



New Zealand Rural Land Co

The Rural Land Investors

NZL Introduction
September 2023

www.nzrlc.co.nz

listed on:





DISCLAIMER

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[All images are of rural property held within NZL's portfolio.](#)

**New Zealand Rural Land Co (NZL)
owns and leases some of the best
farmland in the world, offering an
unparalleled investment opportunity.**



**New Zealand
Rural Land Co**

The Rural Land **Investors**

Why is NZL Without Parallel?

A perfect combination of advantages

- **A rapidly growing global population, food demand and a decrease in available productive land** means rural land is increasingly a more attractive investment and this scarce and critical food production infrastructure has **demonstrated consistent positive returns over time**.
- New Zealand has the **most productive agricultural land in the world**. Water, soils, space and climate come together to deliver **world-leading low-cost production and carbon efficiency**.
- **NZL invests in land**, not farm operations. There is **no direct exposure to operational, environmental or commodity price risks**.
- NZL currently **owns 14,847 hectares (36,988 acres) of high quality productive rural land** in New Zealand **and leases it, long term**.
- **NZL is the only pure-play, NZX-listed exposure to agricultural land in New Zealand**. As such NZL provides investors with a liquid and inflation-hedged investment.
- For overseas investors **NZL is one of the only ways** they can gain exposure to New Zealand agricultural land.
- NZL, since listing, has established a track record of **outperforming** the broader rural land market.



New Zealand
Rural Land Co

The Rural Land Investors

New Zealand is a World Leading **Producer** and **Exporter** of **Primary Products** - for Good Reason

The World's Most Efficient and Lowest Cost Producer

New Zealand's temperate climate, fertile soils and pasture-based production system results in lower cost of production than the farming systems used in most of the world.

Temperate Climate ✓

Fertile Soils ✓

Pasture-based Production ✓

-40%

lower cost of production than EU or USA.

Sustainably Advantaged

New Zealand has a lower carbon footprint for its primary products than most if not all alternative producers.



68%

less carbon from cradle-to-farm gate than the global average.

World Class Risk Mitigation

The importance of agriculture to the New Zealand economy mitigates political risks to the industry. While social risks are mitigated by the industry's active management of social perception and social licence.



1st

of 50 countries for Animal Welfare.



1st

out of 113 countries for Food Safety.

Advantaged Exporter, Well Positioned for Free Trade

New Zealand's natural advantages and efficient production means that the country produces far more than it can consume domestically. This allows farmers to export the majority of their goods to high value international markets.

95%

of products are exported to over 130 countries.

90m

people can source all their dairy from New Zealand.

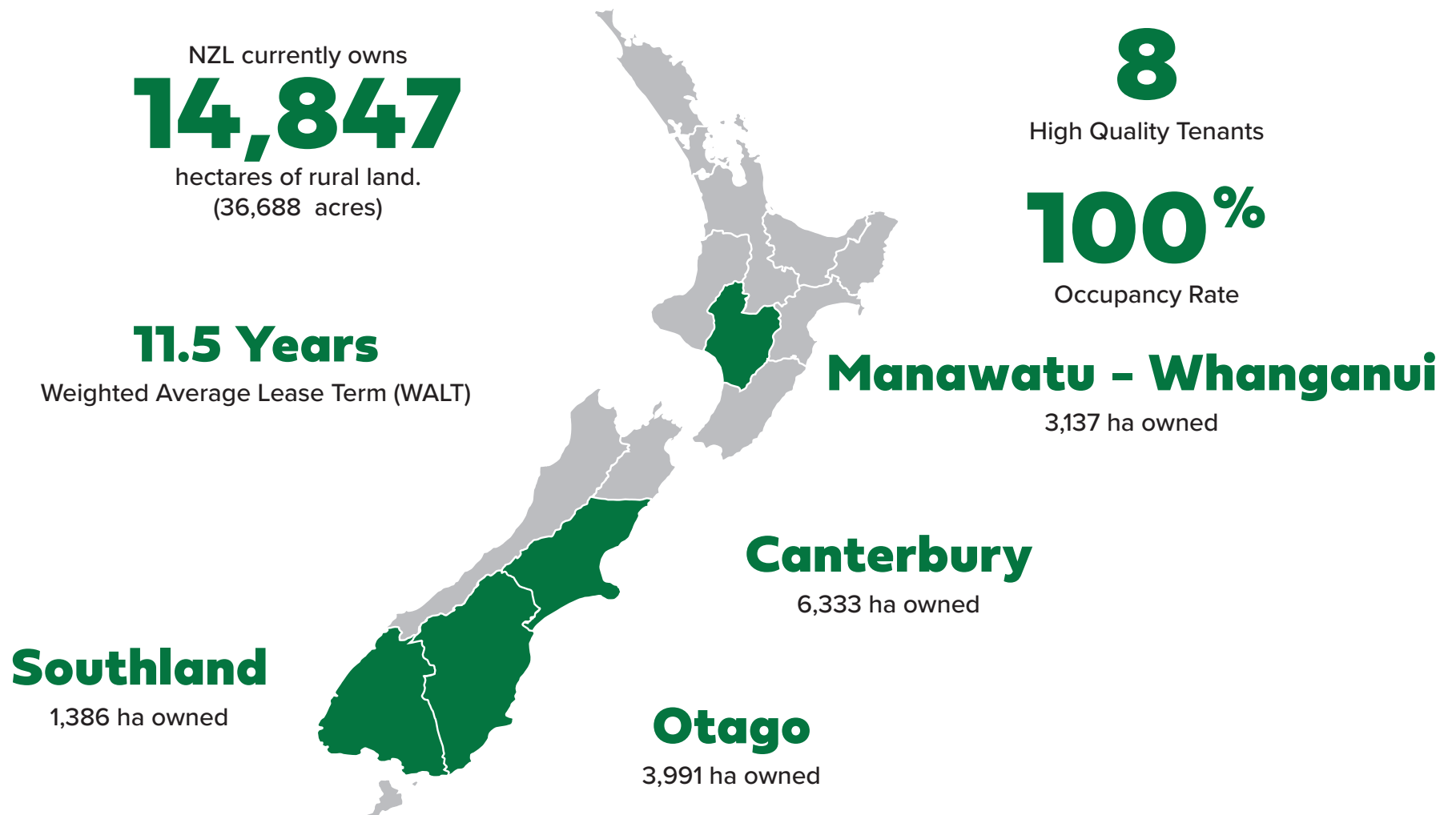
\$12.9b

is the value of New Zealand's Dairy Exports.

NZL Today

New Zealand Rural Land Company is a landlord to New Zealand's attractive agricultural sector.

We own rural land and lease it to high quality tenants.



NZL Year to Date Highlights



NAV per share has grown from \$1.25 at listing to \$1.534.



Share price is currently trading at a -44.6% discount to NAV/sh*.



Diversification via forestry acquisition (forestry now 30% of lease income).



Buy-back continues. The Board considers NZL to still be materially undervalued.



Accretive acquisitions boost full year Adjusted Funds From Operations (AFFO) per share.

*Based on a share price of \$0.85 as at 24 August 2023.



SECTION 1

NZL ADVANTAGES

NZL Advantages



SECTORAL



SUSTAINABILITY



STRUCTURAL



RISK MANAGEMENT



RETURNS



Sectoral Advantages



The global **population** is expected to **reach 9.7 billion by 2050**. A growing global population and surging demand for food alongside declining available productive land provide a strong long-term global tailwind for productive land ownership.



Globally, productive rural land is a scarce/finite resource. **New Zealand rural land** is extremely well placed to **capitalise on the global scarcity of high quality arable land**.



-56%

between 1962 and 2018

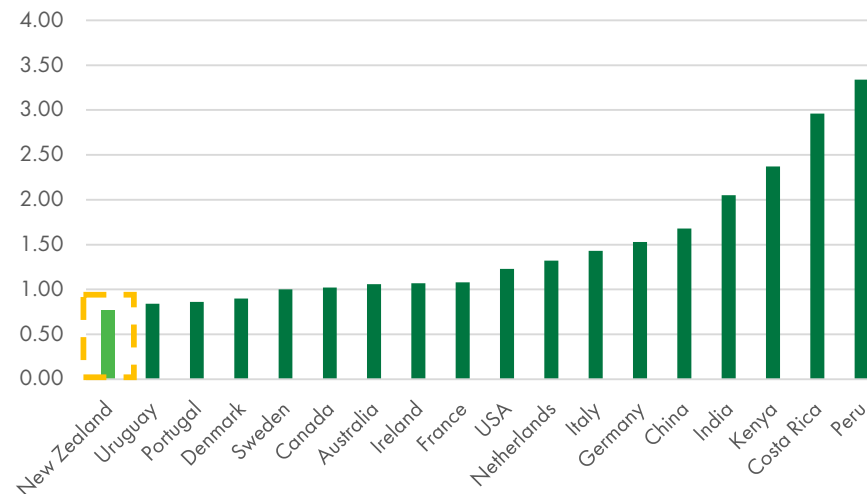
the amount of arable (productive) land available per person to produce food is in significant decline.




Sustainability Advantages

-  Soil in New Zealand is predominantly fertile volcanic loams – ideal for productive farming. This, coupled with New Zealand’s temperate climate, consistent rainfall, adequate sunshine and ability to grow grass and other crops year round make it a highly advantaged, efficient, consistent and low cost producer of primary products.
-  New Zealand’s pasture based farming system allow for easy transition of rural land to a range of alternative uses should conditions dictate (e.g. dairy to sheep and beef rearing).
-  New Zealand’s low input pasture based farming methods enable meat and dairy products to be produced at significantly lower cost than the EU or US. In the case of milk production it is a 40% - 50% lower cost than EU and US producers.
-  **New Zealand dairy has the world’s lowest carbon emissions per kg of milk.**

New Zealand’s Emissions Advantage



-  The production of sheep/lamb meat in New Zealand generates carbon emissions c.-63% lower than the global average. While beef production emits c.-77% less carbon.

Source: Ag Research
*Fat and Protein Corrected Milk



Sustainability Advantages (continued)



Additionally, NZL only selects tenants with a track record of environmentally sustainable performance. (All NZL's leases also incorporate a requirement that tenants reserve a large buffer of equity relative to annual lease costs to ensure that leases are paid even in adverse operating conditions).



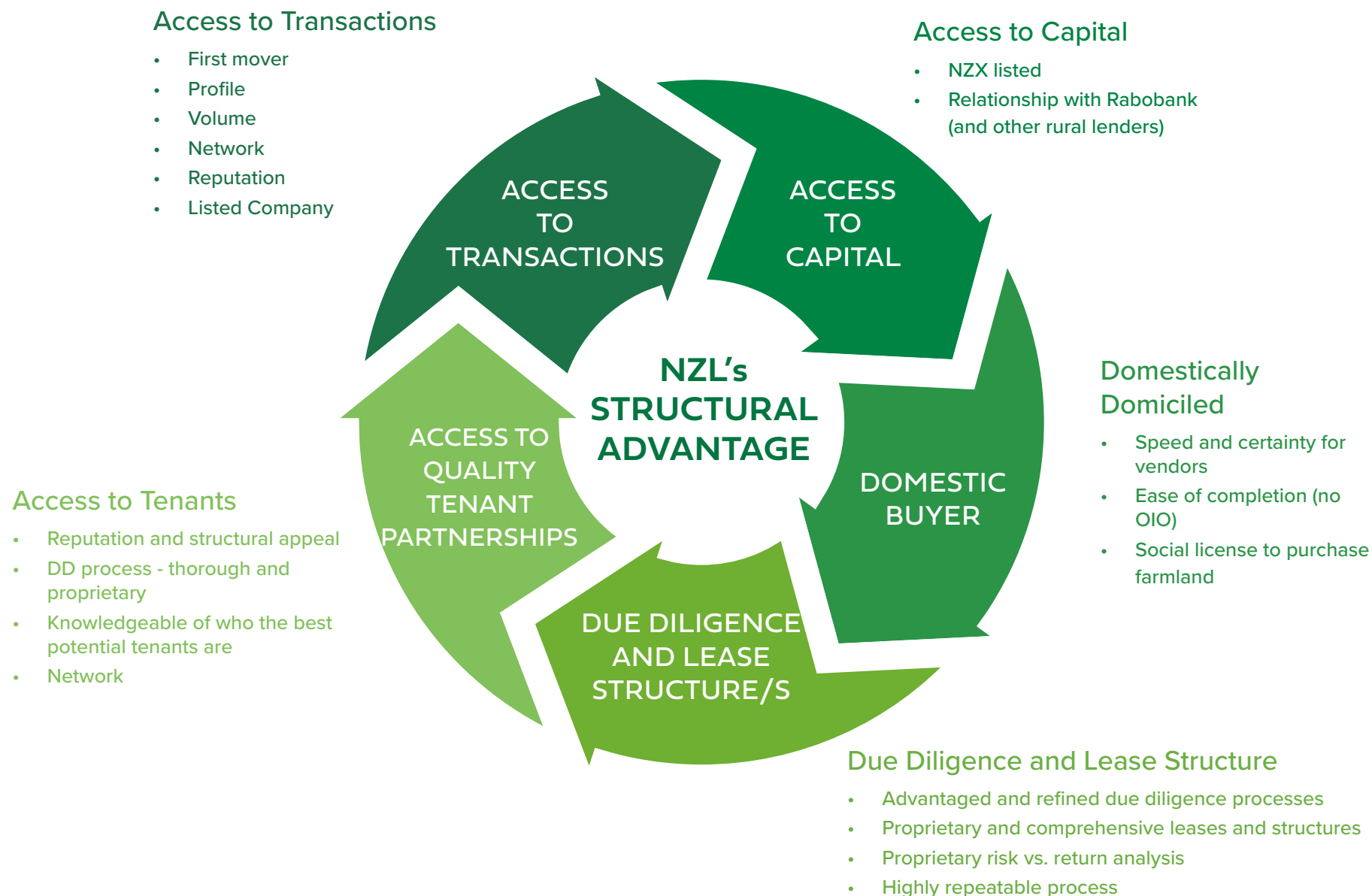
Joint sustainability commitments are written into NZL's binding leases. These reinforce the shared vision between NZL and its tenants of what sustainability looks like and the commitment to proactively manage, mitigate and minimise greenhouse gas emissions, nutrient leaching and other potentially environmentally harmful practices, while ensuring the welfare and wellbeing of the people, communities and animals connected to the land.



NZL's directors and management have a track record of establishing and implementing sustainability initiatives across a number of New Zealand businesses.



Structural Advantages



Risk Management Advantages

 By only owning the land NZL has **no direct exposure** to the **operational risks of farming**:



No direct
on-farm risks
(via either sharemilker or
operational partner)



No direct
exposure
to volatile
commodity prices



Limited exposure
to environmental
risks



No exposure to
animal health
risks



No direct
exposure
to farmer
co-ops



Listing provides
greater liquidity
than syndicates
or direct
investments

 By only owning rural land NZL has **a number of advantages over traditional REITs**:



Easy and low cost
alternative use



Tenants with high
credit quality
and a history
of operational
excellence



Rural land assets
have much less
depreciating
improvements



Uncorrelated with
traditional assets



Low
obsolescence risk



Food production
is an essential
service



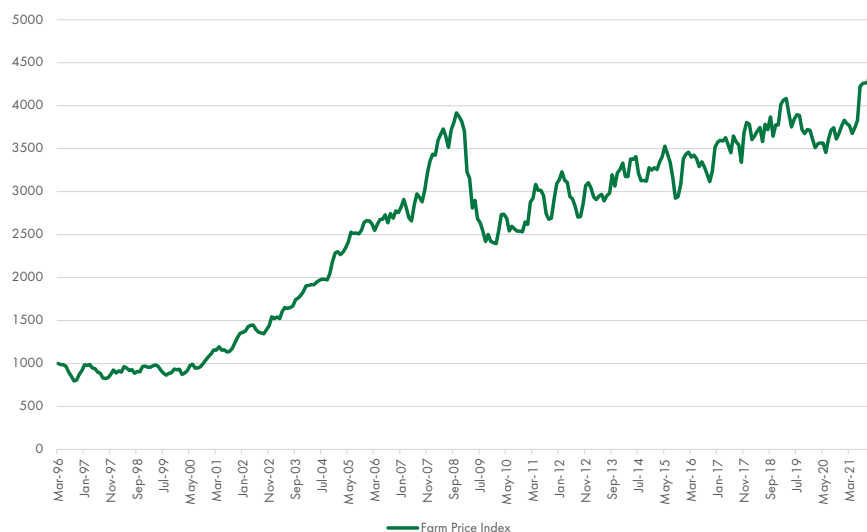
Inflation hedged
asset class



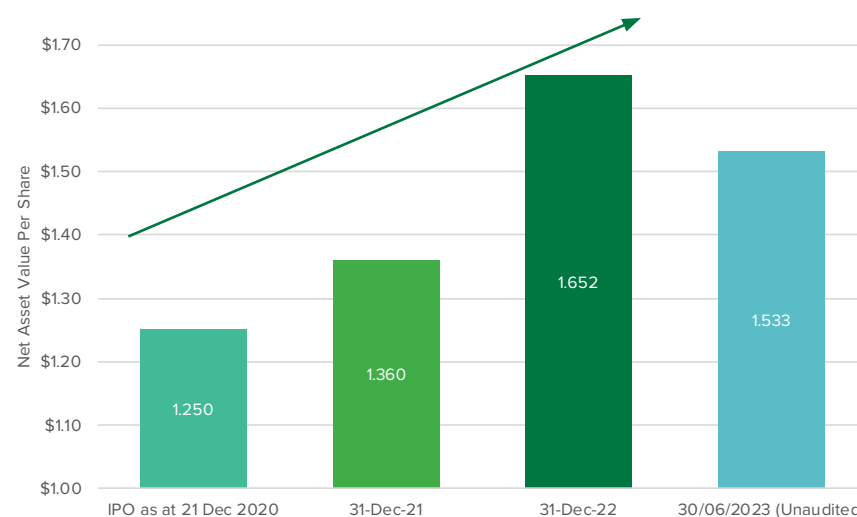
Return Advantage

- Land as an investment offers a low risk profile for investors, generates consistent returns (non-cyclical) and NZL since listing has a demonstrated history of outperforming the farm price index*.
- For the last 26 years the value of rural land in New Zealand has grown consistently, with REINZ's Rural Land Price Index increasing at a CAGR of +6.6% per annum, this is before operating or lease income, currently NZL is receiving >5% cash leases on capital deployed for low risk assets, these are all subject to uncapped inflation adjusted leases and are triple net leases; meaning the responsibility for maintenance rests with the tenants.
- The capital growth of rural land in New Zealand offers a significant tax advantage over other jurisdictions as capital gains are not taxed in New Zealand.

Long Term New Zealand Farm Price Returns - Land Only
CAGR +6.6% p.a.**



NAV Performance Since Listing
CAGR +8.5%***



*REINZ Farm Price Index (excluding forestry and lifestyle blocks)

**REINZ Farm Price Index (excluding forestry and lifestyle blocks)

***This NAV growth has been achieved alongside an expansion of capital base from 60,600,000 shares on issue at IPO to 139,906,000 on issue as at 30 June 2023. Calculation assumes full participation in rights issues.



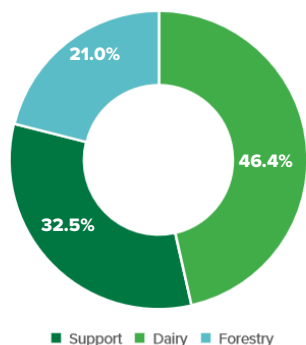
SECTION 2

NZL PORTFOLIO OVERVIEW

**6 month period to 30 June 2023.*

Portfolio Overview

Rural Sub-Sector Breakdown



Region	OTAGO	CANTERBURY	SOUTHLAND	MANAWATU - WHANGANUI	TOTAL
Land Area (ha)	3,991	6,333	1,386	3,137	14,847
Rural Asset Class	Pastoral Farms	Pastoral Farms	Pastoral Farms	Forestry	Pastoral Farms & Forestry
Current Use	Dairy & Support	Dairy & Support	Dairy & Support	Forestry & Carbon	Dairy, Support, Forestry & Carbon
WALT (years) ¹	7.8	8.8	8.3	18.9	11.6
# Tenants	2	3	3	1	8 ²
Occupancy	100%	100%	100%	100%	100%

¹WALT is weighted by lease value.

²One of our tenants leases farms in both Canterbury and North Otago.



SECTION 4

NZL OPERATIONAL UPDATE & OUTLOOK






Summary of FY23 To Date

Acquisitions







-  On 14 April 2023, NZL announced the settlement of a forestry estate acquisition which comprises five individual properties with a total area of approximately 2,400 hectares. The total acquisition cost was ~\$63m. The estate is leased to New Zealand Forest Leasing (NZFL) for a 20 year period with the first year's lease payment being ~\$5m.
-  NZL funded the purchase with \$25.2m of borrowings from Rabobank. These borrowings were in the form of a **green loan** established within a green financing framework managed and reported on in line with Asia Pacific Loan Market Association's Green Loan Principles.
-  The equity component of the purchase was funded from the proceeds of NZL's pro-rata rights issue and a \$12m convertible note issued to an entity associated with NZFL. The note is unsecured and pays an 8% p.a. coupon. NZL can redeem any part of the note at any time without penalty.
-  On 28 April 2023, NZL announced the settlement of a supplementary forestry acquisition for a purchase cost of approximately \$8m. NZL acquired 100% of the forest which has a total area of 737ha. The forest is leased to NZFL for a period of 16 years. The purchase was funded through a combination of debt from capacity in the previously established green loan facility and equity remaining from the pro-rata rights issue.

*Assumes 100% of forest owned

Corporate Actions

-  On 26 May 2023 NZL announced an upgrade of FY24 earnings guidance, suspension of the FY23 interim dividend and an on-market share buyback.
-  NZL announced an upgrade to its forecast FY24 AFFO on 26 May 2023. This was due to the accretive nature of NZL's forestry acquisitions, FY24 is the first full financial year in which the forests will be owned by NZL. NZL's FY24 AFFO forecast is unchanged at \$8.0m - \$8.5m.*
-  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.
-  In the Directors' opinion, buying back shares was more attractive for shareholders than paying dividends and the Board resolved to suspend NZL's dividend policy for the current six-month period.
-  NZL will use available cash flow to:
 - continue to acquire NZL shares through an on-market share buyback programme; and
 - repay the convertible note recently issued to acquire the forestry assets.

Outlook

-  NZL's leases incorporate regular, uncapped, CPI reviews. Accordingly, high inflation will result in rental growth. Furthermore, NZL is insulated from inflation-impacted (and all other operational) on-farm costs by owning only the land.
-  As announced to the market on 26 May 2023, post the forestry acquisition in April 2023, NZL's AFFO for FY23 (1 January 2023 to 31 December 2023) is forecast to be between \$6.0m and \$6.5m with FY24 AFFO forecast to be between \$8.0m and \$8.5m". These forecasts remain unchanged.
-  FY23 AFFO per share post forestry acquisition is forecast to be between 4.2 cps and 4.6 cps while FY24 AFFO per share is forecast to be between 5.7 cps and 6.0 cps.
-  From 1 July 2024, NZL will start to see the positive impact of inflation with approximately 55% of the portfolio (by lease income) due for CPI rental review. CPI accumulated since the leases began (1 June 2021) totals +12.6% to 31 December 2022 and is forecast to be approximately +22.3% for the three years to 30 June 2024.
-  NZL has hedging arrangements in place for 53% of its total borrowings costing, on average, 5.33%*. The remaining debt is floating and the cost of the floating debt component is 7.63%. NZL's weighted average cost of debt is 6.42%.
-  NZL's investment properties are valued annually. The most recent valuation was in December 2022 and the next valuation occurs in December 2023. The rural land market in the last 6 months remains resilient considering market conditions. The REINZ All Farm Price Index has declined a largely immaterial -2.39% in the 6 month period from December 2022.

*as at 30 June 2023

**AFFO forecasts assume that NZL acquires 100% of the forest estate.

Updates from the Timber, Carbon & Dairy Markets

Timber & Carbon



In April 2023, NZL acquired a 2,400ha forestry estate in Manawatu-Whanganui and, in the same month added a further 737 ha in the same region. Both estates are leased long term to New Zealand Forest Leasing (NZFL).



The Carbon market / Emissions Trading Scheme (ETS) market has seen significant volatility with the current carbon/NZU price at approximately \$65*. The volatility was largely attributed to increased uncertainty. The government's decision in December 2022 to decline the Climate Change Commission's (CCC) price control recommendations for 2023-2027 played a crucial role in driving down prices from nearly \$90 to below \$35. The CCC's advice was rejected due to concerns carbon price increases would exacerbate inflation. It is worth reiterating that NZL is sheltered from price swings in NZU's as NZL only owns the land, not the derived carbon or timber revenues, and has an experienced, well capitalised tenant in NZFL.



Recently, the price of NZU's have increased to ~\$65 after the climate change minister James Shaw offered some market certainty and announced the government would adopt the Climate Change Commissions advice.



Due to an ongoing review of the Emissions Trading Scheme (ETS) there is further short-term market uncertainty. The consultation has been triggered by concern around the possibility that the current settings of the ETS do not provide adequate incentives for businesses to reduce their emissions directly, instead promoting reliance on carbon offsets through forest planting (consultation closed 11 August 2023). The government is inviting submissions on four potential amendments to the current frame work. We believe our properties in the forestry sector are supported by long term tailwinds in the carbon price and timber sectors alongside a well established market participant in NZFL.

Dairy Market




Fonterra's FY23 mid point milk price is currently \$6.75 kg/ms, which is lower than some farmer's cost of production. NZL and NZRLM are offering support to tenants with access to advice and operational support experts. All leases continue to be current and we continue to monitor and offer assistance where useful.


*As at 24 August 2023.

Creating a Diversified Rural Land Portfolio Over Time

Portfolio Construction:

 NZL's initial focus has been on acquiring New Zealand pastoral properties.

 Intention is to expand focus to other New Zealand primary sectors, particularly as investment opportunities arise in horticulture, viticulture and forestry as well as sheep and beef.







 Subsector focus as at September 2023 is as follows:

KEY



As NZL grows it will continue to diversify its portfolio and tenants while delivering attractive risk-adjusted returns.

Target Rural Land Asset Classes:

Sector:	Description:	Time frame:
 FORESTRY	NZ's environment provides for a wide variety of forestry and tree based carbon sequestration due to its natural advantages in soil, climate and rainfall.	First transaction completed.
 DAIRY	NZ's environment suits dairy farming and has a lower cost of production, in an environment of growing demand.	Existing ownership
 GREEN ENERGY	A growing demand supported by supportive government policies and decreasing costs of renewable energy construction provides attractive alternative land use.	Near-term horizon
 POULTRY	Eggs are highly nutritious and relatively low cost food which New Zealand has a competitive advantage in producing, due to its suitability for free range and local production of feed, both of which have lower carbon footprints than more intensive operations.	Near-term horizon
 VITICULTURE	New Zealand's maritime climate, fertile soils and elongated geography allow for regional wine variations including Pinot Noir and Sauvignon Blanc. We believe forecast macro trends will provide for more favourable future acquisition pricing in the sector.	Medium-term horizon
 HORTICULTURE	New Zealand's climate and soil allows for the production of a range of high quality produce with Kiwifruit the largest crop. NZL considers that the sector is largely fully priced but continues to monitor opportunities as they arise.	Medium-term horizon

Summary

NZL provides investors with exposure to:



Favourable Industry Dynamics

Long term demand for key commodities and food vs declining availability of productive land drives land values. Productive rural land is finite in supply and its value is founded on worldwide population growth, growing food demand, and yield-boosting innovation. Increasing scarcity of productive land globally is mirrored in New Zealand.

New Zealand is one of the world's lowest-cost and lowest-carbon emitting producers of protein, fibre and timber in the world.

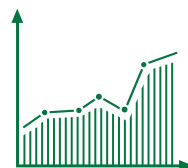


A Proven Value Add Acquirer of Land

Successfully acquired more than 14,800 hectares of pastoral farm land and forestry since listing on 21 December 2020.

NAV per share increased from \$1.250 (21 December 2020) to \$1.533 as at 30 June 2023. This represents total increase in NAV of +22.7%.

NAV growth has been achieved alongside an expansion to capital base from 60.6m shares on issue at IPO to ~139.9m shares on issue as at 30 June 2023.



Attractive Total Returns

NAV has grown by +22.7% since NZL's IPO. NZL has paid/declared a total of 5.64 cps in dividends since listing with the most recently declared dividend (2.03 cps) +26.9% higher than that paid for the six months ended 30 June 2022 (1.60 cps).

Farmland does not typically experience the same volatility that mark economic changes. It usually experiences peaks and plateaus – appreciating at an attractive rate when times are positive but not necessarily retreating when conditions are tough, this is driven by its increasing scarcity.



High Quality Tenants with Attractive WALT

All tenants have significant operating experience, robust balance sheets and governance frameworks.

11.6 year WALT (by value).



A Significant Growth Opportunity

NZL provides unique investment exposure as it is currently the only pure-play listed exposure to New Zealand rural land.

NZL provides inflation hedging and stable income via CPI-linked leases (uncapped).

NZL's strategy is to continue to grow its portfolio, both in dairy and other attractive agricultural opportunities, to ultimately provide scale and diversified exposure to high quality New Zealand rural land.

Index Inclusions and Broker Research Coverage

Index Inclusions



FTSE Global Micro Cap Index

**S&P Dow Jones
Indices**
A Division of S&P Global

S&P / NZX All Real Estate Index



MSCI World Micro Cap Index

**S&P Dow Jones
Indices**
A Division of S&P Global

S&P / NZX Micro Cap Index

Broker Research Coverage



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