



# New Zealand Rural Land Co

The Rural Land Investors

1 March 2023

## New Zealand Rural Land Company (NZL.NZX) FY22 Results Demonstrate Resilience

New Zealand Rural Land Co (NZX: NZL) has recorded a net profit after tax of \$5.3M for the financial year ended 31 December 2022 along with a further increase in the value of its property portfolio.

The results cover the period 1 July 2022 – 31 December 2022, following a change in NZL's balance date to 31 December (from 30 June).

NZL currently owns 11,710 hectares (28,963 acres) of high quality productive rural land in New Zealand which is fully tenanted on long-term leases with regular CPI adjustment provisions. NZL generates shareholder value through a combination of asset value appreciation and cash flows from its long-term leases.

NZL's portfolio increased in value by +0.94% in the six months to 31 December 2022 which demonstrates the resilience and quality of NZL's portfolio in an uncertain macroeconomic environment which is putting downward pressure on the value of many other assets.

Since listing on the NZX on 21 December 2020, NZL's audited NAV per share has increased at a cumulative annual growth rate of approximately +15% per annum.

### Results Summary: Year Ending 31 December 2022

	31 December 2022*	30 June 2022**	Change
Total Assets	\$298.8M	\$289.0M	+\$9.8M
Total Liabilities	\$107.9M	\$102.4M	+\$5.5M
Net Profit After Tax	\$5.3M	\$36.5M	-\$31.2M
AFFO <sup>1</sup>	\$2.5M	\$2.2M	+\$0.2M
Dividend (cents per share)	2.03 cps	1.60 cps	+0.43 cps
Net Assets	\$190.9M	\$186.6M	+\$4.3M
Net Asset Value per Share	\$1.652	\$1.656	-\$0.004
Number of Shares on Issue	115.6M	112.6M	+3.0M

A detailed results presentation is available at: <https://www.nzrlc.co.nz/reports-presentations>

## Forestry Estate Acquisition and Capital Raise Announcement

On 21 October 2022, NZL announced it had entered into an agreement to acquire up to 100% of a forestry estate located in Manawatū-Whanganui in the North Island. The estate is comprised of five individual properties with a total area of approximately 2,383ha.

NZL's cost to acquire 100% of the estate is approximately \$63.7m (subject to final costs), with a settlement date of 15 April 2023. The entire estate will be leased to New Zealand Forest Leasing (NZFL) for a period of 20 years.

Post forest acquisition, NZL will own 14,093 hectares of rural land with a 12.1 year weighted average lease term (by value), with 100% occupancy across eight tenants. From completion of this transaction NZL forecasts an increase to its FY23 and FY24 dividend per share of +3.7% and +17.4% respectively, an increase in NZL's weighted average lease term by +34.4% and material growth in the scale and diversity of NZL's asset and tenant base.

At the time of announcing the acquisition, NZL said the purchase would be funded through a combination of debt and equity.

NZL has spent considerable time assessing funding options for the acquisition that would be in the best interests of shareholders.

The most earnings and dividend accretive option in the time available is to purchase 100% of the forest funded via a 1:3 pro-rata rights issue at a cost of \$1.00 per share, to raise approximately \$38.5M. The Offer will open today to institutional investors and then the retail component of the Offer opens next Monday, 6 March 2023.

For every 3 new Shares allotted to investors under the Offer, NZL will also allot 1 warrant for no additional consideration. Each Warrant gives its holder the right, but not the obligation, to subscribe for one additional ordinary share in NZL on or before the expiry date (30 November 2025) for an exercise price of NZD\$1.20. Application has been made to quote the warrants on the NZX Main Board and this is expected to occur on Thursday, 23 March 2023, under the ticker code "NZLWA".

In addition, \$25.2M further debt will be raised via Rabobank, with total facility limits expected to increase to approximately \$131.0m.

NZL has received indications of interest from a recent European Roadshow in Germany, Luxembourg and Switzerland which provides the Board of NZL with confidence that should shareholders not wish to take up their rights in NZL that the Company can access capital, expand its asset base as planned and further broaden its share register.

A detailed forestry acquisition and equity raising presentation is available at: <https://www.nzrlc.co.nz/reports-presentations>

### Dividend

NZL will pay a half year dividend of 2.03 cps for the period 1 July – 31 December 2022. An increase of +27% on the previous six month period (1 January 2022 - 30 June 2022).

The dividend will be paid on Friday, 10 March 2023, with a record date of Tuesday, 7 March 2023. There will be no Dividend Reinvestment Plan (DRP) offered for this dividend.

NZL is currently forecasting dividends as follows for FY23 (for the year ending 31 December 2023) and FY24 (for the year ending 31 December 2024):

	FY23	FY24
Net Dividend	4.0 - 4.5 cps	5.0 - 5.5cps
Net Dividend Yield***	4.0% - 4.5%	5.0% - 5.5%

\*6 month period from 1 July 2022 to 31 December 2022.

\*\*6 month period from 1 January 2022 to 30 June 2022.

\*\*\*Based on the rights offer price of \$1.00

<sup>1</sup>AFFO is a proxy for free cash flow commonly used by real estate investment trusts. AFFO is intended to provide investors with a clearer picture of the company's dividend paying ability

[www.nzrlc.co.nz](http://www.nzrlc.co.nz)

## Nil Impact from Extreme Weather Events

New Zealand has had a series of extreme weather events in the last month. NZL's properties have been unaffected and the forestry acquisition was also unscathed.

## Outlook

NZL's strategy is to own quality rural land in New Zealand, grow and diversify its portfolio while delivering attractive risk-adjusted returns.

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

Post the forestry acquisition NZL forecasts FY23 AFFO of between \$6.0m and \$6.5m and FY24 AFFO rising to \$8.0m to \$8.5m. NZL has hedging arrangements in place for 39% of its total borrowings at an average all in cost of 4.5%. NZL's remaining debt is borrowed on a floating rate at an average all in cost of 6.3%. NZL's weighted average interest cost (fixed and floating) is 5.6%.

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 CPI review. These reviews are CPI-indexed. CPI accumulated since the leases began (1 June 2021) totals +12.6% to 31 December 2022 and is forecast by the market to be more than +18% for the three years to 30 June 2024.

The outlook for NZL remains extremely positive, NZL continues discussions with international investors via Perella Weinberg Partners in New York and NZL Director Christopher Swasbrook who is leading a European investor expansion programme for the company.

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