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INVESTMENT IN NEW ZEALAND RURAL LAND COMPANY MANAGER AND CAPITAL RAISE

- *Allied Farmers Limited (ALF.NZX) is pleased to announce it has signed a conditional agreement to acquire for \$2.5 million 50% of New Zealand Rural Land Management Limited Partnership (NZRLM), a new entity to be established as the Manager of New Zealand Rural Land Company Limited (NZRLC).*
- *NZRLC is intending to list on the NZX in December 2020 – subject to regulatory approvals.*
- *The NZRLM acquisition price to be paid in up to 5 million ALF shares at NZ\$0.50 cents per share (cps) on completion of a successful Initial Public Offering (IPO) of NZRLC (minimum IPO proceeds of \$75 million).*
- *Allied Farmers has a call option to acquire the remaining 50% of NZRLM after two years – based on an independent valuation.*
- *To fund its expansion plans and execute on further growth opportunities, Allied Farmers also plans to raise capital by way of:*
 - *A rights issue to shareholders at \$0.50cps. The timing of the rights issue is to be confirmed, but is proposed to be prior to the 2020 calendar year end; and*
 - *Seeking shareholder approval to place new shares to institutional and other wholesale investors at \$0.50cps.*
- *Shareholder approval will also be sought for the placement of ALF shares in satisfaction of the NZRLM purchase price.*
- *Upon successful completion of the NZRLC IPO Christopher Swasbrook will join the Board of Allied Farmers.*

NZ Rural Land Management Limited Partnership

Allied Farmers is delighted to announce that it has conditionally secured the opportunity to acquire 50% ownership in a yet to be established entity, New Zealand Rural Land Management Limited Partnership (**NZRLM**) for \$2.5 million.

NZRLM will hold the external management contract to provide management services to the New Zealand Rural Land Company Limited (**NZRLC**). NZRLC is a newly formed entity that will acquire rural land under a landlord model whereby the underlying rural land will be leased to high quality farming operators. NZRLC is intending to launch an Initial Public Offering (**IPO**) in November 2020 of up to \$150 million and list on the NZX Main Board in December 2020.

Allied Farmers Chair, Richard Perry, said “This is an incredibly exciting and pivotal opportunity for us. Our strategy is to *“be the major solution provider to agricultural producers, growing value for those producers and our investors”*. Our NZ Farmers Livestock subsidiary is the foundation upon which we have built and delivered that strategy, and this investment enables diversification in a manner that is complementary to our core values and activities.

From our deep understanding of the rural sector built over more than 100 years, we know there is compelling long-term value in owning rural land, and we can see the benefits for farm operators wishing to expand their operational platforms in a capital efficient manner. NZRLC will be a capital providing partner for New Zealand’s highly skilled and productive food producers”.

The NZRLM purchase will be funded by Allied Farmers issuing up to 5,000,000 new ordinary shares at \$0.50cps in satisfaction of the purchase price. The number of shares to be issued depends on whether shareholder approval is obtained for the placement, and in any event will not be more than 20% of ALF’s shares on issue. If Allied Farmers cannot issue shares, a proportion of the purchase price may be paid in cash. Completion of the NZRLM purchase is conditional on, and will take place after, the completion of the NZRLC IPO.

Other key terms:

- Completion is conditional on the NZRLC IPO raising a minimum of \$75 million;
- It is proposed that the ALF ordinary shares will be issued in consideration for the NZRLM purchase price by way of a combination of an Allied Farmers shareholder approved placement, and, if necessary, utilizing placement capacity under NZX Listing Rule 4.5.1. Further information will be provided when Allied Farmers announces details of its capital raise and Notice of Annual Meeting;
- At completion, an Allied Farmers Director representative will join the Board of NZRLM, and NZRLM co-founder Christopher Swasbrook will join the Allied Farmers Board;

- Allied Farmers has secured a call option over the remaining 50% of NZRLM at independent valuation, exercisable two years after completion, with an exercise period of one year. This will be paid for in ALF shares at the market value on the date of exercise, or in cash;
- ALF shares issued to the other NZRLM owners will be restricted from trading as follows: 50% for 12 months, 50% for 24 months;
- If NZRLC completes its IPO successfully, but does not execute on its acquisition strategy and is placed into solvent liquidation to return capital to its investors, the other NZRLM owners must, upon written request from Allied Farmers, transfer back to Allied Farmers for cancellation 100% of their ALF shares for nil consideration and the purchase price shall be deemed correspondingly reduced.
- Allied Farmers has agreed to provide NZRLC with a convertible loan of up to \$375,000 to assist with IPO costs:
 - \$75,000 has already been paid;
 - \$85,000 to be paid on signing of the NZRLM Sale and Purchase Agreement;
 - \$70,000 to be paid on an Offer Management Agreement for the NZRLC IPO being signed; and
 - \$145,000 to be paid on registration of the NZRLC Product Disclosure Statement.
- The \$375,000 convertible loan will be capitalised into shares in NZRLC, at the IPO issue price, or any residual repaid to Allied Farmers if the PDS is not lodged by 31 December 2020 or the offer is withdrawn. The loan does not bear interest.

Allied Farmers Capital Raise

In addition to the up to \$2.5 million of new equity from the proposed issue of shares in satisfaction of the NZRLM purchase price, Allied Farmers proposes to raise, at the same price of \$0.50 cps, additional capital by way of a rights issue to existing shareholders and a placement to new investors. Further details on the exact terms and timing of the capital raise will be released once these are finalised.

Richard Perry said “the proposed capital raise will provide the fuel we require to execute on our strategy to invest in the growth of our rural-focused finance business, innovation initiatives, and investment in digital technologies. A proportion of the capital raised in our 2019 Share Purchase Plan (SPP) has supported the enhancement of Allied Farmers subsidiary NZ Farmers Livestock’s Live Auction/Digital strategy and the launch of Allied Farmers’ rural financing subsidiary, Rural Funding SolutionNZ Ltd.

As highlighted in our recent FY20 financial results commentary, our intention is to continue to evaluate and potentially invest in profitable and innovative technologies either by strategic partnership or through direct investment within a disciplined and ethical investment framework”.

Richard Perry
Chairperson

Mr. Perry can be contacted for investor and media enquiries on 06 765 6199.