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ASX Release

20 March 2020

Subject: Webinar presentation and reaffirmation of guidance

Rural Funds Management Limited (RFM), as responsible entity of Rural Funds Group (ASX:RFF), will deliver the following presentation by webinar today at 11:00AM AEDT. The presentation details the proposed increase of the Guarantee to J&F Australia Pty Ltd.

RFM also reaffirms forecasts disclosed 2 March 2020:

- FY20 adjusted funds from operations (AFFO) per unit of 13.5 cents
- FY20 distributions per unit (DPU) of 10.85 cents, up 4% on prior year
- FY21 DPU of 11.28 cents, up 4% on current year.

Forecast FY20 AFFO assumes a \$7.5m increase to the Guarantee from April 2020.

Those wishing to attend the webinar can register via the link below to receive login details:

<https://attendee.gotowebinar.com/register/2814625927748918796>

About Rural Funds Group (RFF)

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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Rural Funds Group

ASX:
RFF

Managed by:



Investor webinar: proposed increase of the Guarantee to J&F Australia Pty Ltd

20 March 2020



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.

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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 which 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.

All dollar values are in Australian dollars unless otherwise stated. Any pro forma financial information included in this presentation has been prepared in accordance with Australian market practice and does not purport to be in compliance with Article 11 of Regulation S-X promulgated by the US Securities and Exchange Commission.

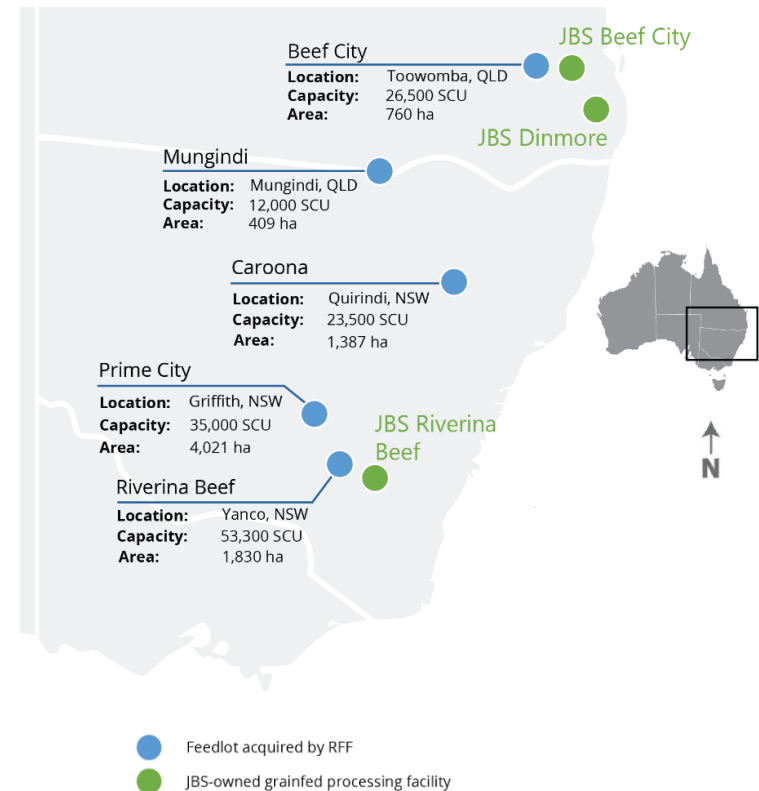
This presentation should be read in conjunction with the Explanatory Memorandum dated 2 Mar 2020.

JBS investments

The JBS feedlots and Guarantee have been a good investment for RFF.

- In August 2018, the Rural Funds Group (**RFF**) raised equity to fund:
 - JBS Australia (**JBS**) cattle feedlots (\$52.7m)
 - a \$75.0m limited Guarantee which provides security for J&F Australia Pty Ltd (**J&F**).
- J&F provides a cattle supply facility for cattle held primarily in these feedlots.

Feedlots acquired by RFF¹



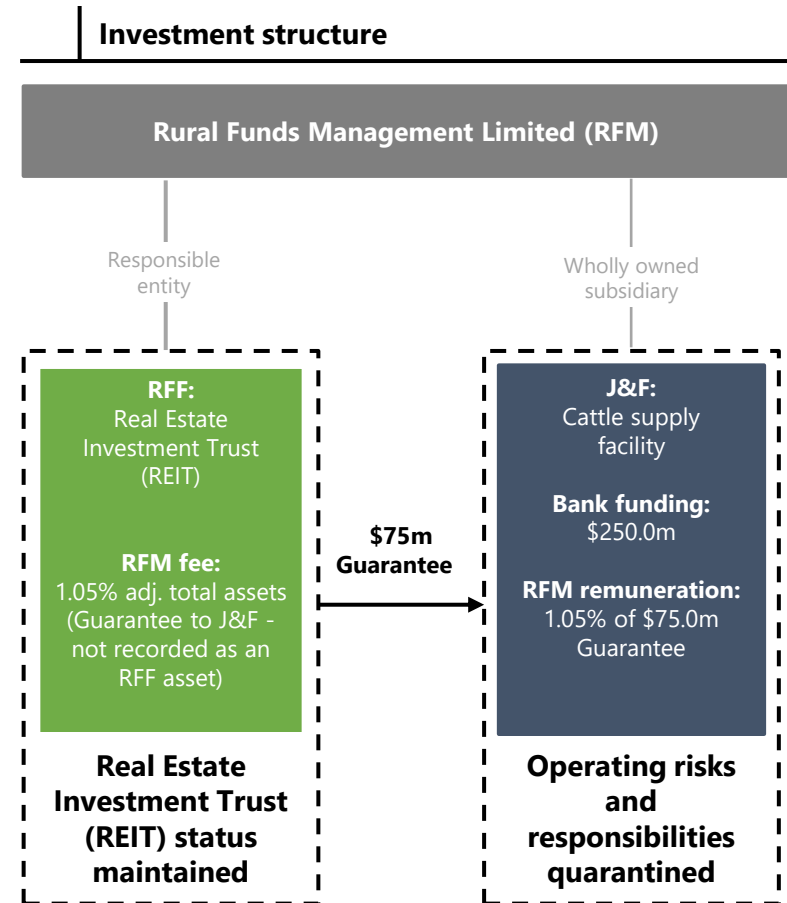
Note:

1. Riverina Beef is forecast to settle in April 2020. SCU = Standard Cattle Unit.

Investment structure

Operating risks and responsibilities quarantined to maintain RFF's REIT status.

- On 10 August 2018, RFF Unitholders approved the provision of the \$75.0 million Guarantee, with 99.8% of votes in favour.
- J&F is a subsidiary of RFM, as distinct from RFF. This structure preserves RFF's REIT status.
- RFM's remuneration is limited to 1.05% of the Guarantee provided by RFF.



Increased cattle demand

JBS's business is growing.

- JBS have requested a larger facility due to their business expanding.
- ANZ and Rabobank have approved an increase in the debt facility, on the basis that RFF increases its Guarantee proportionally.
- A meeting of RFF Unitholders on 14 April 2020 will seek approval to increase the Guarantee from \$75.0m to \$100.0m:
 - this will enable the debt facility to increase from \$250.0m to \$333.3m.¹
- Initially the Guarantee increase is \$7.5m. The approved increase of \$25.0m provides future capacity.¹

JBS feedlot



Cattle on feed at Riverina Beef Feedlot, Yanco, NSW, January 2020.

Note:

1. An additional Guarantee amount of \$25.0m is a variation to the initial Guarantee amount of \$75.0m approved in Aug 2018. As J&F is a wholly owned subsidiary of RFM, the additional Guarantee requires RFF Unitholder approval under ASX Listing Rule 10.1. If approved by Unitholders, it is expected that JBS would initially utilise up to \$275.0m of bank debt. As a result, the Guarantee limit would increase proportionally, by \$7.5m (from \$75.0m to \$82.5m). As additional bank debt is required, the Guarantee would increase proportionally to the Unitholder approved \$100.0m maximum. Refer to Explanatory Memorandum dated 2 Mar 2020 for further details.

High quality counterpart

The Guarantee is supported by a high quality counterpart.

- Counterpart performance:
 - Baybrick Pty Ltd (net assets \$3.5 billion as at 31 Dec 2018), a subsidiary of JBS S.A., guarantees the obligations of JBS.
- Mortalities:
 - risk borne by JBS up to 15%
 - J&F holds insurance for a portion of the mortality above this threshold
 - risk is further mitigated through geographic diversification of the feedlots.
- The Guarantee is limited to \$75m, to be increased to \$100m.¹

JBS S.A. overview²

Item	Description
Revenues	<ul style="list-style-type: none"> • US\$50.3 billion (second largest food company globally)
Production	<ul style="list-style-type: none"> • Largest beef and chicken producers globally • Largest leather processor globally • Second largest pork and lamb producers globally
Locations	<ul style="list-style-type: none"> • 15 countries / 400 facilities and offices
Employees	<ul style="list-style-type: none"> • 230,000+
Customers	<ul style="list-style-type: none"> • 275,000+ in 190+ countries
Market cap	<ul style="list-style-type: none"> • A\$15.5 billion (as at 18 March 2020)
Credit rating	<ul style="list-style-type: none"> • BB (Standard & Poors), upgraded from BB-

Notes:

1. Assumes approval of the additional Guarantee amount of \$25.0 million, being a variation to the initial Guarantee amount of \$75.0 million approved by Unitholders in August 2018. As J&F is a wholly owned subsidiary of RFM, the additional Guarantee requires RFF Unitholder approval under ASX Listing Rule 10.1.
2. Source: JBS S.A. 3Q19 Institutional Presentation

Investment return

The Guarantee generated an FY19 annualised return of 10.23%.

Guarantee return reconciliation – FY19

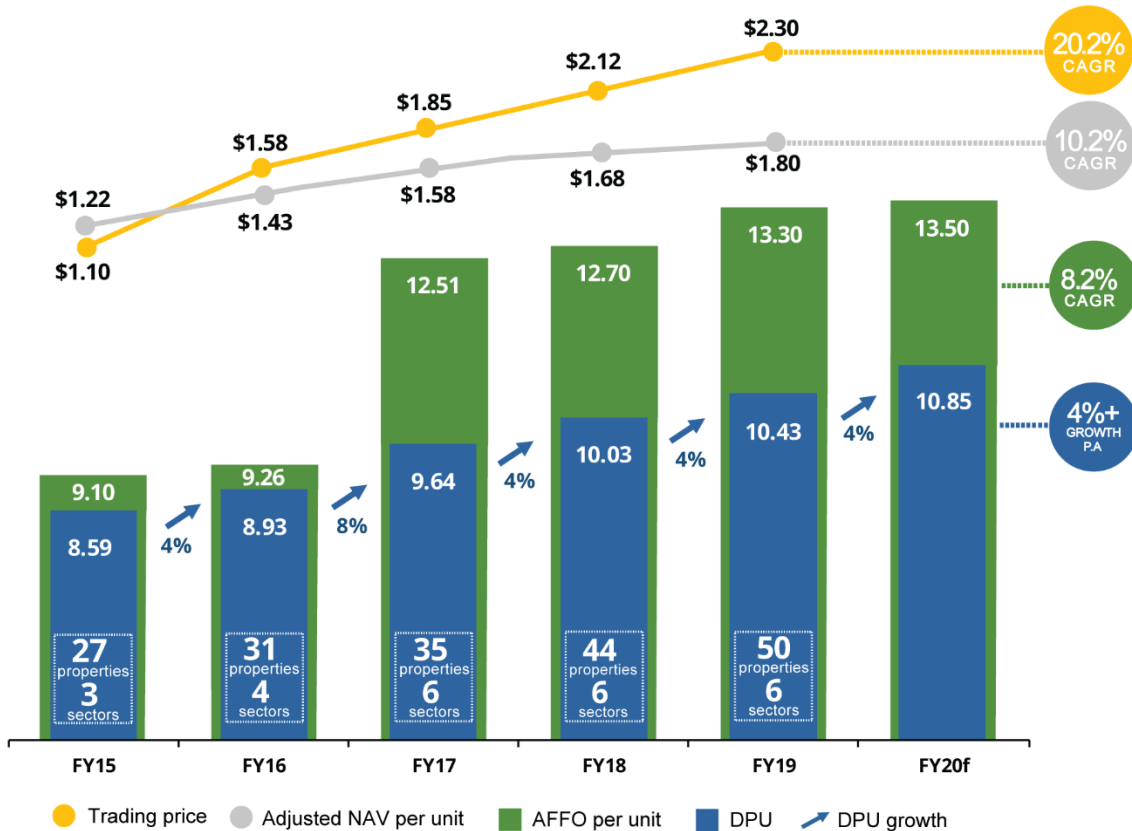
Item	Amount	Notes
Finance income	\$3.82m	J&F revenue recognised as finance income (see note G2 in FY19 financial accounts).
Interest saving	\$2.74m	\$75.0m of equity raised in July 2018 was used to pay down debt.
Actual benefit for period (net of all costs)	\$6.56m	22 August 2018 to 30 June 2019
Annualised benefit for full year (net of all costs)	\$7.70m	Assuming same utilisation.
Annualised return (net of all costs)	10.23%	

- The return for the Guarantee consists of:
 - J&F revenue, paid by JBS on a cost plus basis
 - interest saving from reduced bank debt.
- The return paid by J&F to RFF is net of all costs. RFM's remuneration is limited to 1.05% of the Guarantee amount.
- The increased Guarantee will accrue a similar rate of return.
- The Independent Expert has assessed the return range to be between 9.68% and 11.21% of the Guarantee.

Performance history and reaffirming guidance

Increasing number of assets, net asset value, AFFO and distributions.

Historical performance and metrics¹



- RFM reaffirms forecasts:
 - FY20 adjusted funds from operations (AFFO) per unit of 13.5 cents²
 - FY20 distributions per unit (DPU) of 10.85 cents, up 4% on prior year
 - FY21 DPU of 11.28 cents, up 4% on current year.

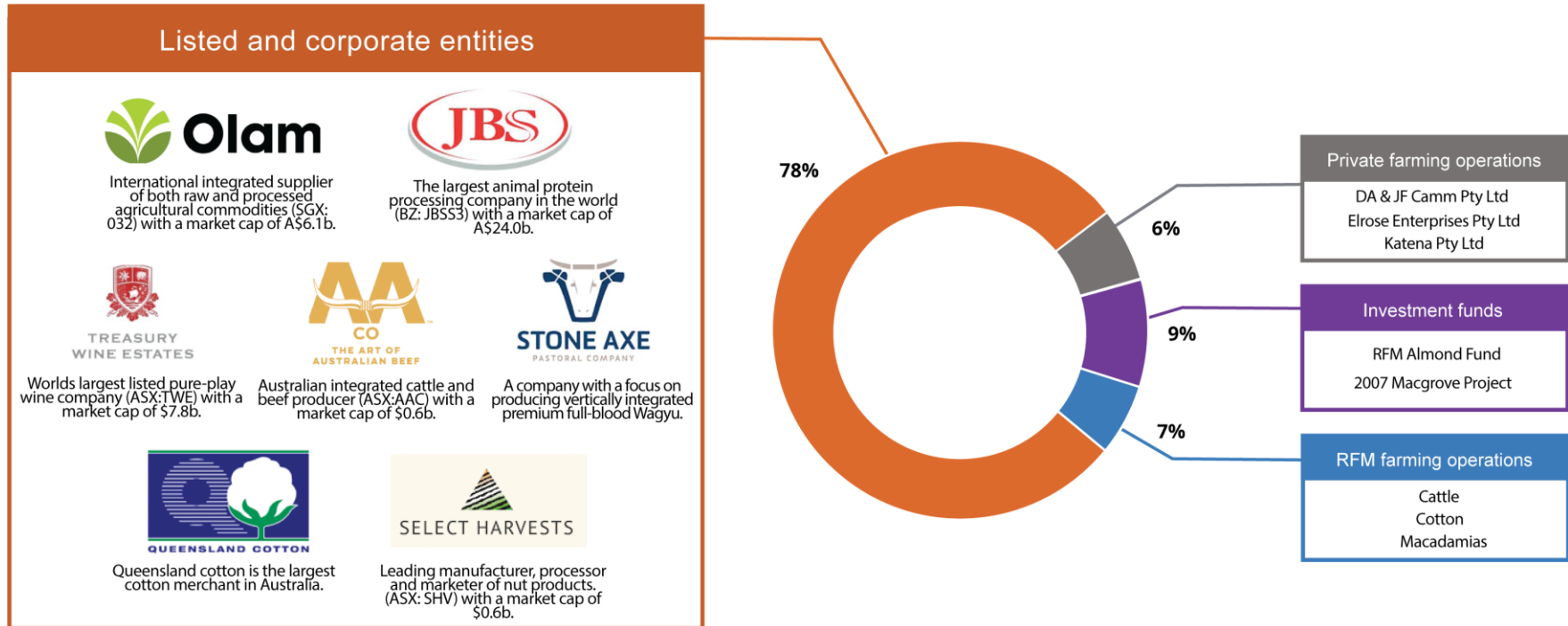
Notes:

- Adjusted assets incorporates most recent independent property valuations, inclusive of water entitlements. Pro forma properties and sectors presented where applicable. CAGR = Compound Annual Growth Rate. FY20 AFFO forecast assumes \$7.5m increase to the Guarantee from April 2020 and Unitholder approval.
- Assumes \$7.5m increase to J&F Guarantee from Apr 2020 and Unitholder approval.

Quality lessees and counterparties

Most lessees are corporate entities and listed on domestic or international securities exchanges.

Lessee type by FY20f revenue¹



Note:
 1. Lessees and details shown by annualised FY20f revenue and reflecting the sale of the poultry assets (as disclosed 2 March 2020). Olam refers to Olam Orchards Australia Pty Ltd, a wholly owned subsidiary of SGX-listed Olam International Ltd (SGX: O32). Excludes non-lessee income e.g. annual water allocation sales. Income from J&F Australia Pty Ltd attributed to JBS Australia. Cotton JV income split 50% RFM and 50% listed and corporate (Queensland Cotton Corporation Pty Ltd).

Conclusion

A good investment complementing a fund with attractive attributes.

- ✓ **Good investment** with a **high-quality counterpart**.
- ✓ Unitholders **previously approved** the Guarantee on 10 Aug 2018 (99.8% votes in favour).
- ✓ The Guarantee **maintains RFF's REIT** structure.¹
- ✓ A **return of 10.23%** has been generated by the Guarantee.¹
- ✓ An **independent expert** has concluded it is **fair and reasonable** to non-associated Unitholders.¹
- ✓ **Reaffirmed forecasts:** FY20 AFFO per unit of 13.5 cents², FY20 DPU of 10.85 cents and FY21 DPU of 11.28 cents.

RFF attributes

Attractive forecast DPU yield:	5.9%	Based on FY21f DPU and 19 March 2020 close price of \$1.92.
Low AFFO payout ratio:	80%	FY20 forecast.
Acquisition capacity:	26% gearing	Below target range of 30-35%.
Diversification:	38 properties	Additional diversification by sector, climatic zone.
Quality lessees & counterparties:	78% corporate entities	By FY20f AFFO.
Development pipeline:	18 properties	Seeking to benefit from productivity and higher and better use.
Structured rental growth:	3 mechanisms	Fixed indexation, CPI indexation and market rent reviews.
Long WALE:	11.5 yrs	Weighted average lease expiry.
Track record:	5 yrs	Record of improving AFFO, DPU, scale & diversification.

Notes:

1. Refer to Explanatory Memorandum dated 2 Mar 2020 for further details.
2. Assumes \$7.5m increase to the Guarantee from Apr 2020 and Unitholder approval.



Rural Funds Management

Managing good assets with good people

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