



Thursday, 17 December 2020

2020 AGM CEO's Address

Attached is a copy of the Chief Executive Officer's address to the 2020 Elders Limited Annual General Meeting being held virtually today.

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Good morning and thank you for joining us online today for our FY20 annual general meeting.

We have long said that the Elders business is built on trust, respect and understanding. And in FY20, Roy Morgan Research found that unprompted, Elders was the most trusted agribusiness brand in rural and regional Australia.

We are very proud of our role in developing agricultural communities across Australia, and Elders has been an important ingredient in their success and development since 1839.

Despite the unprecedented challenges we all faced in FY20, our second Eight Point Plan ensured we were able to achieve a strong financial performance, and continue our commitment to making good money in bad seasons and great money in good seasons.

In FY20 we achieved an underlying after-tax profit of \$107.7 million, an increase of 69% on FY19.

Underlying Earnings Before Interest and Tax (EBIT) was \$120.6 million, a 64% increase on last year.

This result highlights the resilience of our business model and represents outperformance against the second Eight Point Plan goal of 5-10% EBIT growth through the agricultural cycles.

The result was driven by strong growth across all state geographies, products and services, combined with an ongoing highly disciplined approach to cost and capital management and allocation.

The performance of our Rural Products area was a highlight.

The acquisition and integration of the AIRR wholesale business provided an EBIT contribution of \$21.9m, and has exceeded business case expectations after only 10 and a half months of ownership. We also made excellent progress on our backward integration strategy, selling more of our own TitanAg branded products at higher margins.



Elders' Return on Capital (ROC) of 18.7% was 0.5 percentage points up on FY19. If the effect of the AIRR acquisition is excluded, our ROC of 20.2% is in line with the 20% ROC hurdle we set ourselves at the start of the second Eight Point Plan period.

Following the declaration of the COVID-19 pandemic in March, we acted early and decisively, forming a dedicated COVID-19 Response Committee. The committee oversaw several measures including establishing new ways of working, as well as contactless service arrangements in our branches and on farm.

From an operational perspective, COVID-19 created supply chain disruption and border crossing challenges for our business and local communities to navigate. I commend our people for the resilience and adaptability they have demonstrated in maintaining our commitment to our clients through the COVID-19 period and delivering an essential service to Australia's agriculture sector.

As our Chair highlighted earlier, an ambition and one of the key strategic priorities in our third Eight Point Plan is developing and delivering an authentic and industry leading sustainability program across health and safety, community, environment and governance. This year we published our first sustainability report, including a comprehensive review of our current initiatives, and our future sustainability initiatives and targets.

We believe that an authentic and industry leading approach to sustainability will drive profitability and build a better business for our customers, our people, regional and rural Australia and other stakeholders to associate with, invest in and work in.

This program is underpinned by the following four key principles, which are integrated into our way of doing business:

Firstly, we provide our customers and clients with the goods and services they need.

Secondly, we support our people and the industries and communities in which we operate.

Thirdly, we do our part to look after the environment and the animals in our care.

And finally, we operate ethically and to the highest standards of our One Elders values.



Safety is embedded in everything we do, and remains central to our operations, and a priority for all of our people, from the boardroom to the saleyard. Our new Safety 7 plan outlines this commitment to care for our people, and those who we interact with, each and every day.

This year we reintroduced our successful Stand Up Speak Up safety video series to the business, a new hazard and incident reporting tool for more accurate and efficient reporting, and new capital equipment to ensure the safety of our team at Killara Feedlot.

In FY20 we reported two Lost Time Injuries (LTIs) which represents a significant improvement on the nine LTIs recorded in the FY19 period. Nonetheless, we strive for zero workplace injuries.

Our first Eight Point Plan was developed six years ago, working with forty of our most senior managers. Having exceeded our commitments of the first and second Eight Point Plans, we have now launched our third Eight Point Plan which will guide us through until the end of FY23.

In developing the third Eight Point Plan, we worked with our investors and key stakeholders to set appropriate objectives. In this plan our ambition is to achieve 5 to 10% growth in EBIT and EPS through the cycles at a minimum of 15% ROC.

The five strategic priorities for the next three years include winning market share, capturing more gross margin, strengthening and expanding our service offerings, optimising our feed and processing businesses, and further developing our sustainability program.

Our three enablers for the third Eight Point Plan include our Systems modernisation program, developing the best people in a safe and inclusive environment, and maintaining our unflinching financial discipline.

Continuing to deliver on the synergies available to us through our acquisition of AIRR and TitanAg will be a key focus in capturing more gross margin. While we have made good progress, there is more value to be realised through further utilisation of AIRR warehouses,



consolidation and streamlining procurement of products across both businesses, and enhanced margin management and marketing.

None of this will be possible without our enablers including continuing to invest in our people, maintaining financial discipline and embarking on a new systems modernisation program which is currently in the design phase.

The outlook for agricultural commodity production and markets, gives us reason for optimism, with an average summer crop being forecast. This is in contrast to the relatively low summer crop activity in recent years. We are also hopeful of emerging stability in our export markets following the signing of the Regional Comprehensive Economic Partnership.

This has set the platform to deliver opportunities for greater integration of regional supply chains for ASEAN, north Asian countries, and China. The current geopolitical issues are of concern to Australia and the agricultural sector more specifically, although recent history is a testament to the Elders' business model remaining resilient under both domestic and international challenges.

Through this very challenging year, I have gained great comfort from our people controlling what we can control and remaining focused on what is important, namely the health and prosperity of our people, the communities we serve and our shareholders.

Elders is very well set to deliver the third Eight Point Plan due to its strategic clarity, highly diversified business model, strict financial discipline, and a commitment to keeping the safety and prosperity of clients, communities and staff across Australia always at the forefront of our actions as we move into our 182nd year.