

# Rural Funds Group

ASX:  
RFF

Managed by:



## Financial Results Presentation

half-year ended 31 December 2022

22 February 2023

# Disclaimer and glossary of terms

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## Glossary

**Adjusted NAV** – Net asset value (NAV) adjusted for the independent valuation of water entitlements; **Adjusted total assets** – Total assets adjusted for the independent valuation of water entitlements; **ASX** – Australian Securities Exchange; **AFFO** – Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense); **BBSW** – Bank bill swap rates; **CPI** – Consumer price index; **cpu** – cents per unit; **CY** – Calendar year; **DPU** – Distributions per unit; **DRP** – Dividend reinvestment plan; **EBITDA** – Earnings before interest, taxes, depreciation and amortisation; **EPU** – Earnings per unit; **Fair value** – Value of an asset as determined by an independent valuation; **FY23e** – Financial year 2023 end; **FY23f** – Financial year 2023 forecast; **Gearing** – Calculated as external borrowings/adjusted total assets; **GL** – Gigalitre; **Group** – Term used for the Rural Funds Group; **ha** – Hectare(s); **1H23** – Half-year ended 31 December 2022; **2H23** – six months ended 30 June 2023 **LVR** – Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **Market capitalisation** – Total market value of a company's shares on the market; **ML** – Megalitre; **m** – Million(s); **NAV** – Net asset value, calculated as assets less the value of liabilities (does not recognise fair value of water entitlements); **P&E** – Plant and equipment; **REIT** – Real Estate Investment Trust; **RFF** – Rural Funds Group (ASX: RFF); **RFM** – Rural Funds Management Limited, manager and responsible entity for RFF; **TCI** – Total comprehensive income; **Total assets** – Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value); **WALE** – Weighted average lease expiry.

## Presenters



**David Bryant**  
Managing Director



**Tim Sheridan**  
Chief Operating  
Officer




**Daniel Yap**  
Chief Financial  
Officer



**James Powell**  
General Manager –  
Investor Relations,  
Corporate Affairs and  
Sustainability

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1. 1H23 financial results summary
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# 1 1H23 financial results summary

*Wheat crop at Baamba Plains, central Queensland, November 2022.*

# Earnings and balance sheet summary

Earnings increase of 50% primarily due to higher property revenue and positive revaluations.

## Income and earnings metrics

	6 months ended 31 December 2022	6 months ended 31 December 2021	
Property revenue – \$	37,360,000	34,855,000	Property revenue increased 7% primarily due to increased rent, rent on capex and new leases.
Total comprehensive income (TCI) – \$	59,404,000	38,807,000	TCI increased 53% and EPU increased 50%, primarily due to positive revaluations for macadamia development assets and cattle properties.
Earnings per unit (EPU) <sup>1</sup> – cents	15.50	10.36	
Adjusted funds from operations (AFFO) – \$	19,725,000	21,791,000	1H23 AFFO impacted by higher interest costs compared to prior corresponding period (1H22). AFFO per unit in line with prior corresponding period after adjusting for lease payment. attributable to 1H23 from The Rohatyn Group (TRG) for macadamia developments. <sup>4</sup>
AFFO per unit – cents	5.1	5.8	
AFFO payout ratio	115%	101%	1H23 distributions in line with FY23 forecast DPU of 11.73 cents plus 0.47 cents franking credit.
Distributions per unit (DPU) – cents	5.87	5.87	
Distributions per unit (DPU) – cents (inc franking)	6.10	5.87	

## Balance sheet summary

	As at 31 December 2022	As at 30 June 2022	
Total assets – \$	1,498,657,000	1,403,829,000	Assets increased primarily due to revaluations and development capital expenditure.
Adjustment for water at fair value – \$	111,745,000	110,316,000	
Adjusted total assets <sup>2</sup> – \$	1,610,402,000	1,514,145,000	Borrowing increased primarily due to developments (see page 14 for further details). Gearing of 31% at lower end of target range.
External borrowings – \$	506,770,000	457,625,000	
Gearing <sup>2</sup> – \$	31.5%	30.2%	Adjusted net assets per unit increased 3% primarily due to revaluations. Refer to pages 20 to 24 for further information.
Net asset value (NAV) – \$	955,980,000	917,011,000	
NAV per unit – \$	2.48	2.39	
Adjusted NAV <sup>3</sup> – \$	1,067,725,000	1,027,327,000	
Adjusted NAV per unit <sup>1</sup> – \$	2.78	2.69	

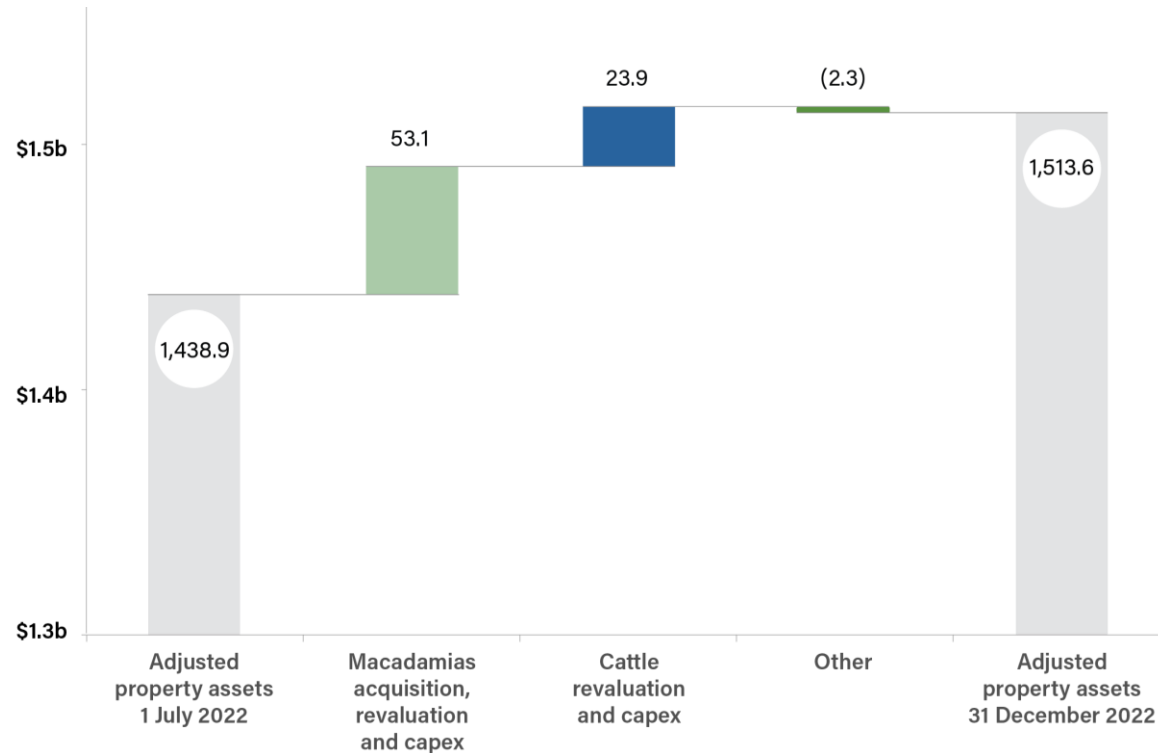
### Notes:

- Earnings calculated as TCI/weighted average units (see page 20).
- Gearing calculated as external borrowings/adjusted total assets.
- Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
- TRG lease payments to be received for full financial year (FY23) in 2H23. Lease commenced January 2023.

# Property movements

Adjusted property assets increase of \$75m mainly driven by revaluations of \$32m and development capex of \$31m.

Adjusted property assets – main movements (\$m) by sector<sup>1</sup>



Primary contributors to adjusted property assets movements:

**Revaluations of \$32.3m including:**

- Macadamia orchards – TRG macadamia orchard developments \$18.7m
- Cattle properties – Cobungra \$11.2m and Rewan \$10.1m
- Almond orchards – directors' valuation attributing (\$3.2m) due to flood impact on Yilgah.

**Development capex of \$31.0m including:**

- Macadamia orchards (higher and better use developments) – \$24.8m
- Cropping properties (productivity improvements) – \$3.3m
- Cattle properties (productivity improvements) – \$2.2m.

For details of independent valuations see page 14.

Note:

1. The sector totals presented in the chart are net of depreciation and inclusive of capex. Acquisition amounts include transaction costs and stamp duty. Revaluations include straight-lining adjustment for rent, and finance lease adjustments and bearer plants depreciation. Adjusted property assets include P&E. Directors' valuation applied to bearer plants where applicable, which are treated as property, plant and equipment and depreciated in accordance with AASB116. "Other" transactions include acquisitions of macadamia development properties Greenfields and Brooklands (additions to the Rookwood Farms aggregation) \$9.3m, disposal of Dohnt vineyard \$0.7m and Yilgah directors' revaluation of (\$3.2m).



# 2 Capital management

*Wagyu steers at Rewan, central Queensland, February 2023.*

# Debt facility

Increased debt facility to provide funding for TRG macadamia orchard developments.

## Debt facility metrics

		31 December 2022	30 June 2022
<b>Debt facility</b>	Term debt facility limit <sup>1,2</sup>	\$670.0m	\$520.0m
	Term debt drawn	\$504.4m	\$455.1m
	Headroom <sup>3</sup>	\$165.6m	\$64.9m
	Cost of debt <sup>4</sup>	3.11%	2.92%
<b>Covenants</b>	Loan to Value Ratio (LVR) <sup>1,5</sup>	43.8%	42.7%
	Interest Cover Ratio (ICR) <sup>1</sup>	3.64	5.07
	Adj. Net Tangible Assets (NTA) <sup>1</sup>	\$1,067.7m	\$1,027.3m
<b>Hedging</b>	Total amount hedged <sup>6</sup>	\$183.0m	\$183.0m
	Proportion debt hedged <sup>1,7</sup>	36.3%	40.2%
	Weighted average duration of hedges <sup>8</sup>	6.8 years	8.6 years

- Debt facility limit increased by \$150.0m during period to \$670.0m.
- Tenor of second debt facility extended two years during 1H23:
  - Facility one maturity (\$410.0m) November 2024
  - Facility two maturity (\$260.0m) November 2025
  - Weighted average debt maturity of 2.3 years.
- Debt facility does not include macadamia development funding loan of \$100.0m to be provided by TRG, which is currently undrawn.<sup>3</sup>

### Notes:

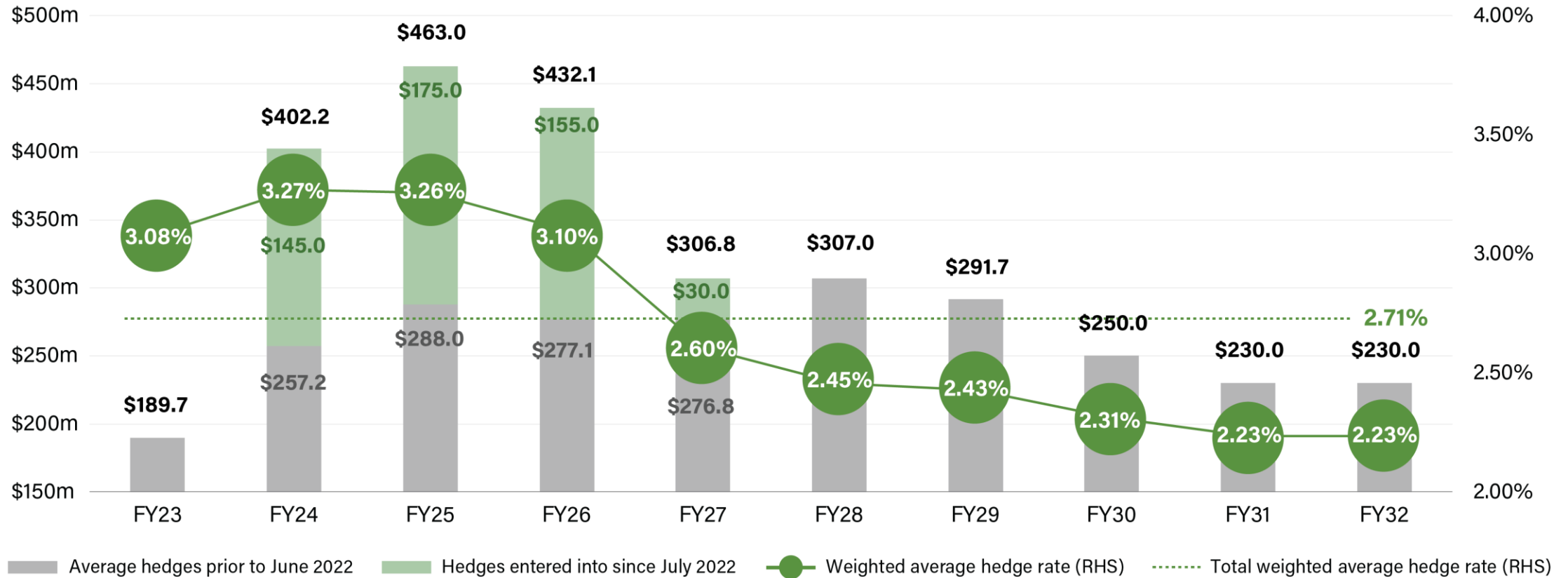
1. Key financial covenants HY23 (from August 2022): LVR <55%, ICR >2.00x, with distribution permitted at >2.15x, Adjusted NTA including water entitlements >\$400m, undertaking to maintain minimum 30% hedging requirement in FY23.
2. Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
3. Additional \$100m funding (being provided by TRG) for developments not included in the debt facility metrics. The loan consists of \$40m available on lease commencement and \$60m during the balance of the development and will be amortised over 7 years.
4. Total interest expense plus cost of hedges, divided by average term debt drawn. Excludes capitalised borrowing costs.
5. LVR calculated as term debt drawn plus guarantee of \$132.0m (as at 31 December 2022) divided by directly secured assets based on independent valuations.
6. Current hedges only.
7. Proportion hedged calculated as current hedges/term debt drawn.
8. Duration remaining as at 31 December 2022 and includes forward start hedges.



# Interest rate hedges

\$175m additional hedges entered since 1 July 2022. Hedging to increase from \$190m in FY23 to \$402m in FY24.

Interest rate hedges (FY23 to FY32)





# 3

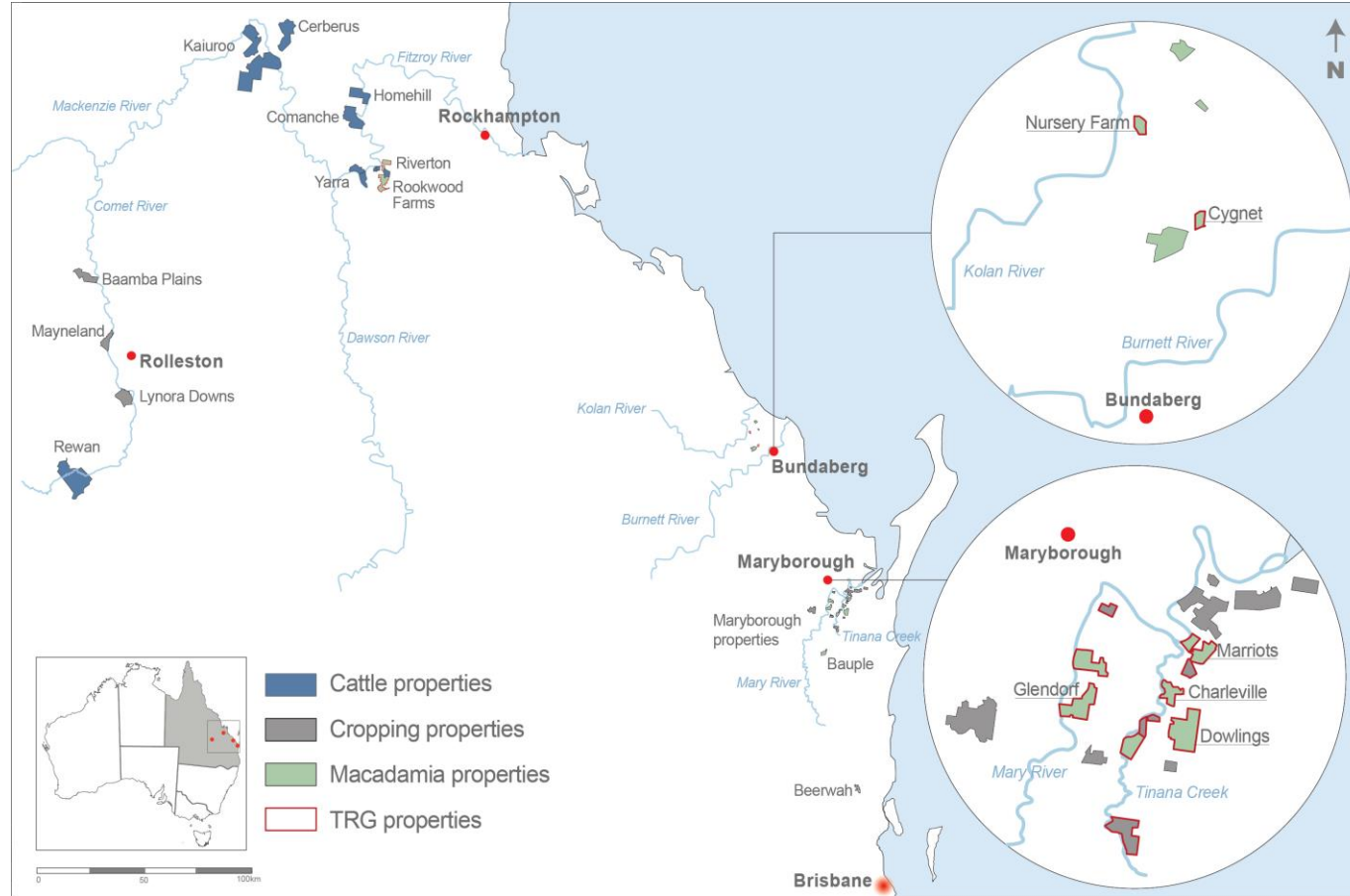
## Portfolio and strategy update

*Improved pasture under pivot irrigation, Yarra, central Queensland, February 2023.*

# Portfolio update

Development pipeline of macadamia, cattle and cropping assets in central and south-east Queensland.

## Central and south-east Queensland properties



### Macadamia orchards (see page 12):

- 3,000 ha 40-year lease with TRG commenced January 2023.<sup>1</sup>
  - rent calculated on the value of land (and associated water) being developed and capex as it is deployed
  - 1,012 ha of orchards developed to date
  - remaining 1,988 ha forecast to be completed by FY25.

Rental capital base (\$m) <sup>2</sup>	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<b>Land (and water)</b>	68.2	23.3	-	-	-	-	-
<b>Development capex</b>	108.2	79.9	17.9	14.9	7.3	7.6	2.7
<b>Total</b>	176.4	103.2	17.9	14.9	7.3	7.6	2.7
<b>Cumulative</b>	<b>176.4</b>	<b>279.6</b>	<b>297.5</b>	<b>312.4</b>	<b>319.7</b>	<b>327.3</b>	<b>330.0</b>

- Development of additional 2,000 ha forecast to commence in FY25. Seeking potential lessee(s) to occur closer to development commencement.
- 475 ha of mature orchards (Beerwah and Bauple) undergoing improvements prior to seeking long-term lessee(s).

### Cattle and cropping properties (see page 13):

- Cattle properties (Cerberus, Yarra and Kaiuroo) and cropping properties (Mayneland and Baamba Plains) undergoing productivity improvements prior to seeking long-term lessee(s).<sup>3</sup>

Note:

1. Lessee is a company managed by The Rohatyn Group (TRG) on behalf of a joint venture between TRG and a global institutional investor. Second stage of lease (1,800 ha) subject to completion of water supply infrastructure. Total forecast capex of \$110,000 per hectare comprising approximately \$90,000/ha (land, water, orchard development and planting) and \$20,000/ha (capitalised establishment costs over 5 years).
2. Rent earned on capital base dependent on timing of deployment throughout the relevant financial year.
3. Kaiuroo settlement period prior to November 2023.

# Macadamia development update

Converting properties to higher and better use seeks to increase income and value. Seven cattle and sugar cane properties revalued 1H23 with TRG lease resulted in 21% increase.<sup>1</sup>

## Rockhampton – conversion of cattle properties



*Delivery of 20 m long, 1 m diameter poly pipes for irrigation at Riverton (July 2022).*



*Pipes for irrigation pipeline to total 6 kms from Fitzroy River to Rookwood Farms (September 2022).*



*Plantings at Riverton (February 2023).*

## Maryborough – conversion of sugar cane properties



*Irrigation pumps drawing from Tinana Creek (Charleville orchard, February 2023).*



*Tree training, planted December 2022 (Marriots orchard, February 2023).*



*Orchard maintenance, planted November 2021 (Glendorf orchard, February 2023).*

Note:

1. Average valuation increase of properties Riverton (portion), Nursery Farm, Cygnet, Glendorf, Charleville, Dowlings and Marriots.

# Cattle and cropping productivity improvements

Productivity improvements underway on five cattle and cropping properties prior to seeking long-term lessees.<sup>1</sup>

## Cattle properties

- Development of cultivation area, irrigation infrastructure and improved pasture seeks to improve cattle carrying capacity and daily weight gains.
  - Cerberus (\$25m):
    - 738 ha improved pasture being developed.
  - Yarra (\$23m):
    - 3 irrigation pivot replacements covering 185 ha cultivation area complete
    - 373 ha improved pasture being developed
    - additional 5 pivots covering c.250 ha cultivation area planned.



*Cattle in cultivation area, Rewan, February 2023.*



*Replacement pivot irrigating 20 ha improved pasture. Yarra, February 2023.*

## Cropping properties

- Development of water storages and irrigated cropping areas seeks to provide higher and more reliable cropping returns.
  - Mayneland (\$25m):
    - 2,793 ML water storage and 366 ha irrigation area complete
    - additional 2,150 ML water storage and 176 ha irrigation area planned.
  - Baamba Plains (\$34m):
    - 4,000 ML water storage under construction and 386 ha irrigation area complete
    - additional 4,200 ML storage and 244 ha irrigation area planned.



*Irrigation channel supporting 4,000 ML water storage under development. Baamba Plains, November 2022.*



*New pivot irrigating 65 ha mung bean crop. Mayneland, March 2021.*

Note:

1. Portion of Cerberus leased to Clarke Creek Energy for 25 years. Yarra and Cerberus generating cattle backgrounding income. Mayneland leased to RFF until June 2023. Baamba Plains currently operated by RFF. Kaiuroo settlement period prior to November 2023 (RFF receiving interest on property deposit) with productivity improvements being planned and commenced during settlement period.

# Property compendium

Productivity or higher and better use developments applicable for 47% of assets.

## Valuations, valuers and capex by sector<sup>1</sup>

Property by sector	State	Brief description	Acquisition date	Adjusted property value 31 December 2022	Valuation date (reporting date)	Valuation	Valuer	1H23a capex by sector	2H23f capex by sector	FY24f capex by sector	Development strategy	Rent review mechanism in lease		
<b>Almonds</b>	Yilgah	NSW	935 ha orchard	Jun-2008		\$ 100.8m	Jun-2021	\$ 107.0m	JLL			Yes		
	Tocabil	NSW	603 ha orchard	Oct-2014		\$ 52.6m	Jun-2022	\$ 53.0m	JLL	\$0.7m	\$4.1m	\$0.0m		
	Kerarbury	NSW	2,530 ha orchard	Oct-2015		\$ 241.1m	Jun-2022	\$ 242.0m	JLL					
<b>Cattle</b>	Rewan	Qld	17,479 ha property	Aug-2016		\$ 72.5m	Dec-2022	\$ 72.5m	LAWD				Productivity improvement	Yes
	Mutton Hole and Oakland Park	Qld	225,800 ha property	Jul-2016, Aug-2016		\$ 26.0m	Jun-2021	\$ 25.2m	Herron Todd White				Productivity improvement	Yes
	Natal Aggregation	Qld	390,600 ha property	Dec-2017		\$ 138.0m	Jun-2022	\$ 137.3m	LAWD				Productivity improvement	Yes
	Comanche	Qld	7,600 ha property	Jul-2018		\$ 35.1m	Jun-2022	\$ 35.0m	LAWD				Productivity improvement	Yes
	Cerberus	Qld	8,280 ha property	Sep-2018		\$ 24.5m	Jun-2022	\$ 24.3m	LAWD				Productivity improvement	Yes
	Dyamberin	NSW	1,728 ha property	Oct-2018		\$ 21.0m	Jun-2022	\$ 21.0m	CBRE				Productivity improvement	Yes
	Woodburn	NSW	1,063 ha property	Jan-2019		\$ 11.5m	Jun-2022	\$ 11.3m	CBRE	\$2.2m	\$6.5m	\$1.1m	Productivity improvement	Yes
	Cobungra	Vic	6,497 ha property	Mar-2019		\$ 52.2m	Dec-2022	\$ 52.2m	Colliers				Productivity improvement	Yes
	WA properties - Petro Farm, High Hill and Willara	WA	6,196 ha property	Feb-2020		\$ 26.7m	Dec-2021	\$ 24.4m	Herron Todd White				Productivity improvement	Yes
	JBS feedlots x 5	NSW/Qld	150,000 head feedlots (total)	Oct-2018		\$ 58.7m	N/A	Purchase price						
	Homehill	Qld	4,925 ha property	Jun-2020		\$ 20.1m	Jun-2022	\$ 19.3m	LAWD				Productivity improvement	Yes
	Yarra	Qld	4,090 ha property	May-2020		\$ 22.9m	Dec-2021	\$ 23.6m	CBRE				Productivity improvement	
	Coolibah	Qld	724 ha property	Dec-2021		\$ 5.7m	Jun-2022	\$ 5.6m	LAWD				Productivity improvement	
Thirsty Creek	Qld	762 ha property	Mar-2022		\$ 5.2m	Jun-2022	\$ 5.2m	LAWD				Higher and better use		
<b>Cropping</b>	Lynora Downs	Qld	4,963 ha property	Dec-2016		\$ 41.7m	Jun-2021	\$ 41.5m	JLL				Productivity improvement	
	Mayneland	Qld	2,942 ha property	Sep-2018		\$ 24.9m	Dec-2021	\$ 23.3m	CBRE	\$3.3m	\$12.5m	\$1.9m	Productivity improvement	
	Maryborough properties x 13	Qld	2,557 ha properties	Nov-2020		\$ 38.2m	Jun-2022	\$ 38.2m	CBRE				Higher and better use	
	Baamba Plains	Qld	4,130 ha property	Nov-2021		\$ 33.5m	Dec-2021	\$ 30.0m	CBRE				Productivity improvement	
<b>Macadamias</b>	Swan Ridge	Qld	130 ha orchard	Mar-2016		\$ 7.2m	Dec-2021	\$ 7.0m	CBRE					
	Moore Park	Qld	104 ha orchard	Mar-2016		\$ 4.4m	Dec-2021	\$ 4.6m	CBRE					
	Bonmac	Qld	27 ha orchard	Mar-2016		\$ 3.1m	Dec-2021	\$ 3.2m	CBRE					Yes
	Cygnat	Qld	37 ha orchard	Oct-2019		\$ 3.9m	Dec-2022	\$ 3.9m	Herron Todd White				Higher and better use	
	Swan Ridge South	Qld	40 ha orchard	Mar-2020		\$ 1.6m	Dec-2021	\$ 1.6m	CBRE				Higher and better use	
	Nursery Farm	Qld	41 ha orchard	Mar-2020		\$ 5.2m	Dec-2022	\$ 4.2m	Herron Todd White	\$24.8m	\$49.6m	\$103.2m	Higher and better use	
	Riverton	Qld	420 ha orchard	Nov-2020		\$ 31.3m	Dec-2022	\$ 26.7m	CBRE				Higher and better use	
	Rookwood Farms	Qld	777 ha orchard	Dec-2020		\$ 29.4m	Jun-2021	\$ 12.8m	CBRE				Higher and better use	
	Maryborough properties x 10	Qld	1,383 ha orchards	Nov-2020		\$ 86.9m	Jun-Dec-2022	\$ 78.6m	CBRE				Higher and better use	
	Beerwah	Qld	340 ha orchard	Dec-2021		\$ 35.2m	Dec-2021	\$ 36.3m	CBRE					
Bauple	Qld	135 ha orchard	Dec-2021		\$ 17.4m	Dec-2021	\$ 18.4m	CBRE						
<b>Vineyards</b>	Vineyards x 6	SA/Vic	636 ha vineyards	2000-04		\$ 58.9m	Jun-2021	\$ 64.8m	JLL	\$0.0m	\$0.0m	\$0.0m		Yes
<b>Water</b>	Ground water	NSW	8,338 ML	Aug-2021		\$ 38.4m	Dec-2021	\$ 77.9m	JLL					
	Unencumbered water entitlement - River	Qld	2,155 ML	Jan-2020		\$ 1.1m	Jun-2020	\$ 1.1m	CBRE					
	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016		\$ 77.9m	Jun-2022	\$ 38.4m	JLL					
	Adjusted property assets					\$ 1,455.0m		\$ 1371.3m	Total capex	\$31.0m	\$72.7m	\$106.2m		
	Total adjusted assets					\$ 1,610.4m								
	Gearing (including pro forma)					31.5%					34.4%	38.3%		

### Notes:

- Where no independent valuation has been conducted since acquisition, the purchase price and acquisition date have been listed. JBS feedlots are not independently valued in financial statements as they are accounted for as a finance lease receivable. Total adjusted assets includes other property assets (cattle financial lease and other assets, plant and equipment, other receivables and equipment leases and Kaiuroo deposit) and other non-property assets. FY23f macadamia capex primarily attributable to orchard development costs. Forecast capex includes rentable and non-rentable amounts. Directors' valuations adopted for Yilgah at 31 December 2022. Pro forma to gearing assuming capital expenditure program, excludes revaluations on existing assets. Pro forma gearing including 2H23f and FY24f capex to increase to 40.0% including forecast Kaiuroo settlement.

# 4

## Outlook and guidance



*Almond tree blossoms at the Tocabil orchard, Riverina NSW, August 2022.*

# Portfolio overview

81% FY23f income from corporate and listed lessees.

## Assets map, sector information and key lessees<sup>1</sup>

### Cattle 36%

Properties: 22  
 Description: 675,744 ha of breeding and backgrounding land. 150,000 head feedlot capacity.  
 HY23 value: \$558.6m  
 FY23f revenue: \$31.7m (36%)

Water entitlements: 14,459 ML

Corporate and listed lessees:

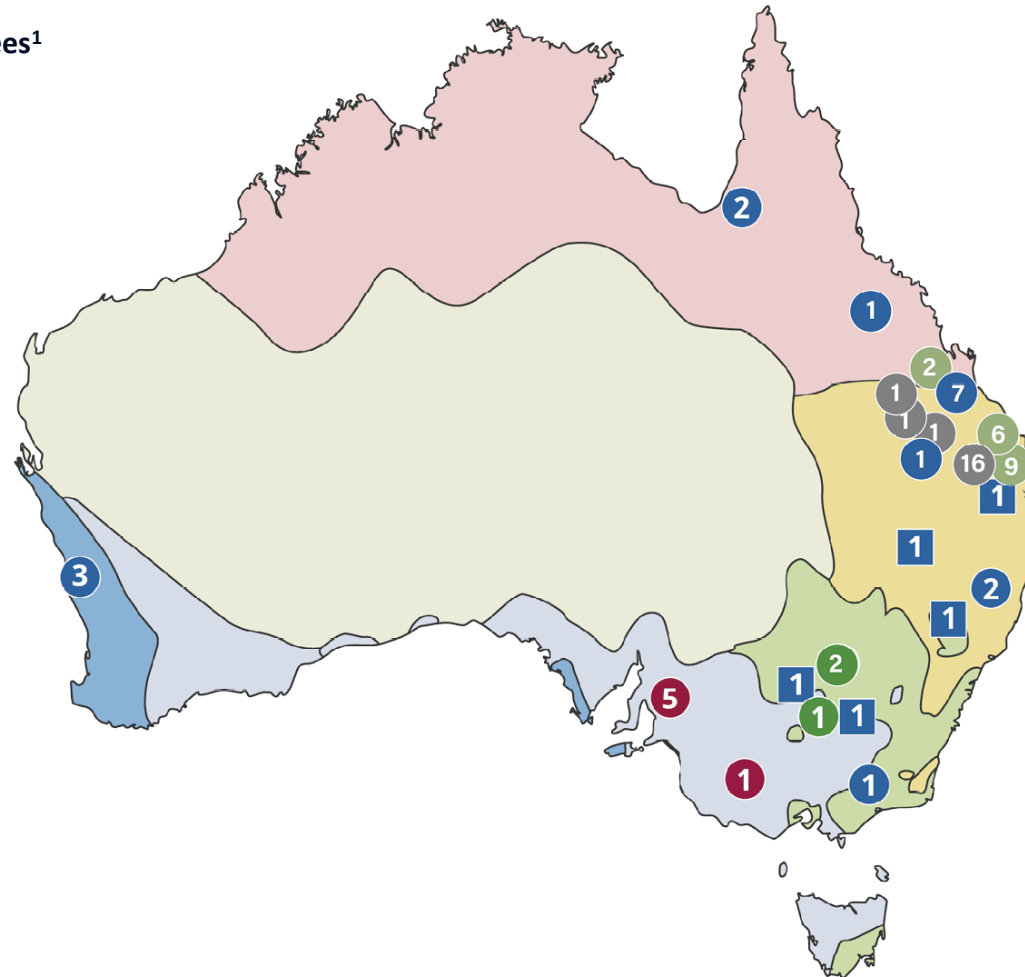


### Vineyards 5%

Properties: 6  
 Description: 636 ha of mature vineyards.  
 HY23 value: \$58.8m  
 FY23f revenue: \$4.8m (5%)

Water entitlements: 884 ML

Corporate and listed lessees:



### Almonds 33%

Properties: 3  
 Description: 4,068 ha of mature orchards  
 HY23 value: \$394.9m  
 FY23f revenue: \$29.6m (33%)  
 Water entitlements: 55,396 ML

Corporate and listed lessees:



### Macadamias 11%

Properties: 20  
 Description: 736 ha of mature orchards, 744 ha of newly planted orchards and 1,954 ha in development phase.  
 HY23 value: \$240.3m  
 FY23f revenue: \$9.4m (11%)

Water entitlements: 9,153 ML

Corporate and listed lessees: THE ROHATYN GROUP

### Cropping 11%

Properties: 16  
 Description: 14,591 ha of irrigated cropping and dryland cropping land.  
 HY23 value: \$181.3m  
 FY23f revenue: \$9.5m (11%)

Water entitlements: 58,188 ML

Corporate and listed lessees:



#### Note:

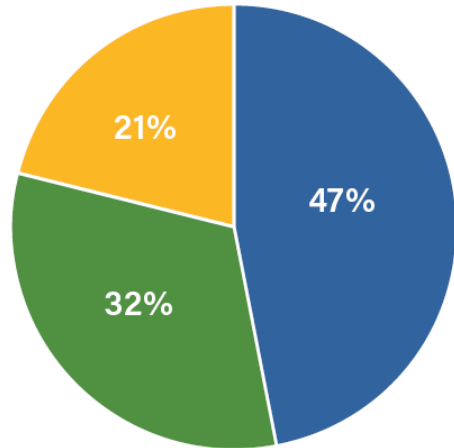
1. Shaded areas denote climatic zones differentiated by rainfall seasonality (source: Bureau of Meteorology); see Climatic Diversification discussion paper dated 20 June 2016. Numbers in the circles/boxes on map show number of assets. Blue square boxes denote cattle feedlots. Cattle property Kaiuroo, which has a settlement period of up to November 2023 is included in number of properties; value of deposit and interest on deposit included in HY23 value and FY23f revenue. FY23f revenue includes AFFO contribution from farming operations from owner-occupied properties that RFF is currently operating (Beerwah and Bauple – macadamias; unleased Maryborough properties and Baamba Plains – cropping; Yarra and Cerberus – cattle). Other income of 4% not shown. TRG macadamia lease is to a company managed by TRG on behalf of a joint venture between TRG and a global institutional investor. Logos for lessees that are not corporate or listed entities are not shown. Queensland Cotton (Queensland Cotton Corporation Pty Ltd) forms 50% of the lessee Cotton JV, with RFM forming the other 50%.



# Revenue by indexation and lease expiry

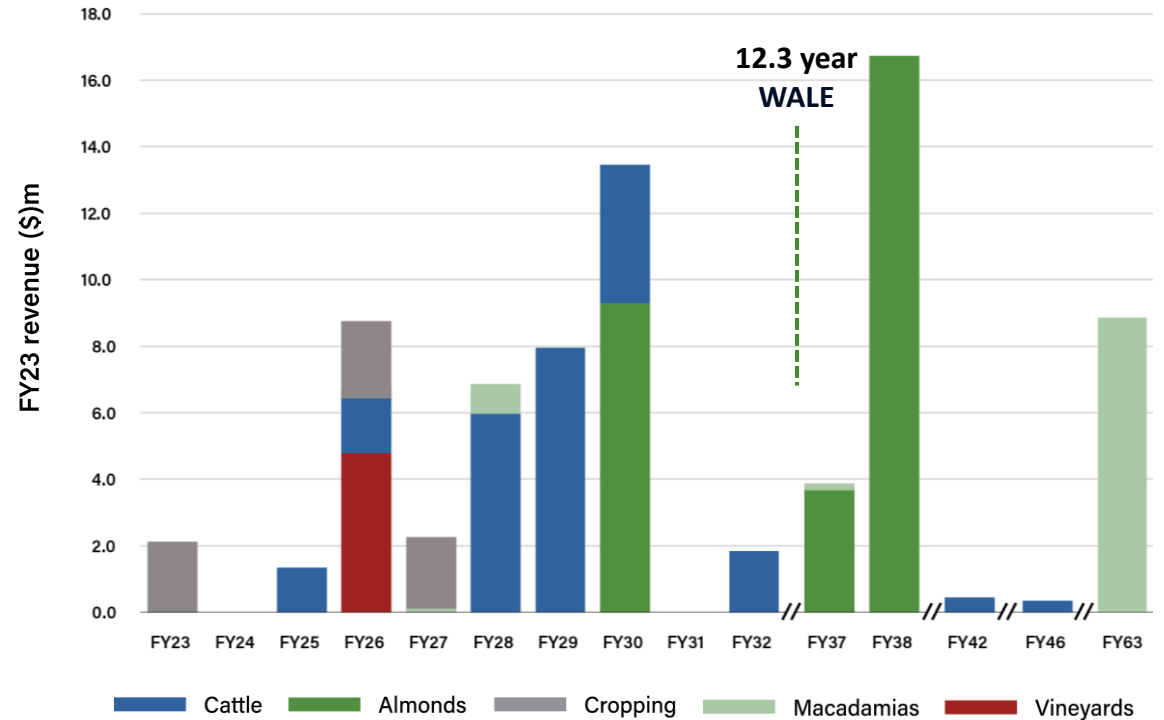
Weighted average lease expiry of 12.3 years with diversified mix of indexation mechanisms.

Lease indexation mechanisms (by FY23f revenue)<sup>1</sup>



CPI linked	Fixed	Other
30% CPI	29% Fixed plus market review	11% Finance income
12% CPI (cap and collar) plus profit share	3% Fixed	3% Operating income
2% CPI plus market review		2% Nil
3% CPI (cap and collar) plus market review		5% Annual

Weighted average lease expiry (WALE)<sup>2</sup>



Notes:

- Figures are subject to rounding. CPI (cap and collar) plus profit share includes The Rohatyn Group (TRG) lease. "Other" includes: J&F Australia guarantee fee, income from annual water allocation sales, operating income, revenue from Kaiuroo deposit, cattle finance leases and other short-term leases. Operating income represents forecast AFFO contributions from owner-occupied properties including Beerwah and Bauple – Macadamias; unleased Maryborough properties and Baamba Plains – Cropping; Yarra and Cerberus – Cattle.
- Figures are subject to rounding. Shown by FY23f revenue. Weighted average lease expiry (WALE) is calculated as the FY23 forecast rent and the year of lease expiry. Excludes income from annual water allocation sales, operating income from owner occupied properties and agistment.

# Outlook and guidance

1H23 results highlights include the lease for first 3,000 ha of macadamia developments, material increase to hedging position FY24-26 and positive asset revaluations.

## FY23 forecasts:

- Revised forecast AFFO per unit 10.7 cents (0.6 cents reduction to prior forecast)<sup>1</sup>
- Forecast distributions per unit 11.73 cents plus 0.47 cent franking credit maintained.

## Management priorities:

1. Macadamia developments and leasing:
  - Development of remaining 1,988 ha for TRG
  - Securing lessee(s) for additional 2,000 ha
  - Securing lessee(s) for mature orchards.
2. Productivity developments and leasing:
  - Completion of productivity improvements and securing lessees on cattle and cropping properties.

### Notes:

1. FY23 forecast AFFO includes reduced revenue on macadamia operational assets held for leasing, flood mitigation costs and revised interest rate assumption (one-month BBSW assumption increased from 3.5% (February 2023 to June 2023) to an average of 3.76% (February 2023 to June 2023)).



# 5 Appendices

*Water storage at Lynora Downs, central Queensland, November 2022.*

# 1H23 results – summarised comprehensive income

- Property revenue has increased primarily due to the income from market lease review, lease indexation and development capital expenditure.
- Farming operations – relates to Maryborough properties (sugar), Beerwah and Bauple (macadamias), Baamba Plains (dry wheat and chickpeas) and Yarra and Cerberus (cattle)
  - Revenue and cost of goods sold related to sale of farming proceeds (primarily sugar, dry wheat and cattle)
  - Property and other expenses has increased largely due to an increase in farming activities compared to the prior period
  - Change in fair value of biological assets relates to harvested and unharvested farming operations during the period.
- Other income largely relates to annual allocation sales of unleased water.
- Property and other expenses increased largely due to costs relating to the Yilgah almond property from the impact of recent floods to the area (\$0.5m), additional costs due to the ongoing growth in properties under development and the new macadamia orchard lease.
- Finance costs increased as a result of capital expenditure and higher bank bill swap rate.
- Depreciation and impairments related mainly to plant and equipment owned within RF Active.
- Property revaluations of \$30.6m (including bearer plants, investment property and intangibles).
- Income tax expense relates to RF Active and AWF.<sup>1</sup> RFT treated as a flow-through trust for tax purposes.

## Summarised statement of comprehensive income

	6 months ended 31 December 2022	6 months ended 31 December 2021
	\$	\$
Property revenue	37,360,000	34,855,000
Revenue - farming operations	6,615,000	3,765,000
<b>Revenue</b>	<b>43,975,000</b>	<b>38,620,000</b>
Other income	3,290,000	3,176,000
Cost of goods sold – farming operations	(7,478,000)	(3,765,000)
Property and other expenses – farming operations	(2,441,000)	(224,000)
Change in fair value of biological assets – farming operations	2,365,000	1,766,000
Property expenses	(2,426,000)	(2,044,000)
Other expenses	(3,783,000)	(3,042,000)
Management fees <sup>2</sup>	(4,256,000)	(3,188,000)
Asset management fees <sup>2</sup>	(3,192,000)	(2,390,000)
Finance costs	(7,646,000)	(5,132,000)
(Loss)/gain on sale of assets	(154,000)	54,000
Depreciation and impairments	(1,315,000)	(497,000)
Property revaluations – bearer plants	(5,307,000)	(4,405,000)
Property revaluations – investment property	31,038,000	17,962,000
Property revaluations – intangible assets	-	(1,454,000)
Property revaluations – property-owner occupied	-	(1,668,000)
Change in fair value of financial assets/liabilities	(24,000)	325,000
Change in fair value of derivatives	11,215,000	5,581,000
<b>Profit before tax</b>	<b>53,861,000</b>	<b>39,675,000</b>
Income tax expense	682,000	(1,468,000)
<b>Profit after tax</b>	<b>54,543,000</b>	<b>38,207,000</b>
Other comprehensive income	4,861,000	600,000
<b>Total comprehensive income</b>	<b>59,404,000</b>	<b>38,807,000</b>
Weighted average units	383.2m	374.6m
<b>Earnings per unit<sup>3</sup></b>	<b>15.50 cents</b>	<b>10.36 cents</b>

### Notes:

- RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
- Calculated 1.05% adjusted total assets excluding unleased macadamia properties under development and Kaiuroo deposit.
- Calculated TCI/weighted average units.

# 1H23 results – AFFO composition

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business and ancillary farming operations.
- Property expenses relate to costs directly attributable to the properties (e.g. insurance, rates and taxes on properties, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX, bank, audit, registry fees, cost recovery).
- Farming operations:
  - Revenue from farming operations includes harvest income from farming operations on Maryborough properties, Beerwah and Bauple, Baamba Plains, Yarra and Cerberus
  - Cost of goods sold relates to the harvested cropping operations
  - Property and other expenses relates to costs associated with the farming operations (e.g. utilities, farm overheads and consumables, livestock operating expenses)
  - Change in fair value of biological assets relates to the profit recognised for the harvested crops (or realised) during the half year.
- Property leases are largely triple net.

## Composition of AFFO (pre-tax)

	6 months ended 31 December 2022 \$	6 months ended 31 December 2021 \$
Property revenue	37,014,000	34,481,000
Property expenses	(2,426,000)	(2,044,000)
<b>Net property income</b>	<b>34,588,000</b>	<b>32,437,000</b>
Other income	3,290,000	3,176,000
Revenue – farming operations	6,615,000	3,765,000
Cost of goods sold – farming operations	(7,478,000)	(3,765,000)
Property and other expenses – farming operations	(2,441,000)	(224,000)
Change in fair value of biological assets (realised from harvested crops)	2,290,000	1,435,000
Change in fair value of biological assets (prior year unrealised biological assets now realised)	1,738,000	-
Other expenses	(3,783,000)	(3,042,000)
Management fees	(4,256,000)	(3,188,000)
Asset management fees	(3,192,000)	(2,390,000)
<b>EBITDA</b>	<b>27,371,000</b>	<b>28,204,000</b>
Income tax payable (RF Active)	-	(1,281,000)
Finance costs	(7,646,000)	(5,132,000)
<b>AFFO</b>	<b>19,725,000</b>	<b>21,791,000</b>
<b>AFFO per unit<sup>1</sup></b>	<b>5.1 cents</b>	<b>5.8 cents</b>
DPU	5.87 cents	5.87 cents

Note:

1. Based on the weighted average number of units on issue during the half year.

# 1H23 results – reconciliation of net profit to AFFO

- Non-cash items added back to reconcile net profit after tax to AFFO.
- Key adjustments include:
  - Property revaluations (excluding other comprehensive income) includes \$21.3m in cattle properties, \$9.7m in macadamia properties and (\$0.5m) in almond properties
  - Depreciation and impairments related mainly to P&E owned within RF Active
  - Straight-lining reflects a smoothing of rent earned over the lifetime of the lease (under AASB16 for leases with fixed indexation)
  - Interest component of JBS Australia (JBS) feedlot finance lease reflects indexation due to finance lease classification.

## Reconciliation of net profit after tax to AFFO

	6 months ended 31 December 2022 \$	6 months ended 31 December 2021 \$
Net profit after income tax	54,543,000	38,207,000
Adjusted for:		
Property revaluations	(30,494,000)	(12,582,000)
Depreciation – bearer plants	4,763,000	2,147,000
Depreciation and impairment	1,315,000	497,000
Loss/(gain) on sale of assets	154,000	(54,000)
Straight-lining of rental income	(399,000)	100,000
Interest component of JBS feedlot finance lease	53,000	(474,000)
Change in fair value of biological assets (prior year unrealised biological assets now realised)	1,738,000	-
Change in fair value of biological assets (unharvested crops not realised)	(75,000)	(331,000)
Change in fair value of financial assets/liabilities	24,000	(325,000)
Change in fair value of interest rate swaps	(11,215,000)	(5,581,000)
<b>FFO</b>	<b>20,407,000</b>	<b>21,604,000</b>
Adjusted for income tax expense	(682,000)	187,000
<b>AFFO</b>	<b>19,725,000</b>	<b>21,791,000</b>
<b>AFFO per unit<sup>1</sup></b>	<b>5.1 cents</b>	<b>5.8 cents</b>

Note:

1. Based on the weighted average number of units on issue during the half year.

# 1H23 results – summarised balance sheet

- Water entitlements are recorded as intangible assets and held at the lower of cost less accumulated impairment or fair value in accordance with accounting standards and ASIC guidance. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Water entitlements total 149.1 GL and water delivery entitlements total 21.4 GL, representing a fair value of \$281.5m or 17% of total adjusted assets.
- See page 27 for details of independent valuations.

## Summarised balance sheet

	As at 31 December 2022 \$	As at 30 June 2022 \$
Cash	12,845,000	4,961,000
Property investments	1,382,233,000	1,312,065,000
Plant and equipment	19,605,000	16,530,000
Current tax receivable	1,380,000	1,038,000
Derivative financial assets	44,324,000	33,698,000
Other assets	38,270,000	35,537,000
<b>Total assets</b>	<b>1,498,657,000</b>	<b>1,403,829,000</b>
Interest-bearing liabilities:		
Current	2,538,000	2,723,000
Non-current	504,430,000	455,100,000
Derivative financial liabilities	-	589,000
Deferred tax liabilities	6,917,000	7,634,000
Other liabilities	28,792,000	20,772,000
<b>Total liabilities</b>	<b>542,677,000</b>	<b>486,818,000</b>
<b>Net assets</b>	<b>955,980,000</b>	<b>917,011,000</b>
Units on issue	383,656,193	382,514,759
<b>NAV per unit</b>	<b>2.48</b>	<b>2.39</b>
Adjustment for water entitlements fair value per unit	0.30	0.30
<b>Adjusted NAV per unit</b>	<b>2.78</b>	<b>2.69</b>

# 1H23 results – total assets reconciliation

## Total assets reconciliation

	Investment property	Bearer plants	Intangible assets <sup>1, 3</sup>	Property-owner occupied	Financial assets – property <sup>2, 3</sup>	Plant and equipment	Deposits <sup>5</sup>	Other assets	Total	Adjustment for water entitlements at fair value <sup>1, 3</sup>	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2022</b>	<b>787,523,000</b>	<b>190,661,000</b>	<b>157,679,000</b>	<b>68,427,000</b>	<b>89,271,000</b>	<b>16,530,000</b>	<b>18,504,000</b>	<b>75,234,000</b>	<b>1,403,829,000</b>	<b>110,316,000</b>	<b>1,514,145,000</b>
Additions – cattle	2,034,000	-	-	-	-	513,000	127,000	-	2,674,000	-	2,674,000
Additions – cropping	380,000	-	-	2,952,000	-	1,074,000	-	-	4,406,000	-	4,406,000
Additions – almond orchard	474,000	157,000	-	-	-	225,000	-	-	856,000	-	856,000
Additions – macadamias	22,646,000	10,085,000	74,000	365,000	-	2,907,000	-	-	37,077,000	-	37,077,000
Additions – vineyards	-	24,000	-	-	-	-	-	-	24,000	-	24,000
Transfer	768,000	290,000	-	(1,058,000)	-	-	-	-	-	-	-
Disposals	(542,000)	(173,000)	-	-	-	(51,000)	-	-	(766,000)	-	(766,000)
Depreciation and impairments	-	(4,763,000)	-	(197,000)	-	(1,118,000)	-	-	(6,078,000)	-	(6,078,000)
Fair value adjustment <sup>4</sup>	31,038,000	4,317,000	-	-	(24,000)	-	-	-	35,331,000	1,429,000	36,760,000
Other movements	(100,000)	-	-	-	294,000	(475,000)	-	21,585,000	21,304,000	-	21,304,000
<b>Balance as at 31 December 2022</b>	<b>845,221,000</b>	<b>200,598,000</b>	<b>157,753,000</b>	<b>70,489,000</b>	<b>89,541,000</b>	<b>19,605,000</b>	<b>18,631,000</b>	<b>96,819,000</b>	<b>1,498,657,000</b>	<b>111,745,000</b>	<b>1,610,402,000</b>

### Notes:

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost less accumulated impairment or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held.
- Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, straight-lined asset, equipment finance leases and finance lease with JBS for five feedlots, which are accounted for as financial assets.
- Water entitlements of 149,118 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$281.5m.
- Fair value adjustments as part of valuations for the half-year ended 31 December 2022.
- Relates to \$18.6m deposit paid on Kaiuroo, which has a settlement period of up to November 2023. The Group will receive interest on the deposit amount prior to settlement.



# Rural Funds Group

ASX:  
RFF

Managed by:



Managing good assets with good people

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## Follow us



## RFM leadership team



**David Bryant**  
Managing Director,  
26 years



**Tim Sheridan**  
Chief Operating Officer,  
14 years



**Daniel Yap**  
Chief Financial Officer,  
10 years



**Emma Spear**  
National Manager – Operations  
and Company Secretary,  
14 years



**Dan Edwards**  
National Manager – Rural  
Funds Group,  
18 years



**James Powell**  
General Manager – Investor  
Relations, Corporate Affairs  
and Sustainability,  
14 years



**Kristina Smith**  
National Manager –  
People and Safety,  
16 years



For more information on the  
RFM management team.