



# New Zealand Rural Land Co

The Rural Land Investors

**23 June 2023**

## **New Zealand Rural Land Company (NZL.NZX) - Chair Address to ASM**

NZL reported a net profit after tax of \$5.3 million for the financial year ended 31 December 2022. The results cover the period 1 July – 31 December 2022, following a change in NZL's balance date from 30 June to 31 December. Net Asset Value (NAV) per share increased by +18.6% to \$1.656 per share for the period.

On 10 March 2023 NZL paid a half year dividend of 2.03 cps for the period 1 July – 31 December 2022, an increase of +27% on the previous 1 January - 30 June 2022 period. There was no Dividend Reinvestment Plan offered for this dividend.

On 14 April 2023 NZL completed the acquisition of a 2,400 hectare forestry estate located in Manawatū-Whanganui for a total cost of \$63.0m. The estate is leased to New Zealand Forest Leasing (NZFL) for a 20-year term with a first year lease of approximately \$5.0m. On 28 April 2023 NZL announced the acquisition of a supplementary forestry estate for approximately \$8.0m also located in the Manawatū-Whanganui region. This estate is also leased to NZFL for a 16 year period with a first year lease of \$640k. Both leases incorporate annual CPI-linked rental adjustments.

The purchases were debt and equity funded. Debt was provided through a \$28.5m Rabobank Green Loan. Equity was sourced from the recent entitlement offer, while a \$12m unsecured convertible note was issued to a NZ Forest Leasing associated entity. The note pays a coupon of 8% p.a. NZL is able to repay the note at any time and will make note redemptions by using available cash flow, from the net proceeds of any capital raisings during the term of the note, and from the net proceeds (post any required debt repayment) of any asset disposals.

Post the forest estate acquisitions, NZL owns 14,847 hectares of rural land with a 11.5 year weighted average lease term (by value), with 100% occupancy across eight tenants. 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 reflecting 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 NZX listing in December 2020, NZL's audited NAV per share has increased at a compound annual growth rate (CAGR) of approximately +15% per annum. The next revaluation of NZL's assets will take place as at 31 December 2023.

These figures reinforce the excellent job our Manager - New Zealand Rural Land Management - has consistently done for NZL since listing in December 2020 in identifying and executing on attractive acquisition opportunities.

On 26 May 2023 the Board announced that it would be suspending NZL's interim dividend for the period ending 30 June 2023, The NZL Board considers that the current market price of NZL shares materially undervalues both the assets and the free cashflow profile of the business making shares purchased at this level attractive and accretive on an asset and free cashflow basis for shareholders. Accordingly, in the Directors' opinion, buying back shares is currently more attractive for shareholders than paying dividends. NZL will use available cash flow to acquire NZL shares through an on-market share buyback programme, and to repayment of the convertible note recently issued to acquire the forestry assets.

The outlook for NZL remains extremely positive, as NZL's leases incorporate regular and uncapped CPI rent reviews that benefit from the higher inflation environment. From 1 July 2024, NZL will start to see the positive impact of rental growth with approximately 55% of the portfolio (excluding the forestry estates) due for CPI indexed review. 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.

NZL reaffirms its 26 May 2023 guidance of FY24 AFFO forecast in the range of 5.25 - 5.75cps.

I wish to thank all our investors for being supportive of the journey thus far. A little patience goes a long way in this world and we all believe this will be rewarded in the years ahead as NZL continues to increase its scale and earnings. History shows, it is also reasonable to expect, as this occurs the discount to NAV closes.

Rob Campbell

**Independent Chair**