



Duxton Water Limited | Half-Year Results Presentation



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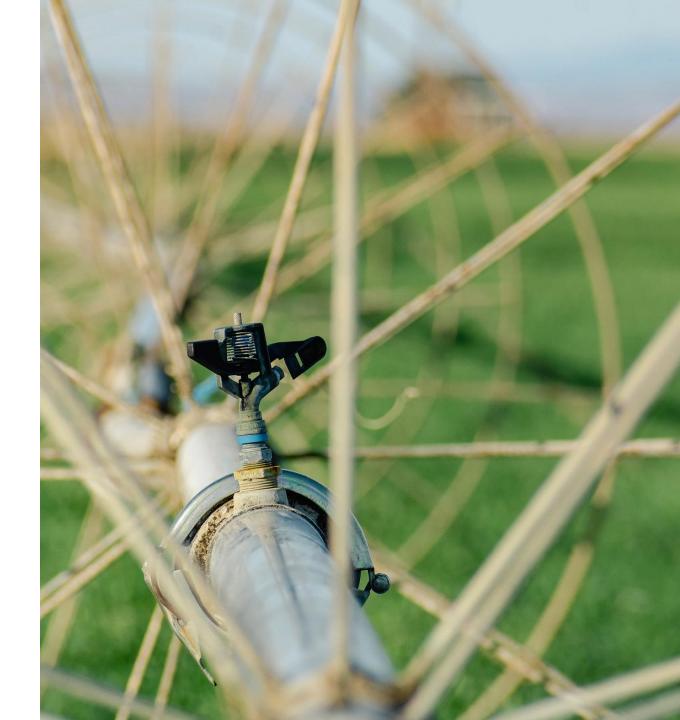
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This presentation has been authorised for release by the Chairman of Duxton Water Limited.





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HALF-YEAR2023 SNAPSHOT

Duxton Water's Investment Manager operates Australian agricultural businesses in viticulture, dried fruit, nuts, broadacre, bees, dairy, apples and water. In any given year, the Duxton businesses produce 15-20 different commodities and provide jobs for over 500 people living in rural communities.

-2.81%¹
TOTAL
PORTFOLIO
RETURN
(6 MONTHS)

\$401M²
WATER
PORTFOLIO
VALUE

\$1.80 PER SHARE NET ASSET VALUE (POST TAX) \$1.70 PER SHARE SHARE PRICE 88.8GL TOTAL WATER OWNED

53% LEASED PORTFOLIO



Half-Year 2023 Snapshot

Duxton Water will continue to actively manage the portfolio of water assets to deliver balanced returns to shareholders.

- Duxton Water paid its 12th consecutive and increasing dividend to shareholders of **3.4 cents per share** (fully franked) on 28 April 2023.
- Entered into an agreement to acquire \$39.1 million of high-security water entitlements (4,770 megalitres). The transaction includes a leaseback for 80% of the acquired volume.
- Delivered a half-year net profit after tax of **\$2.8 million** despite the wettest conditions of the last 60 years. Primarily due to rebalancing the portfolio.
- Increased annualised leasing revenue to \$7.6 million from 1 July 2023. Forecast to increase to \$9.0 million upon commencement of 80% leaseback.
- Water entitlement portfolio reached a new high of \$401 million at 30 June 2023.
- Water entitlement values have softened YTD 2023, due to tougher economic and farming conditions (i.e. impacts from floods, lower commodity prices and higher input costs).
- Increasing demand for our water products as the Bureau of Meteorology's ("BOM") weather outlook points to drier conditions ahead.

NET ASSET VALUE PER SHARE AND SHARE PRICE SINCE INCEPTION



Portfolio Performance	6 Months	12 Months	Inception	Annualised
Post-Tax NAV Return	-2.81%	-1.31%	112.94%	11.8%

[^]These figures are based on NAV movements and include franked dividends for the period.





Financial Results

Financial Results

Duxton Water reported a net profit after tax of \$2.8 million for the first half of 2023.

Key Metrics	HY2023	HY2022	Difference	% Change
Profit before tax	\$4.0m	\$6.3m	(\$2.3m)	(37%)
Net profit after tax	\$2.8m	\$4.4m	(\$1.6m)	(36%)
Earnings per share	2.4 cps	3.7 cps	(1.3 cps)	(35%)
Dividends per share	3.4 cps	3.2 cps	0.2 cps	6%
Portfolio size	88.8 GL	84.6 GL	4.2 GL	5%

Lease Portfolio	HY2023	HY2022	Difference	% Change
Lease revenue	\$3.7m	\$4.5m	(\$0.80m)	(18%)
Leased percentage	53%	67%	(14%)	(21%)
Weighted Average Lease Expiry	1.1 yrs	0.9 yrs	0.2 yrs	22%

- Duxton Water reported a net profit after tax of **\$2.8 million** for the half-year ended 30 June 2023 (half-year ended 30 June 2022: \$4.4 million).
- Paid a 3.4 cent per share dividend (fully franked) in April 2023.
- Increased size of portfolio by **4.2 gigalitres** (+5% increase by volume).
- Extremely wet conditions saw a reduced demand for water allocations in the first half of 2023.
- The Company's lease portfolio has continued to act as a hedge against the persistent low allocation prices.
- Successfully executed several new leases in early 2023, as demand for leases increased due to a drier outlook.
- Leased percentage from 1 July 2023 of **53**%. Expected to increase to approximately **61**% upon commencement of the leaseback to Treasury Wine Estates ("TWE").



Financial Results

Our balance sheet has remained resilient through one of the wettest periods of the last 60 years.

Net asset summary	HY2023	HY2022	Difference	% Change
Permanent water assets (fair value)*	\$401.3m	\$380.4m	\$20.9m	5%
Temporary water assets (fair value)	\$8k	\$73k	(\$65k)	(89%)
Total net assets (fair value)	\$212.2m	\$228.0m	(\$15.8m)	(7%)
Non-statutory net asset value (NAV) per share	\$1.80	\$1.90	(\$0.10)	(5%)

- Water entitlement portfolio reached a new high of **\$401 million** at 30 June 2023.
- Net Asset Value ("NAV") closed at \$1.80 per share, decreasing by 10 cents since 30 June 2022.
- Drop in NAV largely driven by a softening of water entitlement prices and payment of the Company's April 2023 dividend (3.4 cents per share).
- Price softening attributable to irrigators selling water entitlements to generate cash ahead of the upcoming farming season. Sellers continue to be faced with challenging economic conditions (higher interest rates, higher input costs, and lower commodity prices).
- The Company sold most of its unleased water allocations for the 2022/2023 water year prior to 31 December 2022 to support summer irrigation.
- While this resulted in an overall benefit to the Company as allocations were sold at higher prices, it resulted in there being fewer allocations available for sale in the period 1 January 2023 to 30 June 2023.



^{*} Fair Market Value is prepared in accordance with the Company's monthly NAV statement. The water portfolio is evaluated on a monthly basis by the Company's independent valuer, "Aither Pty Ltd". Fair Market Value is a non-IFRS measure that is not reviewed or audited by the Company's auditor.

Capital Management

We continue to manage our debt position and assess our hedging strategy.

Debt summary	HY2023	HY2022	Difference	% Change
Total debt drawn	\$128.5m	\$116.0m	\$12.5m	+11%
Total gearing	30% ¹	30%	-	-
Total fixed debt	-	\$55.0m	(\$55.0m)	-
Total variable debt	\$128.5m	\$61.0m	\$67.5m	+111%
Effective cost of borrowings	4.8%	2.3%	2.5%	+109%

Interest summary	HY2023	HY2022	Difference	% Change
Cash finance expense	(\$3.0m)	(\$1.1m)	(\$1.9m)	+173%
Non-cash gain/(loss) on swaps (unrealised)	(\$0.7m)	\$4.4m	(\$5.1m)	(116%)
Total finance income/(expense)	(\$3.7m)	\$3.3m	(\$7.0m)	(212%)
Realised cash gain on swaps	\$1.9m	-	\$1.9m	-

^{1.} Total gearing represents the Company's Adjusted LVR at 30 June 2023. Adjusted LVR assumes the \$39.1 million acquisition of water entitlements is to be funded via new equity raised. New shares issued as part of the recent equity raisings were issued in July 2023 (Institutional Placement) & August 2023 (Entitlement Offer).

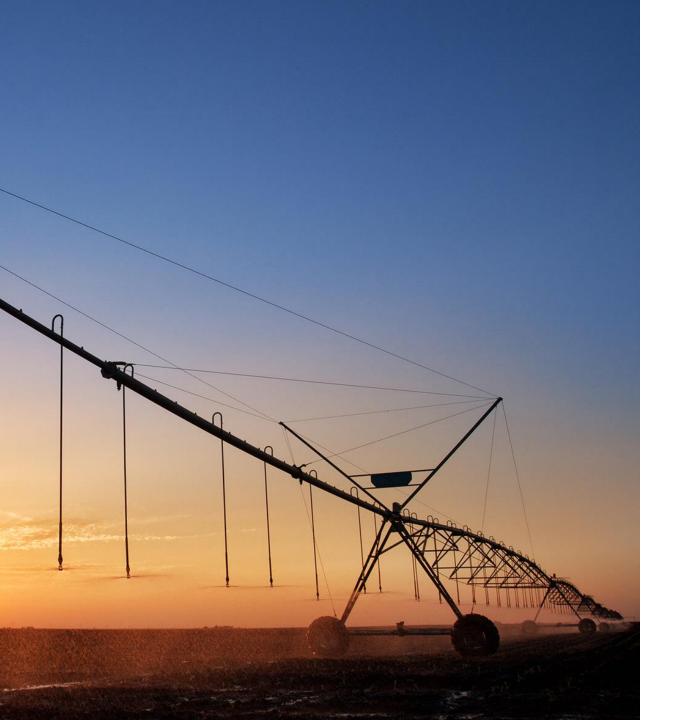
DEBT SUMMARY

- At 30 June 2023, adjusted portfolio gearing¹ of **30%**, which is within the Company's max LVR covenant of **40%**.
- Closed remaining 10-year interest rate swaps to hedge against anticipated decline of longer-term interest rate markets, resulting in a total cash settlement of \$1.9 million paid to the Company in early 2023.
- Effective cost of borrowings of 4.8% at 30 June 2023.
- The Company is actively reviewing its hedging strategy and is closely monitoring interest rate markets for hedging opportunities.

SUBSEQUENT EVENTS

- The Company launched capital raising initiatives in July 2023 to finance the \$39.1 million acquisition of water entitlements.
- Successfully raised \$51.5 million (before cost) of new equity through an underwritten institutional placement (\$7.3 million) and a partially underwritten non-renounceable entitlement offer (\$44.2 million).
- Surplus funds will be used to pay down the Company's debt facility or redeployed into the market as well priced opportunities present themselves.





Portfolio Performance

Portfolio Performance

Our portfolio of water entitlements exceeded a market value of \$400 million for the first time.

WATER PORTFOLIO CHANGE IN VALUE (5 YEARS)¹

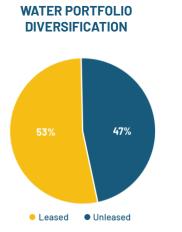


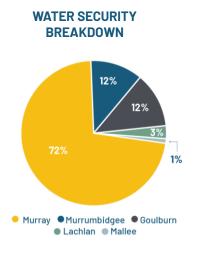
- On 30 June 2023, the Company entered into an agreement to acquire \$39.1 million (or 4,770 megalitres) of high security water entitlements.
- Duxton Water's portfolio exceeded a market value of above \$400 million on 30 June 2023 (30 June 2022: \$381 million).
- Water entitlement values have softened over the first 6 months of 2023 due to tougher economic and farming conditions (i.e. irrigators selling entitlements due to impacts from floods, lower commodity prices, higher interest rates, and higher input costs).
- This has resulted in the Company's NAV decreasing from \$1.90 per share at 31 December 2022 to \$1.80 per share at 30 June 2023. It should be noted that the Company's April 2023 dividend (3.4 cents per share) contributed to this decrease.
- Duxton Water remains confident in the value of water as an investment class. The long-term demand and supply drivers that underpin water entitlement prices remain strong.
- We remain committed to actively managing our portfolio of water entitlements to continue creating value for our shareholders.

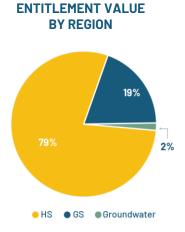


Portfolio Diversification

Our diversified portfolio of water entitlements has continued to bode well for shareholders.







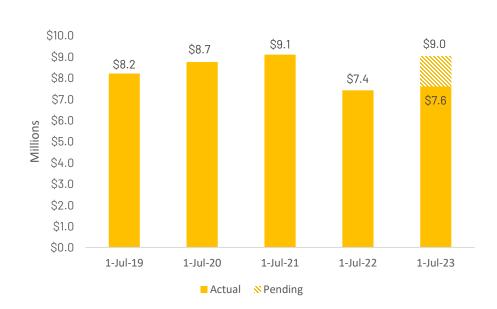
- Duxton Water commenced the new water year (1 July 2023) with 53% of the portfolio under lease.
- Leased percentage is expected to increase to **61**% upon commencement of the leaseback of water entitlements to TWE (once settlement of the acquisition occurs).
- The Company has continued to diversify the leased portfolio in terms of commodity exposure, entitlement type, and lease duration.
- The Company has a mix of 3, 5 and 10-year leases across high security, general security, and groundwater entitlement types, mitigating the risk of a substantial drop-off in any year.



Leases

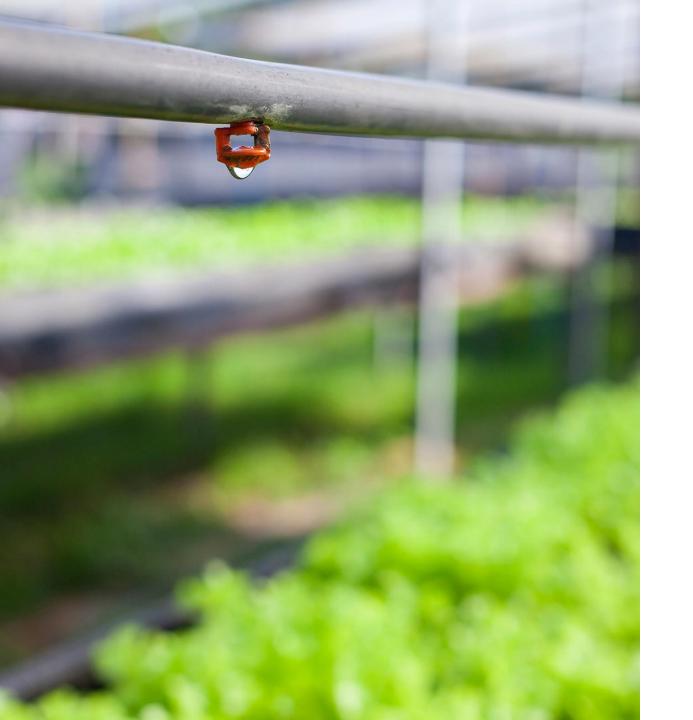
Duxton Water has focused on strengthening its portfolio of long-term water leases over the last 6 months.

5-YEAR ANNUALISED LEASING REVENUE (MILLIONS)



- The Company has successfully executed several new leases with various Australian farming businesses.
- Approximately **19 gigalitres** of new leases were added to the lease book with new and existing customers, most of these commenced 1 July 2023.
- Duxton Water's annualised leasing revenue from 1 July 2023 has increased to \$7.6 million, compared to \$7.4 million at the same time last year.
- Weighted Average Lease Expiry ("WALE") at 1 July 2023 of 3.3 years.
- Annualised leasing revenue and WALE will increase to \$9.0 million and 3.5 years respectively upon commencement of the pending leases with TWE.
- Actively working towards growing leasing revenue stream and getting back to long-term leasing target of 70-80%.

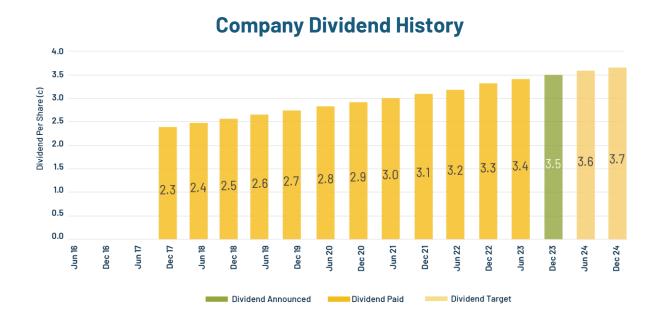




Outlook

Dividend Guidance

Duxton Water has focused on strengthening its portfolio of long-term water leases over the last 6 months.

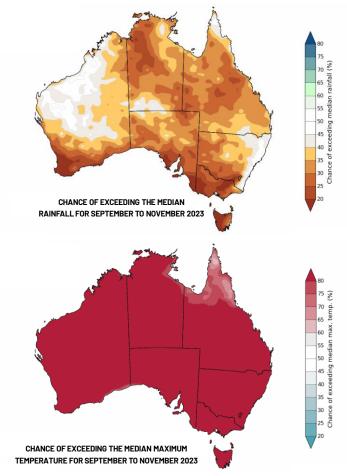


- Duxton Water paid a **3.4 cent per share** (fully franked) dividend to shareholders on 28 April 2023.
- The Board of Duxton Water is pleased to formally declare an interim 2023 dividend of **3.5 cents per share** (fully franked) to be paid to shareholders on Friday, 27 October 2023.
- Owning a diverse portfolio of water entitlements assists the Company with generating returns across extreme parts of the climatic cycle.
- The Board reaffirms current dividend guidance provided to the end of 2024 and intends to continue providing 12 months of guidance going forward.



Weather Outlook

Drier and warmer conditions for spring for most of Australia. El Niño and a positive Indian Ocean Dipole ("IOD") events likely.



Source: Bureau of Meteorology

- The BOM's weather outlook for September to November 2023 suggests a high likelihood of below-median rainfall and warmer than median temperatures for most of Australia.
- The El Niño-Southern Oscillation ("ENSO") outlook is currently at El Niño Alert, which means there is a 70% chance of El Niño developing this year.
- El Niño has already been declared by several international weather agencies, including the National Oceanic and Atmospheric Administration¹ in the United States and The World Meteorological Organisation².
- All international climate models surveyed by the BOM indicate that a
 positive IOD event is likely to develop in early spring.
- A positive IOD typically decreases winter-spring rainfall for much of Australia and can increase the drying influences of El Niño.



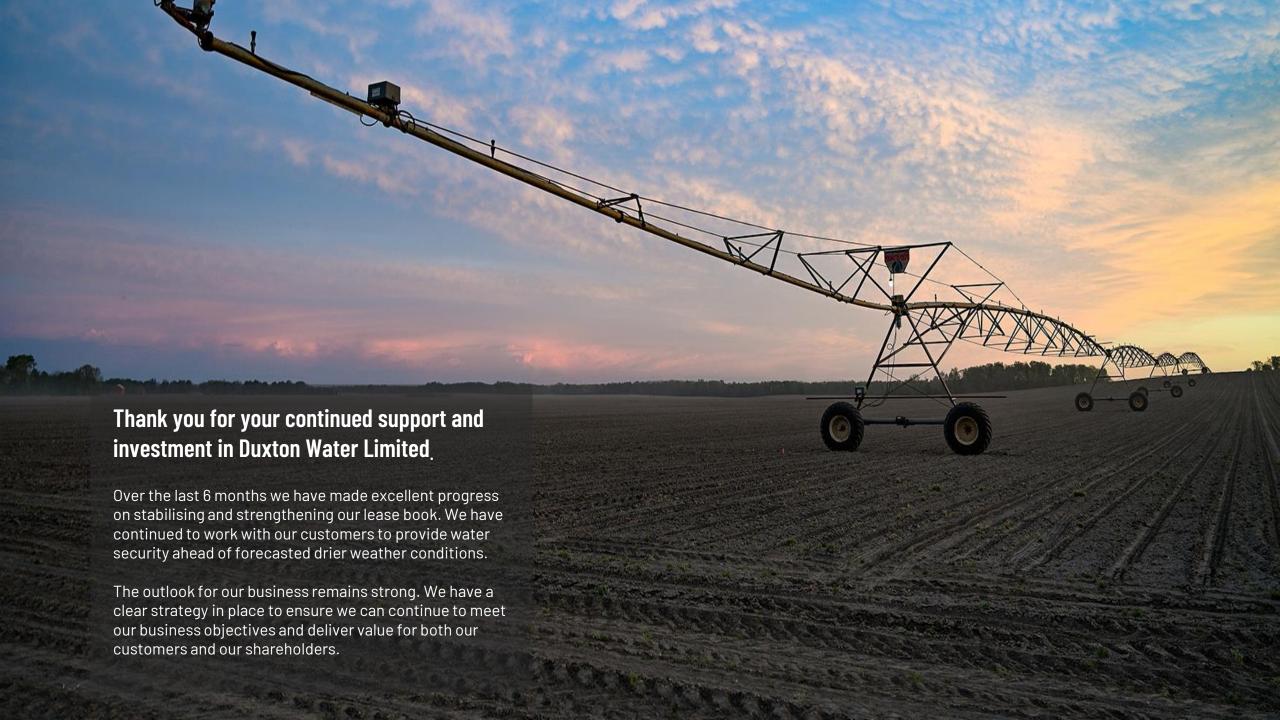
Water Buybacks

The Australian Government remains committed to delivering the Basin Plan in full and intends to use additional water buybacks.



- The Murray Darling Basin Plan aims to recover 2,750 GL plus an additional 450 GL through efficiency projects by 30 June 2024.
- In February 2023, the Minister announced the Government would be conducting an entitlement purchase program ("buybacks") for the remaining 49.2 GL under the "Bridging the Gap" water recovery target. The tender was opened from March to May 2023.
- Overall, as of June 2023, a shortfall of approximately 614 GL 739 GL exists against all targets.
- Recently, the Minister has recognised that the Basin Plan is "off track" and has
 pointed out the need for a time extension. However, delivering the Basin plan
 in full is not negotiable.
- The likely path ahead is an extension of the Basin plan deadline that would require legislative changes and utilising further water buybacks to support the delivery of all targets.
- On-market water buybacks are a mechanism by which the Government voluntarily purchases water licences from willing sellers and transfers them to the Commonwealth Environmental Water Holder. By doing so, these licences are taken out of the consumptive pool of water available for agricultural use.





Key Contacts



Sam Venning

Business Development sam.venning@duxtonam.com

+61 432 909 084



Lachlan Campbell

Portfolio Manager lachlan.campbell@duxtonam.com

+61 410 107 158



Lachlan Beech

Portfolio Manager lachlan.beech@duxtonam.com

+61 414 742 197





Duxton Water Limited

7 Pomona Road, Stirling SA 5152

+61 8 8130 9500 enquiries@duxtonwater.com.au

