



Thursday, 12 December 2019

## 2019 AGM Chair's Address

Attached is a copy of the Chair's Address to the Elders Limited 2019 Annual General Meeting being held today in Adelaide.

**Further Information:**

Mark Allison  
Chief Executive Officer  
0439 030 905

**Media Enquiries:**

Tom Ellison  
Grange Road Communications  
0437 123 366

**Authorised by:**

Peter Hastings  
Company Secretary



Welcome to you all and thank you for attending Elders' Annual General Meeting for 2019. I also welcome shareholders who have joined us online.

This is my first AGM as Chair of your company, a position I was very proud to accept in September of this year.

For 180 years, Elders has been supporting Australia's regional communities, and today, as Australia's largest listed rural services business we look to the future with optimism.

Five years ago, we outlined our first Eight Point Plan – a strategic roadmap aimed at putting Elders on the path to sustainable returns for all our stakeholders.

In this first three-year plan, we set some aspirational targets for the business – seeking to generate sustainable earnings of \$60 million by the 2017 financial year.

As you would be aware, a renewed focus on Elders' values, performance and brand saw us reach, and exceed that goal. In addition, we were able to recommence paying dividends to our shareholders in 2017.

As we enter the final year of our second Eight Point Plan, it is clear to your Board that our strategy is delivering the results we sought.

In 2019, we recorded an underlying after-tax profit of \$63.6 million - in line with the previous year, when business conditions for many of our customers were far more favourable.

It has been widely reported that conditions for farmers have been challenging, with the domestic economy remaining subdued and widespread drought conditions continuing to impact many of our customers in the Eastern States.

Your Managing Director and CEO, Mark Allison, will go into more detail of our operational achievements in his address, but from your Board's perspective, the solid results achieved in 2019 reflect our diversified business model together with management's disciplined approach to managing costs and allocating capital.

A key focus of your Board is to maximise returns to shareholders, and I'm pleased to report the Board has announced a final, fully-franked dividend of 9 cents per share, taking the full-year dividend to 18 cents, which is in line with last year. The final dividend is due for payment tomorrow.

We are committed to providing a safe, healthy workplace for our employees, contractors and clients. That commitment includes ensuring Elders implements, and maintains policies which assess and control workplace risks, and as far as is practical, remove the potential for harm.

In 2019 we experienced 9 lost time injuries, in comparison to 5 in the previous year. Our target, and the only acceptable outcome in the view of your Board however, is zero.

We will continue to foster a culture of safety in all our operations and place the highest priority on the well-being of our people.

Mark will comment on current initiatives to strengthen workplace safety outcomes in his address.

Your company continues to grow through a combination of both organic initiatives and acquisitions. During the course of the year, we continued to expand our presence in regional areas, with 12 additional businesses extending our customer reach.

New initiatives such as our Livestock-in-Transit Delivery Warranty have been well-received by our customers and are already making a positive contribution to the earnings of our company.

In July, we announced the acquisition of the AIRR wholesale business, with the transaction completed on the 13th of November.



This transformative investment adds a well-established wholesale business to our portfolio in addition to strengthened access to the hobby farm, pet and produce market segments, along with a portfolio of animal health product registrations.

The capital raising associated with the AIRR investment was strongly endorsed by both institutional and retail investors, and I thank those who participated for that vote of confidence in the future of Elders.

Your Board will continue to consider acquisition opportunities, provided they meet our stringent investment criteria. Our immediate focus however, is on delivering the synergies forecast from the AIRR transaction and ensuring the business performs to expectations.

This brings me to remuneration.

Elders believes in alignment between shareholder interests and executive remuneration. As a result, short term incentives were not paid to the Company's most senior employees in connection with 2019 as our financial performance did not meet the growth targets we set for ourselves.

In addition, only 75% of long term performance rights granted to senior executives, which measure performance over a 3 year term, vested after the end of the financial year. As the Company did not meet its 20% Return on Capital target, 25% of those performance rights lapsed.

Some proxy advisors (who advise institutional shareholders on voting) have advised voting against the Remuneration Report in the main because they are unable to reconcile the Earnings Per Share which resulted in vesting of 25% of the Performance Rights. While the Board considers the vesting of those rights was appropriate and supported by a robust methodology, we do accept that insufficient information was provided in the Remuneration Report for shareholders and their advisors to calculate this for themselves. Elders believes strongly in transparency and we will certainly strengthen our remuneration disclosures in future years to provide greater clarity.

As your business grows, your Board will continue to pursue excellence in the governance, risk and compliance standards that underpin the strength of our business.

Although the current structure of the Board provides a depth and breadth of skills, knowledge and experience, it is likely we will seek to appoint an additional Non-Executive Director to further strengthen our leadership.

In 2019, Elders entered the ASX 200. The Board considers it important that we now aspire to continue to improve and develop appropriate governance practices to match those displayed by the very best ASX 100 companies.

To help achieve that, in the current year we will pay particular regard to our competence in all aspects of environmental, social and governance matters, underpinning our future prosperity while continuing to meet the needs of our customers and their communities. While Elders has done a lot of good work in connection with social initiatives, and while we believe our governance practices are sound (but always subject to continuous improvement) strengthening our capability, particularly in reporting to our stakeholders, is a key focus. To this end, we have appointed a sustainability officer to co-ordinate our activities in this area, deliver improvements to the business and report on our progress against agreed reporting standards.

Above all, your Board's activities are guided by Elders' five values – integrity, accountability, customer focus, innovation and teamwork.

Our continued success would not be possible without the support of a great many people. Our 1,900 employees work tirelessly to represent Elders' values in regional communities across Australia and in China.



Our people are integral to the communities in which they live and work. Just as our customers have supported us since our humble beginnings in 1839, we will continue to support and serve our customers and help build their communities.

Other participants in our industry sector are undergoing a period of consolidation and rebranding following investment from overseas interests.

While we follow industry trends closely, they don't distract us from our purpose, which is to pursue excellence in service delivery, whilst providing sustainable returns for our shareholders.

In short, Elders is a proudly Australian company, and an important part of Australia's rural landscape.

It's that commitment to service, and our link to our important rural and regional communities that have helped us to survive for 180 years and will help us thrive into the future.

I would like to thank my fellow board members for their focus and diligence during the year, particularly your MD & CEO Mark Allison, whose leadership continues to inspire our staff to achieve extraordinary results.

Finally, on a more personal note, having served as a Non-Executive Director since April 2014 and being re-elected in December 2016, I now retire by rotation at this meeting, and stand for re-election in accordance of Elders' constitution.

Thank you.  
ENDS