

Monday 17 May 2021

2021 Half-Year Results Announcement

Elders delivers \$73.8M Underlying EBIT, up 40% on PCP, and determines an increased dividend of 20c per share (20% franked)

Elders Limited (**ASX: ELD**) today released its half-year results for the six months to 31 March 2021.

Elders reported statutory net profit after tax (NPAT) of \$68.2 million and underlying earnings before interest and tax (EBIT) of \$73.8 million, a 40% increase on 1H20.

Elders also announced a partially franked (20%) interim dividend of 20c per share, up from 9c (fully franked) at the previous half year.

The results reflect growth across all state geographies and product lines. Retail Products was particularly strong, due to both sales growth and margin improvement as Elders' own brand share of crop protection and animal health product sales increased largely as a result of the company's backward integration strategy. Elders' wholesale business, AIRR, continues to deliver above pre-acquisition expectations, generating \$29.3 million (\$17.4m pcp) gross margin. Elders' Agency, Real Estate and Financial Services businesses also delivered solid growth, supported by strong livestock and property prices and positive farmer sentiment. Feed and Processing Services experienced decreased margin during 1H21, mostly due to pricing pressure on feeder cattle at Killara Feedlot.

Elders' rolling 12 months return on capital (ROC) of 20.1% was 2.1% up on 1H20, and above the hurdle of 15% set in the new, three-year Eight Point Plan.

Financial Metric	1H21 Result (\$m)	1H20 Result (\$m)	Year-on-Year Change	
			\$m	%
Sales revenue	1,100.5	900.2	200.3	22%
Statutory profit after tax	68.2	52.0	16.2	31%
Underlying profit after tax	67.0	47.5	19.5	41%
Underlying EBIT	73.8	52.8	21.0	40%
Underlying return on capital (%) ¹	20.1%	18.0%	n.a	2.1%
Operating cash flow	23.9	27.4	(3.5)	(13%)
Underlying earnings per share (cents)	42.9	31.2	11.7	38%
Interim dividend per share (cents)	20.0, 20% franked	9.0, fully franked	-	-

Elders' Chief Executive Officer and Managing Director Mark Allison attributed the strong financial results during the period to the achievement of a number of key strategic initiatives.

"Elders' recent acquisitions, backward integration strategy and customer focus combined with the resilience of our supply chains positioned us well to capitalise on favourable growing conditions and livestock prices," Mr Allison said.

¹ Return on capital = Rolling 12 months Underlying EBIT / (working capital + investments + property, plant and equipment + intangibles (excluding Elders brand name) – DTL on acquisitions – lease liabilities – provisions)

While the COVID-19 pandemic put some pressure on global fertiliser and chemical supply chains, Elders was able to mitigate this potential risk to ensure no material impact on business performance. Elders did not access any COVID-related government support such as JobKeeper during the half year ended 31 March 2021.

In the first half of the year, there were two lost time injuries (LTI), compared to one in 1H20. Elders continues to strive for an injury-free workplace. In addition to the introduction of Safety Week this year, Elders continues to invest in the development of its people, systems and processes to improve the safety of staff.

Third Eight Point Plan Progress

Elders continues to grow its branch footprint and fill geographic gaps. In 1H21, Elders established six new greenfield sites and made a further six acquisitions which are expected to deliver \$2.5-\$3.5 million annual EBIT.

Rural Products margin improvement continues through backward integration via successful integration of AIRR and increased maturity of the Titan AG business. A number of initiatives are underway to improve frontline sales and service skills, optimise pricing and capture back office efficiencies.

Elders is making progress towards its goal of achieving industry leading sustainability outcomes. In 1H21, Elders introduced an Ethical Contracting Framework, initiated a carbon footprint analysis and investigated opportunities for reducing greenhouse emissions.

“Developing an authentic sustainability program is a priority for Elders,” Mr Allison said.

“Elders is invested in the ongoing prosperity and wellbeing of rural and regional communities and has contributed over \$700,000 in sponsorships and donations to community groups in the half year.”

A key enabler of the Eight Point Plan is to invest in best-of-breed IT solutions. The appointment of a Chief Information Officer, Mr Viv Da Ros, and completion of the scoping phase of the Systems Modernisation Program sees Elders on track to progress to development phase in FY22 (subject to Board approval).

FY21 Outlook

Following ongoing favourable rainfall events, a positive outlook for the winter crop is forecast. Elders expects to see further strong demand for crop inputs, particularly fertiliser and crop protection products, in the second half of the year.

COVID-19 is expected to continue to disrupt global and domestic markets, however significant financial and operational impacts to Elders are not expected, due to mitigating measures, such as early procurement of inventory.

“Elders has a strong pipeline of bolt-on acquisitions, and we are aiming to fill strategic gaps through acquisition of new clients and expanding our business offering to existing clients,” Mr Allison said.

Cattle prices are expected to remain strong, although below the record highs seen recently. Sheep prices are expected to fall in the medium term as the global supply of red meat increases, although increased slaughter numbers should maintain earnings. Wool prices will remain volatile until containment or vaccination measures to control COVID-19 are in place allowing supply and demand fundamentals to return.

Demand for farmland real estate is expected to continue to be fuelled by a favourable commodity price outlook, low interest rates and good seasonal conditions.

Killara Feedlot will continue to target 100% capacity, although it is expected to face difficulty sourcing animals at reasonable prices and volumes to service major export markets.

Costs are expected to increase in the second half of the year in line with footprint growth, continued investment in Elders' Eight Point Plan strategies, and the first phase of the Systems Modernisation Program.



About Elders Limited

Elders is focused on creating value for all its stakeholders in Australia and internationally. We achieve this with the expertise and commitment of approximately 2,200 employees across Australia and in China.

In Australia, Elders works closely with primary producers to provide products, marketing options and specialist technical advice across rural, wholesale, agency and financial product and service categories. Elders is also a leading Australian rural and residential property agency and management network. This network includes both company-owned and franchise offices operating throughout Australia in major population centres and regional areas. Our feed and processing business operates a top-tier beef cattle feedlot in New South Wales and a small premium meat distribution business in China.

Elders is invested in the ongoing prosperity and wellbeing of rural and regional communities across Australia and remains committed to investing in, and developing, a resilient business. Elders is focused on future-proofing the Australian agriculture industry through sustainable initiatives across the areas of environment, people and community.

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Authorised by:

Elders Limited Board of Directors