

ASX release

FY20 financial results summary

25 August 2020

Rural Funds Management Limited (RFM) have today released the Rural Funds Group (ASX: RFF) (the Group) Financial Statements for the year ended 30 June 2020 (FY20). Key highlights compared to the prior corresponding period include:

Financial highlights

- Property revenue increase of 8% to \$72.0m.
- Earnings (total comprehensive income) per unit increase of 82% to 18.4 cents.
- Adjusted net asset value (NAV) per unit increase of 8% to \$1.94 per unit.
- Adjusted funds from operations (AFFO) per unit of 13.5 cents in line with forecast.
- Distributions per unit (DPU) of 10.85 cents in line with forecast.
- Reaffirmed FY21 forecast DPU of 11.28 cents in line with 4% growth target.

Operating and portfolio highlights

- Positive independent valuations for almond orchards, macadamia orchards, cattle properties and water entitlements.
- Recycling capital out of poultry and almond assets¹ to fund acquisitions and developments:
 - Conditional contracts exchanged for the sale of the Moorall almond orchard.
 - Acquisition of, or contracts to acquire, additional cattle and cropping properties suitable for conversion of 5,000 ha of macadamia orchards.

The positive FY20 results are largely due to the ongoing expansion of the portfolio, primarily in the cattle sector, and independent valuations of various assets.

The Group has committed to acquire properties in central Queensland which, in conjunction with prior acquisitions, are suitable to the conversion of 5,000 ha of macadamia orchards. These developments are expected to provide ongoing earnings growth in future years.

The investment into macadamias is consistent with RFM's strategy of investing in sectors in which Australia participates globally, improving portfolio diversification, and utilising RFM's development and operating knowledge. RFM has macadamia orchard development and operating experience, currently farming three orchards in Bundaberg, and is able to draw on its extensive almond orchard development experience.

¹ The Moorall almond orchard sale for \$98.0m (subject to various adjustments and inclusions) is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval. The sale is forecast to settle Decr 2020.

Planting of macadamia trees on the new properties is expected to commence late FY21; lessee discussions are ongoing. As the developments are expected to take several years RFM plans to lease the assets as cattle and cropping operations to further improve AFFO in the interim.

Funding for acquisitions includes the proceeds from the sale of the poultry assets in December 2019 and the sale of the Moorall almond orchard. If the Moorall sale does not proceed the Maryborough acquisitions will be funded from the approved increase to the debt facility.

The reconfiguration of the portfolio is being managed whilst continuing to grow distributions in line with the 4% growth target. FY21 forecast distributions are reaffirmed. RFM confirms no lessees have required rent relief due to COVID-19.

Key investment highlights

- **Diversification:** 61 properties across five agricultural sectors (almonds, cattle, cropping, vineyards and macadamias).
- **Quality lessees and counterparties:** 78% corporate and/or listed entities.
- **Long weighted average lease expiry profile:** 10.9 years.
- **Balance sheet capacity:** gearing at lower end of target range of 30-35%.¹
- **Structured rental growth:** fixed and CPI indexation and market rent review mechanisms.
- **Material development pipeline:** productivity improvements and conversion to higher and better use. Expected to generate earnings growth in future years.
- **Established track record:** 9.7% NAV compound annual growth, 4.3% AFFO compound annual growth and DPU growth of at least 4% in line with strategy.

The financial results for FY20 reflect ongoing growth of the Group and the increased valuation of agricultural assets. Forecast FY21 DPU of 11.28 cents are in line with the 4% growth target, funded from forecast FY21 AFFO of 11.7 cents per unit. RFM will continue to focus on productivity improvements and conversion to higher and better use developments which are expected to generate earnings growth in future years.

Rural Funds Group (ASX: RFF)

Rural Funds Group is an agricultural Real Estate Investment Trust (REIT) listed on the ASX under the code RFF. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. RFF targets distribution growth of 4% per annum by owning and improving farms that are leased to good counterparties. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805).

Rural Funds Management Limited (RFM)

Rural Funds Management Limited is the responsible entity and manager of RFF. RFM is an agricultural fund and asset manager established in 1997. The management team includes specialist fund managers, finance professionals, horticulturists, agronomists and other agricultural managers. RFM's company culture is informed by its long-standing motto "Managing good assets with good people".

| Authorised by: | For further information: | RFM details: |
|---|---|---|
| David Bryant Managing Director Rural Funds Management T 02 6203 9700 E DBryant@ruralfunds.com.au | James Powell General Manager - Investor Relations & Marketing Rural Funds Management T 0420 279 374 E JPowell@ruralfunds.com.au | Tim Sheridan Chief Operating Officer Rural Funds Management T 0400 634 230 E T Sheridan@ruralfunds.com.au |
| | | ABN 65 077 492 838 AFSL 226701 Level 2, 2 King St Deakin ACT 2600 Locked Bag 150 Kingston ACT 2604 T 02 6203 9700 E management@ruralfunds.com.au |
| www.ruralfunds.com.au | | |