



New Zealand Rural Land Co

The Rural Land Investors

20 February 2024

Apple and Forestry Land Acquisitions

New Zealand Rural Land Company (NZL.NZX) has today entered agreements to acquire the land supporting three apple orchards located in the Hawkes Bay region in the North Island and forestry land located in close proximity to its existing estates for a total purchase cost of approximately \$27.6 million (\$18.1 million and \$9.5 million respectively). The land will be acquired by the Limited Partnership formed as part of the recently announced Roc Transaction.

Apple Orchard Land

The orchard land has a total land area of approximately 97 hectares of which 82 hectares are planted in a range of apple varieties. The orchards will be leased to Kiwi Crunch for a period of 30 years with a year one income of ~\$1.4 million (~7.5%), subject to uncapped annual rental adjustments of CPI or 2.5%, whichever is higher. NZL will own only the land not the trees. Located near Twyford, the orchard land features high quality soils well suited to intensive horticulture and enabling a range of alternative uses.

Kiwi Crunch operates a vertically integrated apple and pear business spanning nurseries, orchards, packhouses, coolstores and an export marketing division. The company employs more than 140 people (over 350 during harvest) and has interests in Hawkes Bay, Nelson and Central Otago.

The acquisition is conditional on obtaining certain third party approvals and settlement is expected to occur in March 2024.

This acquisition represents entry into a new sub-sector for NZL and sees the addition of an experienced, well capitalised tenant. Furthermore, the 30 year lease term materially increases NZL's weighted average lease term, increases the frequency of rental reviews and further increases portfolio yield.

Forestry Land

The forestry land has a total area of approximately 1,119 hectares and is leased to New Zealand Forest Leasing (NZFL) for a period of 16 years. The estate has year one income of \$760,000 (~8.0%), and is subject to annual CPI-linked rental adjustments. The tenant will utilise the land for timber and/or carbon sequestration. This acquisition was both signed and settled today.

NZL believes this is an attractive acquisition and expects its value, once planted and taking into consideration the lease, to be in excess of its purchase cost. Additionally, forestry assets of scale have proven to be an attractive asset class, this purchase adds to NZL's estate in one of New Zealand's preeminent growing areas. The land is moderate to steep hill country poorly suited to other agricultural uses but ideal for forestry.

This acquisition further diversifies NZL from a large pastoral farm land base while the 16 year lease term increases NZL's Weighted Average Lease Term, increases the frequency of rental reviews and further increases portfolio yield.

Acquisition Funding

Both purchases will be funded by equity with NZL contributing 75% and Roc contributing 25%.

NZL's total outstanding debt remains unchanged and the acquisitions are expected to directly contribute more than \$1.5 million (\$970k and \$530k, respectively) to NZL's FY24 AFFO. Following the acquisitions we expect gearing to sit at approximately 30%. Further information on NZL's financial position and outlook will be provided to the market on 29 February 2024 with NZL's full year results.

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