



The Rural Land **Investors**

29 February 2024

NZL's FY23 Results Demonstrate Growth and Resilience

New Zealand Rural Land Co (NZL.NZX) is pleased to announce its financial result for the year ended 31 December 2023. NZL recorded a net profit after tax of \$10.9m and Adjusted Funds From Operations (AFFO) of \$6.0m, including earnings from properties with put/call arrangements in place.

Post Balance Date Highlights - FY24

- Roc Partners purchased 25% of NZL's portfolio, validating strategy and partnering for growth.
- FY24 AFFO forecast to be 5.0 cps - 5.4 cps (+19.7% at the midpoint).
- Diversification materially increased by forestry and horticulture acquisitions in FY24.
- WALT increased from 11.7 years to 12.7 years.
- 16,063 hectares of rural land now owned an increase of +8.4% on FY23.
- Gearing lowered to 32.9% with 64% of debt hedged following Roc transaction.
- Dividend reinstated with an amended policy targeting a pay-out of 60% - 90% of AFFO.
- On-market share buyback programme continued.

FY23 Highlights

- NAV per share grew from \$1.250 at listing in December 2020 to \$1.602 at FY23 year end.
- AFFO grew from 4.13cps in FY22 to 4.35cps (+5.3%) in FY23.
- Forestry acquisitions in FY23 materially increased diversification, funded via an inaugural "Green Loan".
- Total assets ended FY23 at \$369.8m.
- Net asset value ended FY23 at \$223.1m.
- Gearing closed FY23 at 36.2%.
- NZL repurchased 611,327 shares at an average price of \$0.87 per share.

The FY23 result delivered an increased portfolio value, effective risk management, and sustainable growth for shareholders.

A detailed results presentation is available at: <https://www.nzrlc.co.nz/reports-presentations>.

Roc Transaction

On 19 January 2024, NZL announced it had entered into an agreement to sell a 25% equity interest in its land portfolio to Roc Partners (Roc). This transaction settled on 9 February 2024.

Roc acquired the equity interest for \$44.2m in cash. NZL used the proceeds to repay the \$11.8m owing on a convertible note it drew down in April 2023 to partially fund its forestry acquisition.

A further \$20.7m of the proceeds were used or committed to fund orchard and forestry land acquisitions announced to the market on 20 February 2024 and detailed below.

The balance of the funds have been retained as working capital while opportunities are investigated.

FY24 Dividend Reinstatement and Share Buyback Programme

The NZL Board has resolved to both reinstate NZL's dividend and amend its dividend policy.

NZL's intention has always been to pay regular semi-annual dividends with an interim dividend paid in October and final dividend paid in March each year. NZL's amended dividend policy targets a pay-out of 60% - 90% of AFFO. The pay-out range grants the company greater flexibility to deploy NZL's cash operating earnings in ways considered most beneficial to increasing shareholder value.

The interim dividend will be based upon results for the period 1 January 2024 to 30 June 2024 and will be paid in early October 2024.

The company maintains a selective on-market share buyback programme. Pursuant to NZX Listing Rule 4.14.2, buybacks may take place on and from 1 June 2023 for a period of 12 months. The company may refresh the programme for further 12 month periods. The total number of shares that may be bought back shall not exceed 5,350,000 shares. Under the programme, 611,327 shares have been acquired as at the date of this announcement. Shares are only acquired if the acquisition price represents 90% or less of the company's prevailing net asset value per share.

Acquisitions

In April 2023, NZL announced the settlement of two forestry estates totalling 3,137 hectares (7,745 acres). The estates were purchased for \$70.2m and were leased to New Zealand Forest Leasing (NZFL) for an average weighted lease term of 19.5 years (by value). The leases include annual CPI lease adjustments.

The purchase was funded with NZL's inaugural Green Loan via Rabobank of \$25.2m, the proceeds of NZL's pro-rata rights issue and a \$12m convertible note issued to an entity associated with NZFL.

On 20 February 2024, subsequent to FY23 year end, NZL announced it had entered agreements to acquire the land supporting three apple orchards located in Hawkes Bay, and a forestry block located in close proximity to its existing estates in Whanganui, for a total cost of approximately \$27.6m. These two acquisitions will add meaningful sector, income and tenant diversification to its portfolio, with forestry and horticulture now holding a 31% and 5% proportion of NZL's portfolio, respectively. The land will be acquired by the Limited Partnership formed as part of the Roc transaction.

Post completion of the two recently announced acquisitions, NZL will own 16,063 hectares (39,693 acres) of rural land (25% of which is owned by Roc) with a 12.7 year WALT (by value), with 100% occupancy across nine tenants. This represents a +8.4% increase in total land owned by NZL, a +9.5% increase in WALT and continued growth in the scale and diversity of NZL's asset and tenant base.

Outlook

NZL's strategy is to own quality rural land in New Zealand; growing a diverse portfolio while delivering attractive risk-adjusted returns as a ground lessor. As detailed in the investor presentation, recent transactions are delivering on this strategy.

NZL generates shareholder value through a combination of asset value appreciation and cash flow from long-term leases. NZL's increase in its asset value of +2.2%, as at 31 December 2023, in an uncertain macroeconomic environment for real estate assets re-affirms the attractiveness of the company's rural land asset base and long term investment strategy.

NZL's leases incorporate regular CPI reviews. That means higher inflation results in higher than anticipated rental growth. And NZL is insulated from inflation-impacted, and all other operational on-farm costs by owning only the land.

Post the most recent acquisitions and Roc transaction, NZL forecasts FY24 AFFO of between \$7.0m and \$7.5m, this excludes earnings from properties with put/call arrangements in place (~\$1.2m).

Currently, NZL has hedging arrangements in place for 64% of its total borrowings. Gearing amounts to 32.9% of total assets.

From April 2024, NZL will start to see the positive impact of rental growth with approximately half of its portfolio (by lease income) due for CPI review. This includes 100% of its forestry leases (acquired in FY23) and 53% of its pastoral leases, which between lease commencement and year end have accumulated +3.4% and +17.9% in CPI, respectively. NZL remains excited by its future opportunities, which are augmented by the strategic partnership with Roc Partners, and the company is positioned well to continue to grow shareholder value.

Rob Campbell
Chair

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