

ASX release

1H24 financial results summary

23 February 2024

Rural Funds Management Limited (RFM) today released the Rural Funds Group (ASX: RFF) Financial Statements for the half-year ended 31 December 2023 (1H24) as summarised below.

Financial results summary

- **Property revenue increased 12.4%**, or \$4.6 million (m), to \$42.0m primarily due to rental income earned on macadamia developments.
- **Earnings increased 19.5%**, or \$11.6m, to \$71.0m driven by property revenue and asset revaluations.¹
- **Adjusted net asset value (NAV) increased 4.8%**, or \$0.14 per unit, to \$3.07 per unit benefiting from independently revalued assets, primarily in the cattle and macadamia sectors.
 - **Asset revaluations contributed \$72.2m** to adjusted NAV.
- **Adjusted funds from operations (AFFO) 4.0 cpu**. AFFO forecast to be higher in the second half (2H24) due to:
 - rent payable on capex deployed for second tranche of macadamia developments²
 - timing of the receipt of operating income from owner occupied properties.
- **FY24 forecast AFFO 11.2 cpu** and distributions of 11.73 cpu.

Capital management summary

- **Bank debt facility extension and limit increase completed** during period demonstrating ongoing support from financiers.
- **Sufficient facility headroom (\$171.6m) for committed capex** in FY24 and FY25 (\$165.7m), primarily for the continuation of accretive macadamia development pipeline.

Portfolio and strategy update

RFM is currently in the documentation phase of a proposed transaction for two cropping properties (Mayneland and Baamba Plains) with a combined value of \$73.6m. The proposed transaction involves a 50% sale of the properties to an operator and the operator will lease 100% of the properties. If a binding agreement is reached, the transaction is expected to settle 2H24.³

¹ Based on Total Comprehensive Income.

² Commencement of second tranche of macadamia lease (1,800 ha) subject to water allocations being issued following completion of the Rookwood Weir. Allocations expected to be issued 2H24. Second tranche rent earned on the value of land, water and capex as it is deployed, payable on lease commencement.

³ The parties have not entered into any binding agreements and there is a chance that the negotiations will not be successfully concluded.

This proposed cropping property transaction is in line with RFM's previously stated objectives to reduce operating exposure, debt, and improve earnings. RFM are pursuing a macadamia transaction with similar characteristics to the proposed cropping transaction.

The development of 3,000 ha of macadamia orchards are forecast to be substantially complete by calendar year end. The developments are expected to contribute significantly to property revenue growth, with the forecast rentable capital base increasing from \$173m to \$298m by FY25e.

Portfolio highlights

- **Provides exposure to a defensive property sector (food production):** with inflationary hedge characteristics.
- **Quarterly distributions:** March, June, September and December (record dates).
- **Long WALE:** 12.8 years with leases predominantly triple-net structure.
- **Diversification:** 67 properties across five agricultural sectors and multiple climatic zones.
- **Quality lessees:** c. 80% of FY24f income from corporate and listed lessees.
- **Structural rental growth:** Mix of lease indexation mechanisms and market rent reviews.
- **Development and leasing pipeline:** Productivity improvements and conversion to higher and better use development opportunities.

Results webinar

A financial results webinar will be held today at 11:00AM AEDT. Those wishing to attend the webinar will need to register via: <https://webcast.openbriefing.com/rff-hyr-2024/>.

A recording of the webinar will be made available on the RFM website.

Rural Funds Group (ASX: RFF)

Rural Funds Group is an agricultural Real Estate Investment Trust (REIT) listed on the ASX under the code RFF. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. RFF targets distribution growth of 4% per annum by owning and improving farms that are leased to good counterparties. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805).

Rural Funds Management Limited (RFM)

Rural Funds Management Limited is the responsible entity and manager of RFF. RFM is an agricultural fund and asset manager established in 1997. The management team includes specialist fund managers, finance professionals, horticulturists, agronomists and other agricultural managers. RFM's company culture is informed by its long-standing motto "Managing good assets with good people".

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