

NEW ZEALAND RURAL LAND CO.

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NZX Announcement

1 June 2021

Completion of Acquisitions

New Zealand Rural Land Company Limited (NZX: NZL) can confirm that it has today settled its acquisition of:

- 14 dairy assets of approximately 6,350 hectares in South Canterbury and North Otago from Van Leeuwen Group Investments Limited for a purchase price of \$112.50million (subject to final adjustments); and
- a Southland dairy asset of approximately 456 hectares for a purchase price of \$10.245 million.

NZL has now deployed the capital it raised in its IPO and owns 15 quality dairy assets. These assets are all leased for terms of at least 10 years to four experienced tenants.

Under the leases NZL has secured an annual revenue stream of \$6.1 million. Accordingly, NZL expects to begin paying dividends in FY22, with an interim dividend likely to be declared in February 2022.

Financial reporting valuations of these assets will be commissioned later this month to support the Board's determination of the carrying value of these assets in the 30 June financial statements for NZL.

Under NZL's management agreement with New Zealand Rural Land Management Limited Partnership, transaction fees of \$1.654 million (plus GST) are now payable by NZL in respect of these transactions.

To finance the acquisitions NZL has drawn on its new \$65 million revolving credit facility with Rabobank (this facility has a mixture of terms being 2, 3, and 5 years, and the ability to utilise interest rate swaps). Approximately \$54.2 million was drawn to fund the acquisitions. The current weighted average interest cost of these borrowings is approximately 3.06% per annum. As was detailed in the recent Notice of Special Meeting, the Rabobank facility has a loan to value ratio covenant of 40%, this will first be measured at 30 September 2021. While the bank covenant is at a 40% level, the intention of the Board is to restore debt to a 30% level under its internal debt policy. The Board's intention is that a 30% debt level should be the 'steady state' debt level for NZL which is only exceeded on a temporary basis to facilitate transactions that are in the best interests of NZL.

As was also outlined in the recent Notice of Special Meeting, NZL remains under a conditional agreement to acquire a further dairy asset (Makikhi Road) for \$12.0m on 1 August 2021. That acquisition will not proceed if the current owner refinances their lending over that asset.

ENDS

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