



# RIDLEY CORPORATION LIMITED

## INVESTOR PRESENTATION

### HALF YEAR TO 31 DECEMBER 2014



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

1. **Financial performance**
2. **Financial highlights**
3. **Dry Creek**
4. **Nelson Cove**
5. **Consolidated financials – assets, liabilities, cash flows**
6. **Next twelve months focus**
7. **Ridley Business**

**Background history appendices**

<b>Consolidated result - in \$m</b>	<b>1H FY15</b>	<b>1H FY14</b>	<b>FY14</b>
EBIT - AgriProducts	25.6	20.7	40.1
Property costs -			
Dry Creek	(1.6)	(1.8)	(0.4)
Other	(1.2)	(0.6)	(2.2)
Corporate Costs	(4.3)	(4.3)	(8.6)
<b>Operating result</b>	<b>18.5</b>	<b>14.0</b>	<b>28.9</b>
Net Finance Expense	(2.8)	(2.8)	(5.4)
Tax Expense	(4.6)	(1.3)	(4.4)
<b>Net operating profit</b>	<b>11.1</b>	<b>9.9</b>	<b>19.1</b>
Transaction, other costs	-	-	(1.5)
<b>Net profit / (loss)</b>	<b>11.1</b>	<b>9.9</b>	<b>17.6</b>

- ❑ AgriProducts half result of \$25.6m, up \$4.9m (24%) on comparable prior year earnings
- ❑ Continuing focus on providing effective customer solutions through development of tailored value propositions
- ❑ Dry Creek - property maintenance and closure costs with no land sales in period
- ❑ Other Property – reflects scale up of resources and activity to fast track the Nelson Cove development at Moolap
- ❑ Corporate - consistent with prior period
- ❑ Tax expense - sustainable effective rate (prior period includes \$1.9m favourable adjustment for Cheetham Salt sale)
- ❑ No transaction or other non-recurring costs incurred in the period
- ❑ Interim dividend of 1.5 cps approved for payment on 30 April 2015

The Directors believe that the presentation of the unaudited non-IFRS financial information on slides 3 and 9 is useful for shareholders as it reflects the significant movements in operations and cash flows of the business.

- ❑ **Record half year result from core business** - EBIT increase of \$4.9m to \$25.6m (FY14: \$20.7m).
- ❑ **Dairy sector** - strong performance in Western Vic and consistent result in Gippsland after slow start to season; volumes up on prior period.
- ❑ **Aquafeed performance** - better than expected result with incremental overseas salmon volume and buoyant domestic aquaculture industry.
- ❑ **Resilient rendering** - both operations continuing to receive high intake volumes which have offset meat & bone meal and tallow price softness to deliver strong half year results.
- ❑ **Poultry** - consistent result despite periodic tightening of industry supply and reduction in finisher feed volumes.
- ❑ **Moolap** - exclusively negotiating with Government to secure land tenure for the Nelson Cove development; working closely with development partner to conclude engineering feasibility studies for the master planned community project.
- ❑ **Dry Creek** - positive response from expression of interest process and moving to due diligence and binding offers in second half year.





## **Dry Creek (pictured)**

- Expression of Interest process concluded in late 2014 with strong levels of interest registered
- All 4 sections of the residual Dry Creek site in SA are currently being tendered for sale

## **Nelson Cove**

- Working through exclusive Government negotiation process to secure the balance of land
- Concluding engineering feasibility studies to prove up the commercial model

## **Lara** - minimal activity and available for purchase

# CONSOLIDATED FINANCIALS

HALF YEAR TO 31 DEC 2014





# Balance sheet - Assets



<b>Balance Sheet - in \$m</b>	<b>Dec 2014</b>	<b>June 2014</b>	<b>Dec 2013</b>
<b>Assets held for sale</b>	-	1.4	-
<b>Other Current Assets</b>	199.8	180.1	186.4
<b>Property, plant &amp; equipment (P,P&amp;E)</b>	128.7	118.6	117.9
<b>Investment property</b>	39.6	37.2	39.1
<b>Investments</b>	3.3	3.3	2.2
<b>Intangibles</b>	79.3	80.5	81.4
<b>Non-current inventories</b>	-	0.1	0.4
<b>Deferred tax asset</b>	1.0	1.9	2.9
<b>Total Assets</b>	<b>451.7</b>	<b>423.1</b>	<b>430.3</b>

- ❑ **Assets held for sale** - Dandenong site reclassified as Investment Property from Held for sale & Dalby sold in the period
- ❑ **Other Current Assets:**
  - **Inventories** - up by \$12.9m with increased holdings and pricing of fish & animal meals
  - **Receivables** - up by \$14.9m consistent with increase in sales activity & half year close; debtor days contained within 37 days
- ❑ **P,P&E** - new feedmill site at NE Geelong acquired in August plus Cherry Lane (Rendering) & Terang (Dairy) blending and storage project additions offset by depreciation and Dalby sale
- ❑ **Investment property** - capitalised movement in Dry Creek closure provision
- ❑ **Intangibles** - only movement being amortisation for period

# Balance sheet - Liabilities



<b>Balance Sheet - in \$m</b>	<b>Dec 2014</b>	<b>June 2014</b>	<b>Dec 2013</b>
<b>Current payables</b>	<b>143.1</b>	<b>129.4</b>	<b>127.7</b>
<b>Current provisions</b>	<b>14.4</b>	<b>13.1</b>	<b>12.2</b>
<b>Current tax &amp; other liabilities</b>	<b>3.7</b>	<b>4.2</b>	<b>-</b>
<b>Non-current borrowings</b>	<b>64.6</b>	<b>55.6</b>	<b>69.5</b>
<b>Non-current Provisions</b>	<b>0.5</b>	<b>1.0</b>	<b>3.2</b>
<b>Total Liabilities</b>	<b>226.3</b>	<b>203.3</b>	<b>212.6</b>
<b>Net Assets</b>	<b>225.4</b>	<b>219.8</b>	<b>217.6</b>

- ❑ **Current payables** - up \$13.7m reflective of increased trading activity & higher inventory holdings
- ❑ **Current provisions** - reclassification from non-current plus minor movements
- ❑ **Borrowings** - \$9.0m increase of reflects:
  - Cut off for timing of 31 Dec receipts & payments
  - \$12.9m increase in working capital;
  - \$11.2m of Development capex; and
  - payment of 2 cents per share final dividend on 31 October 2014



# Cash flow performance



Cash flow in \$m	1H FY15	1H FY14	FY14
Consolidated EBITDA	26.0	21.0	41.0
Movement in working capital	(12.9)	(19.5)	(5.5)
Maintenance capex	(5.7)	(5.3)	(11.4)
Operating cash flow	7.4	(3.8)	24.1
Development capex	(11.2)	(0.4)	(2.3)
Dividends (FY14 capital return)	(6.2)	(23.1)	(27.7)
Net proceeds from sale of assets	3.5	-	1.4
Business Acquisitions	-	(5.4)	(6.6)
Net finance expense	(2.7)	(2.7)	(4.8)
Net tax (payments)/refunds	(4.3)	(0.6)	1.6
Other net cash outflows	(3.9)	1.0	(4.2)
Cash outflow for the period	(17.3)	(35.0)	(18.5)
Opening net debt as at 1 July	(36.3)	(17.9)	(17.8)
Closing net debt	(53.6)	(52.9)	(36.3)

- ❑ **Working capital** - reflects balance sheet movements
- ❑ **Maintenance capex** - remains within aggregate DA
- ❑ **Development capex** - strategic land parcel at NE Geelong, Cherry Lane and Terang blending and storage projects
- ❑ **Dividends** - 2 cps fully franked final dividend paid on 31 Oct 2014
- ❑ **Asset sales** - \$0.8m sale of Dalby and \$2.7m from Dry Creek sold on 30 June 2014
- ❑ **Tax** - 2014 income tax finalised & paid in Dec 2014 plus 2015 tax instalments to date (prior period tax benefit from Cheetham Salt sale)

- ❑ **Safety** - continuing journey to improve safety at Ridley
- ❑ **New feedmill at NE Geelong** - with the site acquired & Government grant funding now in place, secure the volume, freight, and development approvals required for the new poultry and pig feedmill
- ❑ **Value extraction** - execute the Cherry Lane rendering & Terang dairy storage & blending strategies to uplift margins & improve service offering
- ❑ **Mill modernisation** - continue to develop new feedmill opportunities by securing new volume and freight savings commitments
- ❑ **Moolap** - conclude exclusive land acquisition negotiations with Vic Govt in next six months and accelerate the development approvals process
- ❑ **Dry Creek** - pursue opportunities to generate shareholder value by inviting interested parties to conduct due diligence and submit binding offers to acquire one or more sections of the site

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

### Ridley AgriProducts

- ❑ Realise incremental value from existing assets, recent investments and acquisitions
- ❑ Contract new volumes and freight arrangements to achieve financial hurdles required for mill modernisation program
- ❑ Continue to pursue internal and external growth opportunities
- ❑ Invest in applied R&D (e.g. Novacq) and new technologies (e.g. high protein concentrates) to extract greater value from existing raw material sources and progress up the value chain

### Land

#### **Extract shareholder value from surplus landholdings:**

- ❑ Dry Creek salt field closure, divestment and redevelopment approvals to realise assets and minimise holding costs
- ❑ Moolap land tenure and development approvals to secure for urban renewal





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# APPENDICES

## BACKGROUND HISTORY



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

ASX – as at close of business on 13 Feb 2015	RIC
Share price	\$1.075
Shares on issue	307.8m
Market capitalisation	\$330.9m
52 week range	\$0.755-\$1.08
Number of shareholders	7,287
Top 20 shareholders	71%
<b>Substantial shareholders:</b>	
- Insitor Holdings (AGR Partners)	19.7%
- Lazard Asset Management	11.5%
- AMP Limited	7.9%
- SAS Trustee Corporation	5.2%
- Dimensional Fund Advisors Group	5.2%

1 year RIC share price performance benchmarked to Small Ords:



## 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 sales volume history



Sector	FY15 (kt) 1H	FY14 (kt)	FY13 (kt)	FY12 (kt)	FY11 (kt)	FY10 (kt)	Long term outlook
Poultry	514	1,019	872	933	900	764	↑
Aqua-feed	33	50	42	47	50	47	↑
Packaged	43	90	90	85	84	90	▬
Dairy	158	275	251	260	236	215	↑
Pig	83	178	184	197	224	325	↑
Supplements	10	21	22	22	22	30	▬
Beef & Sheep	19	58	46	26	24	35	▬
endering	92	171	93	34	9	-	↑
Other	22	32	35	46	44	64	▬
Total Tonnes	974	1,894	1,635	1,650	1,593	1,570	↑

# Brands and customers



Brand	Overview	Customers / market position
	<p>Barastoc offers a range of pellets, meals, concentrates and premixes 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 direct accounts and rural retail outlets.</p>
	<p>Ridley Aqua-Feed offer a complete range of quality extruded and steam pelleted products for aquaculture including barramundi, mullock, 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 &gt;80% of feed sold, and &gt;1,000 active accounts. Largest customers George Weston Foods and James &amp; Son are feed resellers for 11% of Ridley volume.</p>
	<p>Ridley's rendering division processes meat, poultry and fish by products into animal protein meals and oils. Products include meat and bone meal, poultry meal, feather meal, blood meal, tallow, poultry oil and fish meal. Products are produced at two plants in Sydney and Melbourne and are branded under the names of Camilleri, CSF Proteins and Bartlett. Raw material is sourced from poultry processors, deboners and fish markets.</p>	<p>Products are sold into domestic &amp; overseas aquafeed, petfood and stockfeed markets. Ridley's comparative advantage is in being able to leverage its nutritional expertise to supply customers with products that support the best health and performance of farmed animals, fish, pets and biofuels.</p>
	<p>Primo Aquaculture supplies live and formulated feeds as well as a key range of equipment to the commercial aquaculture industry, aquarium, aquaponics and other hobbyist growers. The range includes general feeds, artemia, health products and equipment from around the world as well as formulated hatchery feeds for all species of fish and prawns.</p>	<p>Complementary to aquafeed business in providing a starter feed to complete the product range. Customer base extends to specialist and hobby interests serviced through online website ordering</p>

# Locations & sectors



## Ridley locations and sectors

### From field to food

Ridley is a proud partner of Australian agriculture, driving productivity and performance in response to the needs of an ever-growing population and the welfare of our agricultural community.

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



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



- ❑ Key component of sustainable agriculture
- ❑ One third to 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



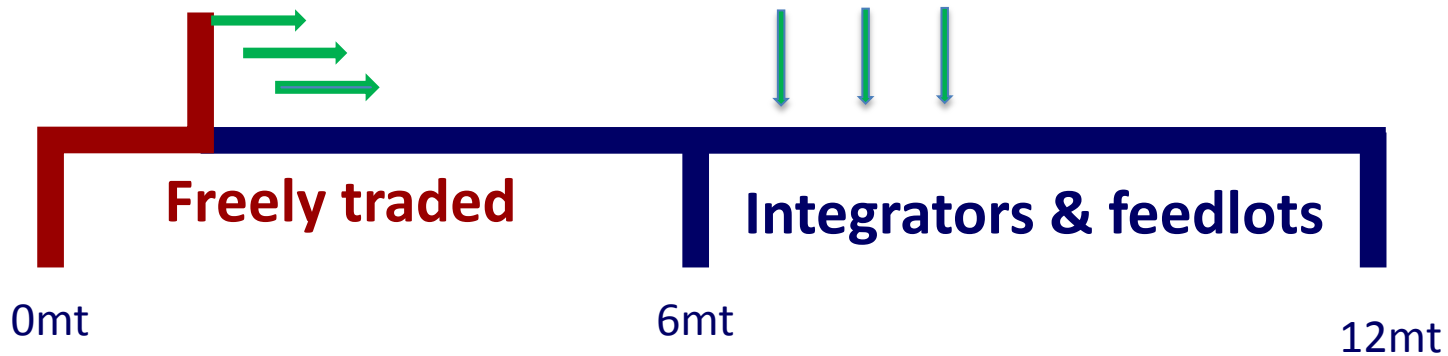
Capture market share with customer value proposition & innovative protein sources to extend the superior product, safety & service offering

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

Targeting organic growth:  
FY14 Ridley 1.9mt,  
up from FY13 1.5mt

Mill consolidation & rationalisation opportunities

Domestic annual feed consumption



- ❑ Process being run to sell the 4 sections of the residual Dry Creek site in SA
- ❑ Opens up opportunities for horticulture, aquaculture, carbon capture, spoil disposal, salt production, tourism and leisure, and urban development
- ❑ Ridley working through submissions with a number of parties with diverse interests and ambitions in order to optimise value for Ridley shareholders
- ❑ Significant site maintenance and holding costs being incurred pending divestment or closure





Ridley and partner Sanctuary Living working together to:

- ✓ secure the balance of the Moolap land through the exclusive Government negotiation process
- ✓ conclude the engineering studies to confirm project construction feasibility
- ✓ proceed with Environmental Effects Statement and other impact studies once project feasibility confirmed





A fully integrated, master planned, waterfront community within 3kms from Geelong will:

- ✓ create thousands of jobs for decades
- ✓ stimulate capital investment in new businesses
- ✓ have extensive wetlands, open space and recreational land
- ✓ inject significant economic activity in the region







- ❑ 912 hectare site at Lara - planning and investigations completed
- ❑ Site available for purchase
- ❑ Lara redevelopment potential for industrial and airport-related uses
- ❑ Minimal holding costs with expected upside for Ridley shareholders

**AVALON AIRSTRIP**

**LARA SITE**

Melbourne  
~60km

**CORIO BAY**

**PORT OF GEELONG**

**GEELONG CBD**

**NELSON COVE**

- ❑ **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 of Australia
- ❑ **Customer concentration** - long term contracts in place mitigate exposure to regional consolidation

An increase in meat consumption of **16%** by 2022 across key Asian export markets of China, Japan, Korea, Indonesia, Malaysia, Philippines, Thailand and Vietnam <sup>#</sup>

## Challenges:

- ❖ Rising production costs
- ❖ Market access
- ❖ Logistics & infrastructure
- ❖ Regulatory pressures
- ❖ Capital constraints
- ❖ Innovation & development

## Solutions:

- ❖ Free Trade Agreements
- ❖ Competiveness (e.g. energy, red tape)
- ❖ Infrastructure
- ❖ “Brand Australia” (quality & safety)

Australian population could be **~30 million by 2030**, an increase of 27% on current 23.4 million <sup>^</sup>

## Solutions:

- ❖ Increased production through yield gain

<sup>#</sup> Source: OECD FAO Agricultural Outlook 2013-22

<sup>^</sup> Source: UN World Population Prospects, 2012 Revision



# Outlook – Regional growth

- Dairy & beef
- Animal meals and fats
- High-performance raw materials

... all forecast to have strong export growth

ChAFTA - free trade agreement with China expected to boost long term demand for Australian agriproducts

In 2012-13, Australian farms produced:-

- \$13.2 bn of livestock (for meat)
- \$6.9 bn of livestock products (wool, dairy etc)
- \$2.3 bn of fish and other marine produce

Export Demand

Population of ~30m by 2030, with greater demand for:-

- Chicken – affordable source of protein, compounding growth at 3% p.a.
- Eggs – 45% increase in eggs laid in 2013 vs 2003 (AECL)
- Fish – consumption up 25% by 2022 (OECD FAO)
- Dairy – population growth plus increasing preference for dairy products

growth in future production will be driven by...

Domestic Demand

*... but forecast growth in livestock production can only occur with equivalent growth in the supporting stockfeed industry*

# Outlook – Ridley investment



Species	Ridley Position in Sector	Sector Growth Potential	Local or Global?*
Aqua	Strong (#2)	High	Salmon – Local Prawn – Global
Dairy	Strong (#1)	High	Global
Poultry - Broiler	Strong (#1)	Medium	Local
Poultry - Layer	Medium	High	Local
Rendering	Strong (#1)	High	Global
Packaged	Medium	Medium	Local
Pig	Medium	Medium	Local
Supplements	Medium	Medium	Local

*Ridley well positioned in key growth sectors*

*Attractive blend of local and global markets*

*Strong overseas relationships & quality reputation*

*Pig growth opportunities under strategic review*

\* defined as the destination market for the majority of the associated end product

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

## **Ridley's six pillar strategy for execution:**

- Safety
- Our people
- Customer focus
- Operational excellence
- Growth and asset renewal
- Community / Sustainability

- ❑ 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/realisation of strategic land bank
- ❑ Strong cash generation capability

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# 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.