

ASX release

FY22 financial results summary

31 August 2022

Rural Funds Management Limited (RFM) have today released the Rural Funds Group (ASX: RFF) (the Group) Financial Statements for the year ended 30 June 2022 (FY22) as summarised below.

Financial highlights

- Earnings (total comprehensive income) increase of 52% to 55.6 cents per unit (cpu).
- Adjusted net asset value (NAV) increase of 24% to \$2.69 per unit.
- Adjusted funds from operations (AFFO) of 11.7 cpu, in line with distributions.
- Distributions per unit (DPU) of 11.73 cents, in line with forecast.
- Gearing of 30%, at the lower end of the target range of 30-35%.
- Interest rate hedge duration of 8.6 years.

The increase in earnings were largely driven by revaluations in the cattle sector (up \$105m), almond sector (up \$18m) and water entitlements (up \$12m). Revaluations also contributed to the increase in adjusted net assets combined with acquisitions of \$179m and development capex of \$46m.

AFFO increased 9% compared to the prior period. On a per unit basis AFFO was 11.7 cents, slightly lower compared to the prior period primarily due to the acquisition of development assets which are currently unleased.

Gearing ended lower in FY22, providing balance sheet capacity to fund ongoing development capex. Additional forward-dated hedges were entered into during the period increasing the average hedge duration to 8.6 years.

Leasing and acquisition update

- Entered four leases for cattle properties ranging from 10 to 25 years and extended a cropping property lease for five years.
- Lease negotiations subject to an exclusivity agreement currently occurring for macadamia developments.
- Acquired three additional properties to be developed prior to seeking lessees.¹

Four cattle property leases were entered into during the period with Australian Agricultural Company (ASX: AAC), Mort & Co and Clarke Creek Energy Pty Ltd (CCE). CCE will install wind turbines on an existing cattle property and Mort & Co have leased properties with the intention to develop a cattle feedlot.

¹ One property (Kaiuroo) has a settlement period of up to November 2023.

Portfolio highlights

- Diversification: 68 properties across five agricultural sectors (almonds, cattle, cropping, vineyards and macadamias).
- Quality lessees and counterparties: 68% of FY23f lease revenue from corporate lessees.
- Long weighted average lease expiry profile: 9.1 years.
- Structured rental growth: CPI and fixed indexation and market rent review mechanisms.
- Development and leasing pipeline: productivity improvements and conversion to higher and better use. Expected to generate earnings growth in future years.

Forecasts

- Forecast FY23 distributions 11.73 cpu cash distribution plus 0.47 cpu franking credit.
- Forecast FY23 AFFO is 10.1 cpu.

Though the timing is not certain, leasing macadamia orchards will have a material impact on AFFO.

Beyond FY23 inflation will increase RFF's rental income, interest expenses are well hedged, agricultural land values are likely to be stable and additional rents from development assets are likely.

Results webinar

A financial results webinar will be held today at 11:00AM AEST. Those wishing to attend the webinar will need to register via the link below to receive login details:

https://webcast1.boardroom.media/watch_broadcast.php?id=6302da227b765

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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