



Monday 18 May 2020

2020 First Half Financial Results and Highlights

Elders has delivered a solid financial result and is on track with its second Eight Point Plan.

<i>\$million</i>	1H20	1H19	Change	Change
	\$	\$	\$	%
Statutory net profit after tax	52.0	27.4	24.6	90%
Underlying net profit after tax	47.6	28.3	19.3	68%
Underlying EBIT	52.8	34.0	18.8	55%
Underlying return on capital*	17.7%	17.1%	na	0.6%
Operating cash flow	27.4	(13.1)	40.5	309%
Underlying earnings per share (cents)	31.2	24.3	6.9	28%
Interim dividend per share (cents)	9.0	9.0	-	-

*Proforma as if AASB 16 Leases not applied to enable a more meaningful comparison with the pcp

Elders Limited (**ASX:ELD**) today released its half year results for the six months to 31 March 2020, continuing to deliver on its Eight Point Plan initiatives.

Underlying earnings before interest and tax (EBIT) of \$52.8 million (\$34.0 million pcp) reflected solid performance from Rural Products with gross margin boosted by recent winter crop confidence, high prices for both cattle and sheep, and steady earnings in Real Estate and Financial Services. Australian Independent Rural Retailers (AIRR) contributed \$8.6 million to EBIT.

Operating cash inflow of \$27.4 million reflected EBITDA of \$60.0 million. This was offset by increased working capital in AIRR post settlement and higher retail product debtors due to increased sales activity. Elders expects a higher cash conversion in the second half as debtors are collected.

Elders' return on capital is 17.7% (14.6% post application of the leases accounting standard, AASB 16). Net debt levels have reduced, and leverage and interest cover ratios have continued to improve with increased earnings and the benefit of the capital raise in 2019.

Elders' CEO & MD, Mark Allison, said the Company has prospered in a volatile market as a result of rock-solid business foundations, strict financial discipline, and a commitment to keeping the safety and prosperity of clients and communities across Australia always at the forefront of priorities.

"The first half of FY20 has been tumultuous, with devastating bushfires across large parts of Australia, the COVID-19 pandemic, and conversely, drought-breaking rain across many parts of Australia," he said.

"Whilst difficult, these events have proved yet again the resilience of our people and our industry, and our ability to rise to the challenge."

In the first half of FY20 there was one lost time injury (LTI) and this was consistent with the same time last year.

"The safety of our people remains our highest priority and we continue to strive for an injury-free workplace. This is an area we will continue to invest time and energy through training and development, internal programs, and a continued emphasis in our communications to staff about their safety, health and wellbeing," said Mr Allison.

Operational Update

Mr Allison reiterated that COVID-19 had not had a significant financial impact on demand for Elders' products and services, customers and supply chains for the six months ended 31 March and this has continued into April and May.

"Successive rainfall events across major cropping areas on the East Coast have had a positive impact on operational performance within the last period, lifting farmer confidence and driving strong demand for crop inputs," said Mr Allison.

"This has contributed to a significant uplift in Rural Products, given the 66% decline in summer cropping¹. The growth in Rural Products margin has been lifted with the addition of AIRR to our Wholesale Network, contributing \$8.6 million EBIT since 13 November 2019."

Agency Services results were up, driven by strong prices in cattle and sheep, limited domestic supply and continued demand from key export markets. However, Wool margins declined with lower bales sold due to lower prices deterring growers from trading.

Real Estate delivered a higher result with sales turnover up across most service offerings.

Costs are up on last year by \$12.0 million due to the AIRR acquisition, geographical footprint growth and additional corporate initiatives, offset by savings from the new Rural Bank distribution agreement.

"Our people have shown remarkable resilience and perseverance in their ability to find alternative ways to service our clients and keep our industry operating safely in spite of restrictions."

"We have digital solutions in place to facilitate many transactions and combat disruption to in-person methods for sales," says Mr Allison.

FY20 Outlook

Elders is, subject to any future negative impacts arising from global volatility, on track to deliver a full year result in line with the consensus of analyst views of between \$96.5 million and \$112.9 million EBIT and \$85.8 million and \$102.9 million NPAT². The Company has forecast a positive outlook for winter crop on the back of recent rainfalls across the Eastern States.

Global COVID-19 implications will continue to create some ongoing uncertainty in both market demand and agricultural supply chains. Some domestic AgChem suppliers are experiencing interruptions due to COVID-19, which is being closely monitored, but China AgChem supply chains have returned to normal.

While government restrictions on gatherings and social distancing measures have had the potential to impact Real Estate, Wool and Livestock sales, at present, the financial impact cannot be reasonably estimated, and supply chains are operating with minimal disruptions.

Livestock supply chains continue to operate without major disruption from COVID-19 with digital solutions in place to facilitate transactions alternatively to in-person methods. Cattle and sheep prices are forecast to remain high.

Wool export to China is operationally sound, however the impact of reduced end-market demand in Europe and North America will likely continue to place downward pressure on price and volume.

Real Estate residential sales and property management activities are expected to decline in line with the wider real estate market due to COVID-19 related restrictions and broader economic impacts.

¹ Source, ABARES Australian Crop Report February Edition

² Source, Reuters 15 May 2020

Killara feedlot utilisation is expected to remain at high utilisation levels with limited impact from COVID-19, however, high end cattle may experience price pressures due to decreased demand for restaurant quality meat and exports.

Costs are expected to increase in line with footprint growth and continued Eight Point Plan progress and investment.

Further Information:

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Authorised by:

The Board of Elders Limited

Conference call

10.00am (AEST) Monday, 18 May 2020

Phone: 1800 908 299

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