



# RFM Poultry (NSX: RFP)

2014 half year results

17 March 2014

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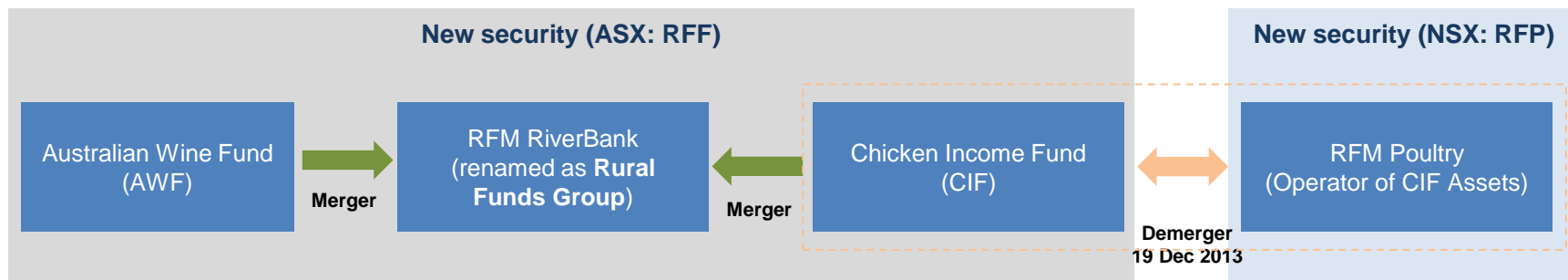


## 1. RFM Poultry overview

# The evolution of RFM Poultry

## RFM Poultry was created through a demerger of the RFM Chicken Income Fund

- The unitholders of RFM Chicken Income Fund (CIF) and RFM Australian Wine Fund (AWF) were merged with RFM RiverBank (RiverBank)
- RiverBank was subsequently renamed the Rural Funds Group and listed on the ASX under the code RFF on 14 February 2014
- In order to align the risk profile of CIF with RiverBank and AWF, CIF demerged prior to merging into RFF in December 2013. RFM simultaneously established RFM Poultry (RFP) to lease and operate CIF land and infrastructure assets, performing the chicken growing operations previously undertaken by CIF
- RFP will be listed on the National Stock Exchange (NSX) on 17 March 2014
- RFP is externally managed by Rural Funds Management Ltd (the Responsible Entity)



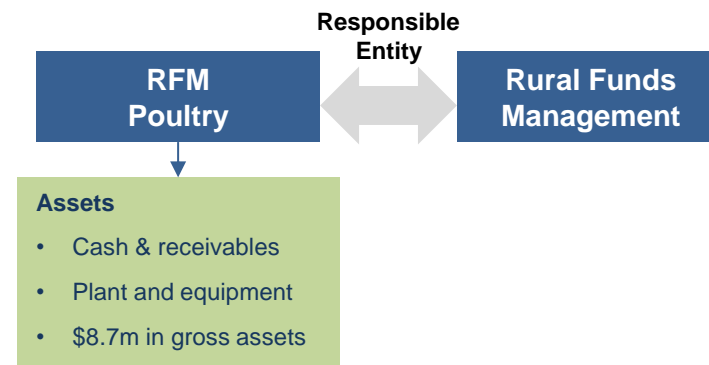
# Overview of RFM Poultry

## RFP generates revenue from chicken growing activities and leases assets from the Rural Funds Group

- One of Australia's largest contract chicken growers, growing ~30 million birds p.a.
- Long term contracts for growing chicken spanning 11 to 26 years with Bartter Enterprises Pty Ltd which is a wholly owned subsidiary of Baiada Poultry Pty Ltd (Baiada)
- Leases 154 poultry sheds and infrastructure located on 17 farms in Griffith (NSW) and Lethbridge (Vic) from RFF, with lease expiry between 11 to 26 years. Each farm will undertake ~5 to 6 growing cycles per year
- Grower payments are primarily based on the size of the chicken growing facilities, not on throughput (ie. take-or-pay)
- RFM has successfully managed chicken growing operations since 2003
- RFP's scale and investment in the latest technology will produce an efficient operation that achieves competitive chicken grow-out times and feed conversion rates
- Investment highlights include: an experienced management team, attractive forecast distribution yield, long term grower contracts and a positive sector outlook

### Key statistics at 31 December 2013

Total assets	\$8.7m
Net Asset Value (NAV)	\$6.6m
NAV per unit (6,784,481 units)	\$0.97
Forecast 6 months ending 30 June 2014 cash distribution per unit (inc franking)	6.62 cents
Forecast 6 months ending 30 June 2014 distribution yield (annualised)	13.65%
FY15 cash distribution per unit	10.04 cents
Plus FY15 franking credit per unit	4.31 cents
Interest bearing liabilities	Nil







## 2. Half year results

# 2014 half year results

## Key metrics as at 31 December 2013

<b>Income</b>		
	Revenue	950,978
	Net Profit after income tax	10,613
<b>Portfolio</b>		
	Net assets value (NAV)	6,571,224
	NAV per unit	0.97
<b>Balance sheet</b>		
	Gross assets	8,696,488
	External borrowings	Nil
<b>Distributions</b>		
	Declared December 2014 (CPU)	3.31

- All results in line with expectations for the period
- Accounts reflect 13 days of operation, being 19 December to 31 December 2013

# 2014 half year results

## Income statement

	6 months ended Dec-13
Revenue	950,978
<b>Total income</b>	<b>950,978</b>
Direct grower costs	(811,484)
- Shed and infrastructure rental	(361,507)
- Contractor fees	(254,440)
- Utilities (gas and electricity)	(159,273)
- Other	(36,264)
Employee costs	(22,080)
Depreciation and impairment	(2,081)
Repairs and maintenance	(34,593)
Management fees	(22,891)
Other expenses	(42,386)
<b>Profit / (loss) before tax</b>	<b>15,463</b>
Tax expense	(4,850)
<b>Profit / (loss) after tax</b>	<b>10,613</b>

- Profit relates to a 13 day period and should not be annualised as batch income is accrued on a constant basis, whereas costs can be seasonal and affected by the timing of batch placement



# 2014 half year results

## Summarised balance sheet

	As at Dec-13
Cash and cash equivalents	2,462,288
Trade and other receivables	3,276,688
Other current assets	2,694,531
Non current plant and equipment	262,981
<b>Total assets</b>	<b>8,696,488</b>
Trade and other payables	1,928,903
Short term provisions	174,331
Income tax payable	7,285
Long term provisions	14,745
<b>Total liabilities</b>	<b>2,125,264</b>
<b>Net assets</b>	<b>6,571,224</b>
Units on issue	6,784,481

- The fund is well positioned from a cash flow perspective to meet its financial commitments to all stakeholders
- NAV \$6.6m
- Nil interest bearing liabilities




### 3. Strategy and outlook

- Declared:
  - Record date 31 December 2013 - \$0.0331 cash
- Forecast:
  - Record date 4 April 2014 - \$0.0331 cash
  - Record date 30 June 2014 - \$0.0331 cash
  - Quarterly FY 2015 - \$0.0251 cash plus \$0.0107 franking
- Expected future distribution record dates: 31 March, 30 June, 30 September, 31 December

- RFP will list on the National Stock Exchange Monday 17 March 2014
- The NAV at listing is expected to be \$0.9973 (based on unaudited 28 February 2014 financial accounts)
- The listing is intended to provide investors the platform to sell their securities should they desire
- The NSX was selected as the ongoing costs are suitable to the current size of RFP
- It is not expected that RFP will be highly liquid
- RFM intends to arrange a sale facility for unmarketable sized parcels (<\$500) during 2014 calendar year
- RFM have been working with Taylor Collison who will provide:
  - Research on RFP, on or shortly after listing
  - Broking services for unitholders who would like to dispose of their units:  
Emilia Seto  
eseto@taylorcollison.com.au  
08 8217 3900 (SA)
- For further information on how to trade on the NSX and a full list of NSX approved brokers please visit [www.nsx.com.au](http://www.nsx.com.au)

- Forecasts on track
- Manager focus on:
  - Improving awareness of RFP to increase liquidity and fair valuation
  - Cost control – corporate & farm level
  - Ongoing management of poultry growing operations



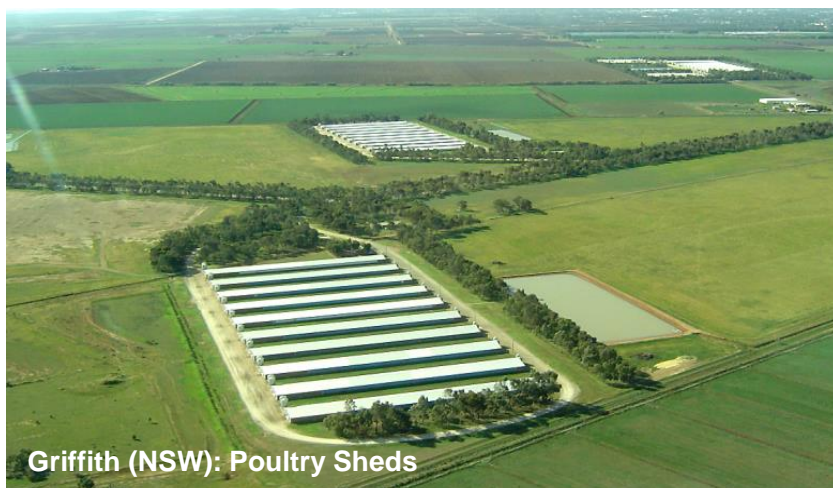
## 4. Appendices



- Chicken growing contracts require RFP to:
  - prepare the sheds for the arrival of each new batch of chicks. This preparation process includes cleaning out each shed, laying new bedding of rice hulls (supplied by Baiada), and setting shed temperature;
  - manage the chicken flocks by maintaining appropriate temperatures within each shed and ensuring that the chickens receive appropriate levels of feed and water;
  - grow the chickens from the time of delivery (generally one day after hatching) to collection (up to 54 days later); and
  - monitor the health of the chickens
- Baiada delivers day old chicks, provides the necessary food and other inputs, and then collects the chickens for processing when they reach marketable weight
- RFP does not own any chickens and therefore does not have a direct exposure to the chicken meat price.
- RFP grower payments are based on the size of the chicken growing facilities, not on throughput i.e. take-or-pay (a performance fee or penalty is contained in the contract for the NSW facilities). Baiada is also required to reimburse the grower for the majority of costs it incurs in growing the chickens e.g. energy costs. Given this contractual arrangement, the revenue received by RFP is relatively stable
- Further details can be obtained from the RFM Poultry Product Disclosure Statement dated 21 October 2013 available at [www.ruralfunds.com.au](http://www.ruralfunds.com.au) or by calling RFM on 1800 026 665

# Poultry assets leased from RFF

- The sheds provides shelter, heating and cooling for the chickens
- All sheds are fully automated. Farm managers can monitor and modify temperature, food and water supplies quickly and easily
- Majority of the farms are located in Griffith, NSW within 8km of the Baiada processing plant and are the primary contributors of that plant
- The farms leased to RFP are operated in accordance with chicken growing contracts with Bartter Enterprises Pty Ltd, a wholly owned subsidiary of Baiada Poultry Pty Ltd
- The Baiada processing plant supplies chicken meat to the national market



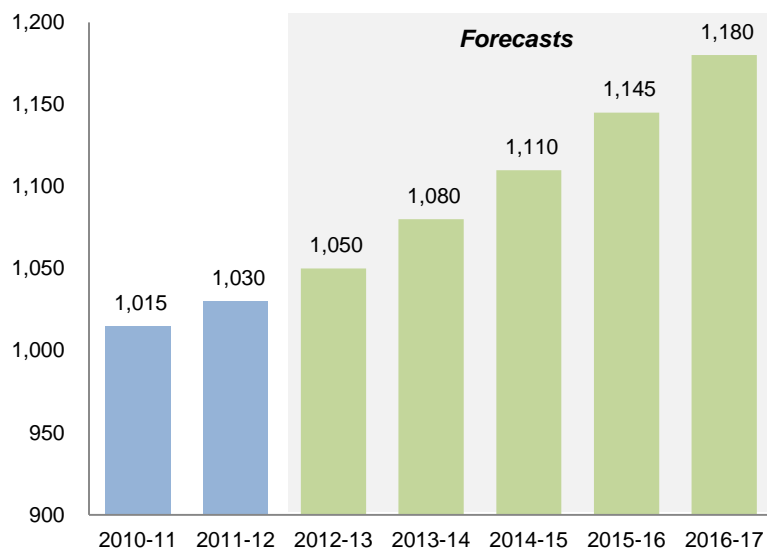
## Lease information

<b>Location</b>	17 poultry farms consisting of 154 sheds located in Griffith, NSW and Lethbridge, Victoria
<b>Lessee</b>	RFM Poultry
<b>Property</b>	All poultry farms
<b>Expiry</b>	Weighted average lease expiry of 18 April 2027
<b>Area</b>	303, 216sqm
<b>RFF FY14 rental income</b>	\$5.1m (17 Dec – 30 June)
<b>Indexation</b>	65% of CPI capped at 2% ~ 1.6% p.a.
<b>Water entitlement</b>	Leased property includes water entitlement attached to each farm.

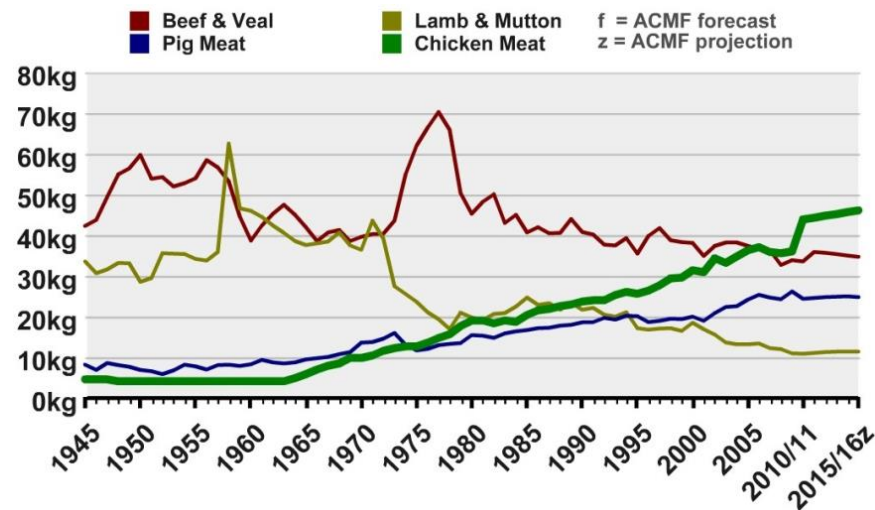
# Poultry sector outlook

Chicken meat has continued to grow as a proportion of total Australian meat consumption as it is a cheap source of protein relative to other meats. This trend is forecast to continue in the near-to-medium term

## Forecast Australian poultry production



## Increasing Australian consumption of chicken meat



# The responsible entity

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## **RFM is one of the oldest and most experienced agricultural funds management organisation in Australia**

- Rural Funds Management Limited (RFM) is an experienced fund and asset manager that specialises in Australian agriculture
- Established in 1997, RFM is the responsible entity for 7 agricultural investment funds and as at 31 December 2013, had in excess of \$300m of agricultural assets under management in New South Wales, South Australia, Victoria and Western Australia
- The RFM management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides RFM with the specialised skills and experience required to manage the agricultural assets
- RFM employs 31 full time corporate staff and 18 farm staff

# Management team and board

**RFP is externally managed and governed by a highly experienced management team and board**

## Board of directors



**Guy Paynter**  
*Non-executive  
Chairman*

- Former director of broking firm JBWere with more than 30 years' experience in corporate finance
- Guy was former member of the ASX
- Agricultural interests include cattle breeding in the Upper Hunter region in New South Wales



**David Bryant**  
*Managing  
Director*

- Established RFM in February 1997
- Responsible for leading the RFM Executive and sourcing and analysing new investment opportunities
- Responsible for over \$300m in assets acquisitions across eight Australian agricultural regions, including negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements



**Michael Carroll**  
*Non-Executive  
Director*

- Serves a range of food and agricultural businesses in a board and advisory capacity, including Queensland Sugar, Meat and Livestock Australia, Warrnambool Cheese and Butter, Select Harvests, Sunny Queen, Rural Finance Corporation of Victoria, and the Australian Farm Institute
- Senior executive experience in a range of companies, including establishing and leading NAB's Agribusiness division

## Executive management



**Stuart Waight**  
*Chief Operating  
Officer*

- Joined RFM in 2003
- Responsible for reviewing and optimising the performance of the RFM funds, and analysing future developments, acquisitions, and investments
- Oversees the Asset Management activities, as well as the Farm Management activities of the National Manager of each of Poultry, Vines, Almonds, and Cotton



**Andrea Lemmon**  
*Executive  
Manager, Funds  
Management*

- Joined at inception in 1997
- Responsible for the development of new products, the continuous improvement of existing products, management of research activities, and the provision of services and communications to investors and advisers



**Melanie Doyle**  
*Chief Financial  
Officer*

- Joined RFM in December 2011
- Has over 20 years' experience working in financial services for a number of publicly listed companies and other business enterprises, including roles as the CFO of a global securities trading business operating in Australia, Asia, Europe and North America, and the CFO for a private equity company's investments

# Relationship with RFM

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## The Responsible Entity, on behalf of the Fund, has entered into agreements with RFM in relation to management activities

- RFM will charge a fee and expense recovery for managing and administering the Fund
- The fund is entitled to additional fees permitted under the funds constitution, however RFM does not intend to charge these fees with the exception of those detailed below. Further details can be obtained from the RFM Poultry Product Disclosure Statement dated 21 October 2013 available by contacting RFM

<b>Funds management</b>	<ul style="list-style-type: none"><li>▪ Reimbursement of all funds management expenses</li></ul>
<b>Asset management fee</b>	<ul style="list-style-type: none"><li>▪ The Fund is charged a fee for asset management services provided by RFM</li><li>▪ The Asset Management Fee is equal to 5% p.a. of operating expenses</li></ul>



# Corporate information



## Rural Funds Management Pty Ltd

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