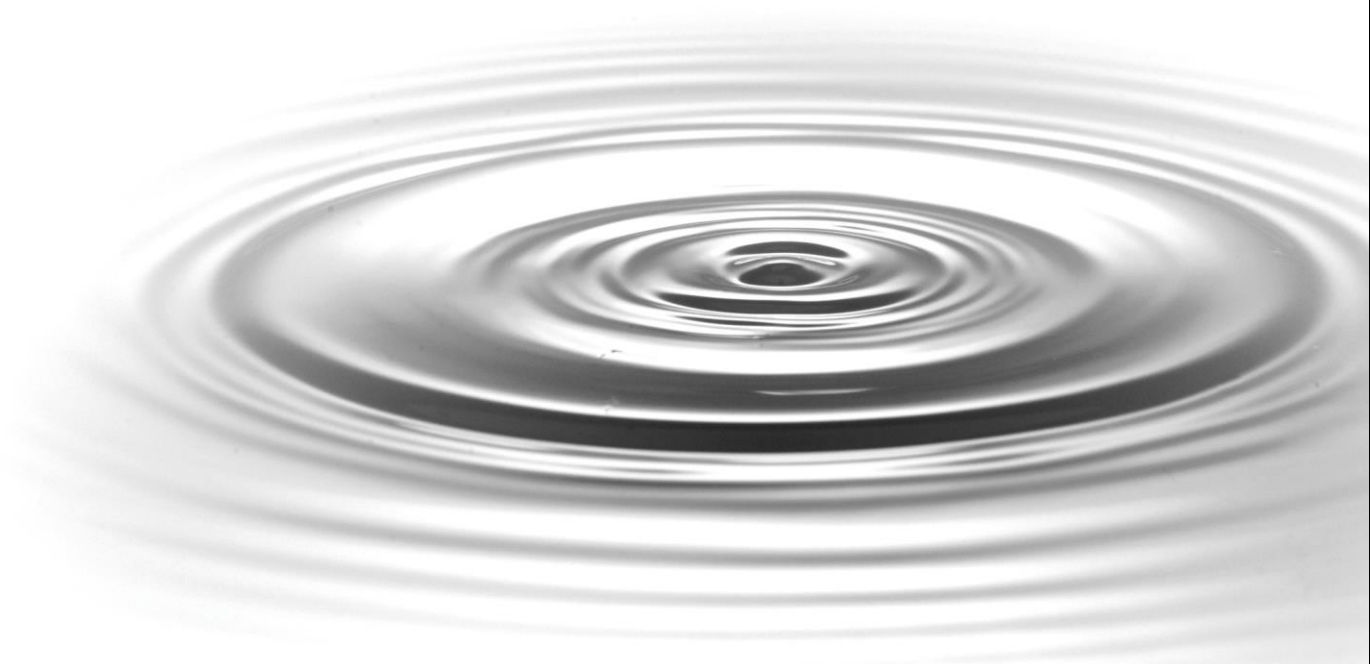




DUXTON  
WATER



**DUXTON**WATER<sup>LTD</sup>

December 2018

**Investment** Presentation

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**1**

**Real underlying asset – a perpetual right to a limited resource**

**2**

**Acts as a proxy to agriculture**

**3**

**Intangible asset with no depreciation**

**4**

**A unique asset class with uncorrelated returns**

**5**

**Easily transferable up and down the River systems (subject to some regional limits)**

**6**

**Multiple products available to irrigators; entitlements, allocation, forward contracts, leases**

## GLOBAL INVESTMENT IN WATER

There a multitude of ways to invest in the valuable and limited resource that is water, including;



**Services/Utilities**

Services include Companies that operate water treatment and supply infrastructure, provide potable water or the treatment of water for industrial, residential, utility and agricultural users. The value of Australian urban water assets is estimated to be **A\$160 billion** at 1 July 2015.<sup>1</sup>



**Infrastructure**

Investments into Companies that provide water infrastructure can include the manufacture of pipes, meters and services that enhance water infrastructure systems. The global water and wastewater treatment market is expected to reach **USD\$675 billion** by 2025.<sup>2</sup>



**Raw resource**

Investment can also be made directly or indirectly in the raw water resource. Duxton Water provides a unique opportunity to invest directly into the raw resource in Australia. The Australian water entitlement (perpetual right to the resource) market is estimated to be valued at **~A\$50 billion**.<sup>3</sup>

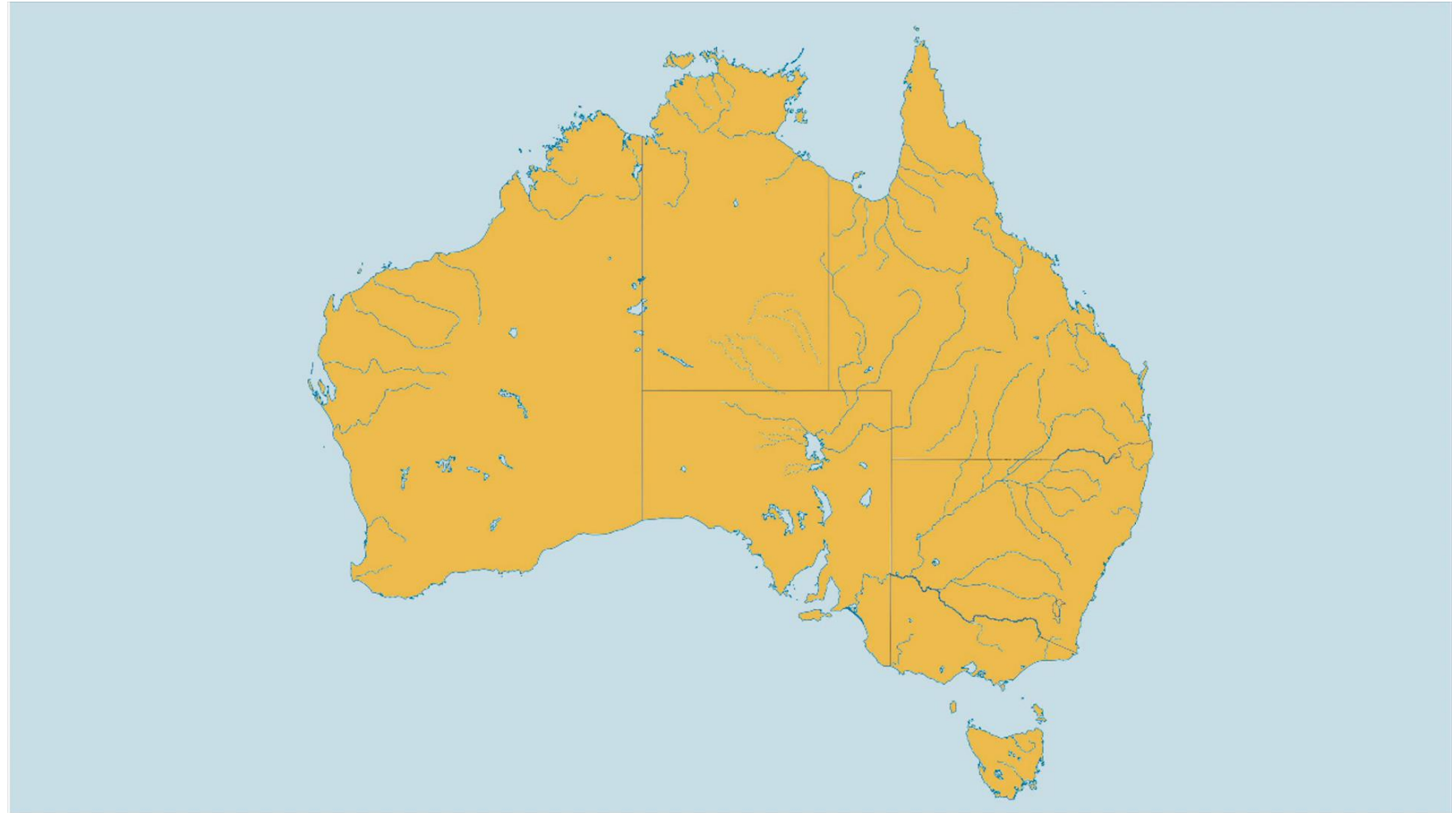
1: Infrastructure Partnerships Australia, 'Doing the important, as well as the urgent: Reforming the urban water sector', November 2015

2: Hexaresearch, 'Water and Wastewater Treatment Market Size and Forecast, By Type (Chemicals, Treatment Technologies, Equipment & Services), By End Use (Municipal, Industrial) and Trend Analysis, 2014-2025'.

3: Estimation based on value of market per ABARES estimate in 2013, extrapolated out to 2018 with reference to increase in values observed in the SMDB.

## A UNIQUE APPROACH TO WATER OWNERSHIP, INVESTMENT AND MANAGEMENT

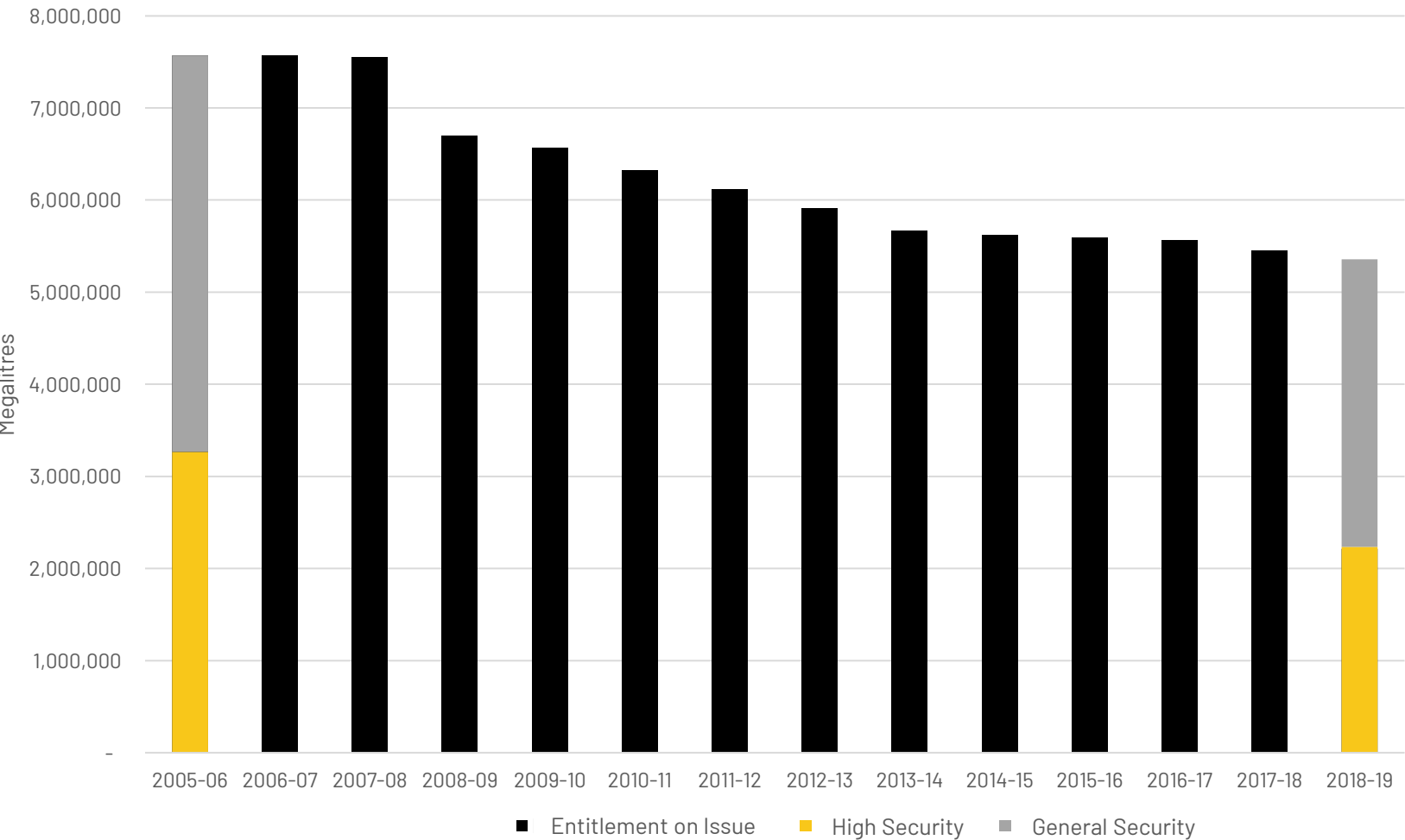
- Australia is a continent with varied climates, geographies, and water resource availability. There is **~A\$50 billion** worth of water in Australia.
- **A\$20 billion** of this is located in the **Southern Murray Darling Basin** system, crossing South Australia, Victoria and New South Wales.
  - 28% of rights on issue are now owned by State and Commonwealth Government
  - Of the remaining 72%, Duxton Water accounts for ~1%
- Around 66% of Australia's total agricultural production takes place in this region.



Link to view on youtube: <https://youtu.be/6cLX85XypVo>



SMDB ENTITLEMENTS ON ISSUE FOR CONSUMPTIVE USE

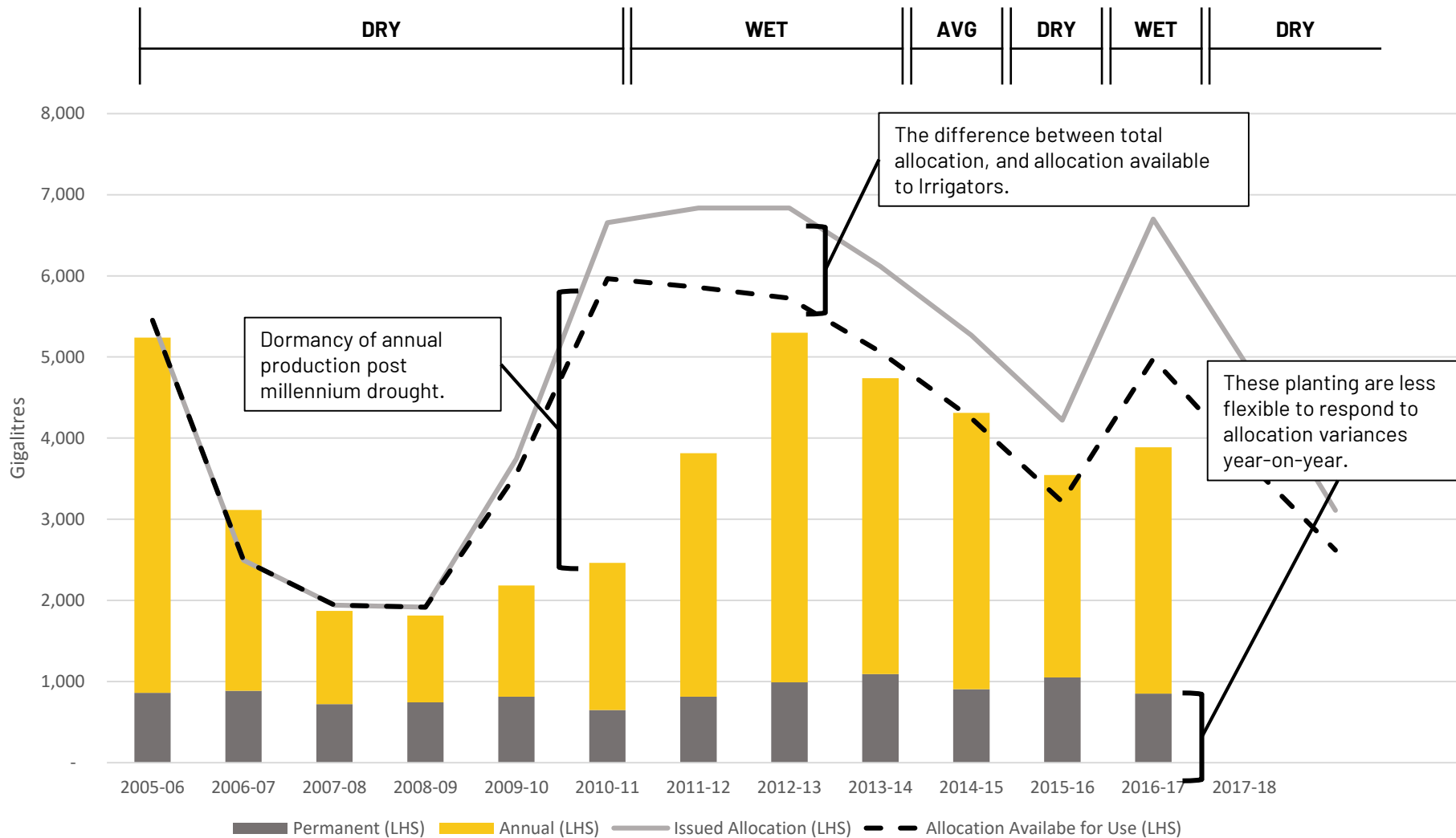


- Permanent supply is fixed within the “cap and trade” model.
- Supply available for consumptive use has decreased with the ongoing Government buy-back program to support environmental requirements.
- The Government has purchased both High Security (31%) and General Security (27%) Entitlements.
- There are now 31% less High Security rights available, which are key to long-term water security particularly for permanent plantings.

.....while demand continues to increase...

STRONG UNDERLYING TRENDS

## ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION



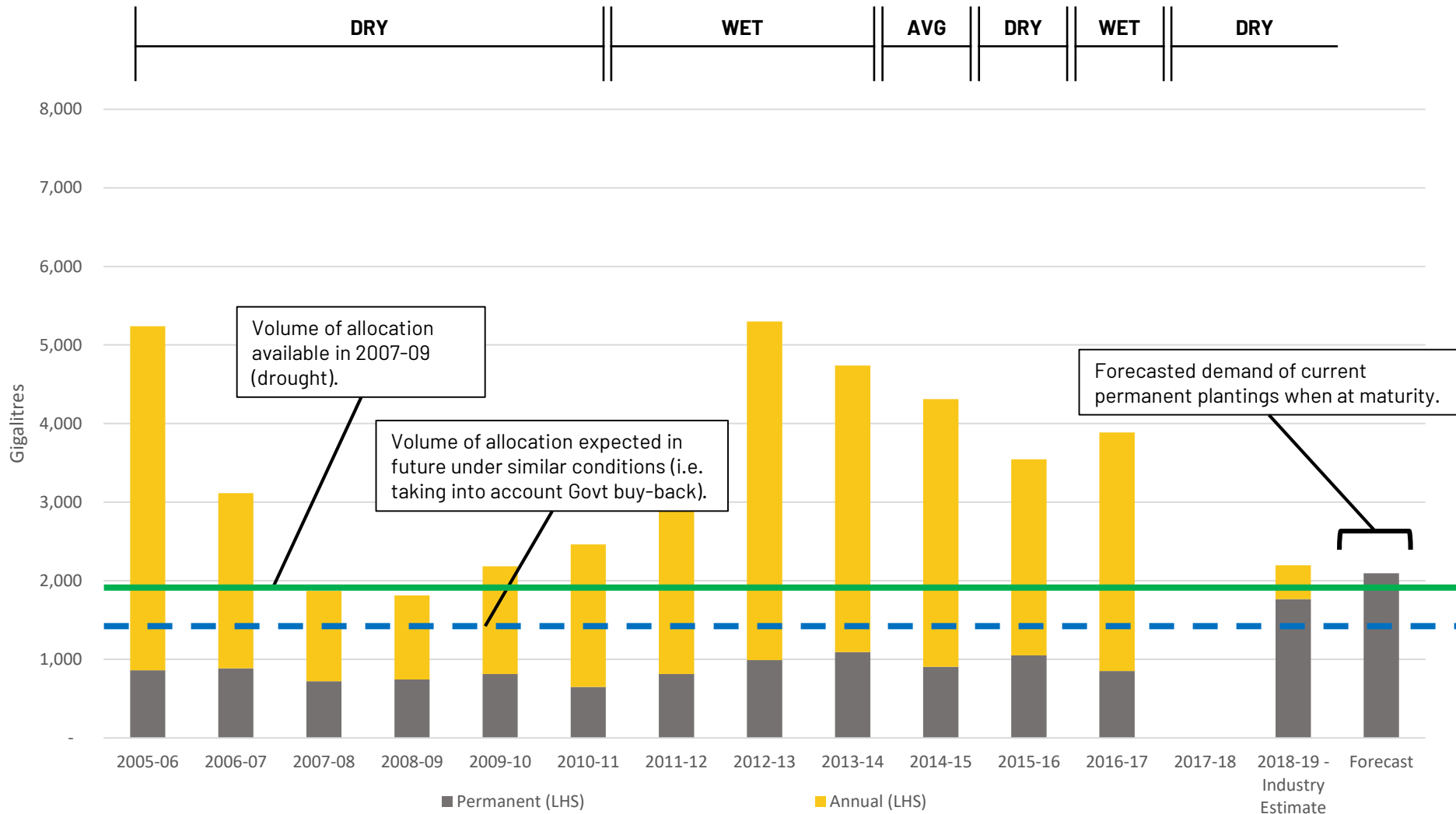
- Demand (usage) trends are shifting towards more permanent crops (grapes, fruit and nuts).
- Such crops require more water as they mature but are higher value and can therefore afford to pay more for water.
- This shift to higher margin, permanent plantings, together with the intensification of agriculture is steadily driving up entitlement values.



.....while demand continues to increase...

STRONG UNDERLYING TRENDS

## ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION



- Industry estimates and forecasts indicate a significant increase in permanent plantings with inelastic demand.
- The graph now shows the future demand expected from the plantings in the ground now, when they reach full maturity over the next 5-7 years.
- If the region experiences drought conditions similar to those in 2007-2009, there is expected to be even less available water since the Government has bought back entitlements (the allocation on these rights is no longer in the market and available for irrigative use).

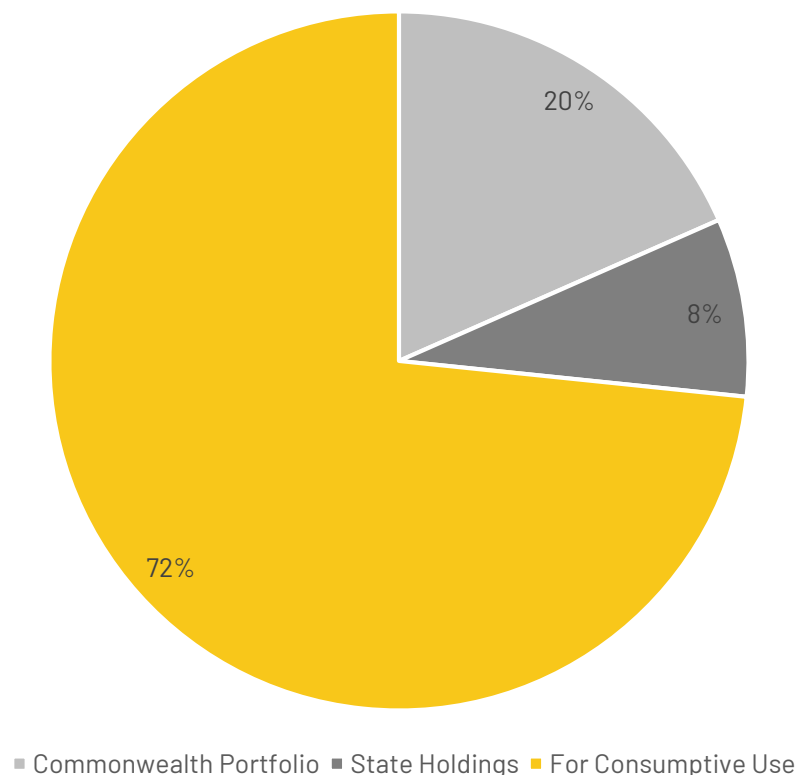
- Duxton Water Limited (“Duxton Water” or the “Company”) is **the only pure water exposure on the ASX**, giving investors the opportunity to invest in a large and highly diversified portfolio of Australian water entitlements.
- Duxton generates a combination of **uncorrelated capital returns** through the appreciation of its portfolio of entitlements **and income** through:
  - entitlements on long term lease (41% of portfolio);
  - trading the annual allocations attaching to its entitlements (59% of portfolio); and trading purchased allocations
- Since its IPO in September 2016 to 31 October 2018, Duxton Water has:
  - generated **total net asset value returns** of 36.17%;
  - increased NAV from \$1.07 to \$1.36<sup>3</sup>; and
  - paid \$5.46 million in total dividends.

KEY INFORMATION	
Current share price (as at 27 NOV 2018)	\$1.34 per share
Current shares on issue	108,576,017
Current Market Capitalisation	\$145.5 million
ASX Code	D20
Investment Universe	Australian Water Entitlements
Investment Manager	Duxton Capital (Australia) Pty Ltd

KEY METRICS	27 NOV OCT 2018
Total Megalitres (“ML”) owned	59,171 ML
% of entitlements leased	41%
Portfolio Value*	\$180.6 million
2018 distribution yield <sup>#</sup>	3.66% (4.72% incl. franking)
Gearing	< 30%

All dollar values are in AUD unless otherwise specifically stated.  
 1 Aither Pty Ltd  
 2 Inclusive of dividends and franking credits, based on share price 27 November 2018 \$1.34  
 \*Based on volumes owned at 27 November and independent valuations at 31 October 2018  
 3 As at 31 October 2018  
 # FY18 3.71% dividend yield at share price of \$1.32.  
 Net Asset Value is adjusted for fair market value of water entitlements

## OWNERSHIP OF ENTITLEMENTS IN SMDB REGION



- Duxton Water has focused entitlement acquisition in the Southern Murray Darling Basin region of Australia. The MDB has a total of **7,549,881 ML** of water entitlements on issue within its interconnected water systems, with an estimated value of **A\$20.2 billion<sup>1</sup>**.
- As at 30 June 2018, 20% of this volume (1.5m ML) is held within the Commonwealth Environmental Water Holdings ("CEWH") and is unavailable for irrigative use. A further 8% is held by the respective States.
- **This leaves 72% of the system available to investors and producers;** at present roughly 4%-5% of entitlement holders are 'investor type' and the remainder are primary producers<sup>2</sup>.
- **Duxton's position at 28 November, excluding assets in the pipeline for acquisition, represents an estimated ~1% of the entitlements available for consumptive use.**
- The Company is scalable beyond its current ~1% market share, with an active water market, minimal fixed costs, and the ability to expand the portfolio beyond the Southern Murray Darling Basin into other Australia water regions.

<sup>1</sup> Aither – Water Markets Report 2017-18 review and 2018-19 outlook

<sup>2</sup> Commonwealth Environmental Water Holding, The Living Murray, New South Wales Office of Environment and Heritage, as at 18 February 2018

<sup>3</sup> <https://www.mdba.gov.au/managing-water/environmental-water/progress-water-recovery>

<sup>4</sup> <https://www.smh.com.au/environment/at-great-risk-13-billion-murraydarling-plan-headed-for-failure-report-says-20171129-gzv344.html>



1

**Australia's only pure listed water play with a strong track record**

2

**Strong underlying trends supporting future growth in water prices**

3

**Multiple sources of return, a proxy and hedge to agriculture**

4

**A unique asset class with uncorrelated returns**

5

**Growth opportunities in a large market with largely fixed costs**

6

**Experienced management team and investment in resources for global growth**

## KEY CONTACTS

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