



Presentation to Austock Sustainable Productivity Conference -  
Energy, Agriculture and Chemicals

Elders Rural Services Operations and  
Short, Medium and Long Term Growth opportunities  
**11 March 2010**

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**Elders** is a leading Australian agribusiness offering exposure to:

- Australian farmers via the premium distribution and agency brand
- supply of food and fibre to Asian and global markets
- value accretion arising from business renewal and transformation programs.

# Elders' Rural Services operations



- Network distributing farm inputs, financial services and providing marketing, technical and advisory services
- Unique banking capability:
  - only combination of full range rural services business with specialist agri-bank committed to rural Australia
- Network related supply chain assets that leverage distribution/accumulation capabilities in:
  - Grain
  - Livestock
  - Wool
- Competitive advantage in intelligence through position at farm-gate
  - Relationships with 110,000 farmers in Australia, 40,000 in NZ



Points of presence	Australia	New Zealand	Total
Rural branches	267	18	285
Real Estate & Insurance	91	4	95
Franchise Real Estate (rural and regional)	33	-	33
Franchise Real Estate (metropolitan)	132	-	132

# Setting the foundations



Elders is now able to concentrate its resources on the Transformation project initiated in June 2008 to reform its Rural Services business as a sustainable performing and best-in-class enterprise.

June 08:  
**Rural Services Transformation Project Initiated**

To establish a sustainable future for Elders Rural Services

Sept 08:  
**Malcolm Jackman appointed CEO.**

New management team recruited and installed over ensuing 12 months

Dec 08:  
**Agenda for Change**

Reorganisation and concentration of resources around Elders brand and network.

Commitment to debt reduction, performance improvement and re-engagement with markets.

Feb – Sept 09:  
**Refinance**

Extended process driven by change from simple roll-over to restructuring and refinance and recapitalisation.

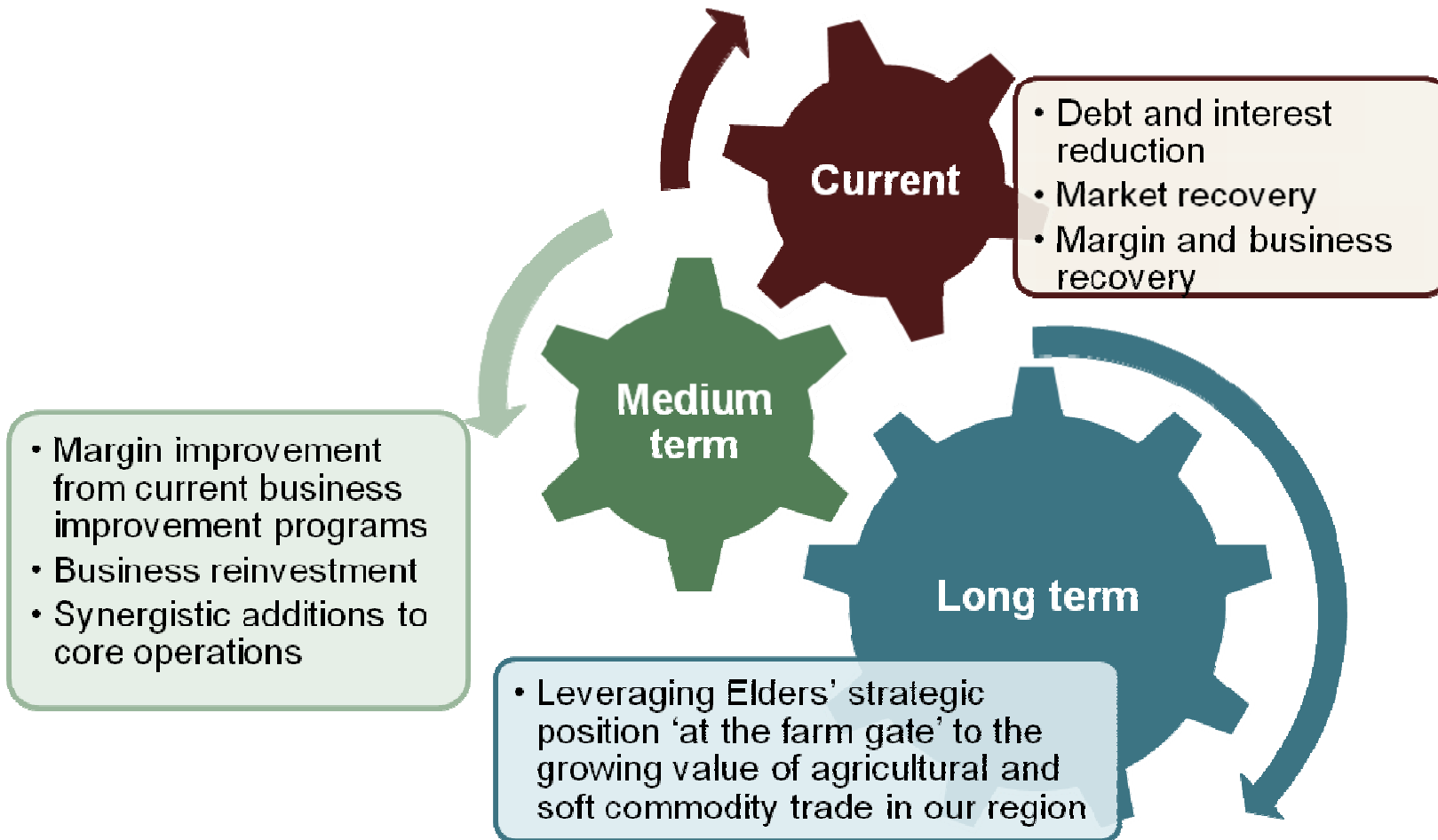
Nov 09:  
**Recapitalisation completed**

Completion of \$550 m capital raising and \$360m of asset sales to reduce debt. Elders' balance sheet is now equipped to follow through on initiatives to lift performance and value for shareholders

# Growth drivers from near to long term



Elders' strategy and management agenda is for the delivery of earnings growth across investment time horizons through leveraging existing assets and operations. The initiatives to achieve this are already in train.





# Current term growth



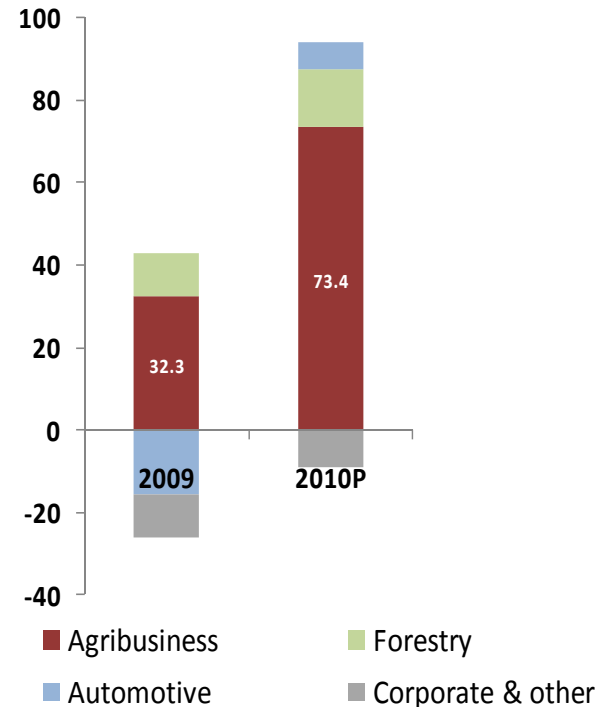
Elders' focus in 2010 is on recovery in its existing business and executing the transformation initiatives that will deliver organic earnings from 2011 onwards.

Elders' forecast profit growth in 2010 is driven by recovery in its Rural Services business.

## Key drivers in Rural Services 2010 earnings growth expectation:

- farm input prices
- cost improvement and control
- return of confidence and client spending
- seasonal conditions

Underlying EBIT (\$m)

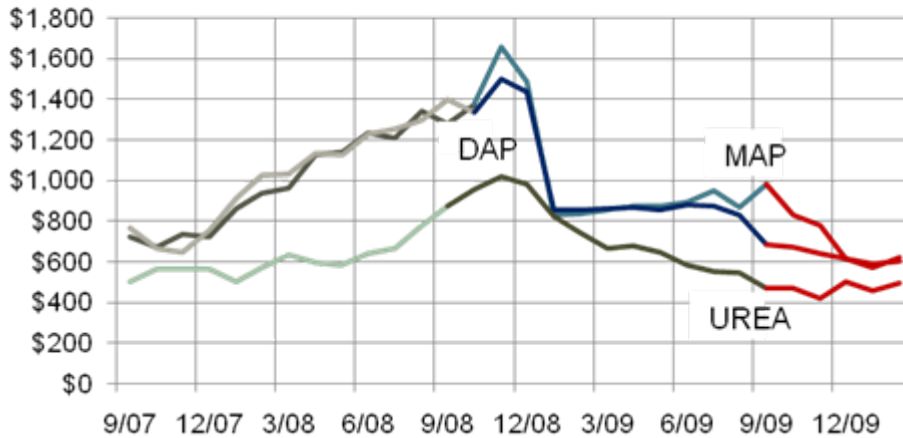




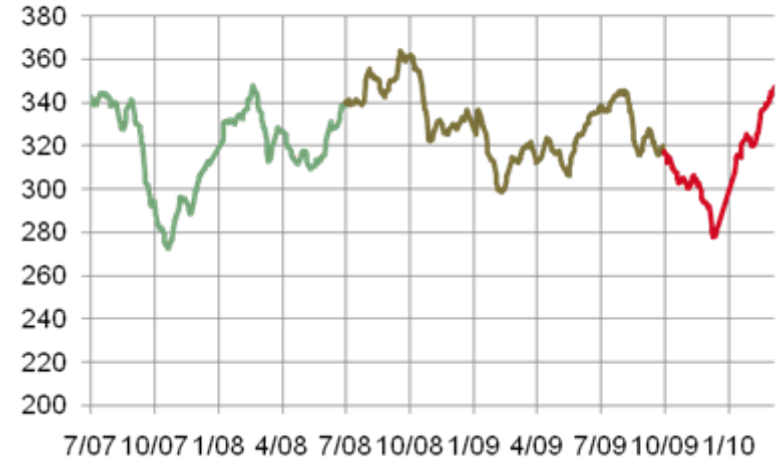
# 2010 market & seasonal conditions

## Markets & seasonal conditions now trending positively

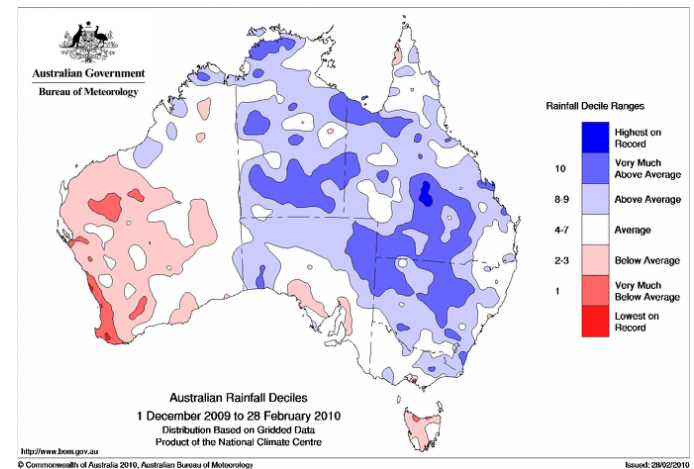
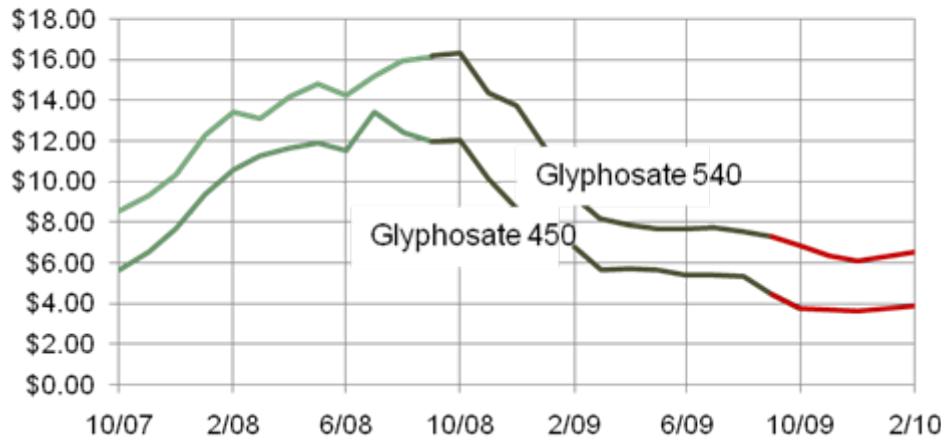
### Fertiliser prices \$/t



### Cattle prices EYCI \$

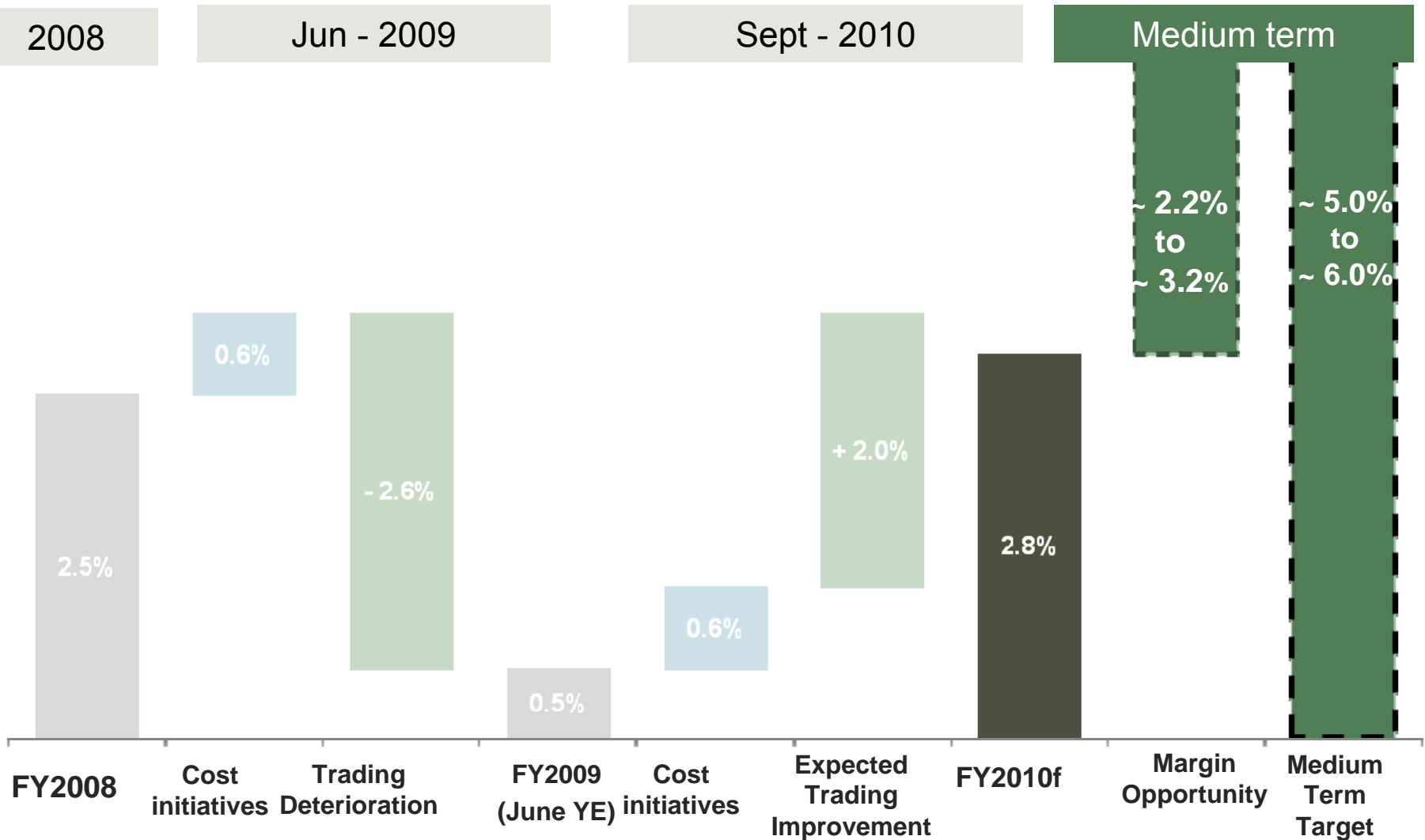


### Ag Chem prices \$/l





# Medium term Rural Services margin growth targets



# Medium term margin and performance improvement



Improved financial performance in the medium term is the focus of 4 separate programs within Phase 2 of the Business Transformation project



## Cost improvement & control

Cost management processes continue to be improved

Maintain & improve on cost reductions to date

KPI indicator for every report & sub report

## Better sales performance

Better systems to gather and analyse client data & target marketing & sales effort

Develop technical capability and product range in under-represented markets

Increase relevance and power of sales proposition to our clients

## Buying & moving stock in the most effective & efficient manner

Centralised procurement & controls to improve margins and reduce cost to serve

Better planning+, better buying + better physical logistics

Whole of business ownership

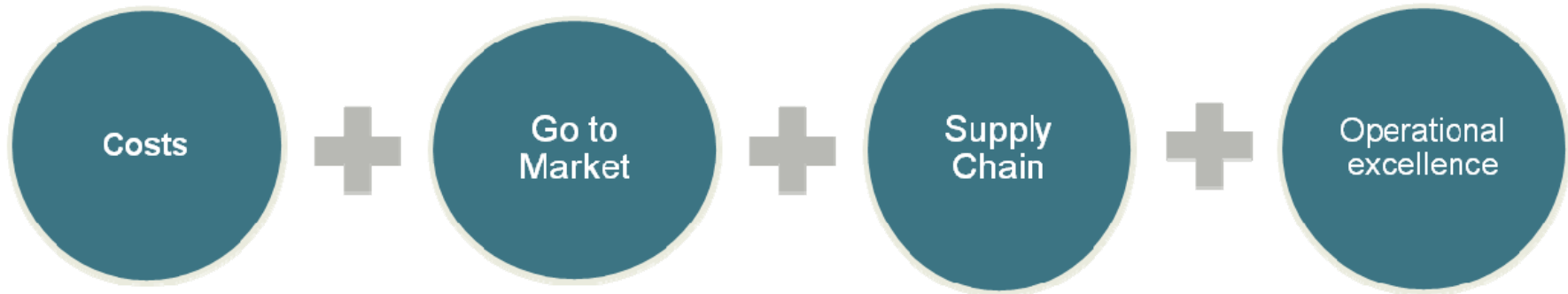
## Implementing operational best practice to reduce risk, support sales & free capacity to focus on customers

Standardisation & replication of best practices across all branches to reduce cost, reduce risk and increase flexibility & agility of operations.

# Business Transformation update



Progress is being made on each of the four separate programs to improve sales, financial and operating and margin performance



## Cost improvement & control

- ✓ Costs reduced further from '09 levels

## Go to Market

- ✓ Reform of management regions and development of differentiated value proposition by industry and client segment.
- ✓ Key Account Management system winning large clients and increasing sales from existing clients
- ✓ New Key accounts targeted for 2010.
- ✓ Price book implemented and supporting stable consistent margins
- ✓ Commitment to new shopfront pilot in 2010,

## Better planning, buying & logistics

- ✓ Sourcing contracts for key categories consolidated
- ✓ Processes embedded for cost-downs, alignment to marketing
- ✓ Logistics, ordering & supply reformed with commencement of 3 DC's
- ✓ Sales & Ops planning process integrated
- ✓ Forecasting technology implemented Feb 2010
- ✓ Route by Route Freight review completed Feb 2010

## Implementing operational best practice

- ✓ Completed proof of concept on 38 of 39 policies & procedures.
- ✓ Progressive implementation of standard policies & procedures underway



# Longer term growth drivers



Growth over the longer term is underpinned by the outlook for the Australian and New Zealand farm sectors as suppliers to the strong regional demand for food and fibre.

Elders has an unmatched potential to capitalise on this opportunity and is working to translate this potential into growth for the company by leveraging the strategic and competitive value of existing assets and operations

## Aligning network size, spend market share and earnings

- Current scale and position not reflected in market share, sales or earnings
- Targeting upside in achieving natural or 'parity' position

## New Zealand

- Represents 1/3 expansion to income generated from Australia
- Recently entered, 5% market share in Farm Supplies

## Livestock and meat

- Building on significant and successful operations in feedlots and live export
- Natural application of Elders' accumulation capability

## Dairy and horticulture

- Under-represented in markets which are highly intensive users of farm supplies
- Initiatives in train with headway being made and KAM account success

## Financial services

- New model results enables the combination of specialist resources and capability with unmatched service proposition, distribution and client relationship

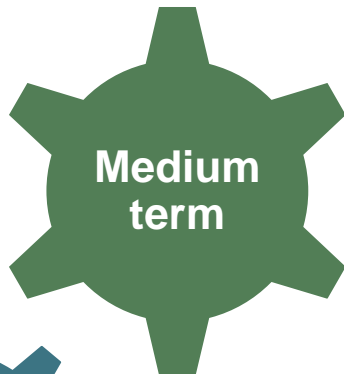
## Grain

- New entrant with est. market share in excess of 10% and rising each year
- Competitive accumulation model that is growing with move to cash pricing

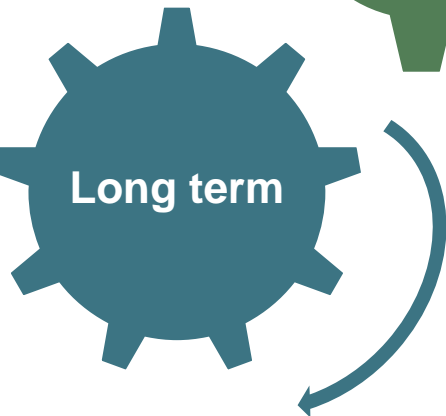
# Situation summary



- Recapitalisation has stabilised business and reduced debt and interest to sustainable levels
- Prices moving positively after 1<sup>st</sup> quarter deterioration
- Confidence returning, evidenced by return to strong order volume for inputs
- Margin % improvement evident in results to date
- Seasonal trends generally positive, 3<sup>rd</sup> Quarter critical to outcome



- Structured whole of business program in place for improved sales, margin and financial performance
- Initiatives being completed will benefit earnings and performance from 2011 on
- Supply chain, KAM, Go to market delivering gains now



- ABARE forecast gross value of farm exports to rise 4.6% pa to 2015
- Assets and programs in place to capitalise on unmatched position at the farm gate where Australian production meets global demand and supply

# The trends are now positive. Transformation work is poised to deliver gains in improving markets.



- **Markets on the up after a tough start**
  - momentum has swung to the positive and strengthening with each month
- **Seasonal Conditions improving with recent rainfall**
  - the best at this time for many years
- **FY2010 trends supporting prospectus forecasts :**
  - first quarter tough, second quarter stronger and, third quarter critical (as always)
- **FY2011 expected to show ongoing momentum and earnings growth**
  - Transformation gains from 2010 actions
  - Flow on from rainfall and return of confidence in 2010

