



## Vitalharvest Presentation

**10 August 2018:** Vitalharvest Freehold Trust (ASX:VTH), managed by goFARM Asset Management, lodges this investor PowerPoint presentation.

Vitalharvest's investment and growth strategies focus on investment-grade, mature, operating agricultural assets within Australia and New Zealand which are:

- strategically located in productive farming locations in Australia and New Zealand
- leased to quality operators/managers
- diversified by crop, geography and tenant
- subject to long-term leases and attractive lease terms
- adhere to capital structure and capital management considered to be appropriate for Vitalharvest
- pursue synergistic acquisitions, divestments and investment opportunities.

For more information, please visit <http://www.vitalharvest.com.au>

**Liza Whitmore**  
goFARM Asset Management  
Executive Chair

**Liam Lenaghan**  
goFARM Asset Management  
Managing Director

### About Vitalharvest

*Vitalharvest owns one of the largest aggregations of berry and citrus farms in Australia. These are located in prime growing locations in New South Wales, South Australia and Tasmania and leased to Costa Group (ASX:CGC).*

*Vitalharvest provided investors with exposure to agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for nutritious, healthy food. These assets provide agricultural diversification by way of crop type, climatic region, water source and product end markets.*

*Vitalharvest is an agricultural real estate investment trust managed by goFARM Asset Management.*

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# Vitalharvest Freehold Trust “Vitalharvest REIT”

IPO Presentation – June 2018

*Private & Confidential*



Source: goFARM

goFARM  
ASSET MANAGEMENT

Manager of Vitalharvest REIT

BELL POTTER

Lead Manager & Bookrunner

Kidder  
Williams Limited

Corporate Adviser



# IMPORTANT INFORMATION AND DISCLAIMER

## General information

This document was prepared and is issued by goFARM Asset Management Pty Ltd ACN 625 505 455 AR No. 001264243 (**goFarm**), the proposed manager of the Vitalharvest Freehold Trust ARSN 626 537 362 (**Vitalharvest REIT**).

Vitalharvest REIT is an Australian registered managed investment scheme. It has been prepared for and must only be provided to persons who are wholesale clients as that term is defined in Section 761G of the Corporations Act 2001 (Cth)

In providing this information, goFARM did not take into account the investment objectives, financial situation or particular needs of any particular person. This document is only provided for information purposes and does not contain investment recommendations nor provide investment advice.

A product disclosure statement for units in Vitalharvest REIT is expected to be lodged with ASIC on or about [29 June 2018] (**PDS**) by The Trust Company (RE Services) Limited ACN 003 278 831 AFSL 235150 (**Responsible Entity**), and will be available at [www.vitalharvest.com.au/offer](http://www.vitalharvest.com.au/offer) or by calling goFARM on 1300 117 902 (toll free within Australia) or +61 3 9415 4055 (outside Australia) after expiry of the exposure period (generally 7 to 14 days after lodgement). The Responsible Entity will be the issuer of the Units.

## This document is not an offer

This document is not a prospectus, disclosure document, product disclosure statement or offer. It does not constitute an invitation, solicitation, recommendation or an offer to purchase or subscribe for securities. Units in Vitalharvest REIT will only be issued upon receipt of a valid application form accompanying the PDS.

You should consider the PDS in deciding whether to acquire (or where applicable, continue to hold) units in Vitalharvest REIT. You should determine your investment decision on the

basis of all independent investigations that you consider necessary or desirable and if you consider it appropriate, you should obtain your own legal, financial, taxation and other professional advice. This document contains “forward looking statements” including statements about matters as to current intent, belief or expectations and guidance on future earnings and financial positions and performance. Forward looking statements made in this document are believed to be reasonable at the time of release but those statements are subject to risks, uncertainties and other factors which could cause actual results and performance to differ materially from the future results and performance expressed, projected or implied by those statements (including those described in this document).

Past performance information given in this document is given for illustrative purposes only and is not necessarily a guide to future performance. Nothing contained in this document nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or future performance of Vitalharvest REIT.

## Interests and relationships

At the date of this document, Costa Group Holdings Ltd ACN 151 363 129 (**Costa Group**) does not own any interest in Vitalharvest REIT and is not related in any way to Vitalharvest REIT. Costa Group has had no involvement in the preparation of this document or the Pathfinder PDS and will have no involvement in the preparation of the PDS, or the proposed offer of units in Vitalharvest REIT, or in the promotion or formation of Vitalharvest REIT.

The Responsible Entity, goFARM and their officers, employees, agents and affiliates may have an interest in Vitalharvest REIT and may receive fees from dealing in Vitalharvest REIT. Neither the Responsible Entity, goFARM nor their related entities, directors or officers guarantees the performance of or any investment in Vitalharvest REIT.

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Statements made in this document are made only at the date of the document. The Relevant Persons are under no obligation to update this document. The information in this document remains subject to change without notice. The Responsible Entity reserves the right to withdraw or vary the timetable for the offer of units in Vitalharvest REIT without notice.

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## Overview

- The Citrus and Berry Properties (**Properties**) were originally owned by Costa Group (**CGC**)
- In 2011, US-based PE fund, Paine & Partners, acquired a 50% of CGC and the Properties were purchased by Vitalharvest (now wholly-owned by Costa Asset Management (**CAM**)) and leased back to CGC under the existing lease terms
- CAM is a Costa family office investment group established by Robert and Anthony Costa, two of the three founders of CGC
- CGC listed on the ASX in July 2015
- Vitalharvest expected to IPO. Plan to lodge PDS with ASIC on 29 June 2018
- There is an opportunity to offer CGC further expansion possibilities using off-balance sheet finance via Vitalharvest to expand its citrus and berry footprint

## Related Interests

- The family, including Robert, Anthony (deceased) and Frank Costa have a small shareholding in CGC
- Frank Costa is a Director of CGC but not a Director / Unitholder of CAM
- Robert Costa is a Director of CAM but not a Director of CGC
- Post IPO, CAM will own a minimum of 5% of Vitalharvest
- CAM will own 50% of Vitalharvest REIT manager goFARM

- Key features of the Vitalharvest REIT will include:
  - One of the largest aggregations of berry and citrus farms in Australia located in prime growing locations
  - Properties leased to Costa Group (**ASX:CGC**) - Australia's leading horticulture company and largest fresh produce supplier, circa \$2.5bn market cap
  - Well established, operationally proven and strategically located assets
  - Asset diversification by crop type, climatic region, water source and product end markets
  - Organic growth driven by favourable consumer trends in nutritional foods for Australian and export markets
  - Additional growth through capex contributions and accretive acquisitions
- Vitalharvest Pty Ltd, a subsidiary of CAM, has owned the Citrus and Berry Properties since 2011
- goFARM is proposed to be appointed as Manager of the Vitalharvest REIT
- Perpetual Limited (The Trust Company) is proposed to act as Responsible Entity



Source: Vitalharvest

- Under the Leases, the Vitalharvest REIT will receive a base rent plus a variable rent based on CGC's profit
  - **Base rent:** 8% return on original property cost plus capex contribution by Vitalharvest REIT
  - **Variable rent (profit share):** 25% share of the profit generated by CGC from the sale of produce derived from the Properties
- Lease term to 2026 with option to extend for 10 years; WALE 8 years
- CBRE independent valuation \$238.4m
- Triple net: the tenant is responsible for all outgoings and costs associated with the Properties
- Pro Forma Forecast FY18
  - Total Base Rent and Variable Rent: \$21.3m
  - Funds from Operations (FFO): \$16.4m
- **IPO offer terms summary:**
  - \$185m in new equity @ \$1.00 per Unit
  - Pro forma Forecast FY18 yield of **8.0%** (90% payout ratio / FFO)
  - \$95m debt
  - CAM is proposed to own a min. of 5% of Units on Issue and reserves the right to own a larger amount

Property	Varieties	Size (ha)	Planted (ha)
Solora (Bookpurnong)	Mandarin, Grapefruit, and Orange	582	441
Kangara (Murtho)	Mandarin, Orange, Lemon, Avocado, and Persimmon	962	856
Yandilla (Renmark)	Mandarin, Grapefruit, Orange, Lemon, Avocado, and Wine Grapes	1,003	596
<b>Total</b>		<b>2,547</b>	<b>1,893</b>

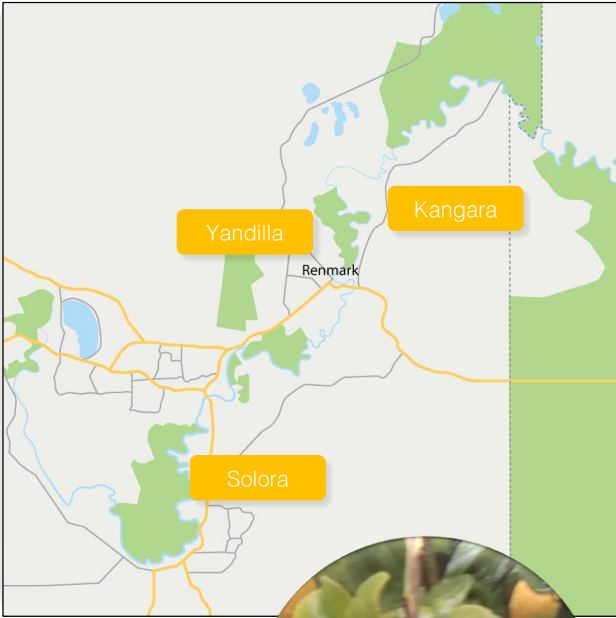
Source: Pathfinder PDS – 3.3 Portfolio breakdown

The properties are situated in the Riverland region of South Australia which has been growing citrus for over 100 years, and is close to the Murray River water source. The dry semi-desert environment produces quality citrus with high sugar content, good external fruit colouring and provides good pest management conditions.



Citrus

Image sources: Microsoft PowerPoint Copyright Free Plug-In



Source: Vitalharvest



# Berry Properties

Property	Varieties	Size (ha)	Planted (ha)
Corindi (NSW)	Blueberries and Raspberries	927	281
Tumbarumba (NSW)	Blueberries	71	23
9 Mile (TAS)	Blueberries and Raspberries	103	49
Dunorlan (TAS)	Blackberries	94	17
<b>Total</b>		<b>1,195</b>	<b>370</b>

Source: Pathfinder PDS – 3.3 Portfolio breakdown

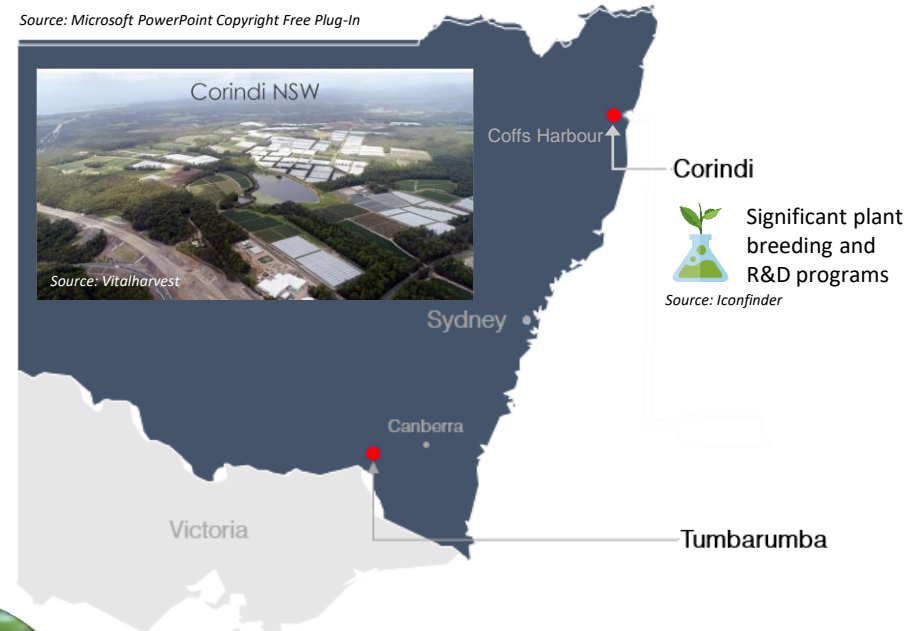
## Substrate:

Costa Group was an early adopter of substrate hydroponic production for raspberries and is increasingly utilising substrate for blueberries. Changing production techniques from 'in soil' to substrate pots increases production yields



Source: Vitalharvest

Source: Microsoft PowerPoint Copyright Free Plug-In



Corindi



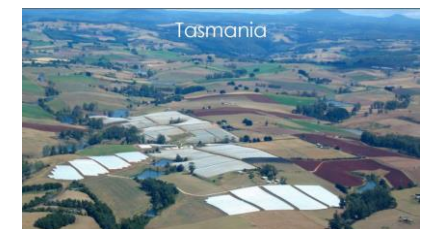
Significant plant breeding and R&D programs

Source: Iconfinder

Tumbarumba

9 Mile

Dunorlan



Source: Vitalharvest



## Water Source

- Citrus Properties source water from the Murray River system
- Berry Properties source water from rain water stored in dams on the respective farms

## Water Access Licences

- Vitalharvest Leasehold Trust will hold WALs
- Shortfall supplemented by CGC through spot purchases
- CGC could request for additional WAL (Base Rent increase)

## Water Entitlements

- Holds 13,531.7 ML of various water entitlements



Source: Vitalharvest

# Tenant: Costa Group

Vitalharvest REIT IPO

- Properties are leased to Costa Group Holdings Ltd (ASX:CGC)
- Australia's leading horticulture company and largest fresh produce supplier
  - Citrus and berries comprise 2 of CGC's five core produce categories
- CGC is well capitalised and has delivered strong earnings growth since IPO
- Berries sold into domestic supermarkets & wholesale while Citrus mainly to export markets

	FY14a	FY15a	FY16a	FY17a	FY18e
Market Cap (\$m)	N/A	727.0	931.1	1,574.1	<b>2,458.5<sup>1</sup></b>
Total Debt (\$m)	209.8	237.3	103.8	106.8	202.8
Enterprise Value (\$m)	N/A	998.9	1,030.9	1,663.3	2,661.3
Revenue (\$m)	711.1	736.2	821.9	909.1	1,094.1
EBITDA (\$m)	55.7	53.4	56.3	103.1	<b>153.3</b>
Operating Cashflow	39.3	28.0	62.8	89.1	108.4



1) CGC market capitalisation as at 31 May 2018

Table & Graph Source: CapitalIQ

- **Term:** To June 2026 with 10-year option<sup>1</sup>
- **Base rent:** fixed 8% return on property cost and capex contributed by Vitalharvest REIT
- **Variable rent (profit share):** 25% share of the profit generated by CGC from the sale of produce derived from the properties<sup>2</sup>
- **Triple net:** the tenant is responsible for all outgoings and costs associated with the properties
- **Maintenance of properties:** Tree/bush<sup>3</sup> numbers as at lease commencement adjusted for any additional areas planted during the lease term must be maintained by the tenant
- **Rent review in 2026:** if options are exercised, Base rent to adjust to 8% of market valuations
- **Tenant Assignment / Change of Control:** Requires Vitalharvest REIT's consent and transferee with equivalent financial standings. No landlord change of control restrictions<sup>4</sup>.

1) Leases are stapled, whereby the exercise of any Berry/Citrus lease option will automatically exercise all other Berry/Citrus lease options

2) **For citrus:** produce imported by CGC or produced by third parties and packed at the properties. **For berries:** royalties earned by CGC from licensing its blueberry varieties to other growers

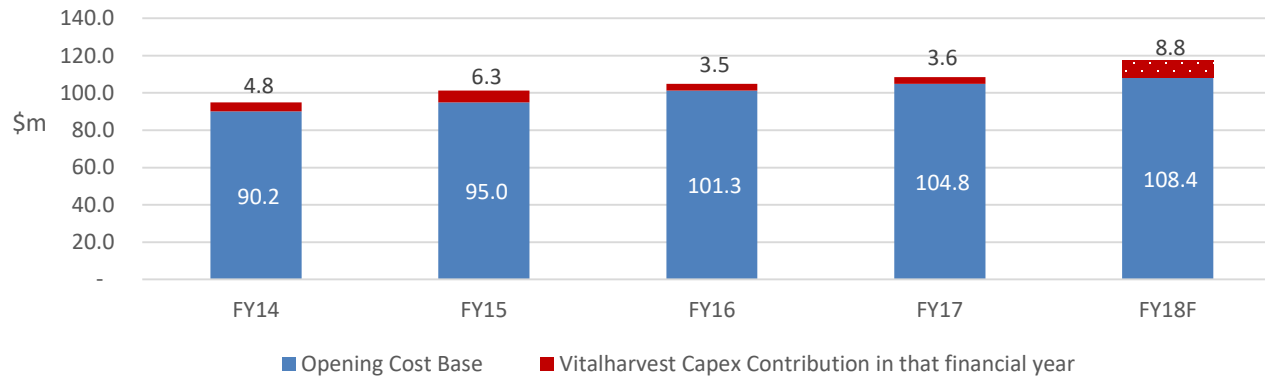
3) Tree/bush other than plant breeder right (PBR) Bushes remain property of the landlord. Upon expiry of lease, the Vitalharvest REIT will be granted license to PBR Bushes which can be sublicensed or subcontracted but not repropagated

4) Transfer of properties by Vitalharvest could trigger a termination by the tenant in the event the landlord ceases to carry on business. Termination in those circumstances allows the tenant to have right of first refusal to acquire the properties.

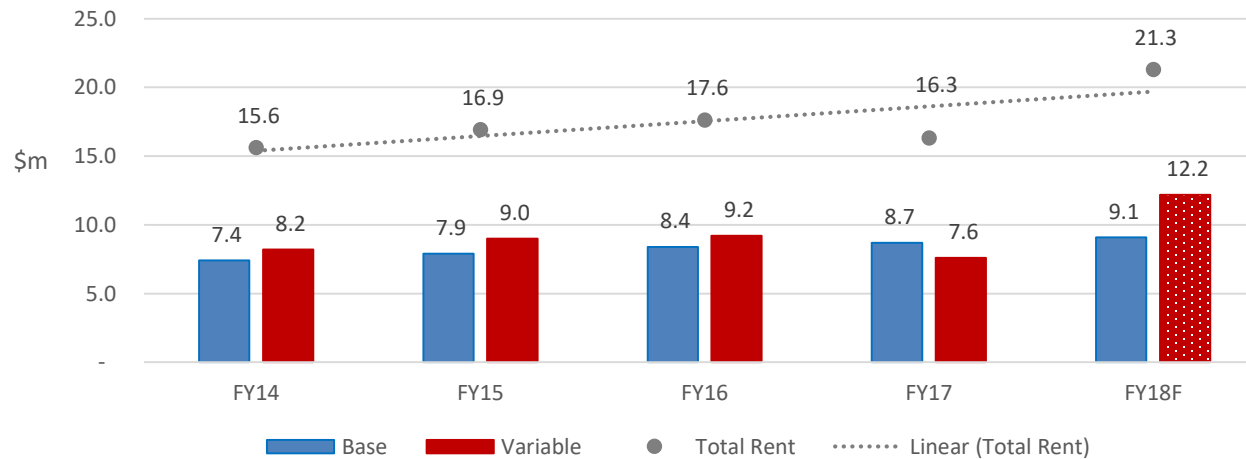
# Rental History

Both base and variable rental streams have a track record of growth

Properties Cost Base



Rental Return



Source: Pathfinder PDS – 5.4.1 General factors affecting the operating results of Vitalharvest





## Organic growth opportunities

### Drivers of increases in Base Rent include:

- Capex contributed by Vitalharvest REIT
- Market review at 2026 (potential upside of \$8.3m<sup>1</sup>)

### Drivers of increases in Variable Rent include:

- Higher berry yields through conversion to substrate pots;
- Stronger consumer demand for existing and new varieties;
- Top working of the Citrus Properties;
- Increased throughput and efficiency at citrus packing facility;
- Increased citrus yields and cost reduction from protective netting; and
- Protective tunnels over new substrate plantings reduce impact of adverse weather conditions
- Capex contributed by Vitalharvest REIT and Costa Group

## Acquisition growth opportunities

- Manager proposes that it will actively pursue the acquisition of high quality agricultural properties
- Invest in higher yielding properties
- Diversification (Location, Crops, Markets, Water Sources and Tenant)

1) The options to renew cannot be exercised by the Tenant until on or about 30 December 2024, however, had the options to renew been exercised with effect at 31 May 2018 (or if the Farming Properties were leased to a third party at an 8% yield), based on the Independent Valuation Report (vacant possession) of \$216.9 million, the Base Rent would have increased from \$9.1 million (pro forma FY18 forecast) to \$17.4 million

The Responsible Entity is The Trust Company (RE Services) Ltd, a wholly-owned subsidiary of Perpetual Limited (ASX:PPT)

## Directors' Profile

### **Christopher Green**

*Director*

- Joined Perpetual in 2006 and from 2008 as Group Executive Corporate Trust
- Completing BA in Philosophy University of London

### **Michael Vainauskas**

*Director*

- Joined Perpetual in 2014 as Chief Risk Officer
- MB Finance University of Technology, Sydney

### **Glen Foster**

*Director*

- Perpetual Group General Manager Finance
- CA and BA Commerce University NSW

### **Vicki Riggio**

*Director*

- Perpetual General Manager Managed Funds Services
- BS Land Economics University of Technology, Sydney

### **Andrew McIver**

*Alternate Director*

### **Gillian Larkin**

*Alternate Director*

## Key Personnel



Source: Vitalharvest

### **Liza Whitmore**

*goFARM Director, CAM CEO*

- Joined CAM as CEO since 2011
- Joined Costa Group in 2002 and held a senior management role
- Extensive knowledge of Citrus and Berry Properties and responsible for capex approvals
- CPA, BA Commerce

### **Liam Lenaghan**

*goFARM Managing Director*

- 20 years agri experience (DRAPAC, Warakirri)
- Founded goFARM in 2011
- Acquired and developed over 46,000 ha prime agricultural landbank
- BS Ag Science, GradDip App.Finance & Invst

### **Richard Bligh**

*goFARM COO*

- Leads goFARM Investment & Management
- BA Finance & Mkt, GradDip App.Finance & Invst

### **Nick Raleigh**

*goFARM Chief Farming Officer*

- Leads goFARM Asset Management & Research
- BS Ag Science

### **Lieutenant General Ken Gillespie AC DSC CSM (ret'd)**

*Independent Non-Exec Director*

- Retired as Chief of the Australian Army in mid-2011
- Chairman of Australian Strategic Policy Institute

## goFARM Profile

- goFarm is owned 50/50 by CAM and Liam Lenaghan, MD of goFARM
- The manager has demonstrated a successful track record of identifying and negotiating the acquisition of agricultural properties and managing, including negotiating attractive lease terms with, operator/managers across a variety of agriculture asset classes



## The manager's proposed role

- Day to day management of the Trust and review and approval of capex proposals;
- limiting exposure to plant-based industries only, primarily fruit and nuts with no investment exposure to either intensive or extensive animal industries;
- acquisitions of new properties;
- investing in crops with favourable supply-demand dynamics, water rights and entitlements;
- earnings-accretive investments in the Property Portfolio; and
- monitor compliance with debt covenants and Investor Relations



## Management Agreement Terms

- Term: 10 years with 5 + 5 options
- Early termination fee: 1.5% of GAV

### *Seed assets*

- \$0.5m p.a. (CPI adjusted)
- 0.45% of GAV in excess of initial GAV per annum

### *New assets*

- 1% acquisition fee
- 1.05% of GAV per annum

## Interest in Vitalharvest REIT

- CAM to own a minimum of 5% of Units on Issue and reserves the right to own a larger amount

## Pro Forma Consolidated Income Statement for the past 3 financial years and forecast FY18

In \$'m	Pro Forma Historical			Pro Forma Forecast
	FY15	FY16	FY17	FY18F
Base Rent	7.9	8.4	8.7	9.1
Variable Rent	9.0	9.2	7.6	12.2
<b>Total revenue</b>	<b>16.9</b>	<b>17.6</b>	<b>16.3</b>	<b>21.3</b>
Fair Value Adjustments	4.8	-	15.2	(0.2)
Total Other Income	2.8	1.3	2.4	1.6
Total Expenses <sup>1</sup>	(1.6)	(1.6)	(1.6)	(1.5)
<b>EBITDA</b>	<b>22.9</b>	<b>17.3</b>	<b>32.3</b>	<b>21.2</b>
Depreciation and amortisation <sup>2</sup>	(0.1)	(0.1)	(4.3)	(8.6)
EBIT	22.8	17.2	29.5	12.6
Finance Costs	(3.9)	(3.9)	(3.9)	(3.9)
Interest income	0.1	0.1	0.1	0.0
<b>PBT &amp; NPAT</b>	<b>19.0</b>	<b>13.4</b>	<b>25.7</b>	<b>8.7</b>

1) Includes Manager Fees, Responsibility Entity Fees, ASX Listing Fees, Audit and Compliance

2) Depreciation represents the Accounting Standards amendment to require bearer plants to be depreciated over their useful lives from 1 July 2016.

Source: Pathfinder PDS – 5.3.1 Pro Forma Historical and Forecast Income Statement

# Pro Forma Forecast FY18 Distribution

Vitalharvest REIT IPO

<i>In \$'m</i>	Pro Forma Forecast FY18F
PBT	8.7
<b>Non-cash adjustment:</b>	
Grant Related Income	(1.3)
Dep Exp - Plant & Equip	8.6
Fair Value Adjustment	0.2
Debt Establishment Fee Amortisation	0.2
<b>Funds from Operations (FFO)</b>	<b>16.4</b>
Payout ratio (%)	90%
Pro Forma Distribution	14.8
Units on Issue (#'m)	185.0
Offer Price per Unit (\$)	1.0
Distribution per Unit (cps)	8.0
<b>Pro Forma Distribution Yield (%)</b>	<b>8.0%</b>

## Distribution Policy

- The Distribution Policy is proposed to be to pay out 85% to 100% of Vitalharvest REIT's FFO
- Distributions will be paid bi-annually, with the first Distribution to be paid in March 2019 for the six months ending December 2018

Source: Pathfinder PDS – 5.3.2 Forecast Distributable Earnings and Distributions

# Key offer statistics

Vitalharvest REIT IPO

## Vitalharvest REIT

Offer Price per Unit	\$1.00
Number of Units available under the Offer	185.0 m
Proceeds from the Offer	\$185.0 m
Indicative Market capitalisation at the Offer Price	\$185.0 m
Debt	\$95.0m
Indicative Enterprise Value	\$280.0m
Gearing	39.8%
Pro forma NAV <sup>1</sup>	\$145.4 m
Pro forma NAV per Unit	\$0.79
Pro forma Forecast FY18 FFO Yield	8.9%
Pro forma Forecast FY18 payout ratio	90%
Pro forma Forecast FY18 Distribution Yield	8.0%

Source: Pathfinder PDS – Key offer statistics

1) NAV is calculated based on the Vitalharvest Pty Ltd balance sheet as at 31 December 2017 adjusted for the IPO, premium paid to CAM for the Properties and transaction costs.



Source: goFARM



- Vitalharvest has entered into a Credit Approved Term Sheet with NAB for debt facilities of \$110.0m in total. The facilities comprise:
  - \$95.0m of core debt comprising two \$47.5m facilities; one with a 3-year maturity and the other with a 5-year maturity (weighted avg. maturity of 4 years from Allotment); and
  - A 3-year \$15.0m capital expenditure facility.
- Target gearing of 40%
- Debt Covenants:
  - Loan to Value Ratio must be less than 55%
  - Interest Cover Ratio must be greater than 3 times
  - NAV must be greater than \$125.0m
  - Distributions for any given financial year are capped at 100% of FFO
- The Manager will ensure an appropriate level of interest rate hedging to minimise exposure to fluctuations in interest rates.

Debt Metrics	Post-allotment
Debt Facilities limit	\$110.0m
Debt drawn	\$95.0m
Gearing	39.8%
Interest Cover Ratio	5.7x
Target Gearing Ratio	40.0%

Source: Vitalharvest

- The IPO proceeds will be used to partially fund the purchase of the berry and citrus assets from CAM
- The balance of funding will be through a NAB loan
- Additional \$15m of funding is available for future capital expenditure

Sources of Funds	\$'m	Uses of Funds	\$'m
Equity	185.0	Payment to CAM <sup>1</sup>	211.2
Debt	95.0	Repayment of Existing Debt	54.0
		Stamp Duty	1.8
		Transaction Costs	12.5
		Working Capital	0.5
<b>Total Funds Raised</b>	<b>280.0</b>	<b>Total Funds Utilised</b>	<b>280.0</b>

Source: Pathfinder PDS – 9.1 Purpose of the Offer and use of proceeds

1) Payment to CAM of \$211.2 million excluding the estimated net completion adjustments contemplated in the Vitalharvest Share Sale Agreement of \$2.1 million based on the Pro Forma Balance Sheet (bringing the total payment to CAM of \$213.3 million) for its shares in Vitalharvest. The actual adjustments as at Completion will be based on the balance sheet of Vitalharvest at completion of the acquisition

# Indicative timeline

Vitalharvest REIT IPO

<b>PDS lodgement date</b>	<b>[Friday, 29 June 2018]</b>
<b>Cornerstone bids due (subject to early close)</b>	<b>[Wednesday, 4 July 2018]</b>
<b>Cornerstone allocations announced</b>	<b>[Thursday, 5 July 2018]</b>
<b>Cornerstone confirmation letters and CARD forms due</b>	<b>[Friday, 6 July 2018]</b>
<b>Offer opens</b>	<b>[Monday, 16 July 2018]</b>
<b>Offer closes</b>	<b>[Friday, 27 July 2018]</b>
<b>Expected commencement of trading on a conditional and deferred settlement basis on ASX</b>	<b>[Wednesday, 1 August 2018]</b>
<b>Settlement of Offer</b>	<b>[Thursday, 2 August 2018]</b>
<b>Issue of Units</b>	<b>[Friday, 3 August 2018]</b>
<b>Expected dispatch of holding statements</b>	<b>[Monday, 6 August 2018]</b>
<b>Expected commencement of trading on a normal settlement basis on ASX</b>	<b>[Thursday, 9 August 2018]</b>

## Global Citrus Outlook

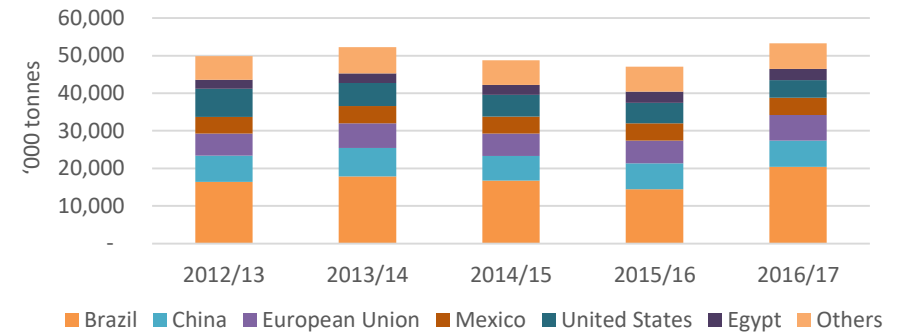
- 2016/17 Production of 97.4m tonnes
- Oranges make up > 50% of total citrus produced
- Brazil, China, and EU account for >60% production

## Australian Citrus Outlook

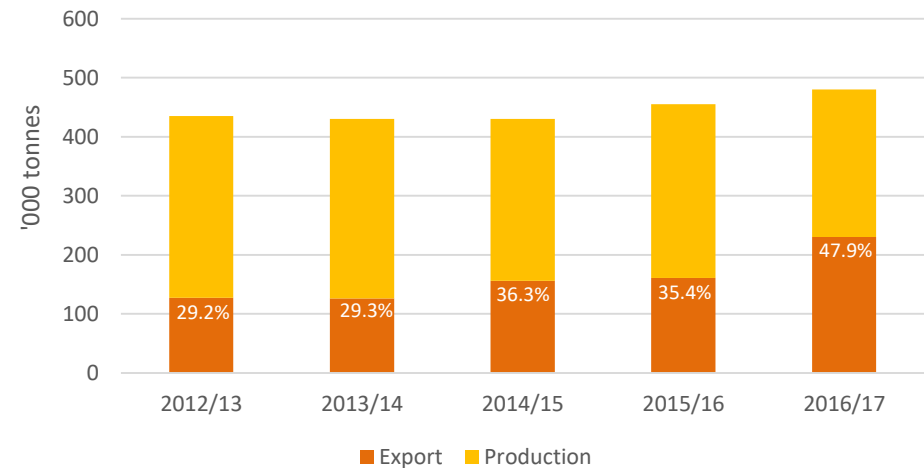
- 2016/17 Production of 0.5m tonnes
- 2016/17 Exported 0.2m tonnes
- 2012/13 to 2016/17 Consumption per capita increased by a CAGR of 8.3%, from 9.2 kg to 12.6 kg, based on volume supplied;
- Exports driven by fruit quality and growing Asian demand
- Competitive advantage as exports are counter-seasonal
- Various trade agreements with China, Korea and Japan

Source: USDA Citrus and Hort Innovation (Australia)

## Orange Production



## Australian Orange Export



Graph Source: Pathfinder PDS – 3.6.3 Global Citrus Market



## Global Berry Outlook

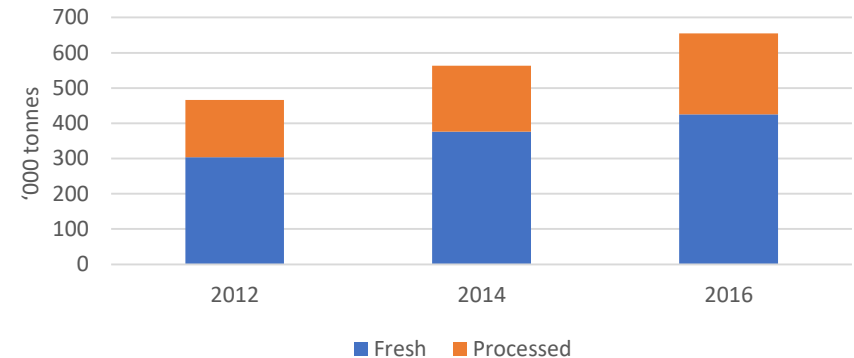
- Global consumer preference for healthy eating, convenience and flavour expected to increase worldwide supply and demand for berries
- 2016 Blueberry production of 665k tonnes
- North & South America account for > 60% of planting area
- Production to reach 904k tonnes by 2021

## Australian Berry Outlook

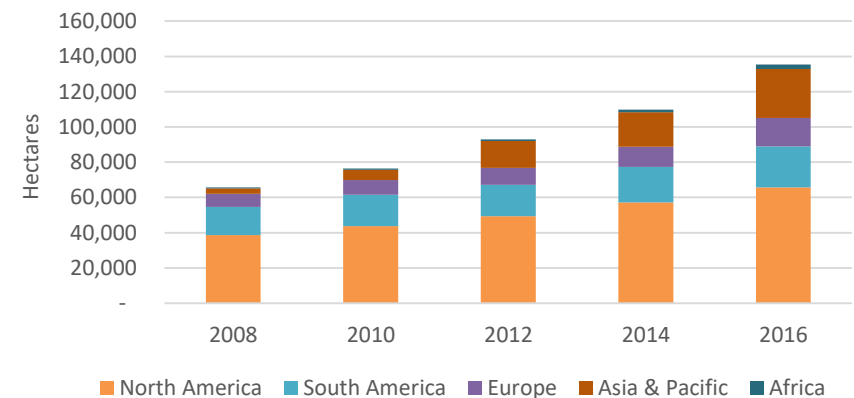
- 75% of production is consumed domestically (2016/17)
- 2016/17 Production (ex-strawberry) of 15k tonnes
- 2012/13 to 2016/17 berry consumption per capita increased by a CAGR of 6.8% while rubus (raspberries and blackberries) consumption per capita grew by a CAGR of 28.8%
- Priority in gaining market access to China

Source: International Blueberry Organisation and Hort Innovation (Australia)

Production



Planting Area



Graph source: Pathfinder PDS – 3.6.1 Global Berry Market

An investment in the Vitalharvest REIT is subject to risk and no guarantee is given as to the future performance of the Vitalharvest REIT, the repayment of capital, or any return on any investment made. The Vitalharvest REIT's income, Distributions, the value of its assets and the value of the Units may be impacted by the following risk factors:

- **Weather and climate risks**

Extreme weather events including fire, frost, floods, hail or drought and climate change may result in damage to crops at the Properties which may adversely impact Vitalharvest REIT's agricultural productivity and the Tenant's EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Commodity price fluctuations**

Changes in both global and domestic commodity pricing may affect the Tenants' EBT, in particular, agricultural commodity price fluctuations in berry and citrus prices and fluctuations in the cost of farming inputs including fertiliser and insecticides.

As such, any negative movement in commodity prices may have an adverse effect on the Tenants' EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Exchange rates**

The Vitalharvest REIT's revenues are generated in Australian dollars. However a substantial proportion of the citrus products that Costa Group produces in Australia are sold in the world market and

typically traded in US dollars. Additionally, some input costs such as chemical fertiliser and fuel may be payable in US dollars.

Accordingly, any appreciation or depreciation of the Australian dollar against the US dollar as well as other adverse exchange rate movements could have an adverse effect on the Vitalharvest REIT's future financial performance and position.

- **Loss of citrus market**

Costa Group exports the majority of its citrus produce to offshore markets. If key offshore markets are closed to Australian citrus produce (i.e. through tariffs and restrictions) or if it becomes uneconomic to export Australian citrus to these markets by virtue of a rising Australian dollar or other costs, this may adversely impact the Tenant's EBT. This may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives and the value of the Properties.

- **Increasing competition**

The berry and citrus markets are competitive, and if the Tenants are unable to compete effectively, the Tenants' EBT may suffer, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives.

In addition, the Tenants' competitors may introduce new and/or superior citrus or berry varieties which may adversely impact the Tenants' market position and the prices it can command from the market.

- **Impact of new 'Integrity Measure' proposal**

On 27 March 2018 the Australian Government announced an 'Integrity Measure' proposal whereby foreign investors in Managed Investment Trusts holding agricultural land will not be able to access the concessional rate of withholding tax (currently 15%) in respect of fund payments made on or after 1 July 2019. If enacted, it is expected that this would apply to the Trust. As at the date of this presentation no legislation has been introduced into Parliament.

- **Access to water**

Due to the highly regulated nature of water from the Murray River system, the Citrus Properties may be exposed to water availability risks which may adversely impact agricultural productivity on the Citrus Properties and the financial position of the Vitalharvest REIT. Changes in government policy relating to the delivery and cost of water may also impact on the cost and the underlying value of the Water Rights and the Properties.

- **Disease and other horticultural risks**

Plantings at the Properties may be exposed to disease or insect infestation which may adversely impact the viability of the crops in any particular season. This may adversely affect the Tenant's EBT, which in turn may have an adverse impact on the aggregate Rent which Vitalharvest REIT receives. The suitability of the Properties to produce the intended crops in the future and the value of the Properties may also be adversely effected.

- **Breach of the Debt Facilities**

If an event of default occurs under the Debt Facilities, this could result in NAB demanding immediate repayment of all or part of the Debt Facilities. Vitalharvest REIT may need to dispose of some or all of the Property Portfolio for less than their market value, raise additional equity, or reduce or suspend Distributions in order to repay the Debt Facilities.

- **Risk of disputes**

There is a risk that Vitalharvest REIT may be subject to certain disputes, claims or pursuit of injunctive or other relief from time to time. While no legal proceedings are presently underway, it is possible for disputes to arise in relation to, for example, disagreements in the calculation of the quantum of the Variable Rent, the use and disclosure of information by Vitalharvest REIT, including in this presentation, and other commercial or ordinary course of business arrangements. Certain agreements may specify alternative dispute resolution mechanisms, but if disputes are unable to be resolved between the relevant parties, it may result in legal proceedings.

Further details on the key risks to an investment in the Vitalharvest REIT and other general risks are set out in Section 8 of the PDS.