

NEW ZEALAND RURAL LAND CO.

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19 May 2022

Market Update: Supportive Conditions for Dairy Operations and Valuations

The New Zealand Rural Land Company (NZX: NZL) is providing an update on operations and industry conditions ahead of its annual results, which will be released to the market in August 2022.

Overall, conditions remain relatively buoyant in the New Zealand rural land market, underpinned by solid milk price conditions and primary produce exports. This is despite the ongoing COVID-19 pandemic, global economic headwinds, high inflation, geopolitical uncertainty and other factors. NZL believes its land holdings stand to benefit from an anticipated valuation uplift for dairy farms, on the back of recent record pricing for dairy products.

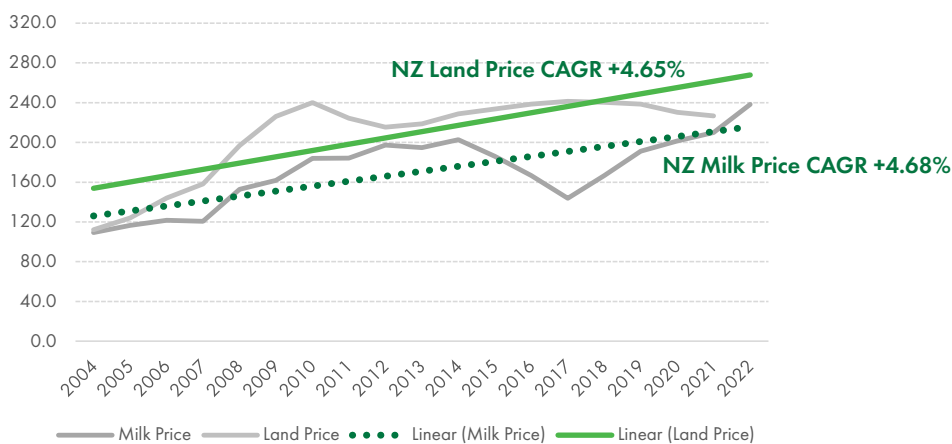
In particular, NZL is confident that its recent Maniototo acquisition of \$61M, announced in October 2021, was acquired attractively to prevailing market conditions. A large scale quality dairy asset portfolio was acquired comprising of six dairy assets in Maniototo, Central Otago totaling approximately 3,500 hectares. This land is currently held at cost on the balance sheet, but will be reviewed as at financial year end against a new independent valuation.

Opportunities for the acquisition of rural land and a broadening of NZL's portfolio continue to present themselves, due to restrictions on overseas buyers, and difficulty accessing capital for many domestic buyers. Accordingly, in the near term, NZL is prioritising opportunities in dairy, drystock and free range poultry assets.

NZL continues to be well positioned in a 30-year high inflation environment as NZL's leases are all triple net leases; with CPI linked rental adjustments; and historically property values tend to track well with inflation.

NZL's annual revaluation of its land assets will take place as at 30 June 2022. The full year results will be released in August. As detailed in the chart below, there is a particularly strong historical valuation linkage with milk price data. Recent REINZ price data points to a continued correlation. Thus NZL anticipates the 30 June 2022 annual revaluation will support a positive uplift in Net Asset Value (NAV).

NZ Dairy Land Price vs NZ Milk Price



Sources: Land Prices - REINZ data, >100 hectare dairy farm prices in Otago, Southland, Canterbury and Waikato
Milk Price - Fonterra
Note: Data is three year rolling averages indexed to 100 from 2003 which is the year of the first published Fonterra Milk Price

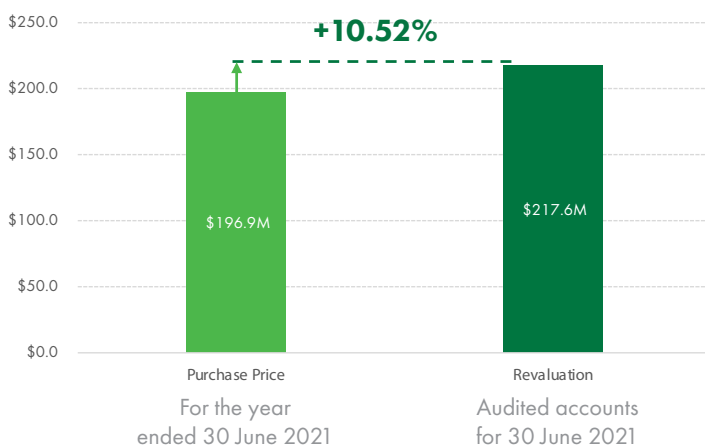
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NZL expects that its 30 June 2022 revaluations will build on its record of outperforming farm price index returns for rural land. NZL's revaluation gains of +10.52% for the year ended 30 June 2021 were +8.45% higher than the +2.07% increase in the REINZ Dairy Farm Index in the months from December 2020 to 30 June 2021.



Key operational initiatives as detailed in NZL's HY22 continue to progress well.

NZL also reaffirms its full year dividend guidance of 4.16 cents per share, which equates to a net dividend yield of 3.68%, based on the closing share price at 18 May 2022. The next dividend will be paid in September 2022.

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