

Monday, 14 November 2022

2022 Full-Year Results and MD & CEO Planned Retirement

Elders delivers \$232.1 million Underlying EBIT, up 39% from FY21, and declares a final dividend of 28 cents per share (30% franked)

Australian agribusiness Elders (**ASX:ELD**) today released its results for the 12 months to 30 September 2022.

Elders reported an underlying profit before tax of \$223.5 million, up 42% on FY21. Statutory profit after tax was \$162.9 million, with prior year comparison impacted by the recognition of income tax expense from 1 October 2021.

Financial Metric	FY22 \$m	FY21 \$m	Year-On-Year Change	
Sales revenue	3,445.3	2,548.9	896.3	35%
Underlying EBIT	232.1	166.5	65.6	39%
Underlying profit before tax	223.5	157.7	65.8	42%
Underlying profit after tax ¹	152.2	151.1	1.1	1%
Statutory profit after tax	162.9	149.8	13.1	9%
Underlying return on capital (%) ²	26.2%	22.5%	3.7%	-
Operating cash flow	113.7	142.2	-28.5	-20%
Underlying earnings per share (cents) ³	97.3	96.7	0.6	1%
Total dividend per share (cents)	56 (30% franked)	42 (20% franked)	14	33%

¹ FY22 underlying profit after tax is impacted by the recognition of tax expense in underlying income commencing 1 October 2021

² Return 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)

³ FY22 underlying earnings per share (97.3 cents per share) are impacted by the recognition of tax expense in underlying income commencing 1 October 2021. If adjusted for tax expense to enable consistent comparison year on year, FY22 adjusted underlying earnings per share is 134.1 cents per share up 38.7% on FY21

Elders' return on capital (ROC) of **26.2%** was up 3.7% on FY21, and significantly exceeded the company's 15% hurdle set in its Eight Point Plan strategy.

The final dividend of 28 cents per ordinary share takes total dividends declared for the year to 56 cents partially franked (30%), compared to 42 cents partially franked (20%) in FY21.

Financial performance improved across all geographic and product areas in FY22, with standout results from our Rural Products business.

The Rural Products business outperformed expectations, with gross margin of **\$383.1** million, up **35%** on FY21. This growth was driven by the continued focus on the backward integration strategy, whilst capturing the benefits of strong seasonal conditions. Growth through strategic acquisitions continued in FY22, adding value and presence across the network. Agency services contribution grew due to strong livestock prices despite reduced volumes from limited domestic supply, with gross margin of **\$147.0** million, up **4%** on FY21. Real Estate Services gross margin was **\$61.6** million, up **21%** on FY21, reflecting ongoing network expansion and continued very high demand for both residential and farmland assets despite a fourth quarter market easing.

Progress on the third Eight Point Plan

In FY22 Elders entered the second year of its third Eight Point Plan, targeting 5% to 10% growth in EBIT and EPS through the agricultural cycles while maintaining strong financial discipline to generate a compelling ROC of at least 15%.

In FY22 EBIT grew by **39%**, with a return on capital of **26.2%**.

Recognising the favourable seasonal and market conditions, Elders' Chief Executive Officer and Managing Director, Mark Allison, attributes the outperformance to:

- a well-executed growth strategy, which targets a balance between organic and acquisitive growth. Acquisitions completed in FY21 delivered full year EBIT of \$12.6 million in FY22, with 13 bolt on acquisitions executed during FY22, delivering an additional \$4.2 million EBIT;
- the continued focus on the Rural Products backward integration strategy driving margin benefits, despite supply constraints and high input costs;
- an ongoing focus on strengthening and expanding all core product areas, which has delivered growth across a strategically diversified portfolio of business units; and
- a continued commitment to financial discipline in managing cost and capital.

"Elders' performance this year reflects a continued commitment to improvement and growth in accordance with our Eight Point Plan, which allowed us to leverage excellent seasonal and market conditions," said Mr Allison. "The business has performed remarkably well, making tremendous progress on its strategic ambitions and contributing to a thriving agriculture sector."

Investing in innovation

Elders commenced 'Wave 1' of its staged system modernisation program in FY22, focusing on core financial and people management platforms. This key milestone will underpin subsequent investment in customer facing systems and platforms aimed at growing and maintaining strong relationships with customers, community, and its people whilst delivering cost efficiencies across the business.

Elders also announced a significant investment in Elders Wool Handling which will modernise the wool supply chain.

People and safety

During FY22 Elders achieved all-time high results in a Korn Ferry employee effectiveness study which ranks the engagement and enablement of the Elders' workforce. Mr Allison said "I am encouraged by these results, assured that we are doing the right things in our business to support our employees, and motivated to ensure that Elders continues to be an employer of choice in our sector."

Elders recorded six Lost Time Injuries (LTIs) in FY22 and has continued to strive for a zero injury workplace, investing \$3.3 million in network safety initiatives in FY22.

FY23 Outlook

High demand for agricultural commodities is expected to create favourable trading conditions in the first half of FY23, however recent extreme rainfall events across the eastern states have created some uncertainty in affected cropping regions and concern about reaching full harvest potential for both summer and winter crops.

The Rural Products outlook remains positive, with high demand particularly for agricultural chemicals, fertiliser and seed. However, the agricultural industry will await assessment of the full impact of the extreme wet conditions and flood events to realign expectations for the FY23 season.

Cattle and sheep prices are expected to soften in the medium term, driven by falls in domestic re-stocker demand, with volumes also balancing out in the short term. The wool market is expected to remain strong, driven by increased demand in China and Europe, pending production conditions improving following recent wet conditions and flood events in Eastern Australia.

Strong demand for broadacre properties is expected to continue in the short to medium term, supported by commodity demand and high livestock prices. Elders has an encouraging pipeline of acquisition prospects in strategically relevant locations and is also pursuing new greenfield opportunities to expand its service offering to clients.

Sustainability is a key focus of the business for FY23 with particular emphasis on the areas of waste management, our strategic response to climate change, and our community investment.

Mr Allison said, "I am pleased to report on the excellent progress we have made over the last year on our sustainability strategy. At Elders, sustainability means looking after our people, communities and the environment to ensure that we are here to continue serving clients across rural and regional Australia for the long term - as we have for over 180 years."

Full details can be found in our [Sustainability Report](#).

Mr Allison added, "With our focus on safety, sustainability, innovation and financial discipline, we have generated excellent results for our shareholders in 2022 and deepened our position as the most trusted agribusiness in rural Australia. Opportunities remain to grow and improve our business and further enhance our value proposition to rural Australia, through the implementation of our Eight Point Plan."

MD & CEO Retirement on or before November, 2023

The Board and Mr Allison would like to announce plans for Mr Allison's retirement, which will occur on or before November 14, 2023.

This will complete ten years of outstanding leadership at Elders as Chair, Executive Chair and, since May 2014, as Managing Director and CEO for Mr Allison. This timing will also see the completion of the third of three successful Eight Point Plans. Mr Allison said "The timing is right, and will allow for a smooth transition and leadership refresh for Elders' next phase of growth."

The Board has commenced an executive search at both national and international level.

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/10025915-peshr7.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 approximately 2,585 employees across 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 top-tier beef cattle feedlot in New South Wales.

Elders is invested in the ongoing prosperity and wellbeing of rural and regional communities across Australia and remains committed to investing in, and developing, a resilient business. Elders is focused on future-proofing Australian agriculture through sustainable initiatives across the areas of environment, people and community.

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Authorised by:

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