



**DUXTON** WATER LIMITED  
JUNE 2024  
**HALF-YEAR RESULTS  
PRESENTATION**

**PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS**

Duxton Water Limited | 2024 Half-Year Results Presentation



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





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# HALF-YEAR 2024 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.

**-3.88%**  
TOTAL  
SHAREHOLDER  
RETURNS  
(6 MONTHS)<sup>1</sup>

**\$354M**  
WATER  
PORTFOLIO  
VALUE<sup>2</sup>

**\$1.51**  
PER SHARE  
NET ASSET VALUE  
(POST TAX)<sup>2</sup>

**\$1.39**  
PER SHARE  
SHARE PRICE

**87.3GL**  
TOTAL WATER  
OWNED

**61%**  
LEASED  
PORTFOLIO

1. Total shareholder return is based on non-statutory NAV movements and includes franked dividends for the 6-month period to 30 June 2024.

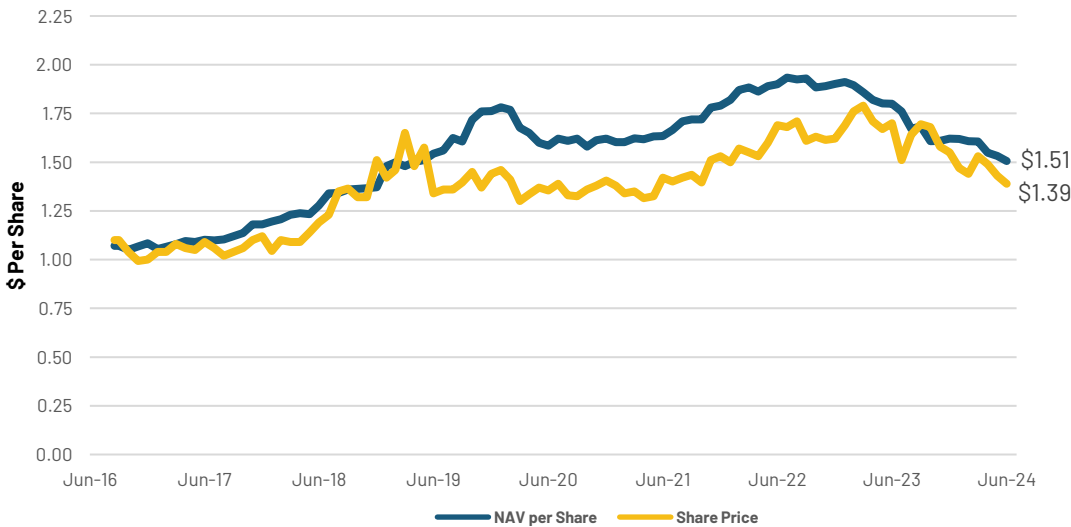
2. Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.

# Half-Year 2024 Snapshot

Duxton Water will continue to actively manage its portfolio of water assets with the view of delivering balanced returns to shareholders.

- Duxton Water Limited (“D20” or “the Company”) has delivered its highest ever half-year net profit after tax of **\$8.3 million**.
- This result was largely underpinned by the Company’s **leasing revenue stream** and **capital gains** recorded on water entitlement sales.
- The Company paid its 14<sup>th</sup> consecutive and increasing dividend to shareholders of **3.6 cents per share** (fully franked) on 26 April 2024.
- Water entitlement values softened in the first 6-months of 2024. The Company believes this was largely due to continued economic headwinds facing many agricultural sub-sectors. This includes unpredictable weather conditions, lower commodity prices, higher interest rates, and higher input costs.
- In July 2024, the Aither Entitlement Index (“AEI”) increased by **3%**, marking the most substantial single-month rise in water entitlement values since February 2022.
- The Company attributes this recent price increase to greater certainty around government water buybacks, a return to more normal rainfall patterns, and the commencement of the 2024-2025 water year.

NET ASSET VALUE PER SHARE AND SHARE PRICE SINCE INCEPTION



Portfolio Performance	6 Months	12 Months	Inception	Annualised
NAV Return (post-tax)	-3.88%	-10.63%	95.06%	8.95%

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





# Financial Results



# Financial Results

Duxton Water reported its highest ever half-year net profit after tax of \$8.3 million.

Key Metrics	HY2024	HY2023	Difference	% Change
Profit before tax	\$11.8m	\$4.0m	+ \$7.8m	+ 195%
Net profit after tax	\$8.3m	\$2.8m	+ \$5.5m	+ 196%
Earnings per share	5.3 cps	2.4 cps	+ 2.9 cps	+ 121%
Dividends per share	3.6 cps	3.4 cps	+ 2.9 cps	+ 6%
Portfolio size	87.3 GL	88.8 GL	- 1.5 GL	- 2%

Lease Portfolio	HY2024	HY2023	Difference	% Change
Lease revenue	\$4.2m	\$3.7m	+ \$0.5m	+ 14%
Leased percentage	61%	53%	+ 8%	n/a
Weighted Average Lease Expiry	2.6 yrs	1.1 yrs	+ 1.5 yrs	+ 36%

- Duxton Water reported a net profit after tax of **\$8.3 million** for the half-year ended 30 June 2024 (half-year ended 30 June 2023: \$2.8 million).
- This result was largely **underpinned** by the Company's visible **leasing revenue stream** and realised **capital gains** recorded on the sale of water entitlements.
- Total portfolio volume decreased in size during the period by **1.5 gigalitres** (-2% increase by volume). This was the result of a sale of water entitlements that occurred during the period.
- Wet conditions during the 2023-2024 peak irrigation season resulted in a reduced demand for water allocations in the first half of 2024. This led to lower allocation prices being observed across the southern Murray Darling Basin ("sMDB").
- Ended the 2023-2024 water year with **61%** of the water portfolio leased. The Company's lease portfolio continued to act as a hedge against lower allocation prices.
- With the commencement of new water leases since the previous period, the Company's Weighted Average Lease Expiry has increased by 1.5 years to **2.6 years**.



# Financial Results

After a period of price softening, water entitlement values rebounded in July 2024, marking their strongest monthly gain in nearly 2.5 years.

Net Asset Summary	HY2024	HY2023	Difference	% Change
Permanent water assets (fair value)*	\$354.1m	\$401.3m	- \$47.2m	- 12%
Temporary water assets (fair value)	\$37k	\$8k	+ \$29k	+ 363%
Total net assets (fair value)	\$236.7m	\$212.2m	+ \$24.5m	+ 12%
Non-statutory net asset value (NAV) per share	\$1.51	\$1.80	- \$0.29	- 16%

- At 30 June 2024, the Company’s water entitlement portfolio was valued at **\$354 million** (30 June 2023: **\$401 million**).
- Net Asset Value (“NAV”) closed at **\$1.51 per share**.
- The NAV decrease over the past 12 months is largely attributed to lower water entitlement prices, dilution from the July 2023 capital raise, and recent dividend payments totaling 7.1 cents per share.
- Water entitlement prices have softened as motivated sellers continue to enter the market. As irrigators continue to face challenging conditions, a higher volume of entitlements for sale has been observed.
- Since D20 listed in September 2016, the Company is pleased to have generated total post-tax NAV returns of +95% (or +9% annualised).
- At 30 June 2024, the Company is carrying \$47 million (or \$0.30 per share) in unrealised capital gains within its water portfolio.

\* 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 maintain a prudent approach to managing our debt levels.

Debt Summary	HY2024	HY2023	Difference	% Change
Total debt drawn	\$116.5m	\$128.5m	- \$12.0m	-9%
Total gearing	29%	30%	- 1%	n/a
Total variable debt	\$116.5m	\$128.5m	- \$12.0m	-9%
Effective cost of borrowings	5.6%	4.8%	+ 0.8%	n/a

Interest Summary	HY2024	HY2023	Difference	% Change
Cash finance expense	(\$3.2m)	(\$3.0m)	- \$0.2m	- 7%
Non-cash gain/(loss) on swaps (unrealised)	-	(\$0.7m)	+ \$0.7m	-
Total finance income/(expense)	(\$3.2m)	(\$3.7m)	+ \$0.5m	+ 14%
Realised cash gain on swaps	-	\$1.9m	- \$1.9m	-

## DEBT SUMMARY

- During the period, D20 received **\$25.2 million** in proceeds from Treasury Wine Estates ("TWE") exercising its call option over **2,799 ML** of NSW high security water entitlements.
- These funds have been used to reduce drawn debt and enhance balance sheet flexibility.
- At 30 June 2024, the Company has an LVR of **29%**. This is well within the Company's max LVR covenant of **40%**.
- Effective cost of borrowings at 30 June 2024 of **5.6%** (30 June 2023: 4.8%).
- The Company is actively monitoring fixed interest rate markets for hedging opportunities.



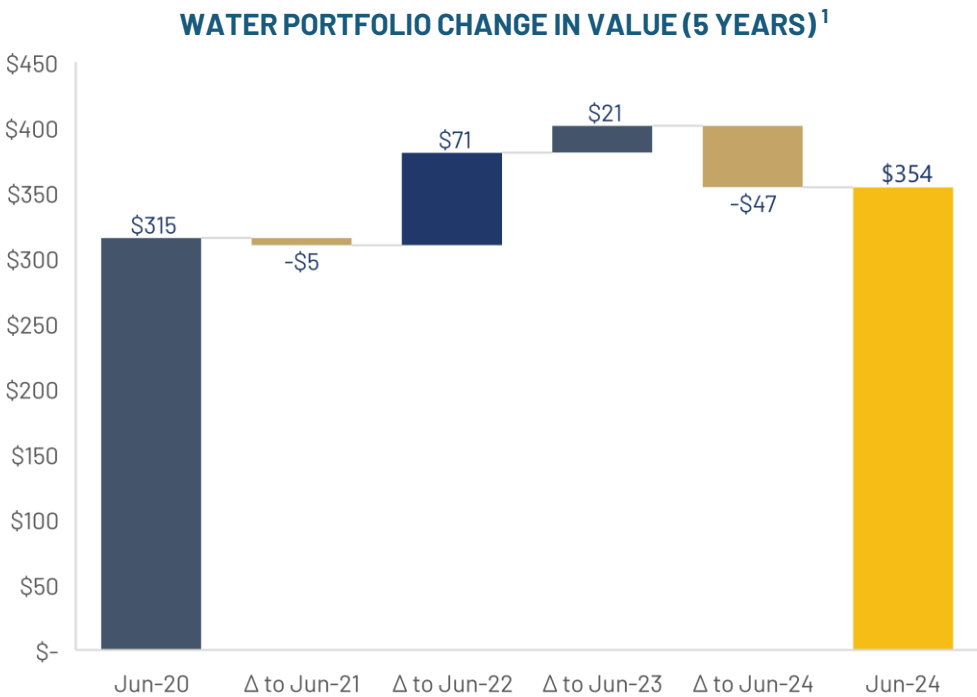


# Portfolio Performance



# Portfolio Performance

The long-term demand and supply drivers that underpin water entitlement prices remain strong.



- The market value of Duxton Water’s entitlement portfolio ended the half-year period at **\$354 million** (30 June 2023: **\$401 million**).
- Water entitlement values softened across the first 6 months of 2024. Motivated sellers continue to be present in the market as economic conditions continue to impact irrigators. This has led to an increase in irrigators selling entitlements to generate working capital.
- Lower entitlement prices has resulted in the Company’s NAV decreasing from **\$1.62 per share** at 31 December 2023 to **\$1.51 per share** at 30 June 2024. It should be noted that the Company’s April 2024 dividend of 3.6 cents per share also contributed to this lower NAV.
- The decrease in total portfolio size (by value) during the period, was primarily driven by the sale of water entitlements to TWE. Proceeds from the sale of water entitlements have been used to offset against the Company’s debt facilities.
- Duxton Water remains **confident** in the value of water as an asset class. The long-term demand and supply drivers that underpin water entitlement prices **remain strong**.

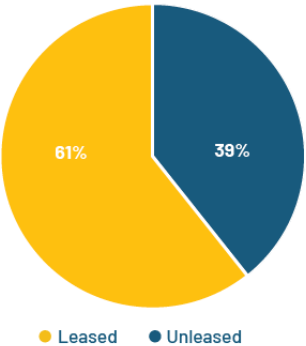
1. Fair Market Value is prepared in accordance with the Company’s monthly NAV statement. Fair Market Value is a non IFRS measure that is not reviewed or audited by the Company’s auditor. This chart does not take into account water entitlements purchased or sold and is solely intended as a representation of the scale of the Company’s activities.



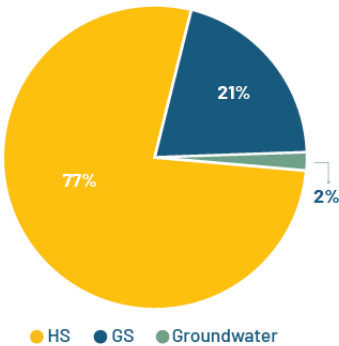
# Portfolio Diversification

Duxton Water continues to maintain diversity across our portfolio of Australian water entitlements.

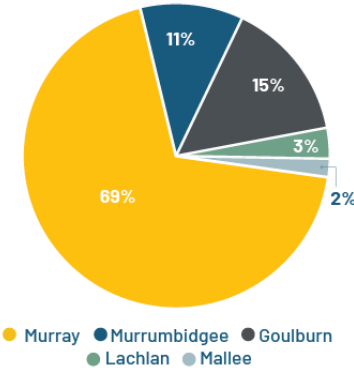
WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



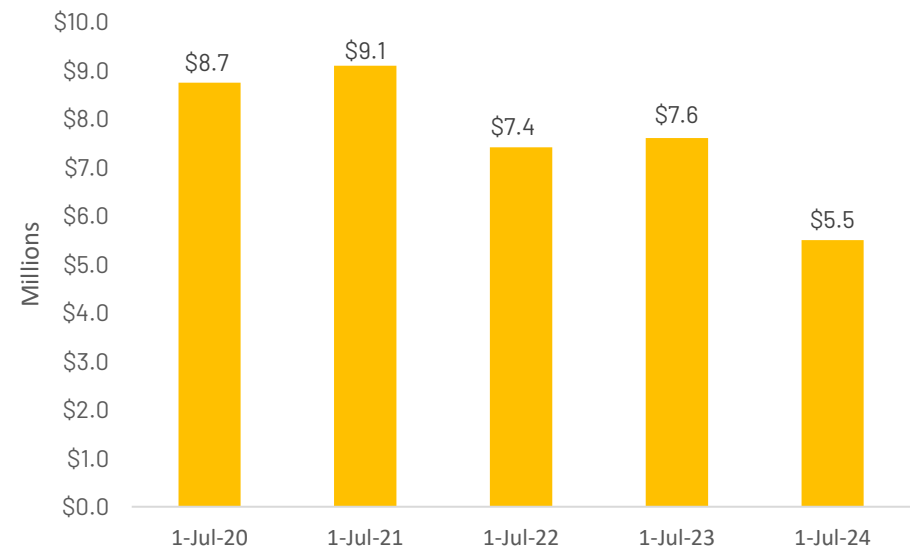
- Duxton Water concluded the 2023-2024 water year with **61%** of its permanent portfolio under lease.
- The Company continues to ensure diversification of the leased portfolio in terms of commodity exposure, entitlement type, and lease duration.
- The Company strategically holds a portfolio of 3, 5, and 10-year leases across high security, general security, and groundwater entitlement types. This diversified approach is designed to mitigate the risk of significant fluctuations in any single year.
- For the new water year commencing 1 July 2024, the Company has locked in a significant percentage of its unleased water allocations to forward contracts for delivery in the 2024-2025 water year.



# Leases

The Company aims to strengthen its leasing percentage as weather conditions normalise.

5-YEAR ANNUALISED LEASING REVENUE (MILLIONS)



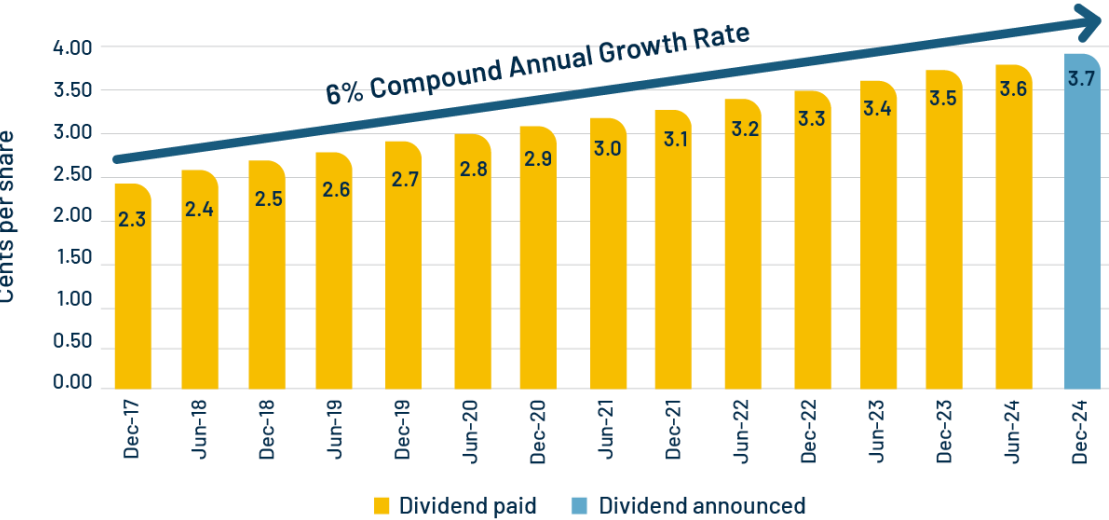
- The Company is actively working with existing customers to renew leases for the upcoming year. Concurrently, negotiations are underway for several new leases with prospective customers, scheduled to begin in 2024/2025.
- From 1 July 2024, the Company’s leased percentage has decreased to 39%. This lower leased percentage is a function of continued lower allocation prices and reduced demand for long-term leases from irrigators towards the end of the 2023/2024 water year.
- Given the lower leased percentage, annualised leasing revenue from 1 July 2024 is expected to decrease to \$5.5 million compared to \$7.6 million at the same time last year.
- The Company is expecting to generate approximately \$1.7 million in forward contract sales in the 2024/2025 water year. This significantly supports the expected drop off in leasing revenue for the 2024/2025 water year.
- The Company aims to strengthen its leasing percentage as weather conditions normalise and demand for long-term water leases strengthens. An increase in demand for leases has been observed in July/August 2024, driven by a drier than anticipated winter period.



# Dividends

Duxton Water is pleased to have paid its 14th consecutive dividend of 3.6 cps (fully franked) during the period.

Company Dividend History



- Duxton Water paid a **3.6 cent per share** (fully franked) dividend to shareholders on 26 April 2024.
- This dividend was the Company’s 14<sup>th</sup> consecutive dividend paid to shareholders since November 2017.
- The Company was pleased to offer shareholders the ability to participate in the Company’s Dividend Reinvestment Plan (“DRP”). Under the DRP, shareholders were entitled to receive new shares in the Company at a **5% discount**.
- The Board of Duxton Water is pleased to formally declare an interim 2024 dividend of **3.7 cents per share** (fully franked), to be paid to shareholders on Friday, 25 October 2024.
- In relation to the upcoming October 2024 dividend, the last day for elections under the DRP is **Monday, 14 October 2024**.



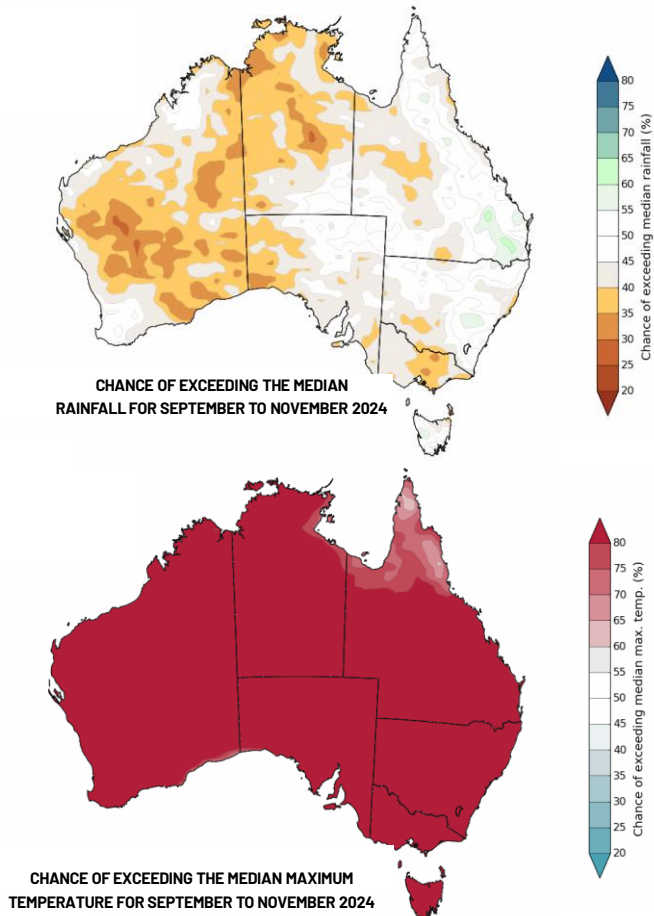


# Outlook



# Weather Outlook

**Warmer than usual temperatures are likely for the whole of Australia throughout Spring 2024.**



Source: Bureau of Meteorology

- The Bureau of Meteorology's ("BOM") weather forecast for Spring 2024 suggests warmer than usual temperatures are expected for Australia as a whole.
- Western Australia, the Northern Territory, and parts of Victoria are likely to experience below-average rainfall. In the sMDB, rainfall is likely to be close to the mean and below average across several catchments in Victoria.<sup>1</sup>
- The El Niño and the Southern Oscillation ("ENSO") outlook is currently at La Niña Watch, indicating a 50% chance of a La Niña event developing. The BOM forecasts that ENSO is likely to remain neutral until the end of 2024.
- Five out of seven international climate models suggest that the ENSO will remain neutral for the remainder of 2024, while two models suggest that a La Niña may develop later in 2024. La Niña typically increases the chance of wetter conditions in eastern, central, and northern Australia.
- The Indian Ocean Dipole ("IOD") is currently neutral. International climate models suggest that the IOD will likely remain neutral for the remainder of 2024.<sup>2</sup>

1. Bureau of Meteorology - Long-range forecast - issued 15 August 2024.

2. Bureau of Meteorology - Climate Driver Update - Issued 12 August 2024



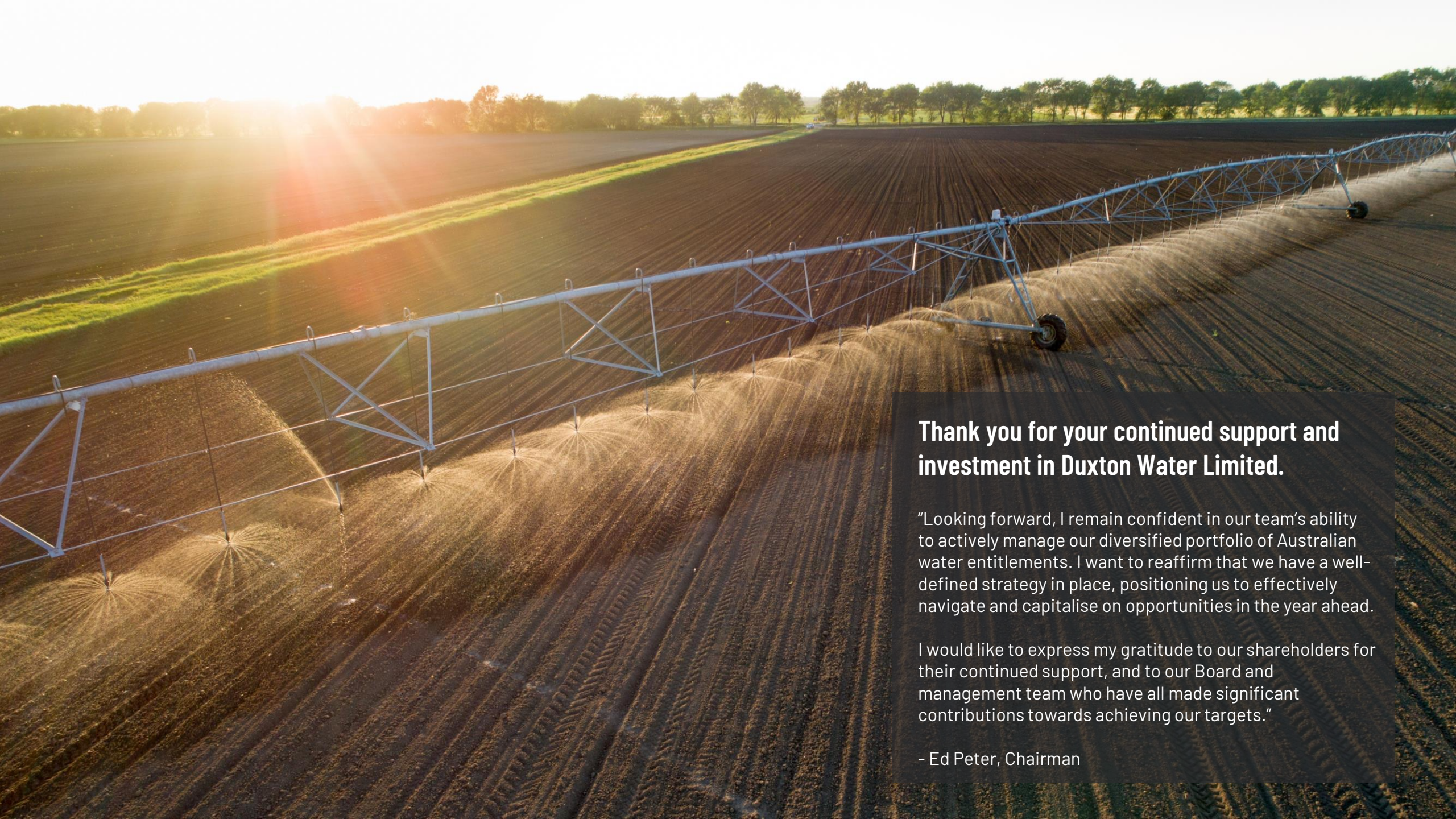
# Water Buybacks

The Government has opened the first round of water buybacks towards the 450 GL water recovery target.



- In late 2023, legislation was passed to extend the Murray Darling Basin Plan deadline to 31 December 2027. The extension was put in place given the lack of progress towards this 450 GL target since the Basin Plan was first put in place in 2012.
- At 30 June 2024, progress towards this target was only 27.5 GL. At the same time as extending the deadline, the Government removed the cap on water purchases, allowing for large-scale water entitlement buybacks to recommence.
- In July 2024, the Government unveiled its final framework for recovering 450 gigalitres of water entitlements between 2024-2027. This framework includes the Voluntary Water Purchases program, which facilitates the acquisition of water entitlements from sellers who are willing to participate.
- **On 15 July 2024, the Government announced an initial buyback tender for 70 gigalitres of water entitlements. The tender will remain open until 11 September 2024, with evaluation of submissions scheduled to take place between September and November 2024.**
- This initial water buyback program will target the southern connected Basin, focusing on the Murrumbidgee, Murray, and Ovens regions. Most of these regions are known for their high concentration of permanent horticulture developments.





**Thank you for your continued support and investment in Duxton Water Limited.**

“Looking forward, I remain confident in our team’s ability to actively manage our diversified portfolio of Australian water entitlements. I want to reaffirm that we have a well-defined strategy in place, positioning us to effectively navigate and capitalise on opportunities in the year ahead.

I would like to express my gratitude to our shareholders for their continued support, and to our Board and management team who have all made significant contributions towards achieving our targets.”

- Ed Peter, Chairman

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