

ASX release

HY22 financial results summary and webinar details

18 February 2022

Rural Funds Management Limited (RFM) have today released the Rural Funds Group (ASX: RFF) (the Group) Financial Statements for the half-year ended 31 December 2021 (HY22).

Financial highlights

- Adjusted funds from operations (AFFO) of 5.8 cents per unit (cpu), in line with forecast.
- Distributions per unit (DPU) of 5.87 cents, in line with forecast.
- Earnings (total comprehensive income) of 10.36 cpu.
- Adjusted net asset value (NAV) increase of 3% to \$2.24 per unit.
- Gearing of 33%, within the target range of 30-35%.
- FY22 forecast distributions 11.73 cpu, a 4% increase on FY21.

Property revenue increased primarily due to income from the increased J&F Guarantee, acquisitions, capital expenditure and lease indexation. Adjusting for income received from the Moorool orchard in the prior corresponding period (sold December 2020), property revenue increased \$3.8m, or 12%.

Earnings were largely driven by income generated by the Group and positive revaluations on cattle properties. The prior corresponding period included gain on sale of assets of \$32.5m, primarily attributable to the Moorool almond orchard.

AFFO per unit is forecast to increase in 2H22 due to the contribution of additional income from the increased J&F Guarantee and acquisitions (detailed further below). FY22 forecast AFFO of 11.9 cpu and distributions of 11.73 cpu confirmed.

Operating and portfolio update

In August 2021 RFF completed an Entitlement Offer raising \$100.0m to fund the development of 1,000 ha of macadamia orchards, the purchase of an 8.3 GL water entitlement and for additional asset acquisitions.

In November 2021 the acquisition of three cattle and cropping properties totalling 33,926 ha (including 33.2 GL of water entitlements) and two mature macadamia orchards totalling 475 ha were announced.¹ The acquisitions are forecast to contribute to 2H22 revenue.

¹ Includes cattle and cropping property aggregation Kaiuroo, which has a settlement period of up to November 2023.

Development of 'stage one' of the macadamia orchards, being 1,000 ha in Maryborough, Bundaberg and Rockhampton, is on track to be materially complete in FY22. Discussions with several institutional investor lessees are occurring.

In February 2022 Australian Agricultural Company (ASX: AAC) entered a 10-year lease of cattle properties Comanche and Homehill.² AAC also have a backgrounding arrangement which applies to other RFF cattle properties.² The arrangement enables RFF to earn income from the properties during their initial development phase, prior to leasing.

Other activities include Unitholder approval in February 2022 to increase the Guarantee associated with JBS operated feedlots. The proposal was well supported with 99.7% of eligible votes cast 'For' the resolution.

RFM continues to focus on two strategies within the portfolio which seek to increased earnings for investors. Firstly, the conversion of assets to higher and better use, specifically within the macadamia sector. The second strategy, improving the productivity of natural resource assets, is being deployed on existing cattle and cropping assets within the portfolio.

Following the announcement of acquisitions during the period and the increase to the J&F Guarantee, forecast FY22 AFFO was increased to 11.9 cpu. RFM announces, FY23 forecast distributions of 12.20 cpu (inclusive of franking credits), representing a 4% increase on FY22f.³

Key investment highlights

- **Diversification:** 69 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:** 9.2 years.
- **Balance sheet capacity:** gearing within target range of 30-35%.¹
- **Structured rental growth:** CPI and fixed indexation and market rent review mechanisms.
- **Material development pipeline providing organic growth:** productivity improvements and conversion to higher and better use. Expected to generate earnings growth in future years.
- **Established track record:** DPU growth of at least 4% p.a.
- **Experienced manager:** RFM has experience developing and operating agricultural properties in all sectors RFF leases assets and has 25 years experience as a specialist agricultural fund manager.

² The lease commencement date is May 2022 and is subject to approval by the Foreign Investment Review Board. Under the backgrounding arrangement RFF is paid a fee based on cattle weight gain.

³ FY23 DPU to include franking credits. Cash distribution to be at least 11.73 cpu.

Results webinar details

A financial results webinar will be held today at 11:00AM AEDT. Registration details below:

https://webcast1.boardroom.media/watch_broadcast.php?id=61fb3bafd9599

A recording of the webinar will be made available on the RFM website.

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".

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