

Rural Funds Group 10 YEARS

ASX:
RFF

Managed by:



Rural
Funds
Management

Managing good assets with good people

Bell Potter Emerging Leaders Conference

May 2024



Disclaimer and glossary of terms

Disclaimer

This presentation has been prepared by Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701) (**RFM**) as the responsible entity of Rural Funds Group (**RFF**). RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805). The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this presentation, RFM has not considered the investment objectives, financial circumstances or particular needs of any particular recipients.

This presentation is not, and does not, constitute an offer to sell or the solicitation, invitation or recommendation to purchase any securities, and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This presentation must not be released or distributed in the United States. Any securities described in this presentation have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the *US Securities Act* and applicable US state securities laws.

RFM has prepared this presentation based on information available to it at the time of preparation. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this presentation or any other information that RFM otherwise provides. To the maximum extent permitted by law, RFM, its related bodies corporate and its officers, employees and advisers are not liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on this presentation or otherwise in connection with it.

This presentation includes 'forward-looking statements'. These forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. They involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of RFF to be materially different from those expressed or implied by the forward-looking statements. Accordingly, there can be no assurance or guarantee regarding these statements and you must not place undue reliance on these forward-looking statements. RFM and RFF disclaim any responsibility for the accuracy or completeness of any forward-looking statements. Figures in the presentation are subject to rounding. All information is at 31 December 2023, unless otherwise stated, and disclosed via the ASX on 23 February 2024, as part of RFF Financial Results presentation for the half-year ended 31 December 2023.

Glossary of terms

Adjusted NAV – Net Asset Value (NAV) adjusted for the independent valuation of water entitlements, **ASX** – Australian Securities Exchange, **AFFO** – Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense), **Capex** – Capital expenditure, **cpu** – Cents per unit, **e** – End, **Earnings** – Calculated TCI/weighted average units, **EBITDA** – Earnings Before Interest, Taxes, Depreciation and Amortisation, **f** – Forecast, **Fair value** – Value of an asset as determined by an independent valuation, **FY** – Financial year, **FY23** – Full-year ended 30 June 2023, **Gearing** – Calculated as external borrowings/adjusted total assets, **Group** – Term used for the Rural Funds Group, **ha** – Hectare(s), **ML** – Megalitre, **m** – Million(s), **NAV** – Net asset value, calculated as assets minus the value of liabilities (does not recognise fair value of water entitlements), **Owner occupied properties** – Unleased properties which are operated by RFF including macadamia orchards (Swan Ridge, Moore Park, Beerwah and Bauple); sugar cane (Maryborough x6); cropping (Baamba Plains) and cattle (Yarra, Cerberus and Kaiuroo), **RFF** – Rural Funds Group (ASX: RFF), **RFM** – Rural Funds Management Limited, manager and responsible entity for RFF, **TCI** – Total comprehensive income, **Total assets** – Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value), **TRG JV** – Joint venture between TRG (The Rohatyn Group) and a global institutional investor, **WALE** – Weighted average lease expiry, calculated as the FY24 forecast rent and the year of lease expiry (excludes J&F Australia guarantee fee, income from annual water allocation sales, operating income from owner occupied properties and other income), **1H24** – First-half 2024 (ending 31 December 2023).

Strategy

To generate capital growth and income from developing and leasing agricultural assets. Target distribution growth of 4% p.a.

Leasing model

Maintain a majority of long WALE triple net leases of agricultural assets to high-quality lessees.

Active management

Seek to improve assets by developing for improved productivity or higher and better use. Income generated during development phase by operating assets prior to leasing.

Diversification

Diversification by agricultural sector and climatic zone.

Capital management

Target gearing between 30–35%.

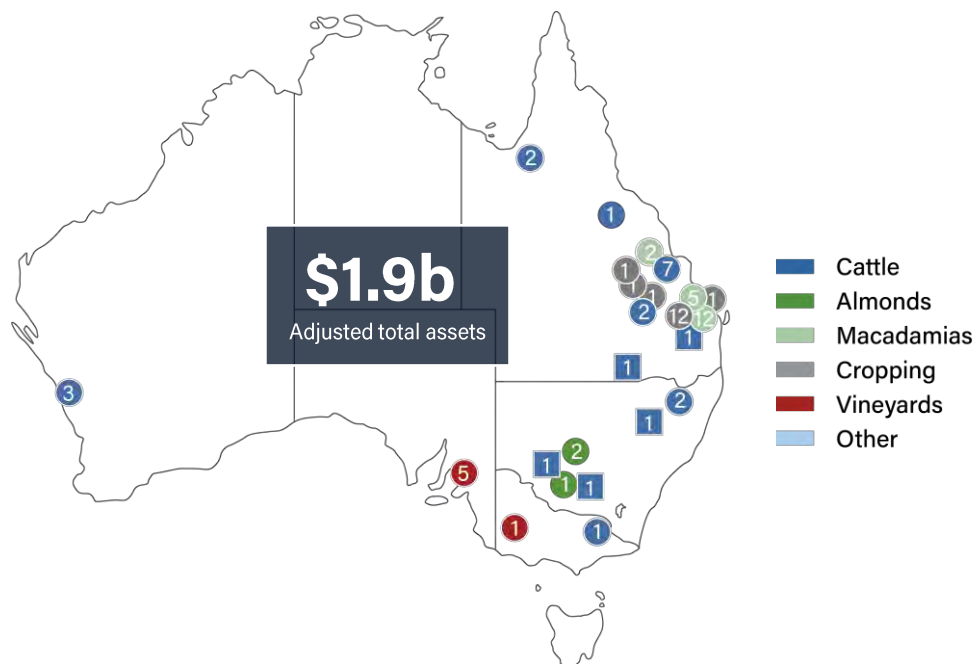
Investment criteria

Preference agricultural sectors where low cost of production assets can be acquired or developed, Australia has a comparative advantage or RFM has operating experience.

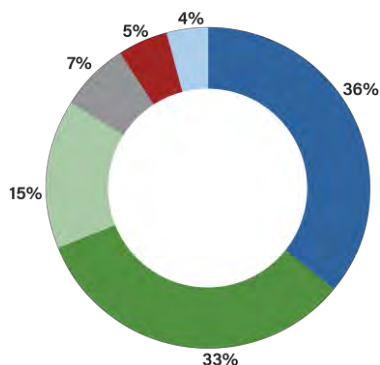
Overview

Australia's only diversified ASX-listed agricultural real estate investment trust.

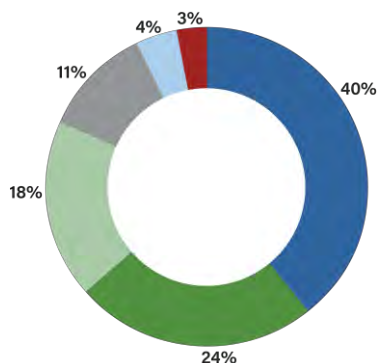
Asset map¹



FY24f revenue by sector²



1H24 value by sector²










12.8yrs **\$3.07** **36.2%** **67**
WALE Adjusted NAV per unit Gearing Properties

Notes:

- Numbers on the map denote number of assets. Blue square boxes represent cattle feedlots.
- Revenue/total adjusted property assets – by sector: cattle \$32.9m/\$722.6m, almonds \$30.3m/\$447.7m, macadamias \$14.0m/\$324.8m, cropping \$6.8m/\$204.5m, vineyards \$4.9m/\$60.6m and other \$3.4m/\$77.0m.

Lessees

High quality lessees. Majority are listed or corporate entities.

	Description	Sector	Lessee since	Percentage income (by FY24f revenue)
	Subsidiary of Olam Group, Singapore-listed (SGX: O32)	Almonds	2015	23%
THE ROHATYN GROUP	US asset manager joint venture with global institutional investor	Macadamias	2023	15%
	Subsidiary of JBS SA, Brazil- listed (BVMF: JBSS3)	Cattle	2018	10% ¹
 SELECT HARVESTS	ASX-listed (ASX: SHV)	Almonds	2010	9%
	Large privately owned cattle operator	Cattle	2017	7%
	Institutionally owned cattle operator	Cattle	2018	7%
 TREASURY WINE ESTATES	ASX-listed (ASX: TWE)	Vineyards	2012	5%
	ASX-listed (ASX: AAC)	Cattle	2019	5%

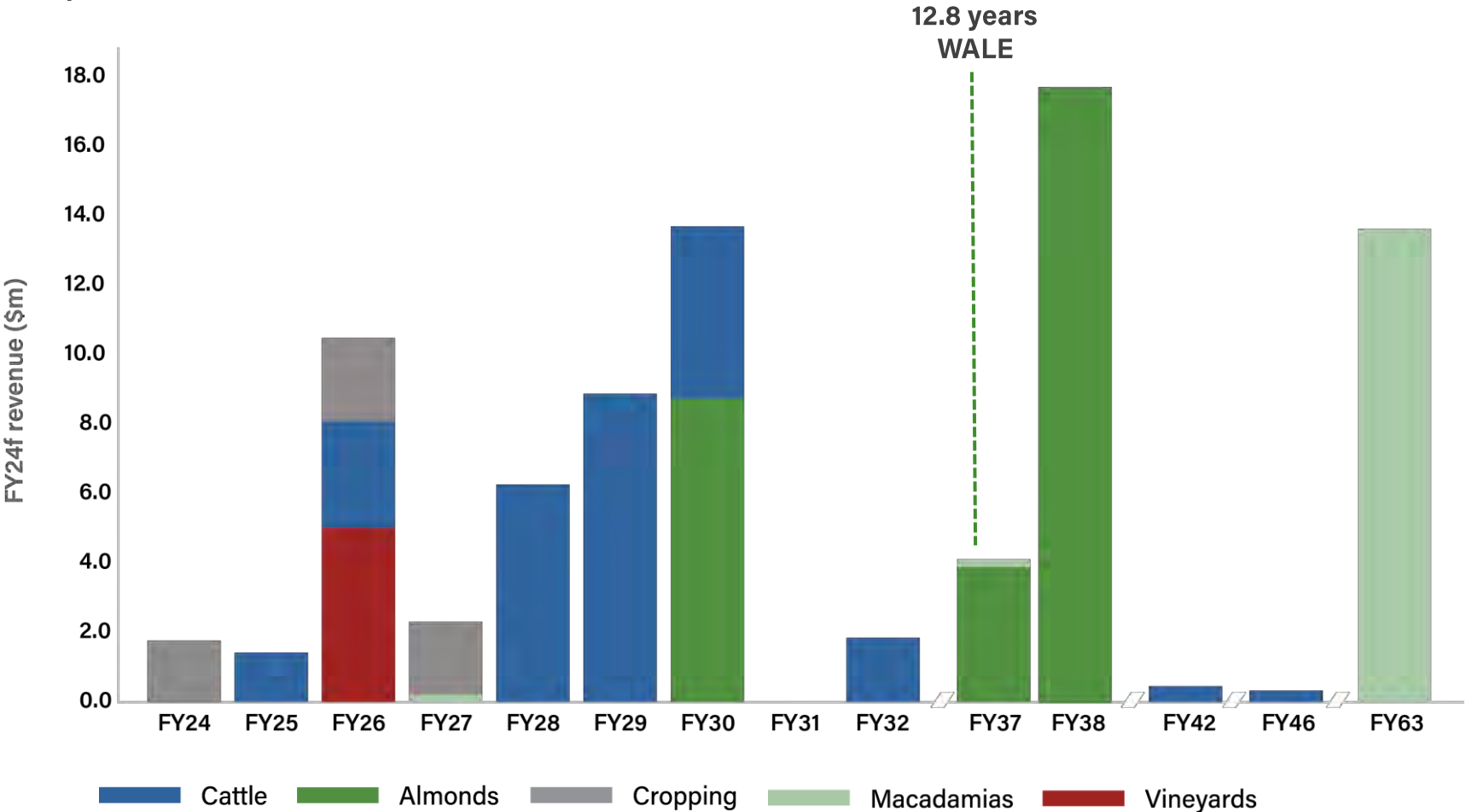
Note:

1. JBS revenue includes J&F Australia guarantee fee.

Weighted average lease expiry and indexation

Long dated WALE provides stability of income and long-term rental growth via a mix of indexation mechanisms.

WALE profile



Indexation mechanisms (by FY24f revenue)

52% CPI linked

- 30% CPI
- 17% CPI (cap and collar) plus profit share
- 3% CPI plus market review
- 2% CPI (cap and collar) plus market review

33% Fixed

- 28% Fixed plus market review
- 5% Fixed

15% Other

- 8% Finance income
- 4% Annual
- 2% Operating income
- 1% Nil

Cropping property developments and transactions

Partial sale and lease of two cropping properties in documentation phase.¹

Proposed transaction overview¹

- RFF to sell 50% interest in each property (Mayneland and Baamba Plains) to operator.
- Operator will lease 100% of properties.
- Settlement of transaction expected by financial year end.
- Sale of 50% interest in both properties will provide confirmation of current valuation.

Macadamia proposed transaction strategy

- Management pursuing macadamia transaction with similar characteristics with the aim of improving gearing, operating exposure and earnings.

Mayneland



Cotton crop (foreground) and water storage (background), Mayneland, February 2024.

- 2,793 ML water storage complete, additional 2,150 ML water storage nearing completion.
- Irrigation area increased from 485 ha to 851 ha, additional 176 ha under development.
- Property value \$29.8m.

Baamba Plains



Pumps transferring water into the newly constructed water storages, Baamba Plains, February 2024.

- Two water storages (4,100 ML and 3,800 ML) complete.
- Irrigation area increased from 386 ha to 772 ha, additional 170 ha under development.
- Property value \$43.8m.

Note:

1. The parties have not entered into any binding agreements and there is a chance that the negotiations will not be successfully concluded.

Macadamia orchard developments

Accretive development pipeline to provide ongoing property revenue growth.

1. Ground preparation



Initial ground preparation at Dowlings, Maryborough, Queensland, October 2021.

- Soil sampling and mapping
- Orchard design and planning approvals
- Excavation, drainage and mounding

2. Irrigation infrastructure



Laying infield irrigation pipe at Dowlings, Maryborough, Queensland, May 2023.

- Infield irrigation and pumping infrastructure
- Water storages

3. Planting



Tree planting at Dowlings, Maryborough, Queensland, July 2023.

- Planting and staking

4. Establishment



Tree pruning at Dowlings, Maryborough, Queensland, February 2024.

- Tree pruning
- Orchard maintenance
- Irrigation and fertiliser

40-year lease commenced January 2023. Development of 3,000 ha forecast to be materially complete in 2024.

Rent earned on value of land, water and capex as it is deployed. \$173m deployed to 1H24e, increasing to forecast \$298m by FY25e (unindexed).

Sustainability

Continued progress of sustainability initiatives.

FY23 achievements

GHG emissions

Quantified RFF Scope 1 and Scope 2 emissions.

Sustainability reporting progress

Ongoing review of evolving sustainability reporting standards.

Safety

Implemented improvements to the safety management system.

Carbon feasibility studies

Undertook feasibility studies of various carbon projects.

Governance

Implemented Sustainability Policy. Updated Risk Management Policy to include climatic considerations.

Diversity

Formalised target of 40% female representation on the RFM Board by 2026.

1H24 focus areas

GHG emissions:

Scope 1 and Scope 2 emissions quantification and disclosure. Disclosed December 2023 (RFF operated assets).

Carbon projects

Conditionally registered two projects (Human-Induced Regeneration Method) with Clean Energy Regulator.

Continue assessment of additional carbon opportunities.

For additional information see:

- [RFF Annual Report \(September 2023\)](#) and
- [RFM Biannual Newsletter \(December 2023\)](#).



Water efficient pivot irrigation, Lynora Downs, central Queensland, April 2023.



Productivity improvements seek higher cattle average daily weight gains and lower emissions intensity, Yarra, central Queensland, February 2023.



Optimising nutrient efficiency and yield through vapor pressure deficit sensors, sap flow meters and soil moisture sensors, Riverton, central Queensland, September 2023.



Polyethylene waste recycling program during installation of the rising main pipeline, Rookwood Farms, central Queensland, July 2023.

Rural Funds Group **10** YEARS | ASX: RFF

Managed by:



Rural Funds Management Limited

ACN 077 492 838

AFSL 226701

Level 2, 2 King Street Deakin ACT 2600

T 02 6203 9700

E investorservices@ruralfunds.com.au

W www.ruralfunds.com.au

Follow us:  

For further information:

James Powell:

E jpowell@ruralfunds.com.au

T +61 2 6203 9742



For more information on the RFM management team, visit the RFM website.

Kerabury almond orchard in blossom – leased to Olam Orchards Australia Pty Ltd, a wholly owned subsidiary of Singapore listed Olam International Ltd (SGX: 032), Riverina, NSW, August 2023.