

Monday 13 November 2023

2023 Full-Year Results

Elders records \$170.8 million underlying earnings before interest and tax (EBIT), down 26% from FY22, and declares a final dividend of 23.0 cents per share (30% franked).

Australian agribusiness Elders (**ASX:ELD**) today released its results for the 12 months to 30 September 2023.

Elders recorded a strong FY23 earnings performance, despite adverse market headwinds, including softening input prices for key agricultural chemicals and fertilisers, significantly declining livestock prices, as well as inflationary pressures and rising interest rates. Elders' product, channel and geographical diversification was key to mitigating those headwinds, which contributed to Elders' second highest EBIT in the last 10 years.

Elders' commitment to safety resulted in a decrease of lost time injuries to three, compared to six in the prior year. Similarly Elders recorded a reduction in total recordable injuries frequency rate to 10.1, lowering from 12.6 last year.

Elders reported:

- EBIT of \$170.8 million, down 26% on the prior year
- Statutory net profit after tax (NPAT) of \$100.8 million, down 38% compared to the prior year
- Underlying return on capital (ROC) of 16.0% which exceeds the target benchmark of 15% in the Eight Point Plan
- Operating cash flow was a net inflow of \$169.2 million, resulting in a cash conversion of 163%, which exceeds the target benchmark of 90% set out in Elders' capital management framework

The Directors have determined to pay a final dividend of 23.0 cents per share, 30% franked.

Financial Metric	FY23	FY22	Year-On-Year Change	
	\$m	\$m	\$m	%
Sales revenue	3,321.4	3,445.3	(123.8)	(4%)
Underlying EBIT	170.8	232.1	(61.3)	(26%)
Underlying profit before tax	147.9	223.5	(75.6)	(34%)
Underlying profit after tax	103.7	152.2	(48.5)	(32%)
Statutory profit after tax	100.8	162.9	(62.0)	(38%)
Underlying return on capital (%) ¹	16.0%	26.2%	(10.2%)	-
Operating cash flow	169.2	113.7	55.5	49%
Underlying earnings per share (cents)	66.3	97.3	(31.0)	(32%)
Total dividends per share (cents)	46.0 (30% franked)	56.0 (30% franked)	(10.0)	(18%)

¹Return 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)

Retail Products benefited from the progression of our backward integration strategy through Titan AG. However, gross margin was negatively impacted by softening input prices, particularly for crop protection and fertiliser. Elders achieved volume growth across most products, which has contributed to organic and market share growth in this business unit.

Wholesale Products achieved sales growth in the animal health and general merchandise portfolio, notwithstanding margin pressure in key crop protection products from falling input prices and a softening market.

Agency Services margin decreased largely driven by declining sheep and cattle prices and reduced cattle head sold, partially offset by improved sheep volumes.

Real Estate Services margin declined predominantly due to rising interest rates and slowing broadacre and residential turnover. This was partially offset by increased property management, which benefited from acquisitions and ongoing rent roll growth.

Financial Services earnings improved mostly attributable to improved performance within the Elders Insurance business (20% Elders, 80% QBE) and own balance sheet livestock lending. This was partially offset by our Livestock in Transit (LIT) Delivery Warranty margin, which has declined in line with reduced livestock activity.

Feed and Processing Services margins were adversely impacted in FY23 by the lag effect of higher cattle prices at Killara Feedlot.

Completion of the third Eight Point Plan

In FY23, Elders entered the final year of its third Eight Point Plan, targeting 5% to 10% growth in EBIT and EPS through the agricultural cycles whilst maintaining strong financial discipline to generate a compelling ROC of at least 15%.

Managing Director and Chief Executive Officer, Mark Allison said Elders' financial performance was resilient in FY23.

"The year was met with challenging market and cost conditions and despite this, Elders achieved its second highest EBIT result in the last 10 years," Mr Allison said. "This resilience was achieved due to our geographically diversified multi-product portfolio, which generated strong average earnings across the group."

FY24 Outlook

FY24 brings the potential for declines in summer crop production outside of irrigated areas, as result of dry and El Niño conditions. However, some margin recovery in Rural Products can be expected as input prices, particularly fertiliser and crop protection, have returned to more sustainable levels. Elders expects to see benefits from acquisition growth, as well as the advancement of its backward integration strategy, which include enhancements to its toll formulation capabilities and further efficiencies from streamlining the supply chain.

The outlook for Agency Services anticipates growth in cattle and sheep volumes, underpinned by currently high national herd and flock numbers, and production. Cattle prices are forecast to increase in the medium term as export prices rise in line with the anticipated US herd rebuild, while lamb and mutton prices are forecast to remain subdued. Wool prices are expected to remain steady.

In Real Estate, continued challenging market conditions may place further pressure on broadacre turnover. Interest rate pressures may also see potential for subdued demand for regional residential properties.

Financial Services expects to see continued uptake of livestock funding products, while the Home Loans and Commercial Finance Brokerage model relaunches are anticipated to drive referral activity.

Killara Feedlot is expected to benefit from lower cattle prices, as well as continued high residency and expansion of operations.

Mr Allison said, "Looking ahead over the medium-term, Elders will continue to operate and grow according to its guiding strategy, the Eight Point Plan, which aligns our workforce with our goals and ensures we are investing in the right people and initiatives."

"We expect some of the market headwinds experienced in FY23 to continue into FY24, but we are well placed to pursue opportunities for further growth and diversification. As the most trusted agribusiness brand Roy Morgan brand trust research amongst farmers, we will continue to deliver value to our customers, existing and new."

FY24 marks the commencement of Elders' fourth Eight Point Plan; our three-year strategy through to FY26. Elders' ambition continues to focus on compelling shareholder returns, with 5-10% EBIT and earnings per share (EPS) growth through the cycles at minimum 15% ROC. Elders is committed to industry leading sustainability outcomes, and to continue to be the most trusted agribusiness brand in rural and regional Australia. To achieve our ambitions, our Eight Point Plan strategy is categorised under three key focus areas: Run, Transform and Innovate & Grow.

Mr Allison said, "To achieve our ambitions of our fourth Eight Point Plan period, we are focused on optimising our existing business, future-proofing our business, and expanding and innovating our portfolio."

Investor Briefing

An investor briefing (webcast conference call) on these results will be held today at 10.00am AEDT.

Participants can register for the conference by navigating to <https://s1.c-conf.com/diamondpass/10033928-gh7a0p.html>.

Please note that registered participants will receive their dial in number upon registration.

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 over 2,700 employees across Australia.

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 diversified business incorporating grain-fed beef distribution, grass-fattening operations, cow manure processing and irrigated corn production in Quirindi in New South Wales.

Elders is invested in the ongoing prosperity and well-being 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:

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