



**TIMBERCORP**  
AGRIBUSINESS  
INVESTMENT MANAGERS

# 2008 Results Presentation

**Sol Rabinowicz**

*Chief Executive Officer*

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# Agenda

- **Business highlights**
- **Key issues**
- **Financial performance**
- **Outlook / Strategic Review**
- **Appendices: segment notes, capital structure, agribusiness statistics.**

# Business Highlights

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## 2008 Highlights

- Annuity-style revenue up 32.1% to \$321.5m.
- Annuity-style EBIT up 8.5% to \$72m despite the provisions for table grapes, doubtful debts, Costa & glasshouse tomatoes.
- New sales of \$119.8m in a difficult sales environment.
- 9.5% price increase for plantation woodchips.
- Strategic review process well progressed.

# Key Issues

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## Key Issues

- MIS test case – heard in August – waiting for decision
- Current economic conditions
- Water – refer slide
- Capital intensity – refer slide
- Debt – refer slides

# Water

- Continued low allocations of water in 2008.
- TIM must pay for any temporary water purchased in the first 2 years of a project, for its 10% joint venture share in early projects and lots held by TIM.
- Otherwise, cost of temporary water passed onto growers as an operating cost and will be deducted from future proceeds.
- TIM will incur approximately \$12m in costs for temporary water across 2008 and 2009.
- 2009 prices for temporary water are currently lower than 2008 – benefit to growers and to Timbercorp.

## Capital Intensity

- Net capex fell 62% from \$261m in 2007 to \$98m in 2008.
- The capex 'tail' associated with completing prior year horticulture developments will continue for the next 4 years.
- Estimated at around \$200m funded from operating cash flows and planned asset sales.
- Into the medium term we will generate substantial operating and free cash flows that will be directed to retiring debt.
- Any new initiatives will be less capital intensive.



## Debt / Banks

- Lower than expected EBIT would have resulted in a breach of some covenants.
- TIM proactively approached its bankers and agreed new arrangements around the Company's plans to sell select assets to reduce debt.
- TIM owns unique world class assets with strong interest already shown.
- Appointed Goldman Sachs JB Were to assist in global sale process and to advise on alternative funding options.

## Current Debt

Total of \$568m comprising:

- \$69m in reset preference shares repayable or convert on 30 September 2009
- \$127m against assets held for resale.
- \$105m to be repaid out of assets held for resale.
- \$100m that now expire on or after December 2010.
- \$167 comprising other current loans including lease, finance and margin loans and short term debt in the securitisation trust.

*Other debt facilities expire variously between late 2009 and 2011 unless extended further in the ordinary course*

# Financial Results

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## Performance Summary 2008

	2008 \$m	2007 \$m	% change
<b>Revenue (operating)</b>			
- Annuity style	321.5	243.4	+ 32
- New business	119.8	143.0	- 16
- Ind ops & other	53.1	67.2	- 21
EBIT	141.7	155.9	- 9
Borrowing costs*	<u>82.0</u>	<u>63.6</u>	+ 29
Profit before tax	59.8	92.3	- 35

\* Borrowing costs include \$14.1m relating to hybrid issues

## Performance Summary 2008

	<b>2008 \$m</b>	2007 \$m	% change
NPAT (after OEI)	44.6	65.7	- 32
EPS (basic)	13.1c	22.8c	- 43
EPS (diluted)	9.3c	21.7c	- 57
Final div per share	Nil	4.0c FF	-100
Full year div per share	1.5c FF	7.0c FF	- 79

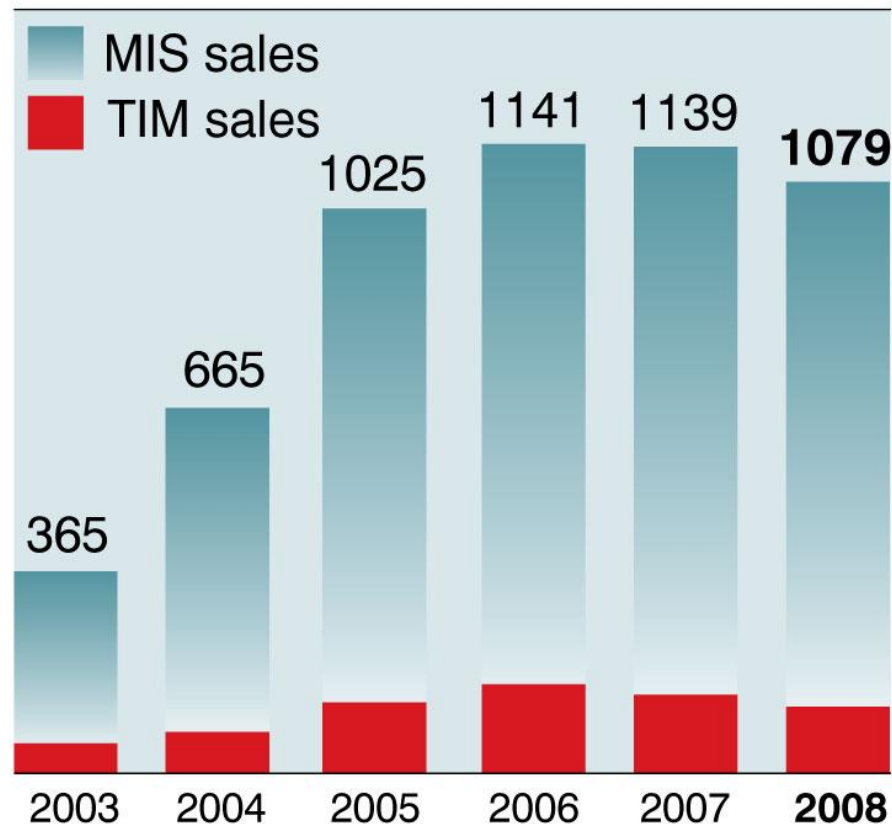
## Material Items

- Table grapes provision: \$16.4m.
- Increase in provision for doubtful debts: \$8m (2.5% to 3.5%).
- Investment property did not increase in 2008 (cf. \$5.1m increase in 2007)
- Equity accounted investments: distributions of \$5.6m (cf. \$10.2m in 2007).
- Equity accounted investment write-downs of \$9.8m – mainly Costa Exchange write-off of goodwill and glasshouse tomatoes.

## 2008 – New sales of \$119.8 million

### Total Agribusiness MIS sales

\$ Millions



Sources: Australian Agribusiness Group, Adviser Edge

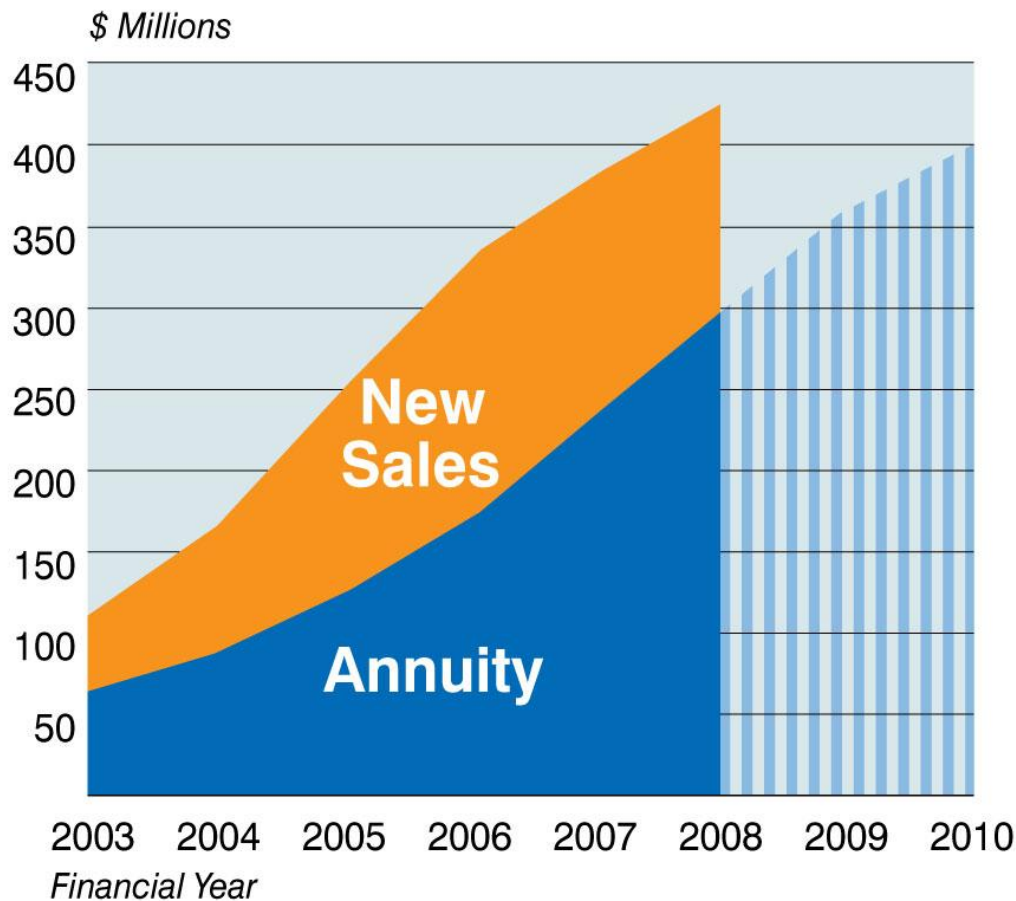
### New Business sales -

Horticulture: 69.1m

Forestry: 50.7m

# Growth in Annuity Revenues

## New Sales vs Annuity Style Revenue



## Annuity style

### revenue:

includes annual rent, management fees, % share of crop, interest on grower loans, other.

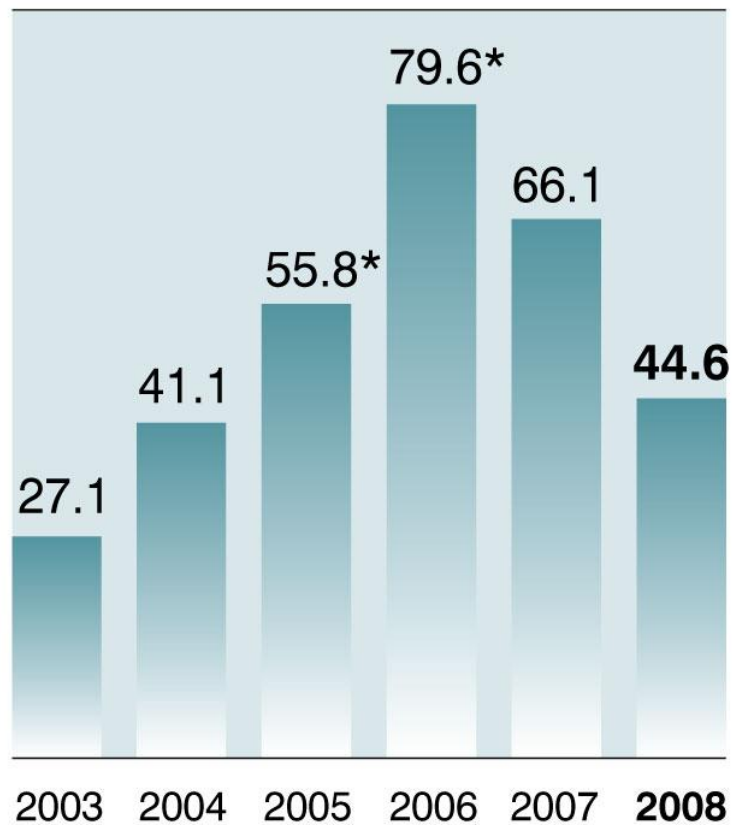
The majority is derived from horticulture projects and investments with revenue received for up to 23 years.



# Earnings performance

## Net profit after tax

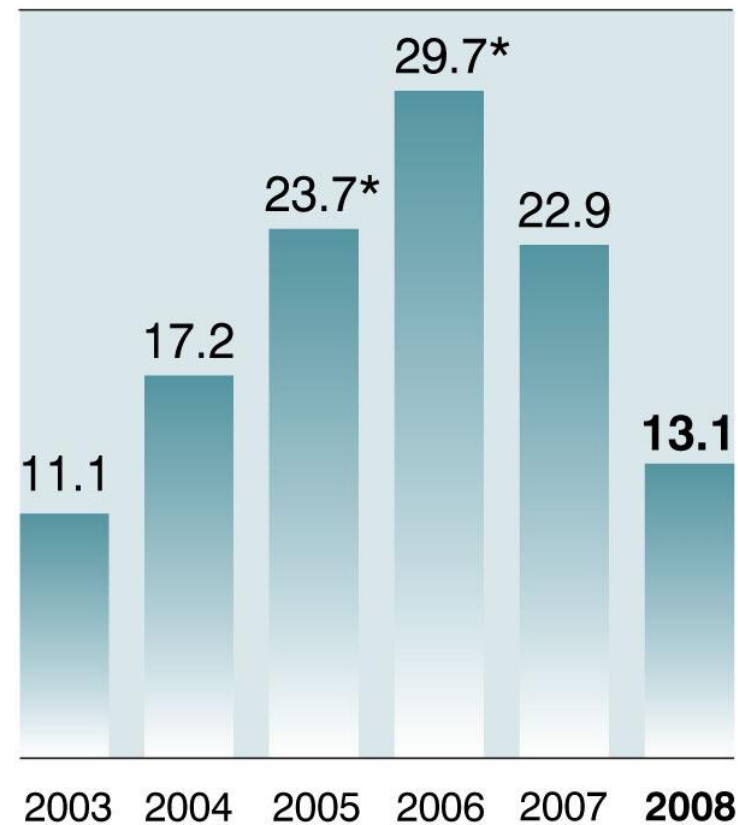
After OEI \$ Millions



\* Post A-IFRS Result

## Earnings per ordinary share

Basic CPS



\* Post A-IFRS Result

## Performance Summary 2008

	<b>2008 \$m</b>	<b>2007 \$m</b>	<b>% change</b>
Cash	32.6	45.1	- 27
Total Assets	1,729.4	1,599.3	+ 8
Net Debt	903.1	818.7	+10
Gearing (debt/[debt+equity])	61.1%	62.4%	
Gearing (net debt/equity)	151.6%	157.4%	
Interest cover (times) *	1.73	2.45	

\* EBIT / Borrowing costs

## Performance Summary 2008

	<b>2008 \$m</b>	2007 \$m	% change
Operating cash flow*	(31.7)	(44.7)	+ 29
Net Assets	595.6	519.8	+ 15
NTA / share (cents)	130.4	131.0	- 0.5
NA / share (cents)**	164.8	163.3	+ 1

\* Operating cashflow is explained in more detail in the following slide

\*\* Includes intangibles which consist mainly of high security permanent water licenses

## Operating Cashflows – loan book and DMF\* impact

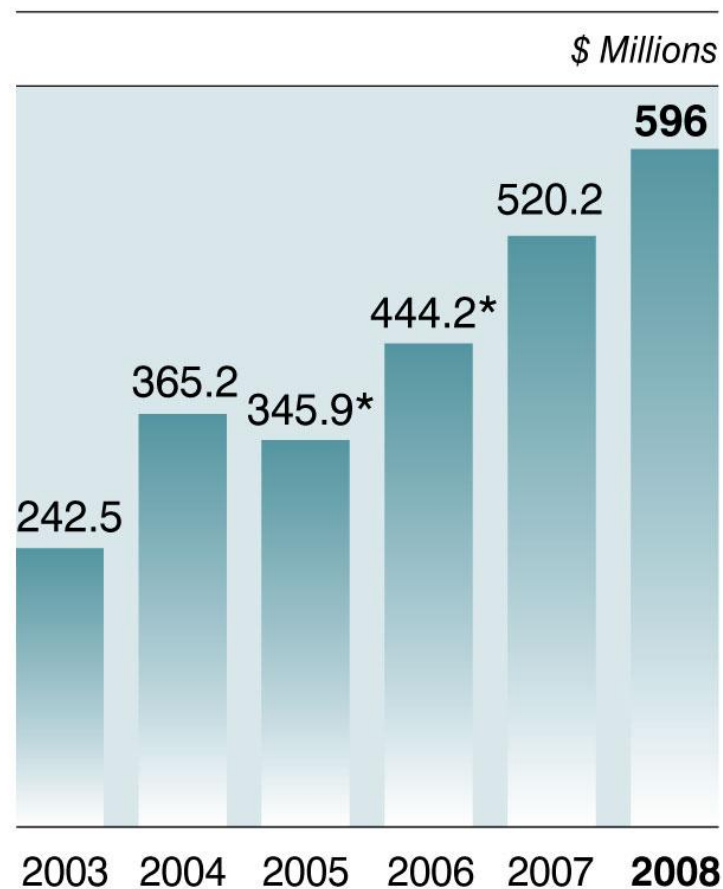
	<b>2008</b>	2007
	<b>\$million</b>	\$million
<b>Operating cash flow</b>	<b>(31.7)</b>	<b>(44.7)</b>
Net investment in loan book assets	75.7	71.0
Deferred Management Fees	<u>34.3</u>	<u>19.7</u>
<b>Adjusted operating cashflows before investment in loan book assets &amp; DMF</b>	<b>78.3</b>	<b>46.0</b>

\*DMF means deferred management fees



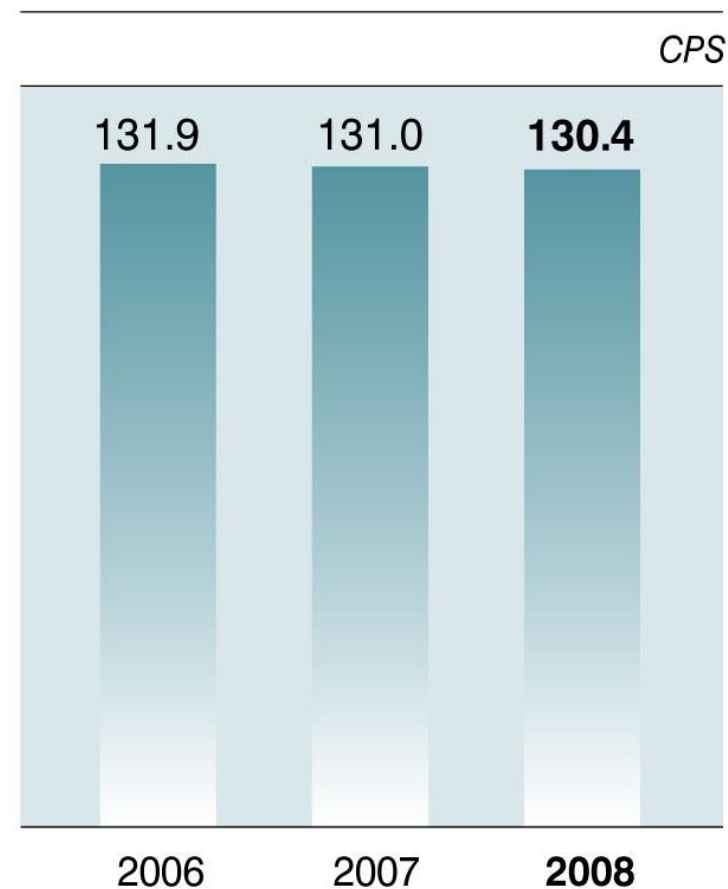
# Balance Sheet Strength

## Net assets



\* Post A-IFRS Result

## NTA per ordinary share



\* Post A-IFRS Result

# Outlook and Strategic Review

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## Outlook – Strategic Review

- Strategic review process started in August 2008 and is well advanced.

### Key background:

- Difficult environment: economic, drought and regulatory constraints.
- Requirement to reduce gearing supported by an asset sale program.
- Time lag between cap-ex program and incoming cash flows increases pressure (capital intensity).
- Strong platform assets in horticulture and forestry.
- Support of bankers.

# Strategy

- Transform into an agribusiness company initially focussed on growing our world class horticulture assets into an integrated business.
- Continue to operate and expand forestry business via a sale and leaseback of forestry land.
- Use proceeds from the sale of selected assets to reduce debt and grow the horticulture and forestry businesses.

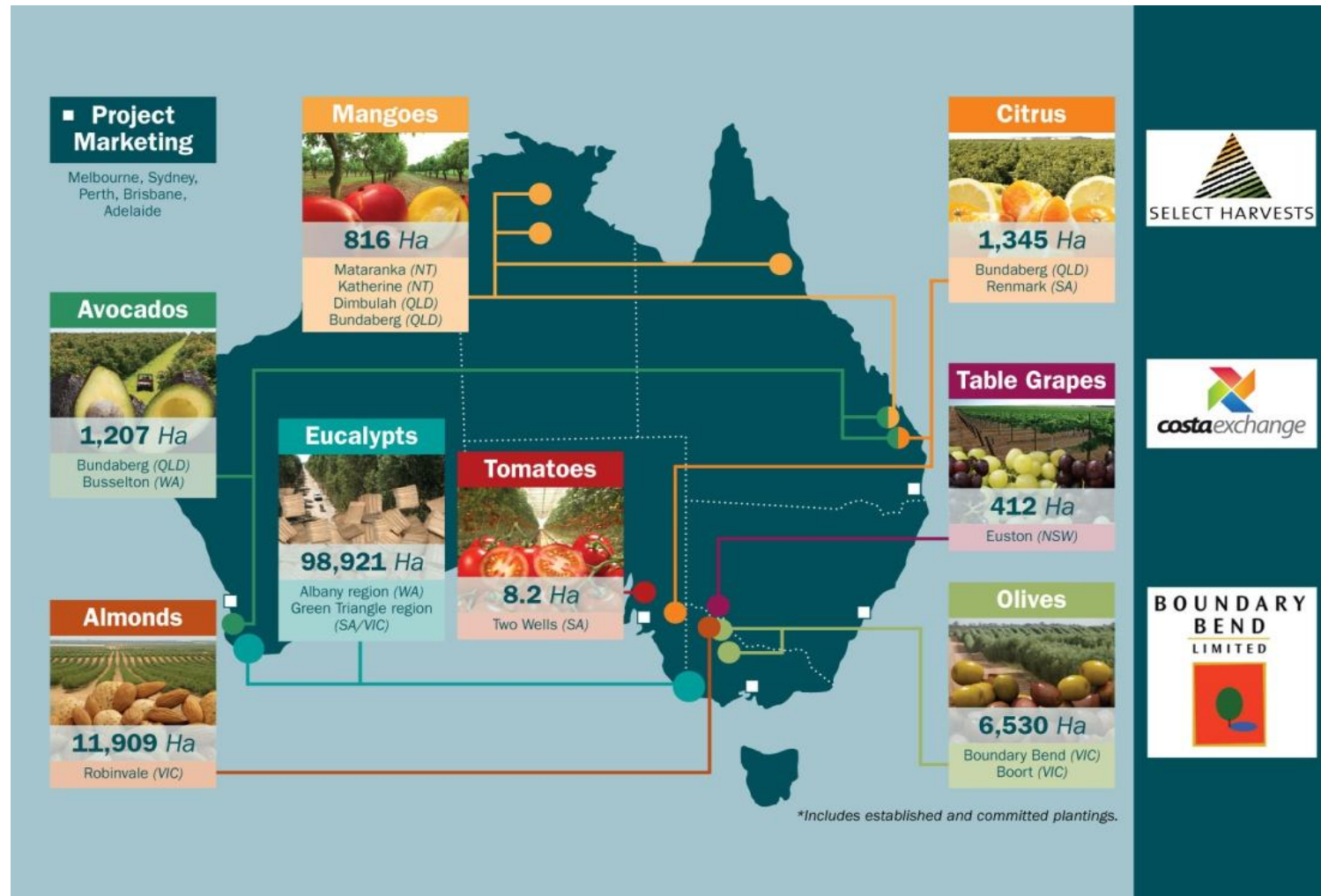


## Rationale

- The fundamentals of agribusiness are compelling driven by population and GDP growth and the reduction in arable land per capita.
- Timbercorp sits at the hub of Australia's fresh produce industry with an extensive portfolio of world-class assets and some of Australia's leading farm operators.
- These assets generate growing cash earnings over the long term driven by organic growth.
- TIM is the pre-eminent forestry company in the Australian hardwood industry confirmed by FSC Australia's inaugural award for best large plantation manager.
- These represent a strong opportunity for long term growth and further integration



# Strategy – Horticultural assets

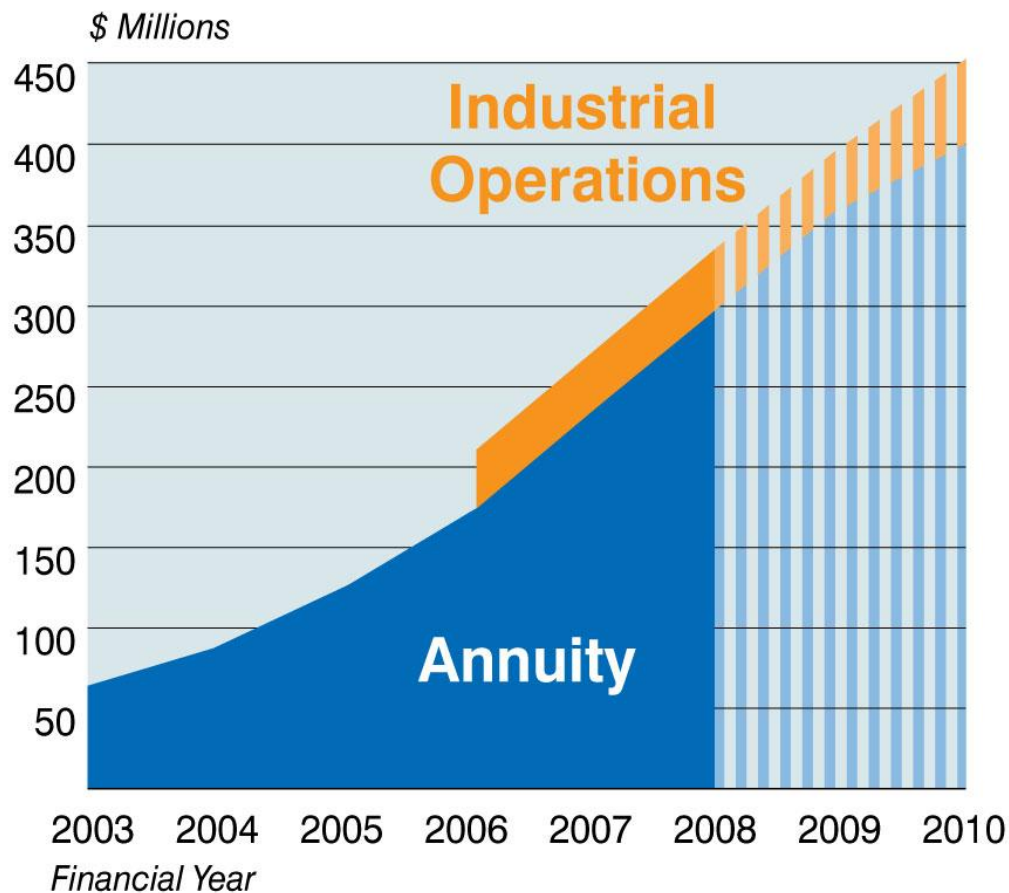


## Key Decisions – no MIS in 2009

- Stand out of the MIS market in 2009. Reconsider 2010 in the context of the strategic review and prevailing market conditions.
- Reasons include delays in the test case decision and current economic conditions.
- Decision will simplify the business, reduce overheads and allow a focus on executing the strategic plan.
- Funds management plans deferred.
- Will lead to significant drop in profit in 2009 with substantial growth from 2010 – supported by continued organic growth in the business irrespective of new MIS.

# Continued Growth in Annuity and Industrial Ops Revenues

## Industrial Operations vs Annuity Style Revenue



## Key Decisions – Asset Sales - Forestry

- Continued bank support based on a program of asset sales and reduced debt.
- Main assets sold and leased back will be the forestry land estate carried at \$280m.
- Sale will initially reduce bank debt by approximately 35% with rights to withdraw funds for additional cap-ex.
- It is intended that Timbercorp will have the right to lease back the land for the current rotation and a further one to two rotations to underpin further expansion of its forestry business.

## Key Decisions – Asset Sales - Horticulture

- Propose to sell selected horticulture assets of around \$200m.
- First asset group comprises the Boort olive grove and two small almond orchards carried at approximately \$92m.
- The company will then consider the sale of other select assets.
- The assets will be sold on a long term sale and lease back basis and will not affect current projects.
- Any sale will further reduce debt and potentially release funds for growth in the horticulture business.

## Options to Accelerate Growth in Horticulture

- Timbercorp Board and Executive have identified a number of key opportunities to grow Timbercorp's horticulture business.
- Each of these opportunities is being fully costed and assessed as part of the strategic review.
- Build up agribusiness skills within the Board and Executive.

## Implementation

- Appointed Goldman Sachs JB Were as strategic partner to assist in executing the strategy including: asset sales, reviewing strategic options and assisting in funding requirements as required.
- Strategic review process is continuing. Phase 2 due for completion in December.

“The Timbercorp Board and executive do not take for granted the risks and challenges faced in executing the strategy. But we are excited about building a leading Australian agricultural business around our world class portfolio of horticulture and forestry investments and assets.”



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## Appendix 1: Segment revenues

	New business		Annuity style		Industrial		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Horticulture	69,062	102,312	242,766	177,764	2,243	1,549	314,071	281,625
Forestry	50,718	40,717	35,264	34,472	32,150	31,064	118,132	106,253
Finance	-	-	41,695	29,370	-	-	41,695	29,370
Asset development	-	-	1,791	1,830	6,748	24,085	8,539	25,915
<b>Total of all segments</b>	<b>119,780</b>	<b>143,029</b>	<b>321,516</b>	<b>243,436</b>	<b>41,141</b>	<b>56,698</b>	<b>482,437</b>	<b>443,163</b>
Unallocated							<u>11,998</u>	<u>10,498</u>
<b>Total revenue</b>							<u><b>494,435</b></u>	<u><b>453,661</b></u>

## Appendix 1 cont: Segment results

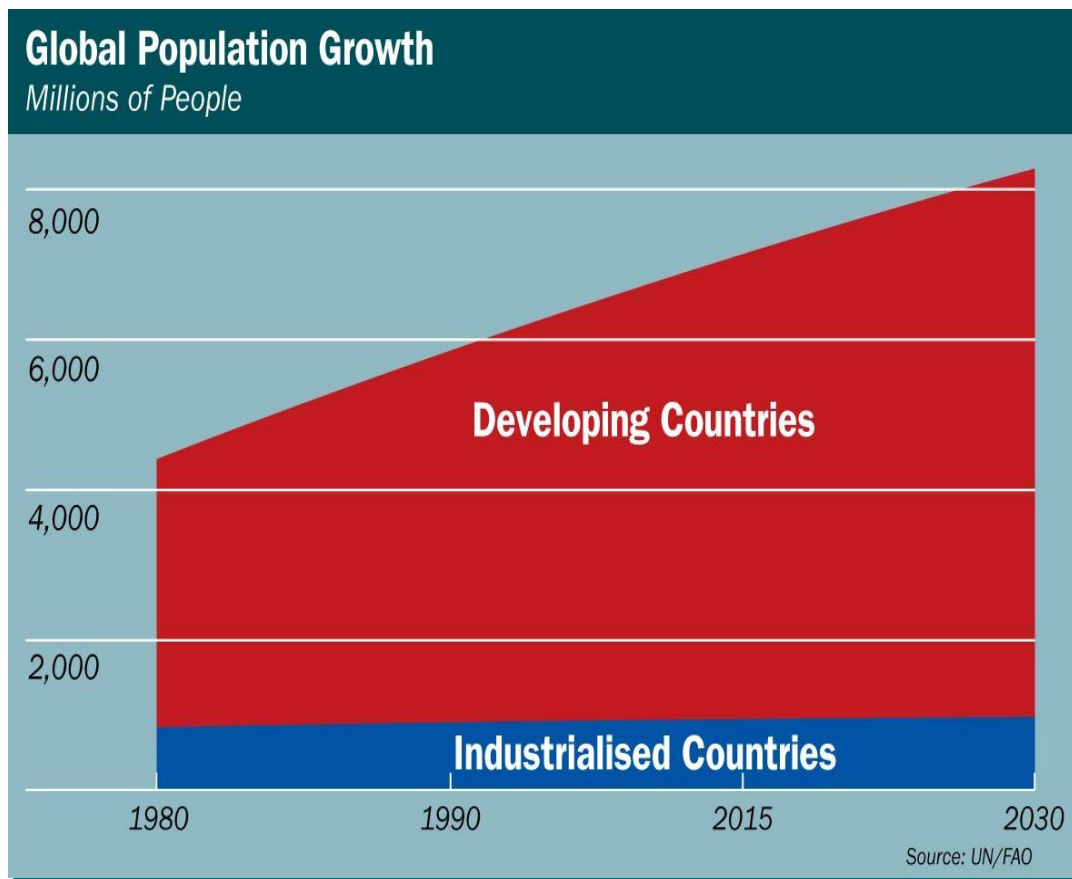
	New business		Annuity style		Industrial		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Horticulture	46,038	61,166	41,213	41,895	114	(810)	92,765	102,251
Forestry	22,643	17,528	1,679	2,533	3,824	4,640	30,346	24,701
Finance	-	-	28,847	21,605	-	-	29,347	21,605
Asset development	-	-	896	915	(38)	216	858	1,131
<b>Total of all segments</b>	<b>68,681</b>	<b>78,694</b>	<b>72,635</b>	<b>66,948</b>	<b>3,900</b>	<b>4,046</b>	<b>145,216</b>	<b>149,688</b>
Agricultural assets - fair value movement							579	5,168
Investment property - fair value movement							-	5,116
Gain / (loss) on disposal of non-current assets							1,151	(452)
Unallocated							(5,213)	(3,669)
<b>EBIT*</b>							<b>141,733</b>	<b>155,851</b>

## Appendix 2: Capital structure

	no.	book val. \$million	exp/conv.
<b><u>Equity</u></b>			
Ordinary shares	352.0m	n/a	n/a
<b><u>Listed Debt</u></b>			
TIMPB – reset. pref shares	34.8m	69.0	perpetual reset
TIMG – reset conv. notes*	830k	79.2	perpetual reset
TIMHB – bonds	500k	50.0	2010

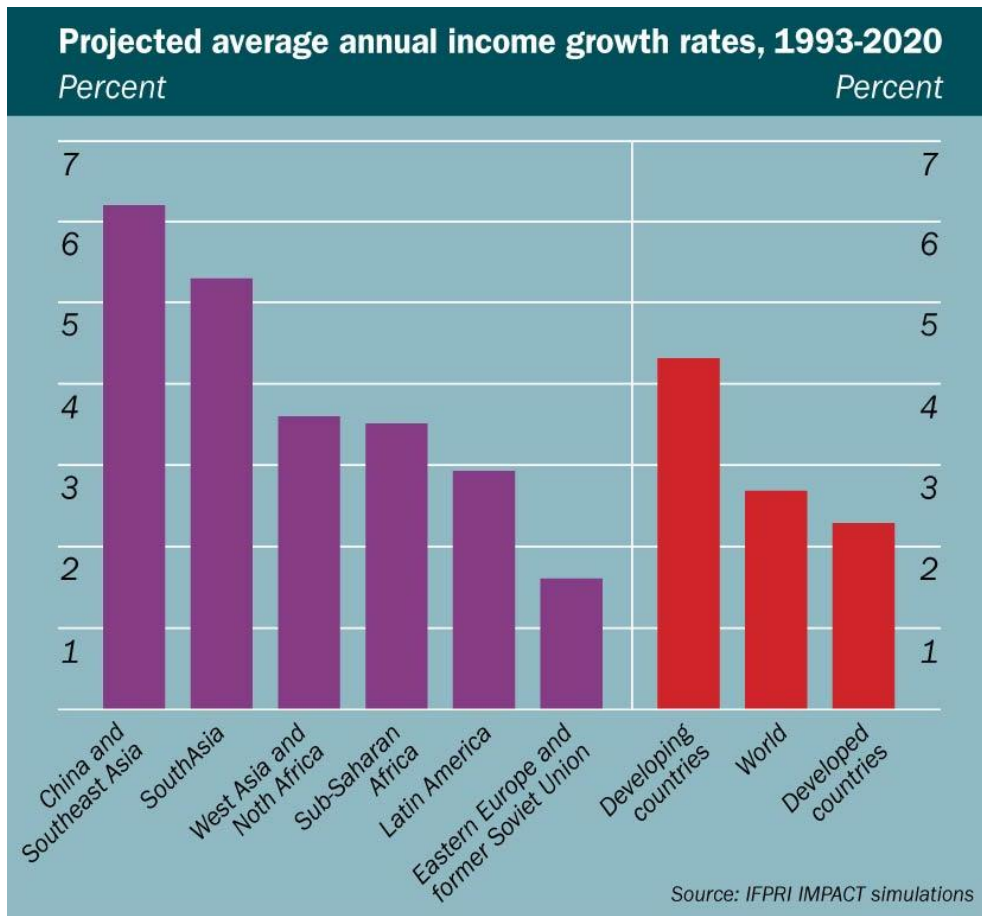
\*Includes \$3m, which is classified as equity for accounting purposes.

## Appendix 3: Global Population Growth



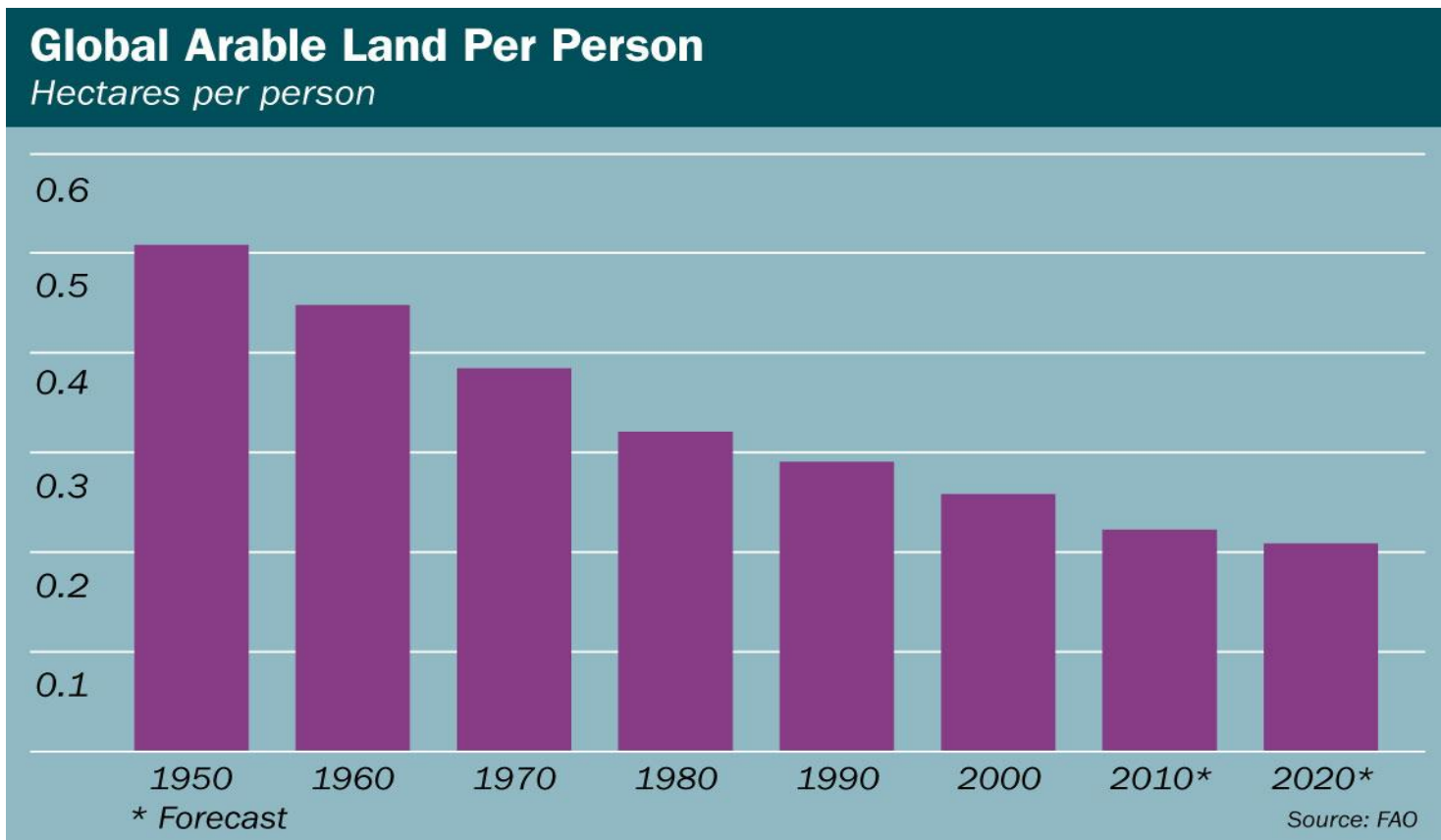
- There are now 87 million new mouths to feed every year
- UN predicts population will expand from 6.3 billion in 2004 to 8.3 billion by 2030

## Appendix 3 cont: Global Income Growth



- Developing countries - greater income available
- Food tastes shift towards “Western” style
- Healthy quality food influencing eating habits

## Appendix 3 cont: Global Arable Land Per Person



The land available worldwide to produce food  
is less than half the 1950 level