



10 May 2016

Presentation to CEDA seminar

Attached is a presentation delivered today by Elders' CEO Mark Allison to the Committee for Economic Development of Australia (**CEDA**) agribusiness investment and competitiveness seminar.

Peter Hastings

Company Secretary



Elders Limited

Mark Allison, MD & CEO

Agribusiness Investment and Competitiveness

CEDA - Brisbane

10 May 2016

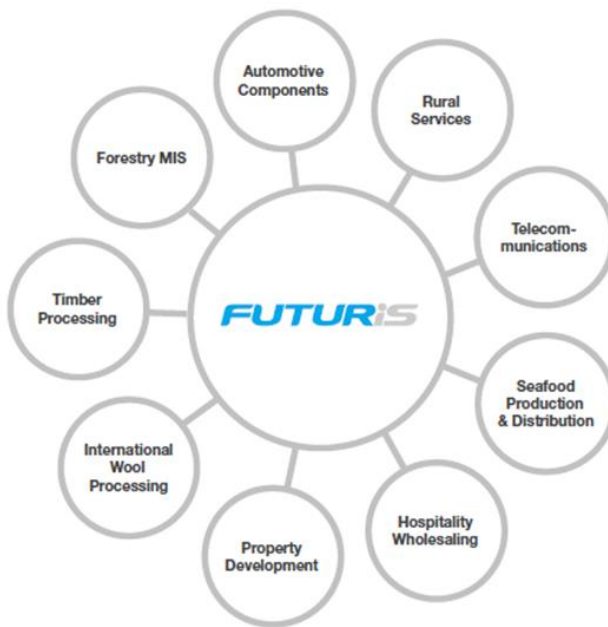


Agenda

- Elders Story
- Our Global Opportunity
- Our Challenges
- Creating Real Value
- Summary

Elders Transformation

Then
(2008)



Now
(2016)



Our Journey

- ☑ FY08 to FY13 – Survival
- ☑ FY13 to FY15 – Turnaround
- ☑ FY16 to FY20 – Growth



Elders Today

- ✓ Iconic Australian agribusiness
- ✓ Over 177 years old
- ✓ 1,800 employees
- ✓ 440 points of presence in Australia, Indonesia, Vietnam and China



Business Model

Retail Products



Farm Supplies

Fertiliser

\$926m retail sales

505k tonnes fertiliser

Agency Services



Livestock

Real Estate

Wool

Grain

9.4m head sheep

1.7m head cattle

\$1.4b real estate turnover

364k wool bales

0.4m grain tonnes

Financial Services



Banking

Insurance

\$2.7b loan book

\$1.4b deposit book

\$566m gross written premium

Principal positions are held by Rural Bank and Elders Insurance (QBE subsidiary) respectively

Feed & Processing Services



Killara Feedlot

Elders Indonesia

Elders China

Killara

50k head

Indonesia

17k head

China

\$13m sales

Live Export Services



Short haul livestock

Long haul livestock

119k head short haul

33k head long haul

Online Platforms

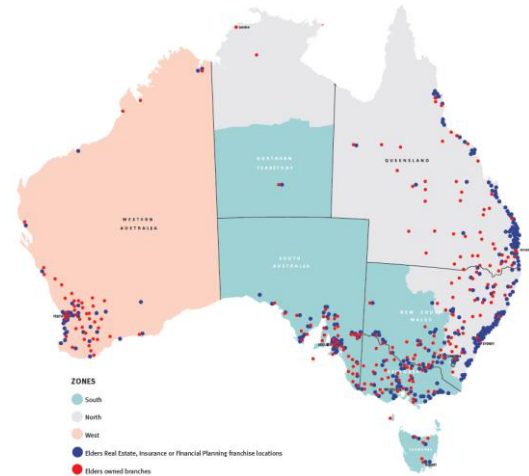
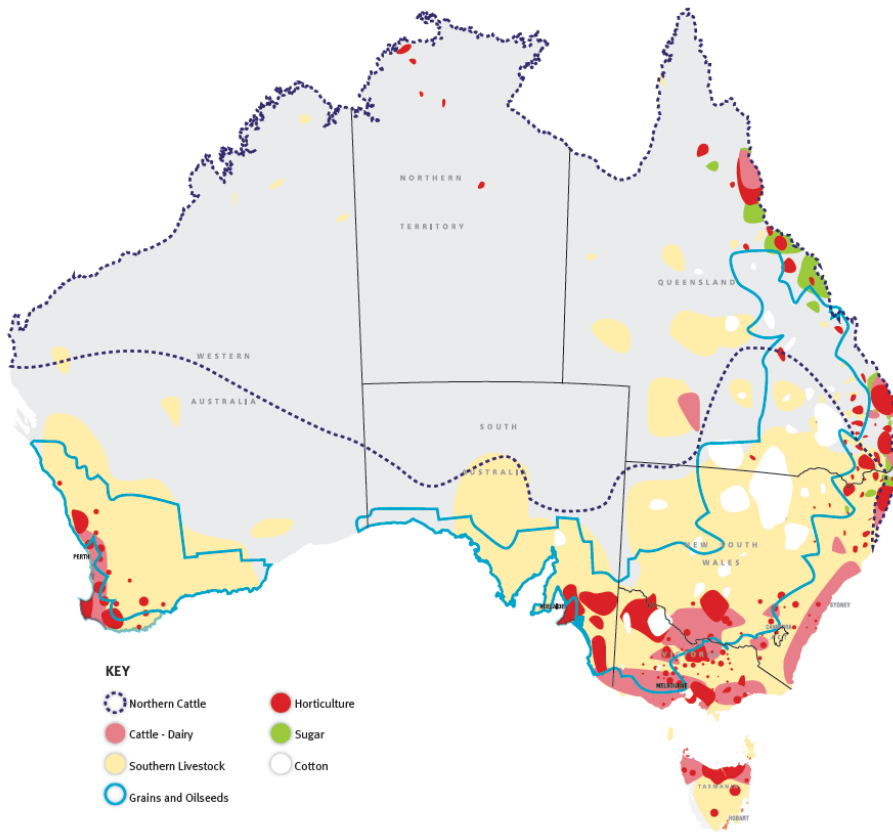
Elders Online

Auctions Plus (50%)

Livestock.com.au

Points of Presence

Elders' footprint in Australian agriculture



- Over 440 points of presence in Australia and overseas including full service branches, real estate and insurance franchises
- Key produce areas covered through our footprint
- Focus on improving reach into horticulture and sugar segments

Proximity to Growth Markets



- ✓ Key operations in China, ASEAN, North-East Asia, and access to world markets
- ✓ Proximity to Asia provides opportunity to capitalise on growing middle class demand for premium agricultural products

Eight Point Plan

Our strategic vision for becoming an efficient user of capital and a business that generates returns for its stakeholders





FY15 Year in Review

Positive environment, solid progress

- Statutory net profit after tax of **\$38.3m** up \$35.3m
- Underlying net profit after tax of **\$32.6m** up \$23.5m
- Underlying EBIT of **\$45.8m** up \$18.2m
- Operating cash outflow **\$5.3m** for the year
- Return on capital of **21.9%** up from 13.6% at September 2014
- Completed \$30m hybrid acquisition
- Winner of 2015 Large Company Turnaround of the Year Award by TMA
- Added into ASX 300 index in September 2015

Our Global Opportunity

Global trends



Population growth

World population 8 billion by 2025
85% of growth from Asia



Increased food demand

To rise 75% in first half of 21st century



Rising middle class

An example is Indonesian middle class
growing by 20-25 million every 3-5 years



Increased urbanisation

An example is that 50% of Chinese population lives
in cities and spends 270% more than rural
counterparts



Decreasing arable land

Due to urbanisation and environmental
contamination

Australian competitive advantage



Diversified geography and product base



Ample land and water supply



Proximity to Asian markets



Deregulated markets driving competition



World leading biosecurity



Best practice farming methodologies



First world infrastructure



Politically stable



Free Trade Agreements (China, Japan, Korea)



Australian Agriculture - Fast Facts

Industry snapshot

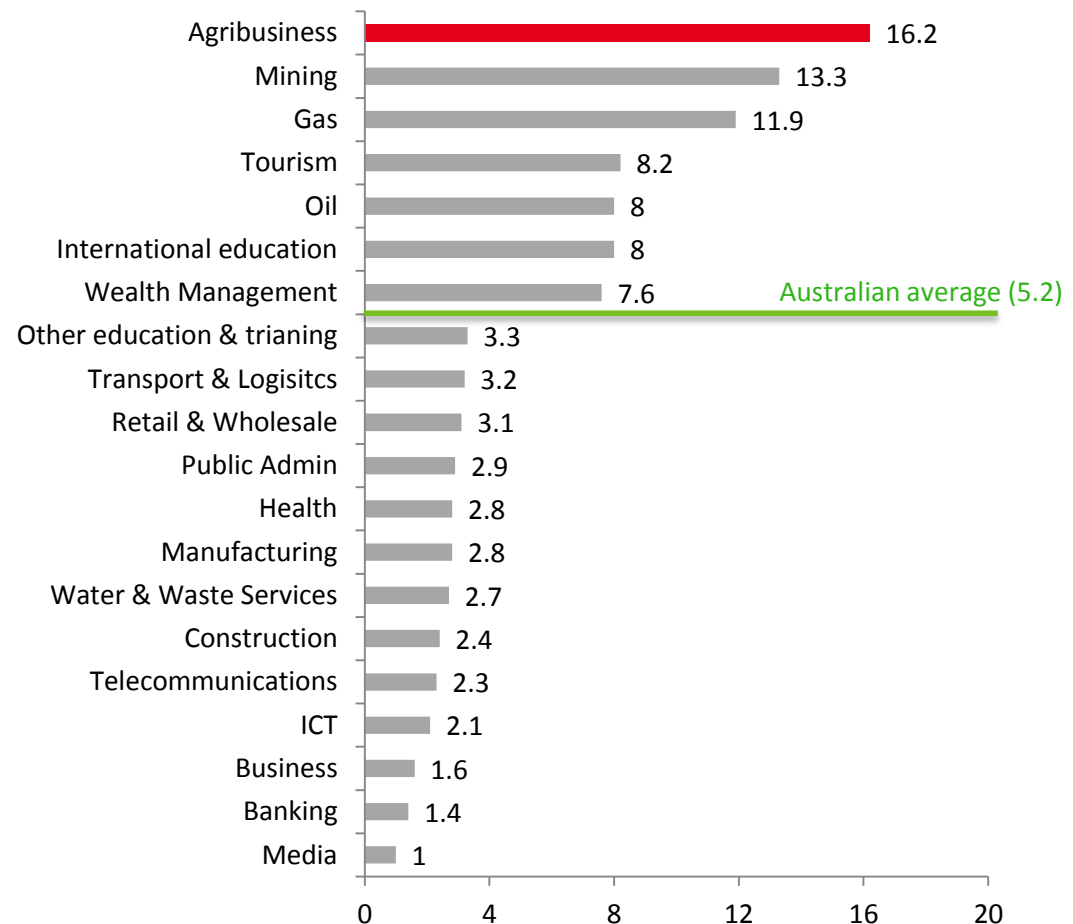
Value of Australian farm production	\$53 billion
Industry contribution to Australia's GDP	2%
Percentage of world agricultural production	1%
Producing sufficient food to feed	60 million people
Percentage of agricultural produce exported	65%
Percentage of Australia's tradable exports	15%
Median age of industry workers	50 years
People employed in the agricultural sector	270,000 (or 2% of the population)
People employed in the food, tobacco and beverage manufacturing sector	223,000
Percentage of agricultural employees living outside capital cities	89%

Agriculture Growing in Importance

- Australia is transitioning from the mining boom to the dining boom.
- Global demand for food increasing rapidly – 70% more food required by 2050.
- Australia can't feed the world but it can increase production and exports.
- Success will depend on our competitiveness.

Sectors of relative comparative advantage for Australia

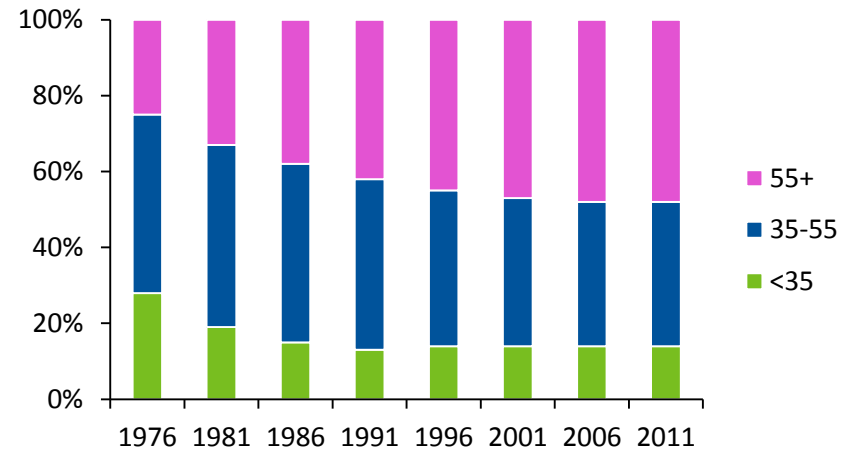
Relative advantage score



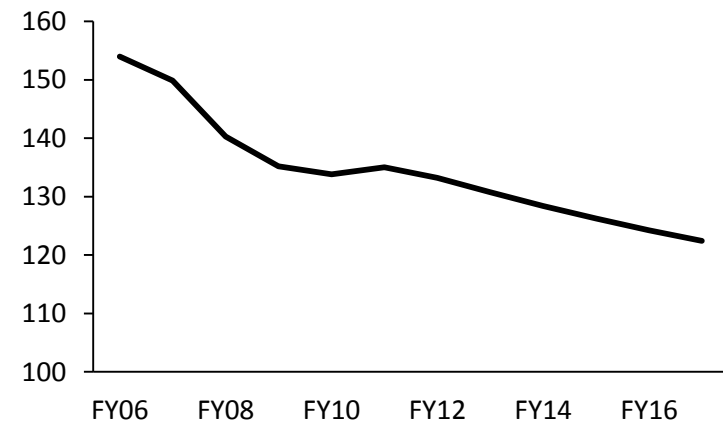
Our Challenges

- Declining productivity
- Managing drought
- Ageing farmers
- Less farms
- Higher input costs and declining cash income
- Tightening lending criteria
- Quality and quantity of our infrastructure and transport network

Australian farmer population by age group
%

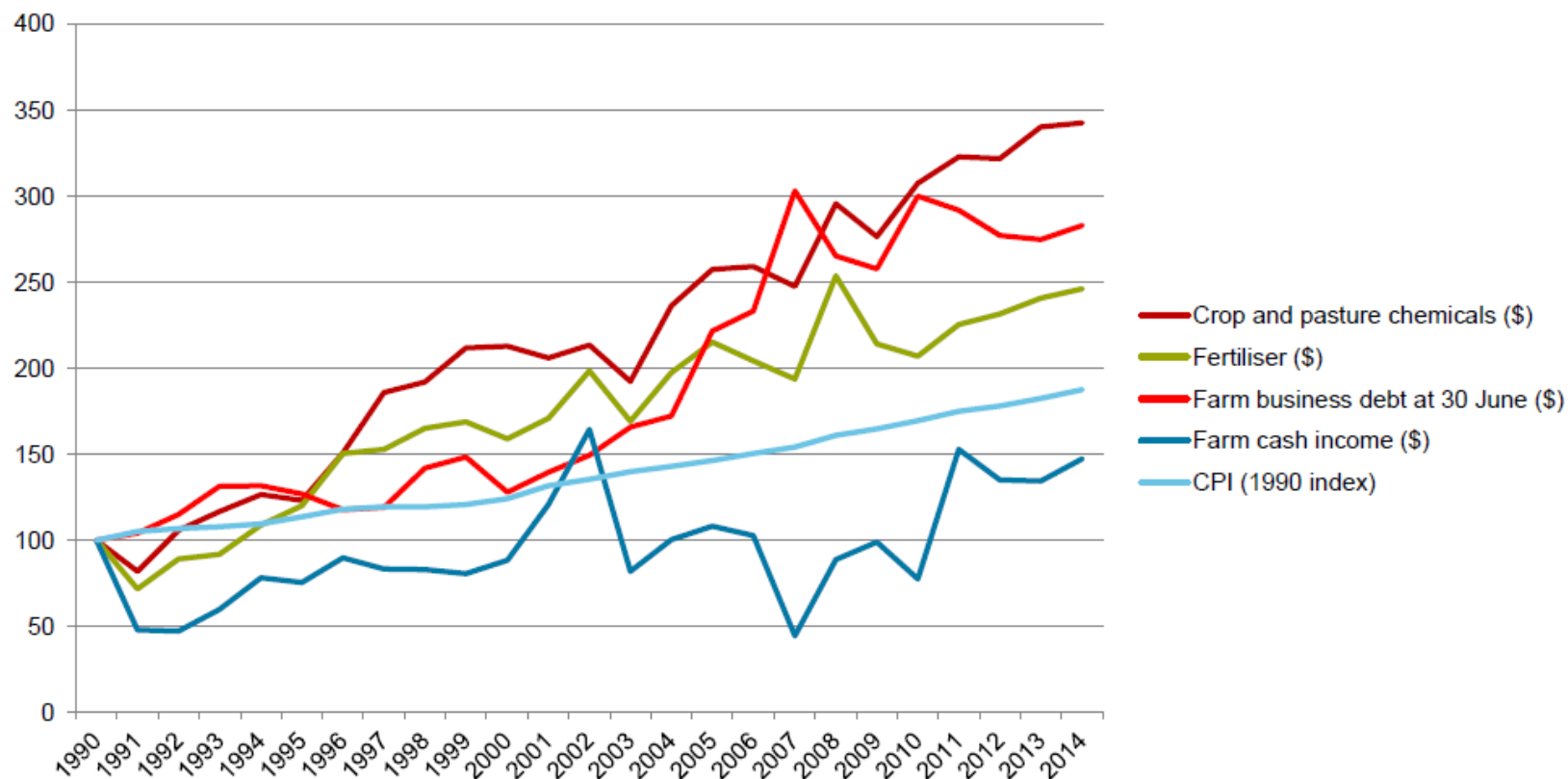


Number of Australian Farms
Thousands

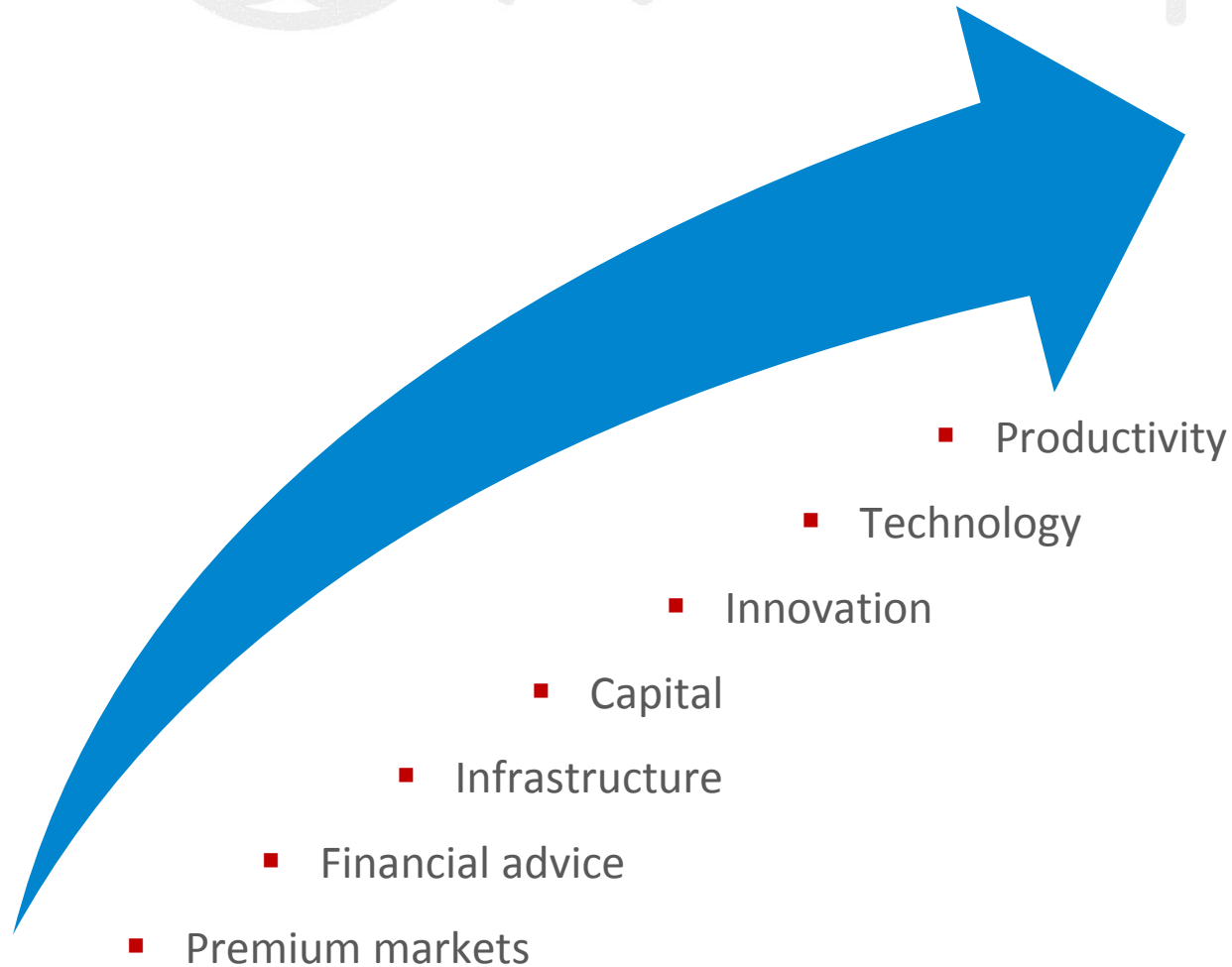


Costs Outpacing Farm Incomes

On-farm operation factor indexes



Production Enablers

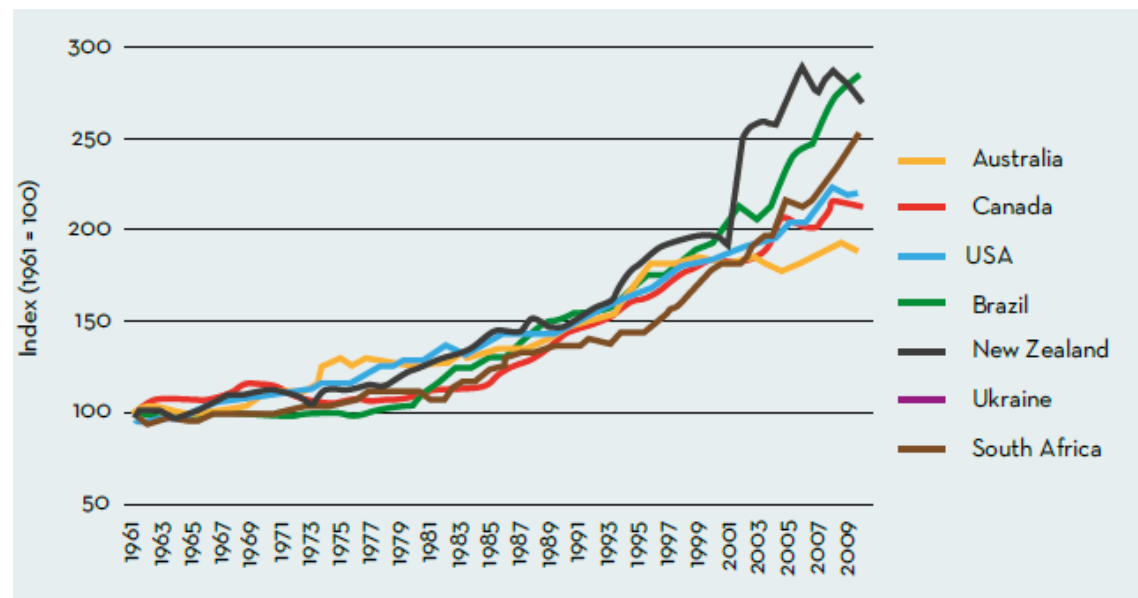


Sustainable Productivity

Requires increasing scale and innovation

- Productivity growth is a major driver of the long-run competitiveness and profitability of Australian farmers.
- Post 1997, Australian agribusiness has experienced a significant reduction in productivity.
- New Zealand, Brazil and South Africa have all experienced strong productivity growth over the past decade.

Total factor productivity of selected agricultural nations¹
Index



Transformative Technologies

Changing the face of Australian agriculture

- Robotic technologies have the potential to greatly enhance farm efficiency.
- Genetic technology will improve crop and pasture yields and become more resistant to weeds, pests and climate risks.
- Advanced sensory systems and data analytics will support advanced and highly integrated farm-to-fork supply chains.
- Natural fibres (wool, cotton, leather) will also face increasing competition from synthetic clothing.

Elders has partnered with SwarmFarm Robotics to develop robotic technology to use in cropping.



Described as a golf cart with brains, prototypes like this from SwarmFarm Robotics could change the face of Australian agriculture.

Infrastructure is Critical

- For some agricultural commodities, the cost of transport from farm gate to an overseas market can exceed 40% of the value of the product.
- Every cent saved in transports cost goes back towards farm profits.

Transport Costs in Australian Agriculture

\$133/tonne Wheat in Northern NSW to Japan

48.5%

- \$85 Farm to Newcastle (road/rail/storage)
- \$49 Newcastle to Japan (port/ocean freight)

\$200/head Beef Cattle in NT to Indonesia

30%

- \$46 Farm to Darwin (road/health protocols)
- \$153 Darwin to Indonesia (port/ocean freight)

Transport cost a percentage of farmgate return



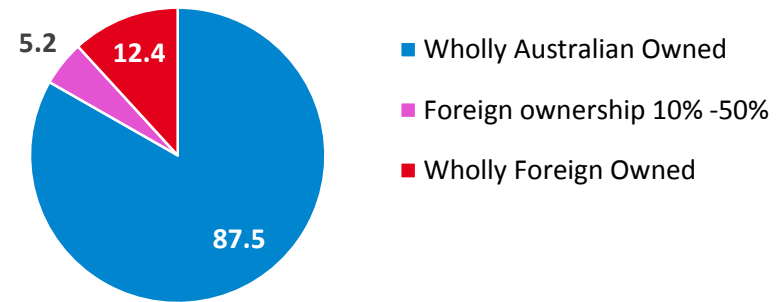
Rural Australia needs Capital

Australia requires A\$1 trillion in additional capital investment by 2050

- New capital investment is required across the entire supply chain.
- Australia's superannuation funds invest on average just 0.3% of their portfolios in the agriculture sector.
- Returns on investment are often volatile, and value is created over the longer term.

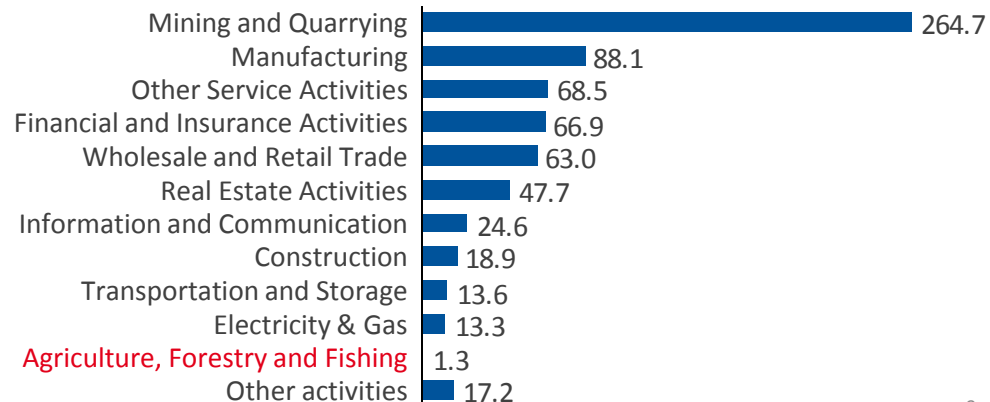
Ownership of Australian Farmland

Percent



Direct Foreign Investment Levels by Industry

As at 31 December 2014, Billion dollars



Elders is Creating Real Value for Australian Farmers

Increasing productivity

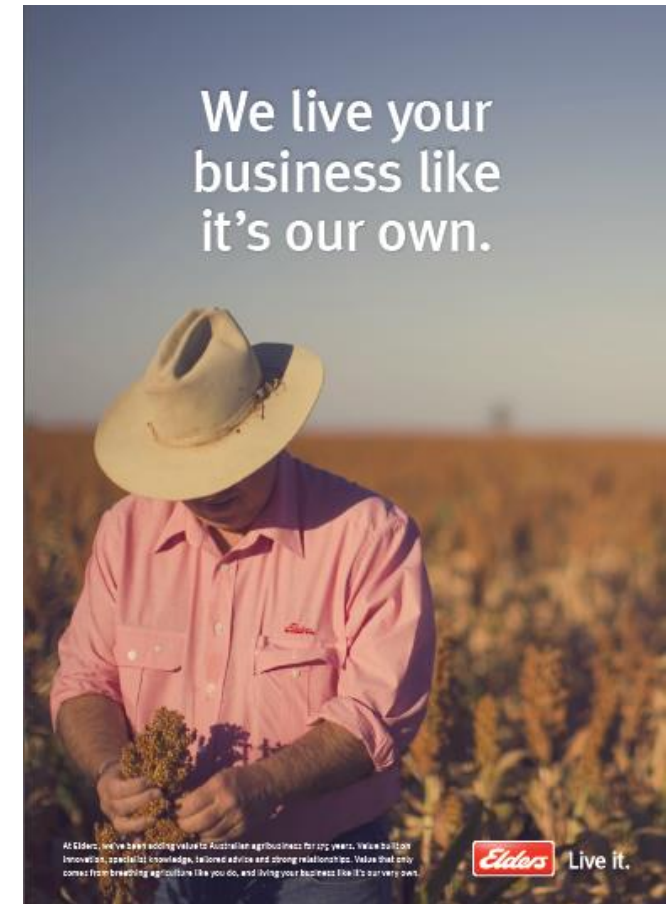
- Providing expert production advice
- Developing the Agronomic Centre of Excellence
 - Providing technical training
 - Directing R&D investment
 - Improving adoption of R&D on farm
- Investing in plant genetics (potatoes, summer and winter grains, forage)

Encouraging innovation

- Working with multinational corporations on animal health and nutrition and breeding.
- Partnering with industry bodies and co-operative research centres (GDRC, HIA, MLA, Dairy Australia, CSIRO, AusVeg and private organisations)

Summary

- ✓ Turnaround phase complete
- ✓ Eight Point Plan largely on track
- ✓ Embracing Growth phase
- ✓ Company and industry fundamentals solid
- ✓ Corporate and National success is not accidental







Disclaimer and Important Information

Forward looking statements

This presentation is prepared for informational purposes only. It contains forward looking statements that are subject to risk factors associated with the agriculture industry many of which are beyond the control of Elders. Elders' future financial results will be highly dependent on the outlook and prospect of the Australian farm sector, and the values and volume growth in internationally traded livestock and fibre. Financial performance for the operations is heavily reliant on, but not limited to, the following factors: weather and rainfall conditions; commodity prices and international trade relations. Whilst every endeavour has been made to ensure the reasonableness of forward looking statements contained in this presentation, they do not constitute a representation and no reliance should be placed on those statements.

Non-IFRS information

This presentation refers to and discusses underlying profit to enable analysis of like-for-like performance between periods, excluding the impact of discontinued operations or events which are not related to ongoing operating performance. Underlying profit measures reported by the Company have been calculated in accordance with the FINSIA/AICD principles for the reporting of underlying profit. Underlying profit is non-IFRS financial information and has not been subject to review by the external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not considered to be related to ongoing operating performance.