17 June 2016

Elders announces $102.4 million equity raising and offer to acquire Hybrids

Key points

- Successful completion of placement of 7.35 million new shares at $3.40 per share raising approximately $25m
- Announcement of a fully underwritten 1 for 4 non-renounceable entitlement offer at $3.40 to raise $77.4 million
- Total proceeds of both raisings of $102.4 million (before expenses)
- Offer price of $3.40 per new share represents a 7.8% discount to the 1 month VWAP of Elders shares of $3.687 and a 5.1% discount to theoretical ex-rights price of $3.584
- Proceeds from the Placement and Entitlement Offer will be used to fund the acquisition of the outstanding ASX listed Elders Hybrids (ASX: ELDPA) via on-market bid for $95 per hybrid
- Pre commitment sales from existing hybrid holders representing hybrids worth approximately $27.9 million already in place

Entitlement Offer and completed placement

Elders Limited (**Elders**) is pleased to announce a fully underwritten $77.4 million 1 for 4 traditional non-renounceable entitlement offer to all eligible shareholders at $3.40 per share (**Entitlement Offer**). Elders has also completed a placement of 7,350,000 fully paid ordinary shares to institutional and sophisticated investors at the same price raising $25.0 million (**Placement**). Placement shares will participate in the Entitlement Offer. Funds from the Placement and Entitlement Offer will be used to acquire Elders Hybrids (**ASX: ELDPA**) (**Hybrids**) on market at $95 each. Surplus funds raised, if any, will be used for costs associated with the Institutional Placement and Entitlement Offer, general working capital purposes and potential acquisition opportunities.

Bell Potter Securities Limited and Morgan Capital Limited (**Underwriters**) are acting as joint lead managers and joint underwriters to the Entitlement Offer and Placement.

Offer to Acquire Hybrids

A subsidiary of Elders, Elders Finance Pty Ltd (**Elders Finance**) will, immediately upon commencement of trading on the ASX today, offer to acquire, on market, all Hybrids not currently owned by it for $95 each. This Hybrid offer represents a premium of 6.7% to the last traded price of Hybrids and a premium of 20.3% to the volume weighted average price of Hybrids for the last 12 months.

Bell Potter Securities Limited is acting as broker to Elders Finance.

Commentary

Elders Chief Executive Officer Mark Allison said “Elders Finance’s offer to acquire Hybrids, the support for which has been demonstrated by the solid interest in the Placement by a range of significant local and offshore institutions, represents an excellent opportunity for Hybrid holders to monetise their investments and an opportunity for Elders, to the benefit of its ordinary shareholders, to normalise its capital structure.”

Mr Allison noted that the two largest Hybrid holders (and their associates), representing almost 26.5% of all Hybrids not already owned by Elders Finance, had agreed to sell their 293,567 Hybrids to Elders Finance. "This demonstrates the attractiveness of the Hybrid offer.

"The proposed simplification of our capital structure is the final step in the transformation of Elders from the complex and highly geared conglomerate it once was to the simplified and efficient business we now are. Successful acquisition of all or a substantial portion of Hybrids will enable Elders to concentrate on growth opportunities and will also give Elders a leverage ratio in line with its ASX peers.

"Importantly, removal of the Hybrids will allow Elders to fulfil its undertaking to ordinary shareholders to recommence dividends at the completion of the 2017 financial year. Our unutilised franking credits of $21.6m will enable the payment of fully franked dividends in the short term. Further, our significant carried forward tax loss balance of $247m means, assuming Elders continues to meet ATO rules for the use of such losses, it is likely that we will not be in a significant tax paying position for many years." Mr Allison noted that these tax losses had largely gone undervalued by the market.

Elders is targeting a dividend payout ratio of up to 35% of underlying net profit after tax on an annualised basis.

Mr Allison thanked the patience of Hybrid holders, many of whom had held the instrument for a number of years. Mr Allison noted that this Hybrid offer by Elders Finance, which would be settled on a T+2 basis, presented the opportunity for Elders Finance to acquire all Hybrids it did not currently own, but noted that the bid was only open until Friday 15 July 2016, giving holders an opportunity to sell before or after 30 June.

Details of the Entitlement Offer

A 1 for 4 traditional non-renounceable entitlement offer of approximately 22,771,168[1] fully paid ordinary shares in Elders (**New Shares**) to raise approximately $77.4 million (**Entitlement Offer**).

The offer price for the Entitlement Offer will be $3.40 per share which represents:

- a 6.3% discount to the last traded price of Elders shares (being $3.630 on 14 June 2016);
- a 7.8% discount to the 1 month VWAP of Elders of $3.687 per share; and
- a 5.1% discount to the theoretical ex-rights price (TERP) of $3.584 per share.

Under the Entitlement Offer, eligible shareholders will be entitled to subscribe for 1 new fully paid ordinary shares in Elders for every 4 existing shares held at 7.00 pm (AEST) on Wednesday, 22 June 2016 (**Record Date**) at the offer price (**Entitlements**). Fractional Entitlements will be rounded up to the nearest whole number of shares.

Eligible shareholders (**Eligible Shareholders**) are those holders of existing shares who:

- are registered as holders of existing shares as at 7.00pm (AEST) on Wednesday, 22 June 2016;
- have a registered address on the Elders share register in Australia or New Zealand;
- are not in the United States and are not "U.S. persons" (as defined under Regulation S under the United States Securities Act of 1933, as amended) (**U.S. Persons**) or acting for the account or benefit of U.S. Persons; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Shareholders who do not satisfy the above criteria are ineligible shareholders.

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 shares not taken up by other Eligible Shareholders. Shares under the top-up facility will be allocated based on the allocation policy set out in the offer booklet to be sent to Eligible Shareholders (**Offer Booklet**). 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.

[1] Subject to the rounding of fractional Entitlements on the Record Date and calculated on the basis that the Placement shares have participated in the Entitlement Offer

Key dates

Event	Date
Announcement of the Entitlement Offer	17 June 2016
Ex-date	21 June 2016
Allotment of Shares issued under the Placement	22 June 2016
Record date (7.00 pm AEST)	22 June 2016
Entitlement Offer opens	27 June 2016
Entitlement Offer closes (5.00 pm AEST)	6 July 2016
Allotment of New Shares under the Entitlement Offer	13 July 2016
Securities commence trading on a normal basis	14 July 2016
Despatch of holding statements	14 July 2016

Capital Structure

The capital structure of the Company following the Offer is as follows:

Detail	**Number**
Currently on issue	83,734,671
Placement shares to be issued	7,350,000
Rights Issue shares to be issued (approximately)	22,771,168
Total Shares following the Offer (approximately)	**113,855,839**

Accessing the Entitlement and Acceptance Form online

Personalised Entitlement and Acceptance Forms and the Offer Booklet will be available to view or download on Boardroom's InvestorServe portal (www.investorserve.com.au) from 12.00 noon (AEST) on Thursday 23 June 2016. Eligible Shareholders should simply login to InvestorServe and access the "online statements/advices section" from the "my portfolio" menu to view their personalised Entitlement and Acceptance Form. To view the Offer Booklet click on Company Announcements also under the "my portfolio" menu. Eligible Shareholders will also be mailed an Offer Booklet, together with a personalised Entitlement and Acceptance Form, which contains details of your Entitlement on 27 June 2016.

More information

The Entitlements are 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. Elders will notify shareholders as to whether they are eligible to participate in the Entitlement Offer. Elders will also notify each holder of options about the Entitlement Offer.

New Shares issued under the Placement and the Entitlement Offer will rank equally with then existing shares.

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of shares.

The Offer Booklet (which includes a presentation entitled 'Capital Raising Presentation') has been lodged with the ASX and is able to be downloaded from ASX's website, www.asx.com.au or Elders' website, www.elderslimited.com.

Post the Hybrid Offer, 1,500,000 Hybrids will remain quoted on the official list of ASX and 1,734,790 unlisted options and 970,000 performance rights (together, **Unlisted Securities**) will remain on issue. The terms of the Unlisted Securities may change in accordance with ASX listing rule 6.22, the existing terms of the Unlisted Securities and the Board's discretion.

The Underwriters will be paid a 1.25% underwriting fee, 1.25% management fee and 1.5% selling and incentive fee (and applicable GST on the fees) calculated on the amount raised under the Placement and Entitlement Offer. A broker handling fee of 1% of the application amount (plus GST), up to a maximum of $200, is payable per successful application.

Further comment: Mark Allison, Managing Director and Chief Executive Officer, 0439 030 905
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