

29 February 2024

## **HALF YEAR 2024 REPORT**

### **Unaudited Half Year Consolidated Result**

The Directors of Allied Farmers Limited (**ALF.NZX**) report an unaudited consolidated net profit before tax (**NPBT**) of \$1.945 million for the six months ended 31 December 2023. This is slightly lower than NPBT of \$2.129 million for the six months ended 31 December 2022.

The following table summarises consolidated NPBT over the previous interim periods from Allied Farmers' investments and Parent Company Operations:

<b>Interim Period (1/7 – 31/12)</b>	<b>NZ Farmers Livestock * (livestock agency, meat export and finance) (\$m)</b>	<b>NZ Rural Land Management (asset management) (\$m)</b>	<b>Parent Company Cost of Operations (\$m)</b>
2018	1.5	-	(0.2)
2019	1.7	-	(0.4)
2020	0.8	-	(0.3)
2021	1.5	0.3**	(0.4)
2022	2.0	0.4**	(0.3)
2023	2.0	0.3***	(0.4)

*\*Reported figures detail 100% of the NPBT for NZFL – Allied Farmers only owns 67% of this business. Allied Farmers is required to report on a consolidated basis but has detailed an unconsolidated position below.*

*\*\* NZRLM profit attributable to Allied Farmers' shareholders (as owner of 50% of NZRLM at that time) equity accounted*

*\*\*\* NZRLM is now wholly owned by Allied Farmers and is consolidated into the Allied Group consolidated financial statements. NZRLM's assets include its management contract with New Zealand Rural Land Company Limited, which is treated as an intangible asset and amortized over 20 years. Accordingly for the interim period to 31 December 2023 the amortization charge was \$0.3m (for the same interim period to 31 December 2022 there was no amortization charge)*

### **Profit attributable to Allied Farmers's shareholders reflecting its 67.7% ownership of NZFL and 100% of NZRLM**

The HY24 after tax profit attributable to Allied Farmers' shareholders was \$1.423 million (HY23 \$1.585 million). Earnings per share (**EPS**) for HY24 was \$0.0494 (HY23 \$0.055).

### **Dividend**

Consistent with previous interim periods, no dividend will be paid for the period, as the Company continues to utilise tax losses and therefore paying unimputed dividends does not make sense. The Board strongly believes that in the short term, retaining and redeploying earnings is in shareholders' best interests.

### **Tax Losses**

The estimated tax losses available at 31 December 2023 are \$178,712,009 (HY22: \$187,935,558).

The ability to utilise the tax losses is dependent on continuing to meet shareholder continuity requirements of prevailing income tax legislation.

### **Business Segment Reports**

#### **New Zealand Farmers Livestock Limited (NZFL) - 67% owned:**

NZFL reports a half year result improved on the previous half year. This was driven by a strong veal processing spring campaign.

Livestock agency performance was impacted by weather, grass and market conditions, to be behind the previous half year.

Dairy stock values were softer, but held up well in the face of earlier financial pressure on dairy farmers. Recent increased payout forecasts have improved dairy confidence and outlook, and may offer some support to volumes and prices through the second half.

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The anticipated La Nina drought saw high Australian meat supply volumes into global (particularly sheep meat) markets, but this pressure has now subsided. Widespread severe NZ drought impact is now unlikely, though localized regional droughts may contribute to second half trading tallies.

It is very early in the year to gauge full year dairy herd forward sales (generally completing and accounted in June). There is encouraging current activity and contracting, though early indications are that these will be behind last year's quite strong result.

The livestock financing business earnings were significantly higher than the previous half year, driven by the Heartland Bank referral-based arrangement, and an increased own-funded seasonal lending peak. Directors are pleased with the growth and prospects of this business, and with the contribution this has made to clients' businesses through challenging times.

NZFL continues to develop its digital presence and tools, to enhance client services, and to add value to its client experience.

*NZFL Outlook:*

NZFL is focused on national growth, digital innovation, improving agent performance, and cost management. Effort continues to enhance livestock agency service, volumes, and market share, and to grow the veal processing contribution, with work to refine calf supply chain integration, grow volumes, further improve our partnering outcomes.

Directors are optimistic that NZFL performance will benefit from the indications of improving wider agribusiness conditions, and from the team's continuing agility and innovation.

*NZ Rural Land Management Limited Partnership (NZRLM) – 100% owned*

NZRLM is the external manager of NZX-listed New Zealand Rural Land Company Limited (NZL).

NZL did not complete any asset transactions in the HY to 31 December 2023, and therefore NZRLM was not paid any transaction fees in the period. However, NZL's rural portfolio increased in value, from which NZRLM received performance fees. The performance fees are paid to NZRLM by the issue of NZL shares.

Subsequent to balance date (on 9 February 2024), NZL sold 25% of its rural land portfolio to Australia-based Roc Partners, with the portfolio now held by a Limited Partnership owned 75/25% by NZL/Roc Partners. NZRLM continues to manage all of the portfolio of rural assets for both NZL and Roc Partners following the sale. This transaction will result in a 1.25% transaction fee to NZRLM, a material amount of which is to recover transaction costs incurred by NZRLM.

Also subsequent to balance date (on 20 February 2024) the Limited Partnership entered agreements to acquire Hawkes Bay apple orchard land, and forestry land located in close proximity to its existing estates, for a total purchase cost of approximately \$27.6 million. These transactions will result in transaction fees to NZRLM of 1.25% of NZL's proportion of Limited Partnership ownership, a material amount of which is to recover transaction costs incurred by NZRLM.

*NZRLM Outlook:*

The outlook for NZRLM remains positive, driven by a larger opportunity set for NZL and an expanding international investor base at NZL. The Roc Partners transaction has been a significant validation of strategy by an expert external party with extensive agricultural experience, as evidenced by the material uplift in share price since the deal was announced. Roc Partners was attracted to NZL's sector-leading deal-flow in New Zealand and will continue to partner on funding future deals, which should lead to an uplift in assets under management, NAV accretion, and thus income for NZRLM.