



New Zealand Rural Land Co

The Rural Land Investors

EQUITY RAISING PRESENTATION

1 March 2023

www.nzrlc.co.nz

listed on:



IMPORTANT NOTICES AND DISCLAIMER

This presentation has been prepared by New Zealand Rural Land Company Limited (NZL) in relation to the accelerated renounceable entitlement offer (the Offer) of new shares in NZL (New Shares) and warrants (Warrants) to be made to:

- eligible institutional shareholders of NZL with registered addresses in New Zealand and selected other jurisdictions as at the Record Date;
- eligible retail shareholders of NZL with registered addresses in New Zealand and selected other jurisdictions as at the Record Date; and
- in respect of any shortfall, retail investors in New Zealand and institutional investors in New Zealand and selected other jurisdictions,

in reliance on clause 19(1) and 19(1A) of Schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

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NZX

The New Shares will be quoted on the NZX Main Board following completion of allotment procedures. However, NZX accepts no responsibility for any statement in this document.

Application has been made to NZX for the quotation of the Warrants on the NZX Main Board and all the requirements of NZX relating to the quotation that can be complied with on or before the date of this document have been complied with. However, the Warrants have not yet been approved for trading and NZX accepts no responsibility for any statement in this document.

If approved for trading, initial quotation of the Warrants on the NZX Main Board is expected to occur on 23 March 2023 under the ticker code "NZLWA".

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By attending or reading this presentation, you agree to be bound by the foregoing limitations and restrictions and, in particular, will be deemed to have represented, warranted, undertaken and agreed that:


1. you have read and agree to comply with the contents of this Important Notice;
2. you are permitted under applicable laws and regulations to receive the information contained in this Presentation;
3. you will base any investment decision solely on information released by NZL via NZX (including the Offer Document); and
4. you agree that this Presentation may not be reproduced in any form or further distributed to any other person, passed on, directly or indirectly, to any other person or published, in whole or part, for any purpose.


Introduction

 As announced on 21 October 2022, NZL has entered into an unconditional agreement to acquire a forestry estate in the Manawatū-Whanganui region of the North Island. The estate is comprised of five individual properties with a total area of approximately 2,383 hectares. The settlement date is 15 April 2023 with the entire estate to be leased to New Zealand Forest Leasing for a period of 20 years.

 New Zealand has some of the best growing conditions for *Pinus radiata* (Pine trees) in the world. New Zealand also has the lowest cost and lowest carbon footprint production of major classes of protein and other food in the world, with NZL providing the only pure-play NZX listed exposure to the underlying productive land.

 Post forest acquisition, NZL will own 14,093¹ hectares of rural land with a 12.1 year¹ weighted average lease term (by value), with 100% occupancy across eight tenants. This transaction increases forecast FY24 earnings and dividends per share by +17.4%, increases NZL's WALT by +34.4% and adds materially to the scale and diversity of NZL's asset and tenant base.

 NZL considers this acquisition further expands its offer to investors by growing its lease income and broadening its investment exposure to high quality New Zealand rural land.

 **NZL's strategy remains to acquire and hold for the long-term, quality rural land in New Zealand, provide growing and stable lease income coupled with attractive risk-adjusted long-term capital growth from the underlying land holdings.**

¹Following the forestry acquisition.
^{*}Period ending 31 December 2024
^{**}Based on an issue price of \$1.00.

Before Acquisition

11,710

Hectares of rural land owned

9.0 years

Weighted average lease term (by value)

4.0cps - 4.5cps

Forecast FY24^{*} Dividend

4.0% - 4.5%

Forecast FY24^{*} After Tax Dividend Yield^{**}

\$1.652

NAV per share as at 31 December 2022

After Acquisition

14,093¹

Hectares of rural land owned

12.1 years¹

Weighted average lease term (by value)

5.0cps - 5.5cps¹

Forecast FY24^{*} Dividend

5.0% - 5.5%¹

Forecast FY24^{*} After Tax Dividend Yield^{**}

\$1.497¹

NAV per share post-acquisition

Acquisition Funding Mechanism - 1:3 Pro-Rata Rights Issue

- After considering several acquisition funding options (detailed further on page 21), the most earnings and dividend accretive option is to purchase 100% of the forest funded by a 1:3 pro-rata rights issue (detailed further on page 6).
- 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.
- NZL also points to its past acquisition history and subsequent revaluations that have occurred as a result of the lease structures that NZRLM has implemented on behalf of the company.
- NZL encourages shareholders to take up their rights, NZL considers the future opportunities and the portfolio assets are of high quality. They provide the opportunity for attractive risk adjusted returns with a strong long-term income and diversity profile.

Pro-Rata Rights Issue Summary

1:3

Pro-rata rights issue

\$1.00

Issue price

\$38.5m

Amount to raise

-5.7%

Discount to 27 February
2023 closing price

-33.2%

Discount to
post issue NAV/sh

1

Warrant for every
3 new shares
subscribed for in
rights issue

\$1.20

Warrant exercise price

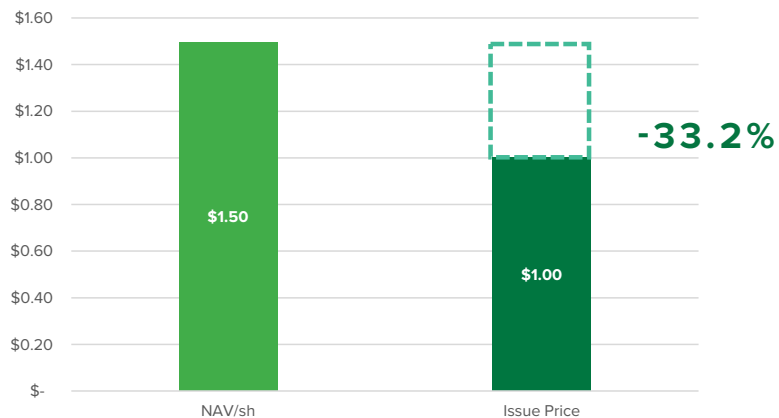
>2 years

Warrants expire
30 November 2025

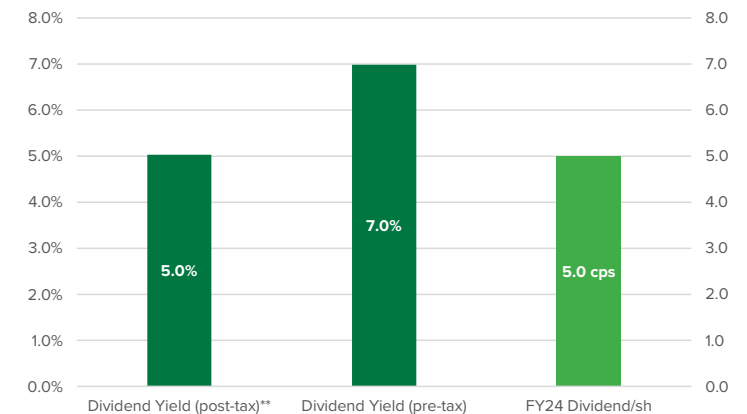
NZLWA

Warrants quoted on
NZX***

Forecast Offer Price Discount to NAV/sh*



Forecast FY24 Dividend Yield and Dividend/sh*



*Assumes 154,135,427 shares on issue post rights offer, and acquisition of 100% of the forestry estate.

**Assumes 28% tax rate.

***Application has been made to NZX for the quotation of the warrants on the NZX Main Board and all the requirements of NZX relating to the quotation that can be complied with at the date of this presentation have been complied with. The warrants have not yet been approved for trading.

Acquisition Rationale, Highlights and Impact



+17.4%

Increase in FY24
AFFO and dividend
yield per share



+34.4%*

Increase in WALT



+14.3%

Increase in the
diversity of NZL's
tenant base.



High quality asset with
attractive purchase and
lease metrics



Adds materially to the
scale and diversity of
NZL's portfolio



+29%**

of leases (by value)
expiring in 2043.

*WALT is weighted by lease value

**As % of lease value

Equity Raise Details

Acquisitions	<ul style="list-style-type: none"> On 21 October 2022, NZL announced the acquisition of a high quality forestry estate. This acquisition will add to and improve NZL's portfolio with an attractive lease and acquisition metrics alongside further tenant, asset class, and lease renewal profile diversification and portfolio scale. The purpose of the Equity Raising is to provide capital for the acquisition of: <ul style="list-style-type: none"> 2,383 hectare forestry estate located in Manawatu-Whanganui, NZ Total Acquisition cost of \$63.7m (subject to final costs).
Structure	<ul style="list-style-type: none"> The acquisition and associated costs for the Equity Raising to be funded via: <ul style="list-style-type: none"> 1 for 3 pro-rata rights offer ("Equity Raising") to raise up to approximately \$38.5m; Institutional offer will be accelerated, opening on Wednesday, 1 March 2023 and closing on Thursday, 2 March 2023; Retail offer opens from 6 March 2023, closing 5:00pm (NZ time), Wednesday, 15 March 2023; and, \$25.2m from additional debt, with total facility limits expected to increase from \$105.0m to approximately \$131.0m. If the Equity Raising is not fully subscribed NZL may call on further debt up to its 40% LVR bank covenant. 1 warrant will also be offered for every 3 new shares subscribed for in the equity raising. The terms of the warrant are as follows: <ul style="list-style-type: none"> Type - American Expiry - 30 November 2025 Exercise Price - \$1.20 per warrant Expected to be quoted on the NZX Main Board - NZLWA (expected quotation from Tuesday, 23 March 2023) The Equity Raising is structured to be as fair as possible for all existing shareholders. All shareholders (unless restricted due to foreign laws) who hold shares as at 5:00pm (NZ time), Friday, 3 March 2023 will be able to participate.
Offer Price	<ul style="list-style-type: none"> The Offer Price for the new shares is \$1.00 per share, which represents: <ul style="list-style-type: none"> 5.7% discount to the last close on Friday, 27 February 2023 of \$1.06; 4.3% discount to the Theoretical Ex-Rights Price¹ of \$1.05; and -39.5% discount to the NAV per share (as at 31 December 2022).
Financial Highlights and Impact	<ul style="list-style-type: none"> Forecast FY24 AFFO accretion per share of +17.4%. Expected Gearing of 36.3% post acquisition and completion of the Equity Raising (assumes a fully subscribed Equity Raising). The acquisition adds a new tenant, property and lease review profile to NZL's income. Increases WALT from 9.0 years to 12.1 years (+34.4%).
Ranking	<ul style="list-style-type: none"> New shares will rank equally with existing NZL shares on issue at the date of issue of the new shares. The new shares under both the institutional and retail offers will be entitled to any future distributions declared by NZL after the relevant allotment date.
Director/ Manager Participation	<ul style="list-style-type: none"> All Directors of NZL intend to participate in the Equity Raising.

¹The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which NZL shares should trade at immediately after the ex-date of the offer. The TERP is a theoretical calculation only and the actual price at which NZL shares trade immediately after the ex-date for the Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to NZL's closing price of \$1.06 on Friday, 27 February 2023.

Use of Funds and Balance Sheet Impact

Source of Funds (\$m)	
Equity Raising	\$38.5m ¹
Debt Financing	\$25.2m*
Total	\$63.7m

Use of Funds (\$m)	
Acquisition	\$62.2m
Transaction costs	\$1.5m*
Total	\$63.7m

	31 December 2022	Pro forma ^{1,2}	Change (%)
Total Assets	\$298.8m	\$361.8m	+21.1%
Net Assets	\$190.9m	\$230.7m	+20.8%
Forecast FY24 AFFO cents /sh	4.48	5.26	+17.4%
NAV per share	\$1.652	\$1.497	-9.4%
Gearing or expected gearing ³	36.2%	36.3%	+0.1%

¹Anticipated but subject to amount of capital raised.

²Assumes offer fully subscribed.

³Excludes impact of any revaluation gains.

³Gearing is calculated as: bank debt / total tangible assets.

Use of Funds and Balance Sheet Impact

\$361.8m

Total Assets Post Acquisition

+21.1%

\$230.7m

Net Assets Post Acquisition

+20.8%

36.3%

Expected Gearing⁴ Post Acquisition

+0.1%

NZ\$m	31-Dec-22 Audited	Acquisition & Equity Raising	Pro Forma ¹
Cash and Cash Equivalents	1.9	-	1.9
Adjusted property investments	267.4	63.0	330.3
Other assets	29.5	-	29.5
Total Assets	298.8	63.0	361.8
Interest bearing liabilities	107.0	25.2	130.3 ²
Other liabilities	0.9	-	0.9
Total Liabilities	107.9	25.2	131.2
Adjusted Net Assets	190.9	37.8	230.7²
Shares on issue (m)	115.6 ³	38.5	154.1
Adjusted NAV per share (\$)	1.652	-	1.497
Gearing or expected gearing⁴	36.2%	-	36.3%

¹ Illustrative example only and not a forecast. Post impact of acquisition and fully subscribed Equity Raising.

² NZL's existing debt reduced from 107m to 105m in January 2023.

³ Reflects shares on issue as at Monday, 27 February 2023.

⁴ Gearing is calculated as: bank debt / total tangible assets.

Equity Raise Timetable

Institutional Offer		All Times are New Zealand Time
NZL enters trading halt, announcement of Equity Raising and cleansing notice released to NZX		Wednesday, 1 March 2023
Institutional Entitlement Offer opens		10:00am, Wednesday, 1 March 2023
Institutional Entitlement Offer closes		5:00pm, Thursday, 2 March 2023
Announce results of Institutional Offer, Trading halt lifted		8:30am, Monday, 6 March 2023
Settlement Institutional Offer, allotment of new shares under the Institutional Offer and trading commences on the NZX		Wednesday, 8 March 2023
Retail Offer		
Record date		5:00pm, Friday, 3 March 2023
Retail Entitlement Offer opens		10:00am, Monday, 6 March 2023
Retail Entitlement Offer closes		5:00pm, Wednesday, 15 March 2023
Settlement Retail Offer, allotment of new shares under the Retail Offer and trading commences on the NZX		Wednesday, 22 March 2023
Warrants		
Expected quotation and commencement of trading of Warrants on NZX Main Board		Thursday, 23 March 2023
Last trading date of Warrants		Wednesday, 26 November 2025
Expiry Date of Warrants		Sunday, 30 November 2025

These dates are subject to change and are indicative only. NZL reserves the right to alter the key dates, subject to applicable laws and the NZX Listing Rules. NZL reserves the right to withdraw the Offer at any time prior to the issue of the shares under the Offer at its absolute discretion.



SECTION 2

PRO-FORMA PORTFOLIO AND LEASE PROFILES (POST ACQUISITION)

NZL: Pro-Forma Portfolio



Region	OTAGO	CANTERBURY	SOUTHLAND	MANAWATU-WHANGANUI	TOTAL
Land Area (ha)	3,991	6,333	1,386	2,383	14,093
Rural Asset Class	Pastoral Farms	Pastoral Farms	Pastoral Farms	Forestry	Pastoral Farms and Forestry
Current Use	Dairy	Dairy	Dairy	Forestry	Dairy and Forestry
WALT (years) ¹	8.6	9.3	9.2	20	12.1
# 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.

NZL: Pro Forma Tenant Concentration and Lease Profiles

+34.4%

Increase in WALT

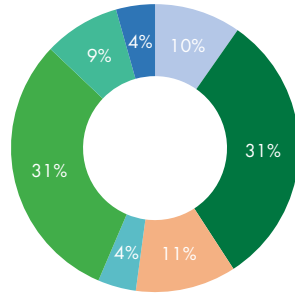
+29%

of leases (by value) expiring in FY43 diversifying NZL's lease expiry profile

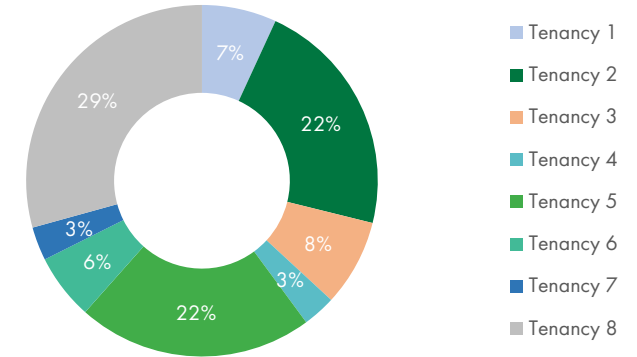
+29%

of leases (by value) have annual rental adjustments

Current Tenant Concentration as % of Lease Value

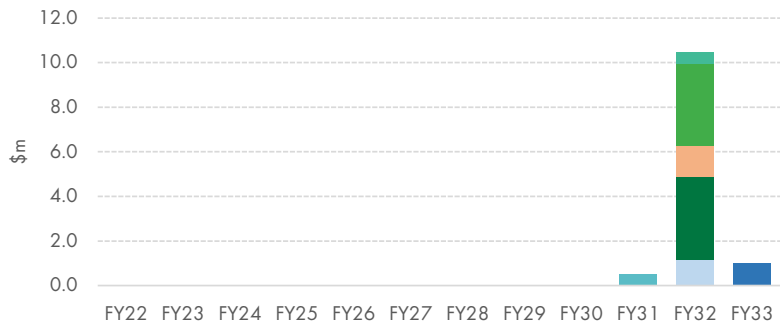


Pro Forma Tenant Concentration as % of Lease Value



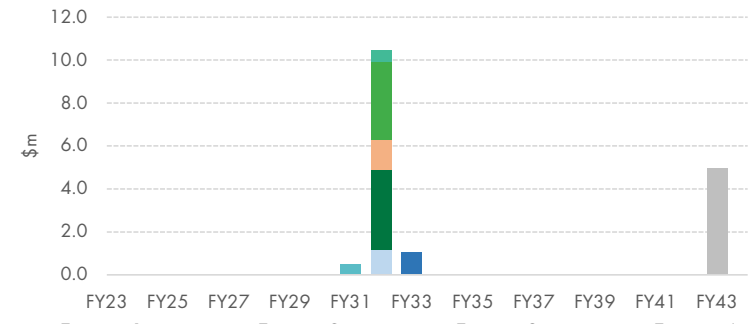
Tenancy 1 Tenancy 2 Tenancy 3 Tenancy 4 Tenancy 5 Tenancy 6 Tenancy 7

Current Lease Expiry Profile by Value



Tenancy 1 Tenancy 2 Tenancy 3 Tenancy 4 Tenancy 5 Tenancy 6 Tenancy 7

Pro Forma Lease Expiry Profile by Value



Tenancy 1 Tenancy 2 Tenancy 3 Tenancy 4 Tenancy 5 Tenancy 6 Tenancy 7 Tenancy 8

Tenant Concentration

NZL's tenant concentration is detailed in the chart above.

NZL expects tenant concentration to reduce as it continues to further expand its asset and tenant base.

Lease Profiles

Following the proposed Acquisitions NZL's WALT (Weighted Average Lease Term) will be 12.1 years up from 9.0 years currently (+34.4%).

NZL's pastoral farm leases generally have 3, 6, and 9 year CPI increases with rights of renewal in years 10 and 11 (tenancy dependent). The forestry lease has annual CPI-linked increases.



SECTION 3

TIMBER AND CARBON MARKET OUTLOOK

NZL: Timber and Carbon Market Outlook



The outlook for timber and forestry investments in New Zealand remains positive, this is largely attributed to:

1. Favorable Growing Conditions: New Zealand's climate and soil conditions are well-suited for growing trees, particularly radiata pine, which is the dominant species planted. The country's temperate climate, abundant rainfall, and fertile soils provide ideal conditions for fast-growing, high-quality trees that can be harvested for timber.
2. High Demand for Timber: There is strong domestic and international demand for New Zealand timber products, particularly from the growing construction sector. The demand is expected to increase over the next few decades due to the global trend of using wood as a sustainable and renewable building material.
3. Stable Political Environment: New Zealand has a stable and predictable political and legal environment, which provides a favorable investment climate for forestry. The government has also been supportive of the forestry industry, particularly through initiatives such as the Emissions Trading Scheme (ETS).
4. Diversification: Investing in forestry can provide diversification benefits to an investor's portfolio, as it is not typically correlated with other asset classes. It can also be a long-term investment, providing a stable source of income over the life cycle of the forest.
5. Environmental Benefits: Forests also provide a range of environmental benefits, including carbon sequestration, soil conservation, and biodiversity protection. Investing in forestry can, therefore, provide social and environmental benefits in addition to financial returns.



New Zealand timber market outlook is positive with the use of timber in construction forecast to also increase by +25% between 2022 and 2030. Log export returns are expected to grow to \$4.0b by 2026 with other wood products adding a further \$3.1b.



Additionally, New Zealand uses an emissions trading scheme (ETS) as a tool to reduce carbon emissions. Forests are a very cost efficient method of sequestering carbon, this sequestration is tradable and able to be used to offset emissions - the tradable units are called NZ Units (NZUs).



The outlook for the price growth of NZUs is strong, the Climate Change Commission (www.climatecommission.govt.nz) recommends an increasing carbon price to encourage the behavioural changes necessary to address climate change - this is likely to be supported both by market forces and government legislation.



NZU values (and therefore the value of producing them) have grown at a CAGR of +30% per annum over the last two years and are forecast to grow at a further +14% p.a. over the next eight years.



SECTION 4 KEY RISKS

NZL: Key Risks

KEY RISKS

Land Value Risk	<p>NZL will realise its strategy for capital growth in the value of rural land that it acquires only if NZL acquires rural land at a purchase price that is less than the rural land's future value. This requires NZL to predict future value when acquiring rural land, which involves inherent uncertainty. Acquiring unproductive land and other external factors may reduce land value below the price that NZL paid to acquire that land.</p> <p>NZL's rural land is currently concentrated in the dairy sector and until there is greater diversification in its rural land holdings, the value of NZL's land is susceptible to value decreases if there is a sustained downturn in the dairy sector. The acquisition of the forestry estate will help to mitigate this risk by diversifying NZL's rural land holdings into the forestry sector. NZL's rural land assets are also each of a relatively large scale making the number of potential buyers more limited. Therefore, any realisation of NZL's rural land assets may take longer to realise for an appropriate sale price.</p>
Tenant Risk (financial)	<p>NZL's income is rental payments received from Tenants who lease NZL's rural land. Tenants are exposed to the financial risks associated with operations on the land (for example, commodity price fluctuations, increases in operating costs, health risks to stock). If Tenants do not manage those risks or lack the financial capacity to absorb those risks Tenants may default on lease payments to NZL. If NZL is required to replace a Tenant, NZL may have a period where it is receiving no or reduced income from the rural land that it owns while a replacement is appointed. This could impact on NZL's ability to pay dividends. Accordingly, NZL investors are indirectly exposed to operational farming risks given that those risks can cause Tenants to become insolvent and reduce NZL's income.</p> <p>NZL currently has seven Tenants leasing its rural land holdings and will bring on one additional tenant as part of the acquisition of the forestry estate (whose financial position is dependent on the forestry and carbon industries, not dairy). Diversifying this Tenant base over time is a key mitigant for NZL to ensure it is not overly exposed to the financial position of any one Tenant.</p>
Tenant Risk (operational)	<p>Operational practices of Tenants on NZL's rural land could damage the rural land and decrease its value. For example, poor environmental or unsustainable farming practices could reduce production on the rural land and lead to regulatory actions.</p> <p>As with the Tenant risk (financial), NZL's tenant selection criteria becomes a key mitigant where, in addition to selecting Tenant's that are financially sound, Tenant's need to demonstrate a high degree of operational experience and a history of using best farming/agricultural practices.</p>

NZL: Key Risks (continued)

KEY RISKS

Financing Risk	<p>To grow and diversify its rural land holdings, NZL needs to access capital to fund acquisitions. Capital is sourced from a combination of bank debt and proceeds from equity issuances.</p> <p>NZL's ability to raise capital from equity issuances will be subject to its financial performance, investor sentiment and prevailing market conditions. These factors cannot be assured.</p> <p>For bank debt, NZL has a medium-term target of maintaining a loan to value ratio (LVR) of 30% and, a bank covenant requiring the LVR to be no more than 40%. The LVR of NZL is currently 37.7% as at 31 December 2022. Borrowing to an LVR at the higher end of this range has enabled NZL to act on acquisition opportunities as they arose and grow its rural land holdings more rapidly. However, this has also reduced the headroom that NZL has with its bank covenant which could be a material risk if rural land values decreased. In addition, this exposes NZL more to interest rate increases.</p>
Capital Expenditure Risk	<p>There could be unbudgeted capital expenditure on rural land that NZL acquires reducing the expected return from that land for NZL. Such unbudgeted capital expenditure, or capital expenditure cost overruns may occur if repairs and maintenance are not being properly undertaken, which will generally be the responsibility of the Tenant. Changes in environmental laws or environmental law non-compliance could give rise to unforeseen capital expenditure necessary for compliance or remediation.</p>
COVID-19 Pandemic Risks	<p>COVID-19 has and continues to cause significant supply chain disruptions for both domestic and international markets. To date, global supply chains have prioritised the delivery of food products, minimising disruption to the New Zealand dairy sector. However, supply chain disruptions are continuing and if they do start impacting more on food products, this could increase spoilage of dairy products, cause increases in operating costs and a reduction in profitability for Tenants.</p>
Extreme Weather Events	<p>Climate change is expected to increase the frequency/severity of extreme weather events. Extreme weather can cause long-term damage to NZL's assets this damage may include slips, flooding or windthrow while the infrastructure necessary for tenants to conduct their operations may be also be damaged or destroyed. Extreme weather events may also cause significant supply chain disruptions for both domestic and international markets. Supply chain disruptions could increase spoilage of dairy products, cause increases in operating costs and a reduction in profitability for Tenants.</p>
Forestry Industry Regulation	<p>New Zealand's Emissions Trading Scheme is relatively mature in a global context. However, legislation is changed frequently as the country works towards national emissions budgets. There is therefore a risk that the government makes changes to the Emissions Trading Scheme and its associated legislation that negatively impacts the returns to the tenant of the forestry estate or NZL as owner of the forestry estate.</p>
Default Risk	<p>NZL has entered into unconditional agreements to purchase the forestry estate. If the equity raising is unsuccessful, there is a risk that NZL defaults on its agreements. NZL has entered into a subscription agreement with the Tenant of the forestry estate to fund up to \$18 million of the purchase price, which gives NZL the option to purchase a lesser percentage of the forestry estate (as outlined further on page 21). NZL has also received indications of interests from investors in Europe, which may provide NZL with access to capital from new markets. If absolutely necessary, NZL may be able to access some form of bridge financing until such time as NZL can dispose of certain assets (including as outlined further on page 21).</p>



SECTION 5

EARNINGS AND DIVIDEND ACCRETION SCENARIOS

NZL: Forest Acquisition Drives Earnings and Dividend Growth



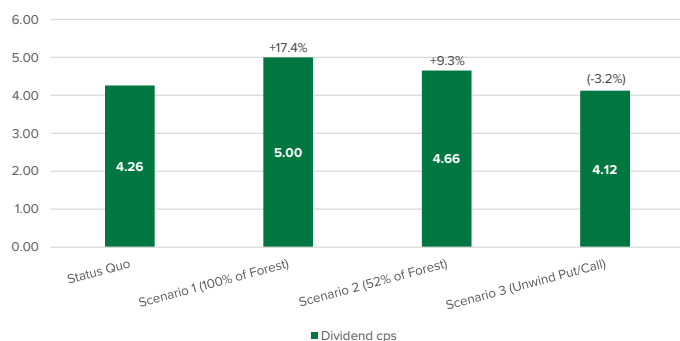
The charts and table below detail the dividend yield accretion and NAV dilution based on a variety of funding and acquisition scenarios to illustrate why scenario 1 was ultimately chosen – these charts exclude the warrant value.

Scenario 1 - Purchase 100% of the forestry estate. Equity funded via a pro-rata rights issue.

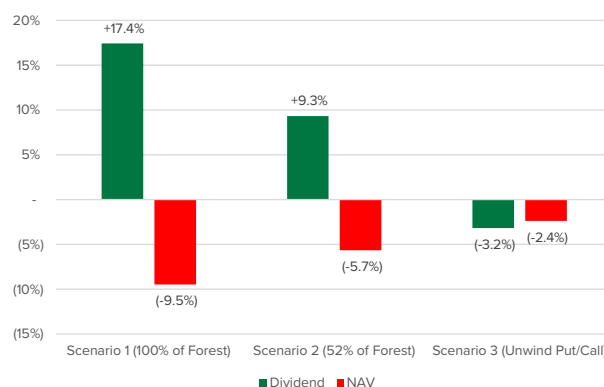
Scenario 2 - Purchase 52% of the forestry estate with NZFL purchasing 48%. Less equity funded via a pro-rata rights issue.

Scenario 3 - Purchase 52% of the forestry estate, exercise Put Options for two farms with NZFL purchasing 48%. Very small equity raise funded via a pro-rata rights issue.

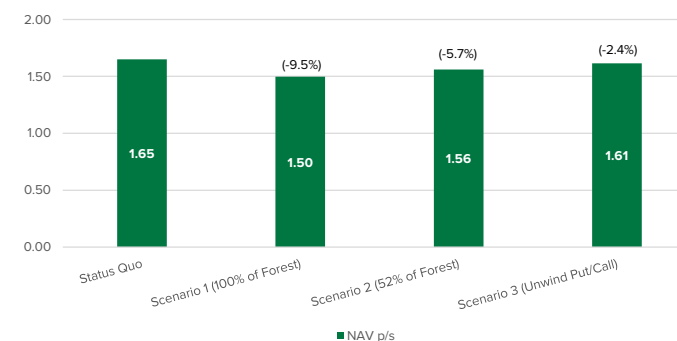
Forecast Dividend Growth (cps)



Forecast Dividend Accretion (%) and NAV Dilution (%)



Forecast NAV p/s Dilution



	FY24 Forecast AFFO/Sh	% AFFO Accretion	FY24 Forecast Dividend/Sh	% Dividend Accretion	Forecast NAV/sh	% NAV Dilution	% NAV dilution post warrant conversion
Purchase 100% of the Forest	5.26cps	+17.4%	5.00cps	+17.4%	1.50	-9.5%	-16.9%*
Purchase 52% of the Forest	4.90cps	+9.3%	4.66cps	+9.3%	1.56	-5.7%	-10.2%**
Sell Put/Call, 52% Forestry with Small Share Issue	4.34cps	-3.2%	4.12cps	-3.2%	1.61	-2.4%	-4.5%***
Status Quo Portfolio	4.48cps	Nil	4.26cps	Nil	1.65*	Nil	Nil

*31 December 2022 NAV/sh.

**Assumes 12,844,619 warrants on issue.

***Assumes 6,595,500 warrants on issue.

****Assumes 2,671,747 warrants on issue.



SECTION 5

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