

ASX release

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

27 January 2022

Rural Funds Management Limited (RFM) as responsible entity and manager of the 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 and how Unitholders can vote online prior to the Meetings.

To attend the webinar, please register via the following link:

<https://kapara.rdbk.com.au/landers/af56ff.html>.

A copy of the webinar will be made available on the RFM website at www.ruralfunds.com.au.

To ensure compliance with any ACT COVID-19 restrictions, if Unitholders intend to attend the Meetings in person, or have any queries about the Meetings, they may contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (AEDT), Monday to Friday, or email investorservices@ruralfunds.com.au prior to the Meetings.

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:	
Tim Sheridan Chief Operating Officer Rural Funds Management T 0400 634 230 E TSheridan@ruralfunds.com.au	James Powell General Manager - Investor Relations & Marketing Rural Funds Management T 0420 279 374 E JPowell@ruralfunds.com.au	David Bryant Managing Director Rural Funds Management T 02 6203 9700 E DBryant@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

Rural Funds Group

ASX:
RFF

Managed by:



Managing good assets with good people

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

27 January 2022



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 a 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.

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, their related bodies corporate and their 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 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 20 December 2021.

Presenters



Tim Sheridan
Chief Operating
Officer



Daniel Yap
Chief Financial
Officer



James Powell
General Manager –
Investor Relations
& Marketing



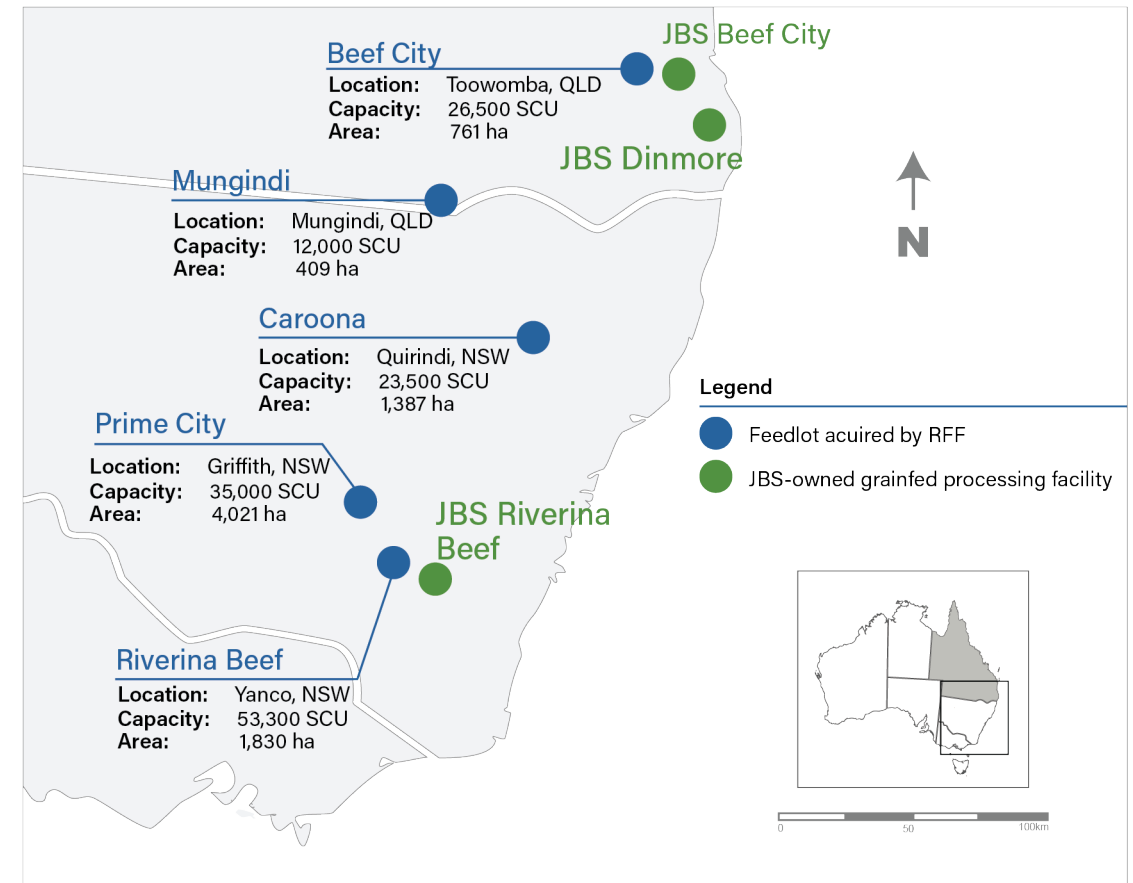
Sandra Walton
Investor Services
Manager

JBS investments

The JBS feedlots and Guarantee have been a good investment for Rural Funds Group.

- 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.
- On 10 August 2018, the initial arrangement was approved by 99.8% of Unitholders who voted.
- On 14 April 2020, a subsequent increase of the Guarantee to \$100.0m was approved by 99.6% of Unitholders who voted.
- A Notice of Meetings and Explanatory Memorandum were released on 20 December 2021 to seek Unitholder approval to increase the Guarantee to \$132.0m.

Feedlots acquired by RFF¹



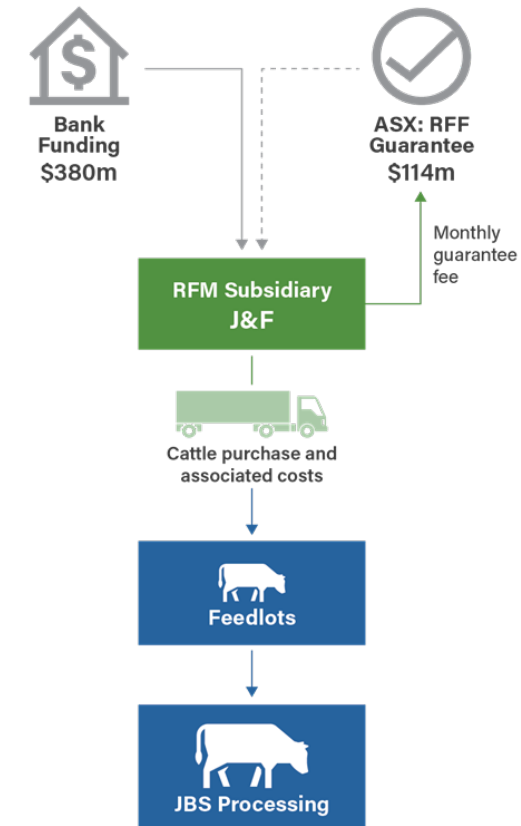
Note:
1. SCU = Standard Cattle Unit.

Investment structure and proposed increase

An increase in the existing arrangements with JBS is required because of high demand and increased costs of cattle.

- J&F is a subsidiary of Rural Funds Management (**RFM**), as distinct from RFF. This structure helps to preserve RFF's Real Estate Investment Trust (REIT) status.
- RFM's remuneration is limited to 1.05% of the Guarantee provided by RFF.
- As a result of continued high demand and increased costs of cattle, a further increase to the existing arrangements with JBS is required.
- 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 4 February 2022 will seek approval to increase the Guarantee from \$100.0m to \$132.0m:
 - this will enable the debt facility to increase from \$333.0m to \$440.0m.¹
 - initially the Guarantee increase will be \$14.0m. The approved increase of \$32.0m provides future capacity.¹

Investment structure



Note:

1. An additional Guarantee amount of \$32.0m is a variation to the initial Guarantee amount of \$75.0m approved in August 2018 and subsequent increase to \$100.0m in April 2020. 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 \$380.0m of bank debt. As a result, the Guarantee limit would increase proportionally, by \$14.0m (from \$100.0m to \$114.0m). As additional bank debt is required, the Guarantee would increase proportionally to the Unitholder approved \$132.0m maximum. Refer to Explanatory Memorandum dated 20 December 2021 for further details.

High quality counterpart

The Guarantee is supported by a high-quality counterpart.

- Counterpart performance:
 - Baybrick Pty Ltd (net assets \$3.5b as at 31 Dec 2020), 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 to be increased to \$132.0m.¹

JBS S.A. overview

Item	Description
Revenue	• US\$61.7b (largest food company globally) ²
Production	• Largest food company globally ² • Largest protein producer globally ²
Locations	• 20 countries / 450 facilities and offices ²
Employees	• 250,000 (approximately) ²
Customers	• 275,000+ in 180+ countries ²
Market cap	• A\$20.4b (as at 10 December 2021) ³
Credit rating	• BB+ upgraded from BB (Standard & Poors) ³

Notes:

1. Assumes approval of the additional Guarantee amount of \$32.0m, being a variation to the initial Guarantee amount of \$75.0m approved by Unitholders in August 2018 and subsequent increase to \$100.0m in April 2020. 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. 3Q21 Institutional Presentation.
3. Refer to Explanatory Memorandum dated 20 December 2021.

Investment return

The Guarantee generated an FY21 return of 10.60%.

Guarantee return reconciliation – FY21

Item	Amount	Notes
Guarantee amount	\$89.8m	Average Guarantee for the year. Utilised Guarantee increased from \$82.5m to \$99.9m in February 2021.
Finance income	\$7.1m	J&F revenue recognised as finance income. See note G2 in FY21 financial accounts.
Interest saving	\$2.4m	Average cost debt for period including hedging is 3.2% ¹ calculated on \$75.0m
Actual benefit for year (net of management fee)	\$9.5m	
Return for period	10.60%	

- 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. RFF'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 9.73% and 11.25% of the Guarantee.²

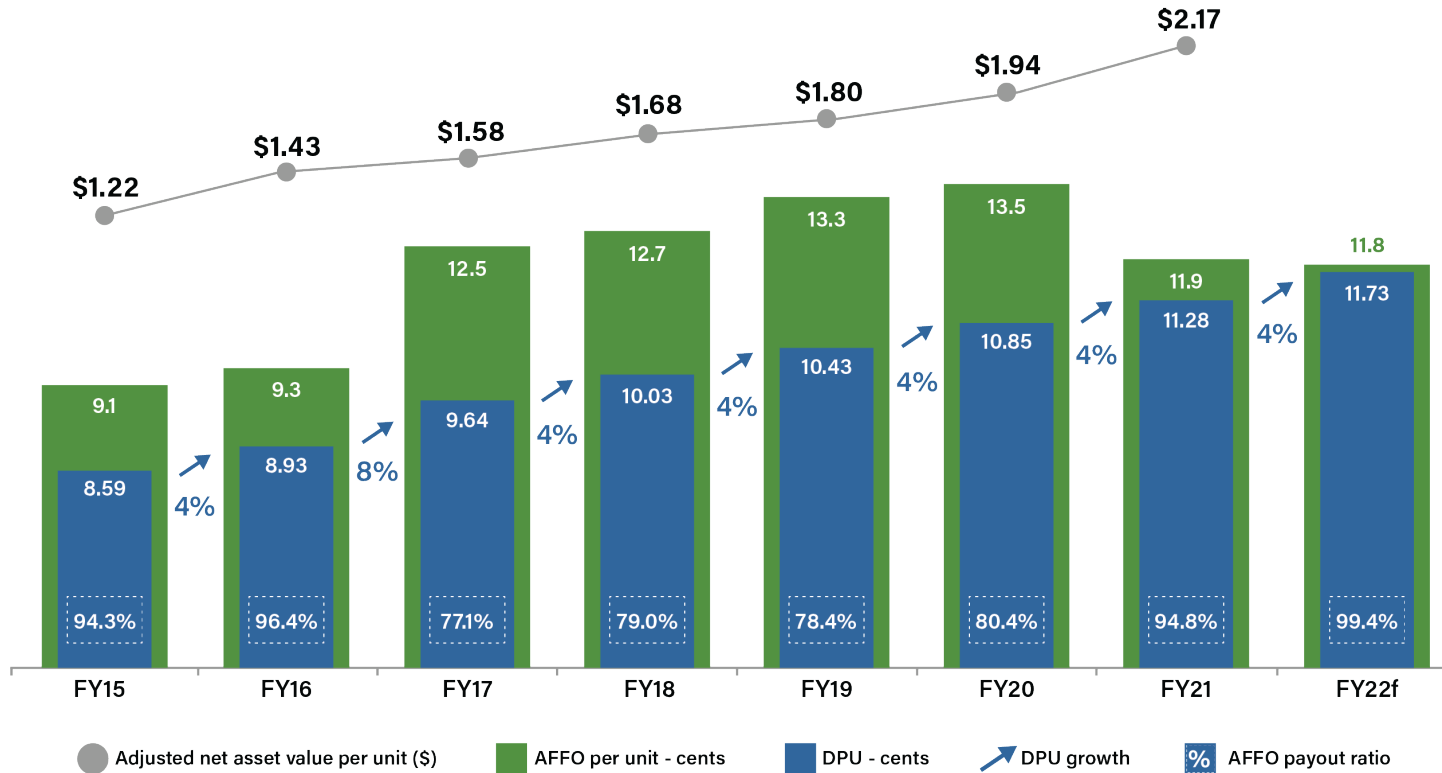
Note:

1. See RFF FY21 financial results presentation, page 9, available via www.ruralfunds.com.au.
2. Subject to various adjustments and inclusive of interest rate offset savings in RFF.

Performance history and forecast

The implementation of the increase to the Guarantee will result in an increase to FY22 forecast AFFO.

DPU, DPU growth, AFFO payout and adjusted NAV



- Forecast FY22 adjusted funds from operations (AFFO) per unit of 11.8 cents will increase to 11.9 cents, upon Unitholder approval of the increase to the Guarantee.¹
- The increase to the Guarantee will have a greater AFFO impact on a full year basis. See Figure 4, page 11 of the Explanatory Memorandum dated 20 December 2021 for additional information.

Notes:

1. Assumes \$14.0m increase to the Guarantee from February 2022 and Unitholder approval.

How to lodge your vote online

RFM has arranged for Unitholders to be able to efficiently cast their vote online prior to the Meetings.

Step 1: Visit www.votingonline.com.au/rffgm2022/. Enter your postcode, your Voting Access Code (VAC) **located on your proxy form** and acknowledge your details.

Step 2: Appoint a Proxy.

I/We being a securityholder of Rural Funds Group pursuant to my/our right to appoint not more than two proxies, appoint

Chair of the Meeting.

OR

Step 3: Direct your vote.

Resolution	For	Against	Abstain	Open
1. Approval of the Additional Guarantee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Step 4: View summary and submit your vote.

Submit Vote

Click the submit button when you are satisfied that all entered information is correct.

Upon clicking the submit button you will be taken to the Confirmation page.

Previous

Submit

Proxy and online voting closes 2 February 2022 at 11.00 am AEDT.

If you have not received your proxy form, please contact RFM Investor Services on 1800 026 665 (from within Australia) or +61 2 6203 9700 (from outside Australia) from 8.30am to 5.00pm (local Canberra time), Monday to Friday.

Please also refer to your proxy form for additional methods on how to lodge your vote.

The Meetings will be held on 4 February 2022 at 11.00 am AEDT. To ensure compliance with any ACT COVID-19 restrictions, please contact RFM Investor Services prior to the Meetings if you wish to attend in person.

Conclusion

- Increase to an existing arrangement:
 - Unitholders previously approved the Guarantee on 10 August 2018 (99.8% votes in favour) and the subsequent increase on 14 April 2020 (99.6% votes in favour).
- Good investment with a high-quality counterpart:
 - The Guarantee maintains RFF's REIT structure.¹
 - A return of 10.60% has been generated by the Guarantee in FY21.¹
- An Independent Expert has concluded it is fair and reasonable to Non-Associated Unitholders.¹
- The implementation of the increase to the Guarantee will result in an increase to AFFO:
 - Forecast FY22 AFFO per unit of 11.8 cents will increase to 11.9 cents, upon Unitholder approval of the increase to the Guarantee.¹
 - The increase to the Guarantee will have a greater AFFO impact on a full year basis.¹

This Notice of Meetings and Explanatory Memorandum contains important information in relation to the Guarantee and a discussion of the benefits and risks of the Guarantee.

Please read the Notice of Meetings and the Explanatory Memorandum carefully in its entirety before making your decision and voting (whether in person, by corporate representative or by proxy) at the Meetings.

Notes:

1. Refer to Explanatory Memorandum dated 20 December 2021 for further details.

Rural Funds Group

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

F 02 6169 3232

E investorservices@ruralfunds.com.au

See the RFM website for details on
RFM's roles and responsibilities.

www.ruralfunds.com.au

Follow us:

