Monday, 15 September 2014

Elders announces $57 million equity raising and new banking facilities

Key points

- Successful completion of a $10.2 million placement and announcement of a fully underwritten 3 for 5 traditional non-renounceable entitlement offer of $47 million, together raising $57 million
- Proceeds from the Placement and Entitlement Offer together with recently completed asset sales will reduce Elders' term debt from $118 million at 31 March 2014 to $21 million on a proforma basis
- The new banking facilities comprise flexible working capital facilities on normalised commercial terms suited to a pure agribusiness
- A platform is now in place to support Elders' strategic intent to grow to $60 million EBIT and 20% return on capital (ROC) in FY17, as outlined in the company's 8-Point Plan
- FY14 underlying EBIT outlook is in a range of $23 million to $28 million, an improvement of up to $77 million on FY13
- In contrast to previous years, future operating cash flow can now be directed into growing the Elders business
- Offer price of $0.15 per new share represents a 28.0% discount to the 1 month VWAP of Elders shares of $0.208 and a 17.9% discount to the theoretical ex-rights price of $0.183

Entitlement Offer and completed placement

Elders Limited (**Elders**) is pleased to announce a fully underwritten $47 million 3 for 5 traditional non-renounceable entitlement offer to all eligible shareholders at $0.15 per share (**Entitlement Offer**). The Company has also completed a Placement to institutional and sophisticated investors at the same price raising $10.2 million. Placement shares will participate in the Entitlement Offer. Funds from the Placement and Entitlement Offer will be used to repay term debt.

Completion of the equity raising and recently completed asset sales will see proforma term debt as at 31 March 2014 reduce from $118 million to $21 million on a proforma basis. Following the expected receipt of proceeds from the recent sale of Elders' investment in AWH, Elders' term debt may reduce to zero. Elders' new banking facilities provide sufficient flexibility and headroom to grow the business during normal seasonal fluctuations.

The recapitalisation of Elders provides a sound platform to generate value for all stakeholders. The Board and management will now be totally focused on efficiency improvements, growth and improved ROC.

Elders Chief Executive Officer Mark Allison says "We welcome to our share register a range of local and offshore institutions."

"Elders is no longer the complex and highly geared conglomerate it once was and the recapitalisation and new banking facilities will help management optimize future performance. Elders balance sheet now provides us the funding flexibility to deliver our capital light business model and will allow us to take advantage of the tremendous opportunities in the Australian and international agricultural sector."

"The equity raising and new banking facilities will have a very significant positive impact on Elders. Unlike the past few years, all future cash flows can now be directed to improving and growing our rural services business. It will also be a tremendous boost to staff and customer confidence."

"We will no longer be distracted by a conglomerate asset structure, asset sales or debt repayments".

"Our strengthened financial position enables us to continue our turnaround and work towards our strategic target of achieving $60 million EBIT and 20% return on capital by 2017," Mr Allison said.

Elders FY14 underlying EBIT outlook is in a range of $23 million to $28 million, reflecting a turnaround of up to $77 million on the FY13 results.

"The underlying EBIT improvement in FY14 highlights the benefits of changes already underway at Elders. We look forward to delivering on the earnings potential of this 175 year old business in the years ahead."

Elders will announce its FY14 results on Monday, 17 November 2014.

Details of the Entitlement Offer

A 3 for 5 traditional non-renounceable entitlement offer of fully paid ordinary shares in Elders (**New Shares**) to raise approximately $47 million (**Entitlement Offer**).

The offer price for the Equity Raising will be $0.15 per share which represents:

- a 28.6% discount to the last traded price of Elders shares (being $0.210 on 10 September 2014);
- a 28.0% discount to the 1 month VWAP of Elders of $0.208 per share; and
- a 17.9% discount to the theoretical ex-rights price (TERP) of $0.183 per share.

Under the Entitlement Offer, eligible shareholders will be entitled to subscribe for 3 new fully paid ordinary shares in Elders for every 5 existing shares held at 7.00 pm (AEST) on Friday, 19 September 2014 (**Record Date**) at the offer price (**Entitlements**). Fractional Entitlements will be rounded up to the nearest whole number of shares.

The Entitlement Offer is jointly underwritten by Bell Potter Securities Limited and Morgans Corporate Limited.

Top up facility

The Entitlement Offer will include a top up facility under which eligible shareholders who take up their full Entitlement may apply for additional shares in the Entitlement Offer from a pool of those not taken up by other eligible shareholders. There is no guarantee that applicants under this top up facility will receive all or any of the shares they apply for under the facility.

Key dates

Event	**Date**
Announcement of the Equity Raising	15 September 2014
Ex-date	17 September 2014
Allotment of Shares issued under the Placement	18 September 2014
Record date (7.00 pm Sydney time)	19 September 2014
Entitlement Offer opens	24 September 2014
Entitlement Offer closes (5.00 pm Sydney time)	7 October 2014
Allotment of New Shares under the Entitlement Offer	14 October 2014
Securities commence trading on a normal basis	15 October 2014
Despatch of holding statements	17 October 2014

New banking facilities

Elders has obtained a credit approved commitment letter and term sheet under which three core financiers commit to provide loans and other banking facilities to Elders for the purposes of refinancing or retiring its existing senior debt financing arrangements and to finance the general corporate and working capital requirements of Elders. This remains subject to the satisfaction of standard conditions precedent, including the receipt of funds by Elders from the capital raising and the entry into of formal documentation reflecting the commitment letter and term sheet. Key features include:

- New syndicated working capital facilities with 3 core financiers.
- Working capital facilities will have tenure of between 12 and 36 months and limits structured to adequately meet anticipated requirements.
- New structure does not include any term debt facilities.
- No mandated asset disposals or associated amortisation events.
- Financial covenants appropriately structured for a facility of this nature with adequate headroom to cater for seasonal volatility.

The equity raising presentation lodged with the ASX today sets out further details in relation to the new banking facilities.

More information

The Entitlements will be non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

New Shares issued under the Equity Raising will rank equally with then existing shares.

Elders will notify shareholders as to whether they are eligible to participate in the Entitlement Offer.

Eligible shareholders will receive an Offer Document including a personalised application and entitlement form which will provide further details of how to participate in the Entitlement Offer. Elders will also notify each holder of options about the Entitlement Offer.

A presentation on the equity raising has been lodged with the ASX and is able to be downloaded from ASX's website, www.asx.com.au.

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