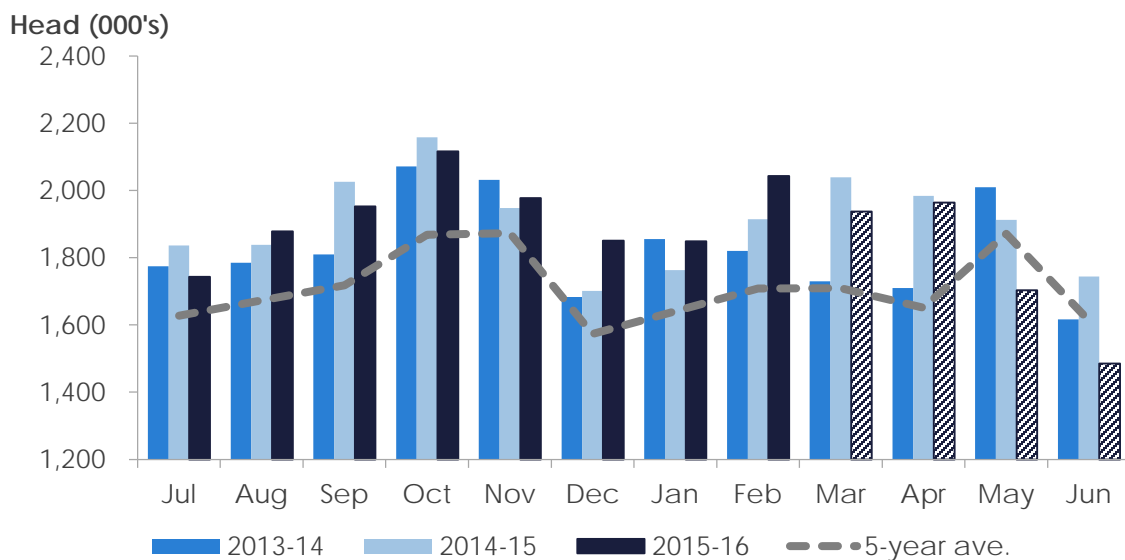


Source: USDA, MLA, Steiner, ACA

# Lamb

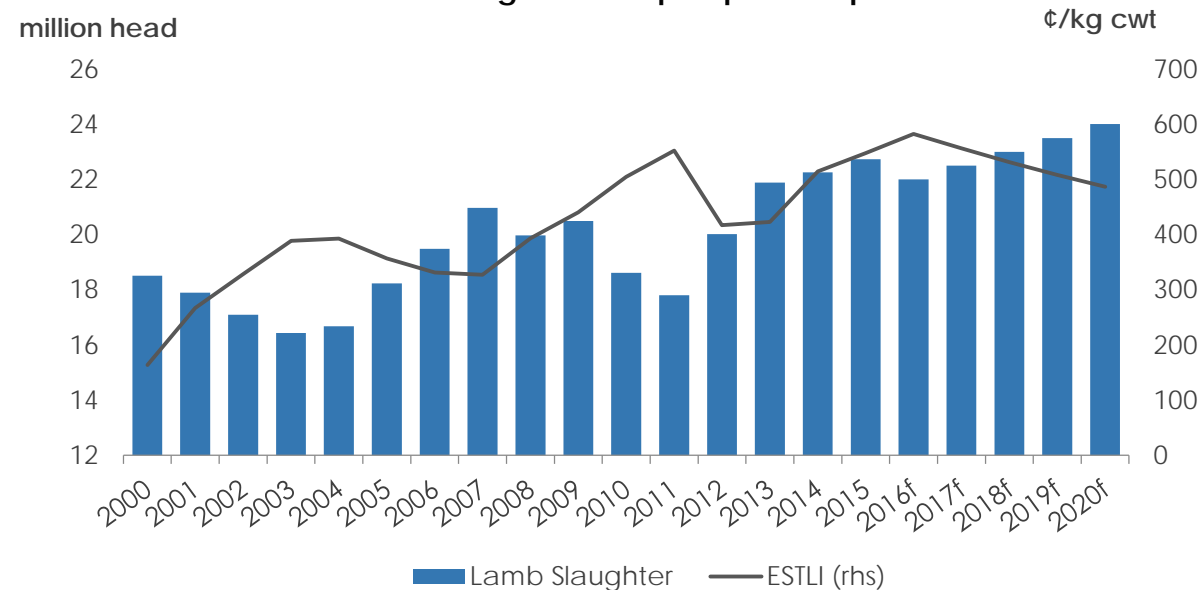
- Reduced rainfall in NSW has led to an abundance of lamb supply causing depressed prices. Upon examination of similar dry years, a substantial rebound in the second half of the year would not be surprising
- Due to increased lamb slaughter, lamb supplies are likely to tighten towards mid-year
- A weakening A\$ will assist with competitiveness of Australian lamb into export markets

Australian lamb slaughter estimates



Source: ABS, MLA, ABARES, ACU

Lamb slaughter and prospective prices

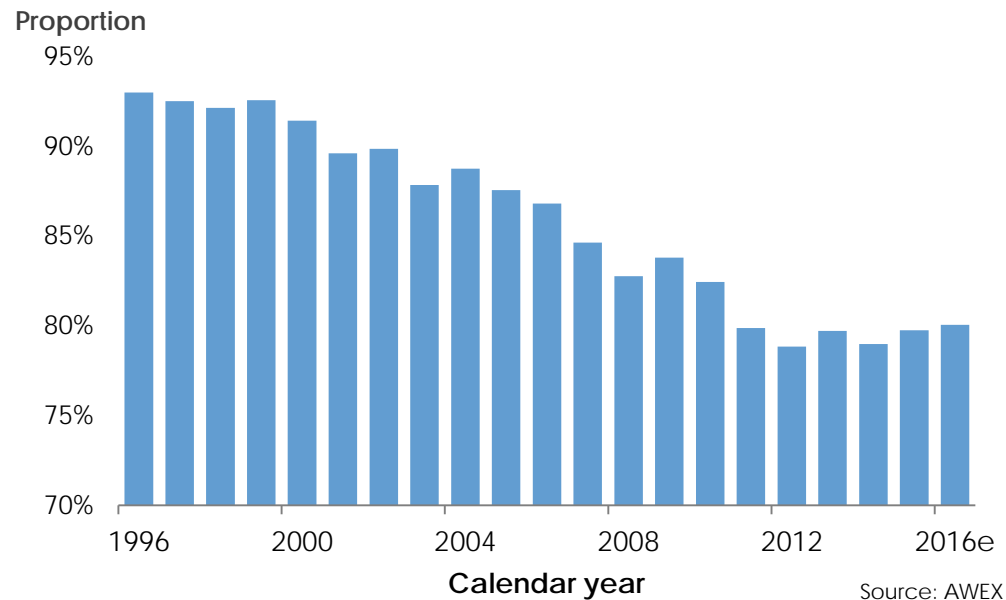


Source: ABS, MLA estimates

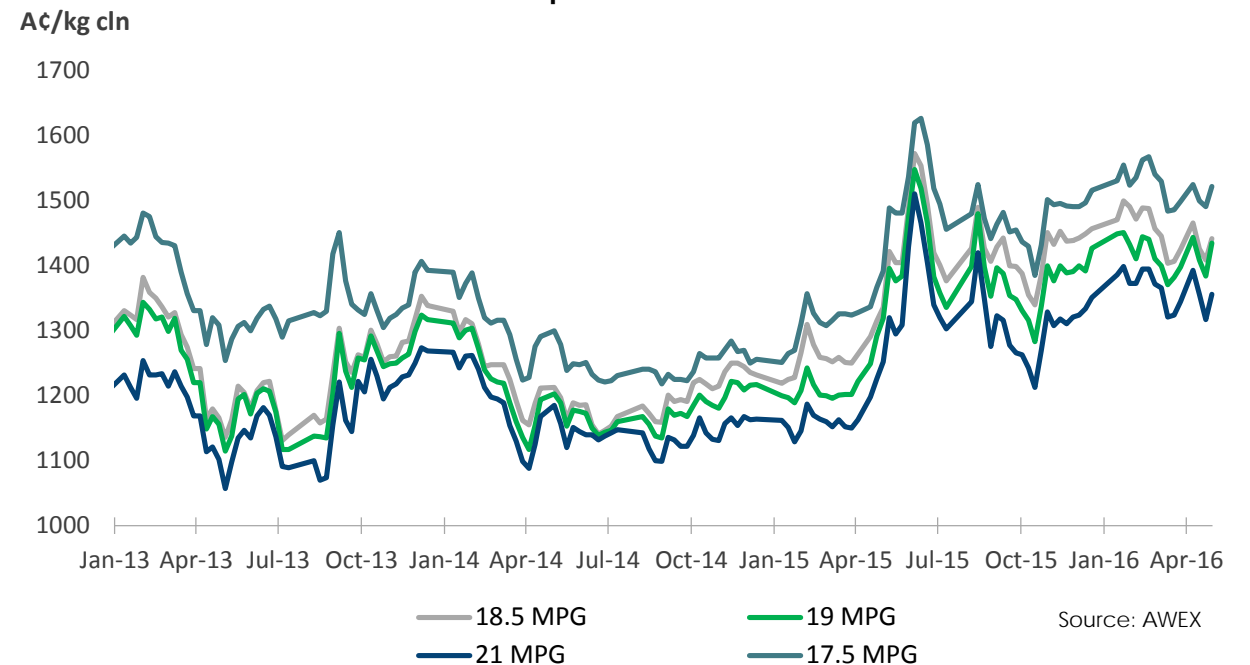
# Wool

- After a gradual decline since the mid 90's, the volume of merino in the Australian clip has stabilised since 2012
- In A\$ terms wool prices are trading above the five year 70<sup>th</sup> percentile

Merino proportion of wool auction sales



Wool prices 2013-2016

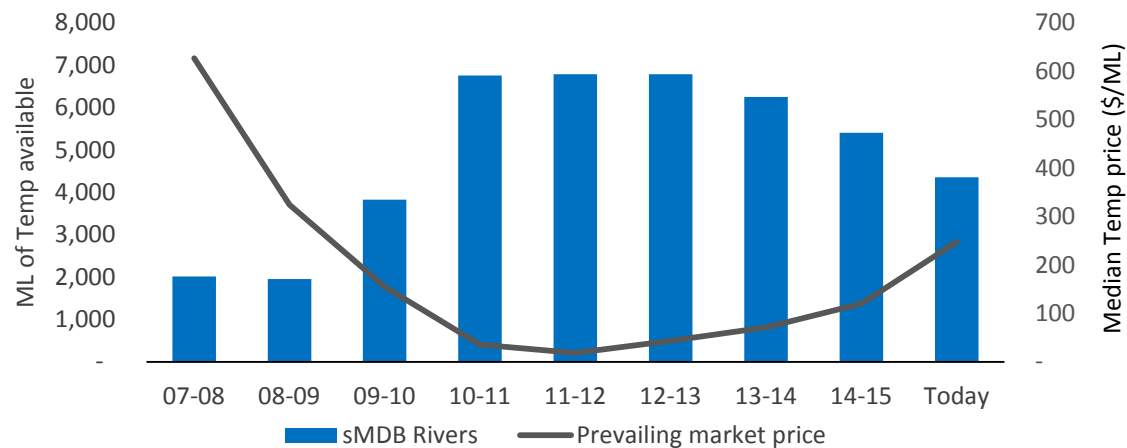




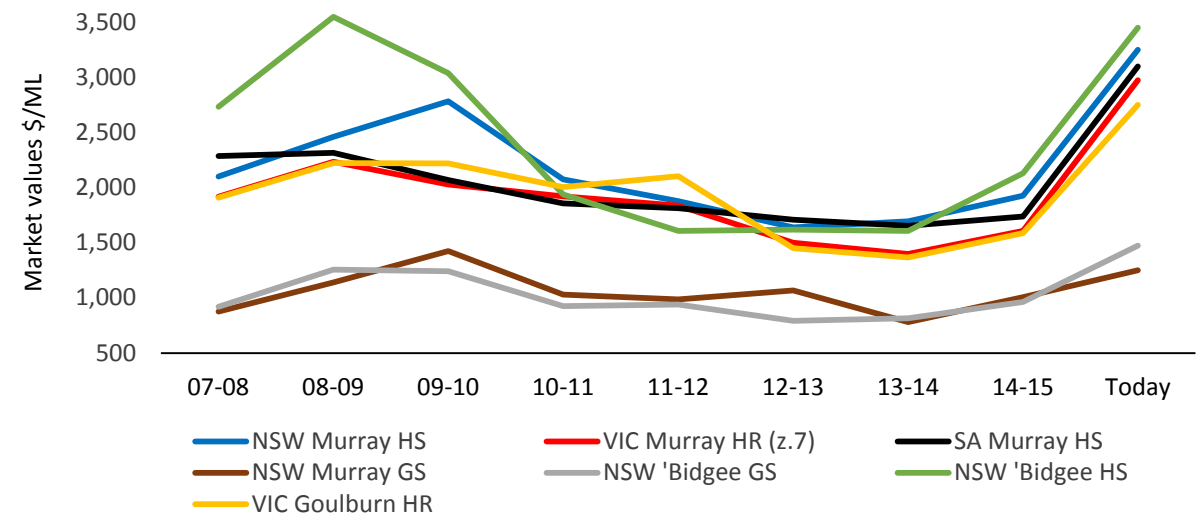
# Water

- El Niño and strong commodity prices, especially in almonds and cotton, has increased demand for water
- Given the last 3 years of below-average inflows and current dry conditions, storage levels are well below average
- More favourable inflows may eventuate over winter/spring. Climate models suggest a return to neutral by mid-2016, and a 50% chance of La Niña developing in the second half of 2016
- Strong demand for permanent entitlements from a wide range of buyers as balance sheets improve and investment into water as an asset class matures. Prices up 40% to 50% over the past 18 months

Temporary allocation water availability and average prices in southern Murray-Darling Basin Rivers System

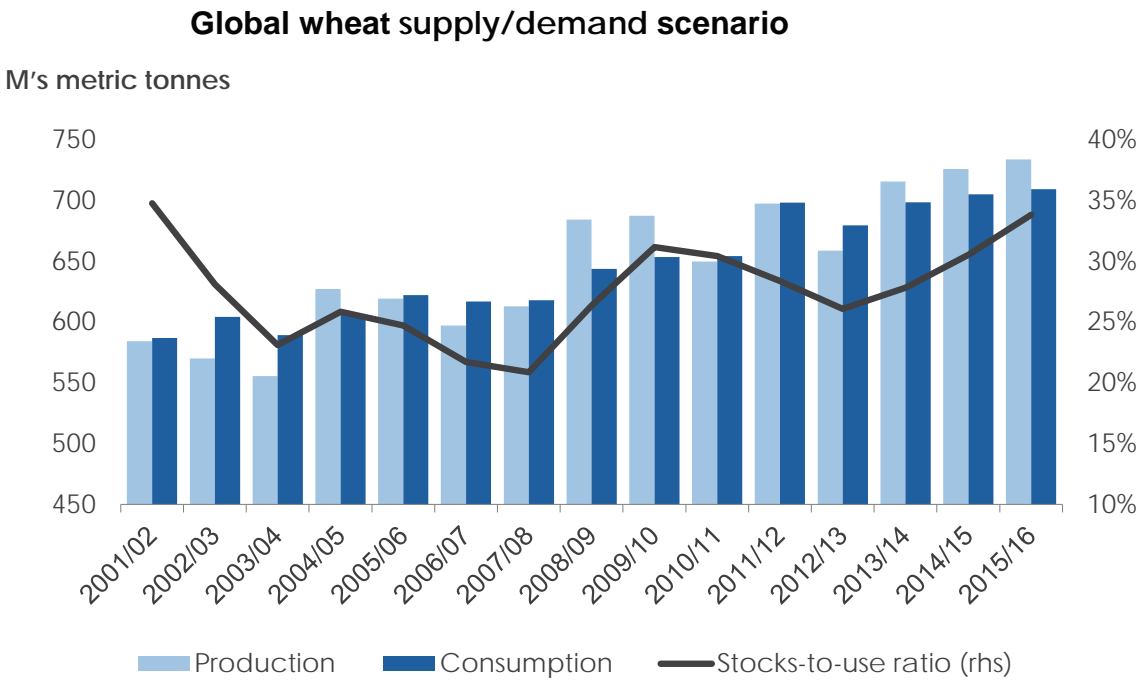
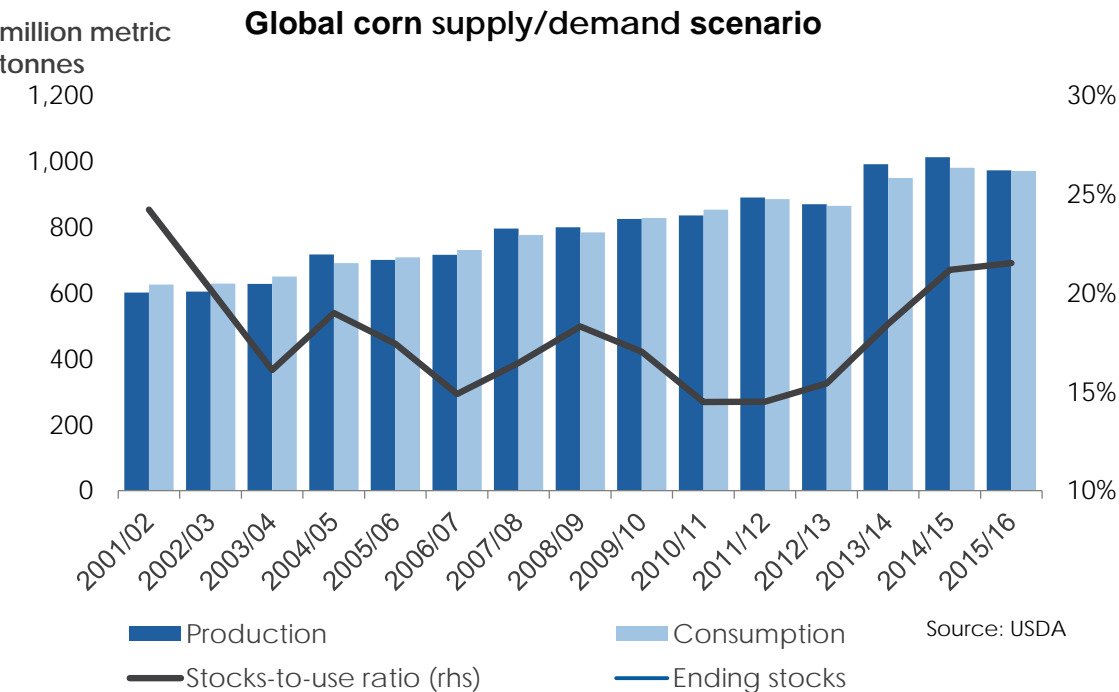


Key Permanent Entitlement Water Market Prices



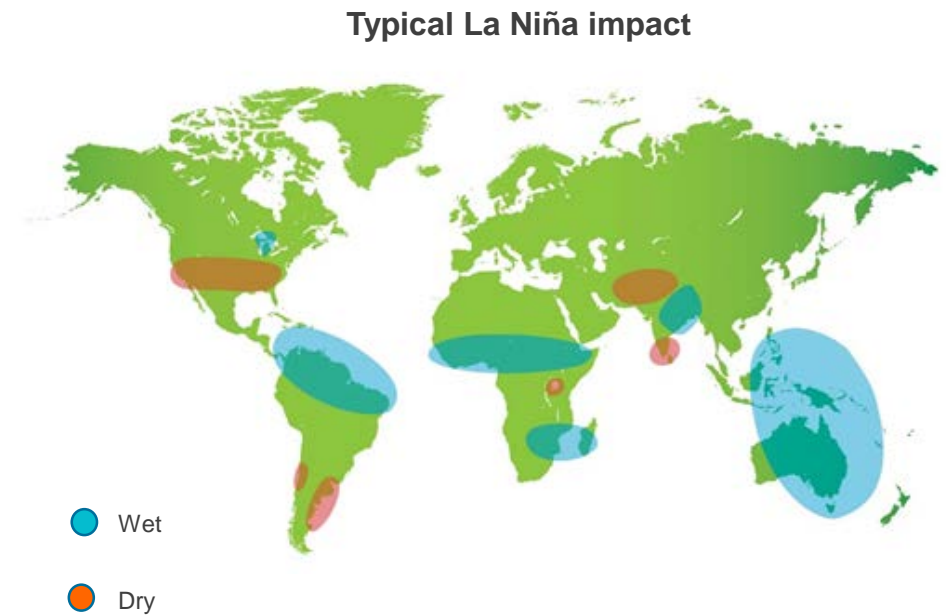
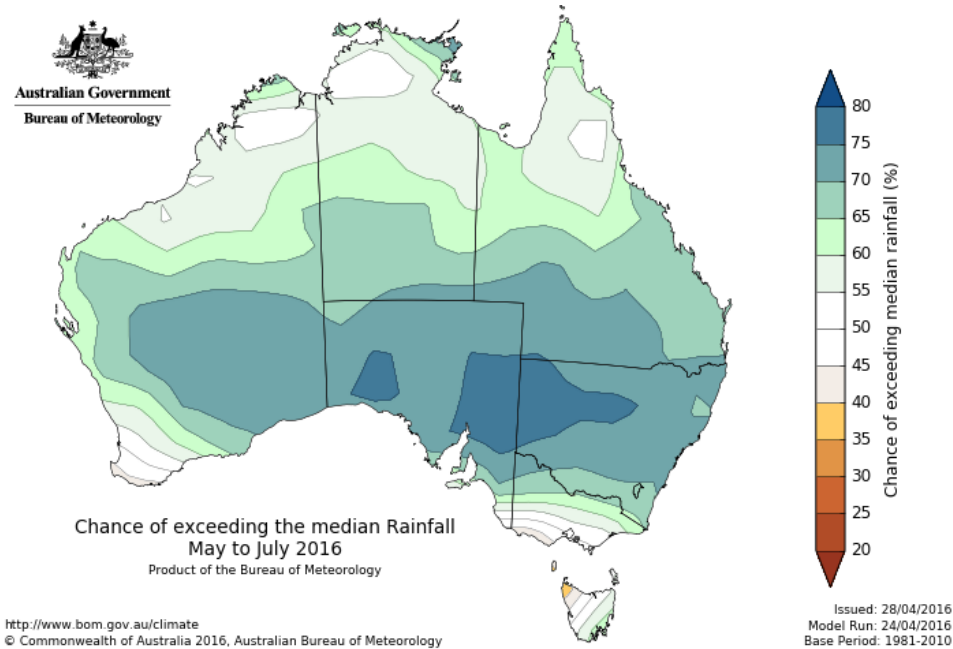
# Grains

- Global wheat stocks are at their highest level since records began
- The United States corn program for 2016 is expected to be the 3<sup>rd</sup> largest since World War II, adding further pressure to feed prices
- Local basis to global market continues to come under pressure from large unsold stocks, and reduced buyer appetite
- On a flat price level, wheat prices are falling below the long term average (2005-present)



# Weather

- The rainfall outlook for May to July is forecast to bring much needed rains to the eastern states crop growing areas
- The cropping areas in Western Australia have had substantial rainfall, resulting in the earliest planting program in recent years
- There is currently a 50% chance of La Niña forming this year. The La Niña weather pattern can bring beneficial rain to Eastern Australia







Definitions/Glossary

# 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 technologies. Ruralco's focus on water is a clear differentiator from its competitors and represents a strong counter cyclical revenue stream.
Live Export	Frontier International Agri is a Ruralco partnership focussed primarily on Live Export. Their mission is to be the supply partner of choice for leading livestock 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 be it for consumption or for breeding 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 agri and commercial business finance lending and insurance with a thorough understanding of the needs of rural and regional clients. Through our access to an extensive panel of lenders, our finance representatives will source and tailor a financial solution that best suits the client's circumstances. Ruralco can help with home or term loans, line of credit, seasonal finance, overdraft, asset or vehicle and equipment finance and insurance.



# Financial references

Term	Meaning
Gross profit (GP)	Statutory revenue less cost of goods sold
Underlying EBITDA	“Underlying” measures of profitability provide more useful information. Underlying EBITDA means reported earnings before interest, tax, depreciation and amortisation including share of profits from equity accounted for investments adjusted to remove the impact of significant items (pre-tax)
STI	Short term incentives (STI) include financial performance incentives such as bonuses and profit sharing arrangements payable to employees
Underlying NPAT	Underlying NPAT means reported net profit attributable to equity holders of the Company adjusted to remove the impact of significant items (post-tax and related non controlling interests (NCI))
Minority interest share of profit	Profit attributable to minority interest (non controlling interest) shareholders of shares in some Ruralco subsidiaries, primarily certain livestock related JV businesses
Reported NPAT	Statutory net profit attributable to equity holders of the company
Significant items	The difference between reported and underlying profit measures. Includes costs/income not considered to form part of the Group’s recurring results
Working capital	Trade and other receivables + Prepayments + Inventories + Biological assets + Trade and other payables + Derivative financial instruments
Underlying ROCE r12	Underlying return on capital = Underlying EBITDA (rolling 12 months)/12 month average total capital employed
Total capital employed	Statutory net assets less net debt
Net debt	Cash and cash equivalents + Loans and borrowings
Gearing %	Net debt/(Net debt + Total Shareholders equity)
Underlying EPS	Underlying earnings per share = Underlying NPAT/Weighted average number of ordinary shares on issue for the period
Basic EPS	Reported NPAT/Weighted average number of ordinary shares on issue for the period
Underlying dividend payout ratio	Dividend per share/Underlying EPS
PCP	Prior corresponding period
DSO	Days sales outstanding
DIO	Days inventory outstanding
r12 average working capital	Average working capital for preceding 12 months
Underlying ROE	Underlying NPAT/Average shareholders equity
LTIFR	Lost time injury frequency rate
DRP	Dividend Reinvestment Plan, when shareholders elect to utilise the plan instead of receive cash dividends it increases the number of shares on issue



# 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.

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 sky is a clear, pale blue.

*Ruralco*

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**WE'RE HERE FOR AUSTRALIAN FARMERS**