

RFM Poultry

NSX:
RFP

Managed by:
 Rural
Funds
Management



Financial results presentation

For the half year ended 31 December 2018

February 2019

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1. Financial results
2. Operational update, outlook and forecasts
3. Appendices

RFM presenters



Stuart Waight
Executive Manager



Daniel Yap
Financial Controller



James Powell
*General Manager –
Investor Relations &
Marketing*



Financial results

Broiler chickens, Griffith, New South Wales, September 2014.

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HY19 results summary

Metrics at 31 December 2018

Income		
	Revenue	\$12,670,412
	Net loss after income tax	(\$164,899)
	Earnings per unit (cents)	(2.40)
Portfolio		
	Net assets value (NAV)	\$7,196,836
	NAV per unit	\$1.05
Balance sheet		
	Gross assets	\$8,678,374
	External borrowings	Nil
Distributions		
	Paid October 2018 (cpu)	2.69
	Declared December 2018 (cpu)	2.60
	Total distribution (cpu)	5.29
	Total franking (cpu)	2.01
	Total grossed up distribution (cpu)	7.30

- Net loss for the period of (\$0.165m) after tax.
- NAV per unit ended the period \$1.05.
- Nil interest bearing liabilities.
- Distributions totalled 7.30 cpu (inclusive of franking).

Summarised statement of comprehensive income

	Half Year ended 31 December 2018 \$	Half Year ended 31 December 2017 \$
Revenue	12,670,412	12,067,830
Other income	21,604	56,804
Total income	12,692,016	12,124,634
Property lease expenses	(5,355,305)	(5,335,151)
Direct grower expenses	(2,881,190)	(2,315,733)
Wages and labour	(2,529,809)	(2,288,932)
Repairs and maintenance	(1,378,377)	(1,016,452)
Insurance expenses	(255,598)	(184,227)
Other indirect expenses	(305,279)	(295,119)
Management fees	(136,250)	(286,737)
Depreciation	(73,744)	(33,072)
Net (loss)/profit before income tax	(223,536)	369,211
Income tax benefit/(expense)	58,637	(110,764)
Net (loss)/profit after income tax	(164,899)	258,447
Total comprehensive income	(164,899)	258,447

- Net loss of (\$0.165m) resulting from lower than expected revenue and increased expenses.
- Revenue to 31 December 2018 compared to the prior corresponding period was impacted by:
 - Increase to overall grower fee following annual fee review of \$0.433m.
 - Reduction in Efficiency Rating System (ERS) penalty of \$0.447m mainly due to suspension of performance pools and the reversal of previous provisions.
 - Lower grower fees following non-placement of birds on three farms in December (\$0.268m).
- Increased expenses of \$1.160m relate to:
 - Direct grower costs; energy costs increases and temporary water purchases.
 - Wages and labour; labour-hire personnel required on farms.
 - Repairs and maintenance; timing of regular maintenance of shed floors.
 - Insurance; premium increase for Industrial Special Risks policy as disclosed 5 September 2018.
- Management fees reduced by 50% as disclosed 6 February 2019.

Summarised balance sheet

	As at 31 December 2018	As at 30 June 2018
	\$	\$
Cash and cash equivalents	3,578,482	5,432,110
Trade and other receivables	2,037,217	1,852,519
Other current assets	824,830	560,524
Income tax receivable	207,723	46,334
Plant and equipment	1,937,461	1,357,952
Deferred tax assets	92,661	34,025
Total assets	8,678,374	9,283,464
Trade and other payables	1,218,974	1,319,513
Short term provisions	260,570	236,825
Long term provisions	1,994	917
Total liabilities	1,481,538	1,557,255
Net assets	7,196,836	7,726,209
Units on issue	6,884,416	6,884,416

- Lower cash balance as at 31 December 2018 compared to prior corresponding period mainly due to:
 - Plant and equipment (\$0.653m).
 - Delayed payment of grower fee for the three disease affected farms (\$0.383m).
 - Net loss result (\$0.165m).
 - Distributions paid (\$0.351m).
 - Working capital movements.
- Increase in plant and equipment largely relates to:
 - Fixed water sanitation system (\$0.231m).
 - Farm equipment (\$0.345m).
- Net assets of \$1.05 per unit.
- Nil interest bearing liabilities.



Operational update, outlook and forecasts

Delivery of chicken feed, poultry sheds, Griffith, New South Wales, February 2019.

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Efficiency Rating System (ERS)

- The ERS measures the performance of poultry farms in the region and applies a premium or discount to the grower fee based on relative performance of the 'pool' in the Riverina region. RFP's 11 older farms in the Riverina incurred discounts to the grower fee during FY18 (\$0.560m) and HY19 (\$0.100m). The lower discount in HY19 was a result of farms being out of the pool for some batches and the reversal of previous provisions.
- In June 2018 water sanitation upgrades were made to the system supplying RFP's two modern farms and subsequent water testing has demonstrated improved water quality. Four additional water sanitation systems will be installed which will service all remaining Riverina farms. Installations will be complete by 30 June 2019. This initiative will bring RFP's water sanitation in line with modern farms within the Riverina pool and will contribute to improved bird growing performance.
- This \$1.1m capital expenditure will be funded by the lessor of the poultry farms, the Rural Funds Group (ASX: RFF). Rent will be payable on this capital expenditure.

Disease

- The Riverina region continues to be affected by ILT respiratory disease and this has resulted in increased operational costs relating to biosecurity and the need to acquire additional equipment (\$0.271m).

Shed upgrades

- As previously announced, Baiada has requested additional maintenance be carried out on three older farms. RFP will undertake similar work on the remaining eight older farms.
- The lessor, RFF, has agreed to fund capital expenditure totalling \$2.1m in FY19 and FY20 for these upgrades, relating to floors and insulation.
- RFP will not be required to pay rent on this amount, subject to certain conditions. These conditions include the performance of the sheds, as measured by the profitability of RFP. If the profitability of RFP returns to normalised levels, rent will be payable on the capital expenditure deployed for shed upgrades.

Human Resources

- Additional managers and operational staff have been employed to improve facility standards and to meet biosecurity requirements. This is expected to provide improved bird growing outcomes at an extra cost of approximately \$0.325m.

- The forecast FY19 loss is:
 - (\$0.440m) before tax.
 - (\$0.320m) after tax.
- As disclosed 6 February 2019 the two remaining FY19 distributions have been reduced by 50% to 1.30 cents fully franked each.
- FY20 earnings and distribution forecasts will be provided as part of the FY19 results, or earlier if appropriate.

FY19 distributions (inc. franking)

Record date	cpu
28 September 2018	3.71
28 December 2018	3.59
29 March 2019 (forecast)	1.79
28 June 2019 (forecast)	1.79
Total	10.88

Additional distribution information

Total FY19 distribution (forecast)	7.88 cpu
Total FY19 franking (forecast)	3.00 cpu
Distribution payment frequency	Quarterly
Distribution reinvestment plan	Suspended



Appendices

RFM National Manager - Poultry, Adriaan Shields and contractor Jonathan Stone, Griffith 2016.

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Trading RFP units

- Pritchard & Partners Pty Ltd provides a broking service at a cost of 1.1%, with a minimum \$110 (inc. GST).
- A detailed guide to trading RFP units through Pritchard & Partners Pty Ltd can be accessed by contacting RFM (Figure 1), however as an overview:
 - Provide supporting documentation related to your RFP holding (Figure 2).
 - Complete a Pritchard & Partners Account Application Form.
 - Send documents to Pritchard & Partners, along with a buy or sell instruction.
- Pritchard & Partners Pty Ltd**
 - (02) 4920 2877
- A complete list of authorised brokers is available on the NSX website.

Fig 1: Step-by-step guide

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Step-by-step guide to trading RFP units

November 2017

Rural Funds Management (RFM), as responsible entity for RFM Poultry (RFP), a National Stock Exchange (NSX) listed entity, has prepared the following guide to assist investors trade RFP units.

A full list of brokers who deal via the NSX is available at: www.nsx.com.au. The following instructions refer to Pritchard & Partners Pty Ltd brokers (Pritchard & Partners). Pritchard & Partners provides a broking service for a fee of 1.1% of the trade value (minimum \$110 inc GST). Other brokers would have similar procedures.

To instruct Pritchard & Partners to trade RFP units, investors and/or their financial adviser need to follow the 3-step process set out below:

1. Provide supporting documentation related to your RFP holding;
2. Complete a Pritchard & Partners Account Application Form; and
3. Send documents to Pritchard & Partners, along with a buy or sell instruction.

RFM has compiled a step-by-step guide to trading RFP through a broker, Pritchard & Partners.

Fig 2: Obtaining your SRN

**Rural
Funds
Management**

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Smart Business Solutions
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JOE BLOGGS PTY LTD
<JB SUPER FUND>
120 MAIN STREET
CITY ACT 2600

Date: 05 November 2015
Reference No: XXXXXXXX
Salesperson: Investor Sponsored
Tax Reference: Quoted
Dealer Group: No Dealer
Adviser Name: No Adviser

RFM Poultry Ordinary Fully Paid Units
ARSN: 164651218

Periodic Statement - 01 July 2014 to 30 June 2015

Investment Return	Amount(\$)
Closing Balance	\$
Add: disposal proceeds	\$ 50.00
Less: opening balance	\$

Example: Periodic Statement (SRN circled in red).

Key information

Established	1997
Assets under management	Total \$1.2 billion
Ownership	Directors & staff
Farm & operations staff	61
Funds management staff	46
RFM direct operational experience	<p>Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010</p>
RFP key responsibilities	<ul style="list-style-type: none"> • Compliance with financial, farming and reporting requirements. • Continuous improvement of operations. • Management of infrastructure e.g. ongoing R&M. • Budgeting and performance monitoring. • Relationship with processors (Baiada Poultry and Turosi). • Improve awareness to increase liquidity and fair valuation. • Investigating growth opportunities.

Board and management team contacts and tenure



Guy Paynter
Non-Executive
Chairman

9 yrs



David Bryant
Managing
Director

22 yrs



Michael Carroll
Non-Executive
Director

9 yrs



Julian Widdup
Non-Executive
Director

2 yrs



Stuart Waight
Executive Manager

16 yrs



Tim Sheridan
Chief Operating
Officer

11 yrs



Daniel Yap
Financial
Controller

7 yrs



Harvey Gaynor
General Manager
– Farming

Less than 1 yr



David Thomson
Business Manager
RFM Poultry

12 yrs



Adriaan Shields
National Manager –
Poultry

18 yrs



James Powell
General Manager –
Investor Relations
& Marketing

11 yrs



Emma Spear
Company Secretary

11 yrs



Rural Funds Management

Managing good assets with good people

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