



New Zealand Rural Land Co

The Rural Land Investors

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FY22 Results: Substantial NAV uplift demonstrates quality of portfolio

New Zealand Rural Land Company (NZX: NZL) is pleased to announce its audited FY22 earnings and outlook. NZL recorded a record Net Profit After Tax of \$39.7M for the period and a net asset value per share (NAV) increase of +18.6% (+\$0.26) alongside a total dividend for the year of 3.61 cents per share.

Recent volatility in the stock market, challenging macro economic conditions and geopolitical turmoil have highlighted the resilience, importance and overall attractiveness of rural land as an asset class. NZL offers investors an easy and liquid way to access New Zealand's world-leading agricultural sector with stable and transparent rental income, inflation-linked leases, high quality long-term tenants, alongside the increasing value of a critical asset class. Meanwhile, NZL's manager is building a track record of outperforming the market.

FY22 Results Summary

| | 30 June 2022 | 30 June 2021* | Change (%) | Change |
|----------------------------------|----------------|----------------|-------------|----------------|
| Total Assets | \$289.0M | \$164.9M | +75% | +\$124.1M |
| Total Liabilities | \$102.4M | \$54.4M | +88% | +\$48.0M |
| Net Profit After Tax | \$39.7M | \$15.1M | +163% | +\$24.6M |
| AFFO | \$4.3M | \$(0.8)M | - | +\$5.1M |
| AFFO (cents per share) | 3.74 cps | (1.02) cps | - | +4.76 cps |
| Net Assets | \$186.6M | \$110.3M | +69% | +\$76.3M |
| Net Asset Value per Share | \$1.656 | \$1.397 | +19% | +\$0.26 |
| Number of Shares on Issue | 112.6M | 78.9M | +43% | +33.7M |

*292 day period as a result of 21 December 2020 IPO

FY22 Results Commentary

NZL generates shareholder value through a combination of asset value appreciation and cash flows from long-term leases.

NZL's FY22 result exceeded expectations with an increase in the value of its overall portfolio of +16.7%. As a result, NZL's NAV per share has risen from \$1.397 to \$1.656, an increase of +18.6%. This, coupled with NZL's acquisitions, has seen total assets increase from \$164.9M as at 30 June 2021 to \$289.0M as at 30 June 2022.

AFFO for the year was \$4.3M, slightly higher than 22 February 2022 guidance of \$4.2M.

The outlook remains positive for future earnings growth. NZL's land portfolio has performed well over the last 18 months. This demonstrates both the attractiveness of rural land and NZL's advantages for acquisitions and ability to structure sound leases with high quality tenant partners. Importantly, rural land remains an increasingly scarce and critical primary sector infrastructure asset. NZL's portfolio serves as a long-term inflation hedge and benefits from predictable income from long-term leases.

NZL's leases also incorporate regular CPI adjustments which result in permanent rental increases. This coupled with the 100% occupancy in NZL's portfolio and a 9.8 year average lease term creates predictable, inflation-protected and sustainable income for investors.

Acquisitions & Revaluations

NZL completed four acquisitions in FY22 comprising of ~4,900 hectares of rural land in Otago and Southland. These properties are leased to new, high quality tenant partners which further enhances tenant diversity. All four acquisitions are pastoral based farms which have a number of alternative uses with minimal capital investment reducing specialised asset risk in changing market conditions.

NZL's total portfolio increased in value +16.7% in FY22 compounding on FY21's increase of +10.8%. This is a combination of market tailwinds associated with scarce primary production assets, attractive acquisition pricing and entering into well structured leases with high quality tenant partners. The independent valuations use a comparable market transaction evidence based approach.

Our acquisitions in FY22 showed an increase of +26.2% (+\$23.5 million) on purchase price. NZL's original portfolio (those assets acquired in FY21) increased by +10.3% (+\$14.1 million), following on from a +10.8% (+\$13.4 million) increase in FY21.

Dividend

NZL will pay a final dividend of 1.60cps, bringing total dividends for the year to 3.61cps. This reflects the 16.3% increase in share count to 112,848,894 shares as at 30 June 2022. On an undiluted basis this is in line with our guidance (issued 2 June 2022) for a full year dividend of 4.20 cps.

The final cash dividend will be paid on Friday, 9 September 2022, with a record date of Friday, 2 September 2022. There will be no Dividend Reinvestment Plan (DRP) offered and the DRP has been suspended until further notice.

Outlook

The continuing high levels of inflation being experienced in New Zealand have a limited but net positive impact on NZL.

NZL's leases incorporate regular, uncapped, CPI reviews. Accordingly, higher inflation results in higher than anticipated rental growth. Furthermore, NZL is insulated from inflation-impacted (and all other operational) on-farm costs by owning only the land.

NZL currently forecasts FY23 AFFO of between \$4.9m and \$5.4M. NZL has hedging arrangements in place for 40% of its total borrowings at an average all in cost of 4.50%, NZL's remaining debt is borrowed on a floating rate (BKBM plus bank margins). The average all in cost of total debt as at 22 August 2022 was 4.69%.

From 1 July 2024, NZL will start to see the positive impact of rental growth with approximately 55% of the portfolio (by lease income) due for review. These reviews are CPI-indexed. CPI accumulated since the leases began (1 June 2021) totals +8.7% to 30 June 2022 and is forecast by the market to be +14.2% for the three years to 30 June 2024.

Unsurprisingly, in FY22 the New Zealand rural land market exhibited increased market activity with \$4.9B of rural land sold in FY22. This increase in market activity is widely expected to continue. Market activity is reflective of the positive outlook for New Zealand's primary sector, New Zealand agriculture's advantaged production, rural land as an asset class, the growing global appetite for New Zealand's primary produce; and the relative low risk/resilient nature of the asset class in the face of geopolitical uncertainty and inflation.

For further information please contact:

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| Richard Milsom | or | Christopher Swasbrook |
| Mobile: 021 274 2476 | | Mobile: 021 928 262 |
| Email: richard@nzrlm.co.nz | | Email: chris@nzrlc.co.nz |