

ASX release

FY21 financial results summary

25 August 2021

Rural Funds Management Limited (RFM) have today released the Rural Funds Group (ASX: RFF) (the Group) Financial Statements for the year ended 30 June 2021 (FY21). Key highlights compared to the prior corresponding period include:

Financial highlights

- Earnings (total comprehensive income) increase of 98% to 36.6 cents per unit.
- Pro forma adjusted net asset value (NAV) increase of 13% to \$2.20 per unit.¹
- Adjusted funds from operations (AFFO) of 11.9 cents per unit, in line with forecast.
- Distributions per unit (DPU) of 11.28 cents, in line with forecast.
- Pro forma gearing of 25%, below the target range of 30-35%.¹
- FY22 forecast distributions 11.73 cents per unit, representing a 4% increase on FY21.

Operating and portfolio update

The increase in earnings and adjusted net assets are largely driven by the sale of the Moorall almond orchard at a 21% premium to adjusted book value and the receipt of independent property valuations. During the year, increased valuations were recorded for assets across all sectors within the portfolio, adding a combined net \$47.7m to adjusted property assets. The largest movements were attributable to cattle properties revalued during the period.

RFM continues to focus on two strategies within the portfolio which seek to increase earnings for unit holders. Firstly, the conversion of assets to higher and better use, with an initial 1,000 ha of macadamia orchards expected to be developed in central Queensland by June 2022. The second strategy, improving the productivity of natural resource assets, is being deployed on existing cattle and cropping assets within the portfolio, including those revalued during the period. RFM is also seeking to acquire additional cattle and cropping properties which have development potential.

Both strategies are consistent with RFM's approach of investing in sectors in which Australia participates globally, and utilising RFM's development and operating knowledge.

Following the Entitlement Offer completed in August 2021, RFF has a pro forma balance sheet capacity of up to \$185m which is intended to be used to fund additional acquisitions and macadamia orchard developments. Future AFFO accretion is expected to be driven by finalisation of macadamia lessee arrangements and additional acquisitions. Forecast FY22 distributions total 11.73 cents per unit, representing a 4% increase on FY21.

¹ Pro forma for \$100.0m equity raising at \$2.47 per unit disclosed 8 July 2021. Funds raised to acquire water assets (\$38.4m), debt reduction (\$58.6m) transaction costs (\$3.0m).

Key investment highlights

- **Diversification:** 66 properties across five agricultural sectors (almonds, cattle, cropping, vineyards and macadamias).
- **Quality lessees and counterparties:** 78% corporate and/or listed entities.
- **Long weighted average lease expiry profile:** 9.3 years.
- **Balance sheet capacity:** pro forma gearing below target range of 30-35%.¹
- **Structured rental growth:** fixed and CPI indexation and market rent review mechanisms.
- **Material development pipeline:** productivity improvements and conversion to higher and better use. Expected to generate earnings growth in future years.
- **Established track record:** 10.1% adjusted NAV compound annual growth, 4.1% AFFO compound annual growth and DPU growth of at least 4% p.a.

Results webinar

A financial results webinar will be held today at 11:00AM AEST. Those wishing to attend the webinar will need to register via the link below to receive login details:

<https://attendee.gotowebinar.com/register/8717601502901360654>

A recording of the webinar will be made available on the RFM website.

Rural Funds Group (ASX: RFF)

Rural Funds Group is an agricultural Real Estate Investment Trust (REIT) listed on the ASX under the code RFF. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. RFF targets distribution growth of 4% per annum by owning and improving farms that are leased to good counterparties. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805).

Rural Funds Management Limited (RFM)

Rural Funds Management Limited is the responsible entity and manager of RFF. RFM is an agricultural fund and asset manager established in 1997. The management team includes specialist fund managers, finance professionals, horticulturists, agronomists and other agricultural managers. RFM's company culture is informed by its long-standing motto "Managing good assets with good people".

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