



Vitalharvest

FREEHOLD TRUST



FY20 Financial Results Presentation

ASX: VTH

Monday, 31 August 2020

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VTH Overview and Results Summary

Snapshot of Vitalharvest

Vitalharvest Freehold Trust (“VTH”) is an ASX listed A-REIT that invests across the agricultural supply chain

VTH overview	<ul style="list-style-type: none"> VTH is an externally managed agricultural REIT that owns an investment grade portfolio of agricultural assets
Long leases to blue chip tenants	<ul style="list-style-type: none"> Current portfolio is 100% occupied with a 6.0yr WALE supported by the Costa Group (ASX:CGC), Australia’s largest horticultural company
Well located and geographically diversified portfolio	<ul style="list-style-type: none"> Assets are located within some of Australia’s premier agricultural regions: South Australia’s Riverland region, Northern NSW, Southern NSW and Tasmania The platform also owns associated water rights across its assets
Supported by PWG	<ul style="list-style-type: none"> In June 2020, Primewest Group (ASX:PWG) acquired the management rights to VTH and renamed the Manager to Primewest Agrichain Management Pty Ltd (Primewest) PWG is one of Australia’s leading property fund managers with over \$4.5bn of assets under management PWG is an aligned investor and VTH’s largest shareholder
Outlook	<ul style="list-style-type: none"> Attractive fundamentals compared to other real estate sectors Primewest intends to enhance the portfolio through active management and acquiring suitable assets Improvement in climatic conditions may have a positive influence on the production system Increasing maturity of the citrus planted area to lead to a natural increase in volumes



FY20 performance overview

Financial Performance²	\$8.8_m Funds From Operations	\$285.6_m Total Assets	\$0.91 NAV per unit
	4.76_{cents} FFO per unit ¹	4.75_{cents} Distribution per unit	99.8% Payout Ratio
Portfolio Performance	4 Production Regions	100% Occupancy	6.0_{years} WALE
	34.7% Gearing	1.95_{years} Weighted Average Debt Maturity	3.2_x Interest Coverage

1. FFO is a non-IFRS financial measure, refer to slide 22

2. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon (and is not) an indication of future performance.

PWG Overview

VTH is aligned with a highly experienced and successful real estate fund manager

A\$4.5bn AUM						
	Commercial	Industrial	Convenience	Large format retail	Agri-chain	Other
AUM	A\$1.7bn	A\$0.4bn	A\$0.9bn	A\$0.9bn	A\$0.3bn	A\$0.2bn
	Office assets located across Perth, Brisbane, Melbourne and San Diego	Industrial sites in well established locations in Perth, Brisbane, Sydney, Adelaide and Melbourne	Quality assets with local and national specialty stores across Perth, San Diego, Adelaide and regional Australia	Quality assets with local and national specialty stores across Perth, Brisbane, Sydney, and regional Australia	Comprises assets focused on agriculture across Australia	Comprises hotel assets and land

Current assets



1 Forrest Place,
Perth



600 Ranford Rd,
Forrestdale



Fairview Green
Shopping Centre,
Adelaide



Auburn Mega Mall,
Sydney



Corindi Berry Farm,
Regional NSW



Esplanade Hotel,
Fremantle

Results summary

VTH's variable rent component has been negatively impacted by specific challenges. Primewest believes these have now been addressed

FY20 in review	<ul style="list-style-type: none"> FY20 FFO down 15.8% to \$8.8m (4.76 cents per unit)¹ A number of shorter term and one-off impacts negatively affected the performance of the assets (and variable rent) during the period
Citrus variable rent	<ul style="list-style-type: none"> Key impacts have been: <ul style="list-style-type: none"> Smaller fruit sizing in late varieties for the CY19 crop caused by higher summer temperatures; Higher water allocation prices due to ongoing drought conditions; and Additional costs associated with fruit fly treatment.
Berry variable rent	<ul style="list-style-type: none"> Key impacts have been: <ul style="list-style-type: none"> Ongoing drought conditions which led to the removal of raspberries from production at Corindi; and The loss of hanging fruit from Tumbarumba due to a bushfire event.
Continued investment across the portfolio	<ul style="list-style-type: none"> \$8.6m of capital expenditure invested into the portfolio which will generate a further 8.0% return in base rent \$4.2m deployed into high security Murrumbidgee water entitlements Corindi Berry Farm dam completed and filled for the first time



1. FFO is a non-IFRS financial measure, refer to slide 22



Financial Results

Funds From Operations

FFO of \$8.8m (4.76 cents per unit) for the 12 month period

FFO build up (\$m)	FY19 ¹	FY20
Base rent	8.5	9.6
Variable rent	6.8	4.7
Other revenue	0.5	0.3
Total revenue (exc. grant income)	15.8	14.6
Administration fees ²	(1.4)	(1.6)
Other expenses	(0.4)	(0.5)
Other expenses	(1.8)	(2.1)
EBITDA	14.0	12.5
Finance costs	(3.5)	(3.7)
FFO³	10.5	8.8
Units outstanding	185.0	185.0
FFO / unit - (c)	5.66	4.76
Payout ratio	99.8%	99.8%
Distribution / unit - (c)	5.65	4.75

- Rental revenue of \$14.3m for the 12-month period
 - Base rent totalled \$9.6m
 - Variable rent totalled \$4.7m
- Growth in base rental income due to capital expenditure investment contributed by VTH
- FY20 Variable rental income down 31% YOY compared to the FY19 period
- FFO for the 12-month period of \$8.8m (4.76 cents per unit)
- 2H FY20 Final Distribution confirmed at 1.5 cents with FY20 Total Distribution confirmed at 4.75 cents

1. FY19 information based on statutory accounts – represents 11 months of trading activity
 2. Includes Responsible Entity Fees, Management Fees and Professional Fees
 3. FFO is a non-IFRS financial measure, refer to slide 22

Balance sheet

Strong balance sheet underpinned by \$280.3m of total investment property¹

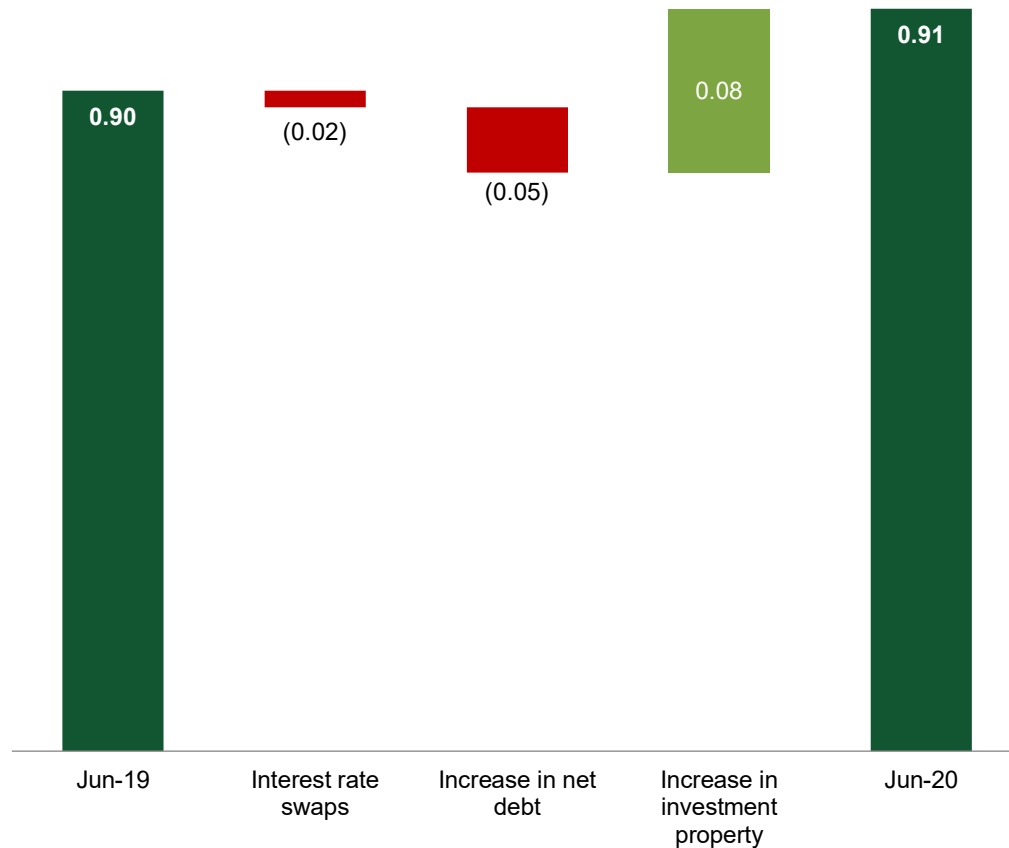
Proforma Adjusted Balance Sheet (\$m)	FY20
Cash and cash equivalents	5.0
Other assets	0.3
Water entitlements	43.9
Bearer plants / PPE	110.8
Investment properties	125.6
Total assets	285.6
Trade and payables	3.8
Other liabilities	11.2
Borrowings	102.4
Total liabilities	117.4
Net assets	168.2
Units outstanding	185.0
Net assets / unit	0.91
Gearing²	34.7%

- Strong balance sheet underpinned by \$280.3m of investment properties¹
- Total debt facility capacity of \$110.0m with \$102.4m drawn at 30 June 2020
- Gearing at 34.7% below target of 40%

1. Total investment properties comprises water entitlements, bearer plants / PP&E and investment properties
 2. Total borrowings minus cash divided by total assets minus cash

Change in NAV / unit – FY19 to FY20

VTH NAV / unit bridge, FY19 to FY20



- Support for NAV / unit over the period provided by:
 - \$13.6m increase in investment properties predominately from capex spend
 - However, this was offset by an increase in net debt to fund the capex
- Negative drag to NAV / unit primarily attributable to:
 - Fair value adjustments in relation to VTH's out of the money interest rate swaps
 - On a mark-to-market basis, the swaps increased by \$2.8m

Capital management

VTH maintains a robust balance sheet with a strong level of interest cover

34.7%

Gearing

3.2x

Interest cover ratio

3.6%

Weighted average cost of debt

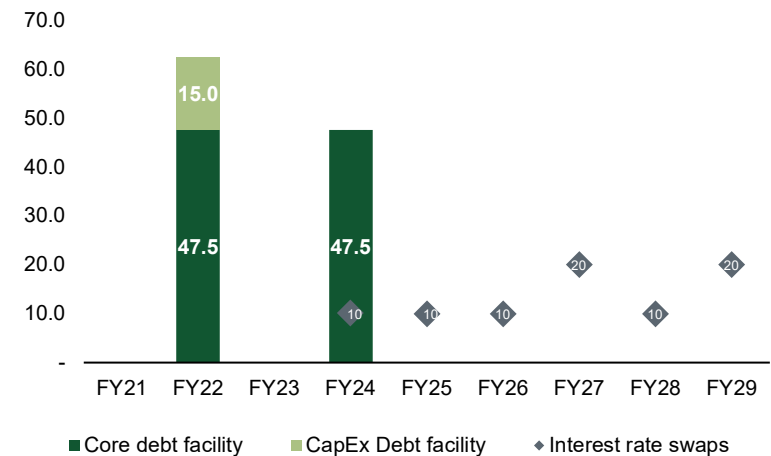
80.0%

Core debt hedged

Debt Facility Summary (A\$m)

	FY20
Debt facilities limit (\$m)	110.0
Debt drawn (\$m)	102.4
Debt headroom (\$m)	7.6
Gearing ¹	34.7%
Target Gearing Ratio	40.0%
Interest Cover Ratio	3.2x
Weighted average cost of debt ²	3.6%

Debt maturity profile (A\$m)



1. Total borrowings minus cash divided by total assets minus cash
 2. Excluding amortised borrowing costs



Guidance and Outlook

Guidance and Outlook

Sector outlook	<ul style="list-style-type: none"> • Primewest believes that the sector will outperform other real estate investment classes in the current environment (i.e. less impacted from economic slowdown) • Continued demand from export markets for quality agricultural products will drive future performance of operators
Existing assets	<ul style="list-style-type: none"> • Ongoing capex program will increase base rent • Variable rent over FY20 was significantly impacted by a series of coinciding, unprecedented events, leading to the lowest variable rental return since FY14 • Primewest is currently exploring initiatives to reduce downside risk associated with the variable rent component
Other opportunities	<ul style="list-style-type: none"> • Actively seeking new asset opportunities that enhance the portfolio composition
Portfolio outlook	<ul style="list-style-type: none"> • Improvement in climatic conditions may have a positive influence on the production system • Increasing maturity of the citrus planted area to lead to a natural increase in volumes



Primewest strategy for VTH

With investor support, VTH will target real agricultural property assets and assets that are critical to the agricultural supply chain

Proposed name and ticker	<ul style="list-style-type: none"> • Primewest is proposing to rename the Trust to Primewest Agrichain Management • Anticipated ticker ASX:PWA
Fund objective enhanced	<ul style="list-style-type: none"> • To invest in real agricultural property assets and other assets that are critical to the agricultural supply chain
Strategy maintained	<ul style="list-style-type: none"> • Targeting high quality locations throughout Australia • Leasing to operators / managers that are subject to long term leases with attractive terms • Adhere to the existing capital management and capital structure parameters
Target assets	<ul style="list-style-type: none"> • Farms • Processing and manufacturing facilities for food • Food and beverage packaging facilities • Storage facilities related to food



Investing across the agricultural supply chain

Primewest aims to create Australasia's leading pure play agri-chain listed A-REIT

Targeting essential infrastructure from the farm itself through to the customer

Production

- Primary production assets include operations at the farming level
- Australian assets are generally focused on fruits and vegetables, livestock, dairy, poultry, grains and vineyards
- Often located in regional locations on large properties



Processing

- Assets critical to processing of agricultural products post leaving the farm
- Essential to “value add” primary production
- Often located in regional locations



Storage

- Assets related to the storage of processed food before preparation for distribution
- Assets typically include refrigerated storage rooms, grain silos and storage tanks for liquid products
- Often large-scale industrial assets in accessible locations



Delivery & Distribution






- Assets related to the delivery and distribution of agricultural products to end consumers
- Assets typically include refrigerated loading docks and cooling rooms
- Often large-scale industrial assets in accessible locations



A close-up, high-density photograph of numerous lemons. The lemons are in various stages of ripeness, with some showing a vibrant green and others a yellowish-green hue. They are packed closely together, filling the entire frame. A dark green horizontal bar is positioned across the middle of the image, containing the word 'Appendix' in white text.

Appendix

Key Executives

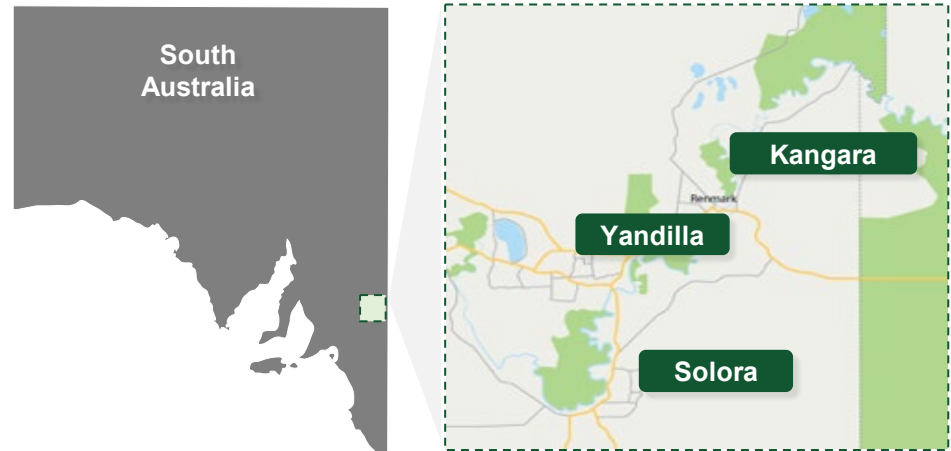
Name	Biography	Name	Biography
 John Bond Director, Primewest Agrichain	<ul style="list-style-type: none"> John is a founding Director of Primewest Group Background spans law, investment banking as well as property investment and development Over 30 years' experience in negotiating acquisitions, overseeing development of properties and asset management Chairman of Australian Doctors for Africa and The Fathering Project charities Bachelor of Commerce, Corporate Member of Property Council John is a responsible manager under the AFSL 	 Andrew Tout Fund Manager, Primewest Agrichain	<ul style="list-style-type: none"> Andrew is the Agricultural Asset Manager for Primewest Group Sixth-generation agriculturalist with over 25 years experience in various practical, management and advisory roles across the Agribusiness sector Experienced in various facets of Agribusiness through senior roles in banking, property, credit restructuring and financial advisory services Having spent many years living and working in rural communities Andrew has an appreciation of the unique challenges faced by Australian agribusinesses
 David Schwartz Director, Primewest Agrichain	<ul style="list-style-type: none"> David is a founding Director of Primewest Group Professional property investor with over 25 years' experience in negotiating acquisitions and overseeing the development of properties Focus on retail and commercial property developments Background spans retail, manufacturing and distribution businesses Non-Executive Director of Schaffer Corporation Ltd David is a responsible manager under the AFSL 	 Gayle Campbell Investor Relations, Primewest Agrichain	<ul style="list-style-type: none"> Gayle manages Investor Relations, Marketing and Communications for Primewest Group Experienced in the Australian property landscape including Commercial, Industrial, Logistics and Retail Background spans management roles within property, architecture, banking, energy and insurance businesses Bachelor of Business and Marketing with 16 years of experience in Marketing & Communications
 Jim Litis Director, Primewest Agrichain	<ul style="list-style-type: none"> Jim is a founding Director of Primewest Group Opened Douglas Hi Fi and Sony Central stores which were successfully sold in 1988 Experienced in commercial property investments since early 1980s, initially acquiring several CBD properties and a small shopping centre Bachelor of Science (Pharmacy) Jim is a responsible manager under the AFSL 	 David Richardson Group Finance, Primewest Agrichain	<ul style="list-style-type: none"> David is Group Finance and Administration Manager for Primewest Agrichain Management Over twenty years of experience across a broad range of financial functions including mergers & acquisitions, banking & treasury, international taxation planning, and systems development and implementation Holds Bachelor of Accounting Science Degree (B.Compt – University of South Africa); Post Graduate Diploma – Finance & Investment (Financial Services Institute of Australasia); Company Directors Course (AICD)

Citrus portfolio overview

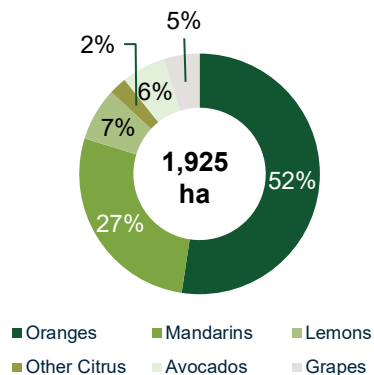
Commentary

- VTH's Citrus properties are located in the Riverland region of South Australia, one of Australia's largest citrus production regions where citrus has been grown for >100 years
- VTH's citrus portfolio represents ~23% of total citrus plantings in the Riverland
- Peak harvest season runs from late May until September

Citrus portfolio location



Crop profiles by planted area



Property details

Type	Property	Last valued	Crop varieties			Planted (ha) ¹
Citrus	Solara	30-Jun-19	• Orange • Mandarin	• Grapefruit • Avocado	• Lemon	446
	Kangara	30-Jun-19	• Orange • Mandarin	• Persimmon • Avocado	• Lemon	867
	Yandilla	30-Jun-19	• Orange • Mandarin • Lemon	• Grapefruit • Wine • Avocado	• Lime • Grapes	612
Total						1,925

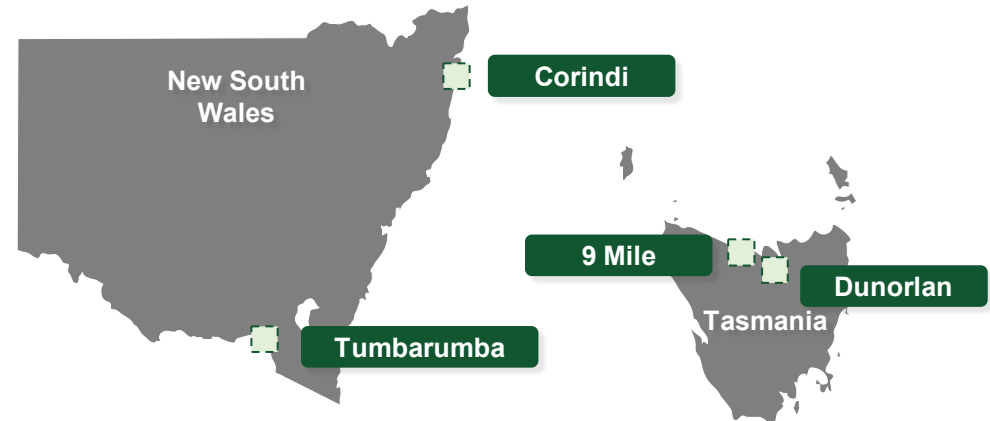
1. Planted area as at 1 January 2020

Berry portfolio overview

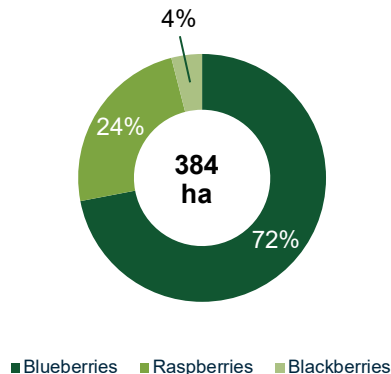
Commentary

- VTH's Berry properties are located across New South Wales and Tasmania, providing geographically spread to lengthen the production season and lower production risk
- The portfolio is one of Australia's largest aggregations of Berry farms in Australia (~15% of Australian plantings, excluding strawberries)
- Blueberries are harvested from July to February
- Raspberries are harvested all year round
- Blackberries are harvested from November to May

Berry portfolio location



Crop profiles by planted area



Property details

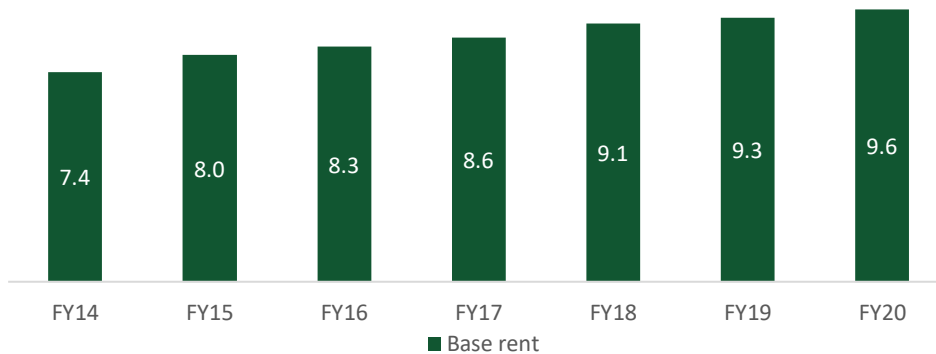
Type	Property	Last valued	Crop varieties	Planted (ha) ¹
Berries	Corindi	31-Dec-19	• Blueberries • Raspberries • Blackberries	296
	Tumbarumba	31-Dec-19	• Blueberries	23
	9 Mile	31-Dec-19	• Blueberries	49
	Dunorlan	31-Dec-19	• Blueberries	16
Total				384

1. Planted area as at 30 June 2019

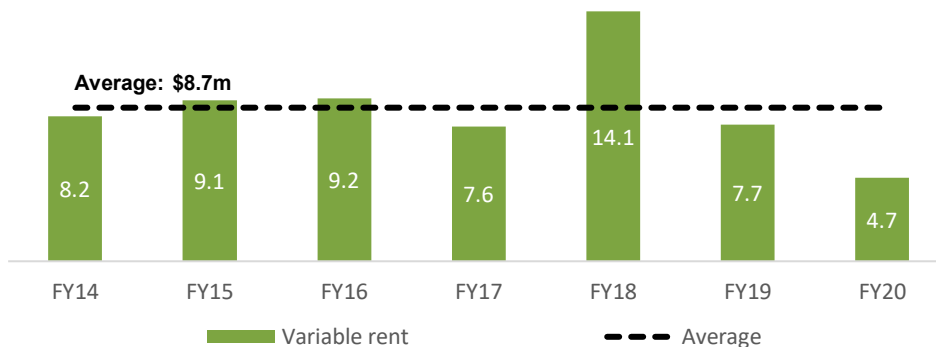
VTH rental profile

Base rent has increased steadily since FY14 while variable rent earnings have been volatile

Base rental profile over time (\$m)¹



Variable rental profile over time (\$m)



- Base rent has continued to increase steadily over the last 6 years through capex investment
- Variable rent has been highly volatile over the last 6 years with the average being \$8.7m p.a.
- Variable rent is exposed to the tenant's operating business and is subject to seasonal pricing, volume, costs and climatic factors
- FY20 was impacted by a number of shorter term and one-off impacts (bushfire, drought, high summer temperatures and costs associated with fruit fly treatment)
 - This led to the lowest variable rental return since FY14
- Primewest is currently exploring initiatives to reduce downside risk associated with the variable rent component

1. FY19 includes 11 months of trading results and 1 month of proforma earnings

Reconciliation to FFO

(\$m)	FY20
NPAT	10.7
Grant income	(1.5)
Fair value adjustments - interest rate swaps	2.8
Fair value adjustments - investment property	(16.5)
Fair value adjustments - Bearer plants and PP&E	1.8
Depreciation and Amortisation	11.3
Amortised finance costs	0.2
FFO	8.8



Vitalharvest

FREEHOLD TRUST

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