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Dear Sir or Madam

**Alterra Presentation - Positioning for Growth**

Alterra Limited (**Alterra** or **Company**) is pleased to provide a copy of a presentation outlining Alterra's post demerger plans to grow the Company.

**Summary**

- Alterra will continue to focus on agribusiness opportunities with a bias to Western Australia
- We are targeting underdeveloped and undercapitalised land and water assets which support 'land use change' opportunities to develop into investment-grade assets
- Alterra's role will be project originator, asset developer and asset manager
- We aim to generate a mix of development income, returns from capital appreciation, and asset management income over the medium to long-term
- Alterra intends to cornerstone equity in development opportunities by partnering with private equity investors
- Post-sale of assets, Alterra intends to retain long-term management
- Our business model enables Alterra to have exposure to multiple projects without 'betting the farm'

Alterra continues to develop a pipeline of potential project opportunities with existing land and water owners and has commenced introducing the business model to investors. We believe the agricultural investment thematic is compelling, the timing is right, and that we have the expertise to deliver. We look forward to providing more detail as transactions unfold.

**New MD Oliver Barnes – Early Commencement**

I refer you to ASX Announcement 357 on 9 January 2019 in which Alterra confirmed the appointment of Mr Oliver Barnes as the new Managing Director post serving out a notice period with his current employer. Oliver is an agribusiness professional who specialises in institutional and sophisticated investment and has been mandated to drive Alterra's Growth Strategy.

I am pleased to confirm that Oliver has now commenced full time with Alterra as an Executive Director and following a short handover period, will take-over the Managing Director role in coming weeks.

I would like to thank Members for their continued support, and we look forward to an exciting and transformational year for the Company.

Yours faithfully

A handwritten signature in purple ink, appearing to read 'AMcBain', is positioned above the printed name.

**Andrew McBain**  
**Managing Director**



A developer & manager of investment-grade agricultural assets

# POSITIONING FOR GROWTH





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# OUR PURPOSE

**TO UNLOCK TRANSFORMATIONAL INVESTMENTS IN AGRICULTURE THAT DRIVE SUSTAINABLE GROWTH AND LEAVE A POSITIVE SOCIAL, ENVIRONMENTAL AND ECONOMIC LEGACY**

## **WE BELIEVE :**

**SIGNIFICANT 'LAND USE CHANGE' OPPORTUNITIES EXIST IN AUSTRALIA FOR LAND ASSETS WITH ECONOMIC WATER**

**RECONFIGURING THESE ASSETS TO INCREASE EARNINGS POTENTIAL CAN HAVE A MATERIAL POSITIVE IMPACT ON VALUES**

**WESTERN AUSTRALIAN FARMLAND AND WATER IS REASONABLY PRICED COMPARED TO ECONOMIC PEERS**

**THERE IS STRONG INSTITUTIONAL DEMAND FOR AUSTRALIAN AGRICULTURAL INVESTMENT**

**THERE ARE LIMITED DIRECT INVESTMENT OPPORTUNITIES COMBINED WITH MANAGEMENT THAT ARE SUITABLE FOR INSTITUTIONAL INVESTORS**

**OUR TEAM HAS THE EXPERIENCE, RELATIONSHIPS AND COMPETENCIES TO :**

Identify and secure assets that have investment-grade development potential

Develop and systematically manage investment-grade agricultural assets

Create wealth and generate attractive returns for our shareholders and stakeholders over the medium and long-term through the execution of our business model

# OPPORTUNITY AND INVESTMENT RATIONALE

## WESTERN AUSTRALIA IS OVERLOOKED

Undercapitalised and underutilised water and land assets with near-term development potential

Counter seasonal production advantage coupled with world class provenance

Underdeveloped local industry with emerging export potential

## RAPIDLY EXPANDING ASIAN MIDDLE CLASS

Spending by Asia Pacific's middle class is expected to grow significantly over the next 15 years, reaching \$36.6 trillion which represents 57% of the purchasing power parity of the global middle class<sup>1</sup>

Asian middle class consumers seeking out reliable premium branded products

## DISRUPTIVE INNOVATION

Data driven agriculture is better at providing long-term risk adjusted returns

Increasing automation, mitigating Australia's high cost of labour and improving cost competitiveness

Traceability, creating a direct connection between consumers and their source of food

## AGRI SECTOR UNDER OWNED BY INVESTORS

Institutional asset owners currently hold USD 131 trillion of assets globally<sup>2</sup>

Over last 20 years allocation to real estate, PE and infrastructure has risen from 4% to 20%<sup>2</sup>

Agriculture is an emerging and structurally developing asset class for institutions that provides opportunities, both economically and environmentally, for portfolio enhancement

Source:

1) Kharas, Homi. 2017. "The Unprecedented Expansion Of The Global Middle Class". Brookings Institution

2) Global Pension Assets Study, Willis Tower Watson, 2018

# SECTOR & GEOGRAPHIC FOCUS

**ALTERRA PLANS TO PROGRESS OPPORTUNITIES BASED ON MARKET TIMING AND CONDITIONS, OFF-TAKE CERTAINTY AND INVESTOR DEMAND**

**TARGET SECTORS INCLUDE HIGH VALUE TREE CROPS, INTENSIVE DAIRY AND OTHER IRRIGATED CROPPING OPPORTUNITIES IN WA**

High value tree crops include permanent crops that produce fruit, stone fruit, citrus or nuts. While our focus is on WA, we plan to continue to assess compelling stand-alone opportunities such as dairy in QLD.



# BUSINESS MODEL

## A BALANCE OF DEVELOPMENT INCOME, GROWTH RETURNS AND LONG-TERM MANAGEMENT INCOME

### ASSET DEVELOPMENT

#### DESCRIPTION

The transformation and development of underutilised and undercapitalised agricultural assets into higher value investment-grade assets

#### TRANSACTION STRUCTURE

Each asset is developed via a stand alone Project Entity using a mixture of Private Equity (PE) and debt at the Project Entity level

#### ALTERRA'S ROLE

Project originator, developer and manager. Alterra intends to seed each Project Entity and cornerstone the Project Entity investment alongside PE investors through to exit

#### TIME HORIZON

Targeted 3 to 5 years until Project Entity/asset is either sold and/or transitioned to Asset Management

#### RETURNS

Alterra paid by the Project Entity via a mixture of development and management fees including performance fees. Alterra targeting attractive returns on its equity investment

### ASSET MANAGEMENT

#### DESCRIPTION

The day-to-day management of assets owned by sophisticated and institutional investors via a managed services agreement

#### TRANSACTION STRUCTURE

Investors directly own assets such as land, water, infrastructure and trading stock (e.g. permanent crops, annual crops, livestock)

#### ALTERRA'S ROLE

Principal manager providing a systematic approach to the day-to-day technical and commercial requirements of operating the assets

#### TIME HORIZON

Long-term management contracts for the duration that the asset is held by the investor

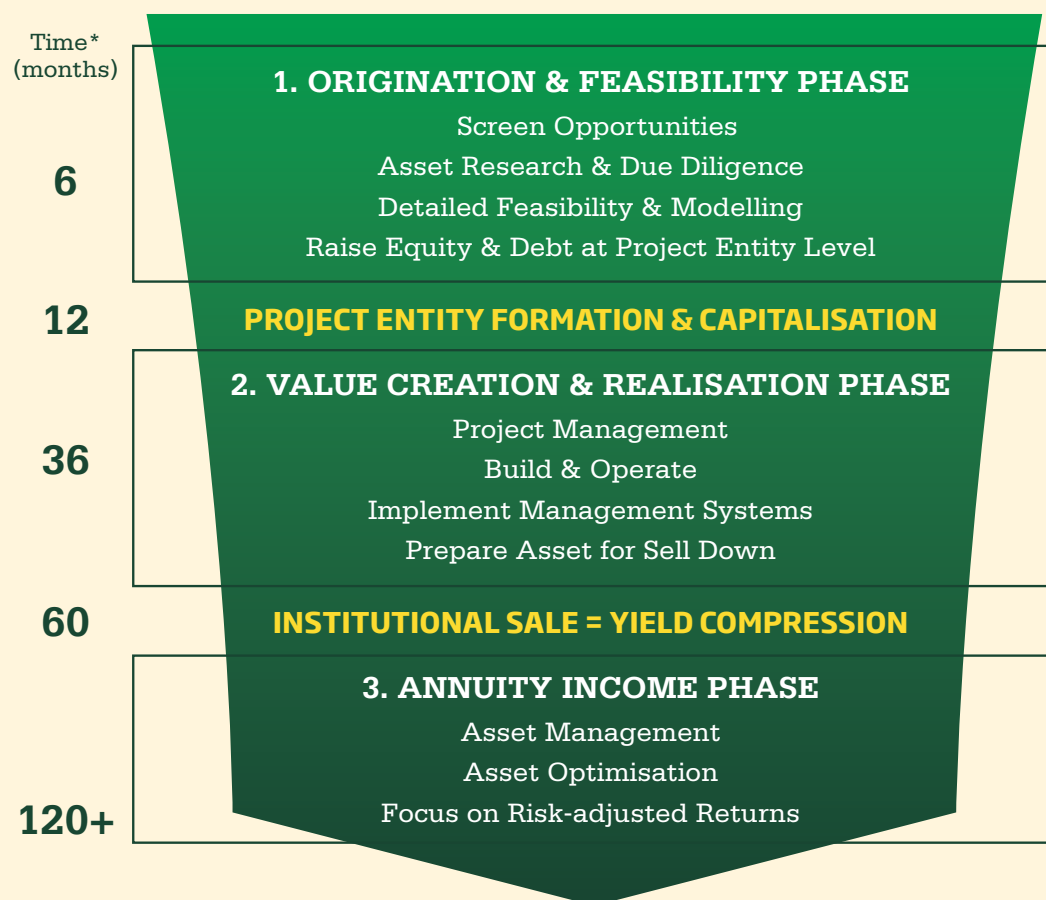
#### RETURNS

Alterra paid by the asset owner via a mixture of ongoing management and performance incentive fees over the life of the investment



# ASSET DEVELOPMENT LIFECYCLE

## INVESTMENT PHASES AND MILESTONES



## ALTERRA INVESTMENT, RISK & RETURNS

- **Origination: 100% risk borne by Alterra**
- Alterra invests time and hard costs (sunk costs) – typically \$50k – 250k per asset
- Sunk costs capitalised as equity in Project Entity upon formation
- **Development: Risk shared with PE investors**
- Alterra plans to invest 5% - 25% of the equity in a Project Entity with the balance from PE investors
- Alterra to receive establishment and management fees during the development of an asset
- Alterra paid performance and out-performance fees on sell down of asset
- Alterra and PE investors receive return of capital and any capital growth on exiting investment
- Alterra retains management rights with new owner
- **Management: New asset owner 100% of investment risk**
- Alterra charges annual asset management fee with a market review every 5 years
- Alterra charges annual performance fee based on an independent valuation of the asset
- Alterra contracted as asset manager for the duration of the investment

\* These are objectives only. Actual time will likely vary.

# MANAGING EXECUTION RISK

**MANAGING EXECUTION RISK IS A KEY PART OF AGRICULTURAL INVESTMENT.**

**TOP TIER PRODUCERS BUILD PERFORMANCE ON PROVEN PRODUCTION SYSTEMS THAT HAVE EVOLVED OVER TIME AND CAN ADAPT TO SEASONAL AND MARKET CHANGES.**

**ALTERRA IS DEVELOPING A NETWORK OF 'EXECUTION PARTNERS' WHO ARE OPERATIONAL AND TECHNICAL LEADERS ALIGNED TO THE LONG-TERM PERFORMANCE OF AN ASSET.**

Alterra's Execution Partners will ideally:

- Be industry leaders with a production and/or technical track record
- Be experienced in developing and managing greenfield and brownfield assets using their own capital
- Hold extensive production IP and generational knowledge
- Provide Alterra with local knowledge, verified data, management support and market intelligence
- Provide access to a local network and are a source of proprietary off-market transactions

Our agile approach to execution and management has been adopted to enable Alterra to:

- Provide investors with competitive advantages usually only afforded to local top tier agribusinesses
- Provide an efficient management structure that maximises investment "in the ground"
- Execute projects at scale and with repetitive results

# NEW MD SUPPORTED BY EXPERIENCED TEAM TO DRIVE GROWTH

## **OLIVER BARNES EXECUTIVE DIRECTOR & INCOMING MD**

Mr Barnes joined Alterra in January 2019 to drive the growth of the business. He has a balanced skillset of commercial, technical and financial expertise accumulated from a wide range of agricultural developments executed in Australia, Sub-Saharan Africa and Eastern Europe. Mr Barnes is well versed in realising value from agricultural development opportunities, and has an extensive network of relationships in the sophisticated and institutional investor market.

## **TREVOR STONEY NON-EXECUTIVE CHAIR**

Mr Stoney brings cumulative knowledge, acumen and relationships from more than 52 years in agribusiness. He has identified, developed, managed and sold numerous large-scale Tier-1 farming enterprises across the Western Australian and Victorian agricultural zones. More often the assets have been identified by Mr Stoney as being either underutilised, prime opportunities for land use change or ripe for the adoption of leading management practises and technology to increase value. Mr Stoney is regarded as one of the most astute agricultural property investors in Western Australia.

## **ANDREW MCBAIN OUTGOING MD & CO-FOUNDER**

Mr McBain has been managing and investing in the sector for 15 years. Prior to establishing Alterra, which developed from start up to executing in excess of A\$80 million of agroforestry projects, he was a founder and managing director of Australian Agricultural Contracts, which grew from start-up (2004) to co-producing approx. 350,000t of grain across 200 farms in 2010 (value ~A\$100m). With a reputation for innovation and developing talented people, his competencies include project development, capital raising, ASX compliance, strategic thinking and business management. Mr McBain will remain an Executive Director.

## **ANTHONY FITZGERALD COMMERCIAL MANAGER & CO SEC**

Mr Fitzgerald has over 35 years' experience in the operational and financial management of agribusinesses including large scale animal production, land conservation projects, farmer networks, grain marketing pools and agroforestry. Experiences within that portfolio include 15 years of governance and culture leadership, managing legal advisors, negotiating complex business ventures and dispute resolutions, and managing the complexities around JVs and partnership arrangements.

# 2019 PRIORITIES

2018 was a transitional year for Alterra with completion of the demerger of its carbon business

## 2019 WILL SEE A RENEWED FOCUS ON OUR GROWTH STRATEGY WITH PRIORITIES TO INCLUDE :

Efficient delivery of contracted project management services (out to 2027) for the demerged carbon business

**ONGOING**

Bolstering of management capabilities – Oliver Barnes appointed MD

**COMPLETED**

Expanding the Board to introduce competencies as required

**IN PROGRESS**

Continued development of a pipeline of project opportunities

**IN PROGRESS**

Secure a minimum of 4 'Execution Partners'

**IN PROGRESS**

Introduce Alterra's business model to private equity and institutional investors

**IN PROGRESS**

Secure equity and debt investment for first development project

**UPON SECURING ASSET**



# ALTERRA SNAPSHOT

## BOARD & MANAGEMENT STRONGLY ALIGNED TO SHAREHOLDER OUTCOMES

APPROX. 750 SHAREHOLDERS	
BOARD & MANAGEMENT	30%
TOP 50 SHAREHOLDERS (incl. Board & Management)	81%
ORDINARY SHARES ON ISSUE (ASX:1AG)	147.6M
MARKET CAPITALISATION @ \$0.03	\$4.4M
<sup>1</sup> CASH & RECEIVABLES	\$3.8M
<sup>2</sup> AGRICULTURAL LAND (NET OF DEBT)	\$2.7M
<sup>3</sup> EQUITY INVESTMENTS	\$1.0M
OTHER	\$0.5M
LIABILITIES	\$(0.4M)
<sup>4</sup> NET ASSETS	\$7.6
(AUSTRALIAN DOLLARS)	

<sup>1</sup> Includes \$1M working capital loan to Carbon Conscious Investments Ltd.

<sup>2</sup> Agricultural land valued at cost (\$4.4m – March 2017) less bank debt (\$1.75m).

<sup>3</sup> Investment in Carbon Conscious Investments Ltd. at carrying value for tax purposes.

<sup>4</sup> Does not account for: the agricultural land at market value; \$460,000 p.a. of contracted revenue with Carbon Conscious Investments Ltd. out to Sept 2027; or full value of carry forward tax losses of ~\$3.6 million.

The above information has not been reviewed and is based on the Company's internal management accounts.

# KEY SUMMARY

## **TIMING IS RIGHT**

- STRONG INTEREST FROM ASSET OWNERS AND INVESTORS

## **EXPERIENCED TEAM AND EXECUTION PARTNERS**

- BRING BEST IN FIELD OPERATIONS EXPERTISE

## **BUSINESS MODEL IS 'CAPITAL LIGHT' FOR ALTERRA**

- GENERATES REVENUE DURING PROJECT DEVELOPMENT

## **ABILITY TO DEVELOP MULTIPLE PROJECTS**

- WITHOUT 'BETTING THE FARM'