

# RFM Poultry

NSX:  
RFP



## Financial results presentation

**Half year ended 31 December 2017**

28 February 2018

Managed by:

 Rural  
Funds  
Management

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# Agenda

1. Results and outlook
2. Operational update
3. Appendices
  - Trading RFP units

## RFM attendees



**Stuart Waight**  
*Chief Operating Officer*



**Daniel Yap**  
*Financial Controller*



**James Powell**  
*Investor Relations &  
Distribution Manager*

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# 1

## Results and outlook



*RFM management assessing broiler chickens, Griffith, New South Wales, December 2016*

# HY18 results summary

## Metrics as at 31 December 2017

<b>Income</b>		
	Revenue	\$12,067,830
	Net profit after income tax	\$258,447
	Earnings per unit (cents)	3.75
<b>Portfolio</b>		
	Net assets value (NAV)	\$7,712,062
	NAV per unit	\$1.12
<b>Balance sheet</b>		
	Gross assets	\$9,299,874
	External borrowings	Nil
<b>Distributions</b>		
		<b>cpu</b>
	Paid October 2017	2.51
	Declared December 2017	2.51
	Total distribution	5.03
	Total franking	2.15
	Total grossed up distribution	7.18

- Profit after tax of \$0.26m
- NAV per unit of \$1.12
- Distributions totalled 7.18 cpu (inclusive of franking) for the first two quarters, representing an income yield of 12.0%<sup>1</sup> on an annualised basis
- Nil interest bearing liabilities
- All sheds continue to be compliant with RSPCA guidelines
- Installation of solar panels on Victorian sheds completed during the period (see slide 11)

Note:

1. Calculated using 29 December 2017 closing price of \$1.20

## Summarised Statement of Comprehensive Income

	Half Year ended 31 December 2017 \$	Half Year ended 31 December 2016 \$
Revenue	12,067,830	12,102,383
Other income	56,804	47,547
<b>Total income</b>	<b>12,124,634</b>	<b>12,149,930</b>
Property lease expenses	(5,345,074)	(5,269,413)
Direct grower expenses	(2,305,810)	(2,005,646)
Contractor fees, wages and labour	(2,288,932)	(2,159,165)
Repairs and maintenance	(1,016,452)	(1,175,123)
Insurance expenses	(184,227)	(207,565)
Other indirect expenses	(295,119)	(267,974)
Management fees	(286,737)	(271,720)
Depreciation	(33,072)	(12,601)
<b>Net profit before income tax</b>	<b>369,211</b>	<b>780,723</b>
Income tax expense	(110,764)	(234,217)
<b>Net profit after income tax</b>	<b>258,447</b>	<b>546,506</b>
<b>Total comprehensive income</b>	<b>258,447</b>	<b>546,506</b>

- Revenue lower during the period due to Efficiency Rating System (ERS) penalties (see slide 10)
- Operating expenses increased due to:
  - higher electricity prices, reflected in direct grower expenses; and
  - higher wages for additional management resources, to improve operational outcomes
- Increased costs partially offset by lower repairs and maintenance as well as insurance costs

# HY18 results

## Summarised Balance Sheet

	As at 31 December 2017	As at 30 June 2017
	\$	\$
Cash and cash equivalents	6,187,989	6,230,162
Trade and other receivables	1,807,651	1,896,547
Other current assets	293,258	345,405
Income tax receivable	43,259	80,819
Plant and equipment	951,218	420,338
Deferred tax assets	16,499	30,089
<b>Total assets</b>	<b>9,299,874</b>	<b>9,003,360</b>
Trade and other payables	1,362,857	990,420
Short term provisions	224,168	211,271
Long term provisions	787	2,112
<b>Total liabilities</b>	<b>1,587,812</b>	<b>1,203,803</b>
<b>Net assets</b>	<b>7,712,062</b>	<b>7,799,557</b>
Units on issue	6,884,416	6,884,416
NAV per unit (\$)	\$1.12	\$1.13

- Net assets of \$7.7m
- NAV per unit of \$1.12
- \$2.0m of cash held in term deposits
- Nil interest bearing liabilities
- Retained earnings of \$1.1m
- RFP maintains sufficient working capital and reserves to assist with financial volatility resulting from operations



# Outlook

- FY18 profit forecast retained. It is expected the full year result will be at the very lower end of the forecast profit range due to ERS penalties over FY18:
  - \$0.87m to \$1.18m before tax; and
  - \$0.61m to \$0.83m after tax
- FY18 forecast distributions of 14.36 cpu (inc. franking) reaffirmed
- FY18 forecast total cash distributions represents \$0.69m that will be funded from the profit result and retained earnings as required

## FY18 distributions (inc. franking)

Record date	cpu
29 September 2017	3.59
29 December 2017	3.59
29 March 2018 (forecast)	3.59
29 June 2018 (forecast)	3.59
<b>Total</b>	<b>14.36</b>

## Additional distribution information

Total FY18 distribution (forecast)	10.05 cpu
Total FY18 franking (forecast)	4.31 cpu
Distribution payment frequency	Quarterly
Distribution reinvestment plan	Suspended



# 2

## Operational update

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*Newly installed solar panels, Lethbridge, Victoria, January 2018*

# Efficiency Rating System

- The Efficiency Rating System (ERS) rates the relative performance of farms in the Riverina region, measured by daily weight gain and feed conversion. Premiums or discounts are applied to the growing fee paid for each farm based on their relative performance
- RFP operates 12 farms in the Riverina pool; 10 were built between 1984-1993 (older farms) and two were built between 2007-2008
- 17 new farms have been built by other contract growers over the past few years and included in the Riverina pool
- Since new farms have been added to the Riverina pool, older farms operated by RFP have underperformed and incurred discounts
- RFM has identified changes on the older farms designed to improve performance. This includes alterations to lighting and ventilation and upgrades to the water sanitation systems. These changes have been progressively implemented from October 2017 and should be completed by June 2018
- Forecast FY18 profit range has been retained, with the expectation at the very lower end
- RFM is confident it has identified some of the causes contributing to lower performance of older farms and is working to improve the performance. This will take time and RFM will keep unitholders informed of progress
- The ongoing discounts incurred by the older farms has and will reduce profits for this financial year. Improving the performance of these farms will take several months to implement. By the end of this current financial year, RFM expects to see farm performance improving

# Renewable energy

- In recent years RFM has undertaken investigations into a range of energy options including renewable energy
- As a result of these investigations, RFM arranged the installation of solar panels on all four Lethbridge farms, which are contracted to supply Turi Foods
- The 100 kilowatt solar systems, installed in December 2017, cost approximately \$400,000 and are forecast to generate a positive return as well as improving environmental outcomes. A portion of the return will be shared with Turi Foods
- The solar infrastructure across the four farms is expected to generate 508,000 kilowatt hours (kWh) of electricity per annum, with approximately 400,000 kWh hours consumed by the farms and 108,000 kWh exported to the energy grid
- Each Lethbridge farm has five poultry sheds with 2,958m<sup>2</sup> floor area per shed (pictured adjacent). The usage equates to approximately one third of the annual power needs of the farms

## Solar panels



Lethbridge, Victoria, January 2018 (top image) and December 2017 (below image)

# 3

## Appendices

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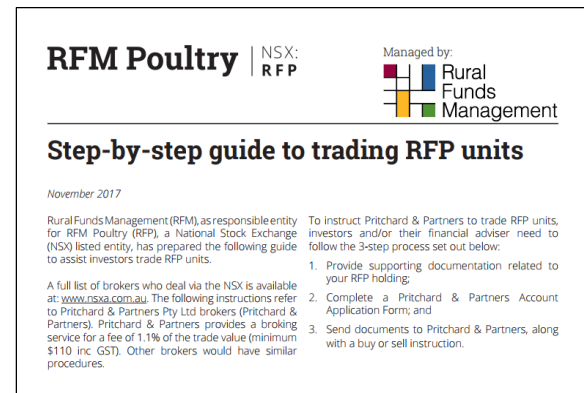
*Poultry sheds, Griffith, New South Wales, December 2016*



# Trading RFP units

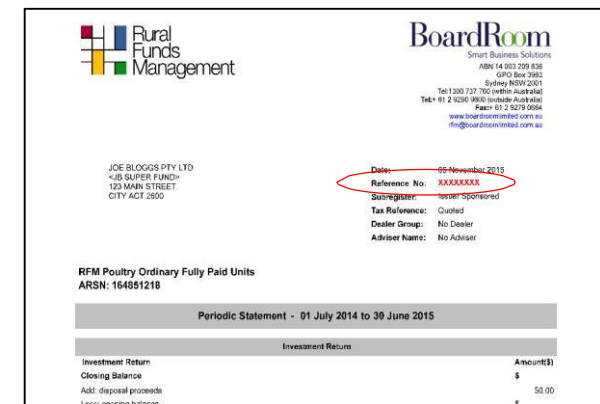
- Pritchard & Partners Pty Ltd provides a broking service at a cost of 1.1%, with a minimum \$110 (inc. GST)
- A detailed guide to trading RFP units through Pritchard & Partners Pty Ltd can be accessed by contacting RFM (Figure 1), however as an overview:
  - Provide supporting documentation related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

**Fig 1: Step-by-step guide**



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

**Fig 2: Obtaining your SRN**



*Example: Periodic Statement (SRN circled in red)*

## Key information

Established	1997
Assets under management	Total: \$743m Rural Funds Group: \$687m RFM Poultry: \$9m Almond Funds 06-08: \$35m 2007 Macgrove Project: \$12m
Ownership	Directors & staff
Farm & operations staff	50
Funds management staff	35
RFM direct operational experience	Cotton: since 1998 Vineyards: since 2000 Poultry: 2003 Almonds: 2006 Macadamias: 2006 Livestock: 2010
RFP fee structure	5% p.a. of operating expenses & cost recovery
RFP key responsibilities	<ul style="list-style-type: none"> <li>• Compliance to financial, farming and reporting requirements</li> <li>• Continuous improvement of operations</li> <li>• Management of infrastructure e.g. ongoing R&amp;M</li> <li>• Budgeting and performance monitoring</li> <li>• Relationship with processors (Baiada Poultry and Turi Foods)</li> <li>• Improve awareness to increase liquidity and fair valuation</li> <li>• Investigating growth opportunities</li> </ul>

## Board and management team contacts and tenure



**Guy Paynter**  
Non-Executive  
Chairman

8yrs



**David Bryant**  
Managing  
Director

21yrs



**Michael Carroll**  
Non-Executive  
Director

8yrs



**Julian Widdup**  
Non-Executive  
Director

1yr



**Stuart Waight**  
Chief Operating  
Officer

15yrs



**Andrea Lemmon**  
Executive Manager,  
Funds Management

21 yrs



**Daniel Yap**  
Financial  
Controller

6yrs



**David Thomson**  
Business Manager -  
RFM Poultry

13 yrs



**Tim Sheridan**  
Snr Analyst &  
Nat. Mgr. Cattle

10 yrs



**James Powell**  
Investor Relations &  
Distribution Manager

10yrs

# Corporate information



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Funds  
Management  
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## For further information:

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