

RFM Poultry (NSX: RFP)

Financial results presentation year ended 30 June 2015

9 September 2015



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RFM attendees



Stuart Waight
*Chief Operating
Officer*



Daniel Yap
Financial Controller



James Powell
*Investor Relations &
Distribution Manager*

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Highlights and results

Achievements

- Implemented simplified performance system for Griffith farms
- Outsourced maintenance activities on Griffith farms
- Sale facility for small parcels completed 24 September 2014
- 17% register turnover and 9% trading price improvement

Financial

- Net profit after tax of \$1.5m
- Earnings per unit of 21.96 cents
- Net assets of \$7.5m
- DPU 10.05 cents

Forecasts FY16

- Profit forecast to return to more normal levels of \$0.8m to \$1.1m after tax, following a unique earnings event in FY15
- Previous DPU forecast maintained of 10.05 cent paid and 4.31 cents franking credits (total 14.36 cents per unit)

Results summary

Metrics as at 30 June 2015

Income		
	Revenue	25,746,811
	Net profit after income tax	1,499,214
	Earnings per unit (cents)	21.96
Portfolio		
	Net assets value (NAV)	7,474,463
	NAV per unit	1.09
Balance sheet		
	Gross assets	9,517,124
	External borrowings	Nil
Distributions		
		Cents per Unit (cpu)
	Paid October 2014	2.5125
	Paid January 2015	2.5125
	Paid April 2015	2.5125
	Declared June 2015	2.5125
	Total distributions	10.05
	Total franking	4.31
	Total grossed up distributions	14.36

- Results in line with expectations following market guidance updates on 18 May and 12 June 2015
- Results reflect 12 months of operations to 30 June 2015
- Distributions were fully franked. Franking credits of 1.0775 cpu per quarter result in total distribution of 14.36 cpu for the year on a grossed-up basis

Summarised statement of comprehensive income

	Year ended 30 June 2015	Period ended 30 June 2014
Revenue	25,746,811	13,163,177
Other income	96,964	29,864
Total income	25,843,775	13,193,041
Direct grower costs	(19,094,174)	(10,199,497)
Employee costs	(583,148)	(396,430)
Depreciation and impairment	(79,096)	(30,037)
Repairs and maintenance	(2,155,059)	(959,879)
Management fees	(586,255)	(317,779)
Other expenses	(1,204,308)	(673,868)
Net profit before income tax	2,141,735	615,551
Income tax expense	(642,521)	(125,874)
Net profit after income tax	1,499,214	489,677
Total comprehensive income	1,499,214	489,677

- FY15 profit was higher than usual. This was primarily attributable to compensation for higher energy costs incurred in FY14 due to:
 - Introduction of the RSPCA standards
 - Operational cycle
 - Seasonal factors
- Comparative period of 30 June 2014 relates to 6 months and 13 days of operation

Summarised balance sheet

	As at 30 June 2015	As at 30 June 2014
Cash and cash equivalents	6,175,672	4,065,890
Trade and other receivables	2,711,964	4,198,374
Other current assets	372,397	283,043
Plant and equipment	232,866	311,962
Deferred tax assets	24,225	46,837
Total assets	9,517,124	8,906,106
Trade and other payables	1,383,087	1,834,823
Short term provisions	190,651	276,176
Income tax payable	468,709	172,711
Long term provisions	214	14,380
Total liabilities	2,042,661	2,298,090
Net assets	7,474,463	6,608,016
Units on issue	6,860,964	6,794,115

- Net assets \$7.5m
- NAV per unit \$1.09, up from \$1.03 as at 31 December 2014
- \$2.5m of cash held in term deposits
- Nil interest bearing liabilities
- RFP maintains an adequate capital position with sufficient working capital and reserves to assist with financial volatility resulting from operations
- Timing differences in payment cycles reduced receivables and increased cash

Forecasts

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- FY15 result was above expectation, mainly attributable to delayed compensation for higher energy costs incurred in FY14. Actual energy costs for FY15 have normalised, which will lead to a comparative reduction in the growing fee in FY16 to more normal levels
- Forecast distributions per unit (DPU) consistent with FY15
- On 3 August 2015, RFM suspended the RFP Distribution Reinvestment Plan until further notice. This decision is a consequence of RFP not requiring additional capital

FY16 forecast distributions (inc franking)¹

Record date	cpu
30 September 2015	3.59
30 December 2015	3.59
31 March 2016	3.59
30 June 2016	3.59
Total FY16	14.36

Key forecasts FY16¹

Profit / (loss) before tax (\$)	1.2m – 1.6m
Profit / (loss) after tax (\$)	0.8m – 1.1m
Earnings per unit after tax	11.7 – 16.0 cents
Distributions per unit (DPU, inc franking)	14.36 cents
Distribution payment frequency	Quarterly

¹ See slide 15 for detailed forecast assumptions

Fund and operational update

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- **Manager maintains a focus on:**
 - Continuous improvement of operations
 - Relationship with processor
 - Seeking to improve awareness of RFP to increase liquidity and fair valuation
 - Investigating growth opportunities
- **All poultry sheds in Griffith leased by RFP were endorsed as compliant with RSPCA guidelines, securing RFP's position as a premium chicken grower**
- **Completed the outsourcing of the RFP maintenance function to third party**
 - This will allow RFP management to focus on chicken growing activities, and allow the external provider to focus on maintenance activities. This arrangement has been in place approximately 7 months and RFM's initial observations are positive
- **Implemented a simplified performance system for the Griffith farms**
 - System based on the relative performance of each farm compared to the average of the growing pool and also provides for new farms to be introduced to the Griffith pool after a qualifying period. RFP's Lethbridge farms are not subject to a performance system

- **Disease is managed in Australia through**
 - Strict import restrictions on fresh chicken meat; and
 - management of the chicken growing supply chain including broiler farms such as RFP's operation
- **RFP's biosecurity**
 - In close consultation with Baiada, RFP manages disease through the National Biosecurity Manual for Chicken Growers.
 - The manual covers all aspects of biosecurity from indemnification of major routes for disease, to routine and high risk control procedures
 - Procedures include facility standards, entry conditions for visitors, water treatment and pick up procedures
- **Current examples of disease outbreak international & domestic**
 - Recent examples of Avian Influenza (AI) in the United States
 - RFP's farms have been affected by ILT which is a respiratory disease. Heightened biosecurity measures are in place and Baiada are vaccinating chicks. No financial loss to RFP
- **RFP's contractual & operating position regarding disease**
 - In severe circumstances Baiada may temporarily suspend bird placements and payments
 - RFP and Baiada share in any compensation relating to compulsory slaughter
 - RFP will minimise operating expenditure where operations are suspended

Appendices

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Notes and assumptions to FY16 forecast financial results

- The forecast FY16 profit range is subject to the attendant poultry growing operating risks including disease, growing performance and associated bonuses and penalties, seasonal conditions, operating expenses including energy costs, unforeseen repairs and maintenance and inflation. The financial consequences of these risks can be permanent or timing differences depending on how the variances interact with the growing contracts.
- Earnings per unit for FY2016 are based on units on issue at 30 June 2015
- Grower Fees relate to services provided pursuant to growing contracts with Bartter Enterprises. Grower fees have been forecast based upon current growing contracts which are in place and the standard fee review mechanism specified in the contracts
- Operating costs include direct operating costs, administration and compliance costs. Expenditure items are specifically budgeted based on business operations and batch cycle. Where items are not budgeted using this method, they assume indexing of 2.5% p.a
- Rental payments to RFF are set under the lease agreements and assumed to index at 0.98% p.a
- All expenditure incurred on the facilities is assumed to be repairs and maintenance. Some items of actual expenditure may be classified as capital expenditure under accounting standards, capitalised in the balance sheet and depreciated. Expenditure is budgeted based on a specific program of works
- Includes depreciation on plant and equipment, calculated on a straight-line basis over the useful life
- FY16 distributions franking inclusive of 14.36 cents per unit declared. Distributions have been calculated based upon forecast revenue from RFP's trading activities less forecast expenses and amounts set aside for cash reserves

RFP further details

- One of Australia's largest contract chicken growers (growing ~30 million birds p.a.) successfully managed by RFM since 2003
- 13 poultry farms consisting of 134 sheds located in Griffith, NSW and 20 sheds on 4 farms in Lethbridge, VIC. Aged between 6 and 32 years.
- Griffith assets are located within a 8km radius of the processing facility and contribute ~50% throughput. Limited additional development potential within similar proximity to processing facility.
- RFM has successfully managed chicken growing operations since 2003, now operated by RFP.
- RFP has long term contracts for growing chicken spanning 9 to 21 years with Bartter Enterprises Pty Ltd which is a wholly owned subsidiary of Baiada Poultry Pty Ltd (Baiada), assets leased from the Rural Funds Group
- RFP grower payments are primarily based on the size of the chicken growing facilities, not on throughput (i.e. take-or-pay contracts)

Lease information





Location	17 poultry farms consisting of 154 sheds (13 poultry farms with 134 sheds located in Griffith, NSW and 20 sheds on 4 farms in Lethbridge, Vic)
Lease expiry	WALE date of April 2027
Area	303,534m ²
FY16 lease cost	\$10.45m
FY16 lease indexation	0.98%
Water entitlement	Leased property includes water entitlement attached to each farm



Griffith (NSW): Poultry Sheds

RFP further details

~60 day cycle occurring 5-6 times per year on each farm

Stage:	1 	2 	3 	4 
Days:	1-7	8-28	29-54	55-60
Activities	<ul style="list-style-type: none"> Day-old chicks arrive Placed in brooding area with extra feed, water & heating 	<ul style="list-style-type: none"> Chicks leave brooding area into shed floor space Shed temp. gradually reduces from 32° c to 20° 	<ul style="list-style-type: none"> Growing continues Processor conducts several 'Thinning outs' or harvests Remaining chickens removed ~day 54 	Sheds cleaned-out: <ul style="list-style-type: none"> Removal of old bedding litter Washing, sanitising and fumigation. Prepared for next delivery of chicks.
Chicken weight:	40 grams	2kg (by day 28)	2 to 3kg+	

- Chicken growing contracts require RFP to:
 - Prepare the sheds for the arrival of each new batch of chicks;
 - Manage the chicken flocks;
 - Grow the chickens from the time of delivery to collection; and
 - Monitor the health of the chickens
- Baiada owns and delivers chicks, provides the necessary food and other inputs, and then collects the chickens for processing. RFP therefore does have a direct exposure to the chicken meat price
- Baiada is also required to reimburse the grower for the majority of costs it incurs in growing the chickens e.g. energy costs

RFM is one of the oldest and most experienced agricultural funds management organisations in Australia

- Rural Funds Management Limited (RFM) is an experienced fund and asset manager that specialises in Australian agriculture
- Established in 1997, RFM has historically operated as an external manager and is currently the responsible entity for seven agricultural investment funds which as at 30 June 2015 had approximately \$325m of assets under management in New South Wales, South Australia and Victoria and a forecast FY16 combined turnover of approximately \$85m
- RFM holds units in each of the listed funds that it manages
- RFM manages additional operational entities enabling RFP to benefit from shared services
- 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 or directly contracts 32 corporate staff (offices in Canberra, Sydney and Melbourne) and 32 farm staff
- RFM has a simple and transparent fee structure for managing and administering RFP:
 - Reimbursement of all funds management expenses
 - Asset Management Fee is equal to 5% p.a. of operating expenses
 - 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 above. Further details are available by contacting RFM

RFM board and management team

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 \$350m 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 Tassal Group Ltd, Select Harvests Ltd, Paraway Pastoral Company, Sunny Queen Ltd and the Gardiner Dairy Foundation
- Senior executive experience in a range of companies, including establishing and leading NAB's Agribusiness division

Contact



Stuart Waight
Chief Operating Officer

- Joined RFM in 2003
- RFM Company Secretary
- Responsible for reviewing and optimising the performance of the RFM funds, and analysing future developments, acquisitions, and investments
- Oversees the asset and farm management activities of the National Managers of Poultry, Almonds, Cropping and Livestock



Andrea Lemmon
*Executive Manager,
Funds Management*

- Joined at inception in 1997
- RFM Company Secretary
- 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



Tim Sheridan
Senior Analyst

- Joined RFM in 2008
- Responsible for the analysis of RFP financial performance, and the analysis of future development and investment opportunities



James Powell
*Investor Relations and
Distribution Manager*

- Joined RFM in 2006
- Responsible for overseeing RFM's sales and distribution activities, development of key relationships required to increase the awareness of RFM's investment opportunities and part of the product development division

Corporate information



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