

# WHAT THE AUSTRALIAN GRAINS CHAMPION PROPOSAL MEANS FOR US

“The cash to invest in new technology and take a greater control of our marketing through on-farm storage.”

Sally and Jim will take over the family farm from Sally's parents in the next 12 months. The property has averaged 3,800 tonnes per year delivered to CBH. It has been reasonably profitable, but the last few years it has suffered from a lack of investment as Sally's parents have focussed on building their retirement savings.

When they take over the farm, Sally and Jim want to invest in new technology to drive improvements to the business. Whilst the farm only has modest debt, Sally's parents will need to draw equity down over time to provide for Sally's younger sister in their estate planning. This means that Sally and Jim will be financially constrained.

In particular, they are keen to update their machinery, moving into precision agriculture and gaining greater control over their harvesting and marketing through on farm surge storage.

Using Patersons Securities' \$2.56 billion valuation of CBH, the farms' current delivery average of 3,800 tonnes per year will transform Sally's parent's \$2 CBH share into around \$710,000\* worth of equity on their balance sheet if the Australian Grains Champion Proposal is successful. This is made up of \$170,000 in cash and \$540,000\* in shares and would allow Sally's parents to have a substantially reduced call on the farm and so free up equity for Sally and Jim to invest into equipment.

For Sally's parents the Australian Grains Champion proposal will deliver \$710,000 in cash and shares\*



### \$170,000 Cash

Sally's parents would receive \$170,000 cash following the conversion of co-operative shares to company shares.



### \$540,000 Shares

They will also own \$540,000\* worth of shares in the new listed company. These shares will deliver real value on the balance sheet. In addition to a stronger balance sheet, it will really assist Sally's parents in both allowing for Sally and Jim to take over the farm and also provide for an estate plan that includes Sally's sister.

Sally's parents' goal is to use the \$710,000\* of equity in the form of cash and shares from the Australian Grain Champion proposal to invest in:



### Precision Agriculture

Sally and Jim have determined that this should be their first priority. The economics are very attractive for them with a \$250,000 investment but an expected 20% return based upon reduced seed, chemical and fertilizer inputs costs and improved yields. This would equate to an ongoing annual financial gain of about \$50,000.



### On-farm Storage

Sally and Jim have estimated that a 1,800 tonne surge capacity on-farm silo storage system would cost about \$250,000. As their property is located about 180km to port and factoring in their costs relative to using the existing system, they have calculated that this investment, through providing them with enhanced harvest and marketing flexibility, should generate an average return of about \$37,000 per annum or about 15% on their investment.

\*All illustrative valuations based on the Paterson Securities independent valuation of CBH Group at \$2.56 billion. Actual values may differ. The Australian Grains Champion calculator can be found at [www.australiangrainschampion.com.au](http://www.australiangrainschampion.com.au).

## WHAT THE AUSTRALIAN GRAINS CHAMPION PROPOSAL MEANS FOR US

Sally's parents have average grain deliveries of 3,800 tonnes per annum for the last five years.

SALLY'S PARENTS CURRENTLY OWN:

VS

UNDER THE AUSTRALIAN GRAINS CHAMPION PROPOSAL SALLY'S PARENTS WILL OWN\*:

\$2 in 1 CBH share



\$170,000 in cash

1 vote



\$540,000 worth of voting shares

S & H rebate



Grower loyalty incentive scheme



Potential dividends

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## AUSTRALIAN GRAINS CHAMPION PROPOSAL

Equity onto your balance sheet



Guaranteed no new storage & handling fees for at least first five years



Guaranteed fees and charges capped to CPI increases for at least first five years



Providing the most efficient and cost effective supply chain in Australia



Growers remain substantial shareholders at listing

