New Zealand
Rural Land Co

The Rural Land **Investors**

29 August 2024

NZL's HY24 Result Delivers Income Growth and Dividend Resumption

New Zealand Rural Land Co (NZL.NZX) announces its financial result for the six months ending 30 June 2024 (HY24 end). NZL recorded a net profit after tax of $12.4m and Adjusted Funds From Operations (AFFO) of $3.6m, excluding earnings from properties with put/call arrangements in place.

HY24 Highlights

- Roc Partners purchased 25% of NZL's portfolio, validating strategy and partnering for future growth;
- AFFO grew from 1.53 cps in HY23 to 1.94 cps (+26.8%) in HY24. NZL forecasts FY24 AFFO of between 5.01 cps and 5.36cps (FY24 includes the rental adjustments and first half year of higher yielding acquisitions);
- Portfolio diversification and yield materially increased by forestry and horticultural acquisitions in HY24;
- WALT increased from 11.6 years (31 December 2023) to 12.7 years at HY24 end;
- 17,457 hectares of rural land now owned, an increase of +18.3% on FY23;
- Gearing lowered to 30.5% with 64.0% of debt hedged;
- HY24 forestry transactions reaffirm NZL's partnership with New Zealand Forestry Leasing (NZFL) and continue NZL's contribution to the New Zealand Governments international and domestic greenhouse gas emissions targets and biodiversity enhancements;
- Dividend reinstated at 75% of AFFO, equivalent to 1.46 cps. Dividend will be paid in mid-October 2024;
- Dividend reinvestment plan will be reinstated; and
- On-market share buyback programme continued, with 10,000 shares repurchased at an average price of $0.88 per share, bringing the total shares repurchased to 621,327 since buyback was initiated in June 2023.

A detailed results presentation is available at: https://www.nzrlc.co.nz/reports-presentations.

CPI Adjustments

CPI linked rental increases of +18.6% on 37.3% of NZL's portfolio took effect mid 2024 a further 26.5% of NZL's portfolio was subject to a +4.0% increase on 15 April 2024.

NZL benefits from CPI adjustments for all of its properties and has received CPI adjusted rental payments from all 18 properties due for review by mid 2024. CPI for the three years ending mid 2024 was +18.6% and represents a period of strong inflationary pressures. Reflecting this the portfolio's total lease value has increased by ~$1.56m or +7.6%. NZL's dairy leases undergo CPI review every three years, in contrast to its horticultural and forestry leases which undergo CPI review annually.

Roc Transaction

On 19 January 2024, NZL announced it had entered into an agreement to sell a 25% equity interest in its land portfolio to Roc Partners (Roc). This transaction settled in early HY24 on 9 February 2024.

Roc acquired the equity interest for $44.2m in cash. NZL used the proceeds to repay the $11.8m owing on a convertible note it drew down in April 2023 to partially fund its forestry acquisition. Further proceeds were used to fund orchard and forestry land acquisitions detailed below, with the balance retained as working capital while other opportunities are investigated.

Acquisitions

In February 2024, NZL announced its intention to acquire a 97 hectare horticultural property in Hawke's Bay and a 1,105 hectare forestry estate in Manawatu-Whanganui. NZL has since settled both transactions and supplemented the purchases with an additional 1,501 hectare forestry estate in the same well regarded forestry region. These properties were collectively purchased for $34.9m and were leased to Kiwi Crunch, New Zealand Forest Leasing and MM forests, for an average weighted lease term of 24.5 years a weighted average yield of 7.9% (by lease value). All leases include annual CPI adjustments.

Following these transactions in HY24, NZL now owns 17,457 hectares of rural land (25% of which is owned by Roc) with a 12.7 year WALT (by lease value) and 100% occupancy across eight tenants (this represents a 10% increase in rural land asset value). The new properties add meaningful sector, income and tenant diversification to NZL's portfolio, with forestry and horticulture now comprising a 33% and 6% proportion of the company's annual lease income.

NZL is also pleased to announce that it has entered into an unconditional agreement to purchase 126 hectares of high-quality horticultural land in one of Central Otago's prime growing districts. The property will be purchased for $13.3m, yielding 8.5% annually and will be leased to SI Orchards with annual CPI adjustments. The acquisition is to be settled in part with $3.5m of NZL shares issued at NAV.

Dividend and Share Buyback Programme

NZL has reinstated dividend payments resolving to pay an interim dividend of 1.46 cps, representing 75% of HY24 AFFO. The dividend will be paid in mid October 2024.

NZL's intention has always been to pay regular semi-annual dividends with an interim dividend paid in October and final dividend paid in March each year. NZL's amended dividend policy targets a pay-out of 60% - 90% of AFFO. The pay-out range grants the company greater flexibility to deploy NZL's cash operating earnings in ways considered most beneficial to increasing shareholder value.

The company maintains a selective on-market share buyback programme. Pursuant to NZX Listing Rule 4.14.2, buybacks may take place on and from 1 June 2023 for a period of 12 months. As per the policy released on 27 May 2024, the total number of shares that may be bought back shall not exceed 6,000,000 shares. Shares will only be acquired if the acquisition price represents 90% or less of NZL's prevailing net asset value per share. During the period, NZL repurchased a total of 10,000 shares at an average price of $0.88 per share. Under the programme, 621,327 shares have been acquired as at the date of this announcement.

NZL is also reinstating its dividend reinvestment plan which offers shareholders the opportunity to reinvest the net proceeds of cash dividends payable on some or all of their NZL shares into additional fully paid shares.

Outlook

NZL's strategy is to own quality rural land in New Zealand; growing a diverse portfolio while delivering attractive risk-adjusted returns as a ground lessor. NZL's transactions to date have delivered on this strategy.

NZL's leases incorporate regular CPI reviews. That means inflation results in rental growth. Meanwhile, NZL is insulated from inflation, and all other operational on-farm costs by owning only the land.

Post the most recent acquisitions and Roc transaction, NZL forecasts FY24 AFFO of between $7.0m and $7.5m, which excludes earnings from properties with put/call arrangements in place (~$1.2m).

Importantly, NZL has hedging arrangements in place for 64% of its total borrowings. Gearing amounts to 30.5% of total assets.

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