

BALANCED PORTFOLIO

EARNINGS

ELders Limited ELD:ASX

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mpcmarkets.com.au

UPDATE

GENERAL ADVICE
ONLY

Elders reported a challenging financial year in FY2024, with underlying EBIT decreasing by 25% to \$128.0 million and sales revenue declining by 6% to \$3,131.3 million compared to FY2023. The company's underlying net profit after tax fell by 38% to \$64.0 million. Despite these headwinds, Elders maintained its commitment to shareholder returns, declaring a final dividend of 18.0 cents per share, bringing the full-year dividend to 36.0 cents per share.

Key financial metrics

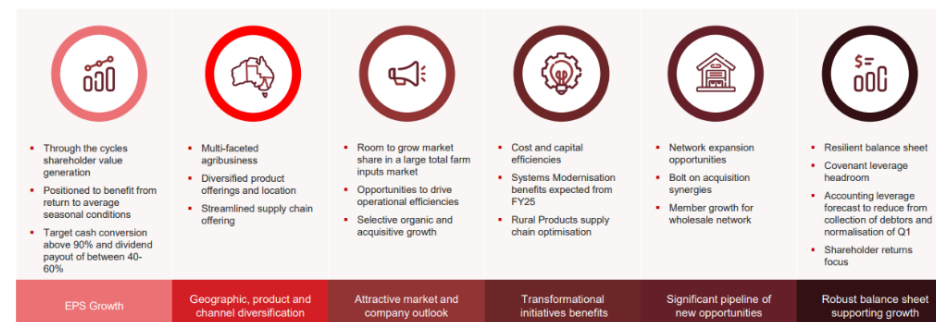
Key financial metrics reflected the difficult operating environment, with return on capital decreasing to 11.3% from 16.0% in the previous year. Cash conversion declined to 129%, while net debt increased to \$436.8 million, resulting in a higher leverage ratio of 3.1x. The company's performance was particularly impacted by a challenging first quarter, though this was partially offset by improved trading in the second half of the year. The Rural Products segment faced headwinds from lower crop protection prices and reduced fertilizer sales. However, other segments showed resilience, with Agency Services benefiting from recovering cattle and sheep prices, Real Estate Services experiencing growth through acquisitions and improved broadacre demand, and Financial Services seeing increased uptake of livestock funding offerings.

Strategic Initiatives

Despite the challenges, Elders continued to invest in strategic initiatives, including its Systems Modernisation project and the completion of 13 acquisitions to expand its network and product portfolio. The company also maintained a focus on cost and capital efficiency to mitigate inflationary pressures.

Outlook

Looking ahead, Elders remains optimistic about the 2024 summer crop due to favorable moisture profiles. The company anticipates gradual improvement in Rural Product margins, benefits from acquisition growth, and continued uptake of livestock funding products. Management is committed to maintaining cost and capital efficiency while investing in strategic initiatives to position the company for potential growth in FY2025, subject to average seasonal conditions and continued recovery in client sentiment.



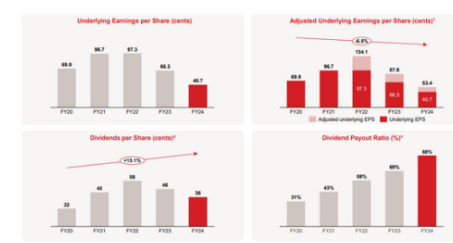
Five-Year Financial Performance

EBIT within guidance with forecast return to average seasonal conditions forecast in FY25

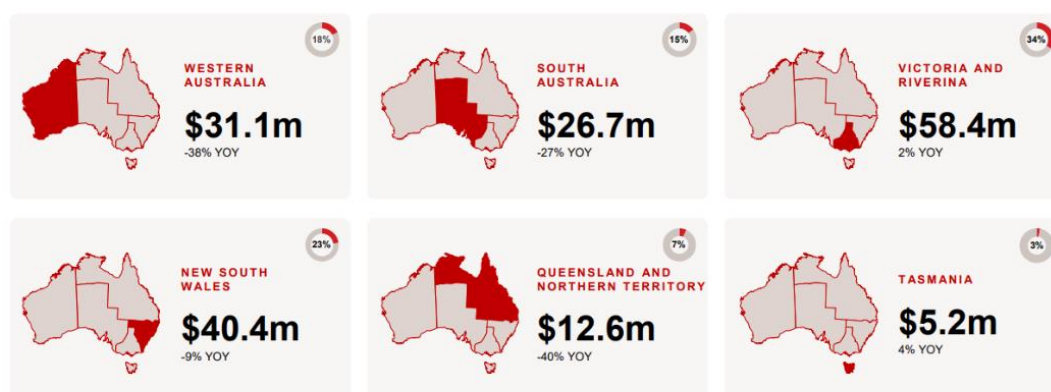


Five-Year Shareholder Returns

FY24 materially impacted by seasonal and market conditions in the first quarter

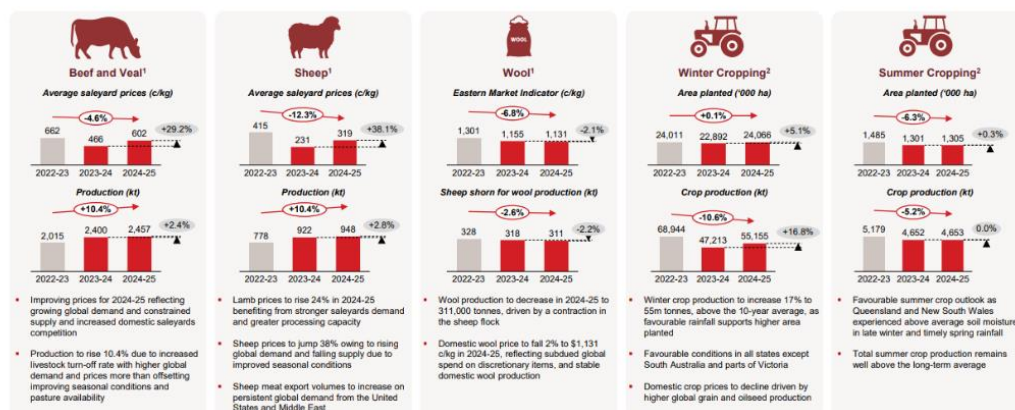


1. Adjusted for underlying tax expense recognised from 1 October 2021
2. Priced Per Share: FY20 (100%), FY21 (100%), FY22 (100%), FY23 (100%), FY24 (100%), average
3. EBITs dividend policy considers the sustainability of dividends and hence takes through seasonal events such as Q1



ABARES September Market Outlook

Gross value of production to rise 4% to \$86.2 billion, driven by higher livestock production and value, and winter crop production on improved seasonal conditions



1. Department of Agriculture, Fisheries and Forestry, ABARES Agricultural Forecasts and Outlook: September edition
2. Department of Agriculture, Fisheries and Forestry, ABARES Australian Crop Report: September edition

FY2024 results against broker/analyst expectations:

1. Underlying EBIT:

- Actual result: \$128.0 million
- Guidance range: \$120 million to \$140 million
- This was within the guidance range provided by the company in April 2024

2. Broker forecasts:

- Citi forecasted FY24 EBIT of \$131 million, which was very close to the actual result
- Bell Potter had lowered its EPS forecasts for FY24 by 9%
- Shaw and Partners' FY24 EBIT forecast of \$135 million was slightly higher than the actual result

3. Revenue:

- Actual result: \$3,131.3 million, down 6% from FY2023
- This was likely below expectations, given the challenging conditions reported.

4. Net profit after tax:

- Actual underlying NPAT: \$64.0 million, down 38% year-over-year
- This significant decline was likely worse than most analysts expected at the start of the year.

5. Dividend:

- Actual full year dividend: 36.0 cents per share
- This matched several broker forecasts, including Bell Potter and Shaw and Partners

6. Return on Capital:

- Actual: 11.3%
- This was below the target of 15% mentioned in some broker reports

7. Cash conversion:

- Actual: 129%
- This exceeded the company's target of >90% and was likely better than expected.

Overall, while Elders met its revised guidance provided in April, the results were significantly below initial expectations for FY2024. The company faced challenging conditions, particularly in the first quarter, which led to a profit warning and revised guidance earlier in the year. The actual results came in within this lowered guidance range, but represented a substantial decline from the previous year and from what analysts were likely expecting at the start of FY2024.