

21st October 2013

ASX: RHL - MARKET UPDATE

Ruralco Holdings Limited (Ruralco) has today advised that it expects the Company's reported net profit after tax (NPAT) for the full year ended 30 September 2013 to be in the range between a breakeven result and a loss of (\$1m), compared to a profit for the prior corresponding period (pcp) of \$13.8m and follows a net loss after tax in the first half of FY13 of \$0.5m.

Underlying profit measures, before non-recurring items, are expected to be in the range of:

- Net profit after tax (Underlying NPAT): 50% to 55% lower than the pcp of \$15.6m;
- Earnings before interest, tax, depreciation & amortisation (Underlying EBITDA): 30% to 35% lower than the pcp of \$44.8m.

Strong progress continues to be made on the delivery of Ruralco's strategic agenda which is focused on diversifying and growing its business geographically, by product and by service.

Managing Director, John Maher, said "While the business has performed credibly in terms of activity volumes and cost management, performance was impacted by markedly lower livestock commodity prices and reduced first half agricultural chemical sales, a product of hot and dry seasonal conditions during the first half. Pleasingly, rural supplies returned a solid second half performance and an increase in full year gross profit."

"Although we have seen some recovery in sheep and lamb indicator prices in the second half, beef prices remain under pressure due to reduced rainfall and feed levels in northern Australia and parts of eastern Australia. As a result, the predominance of underweight stock, exacerbated by reduced marketing outlets in these northern areas, has impacted commission revenues for much of the year", commented Mr Maher.

"While the Agfarm grain business was unable to repeat its record prior year performance with grain tonnes marketed 23% below pcp, the result was consistent with wider industry experience for the 2012/13 harvest when high international grain prices strongly favoured participants operating in the cash sale market, relative to providers of pooling and managed sale products", he went on to say.

In addition to the solid performance from rural supplies, Ruralco expects to report steady or increased gross profit contributions on the pcp in wool, real estate, general insurance and water solutions.

The FY13 reported NPAT is anticipated to include approximately net \$9m (post-tax) of non-recurring items, with the major cost (\$7m) being the mark-to-market write down of Ruralco's investment in Elders Limited and costs associated with its proposed acquisition of Elders Rural Services. The balance of the one-off impacts (net \$2m) include redundancy costs associated with operational cost savings and back office consolidation strategies, inventory write-downs arising from our discontinued hardware importing business, and an investment valuation gain on our 50% stake in Agfarm.

Strategy

Ruralco continues to invest in growing and diversifying its business;

- Consistent with the strategy to grow its national footprint, Ruralco recently added the Sunraysia Water Exchange business, based in Wentworth, New South Wales, and opened greenfield stores in Barham and Culcairn in the Riverina region of New South Wales. This brings the total of new business locations for the group this year to thirteen;
- Working with joint venture partners, CHS Inc, to further capitalise on opportunities in the Agfarm joint venture business.

Ruralco is also focused on a range of improvement initiatives, including:

- Completing a twelve month programme to secure permanent cost savings across operational business units which is anticipated to deliver an annualised benefit in the range of \$9m;

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- Working towards a leaner, centralised back office structure, which is now substantially complete following the relocation in June 2013 of finance and IT functions from Hobart to the existing Sydney shared services site;
- Improving the customer experience and productivity by investing in new Point of Sale technology, refurbishing store layouts and introducing the RuralcoLink information portal which assists in widely sharing agronomy technical expertise across the whole Ruralco network.

Ruralco will report its full year results on 19 November 2013.

Further information:

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Ruralco Holdings Limited (ASX: RHL), is a leading Australian owned agribusiness. Ruralco operates through a national footprint of businesses that specialise in providing rural customers with products and services in merchandise, fertiliser, seed, wool, livestock, real estate, risk management, water, grain, finance and insurance. Ruralco's businesses around the country operate under their own brands. They have their own cultures, their own service models and their own unique value propositions – all designed to meet the demands of local or regional markets. The group's businesses are committed to supporting the communities within which they operate.

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