



24 February 2020  
ASX Announcement

## AMENDED INVESTOR PRESENTATION

Duxton Water Limited (ASX:D20) refers to its 'Investor Presentation – February 2020' (released to the ASX on 10 February 2020).

Within the presentation, the company provided a calculated 'adjusted EPS' figure which provides a comparison of Earnings Per Share for the Company's 2017 to 2019 financial years less the impact of impairment on the Company's water assets. An error has been identified in the calculation of the 2019 adjusted EPS calculation. (slide 9)

At 31 December 2019, on an independent fair value basis, the Company held total fair value revaluation across the water portfolio of \$97.1 million (since listing). Water assets are classified as an intangible asset and can only be held from a statutory perspective at cost less any accumulated impairment.

During 2019, the Company saw a \$59.3 million fair value uplift across its water assets, however with low allocations and increased volume of assets coming to market, some of the Company's general security assets currently are impaired to the value of \$3.83 million. This non-cash impairment when booked through the Company's Statement of Profit and Loss, has a negative impact on statutory earnings. In the event these assets revert back towards cost, statutory profit will be positively impacted.

The error in the calculation of the adjusted earnings figure reduced adjusted earnings per share for 2019 to 8.7 cents, not 9.7 cents as previously disclosed.

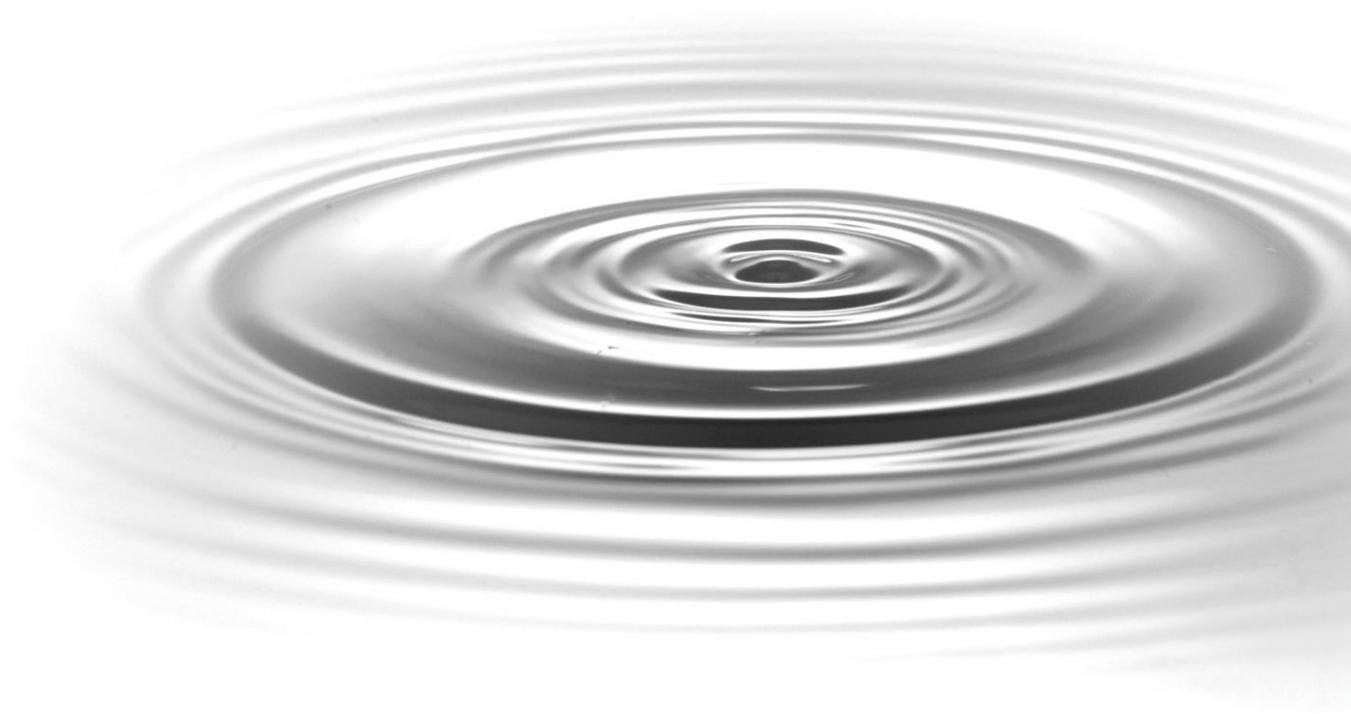
The error did not affect any other metric provided in the presentation. Attached is the updated 'Investor Presentation – February 2020' amended for the error.

Yours sincerely,

**Katelyn Adams**  
Company Secretary  
Duxton Water Ltd



DUXTON  
WATER



**DUXTON**WATER LTD

February 2020

**INVESTORPRESENTATION**

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Duxton Water provides flexible water supply solutions to our Australian farming partners. Below are some examples of how we assist irrigators in managing their water supply requirements.

Duxton recently leased 1,300ML of groundwater to a family farming partnership in the Mallee region. The business has focused on potato production, and this lease has enabled them to expand production without the capital outlay on water security. Through leasing 1,300ML of ground water across 3 leases (5 years with an option to renew for a further 5), Duxton has supported growth, and the development of their business away from dryland farming.

An ASX listed viticulture business sources its water needs through a range of water products including ownership of entitlements, long-term leases, forward contracts and engagement with the spot market. Duxton leases them 1,000ML of VIC HS water with mixed term lengths (1/3 for 3 years, 1/3 for 4 and 1/3 for 5).

In SA, Duxton leases to a family partnership in the business of producing almonds. With an orchard they have been managing for 10-years, their trees are close to or at maturity now and demand up to 14ML/hectare. Almonds are particularly sensitive to water shortages and as such security of supply is key. As part of their strategy, they lease 600ML of VIC HS water, on a 3 year lease from Duxton.

## Real-Life Case Studies

Through these partnerships we aim to continue to build a stronger Australian economy, in which agriculture has a positive long-term future.

Another lessee is a grape grower in the Sunraysia region which leases 600ML of NSW HS over a 3-year term. This entitlement is in high demand, but the lessee was willing to pay the value of the lease in order to secure the water. The lease gives them peace of mind in delivery of their valued resource.

Duxton leases to an irrigator-owned water utility business, which provides water, by way of infrastructure, to more distant regions. They have a commitment to deliver 12GL of water, and while they own a large portion of this water, they also engage in the spot market and enter lease agreements. With Duxton they have a lease of 500ML of VICHS water, with a 3-year lease term.



### SUPPORTING AGRICULTURAL PRODUCTION

100% of Duxton Waters portfolio is utilised to support our Australian irrigation partners.

As of 31<sup>st</sup> of January, 66% of Duxton Water’s permanent entitlement is leased directly supporting over 70 irrigating businesses. The balance of the portfolio is utilised to deliver other water supply solutions including risk manage forward allocation contracts and spot allocation sales. This gives irrigators flexibility in their water management strategy.

Duxton supports a number of agricultural industries including viticulture, dairy, broadacre, almonds, citrus, olives and dried fruits. Our water is used in these industries to produce quality Australian food and fibre to be consumed in Australia and exported around the world.

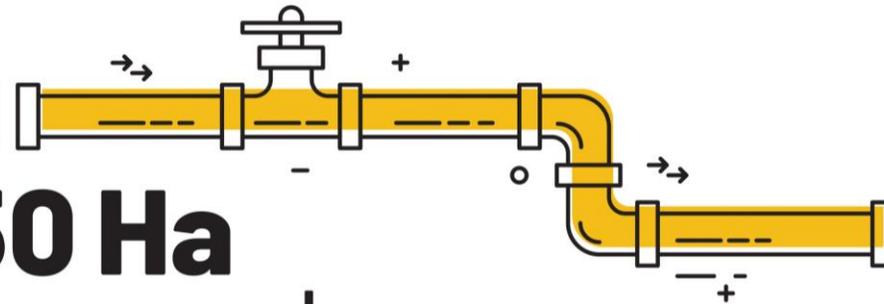
**In 2019**

*our water irrigated*

**~3050 Ha**  
of vineyards

which will produce over

**68 million**  
bottles of wine.



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.

By trading in both perpetual water entitlements (also known as water licences or water rights) and the annual water allocations that attach to these entitlements, water can be reallocated from lower value to higher value uses. Total entitlement and allocation trading across the Southern connected Murray Darling Basin was ~\$1.4-1.5 billion in FY19<sup>1</sup>.

The primary investment objective of Duxton Water is to build a balanced portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long term entitlement leases and the trade of the annual allocations through the delivery of both spot allocation sales and risk managed forward allocation contracts.

Since its IPO in September 2016

## Duxton Water has



The company currently has within its acquisition pipeline **a further \$1.8 million of water entitlements** as at 31 January 2020.

<sup>1</sup> Aither Pty Ltd, 2019 + estimate of internal NSW Irrigation Company turnover.

<sup>2</sup> Inclusive of dividends and franking credits, based on Net Asset Value as at 31 January 2020

<sup>3</sup> As at 31 January 2020

## KEY INFORMATION

Current share price (as at 07 February 2020)	\$1.48 per share
Current shares on issue	119,880,298
Current Market Capitalisation	\$177.42 million
Weighted Earnings Per Share	8.5 cents (2018) 6.4 cents (2019) - Unaudited
ASX Code	D20
Investment Universe*	Australian Water Entitlements
Investment Manager	Duxton Capital (Australia) Pty Ltd

## FEE STRUCTURE

Duxton Water has no staff itself; management is outsourced to Duxton Capital (Australia) with a fee structure that is highly competitive:

- The Investment Manager receives a management fee of 0.85% p.a. of the net asset value (NAV) of the Company.
- A performance fee (subject to a high watermark) of 5% p.a. is payable on annual returns above 8%, and 10% p.a. on annual returns above 12%.
- The Investment Manager is also paid for reimbursable costs.

## KEY METRICS

31 JANUARY 2020

Total Megalitres (“ML”) owned	83,388 ML
% of entitlements leased	66%
Net Asset Value	\$213.34 million (\$348.6m total assets)** \$1.78 per share
Net Asset Value per share	(\$2.01 excluding tax provisions for unrealised capital gain)
2019 distribution yield#	3.58% (5.12% incl. franking)
2020 distribution yield# (announced and targeted)	3.85% (5.50% incl. franking)
Gearing	~28%

## BOARD MEMBERS

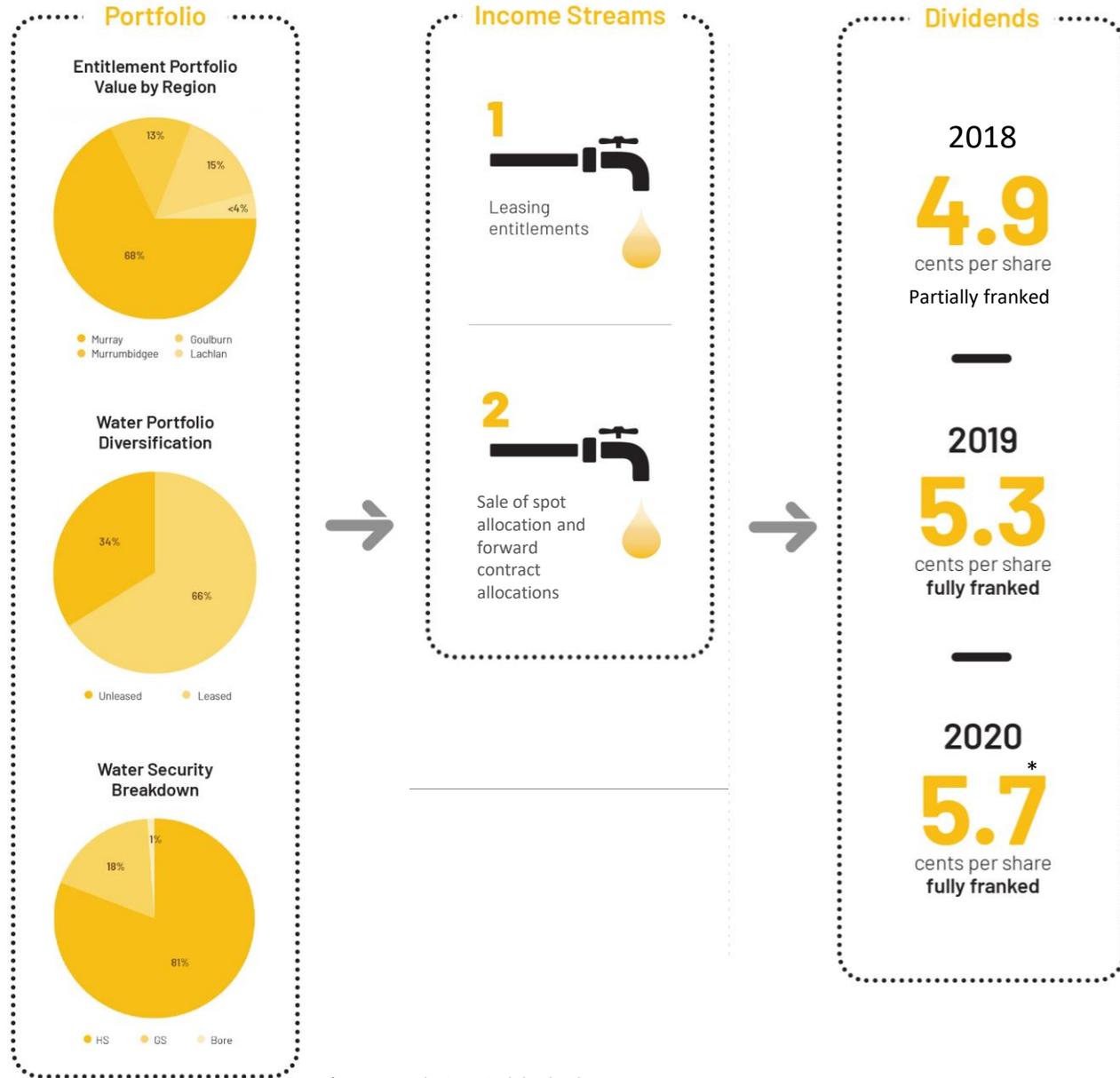
Ed Peter	Non-Executive Chairman
Stephen Duerden	Non-Executive Director
Dirk Wiedmann	Independent Non-Executive Director
Peter Michell	Independent Non-Executive Director
Dennis Mutton	Independent Non-Executive Director

All dollar values are in AUD unless otherwise specifically stated.

# 2019 distribution yield based 5.3 cents, 2020 distribution yield based on 5.7 cents with a reference share price of \$1.48.

\*Duxton Water may hold small land holdings from time to time when the purchase of land is required for the purchase of the Water Entitlement associated with it.

\*\* Net Asset Value is inclusive of a \$28.3m deferred tax provision for an unrealised capital gain across the portfolio.



\* Announced + targeted dividends

- Duxton Water has continued to build its water entitlement portfolio and through the provision of water supply solutions to its farming irrigation partners, mature its increasingly visible revenue to support shareholder returns.
- Allocation received on the Company’s unleased portion of the portfolio is actively managed and sold down to producers through spot and forward contract sales, to support further agricultural production outcomes, operating within the rules and regulations that govern all Australian irrigators and water entitlement holders.
- Duxton Water paid two fully franked dividends through 2019. The Company has maintained its commitment to deliver a biannual dividend, confirming a fully franked 2.8 cent dividend to be paid in March 2020.
- Additionally, the Company has provided a targeted 2.9 cent fully franked dividend to be paid in September 2020 and a 3.0 cent fully franked dividend to be paid in March 2021.

**PORTFOLIO GROWTH**

(total assets)

2019	2018	2017
334.6m	194.4m	86.4m

(entitlements held)

2019	2018	2017
83.0GL	61.1GL	36.8GL

(capital growth)\*

2019	2018	2017
59.3m	24.5m	9.6m

**DIVIDEND GROWTH**

2019	2018	2017
5.3 cents	4.9 cents	2.3 cents

**EXPECTED 2020 5.7 cents**

- The value uplift seen in permanent water entitlements predominantly reflects long-term drivers rather than the drought currently being experienced. Irrigators have over the last 10 years, significantly enhanced their marginal return per megalitre through both more efficient use of water and conversion to higher value commodities.
- At the same time, we have seen significant steps taken to return water to the environment with the Government purchasing between 20-22% of entitlements that were previously available to the consumptive pool. The combined impact has seen stronger demand for a reducing available water supply and subsequent increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of Water Entitlement on issue in the market.
- Growth in Duxton Water’s portfolio is a reflection of capital gain, debt and equity funded acquisitions, and operational profit. Through 2019 the Company has continued to build a diversified portfolio enabling the delivery of water supply solutions to Australian agriculture while delivering a balanced return for Shareholders across the climatic cycle.
- The Board maintains its commitment to providing our Shareholders with a bi-annual dividend.

\*Annual unrealised gross capital gain across the portfolio  
 \*\* Unaudited or review

**EARNINGS PER SHARE  
(EPS)**

2019	2018	2017
6.4 cents <sup>1</sup>	8.5 cents	3.2 cents

**ADJUSTED EARNINGS  
PER SHARE**

2019	2018	2017
8.7 cents <sup>1</sup>	8.7 cents	3.2 cents

**UNREALISED CAPITAL GAIN  
PER SHARE<sup>2</sup>**

2019	2018	2017
35.5 cents	20.1 cents	10.4 cents

- 2019 Earning per share of 6.4 cents<sup>1</sup> was impacted by non cash water asset impairment.
- With the dry conditions over the last two years resulting in very little to no allocation on NSW Murray and Murrumbidgee General Security Entitlement, we have seen an increasing amount of these assets come to market as irrigators manage cashflow and capital. Across these regions over the last 12 months, we have seen on average a ~13% fall in the value of these entitlements (weighted). Across Duxton Water’s portfolio this translates into a statutory impairment of \$3.84m.
- As water assets are classified as intangible assets, the Company is unable to hold its portfolio at a fair market value. From a statutory accounting perspective, water assets are required to be held at cost less impaired value.
- The net fair value revaluation uplift as at 31 December 2019 of \$93.4m on the Company’s portfolio is ignored from a statutory perspective, however impairment of \$3.84m (equating to ~3.28 cents/share) on General Security Entitlements must be booked as an expense through the P&L.
- Should general security entitlement values increase, the statutory impairment expense will be reversed, leading to a positive impact to the Company’s P&L.
- When adjusted for the non cash impairment, the Company generated an operational profit of 8.7 cents for 2019. In addition to this, the portfolio delivered shareholders with and unrealised gross capital gain of 35.5 cents per share across 2019.

<sup>1</sup> Non-IFRS measures used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

<sup>2</sup> Annual unrealised gross capital gain across the portfolio per share

A UNIQUE APPROACH TO WATER OWNERSHIP, INVESTMENT AND MANAGEMENT



Interstate Water Trading Zones

1 – Greater Goulburn	5a – Part Loddon	10 – NSW Murray above Barmah Choke	14 – Lower Darling
3 – Lower Goulburn	6 – Vic Murray above Barmah Choke	11 – NSW Murray below Barmah Choke	15 – Lachlan
4a – Part Campaspe	6b – Lower Broken Creek	12 – South Australia Murray	Murray Darling Basin
4c – Lower Campaspe	7 – Vic Murray from Barmah Choke to SA Border	13 – Murrumbidgee	River

# The South Murray Darling Basin

~A\$27.3 billion

worth of surface water is located in the Southern Murray Darling Basin system, crossing South Australia, Victoria and New South Wales

.....  
 Around **66%**  
 of Australia's total agricultural production takes place in this region\*

.....  
 The water entitlements are well diversified across a number of metrics

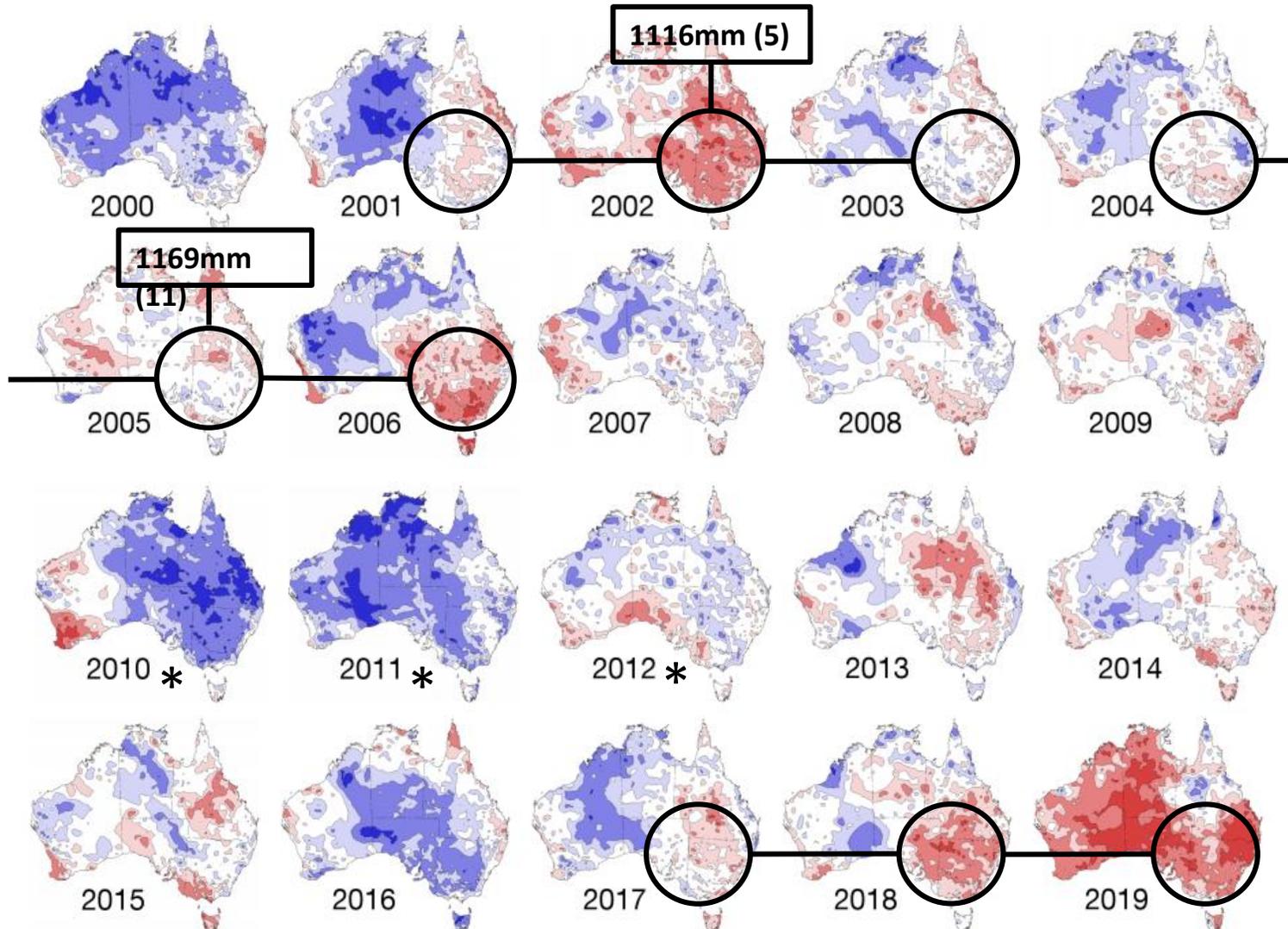
regions :: security levels :: crops

Agricultural commodities produced in the region include



\* Estimate of agricultural production across the entire Murray Darling Basin  
 Source: ABARES, Irrigated Farms in the Murray Darling Basin, 2014-2015

BUREAU OF METEOROLOGY 36 MONTH RAINFALL TRENDS



- These BoM maps show the decile rank of rainfall for each calendar year. Each decile represents 10 per cent of records, with 1 being the lowest 10 per cent and 10 being the highest.
- The black rings and numbers in brackets show the area averaged 36 month rainfall within the Murray Darling Basin and the dryness ranking over the 117 years of rainfall records. The average of the area between 1900 and 2018 is 1412mm.
- At 31 January 2020, the region had received 916.7mm since February 2017, which is more than 100mm less than the previous driest period.

**Previous rank of driest 36 months on record**  
 1900-1903 – 1027.3mm (1)  
 1965-1967- 1034mm (2)  
 1943-1945- 1041mm (3)

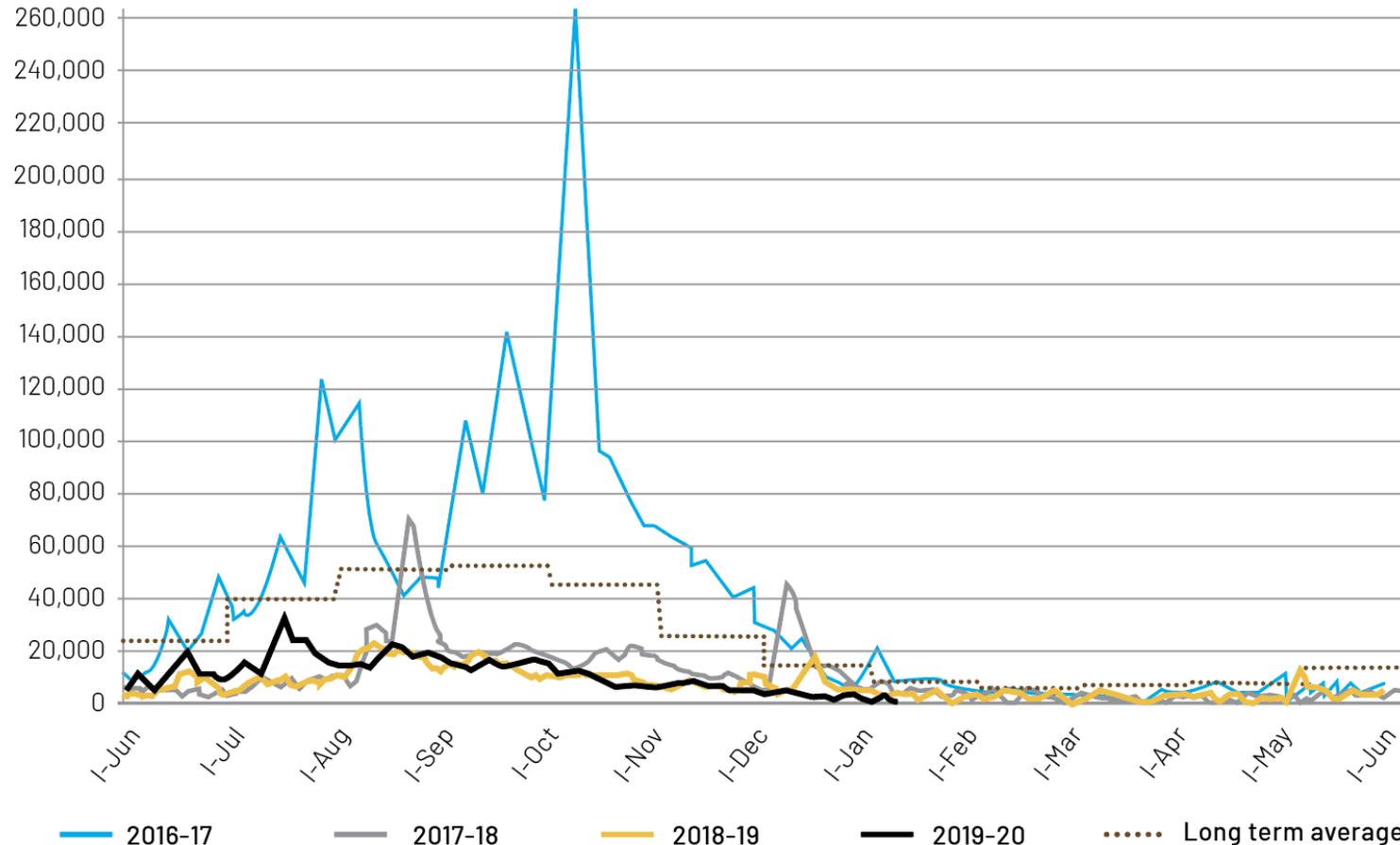


Source: Bureau of Meteorology  
<http://www.bom.gov.au/climate/history/rainfall/>  
[http://www.bom.gov.au/water/rwi/#ra\\_tt/292/201906](http://www.bom.gov.au/water/rwi/#ra_tt/292/201906)

\* 2010-2012 was the third wettest 36 month period on record (1910mm)

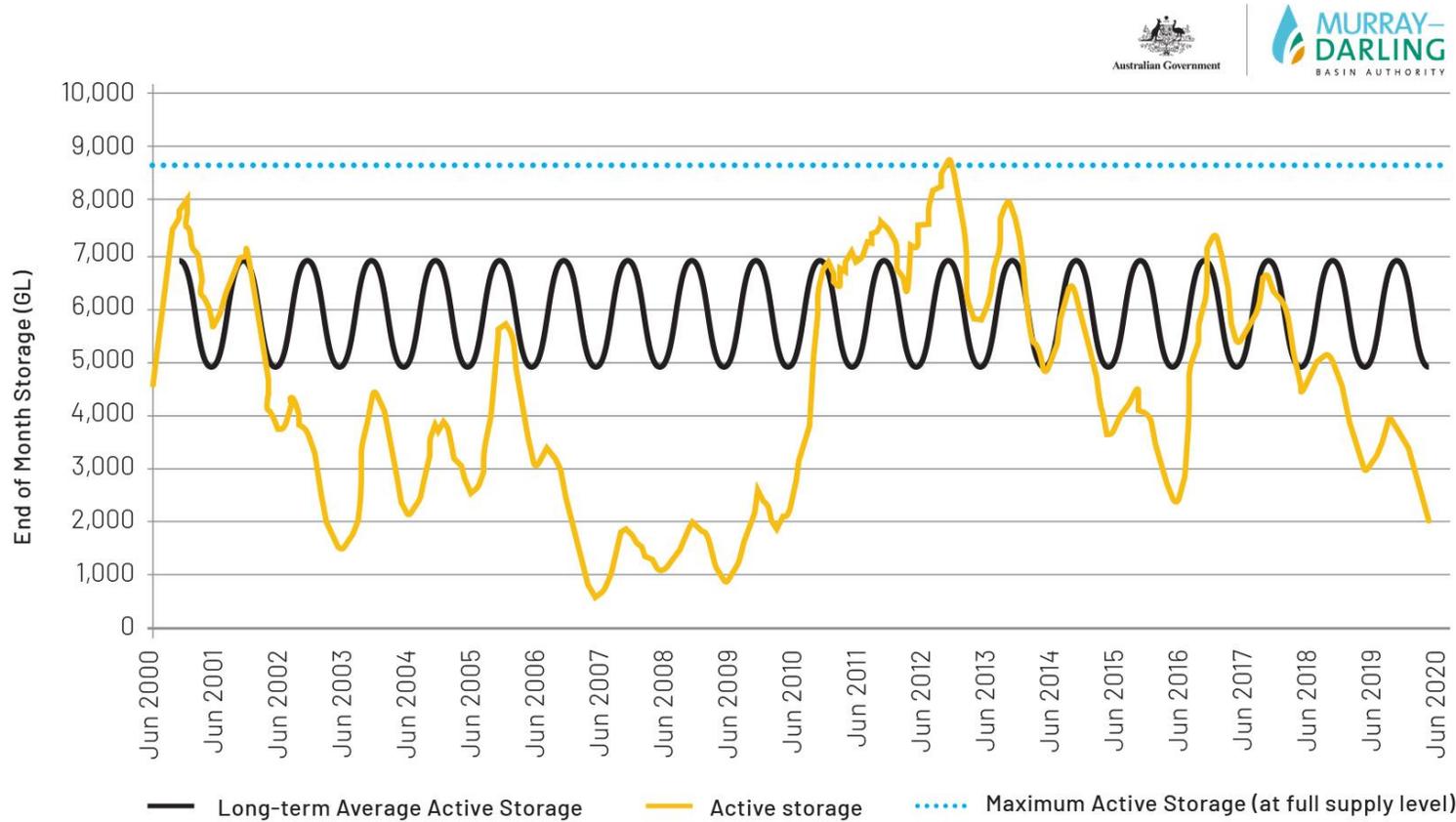
## MURRAY SYSTEM DAILY INFLOWS

(Excluding Snowy Darling, Inter-valley trade and environmental inflows)



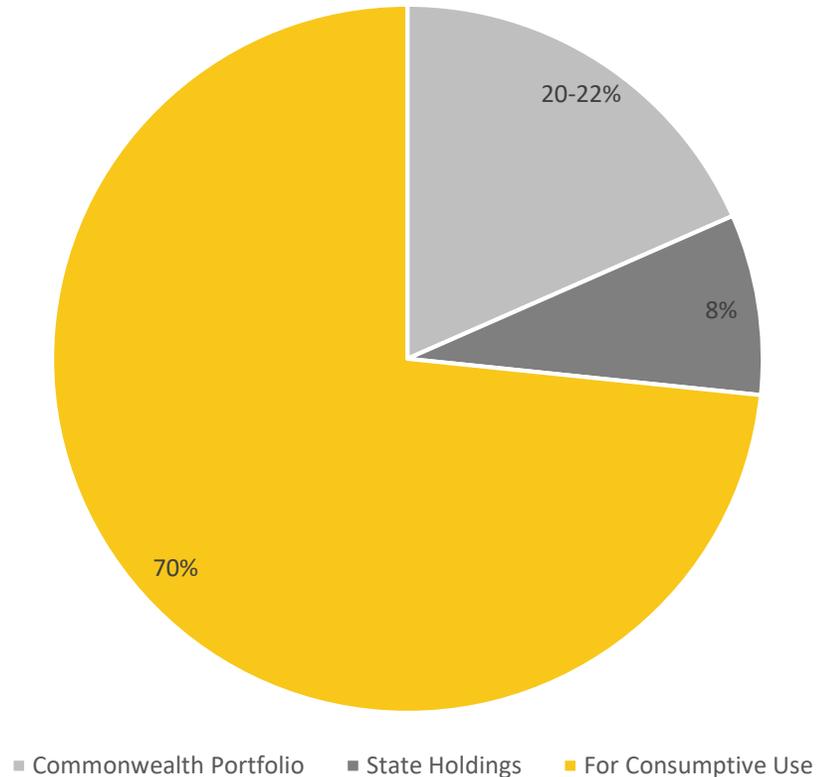
- With one of the driest winter periods on record, and continued below average inflows across the Murray Darling Basin for the 2019 winter period, it is expected that consumptive water supply may reach levels not seen since the millennium drought.
- Murray System inflows continue to track well below the long term averages with the Bureau of Meteorology predicting less than a 35% chance of the region exceeding median rainfall in the next 3 months.

### MDBA ACTIVE STORAGE- JUNE 2000 TO PRESENT



- The MDBA total active storage at 17 January 2020 was at 33% capacity as inflows continue to decline in line with the ongoing drying conditions. This is compared to 47% capacity at this time last year.
- The storage and inflow conditions have resulted in high security entitlements in South Australia and Victoria opening at significantly lower levels for the start of the 2019/2020 water year, while the chance of any meaningful allocation on lower tier NSW general security entitlements remains low.

## OWNERSHIP OF ENTITLEMENTS IN SMDB REGION



- Duxton Water has focused entitlement acquisition in the Southern Murray Darling Basin region of Australia. The SMDB has a total of **7,549,881 ML** of surface water entitlements on issue within its interconnected water systems, with an estimated value of **A\$27.3 billion<sup>1</sup>**.
- Of the 7,549,881ML on issue in the SMDB, 20-22% of this volume is held by the Commonwealth and is unavailable for irrigative use. A further 8% is held by the respective States.
- **This leaves 70% of the of available entitlements assessable to the consumptive pool.** The vast majority of the remaining consumptive entitlement pool is held by primary producers<sup>2</sup>.
- **Duxton Water’s position at 31 January, represents approximately 1% of the entitlements available for consumptive use across the regions it invests.**

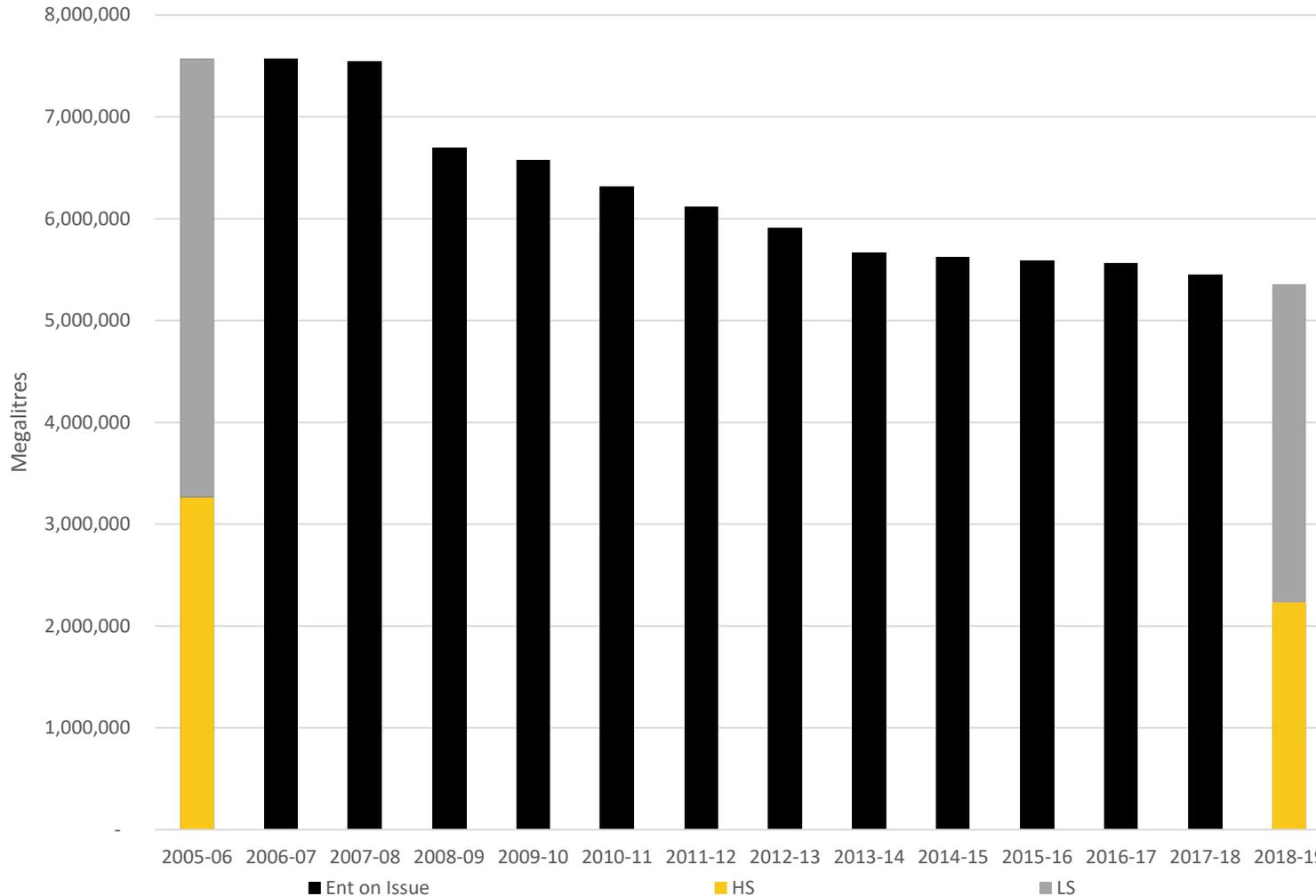
<sup>1</sup> Aither – Water Markets Report 2017-18 review and 2018-19 outlook

<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>

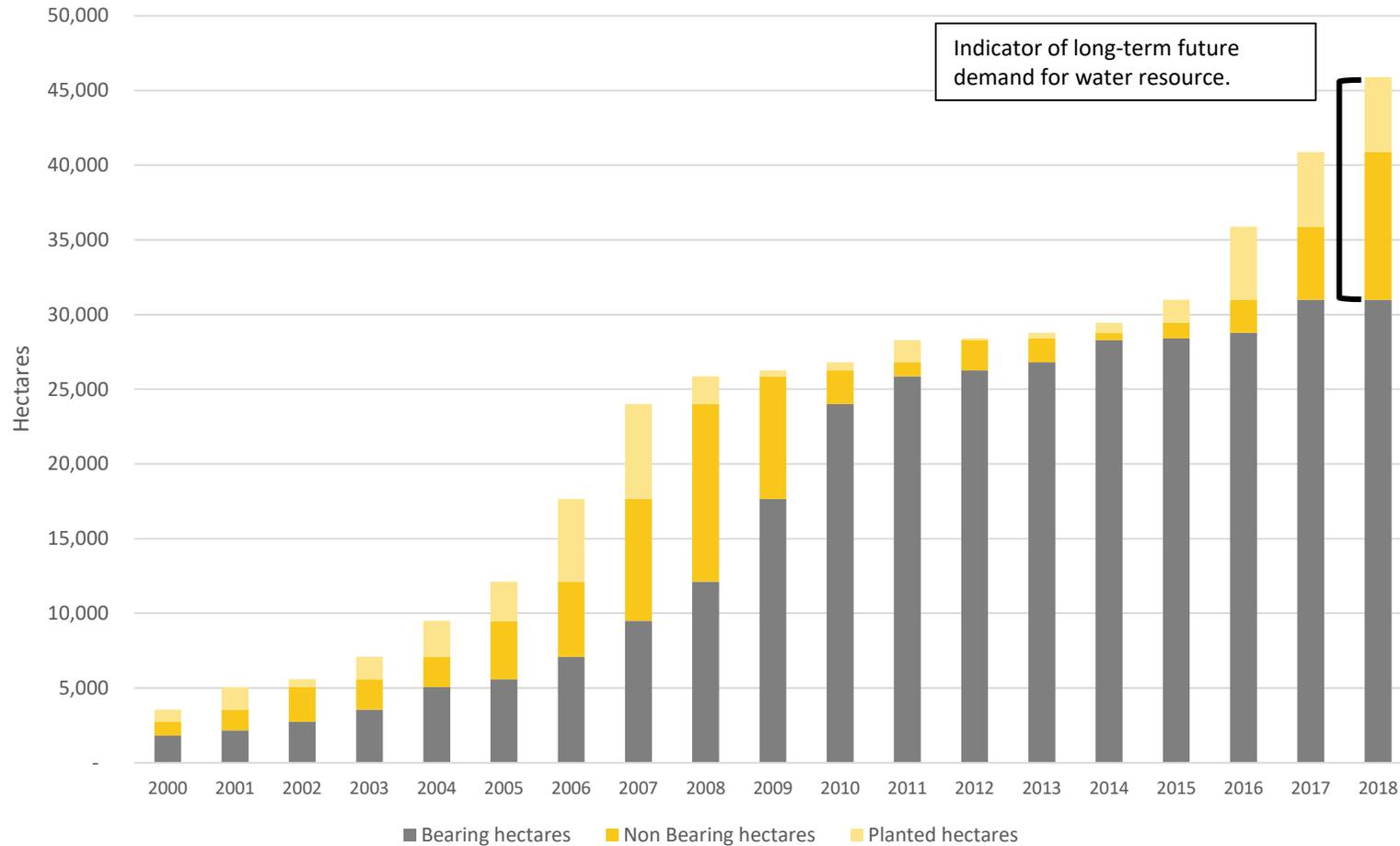
<sup>4</sup> <https://www.smh.com.au/environment/at-great-risk-13-billion-murraydarling-plan-headed-for-failure-report-says-20171129-gzv344.html>

## SMDB ENTITLEMENTS ON ISSUE FOR CONSUMPTIVE USE



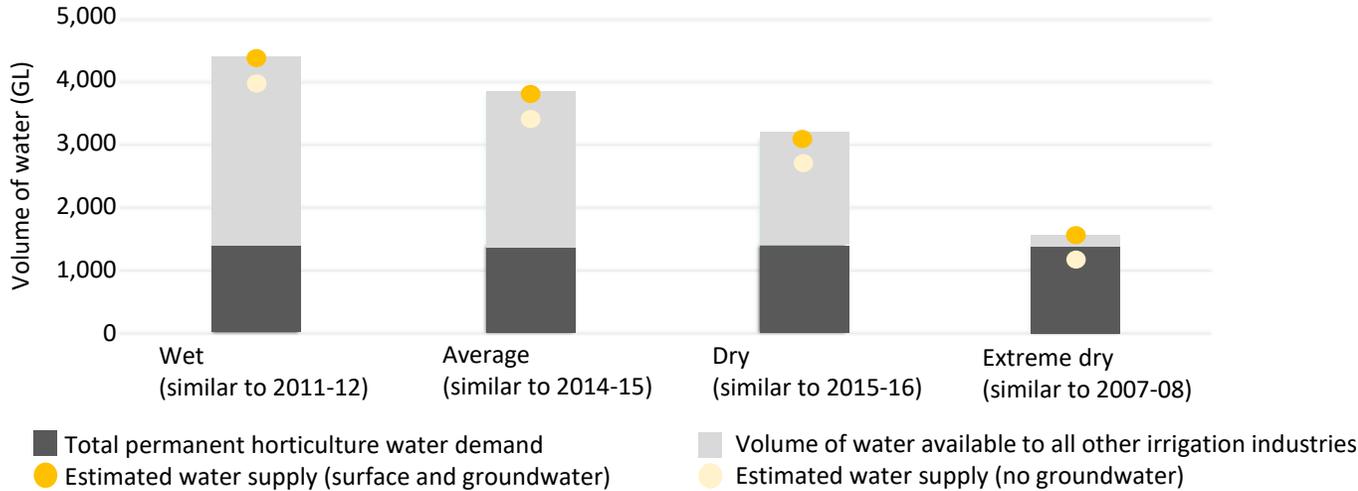
- Supply available for consumptive use has decreased with the ongoing Government buy-back program to support environmental requirements.
- The Government has purchased both High Security (31%) and General Security (27%) Entitlements.
- There are now 31% less High Security rights available, which are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

## ALMOND PLANTING AND WATER DEMAND

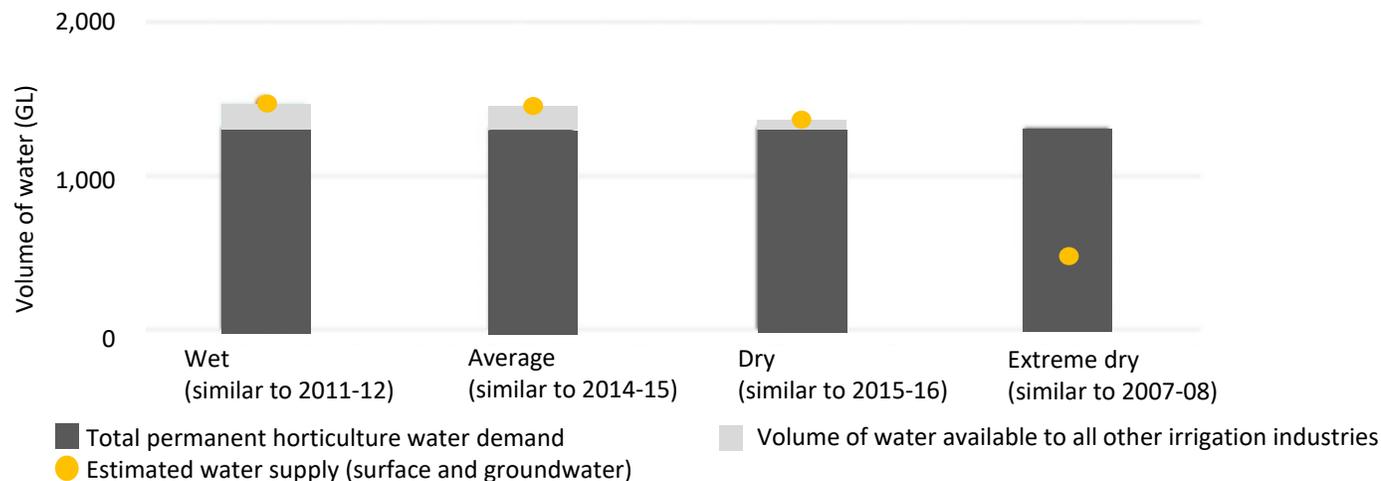


- Australian bearing almond orchard size has grown 14.9x since 2000, with over 15,000ha planted between 2016 and 2018 alone.
- At planting stage, trees demand 3ML/ha, and build up to 14ML/ha at maturity (6+ years).
- At full maturity, this equates to a total industry demand (assuming no further plantings) of ~630GL of water to sustain production.
- This equals ~8% of total entitlements on issue and ~28.2% of High Security entitlements available to Irrigators; this could represent a higher percentage depending on annual allocation volumes.

**Water availability and horticulture demand in the connected Murray region**



**Water availability and horticulture demand in the lower Murray region**



- Aither estimate that existing permanent horticulture will demand approximately 1,400 GL of irrigation water per annum at full maturity (~55% increase from ABS estimates).
- Horticultural demands account for all allocation against entitlements in the lower Murray region in average years. Supply shortfall will need to be met through carryover and the trade of water.
- Aither’s analysis suggests that under an extreme dry scenario, the directly available consumptive surface water supply within the lower Murray may only meet approximately 40 per cent of total existing permanent horticulture demand (at full maturity).
- Upward pressure is placed on allocation prices as demand increases and supply decreases.

## WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

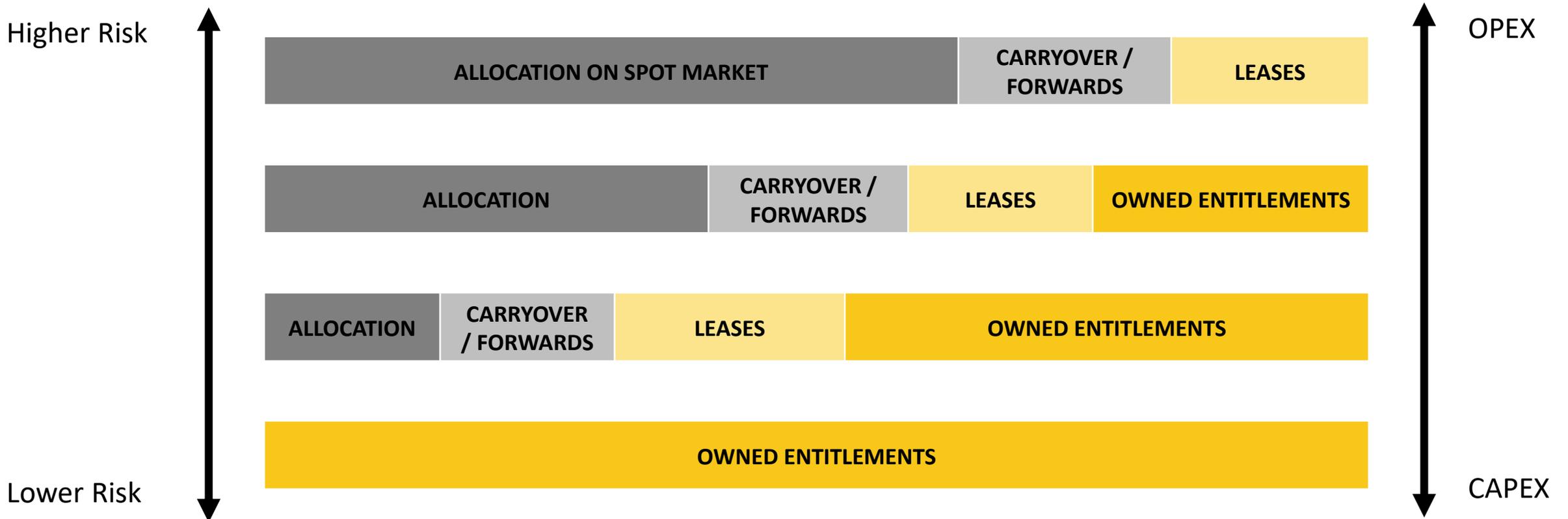
It is vital for agricultural producers to properly manage their key water resource to meet their short-term requirements and to mitigate risk over the long term.

There are a number of different options for irrigators in the SMDB;

ENTITLEMENT OWNERSHIP	ENTITLEMENT LEASES	FORWARDS FOR ALLOCATION	CARRYOVER OF ALLOCATION
<p>The perpetual right to a particular volume of the water resource. It is this ‘entitlement’ asset which receives an annual allocation of usable water.</p> <p>There are varying entitlement types, each with their own characteristics such as security (priority of allocation), carry over capability and capital value.</p>	<p>The leasing of an entitlement; the lessee usually pays 5-7% of the entitlement cost, and lease terms are generally anywhere from 1 to 10 years in length.</p> <p>Here the allocation risk (i.e. weather risk) lies with the lessee, not the entitlement owner.</p> <p>Consider this a OPEX not CAPEX product.</p>	<p>The seller agrees to provide a particular volume of water, in the future, to the buyer, at a price agreed upon today.</p> <p>Usually the cost is at a premium to the current allocation price.</p> <p>This is a OPEX product, and it the only product which guarantees the delivery of volume on a set date.</p>	<p>Some entitlements have the capacity to bank allocation water and carry it over from one water year to the next. Generally, if allocation is not used or carried over, it expires.</p> <p>Price is driven by demand for carryover space, but can be affordable.</p> <p>This is a OPEX product, and an alternative to owning more expensive entitlements.</p>

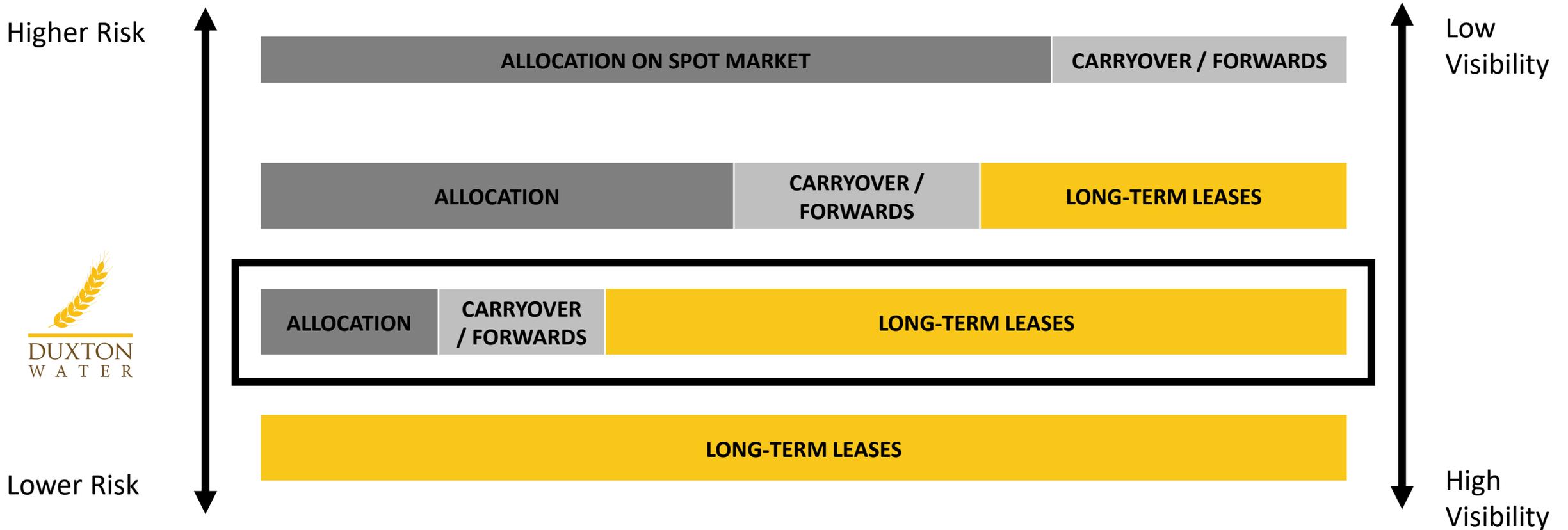
## WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

There is no perfect combination of these assets; the mix of water supply solutions that a farmer decides on will ultimately be impacted by their capital and operational means, their appetite for risk, and the sensitivity of the crops to water scarcity. The below diagram shows a spectrum of portfolio options and how risky they are considered to be for the water user.



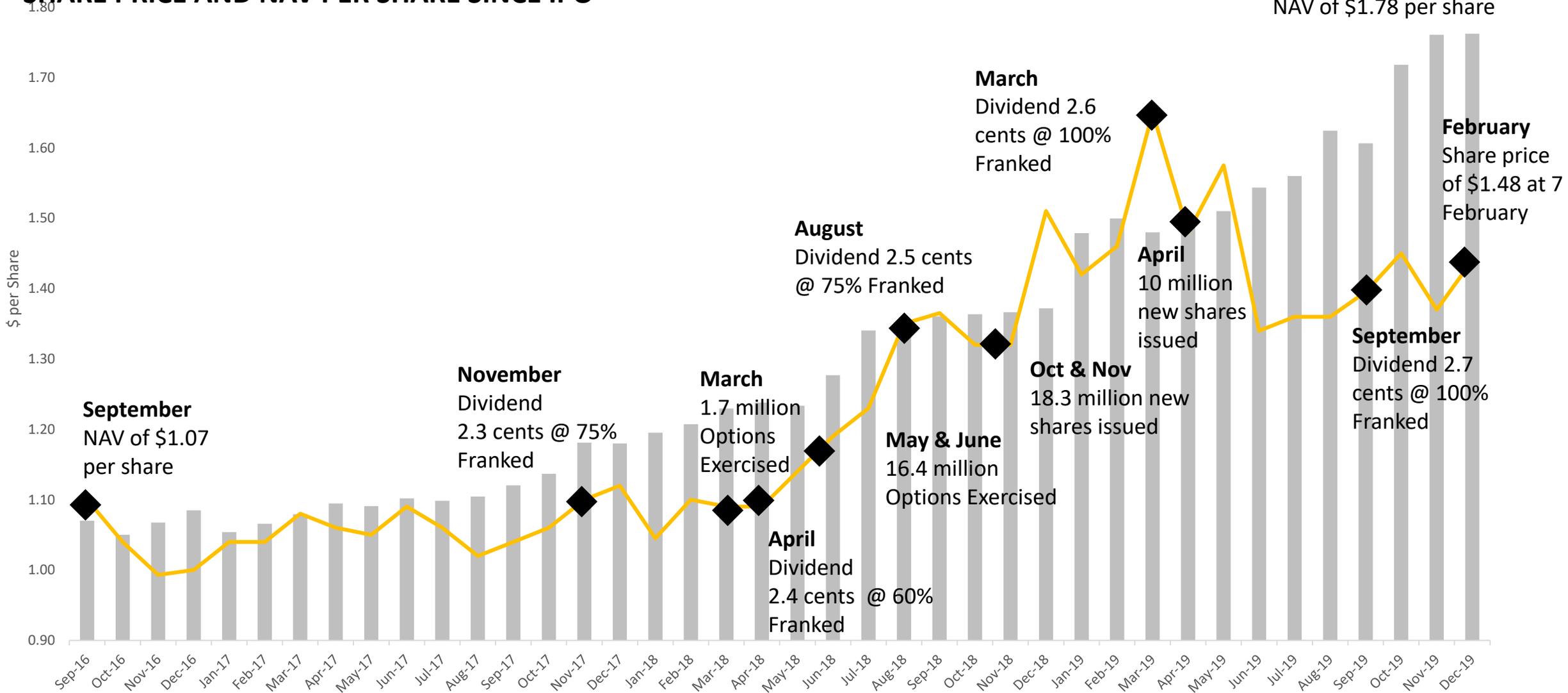
## WATER PRODUCTS AND RISK MANAGEMENT – FOR WATER INVESTORS

Similarly, there are a number of ways water investors can manage their returns and risks (allocation, price, lessee default etc.). The below diagram shows how the investors water portfolio (owned water entitlements and the allocation received on these) can be managed to generate returns for shareholders/investors. Some revenue streams provide the investors higher visibility of their revenue (i.e. leases), and can protect against revenue potential to volatility (caused by exposure to weather risk, and therefore spot market pricing risk).



## SHARE PRICE AND NAV PER SHARE SINCE IPO

**31 January 2020**  
NAV of \$1.78 per share



<sup>1</sup>Inclusive of dividends and franking credits and based on Share Price at 31 January at \$1.46

NAV Share Price

## PERFORMANCE

PERIOD	NAV Return (Capital Gain)	Dividend Return (Cash Return)	Total Return
<b>1 Month</b>	1.07%	0.00%	1.07%
<b>3 Month</b>	3.68%	0.00%	3.68%
<b>6 Month</b>	14.17%	2.66%	16.82%
<b>12 Month</b>	20.44%	5.51%	25.94%
<b>Inception</b>	66.45%	16.36%	82.81%
<b>Inception (Annualised)</b>	18.26%	5.11%	21.96%

- The return on water assets is primarily through capital growth.
- Income is generated from:
  - 66% of the portfolio on long term leases with a WALE of 3.2 years (5.44 with the inclusion of renewal options), with payments received quarterly in advance
  - 34% of the portfolio for which the Company trades the allocations attaching to the entitlements
  - trading in purchased allocations
- The Company’s policy is to gradually migrate to 70% - 80% of entitlements on long-term lease.

All dollar values are in AUD unless otherwise specifically stated.

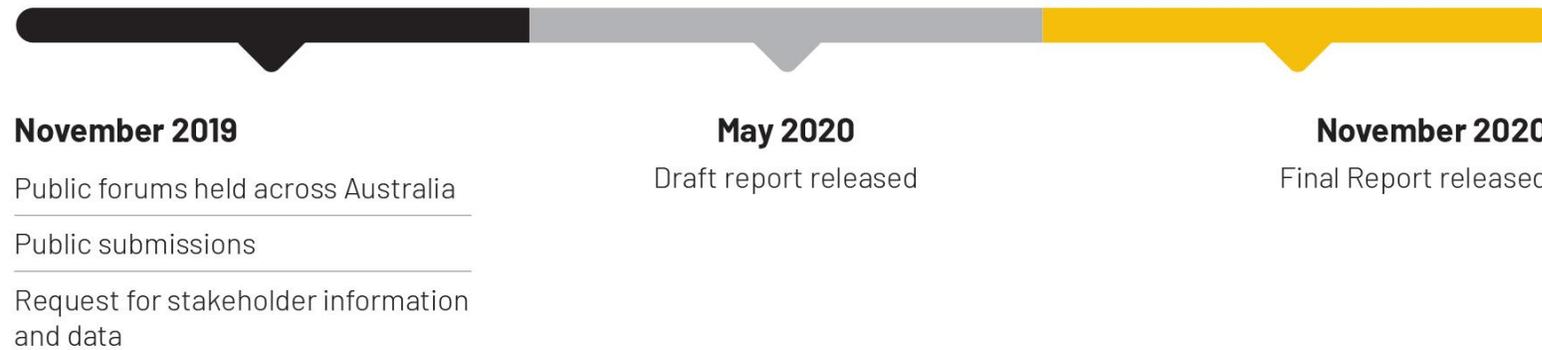
Cash Returns are Fully Franked.

Source: Duxton Capital (Australia) – Based on NAV as at 31 January 2020.

## ACCC ENQUIRY

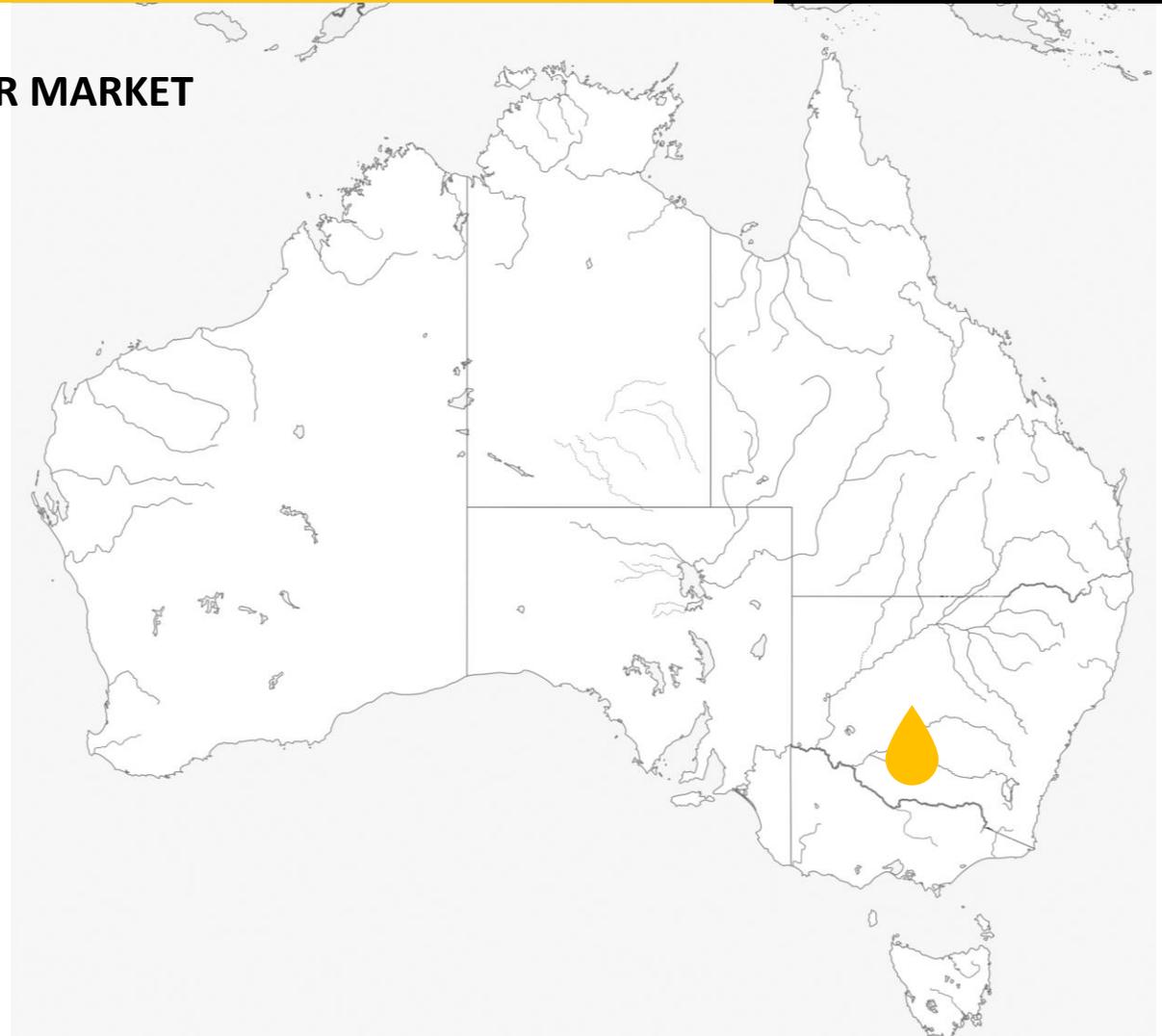
Duxton Water welcomes and is supportive of the further investigation by the ACCC into the Southern Murray Darling Basin water market, as an extension to the existing role that they have performed in monitoring and reporting of the market development since 2012.

### ACCC Process

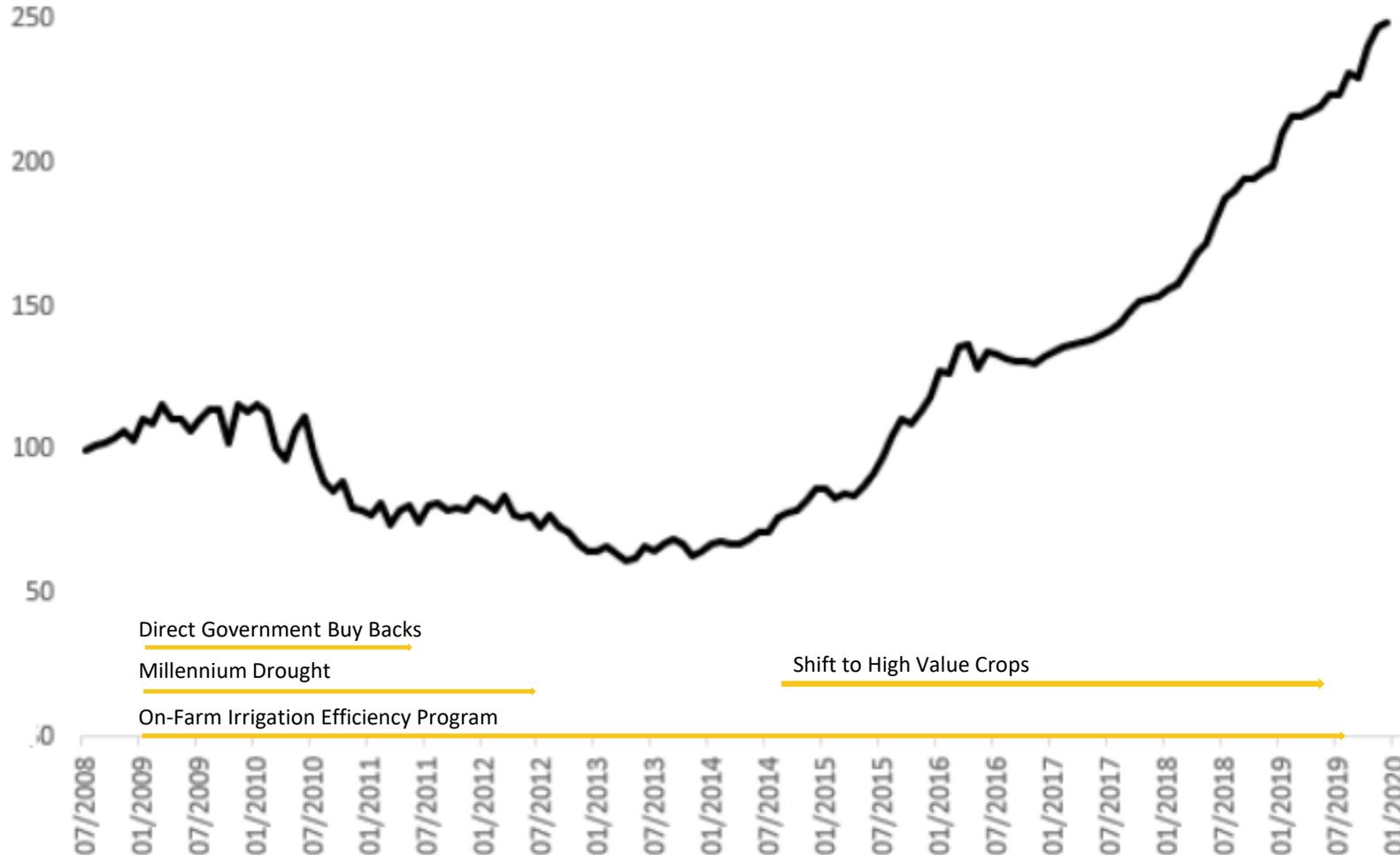


## GROWTH OPPORTUNITIES IN THE AUSTRALIAN WATER MARKET

- There are currently over \$50b water rights on issue across Australia, with ~\$27.3b in the SMDB.
- Duxton Water continues to see strong demand for a variety of emerging water supply products within the region.
- While the SMDB continues to provide opportunity due to the hydrological connectivity and the maturity of the trading market, we believe opportunities will continue to arise across other Australian regions as resources are sustainably defined and agricultural industries develop.



## ENTITLEMENT PRICING – AITHER ENTITLEMENT INDEX



- This graph shows the Aither Entitlement Index over the period from July 2008 to December 2019.
- The Aither index tracks the change in weighted capital value of a group of major water entitlement types across the southern Murray-Darling Basin.
- The graph indicates the movement in values since 2014, driven by major increases in permanent crop plantings.
- Entitlement values have seen a Compound Annual Growth Rate (CAGR) of 26.40% over the past five years. Since the inception of the Index (10 years), a 7.44% CAGR has been observed.



**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**

**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

### **Alister Walsh**

#### **Duxton Capital (Australia)**

Director of Water Assets

[alister.walsh@duxtonam.com](mailto:alister.walsh@duxtonam.com)

+61 427 282 250

+61 8 8130 9520

### **Bridget Johnson**

#### **Duxton Capital (Australia)**

Business Development

[bridget.johnson@duxtonam.com](mailto:bridget.johnson@duxtonam.com)

+61 475 045 434

+61 8 8130 9500