

## *Food and Agribusiness*



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

26 May 2015

- Cheetham Salt business was divested in 2013
- Proceeds used to pay down debt, and also acquire a 2<sup>nd</sup> rendering business (Ridley now Australia's #1 service renderer)
- Salt sale excluded some large-scale land assets which are now being actively divested to return capital to main operating (animal nutrition) business
- As a consequence of restructure above, Ridley is now:
  - ✓ a “pure play” agribusiness, focused on animal nutrition
  - ✓ Australia's #1 stockfeed provider...
  - ✓ ... with a synergistic vertical integration into service rendering
  - ✓ lowly geared, and hence well placed to exploit accretive growth/M&A opportunities

*In summary, Ridley is now a focused agribusiness, perfectly positioned to grow with the favourable demand outlook for Australian livestock and protein*

# Strong regional food growth opportunity



- Dairy & beef
  - Animal meals and fats
  - High-performance raw materials
- ... all forecast to have strong export growth

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

\*Source: ABARES Agricultural Commodity Statistics 2013

**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 dependent upon equivalent improved returns and growth in the supporting stockfeed industry**

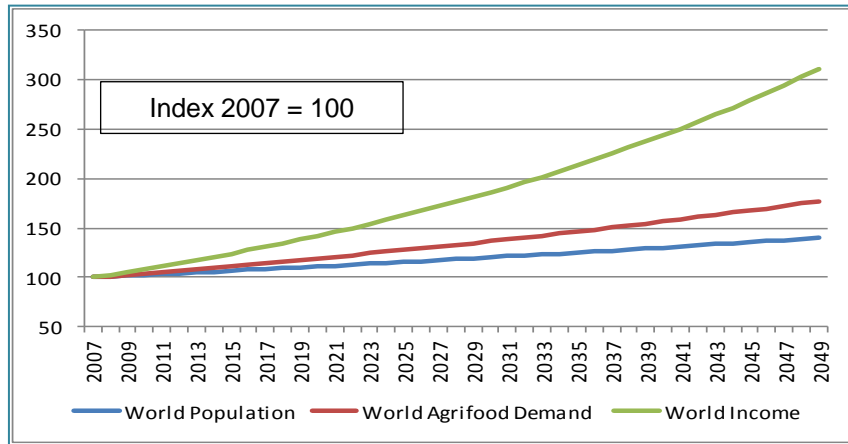
# Australian agribusiness well resourced to exploit food demand growth opportunity



## DEMAND



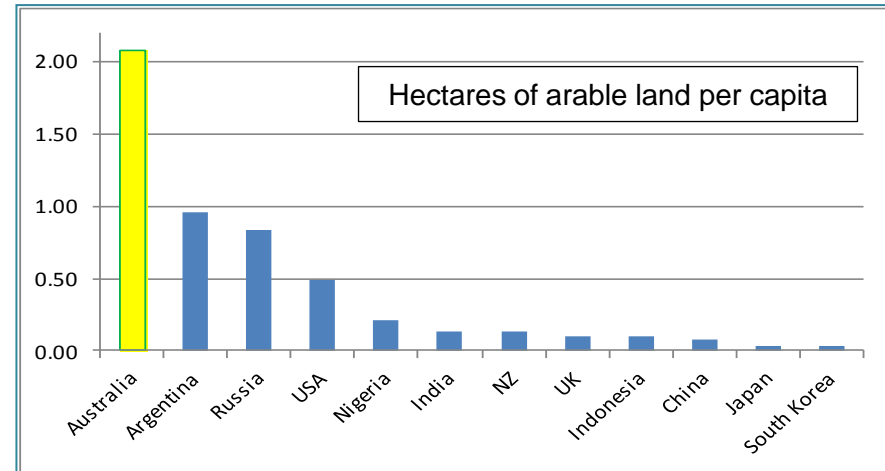
World population >9 bn by 2050, income & food demand growing faster



## LAND



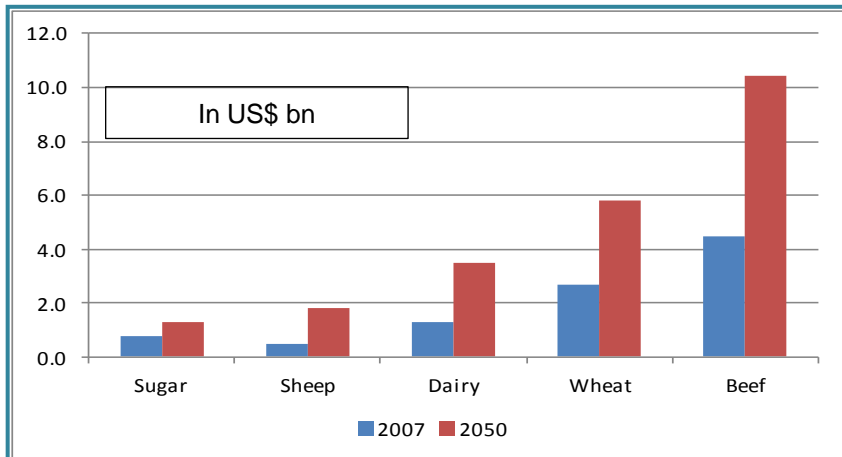
Australia enjoys huge advantage in arable land vs peers



## AUS EXPORTS



Substantial uplift in exports across meat, livestock products and crops



## AUS ENERGY RESERVES

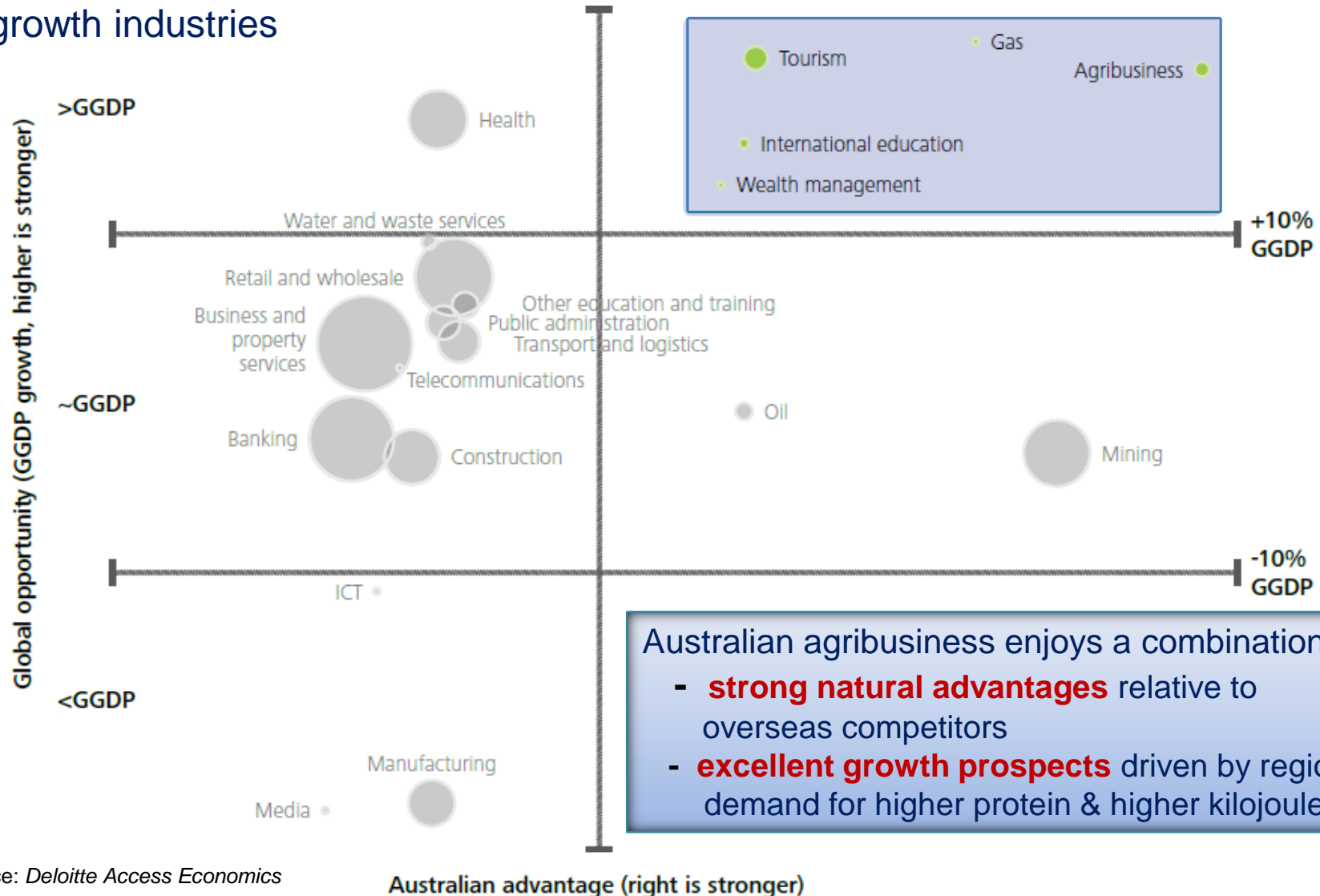


- Vast reserves of conventional gas
- Maturing coal seam gas industry
- \$200bn worth of energy infrastructure under construction and due to come onstream in 2017
- World's 7<sup>th</sup> highest amount of technically recoverable shale gas

# Australian agribusiness – an exciting proposition relative to other industries



Deloitte Access Economics has Australian agribusiness as one of its 'Fantastic 5' growth industries



# In which parts of the food chain can Ridley provide and extract value?



- Innovation in diets and raw materials (e.g. Novacq)



Grains & Oilseeds

Vitamins & Minerals

Vegetable Proteins

Meat Proteins

Animal Nutrition Solutions



- 17 feedmills
- 1.75 million tonnes of stockfeed



Livestock Production

Poultry

Pork

Salmon

Prawn



Processing

Rendering



- 2 rendering plants
- Poultry, red meat & fish by-products

By-products

Dairy

Layers

Companion Animals

Rendering

RIDLEY

- 2 rendering plants
- Poultry, red meat & fish by-products

By-products

# Where are Ridley's operations in Australia?



## 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
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, horse and lifestyle animal 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 pet food and aquaculture sectors



Business unit				
Ridley Assets	Monogastric		Packaged	
	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	Aqua Feeds	
	7	Wasleys	1	Narangba
8	Clifton	Supplements		
Ruminant		1	Townsville	
Rendering				
1	Taree			
2	Tamworth	1	Maroota	
3	Pakenham	2	Laverton	
4	Maffra			
5	Gunbower			
6	Terang			
7	Noorat			

# Ridley has two areas of key focus to improve its returns



1

Focus on those sectors with **high growth potential** and **higher-value returns**:

- aquaculture
- dairy
- poultry
- rendering

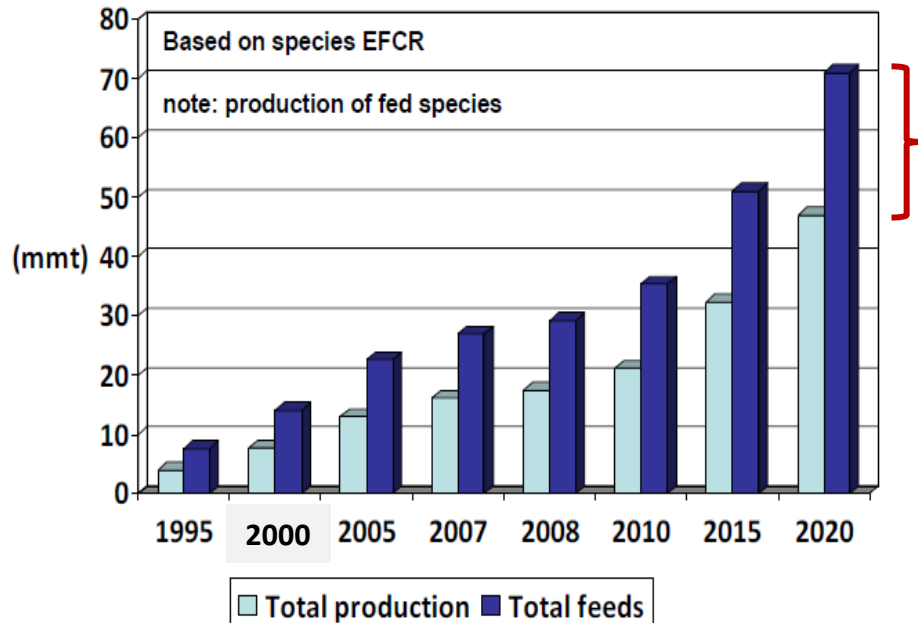
2

Focus on Ridley's **Customer Value Proposition** to:

- ✓ deliver a compelling value proposition to the customer through continuous improvement in conversion of feed to livestock output;
- ✓ develop and secure supply chain for novel and sustainable raw material inputs;
- ✓ invest in Ridley's human capital to innovate and commercialise creative dietary and merchandising solutions; and
- ✓ conduct a rolling program of mill modernisation to ensure assets are best in class in terms of efficiency and environmental footprint.



## Global Compound Aquafeed Forecast to 2020



Source: FAO Fisheries & Aquaculture Technical Paper 564  
EFCR : Economic Feed Conversion Ratio

**Constraint:**  
- declining wild catch also means less raw material for farmed fish feed

**Approach:**  
- Replacement of wild catch with sustainable raw material inputs, including animal and vegetable protein sources; &  
- Commercialisation of sustainable novel raw materials to lift conversion rates and improve animal well-being e.g. Novacq

## Some Facts & Figures

- **Asia** is home to ~90% of global aquaculture production
- Farmed fish expected to exceed wild catch by **2018**

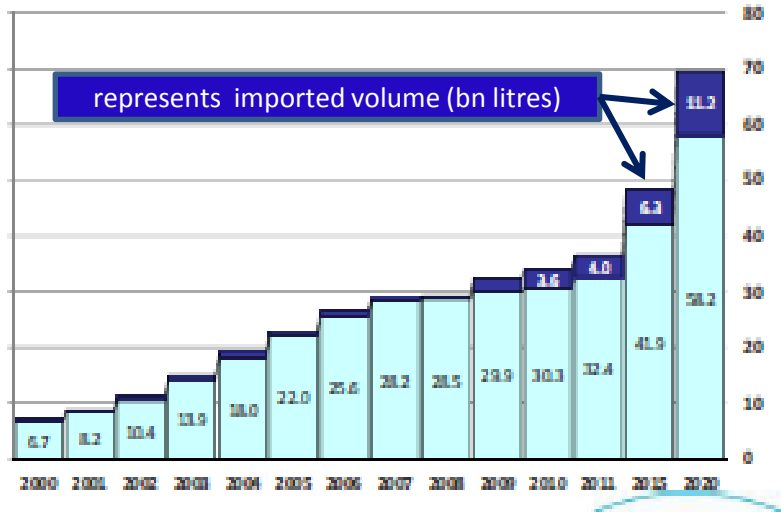
Source: FAO Fisheries & Aqua Department 2013

- **Australia's** aquaculture industry, whilst comparatively small, has grown at a CAGR of ~11% over the last 20 years
- 2 major growers are both investing in new farms and biomass to continue growth

Source: Department of Agriculture, Australia's Seafood Trade, October 2013

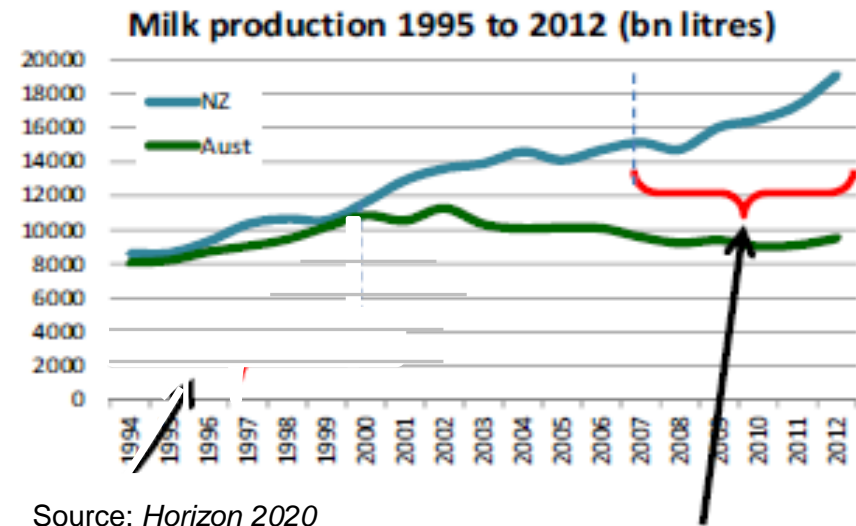
## Significant regional demand for imported milk into China....

Fonterra's view of the size of the market in China



Source: *Horizon 2020*

## ... and a latent milk production opportunity in Australia

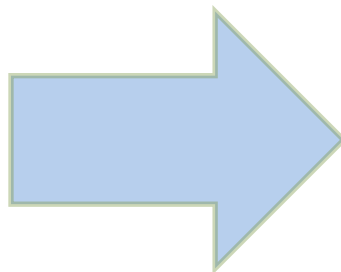


Source: *Horizon 2020*

NZ grew 30% in last 5 years

### **Constraint:**

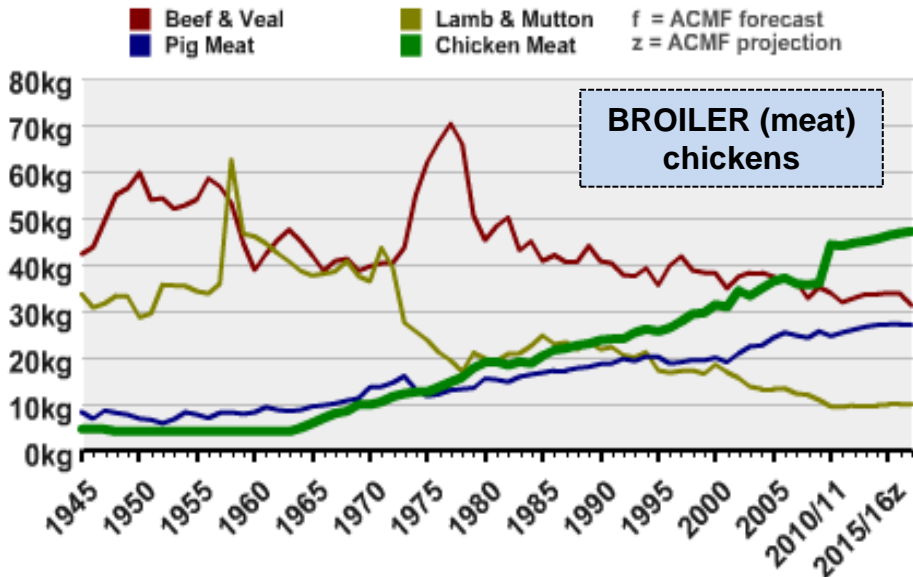
- land, water and farmer education & succession



### **Approach:**

- Educate the industry on the milk production and herd health benefits of supplementary feeding to boost output without changing the existing farm herd & environmental footprint

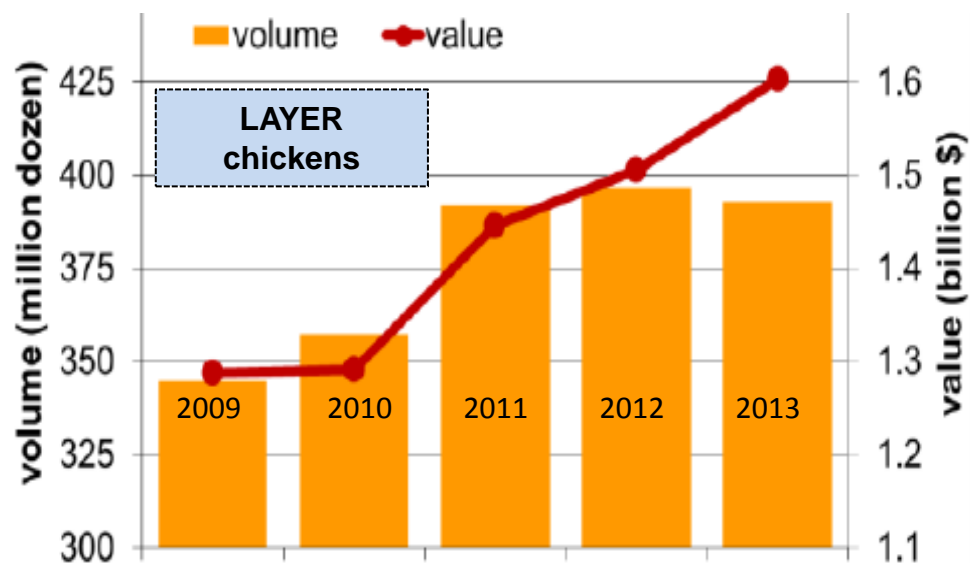
# Poultry approach to improved returns



**Constraint:**  
not subject to same constraints as other key Ridley sectors

- Chart shows consumption per capita in Australia of various meat types
  - Chicken meat showing consistent 3% p.a. compound growth
- Source: Australian Chicken Meat Federation

Ridley's poultry business provides a consistent core of high volume throughput effectively servicing intensively farmed industry with short animal lifecycle



- Strong recovery with eggs now positively viewed as protein source [ Source: AECL]

**Approach:**

- Engage industry experts to lead advancements in nutrition; &
- Continually refresh asset base to be best in class in reliable delivery of high quality product using energy efficient assets and environmentally responsible footprint

# Rendering approach to improved returns



## DEMAND

*Demand for rendered products as a protein source is a function of export focused growth for livestock products*

**Constraint:**  
- periodic overseas market closures

**Constraint:**  
- freshness of raw material is critical  
- competitively sourced

## SUPPLY

*Supply of raw material is a function of livestock harvest rates, influenced by consumer demand and, for non-intensively farmed beef and sheep, pasture and drought conditions*

Territory	Meat Consumption		
	2013	2022	% Growth
China	81.3	94.3	16.0%
Indonesia	3.3	4.2	26.3%
Japan	5.6	5.5	(1.9%)
Korea	3.2	3.6	9.7%
Malaysia	2.0	2.6	27.9%
Philippines	3.2	4.1	26.9%
Thailand	1.9	2.1	11.1%
Vietnam	5.4	7.0	27.9%
<b>Total:</b>	<b>106.1</b>	<b>123.3</b>	

**+16.2%**

	Production (tonnes '000)		
	2011	2013	% increase
Mammalian/mixed protein meals	502	546	8.8%
Poultry meal	76	79	3.9%
Poultry oil	60	66	10.9%
Feather meal	37	38	3.6%
Tallow	487	532	9.2%

Source: Australian Renderers Association

**Approach:**  
- Invest in plant efficiency upgrades to improve product spec & yields, and to reduce waste;  
- invest in new technology to extract higher value products and operating efficiencies

# Ridley well positioned within agribusiness



## Nutrition & technical excellence

- Industry-leading knowledge of animal husbandry, nutrition & raws

## People

- Innovation & creation in raws & diets to deliver new products & access new markets

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

## Location & Supply chain

- 1.5mt on 2 way logistics  
- reliability of supply

## Scale

- Lower input & production costs  
- merchandising opportunities  
- risk mitigation

## Cost of feed to livestock yield

- Share the win:win;  
- customers pay for value

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

# Recent financial performance trending the right way



<b>Consolidated excluding Property &amp; Salt segments in \$m</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
RAP EBIT	29.0	24.9	27.2	28.1	40.1
Corp EBIT	(6.8)	(5.5)	(6.7)	(5.7)	(8.6)
RAP + Corp EBIT (excl. Cheetham Salt & Property)	22.2	19.4	20.5	22.4	31.5
Consolidated Funds Employed	368.3	402.5	400.6	221.8	258.5
Less: Cheetham Salt Funds Employed	(237.8)	(239.2)	(239.6)	-	-
Less: Assets held for sale	-	-	(4.0)	(0.7)	(1.4)
Investment properties	-	-	-	(38.4)	(37.2)
Continuing Funds Employed (FE) (excl. Property)	130.5	163.3	157.0	182.7	219.9
Annualised ROFE (EBIT: average FE)	17.0%	13.2%	12.8%	13.2%	15.6%

## Return on Funds Employed

