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ASX & Media Release

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ACQUISITION OF AIRR AND EQUITY RAISING

KEY HIGHLIGHTS

- Elders Limited ("**Elders**") has entered into a scheme implementation deed with Australian Independent Rural Retailers ("**AIRR**") to acquire 100% of AIRR's shares on issue by way of a scheme of arrangement (the "**Scheme**" or "**Acquisition**") for A\$10.85¹ per share ("**Acquisition Price**")
- The Acquisition consideration comprises 50% cash and 50% Elders scrip with a mix and match facility provided to AIRR shareholders²
- The Scheme has been unanimously recommended by AIRR's Board of Directors in the absence of a superior proposal and subject to the independent expert to be engaged by AIRR confirming that the Scheme is in the best interest of AIRR shareholders
- Compelling strategic rationale by providing entry to the wholesale rural services market which enables a new growth channel and is consistent with Elders' Corporate Acquisition Principles
- Potential to deliver net synergies of A\$6.6 - 9.3³ million per annum, to be gradually realised over the next two years
- The Acquisition Price is compelling for AIRR shareholders and represents a premium of 27% to AIRR's 60 day VWAP⁴ of \$8.51
- Expected⁵ to deliver low single digit EPS accretion on an FY19 pro forma basis⁶ before synergies and low double digit EPS accretion post synergies⁷
- Elders is funding the Acquisition through a A\$137⁸ million equity raising and issue of A\$79 million of new Elders shares to AIRR shareholders as scrip consideration
- The Elders Directors have each confirmed their intention to participate in the Entitlement Offer
- Elders anticipates pro forma average FY19 net debt / EBITDA⁹ < 2.0x and is targeting average net debt / EBITDA of 1.5 – 2.0x for FY20

Commenting on the Acquisition, Mark Allison, Managing Director and CEO, said "Acquiring AIRR will give Elders a national wholesale platform. By preserving continuity of AIRR's key management team and independent identity through

¹ The cash consideration payable will be reduced by the amount of any fully franked AIRR dividend which is permitted, up to \$2.85 per share.

² The mix and match facility will allow each AIRR shareholder to elect to receive: (a) all of their consideration (reduced by the amount of any permitted AIRR fully franked dividend up to \$2.85 per share) as cash; or (b) all of the consideration amount (reduced by the permitted special dividend amount, if any) as Elders shares; or, if they make no election, they will receive the default consideration of \$5.425 in cash (reduced by the permitted special dividend amount, if any) and \$5.425 in Elders shares. The mix and match facility is subject to a scale back mechanism such that the total cash consideration will be \$79 million (less the aggregate amount of the permitted AIRR dividend, if any) and the total number of Elders shares issued as share consideration will be 13.0 million shares issued at \$6.03 per share.

³ Excludes one-off implementation costs.

⁴ VWAP calculation includes approved transactions only; last completed trade at \$8.50

⁵ Including a full year contribution from AIRR and based on AIRR forecast EBIT for the 12 months to 30 September 2019 and assuming the Acquisition had come into effect from 1 October 2018, therefore, no pro forma corporate tax payable on this income by Elders due to the utilisation of accumulated tax losses.

⁶ Before amortisation of identifiable intangibles; stated prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating Elders standalone EPS based on this bonus element adjustment factor would increase Elders EPS accretion by 1.3% and 1.4% before and after midpoint synergies of ~\$8m, respectively; bonus element is calculated to reflect discount to TERP (excluding Placement) and is based on Elders' last traded price at 12 July 2019 of A\$6.13 per share and TERP of A\$6.05 per share; assuming the mid-point of Elders NPAT guidance of A\$61 million to A\$64 million.

⁷ Assumes ~\$8 million of net synergies based on the mid-point of the estimated range of \$6.6 - 9.3 million; excludes one-off implementation costs.

⁸ \$137 million will also be used to repayment of debt and funding of transactions costs.

⁹ EBITDA is non-IFRS/non-GAAP financial measure and defined as earnings before interest, tax, depreciation and amortization; EBITDA per Elders' FY19 forecast and AIRR forecast EBITDA for the 12 months to 30 September 2019 (excluding synergies); Estimated pro forma average FY19F net debt / EBITDA calculated based on estimated Elders standalone average net debt for FY19F of \$216 million adjusted to reflect the \$18 million reduction in Elders' net debt following the Equity Raising.



a light touch integration, AIRR will continue to deliver the benefits to its independent members which have enabled it to achieve a track record of consistent growth. By working with AIRR, we look forward to further enhancing AIRR's offering to its diverse customer base and continuing to grow the business together."

Commenting on the Acquisition, Peter Law, AIRR Managing Director, said "AIRR is a recognised leader in the wholesale market and we believe that partnering with Elders will add value to our members, farmers and customers."

"Like Elders, AIRR is a business with a track record of driving Australian agricultural success. We have grown consistently since establishment in 2006 and we are pleased to be continuing this growth with the support of Elders. Our key management team will continue unchanged, delivering the same benefits our independent retailer customers rely on."

OVERVIEW OF AIRR

Established in 2006, AIRR is a member based buying and marketing group for independent rural merchandise and pet and produce stores. The business is a national wholesale platform supported by a network of eight warehouses servicing more than 1,500 customers. AIRR has approximately 240 independent member stores and an additional 100 Tuckers Pet & Produce stores located across Australia. AIRR also owns and operates 5 retail locations in Victoria.

AIRR provides its customers access to more than 6,000 products (SKUs) from more than 650 suppliers. Among the products offered by AIRR are two private label ranges: *Apparent*, a range of agricultural chemicals and *Independents Own*, a range of animal health, feed and general merchandise products. In September 2018, AIRR acquired The Hunter River Company which has a portfolio of over 50 animal health product Australian Pesticides and Veterinary Medicines Authority ("APVMA") registrations.

AIRR is expected to generate EBITDA of A\$21.9 million for the twelve months to September 2019.

AIRR is diversified by product category, decreasing its exposure to weather related cycles, as well as by geography and customer type. AIRR's top 20 customers represented 22% of sales for FY18.

COMPELLING STRATEGIC RATIONALE AND ACQUISITION INTEGRATION APPROACH

The Acquisition is in line with Elders' Corporate Acquisition Principles and the key strategic advantages of the Acquisition for Elders are as follows:

1. AIRR is a large scale wholesale business with a strong track record having achieved an FY13 – FY19 EBITDA CAGR of 18%¹⁰. The business is diversified by product type and customer base;
2. it creates the opportunity for Elders to leverage AIRR's distribution and logistics coverage. This is expected to have immediate short term benefits in improving Elders' supply chain and a solid longer term pathway to adapt to changes in consumer demand;
3. it provides Elders with a new channel for growth through access to independent rural, pet and produce retailers; and
4. it increases Elders' portfolio of APVMA registrations, particularly in animal health, and provides the opportunity to grow the reputable AIRR, Tuckers, Apparent¹¹ and Independents Own brands.

¹⁰ CAGR is defined as compound annual growth rate and calculated based on AIRR June 2013 – June 2018 actuals and forecast EBITDA for the 12 months to 30 September 2019.

¹¹ Apparent brand used under exclusive license.



Elders expects that the Acquisition has the potential to capture net synergies of A\$6.6 – 9.3 million per annum, gradually realised over the next two years. In particular, the Acquisition gives rise to further incremental margin from backward integration of animal health, crop protection and animal related products.

Elders expects achieving this while preserving AIRR's key management, brands, and operations through a light touch integration. After completion of the Acquisition, it is proposed that Peter Law will continue to manage AIRR with a focus on growing the business.

SHAREHOLDER VALUE CREATION

The Acquisition is expected to create value for both Elders and AIRR shareholders.

Including a full year contribution from AIRR¹², the Acquisition is expected to deliver low single digit EPS accretion on an FY19 pro forma basis¹³ before synergies and low double digit EPS accretion post synergies¹⁴.

In addition to providing Elders with additional growth avenues, the Acquisition is expected to contribute to making Elders a stronger agribusiness with further diversified earnings. Elders also expects to be able to utilise its accumulated tax loss position in respect of AIRR's income after the Acquisition.

The Acquisition values AIRR at A\$157 million on equity value basis and A\$187 million on an enterprise value basis¹⁵.

- The Acquisition Price represents a 27% premium to AIRR's 60 day VWAP¹⁶ of \$8.51.
- The Acquisition implies 8.8x FY19 EV / EBIT¹⁷ pre synergies or 6.4x FY19 EV / EBIT¹⁴ post synergies of ~8 million¹⁸.

ELDERS' TRADING UPDATE

Elders reiterates previously provided FY19 guidance and remains confident to deliver (excluding any contribution from AIRR):

- Underlying EBIT in the range of A\$72 – 75 million
- Underlying NPAT in the range of A\$61 - 64 million

Improved results compared to last year in the third quarter:

- Retail margin up across all geographies, with additional acquisition earnings from Titan through backward integration
- Agency margin improved with benefit from sheep prices
- Financial services EBIT improvement

¹² Based on AIRR forecast EBIT for the 12 months to 30 September 2019 and assuming the Acquisition had come into effect from 1 October 2018, therefore, no pro forma corporate tax payable on this income by Elders due to the utilisation of accumulated tax losses.

¹³ Before amortisation of identifiable intangibles; stated prior to applying the adjustment factor to take in account the bonus element of the Entitlement Offer consistent with AASB 133. Restating Elders standalone EPS based on this bonus element adjustment factor would increase Elders EPS accretion by 1.3% and 1.4% before and after midpoint synergies of ~\$8m, respectively; bonus element is calculated to reflect discount to TERP (excluding Placement) and is based on Elders' last traded price at 12 July 2019 of A\$6.13 per share and TERP of A\$6.05 per share; assuming the mid-point of Elders NPAT guidance of A\$61 million to A\$64 million.

¹⁴ Assumes ~\$8 million of synergies based on the mid-point of the estimated range of \$6.6 - 9.3 million; excludes one-off implementation costs.

¹⁵ AIRR implied enterprise value based on FY19 and FY20 Jun-YE estimated average annual AIRR net debt of \$30 million, being 12 months' actual management accounts to 30 June 2019 and 12 months' forecast to 30 June 2020.

¹⁶ VWAP calculation includes approved transactions only; last completed trade at \$8.50

¹⁷ Based on forecast EBIT for the 12 months to 30 September 2019. EBIT is non-IFRS/non-GAAP financial measure and defined as earnings before interest and taxes.

¹⁸ Assumes ~\$8 million of synergies based on the mid-point of the estimated range of \$6.6 - 9.3 million; excludes one-off implementation costs.



ACQUISITION CONDITIONS

The Acquisition is subject to AIRR shareholder approval, approval of the Court, no material adverse change and ACCC approval as well as a number of other customary conditions. The full terms of the scheme implementation deed have separately been released to the market.

The AIRR Board of Directors has unanimously recommended that AIRR shareholders vote in favour of the Scheme and intend to vote the AIRR shares they own or control in favour of the Scheme in the absence of a superior proposal and subject to the independent expert to be engaged by AIRR confirming that the Scheme is in the best interest of AIRR shareholders.

ACQUISITION FUNDING

Elders is funding the purchase price for the Acquisition, transaction costs and repayment of debt through:

- A\$137 million equity raising by a way of a 1 for 6.7 pro-rata accelerated non-renounceable entitlement offer and institutional placement (**Equity Raising**) launched today and fully underwritten by Macquarie Capital (Australia) Limited
- A\$79 million of new Elders shares issued to AIRR shareholders as scrip consideration

By issuing scrip consideration as part of the funding for the Acquisition, Elders is increasing alignment between Elders shareholders and AIRR shareholders. Following the Acquisition and the Equity Raising, AIRR shareholders will own 8.4% of Elders' shares in total with Peter Law owning ~1.8%, making Peter the largest individual Elders shareholder excluding institutional shareholders.

AIRR Directors and key management (including Peter Law) will be subject to a 2 year voluntary escrow in respect of the Elders shares they receive as scrip consideration.

Elders anticipates pro forma FY19 average¹⁹ net debt / EBITDA to be < 2.0x and is targeting average net debt / EBITDA of 1.5 – 2.0x for FY20.

EQUITY RAISING

The Equity Raising will comprise a fully underwritten 1 for 6.7 pro-rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**") to raise approximately A\$97 million, comprised of an offer to eligible institutional shareholders ("**Institutional Entitlement Offer**") and an offer to eligible retail shareholders ("**Retail Entitlement Offer**") and a fully underwritten institutional placement to raise approximately A\$40 million ("**Placement**"), together raising approximately A\$137 million. Approximately 24.7 million new ordinary shares (**New Shares**) will be issued (equivalent to approximately 21% of existing Elders shares on issue).

All New Shares offered under the Equity Raising will be issued at a price of A\$5.55 per New Share, representing:

- 7.9% discount to TERP²⁰ based on the closing price of Elders' shares on 12 July 2019
- 9.5% discount to the closing price of Elders' shares on 12 July 2019

Each New Share issued under the Equity Raising will rank equally with existing shares on issue and will be eligible for any dividend declared for the period ending 30 September 2019. Elders will apply for quotation of New Shares on ASX.

¹⁹ EBITDA per Elders' FY19 forecast and AIRR forecast EBITDA for the 12 months to 30 September 2019 (excluding synergies); Estimated pro forma average FY19F net debt / EBITDA calculated based on estimated Elders standalone average net debt for FY19F of \$216 million adjusted to reflect the \$18 million reduction in Elders' net debt following the Equity Raising.

²⁰ Theoretical ex-rights price ("TERP") includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is a theoretical calculation only and the actual price at which ELD shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP.



Placement

All shares offered under the Placement will be issued at the same price as New Shares issued under the Institutional Entitlement Offer (A\$5.55 per share). New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. The Institutional Entitlement Offer will open today, 15 July 2019.

Eligible institutional shareholders can choose to take up their entitlement in whole, in part or not at all. In addition, under the Institutional Entitlement Offer, New Shares equal in number to those attributable to entitlements not taken up by eligible institutional shareholders, together with New Shares attributable to entitlements which would otherwise have been offered to institutional shareholders in ineligible jurisdictions, will be offered to institutional shareholders.

Retail Entitlement Offer

Every Elders retail shareholder registered as a shareholder in Australia or New Zealand as at 7.00pm (Melbourne time) on Wednesday, 17 July 2019 ("**Eligible Retail Shareholders**") will be entitled to participate in the Retail Entitlement Offer on the terms and subject to conditions set out in the retail offer booklet to be sent to Eligible Retail Shareholders in relation to the Retail Entitlement Offer ("**Retail Offer Booklet**"). The Retail Entitlement Offer will open on Monday, 22 July 2019 and close at 5.00 pm (Melbourne time) on Monday, 5 August 2019.

In addition to each Eligible Retail Shareholder's entitlement under the Retail Entitlement Offer, Eligible Retail Shareholders will be offered the opportunity to apply for additional New Shares (up to 50% of their entitlement) ("**Top-Up Facility**"). Eligible Retail Shareholders are not assured of being allocated any New Shares in excess of their entitlement under the Top-Up Facility and will be allocated in accordance with the allocation policy outlined in the Retail Offer Booklet. Elders retains absolute discretion regarding allocations under the Top-Up Facility.

Elders may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

The Entitlement Offer is non-renounceable and entitlements will not be tradeable on the ASX or be otherwise transferable. Shareholders who do not take up their full entitlement will not receive any payment or value in respect of entitlements they do not take up and their percentage equity interest in Elders will be diluted.



TIMETABLE

Trading halt and announcement of Acquisition and Equity Raising Placement and Institutional Entitlement Offer opens	Monday, 15 July 2019
Institutional Entitlement Offer closes	Tuesday, 16 July 2019
Placement closes	Tuesday, 16 July 2019
Announcement of results of Institutional Entitlement Offer and Placement	Wednesday, 17 July 2019
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	Wednesday, 17 July 2019
Record Date for determining entitlement to subscribe for New Shares (7.00pm)	Wednesday, 17 July 2019
Retail Offer Booklet despatched and Retail Entitlement Offer opens	Monday, 22 July 2019
Settlement of Institutional Entitlement Offer and Placement	Tuesday, 23 July 2019
Allotment and normal trading of New Shares under Institutional Entitlement Offer and Placement	Wednesday, 24 July 2019
Retail Entitlement Offer closes	Monday, 5 August 2019
Settlement of Retail Entitlement Offer	Friday, 9 August 2019
Allotment of New Shares under the Retail Entitlement Offer	Monday, 12 August 2019
Normal trading of New Shares under the Retail Entitlement Offer	Tuesday, 13 August 2019
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 14 August 2019

All dates other than 15 July 2019 are indicative and may change without prior notice, subject to the ASX listing rules.

FURTHER INFORMATION

Elders is being advised by Macquarie Capital (Australia) Limited as exclusive financial adviser in respect of the Acquisition and lead manager, bookrunner and underwriter in respect to the Equity Raising. MinterEllison is acting as Legal Adviser to Elders in relation to the Acquisition and the Equity Raising.

Further details of the Acquisition and the Equity Raising are set out in the Investor Presentation also provided to ASX today. The Investor Presentation contains important information including key risks including with respect to the Acquisition and the Equity Raising and foreign selling restrictions with respect to the Equity Raising.

If you have any questions in relation to the Equity Raising, please contact the Elders Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8:30am and 5:00pm (AEST) on Monday to Friday. For other questions you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

For other enquiries, please contact Mark Allison, Managing Director and Chief Executive Officer, m: 0439 030 905.



MEDIA ENQUIRIES

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Important Notice

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Forward looking statements

This announcement contains certain "forward looking statements", including but not limited to projections, and guidance on future financial performance, potential synergies and estimates, the timing and outcome of the Acquisition, the outcome and effects of the Entitlement Offer and Placement and the use of proceeds, and the future performance of Elders post-Acquisition. The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward looking statements.

Forward looking statements in this announcement include statements regarding the completion of the Acquisition, the impact of the Acquisition and the future strategies and results of the combined group and the opportunities available to it, the integration process and the timing and amount of synergies and the timing and outcome of the Entitlement Offer and Placement as well as guidance regarding future financial results for Elders and the AIRR business. Forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Elders, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of Elders' business strategies. The success of any of those strategies will be realised in the period for which the forward looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward looking statements and except as required by law or regulation, none of Elders, its representatives or advisers assumes any obligation to update these forward looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to Elders as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Elders, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.