

RIDLEY CORPORATION LIMITED

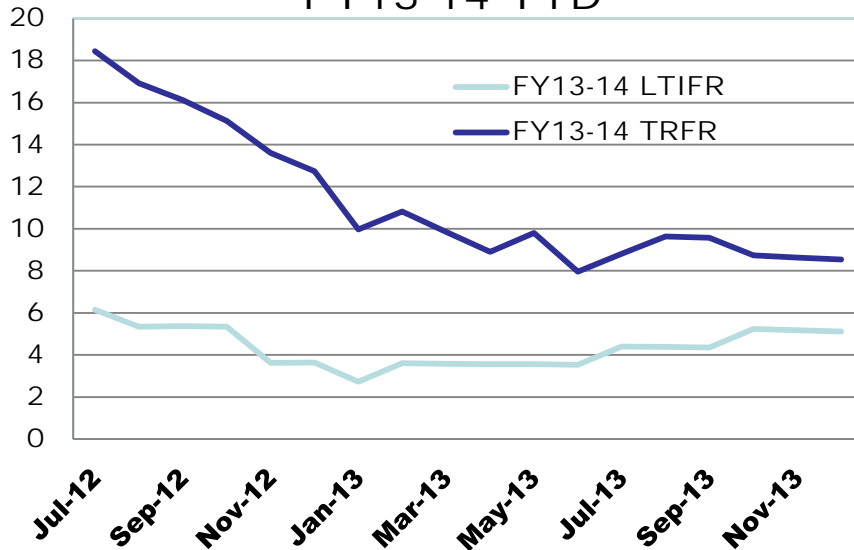
INVESTOR PRESENTATION

31 DEC 2013 HALF YEAR



Australia's premier livestock feed producer

Group Injury Frequency Rates
FY13-14 YTD



Injury Frequency Rates:

LTIFR: Lost Time Injury Frequency Rate – number of injuries incurring lost time per million hours worked

TRFR: Number of medical treatment injuries not resulting in lost time plus number of lost time injuries, per million hours worked

- **Embed proactive behaviours**
- **Implement the safety management system**
- **Develop engineering solutions for physical safety hazards**
- ❑ **FY14 LTIFR 5.12 and TRFR 8.54 at the half year on a journey of continuous improvement**
- ❑ **Sustained 100% completion rate for Good Manufacturing Practice audits**
- ❑ **99% closure rate for priority action items, up from 96% in prior year**
- ❑ **94% completion of safety training, comparable to 94% in prior year**
- ❑ **Robust continuous improvement plan linked to strategy**

FINANCIAL HIGHLIGHTS



RIDLEY

AGRIPRODUCTS

PROPERTY

FINANCIALS

OUTLOOK

Consolidated result - in \$m	1H FY14	# 1H FY13	FY13	FY12	FY11
EBIT - AgriProducts	20.7	15.5	28.1	27.2	24.9
Property costs -					
Dry Creek	(1.8)	1.9	3.4	3.4	3.4
Other	(0.6)	(0.6)	(1.9)	(0.7)	(0.7)
Corporate Costs	(4.3)	(4.3)	(5.7)	(6.7)	(5.5)
Operating result	14.0	12.5	23.9	23.2	39.9
Net Finance Expense	(2.8)	(4.0)	(7.7)	(9.3)	(9.7)
Tax Expense	(1.3)	(4.2)	(4.3)	(6.1)	(0.9)
Net operating profit	9.9	4.3	11.9	7.8	11.5
Transaction, other costs	-	(24.9)	(28.5)	(0.4)	-
Cheetham Salt	-	7.9	(5.1)	11.9	17.8
Net profit / (loss)	9.9	(12.7)	(21.7)	19.3	29.3

- ❑ **Net Operating Profit of \$9.9m for period, up from \$4.3m**
- ❑ **AgriProducts result of \$20.7m, up \$5.2m (Laverton rendering contribution not in comparative result)**
- ❑ **Dry Creek Property about to enter staged closure program (Prior year fully servicing Penrice supply contract)**
- ❑ **Other Property costs commensurate with continuing redevelopment activity in SA and Vic**
- ❑ **Corporate costs consistent with prior period**

1H FY13 result restated to segregate Cheetham Salt earnings from Dry Creek earnings. Cheetham salt sale effected 28 Feb 2013.

The Directors believe that the presentation of the unaudited non-IFRS financial information on slides 3, 12 and 13 is useful for shareholders as it reflects the significant movements in operations and cash flows of the business.

FINANCIAL HIGHLIGHTS



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OUTLOOK

- ❑ **EBIT result of \$20.7m** - up \$5.2m with contribution from Laverton rendering business not included in comparative result. (1H FY13 result benefited from long positions held in rising raw material markets)
- ❑ **Poultry** - long term take or pay contract to provide incremental second half year volumes and associated efficiencies.
- ❑ **Aqua-feeds** - benefiting from restructure of production and supply chain and growth in non-salmon volumes.
- ❑ **Dairy** - new mill at Pakenham delivering cost efficiencies following transfer of former Dandenong mill volume and providing opportunity for growth in Gippsland dairy heartland.
- ❑ **Dairy** - successive milk price rises and easing of exchange rate have improved the milk price : feed cost ratio and farmer confidence to provide supplementary feeding.
- ❑ **Rendering** - operations have weathered overseas market restrictions following Avian Influenza outbreak.

- ❑ **Corporate costs** - consistent with prior period (management restructure completed just prior to balance date). #
 - ❑ **Finance costs** - reflect lower levels of debt (proceeds of Cheetham Salt sale applied to debt in March 2013) and further reduction in interest rates.
 - ❑ **Tax** - \$1.9m of prior period tax benefit following finalisation of Cheetham Salt sale whilst underlying effective tax rate for the period is 28.4%.
 - ❑ **Penrice compensation** - 4.5mt zero cost land fill and all other components of the compensation arrangements remain subject to formal Penrice financier approval.
- # \$3.0m of prior year corporate costs were allocated to the Cheetham Salt sale transaction in 2H FY13.

PROPERTY – DRY CREEK



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OUTLOOK

- ❑ **Salt production** - salt operating segment ceased on 1 July 2013 & all Dry Creek activity now included in Property segment.
- ❑ **Earnings** - prior period earnings of \$1.9m in servicing Penrice salt supply agreement compared to \$1.8m current period loss in maintaining the site pending receipt of closure and rehabilitation plan approval.
- ❑ **Site closure** - site closure a complex & lengthy process (overseen by STAG & requires DMITRE approval, EPA discharge licence, Fisheries Mgt Act exemption, extensive Acid Sulphate Soils (ASS) drilling program & EPBC Act compliance).
- ❑ **Lease surrender** - approval required in order to commence northern land sales in 2H FY14.
- ❑ **Redevelopment** - preparatory activities for long term redevelopment being conducted in parallel with site closure planning.

❑ Major coastal sites at Lara and Moolap (near Geelong):

- Discussions continuing with relevant State and Federal Government departments to secure land tenure and rezoning approvals.
- Environmental Effects Statement to commence in 2H FY14.
- Preferred development partner identified and term sheet for corporate structure agreed in principle.
- Anticipated 3-5 year horizon for commencement of shareholder returns.

❑ Dandenong - site razed and available for sale with low cost base.

❑ Bowen - post balance date sale executed to complete on 28 February 2014 for proceeds marginally above book value, relieving Ridley of ongoing tenure management costs.

MOOLAP



SALT MARSH CONSERVATION



RAINGARDENS



WATER TANKS



WSUD SWALE



A vision for Moolap



BAYS
- PROVIDE OPPORTUNITIES FOR SEAGRASS COLONISATION OUTSIDE THE CHANNELS.

SEA WALL
- PROTECTS SITE & DEVELOPED LAND TO SOUTH FROM STORM SURGES.
- ENABLES WATER LEVEL IN WATERWAY TO BE CONTROLLED.

CONSERVATION RESERVE
- SALT MARSH HABITAT FOR BIRDS
- LIMITED BOARDWALK ACCESS TO PERIMETER
- NO PUBLIC ACCESS INTO RESERVE
- FERAL ANIMAL PROOF FENCING

WATERWAY
- TIDALLY FLUSHED WITH WSUD TREATMENTS / RAIN GARDENS ALONG EDGE
- PLAYS MAJOR ROLE IN DRAINAGE FUNCTION FOR SOUTHERN CATCHMENT

WATERWAY WITH CONTROLLED WATER LEVEL
ENABLES SITE & DEVELOPED LAND TO SOUTH TO BE DRAINED DURING STORM SURGES OR IN FACE OF SEA LEVEL RISE

NEW WSUD SYSTEMS
WILL TREAT OFFSITE STORMWATER BEFORE ENTERING WATERWAY
WILL TREAT ONSITE STORMWATER BEFORE ENTERING WATERWAY

LAND IN MOOLAP SITE FILLED
RAISES LAND ABOVE WATER TABLE ALLOWING FOR SEA LEVEL RISE FROM CLIMATE CHANGE.

CONSOLIDATED FINANCIALS



BALANCE SHEET - ASSETS



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AGRIPRODUCTS

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OUTLOOK

Balance Sheet - in \$m	Dec 2013	June 2013
Assets held for sale	-	0.7
Other Current Assets	186.4	169.6
Property, plant & equipment (P,P&E)	117.9	118.0
Investment property	39.1	38.4
Investments	2.2	2.2
Intangibles	81.4	78.0
Non-current inventories	0.4	0.4
Deferred tax asset	2.9	3.3
Total Assets	430.3	410.6

- ❑ **Assets held for sale at 30 June of \$0.7m reclassified to Investment Property** (former mill at Dandenong)
- ❑ **Significant increase in debtors consistent with Nov and Dec sales growth and historical trend** (half year higher than year end and days sales outstanding maintained at prior period levels).
- ❑ **Increase in Intangibles** - reflects acquisition of incremental poultry volumes, final performance payment for prior year acquisition, and capitalised software, offset by amortisation charge.
- ❑ **P,P&E** - minimal development activity and maintenance capex within DA.

BALANCE SHEET - LIABILITIES



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AGRIPRODUCTS

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OUTLOOK

Balance Sheet - in \$m	Dec 2013	June 2013
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Current liabilities	139.9	165.4
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Non-current borrowings	69.5	34.8
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Non-current Provisions	3.2	2.9
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Total Liabilities	212.6	203.1
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Net Assets	217.6	207.6
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- ❑ **Current liabilities** - decrease reflects \$23.1m capital return paid in July 2013 and fully accrued as at 30 June 2013.
- ❑ **Borrowings** - increase in non-current borrowings reflects above payment of capital return in facility rolled over for 5 years
- ❑ **Equity** - no changes in equity nor dividends paid in period after July 2013 capital return

CASH FLOW



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OUTLOOK

Cash flow in \$m	1H FY14	FY13
Consolidated EBITDA	21.0	39.2
Movement in working capital	(19.5)	26.4
Maintenance capex	(5.3)	(11.3)
Operating cash flow	(3.8)	54.3
Development capex	(0.4)	(10.9)
Net capital return/cash dividends	(23.1)	(11.4)
Net proceeds from sale of assets	-	144.6
Cash assets divested with Cheetham Salt	-	(5.1)
Net finance expense	(2.7)	(8.0)
Net tax payments	(0.6)	(0.3)
Acquisitions	(5.2)	(80.7)
Other net cash outflows	0.8	(1.7)
Cash (out) / in flow for the period	(35.0)	80.8
Opening net debt as at 1 July	(17.9)	(98.2)
Closing net debt	(52.9)	(17.4)

- ❑ Strong EBITDA performance of core business compared to prior year 8 months Cheetham Salt
- ❑ Negative movement in working capital reflects strong sales in Nov & Dec & historical half year trend
- ❑ Maintenance capex within DA and minimal development capex with large projects concluded last year
- ❑ Capital return of 7.5 cps paid in July 2013 (prior year final dividend 3.75 cps)
- ❑ Net finance outlay reflects lower debt levels following March 2013 debt retirement on Cheetham Salt sale
- ❑ Acquisitions include poultry take or pay contract and performance payment for prior year Bartlett Grains acquisition

FINANCIAL SUMMARY



RIDLEY	AGRIPRODUCTS	PROPERTY	FINANCIALS	OUTLOOK
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Ridley Agriproducts (in \$m)	1H: FY14	1H: FY13	FY13	FY12	FY11	FY10
Sales (\$)	443	341	706	626	616	620
EBIT	20.7	15.5	28.1	27.2	24.9	29.0
Depreciation & Amortisation (DA)	6.7	4.3	12.9	8.5	8.6	7.6
EBITDA	27.4	19.8	41.0	35.7	33.5	36.6
Net Working Capital Change	(9.1)	4.3	13.6	11.6	-	(2.5)
Operating Cash flow	18.3	24.1	54.6	47.3	33.5	34.1
Maintenance Capex	(4.6)	(3.1)	(7.6)	(6.5)	(5.4)	(2.6)
Operating Cash flow	13.7	21.0	47.0	40.8	28.1	31.5
Development Capex	(0.5)	(5.9)	(7.8)	(9.6)	(2.9)	(8.5)
Net Cash flow pre int, tax, M&A #	13.2	15.1	39.2	31.2	25.2	23.0
Net Cash flow : EBITDA	50%	106%	115%	114%	84%	86%
Working Capital	32.6	23.5	14.2	27.8	39.4	32.5
Funds Employed (FE) (pre FY13 \$77m BPL acq'n on 31 Dec 2012)	233.9	147.1	212.5	164.3	167.4	135.7
Annualised ROFE (EBIT:FE)	17.7%	21.1%	13.2%	16.6%	14.9%	21.4%

M&A: Merger, acquisition, or disposal costs

OUTLOOK - DIVIDENDS



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- ❑ **Retained profits** - after prior year Dry Creek impairments and Cheetham Salt divestment, profit for the half year has more than reversed prior year losses and generated \$1.5m of retained profits at 31 December 2013.
- ❑ **Ridley dividends** - current intention to only pay dividends from retained profits and that dividend prospects will be determined by the forecast earnings and cash flow conversion of the business, plus the capital growth opportunities prevalent and foreseeable at the time of dividend contemplation.
- ❑ **Interim** - Ridley Board proposes to pay a partially franked 1.5 cents per share interim dividend on 30 April 2014 from retained profits as at 31 March 2014. Dividend cycle to permanently move to end April & October .

OUTLOOK - OPERATIONS



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AGRIPRODUCTS

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OUTLOOK

- ❑ **Dairy** - retrospective rise in milk price to assist with milk:feed ratio and long term recovery of farmer confidence
- ❑ **Customer Value Propositions** - to be developed using feedback survey data to enhance Ridley service performance
- ❑ **Poultry** - full six months of incremental contracted volumes
- ❑ **Laverton** - new storage and product enhancement options to develop for rendering operation
- ❑ **Packaged Products** - price increases implemented as part of margin improvement focus for the second half year

OUTLOOK - PROPERTY



RIDLEY

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OUTLOOK

- Complete sale of Bowen site**
- Geelong region in Victoria:**
 - Conduct marketing campaign for commercially suitable part of Lara site
 - Work with development partner towards formal rezoning event at Moolap
- Secure approval for Dry Creek site closure plan and commence formal implementation**
- Commence sales of northern Dry Creek land**
- Relaunch marketing campaign for Dandenong site now cleared of former buildings**

STRATEGIC INITIATIVES



RIDLEY

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OUTLOOK

- ❑ **Rendering** - focus on moving up the value chain in 2H:
 - Laverton storage and blending capability acquired
 - Investment in high protein concentrates
- ❑ **Mill modernisation** - continuing to work on new mill opportunities within Ridley financial hurdle constraints:
 - Due diligence in progress on potential new mill sites
 - Customer engagement on regional restructuring
- ❑ **R&D initiatives** - new product and diet research in progress looking to provide competitive advantage:
 - Working on high value, novel raw material inputs
 - Ongoing salmon and prawn pond research for new diets

INVESTMENT HIGHLIGHTS



RIDLEY

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OUTLOOK

- ❑ **Ridley well positioned for long term growth in the agribusiness feed sector:**
 - strong balance sheet, low gearing
 - bank facility rolled over for a further five years
 - long term history of cash conversion
 - independent of harvest volumes
 - paucity of Australian listed agribusinesses
 - Board-approved strategy of business optimisation and mill modernisation within strict performance hurdles
- ❑ **Potential to create significant Ridley shareholder value from the redevelopment of surplus land holdings in Vic and longer term in SA**

**Australia's leading producer of premium quality,
high performance animal nutrition solutions**

CONTACT DETAILS



RIDLEY

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OUTLOOK

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APPENDICES



CORPORATE SNAPSHOT



RIDLEY

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OUTLOOK

Corporate focus: Australia's leading supplier of premium quality, high performance animal nutrition solutions

ASX – as at close of business on 6 Feb 2014	RIC
Share price	\$0.79
Shares on issue	307.8m
Market cap.	\$243m
52 week range	\$0.715 – \$1.225
# Of shareholders	7,356
Top 20 shareholders	70%
Substantial shareholders:	
-Insitor Holdings (AGR Partners)	19.7%
- AMP	9.9%
- Lazard	9.0%
- Maple Brown Abbott	5.5%
- DFA Group	5.2%



Board of Directors:

- John Spark - Chair
- Tim Hart – CEO/MD
- Professor Andrew Vizard - Non-Executive Director (**NED**)
- Patria Mann - NED
- Professor Robert van Barneveld - NED
- Dr Gary Weiss - NED
- Ejnar Knudsen - NED

SECTOR HISTORY









RIDLEY AGRIPRODUCTS PROPERTY FINANCIALS OUTLOOK

Sector	1H: FY14 (kt)	1H: FY13 (kt)	FY12 (kt)	FY11 (kt)	FY10 (kt)	FY09 (kt)	Outlook
Poultry	520	441	933	900	764	746	
Aqua-feed	25	22	47	50	47	37	
Packaged	47	46	85	84	90	98 #	
Dairy	138	134	260	236	215	293	
Pig	90	92	197	224	325	332	
Supplements	15	14	22	22	30	24	
Beef & Sheep	27	20	26	24	35	48	
Animal meals	70	22	34	9	-	-	
Other	19	20	46	44	64	- #	
Total Tonnes	951	811	1,650	1,593	1,570	1,573	

Split between Packaged Products and Other not available for FY09

BRANDS & CUSTOMERS



RIDLEY	AGRIPRODUCTS	PROPERTY	FINANCIALS	OUTLOOK
Brand	Overview	Customers / market position		
	<p>Barastoc offers a range of pellets, meals, concentrates and pre-mixes specifically formulated to meet the nutritional requirements of dairy cattle, pigs, poultry, horses, laboratory animals and lifestyle pets at all stages of life.</p>	<p>Bulk customers range from the small independents to the largest poultry integrators in Australia. Also available in bagged form as packaged product.</p>		
	<p>Cobber offers a range of dog foods that are complete and nutritionally balanced and free from artificial colours and flavours.</p>	<p>High energy working dog product sold through rural retail outlets AIRR, Ruralco, Landmark and Elders.</p>		
	<p>Rumevite offers a range of complete feeds, supplements and concentrates designed to meet the nutritional requirements of all classes of sheep and beef cattle.</p>	<p>Northern Australia-focused supplementary minerals and nutrients distributed through the rural retail outlets.</p>		
	<p>Ridley Aqua-Feed offer a complete range of quality extruded and steam pelleted products for aquaculture including barramundi, mulloway, prawns, salmon, silver perch and other native species as well as trout and yellowtail kingfish.</p>	<p>Majority of Australian aquafeed services salmon, with bulk of Ridley volume sold to Huon and Petuna in Tasmania. Prawn and barramundi off the Queensland coast.</p>		
	<p>Ridley Dairy Feed offers a diverse range of feeds including pellets, meals, concentrates and supplements specifically designed to meet the nutritional requirements of dairy cattle at all stages of growth, pregnancy and lactation. Each product, available in bulk or packaged solutions, is carefully formulated to be fed with available forages and other feeds to provide a balanced ration to ensure optimum health and performance of calves, heifers and cows.</p>	<p>Fragmented customer base with family owned farms accounting for >80% of feed sold, and >1,000 active accounts. Largest customers George Weston Foods and James & Son are feed resellers for 11% of Ridley volume.</p>		
	<p>Acquired by Ridley AgriProducts in October 2011, LNT offers a block supplement range targeted at beef cattle graziers across Northern Australia. The range is focussed on wet season and dry season pasture supplementation and is trusted by end users as result of many decades of feeding success.</p>	<p>Strong brand recognition in Northern Australia and complementary to Ridley product offering. Similar customer base and distribution channel to Rumevite.</p>		

LOCATIONS & SECTORS



RIDLEY

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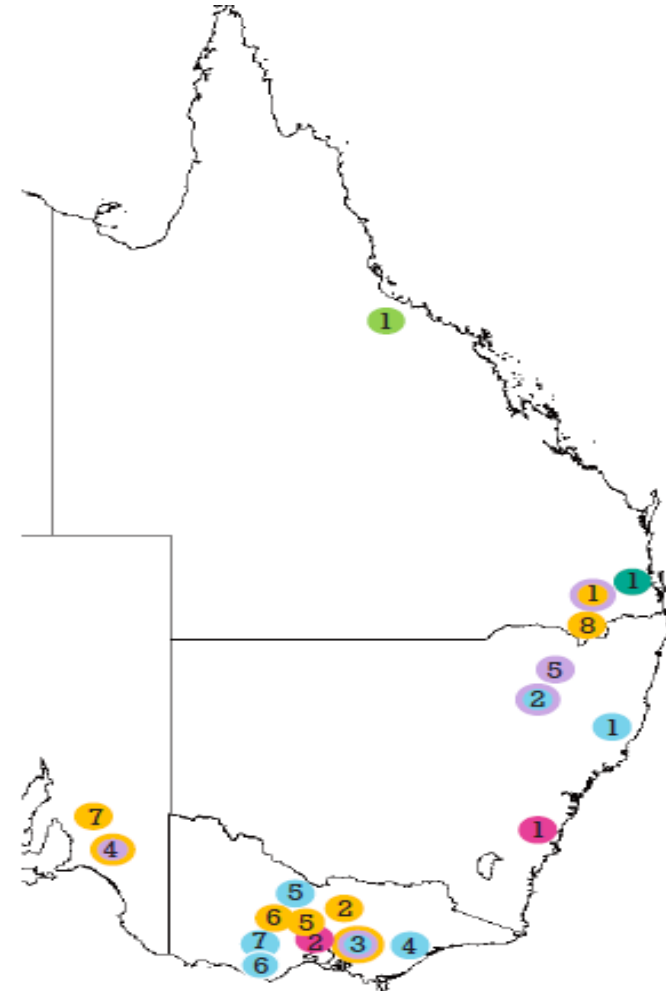
OUTLOOK

Ridley AgriProducts

Locations & Sectors

Business Unit	Structure
Monogastric	Pellet, meals, concentrates and premixes for poultry and pigs
Ruminant	Pellets, meals, concentrates and premixes for dairy cattle, beef cattle, lambs, ewes and rams
Packaged Products	Bagged poultry, dairy, dog and horse feed
Aqua Feeds	Extruded and steam pelleted products and advice for all major fin-fish and prawns
Supplements	Block and loose lick ruminant supplements
Rendering	Rendered poultry, red meat and fish products for the petfood and aquaculture sectors

Business Unit			
Ridley Assets	Monogastric	Ruminant	Packaged
	1. Toowoomba	1. Taree	1. Toowoomba
	2. Mooroopna	2. Tamworth	2. Tamworth
	3. Pakenham	3. Pakenham	3. Pakenham
	4. Murray Bridge	4. Maffra	4. Murray Bridge
	5. Bendigo	5. Gunbower	5. Inverell
	6. St Arnaud	6. Terang	
	7. Wasleys	7. Noorat	
	8. Clifton		
Aqua Feeds	Supplements	Rendering	
1. Narangba	1. Townsville	1. Maroota	
		2. Laverton	



RENDERING



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OUTLOOK

- ❑ Key component of sustainable agriculture
- ❑ One third-one half of every animal produced in Australia for meat, milk, egg & fibre food products is not consumed by humans
- ❑ Process by which low economic value matter from meat & food processing is transformed through a rendering process (cooking) into valuable products
- ❑ Rendered products - include meat and bone, poultry, hydrolysed feather, blood and fish meal and animal fats and oils
- ❑ Product use - feed ingredients for livestock, poultry, aquaculture and companion animals
- ❑ Environmental benefits through reduction in landfill, animal by-product biohazard and wastewater management

GROWTH OPPORTUNITIES



RIDLEY

AGRIPRODUCTS

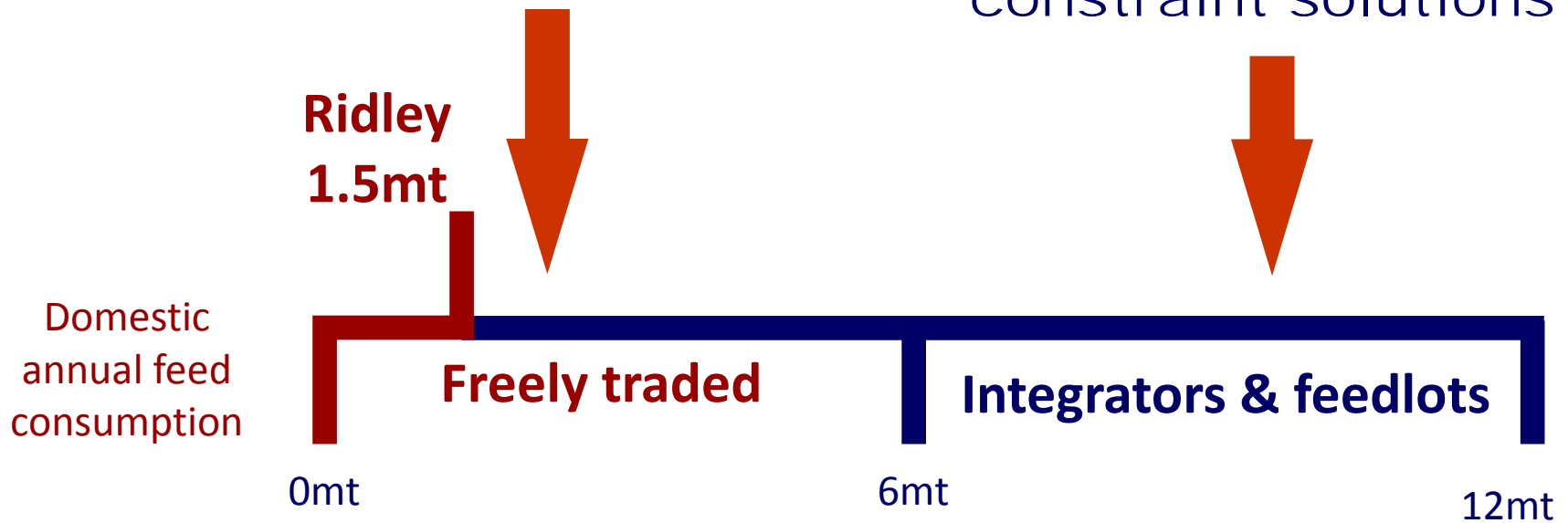
PROPERTY

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OUTLOOK

Capture market share using innovative protein sources to extend the superior product, safety & service offering

Long term, cost effective, surety of highest quality supply to provide customer expansion and capital constraint solutions



DRY CREEK



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AGRIPRODUCTS

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OUTLOOK

- ❑ 316.1 Ha In prime location with proximity to Adelaide CBD, included within SA Government's 30 Year Plan
- ❑ Seeking lease surrender to facilitate potential sale of >4,800 Ha of coastal strip north of the former saltfield
- ❑ Delays experienced to date in securing approval for site closure plan
- ❑ Redevelopment into a residential community expected to be financially viable
- ❑ Potential to create significant long term Ridley shareholder value and major project for SA

DRY CREEK



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OUTLOOK

N

Former salt
condensing
ponds being
the dark
land masses
extending
north west
up the coast
line

Development of the Dry Creek site is consistent with Government's 30 year plan for Adelaide. Ridley is working with all stakeholders to establish a pathway to address the outstanding issues and facilitate a development of the site in the long term.

Primary potential property development area



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Google

Image © 2009 DigitalGlobe
Data SIO, NOAA, U.S. Navy, NGA, GEBCO
© 2009 MapData Sciences Pty Ltd, PSMA

Dry Creek SA, Australia

34°41'56.94" S 138°31'33.29" E elev 20 ft

Eye alt 26.58 mi

Imagery Dates: Apr 26, 2006 - Feb 10, 2008

LARA & MOOLAP



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OUTLOOK

- ❑ 912 hectare site at Lara - preliminary planning and investigations completed
- ❑ Lara redevelopment potential for industrial and airport-related uses



- ❑ Moolap land tenure discussions with Govt to consolidate Ridley holdings
- ❑ Ridley and development partner to work together to achieve rezoning event

MOOLAP



INTRODUCTION

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OUTLOOK



Port Henry Alcoa smelter



Process to secure rezoning and redevelopment approvals in progress

Former salt field at Moolap

Geelong CBD
<3km



OUTLOOK - RISKS



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OUTLOOK

- ❑ **Cyclical fluctuations** - diversified portfolio spreads the individual sector risk
- ❑ **Influence of domestic harvest** - management of raw material price fluctuations through procurement practices and customer ownership of raw materials
- ❑ **Influence of natural pasture on supplementary feed decision making** - improved yields and livestock health from supplementary feeding
- ❑ **Impact on domestic & export markets in the event of disease outbreak** - mill segregation & geographic profile across Eastern states
- ❑ **Customer concentration** - long term contracts in place mitigate exposure to regional consolidation

OUTLOOK - STRATEGY



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OUTLOOK

- **Business Focus** - being Australia's leading producer of Premium Quality High Performance Animal Nutrition Solutions
- **Strategy** - six platforms for delivery:
 - Safety
 - Our People
 - Customer Focus
 - Operational Excellence
 - Community and Sustainability
 - Growth and Asset upgrades
- **Property realisation** - value generation from surplus properties with appropriate corporate governance structure in place

INVESTMENT HIGHLIGHTS



RIDLEY

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OUTLOOK

- ❑ **Organic growth through rising populations, land constraints, demand for protein and heightened concerns for food security #**
- ❑ **Further sector consolidation opportunities**
- ❑ **Risk mitigation through sector diversification**
- ❑ **Significant value generation opportunities through rezoning/redevelopment of strategic land bank**
- ❑ **Strong cash generation capability**

Australia's leading supplier of premium quality, high performance animal nutrition solutions

UN Food & Agriculture Organisation, Sept 2009 2050 world growth estimates suggest 70% increase in world food production, increase in meat production by 200mt to 470mt, and cereals by 1bt to 3.1bt.