

ALLIED FARMERS

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NZ Rural Land Management – Call Option Exercise

Allied Farmers Limited (ALF.NZX) is pleased to announce that it has today exercised its call option to purchase the 50 percent of NZ Rural Land Management (**NZRLM**) that it does not already own (**Call Option**) *.

Allied Farmers foreshadowed its intention to exercise the Call Option in its recent Chair Address to the 24 November 2022 Annual Meeting (see <https://www.nzx.com/announcements/402937>). On completion, NZRLM will be wholly owned and controlled by Allied Farmers.

Earlier this year Allied Farmers established an Independent Directors Committee (**IDC**) to consider the exercise of the Call Option. The IDC comprises all Allied Farmers's Directors except for Chris Swasbrook, who is interested due to his control of Elevation Capital Management Limited, one of NZRLM's owners. The IDC currently consists of Philip Luscombe and Shelley Ruha, both of whom are Independent Directors.

The IDC engaged Northington Partners to provide advice both on whether it would be in disinterested shareholders best interests to exercise the Call Option, and, if so, when would be the optimum time to do so. Northington Partners' advice concluded that "exercising the option provides Allied Farmers with a favourable means to obtaining greater exposure to the NZ rural land sector in a capital efficient way that improves Allied Farmers' earnings per share and growth outlook relative to the current 50% ownership position". It also noted that "unless there was an expectation of a material medium-term decline in NZ rural property prices and transaction activity, the option should be called at its earliest opportunity".

Having considered this advice, the IDC has determined that the most optimal outcome is to exercise the Call Option as soon as possible**.

In accordance with the terms of the Call Option Deed, the parties have agreed to appoint PwC as valuer to determine the consideration, based on the fair value of NZRLM as at today's date. The valuation will be conclusive and binding. The IDC expects that the valuation will be completed by 31 January 2023.

By way of background, now that Allied Farmers has exercised its Call Option:

- The five individual sellers of NZ Rural Land Management shares – “Vendors” – after PwC has advised the parties of the binding consideration, can ask for the purchase price to be either paid in cash, or in Allied Farmers shares at the 20-business day volume weighted average price over the period immediately preceding a market announcement of the exercise (**VWAP**)***;
- Individual Vendors cannot ask for a mixture of cash and shares, but some Vendors may ask for all cash, and some may ask for all Allied Farmers shares;
- Only if a Vendor asks to be paid in cash, Allied Farmers can opt instead to pay that Vendor in shares, but at a 10% discount to the VWAP.

As mentioned in the recent Annual Meeting Chair Address, Allied Farmers at this stage does not anticipate a need to raise capital to fund this acquisition if it proceeds, albeit this is subject to the final notification received from each of the Vendors as to their preferences. We will keep shareholders updated as this matter progresses.

Given that this would be a Material Transaction with related parties, during the first quarter of 2023 Allied Farmers will need to obtain an Appraisal Report and seek approval from shareholders (other than the parties to the transactions who are related parties) at a Special Shareholders Meeting.

At the same time, if some or all of the consideration is satisfied by allotting Allied Farmers’s shares to some of the Vendors, resulting in the Vendors ownership in aggregate increasing above 20 percent, pursuant to the Takeovers Code, Allied Farmers will also need to obtain an Independent Advisor’s Report and seek approval from shareholders (other than those being allotted shares (and their associates)) at that same Special Shareholders Meeting.

Philip Luscombe
Independent Director

Shelley Ruha
Independent Director

- * *Specifically, on completion of the Option Exercise Allied Farmers will purchase:*
- *500 Partnership Units of NZ Rural Land Management Limited Partnership*
 - *500 Ordinary Shares of NZ Rural Land Management GP Limited*

** *The Option was able to be exercised for one year from 18 December 2022*

*** *VWAP for the 20 business days prior to 19 December 2022 = \$0.7432 cents per share.*