

RFM Poultry

NSX:
RFP



Financial results presentation

Financial year ended 30 June 2017

29 August 2017

Managed by:



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Agenda

1. Results and outlook
2. Fund and operational update
3. Appendices

RFM attendees



Stuart Waight
Chief Operating Officer



Daniel Yap
Financial Controller



James Powell
*Investor Relations &
Distribution Manager*

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Results and outlook



Chickens accessing water at 'drinkers', Griffith, Dec 2016

Results summary

Metrics as at 30 June 2017

Income		
	Revenue	24,188,653
	Net profit after income tax	821,911
	Earnings per unit (cents)	11.94
Portfolio		
	Net assets value (NAV)	7,799,557
	NAV per unit	1.13
Balance sheet		
	Gross assets	9,155,090
	External borrowings	Nil
Distributions		
	Paid October 2016 (CPU)	2.5125
	Paid January 2017 (CPU)	2.5125
	Paid April 2017 (CPU)	2.5125
	Declared June 2017 (CPU)	2.5125
	Total distribution	10.0500
	Total franking	4.3071
	Total grossed up distribution	14.3571

- Profit result of \$0.82m after tax
- NAV per unit \$1.13
- Nil interest bearing liabilities
- Distributions remain fully franked, representing 14.36 cpu on a grossed-up basis
- Forecast income yield of 11.5% based on 22 August close price of \$1.25 per unit and forecast DPU of 14.36 cents (inclusive of franking)
- Transition of Victorian chicken growing contracts to Turi Foods Pty Ltd completed with no disruptions to operations
- All sheds continue to be endorsed as compliant with RSPCA guidelines

Summarised Statement of Comprehensive Income

	Year ended 30 June 2017	Year ended 30 June 2016
Revenue	24,188,653	24,324,125
Other income	108,402	124,581
Total income	24,297,055	24,448,706
Property lease expenses	(10,537,989)	(10,467,969)
Direct grower expenses	(4,312,518)	(4,120,417)
Wages & labour	(4,468,154)	(4,390,461)
Repairs and maintenance	(2,264,736)	(2,499,294)
Insurance expenses	(392,733)	(471,450)
Other indirect expenses	(565,899)	(666,465)
Management fees	(545,030)	(540,875)
Depreciation and impairment	(35,837)	(53,813)
Net profit before income tax	1,174,159	1,237,962
Income tax expense	(352,248)	(371,389)
Net profit after income tax	821,911	866,573
Total comprehensive income	821,911	866,573

- Higher revenue in FY16 due to reimbursement for increased energy costs in FY15
- Direct grower expenses increased mainly due to higher electricity expenses in the second half of FY17 (see NSX announcement dated 14 June 2017)
- Higher FY17 electricity prices have been partially offset by savings in:
 - repairs and maintenance
 - insurance expenses through a decrease in premiums
 - fund overheads (accounted as other indirect expenses)

Summarised Balance Sheet

	As at 30 June 2017	As at 30 June 2016
Cash and cash equivalents	6,230,162	6,384,706
Trade and other receivables	2,048,277	2,048,855
Other current assets	345,405	289,385
Income tax receivable	80,819	69,400
Plant and equipment	420,338	165,488
Deferred tax assets	30,089	20,747
Total assets	9,155,090	8,978,581
Trade and other payables	1,142,150	1,111,736
Short term provisions	211,271	196,571
Long term provisions	2,112	744
Total liabilities	1,355,533	1,309,051
Net assets	7,799,557	7,669,530
Units on issue	6,884,416	6,884,416
NAV per unit (\$)	1.13	1.11

- Net assets \$7.8m
- NAV per unit \$1.13
- \$2.5m of cash held in term deposits
- Increase in P&E related to implementing RSPCA standards, including specialised lighting, perches, etc
- Nil interest bearing liabilities
- RFP maintains an adequate capital position with sufficient working capital and reserves to assist with financial volatility resulting from operations

Outlook

- Higher budgeted electricity and gas prices have resulted in forecast profit for FY18 between:
 - \$0.87m to \$1.18m before tax; and
 - \$0.61m to \$0.83m after tax
- The growing fee, and therefore revenue, is expected to increase in FY19 reflecting the higher FY18 costs (see NSX announcement dated 14 June 2017 for additional information)
- FY18 forecast distributions 14.36 cpu (inc. franking), consistent with prior years
- FY18 forecast total cash distributions are \$0.69m compared to budgeted after tax earnings of between \$0.61m and \$0.83m. As at 30 June 2017, RFP's retained earnings were \$1.2m and cash position was \$6.2m

FY18 forecast distributions (inc. franking)

Record date	cpu
30 September 2017	3.59
30 December 2017	3.59
31 March 2018	3.59
30 June 2018	3.59
Total FY18	14.36

Additional distribution information

Total FY18 distribution (forecast)	10.05 cpu
Total FY18 franking (forecast)	4.31 cpu
Distribution payment frequency	Quarterly
Distribution reinvestment plan	Suspended

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Fund and operational update



Chicken ration assessment, Griffith, Dec 2016

Operational update – water sanitation

Water sanitation program

- RFP is upgrading the Griffith water sanitation system with the aim of:
 - improving the ability to control and monitor water quality
 - further improving bird health
 - improving earnings from grower contracts
- Early results are positive with decreased mortality rates and improved feed conversion

Water Sanitation equipment



Birds have continual access to water with a total consumption rate of approximately 4.8 million litres per batch.¹

Note:

¹ Assumes industry standard of 8 litres per bird, per batch and batch size of 600,000 birds as occurs on RFP's larger Griffith farms.

Operational update – renewable energy

Assessment of renewable energy options

- RFM is assessing the viability of renewable energy (solar) at the poultry sheds at Lethbridge, Victoria
- Solar energy is becoming more viable due to: higher electricity costs, lower capital costs, better access to the grid and higher feed-in rates for export
- Benefits of using solar energy may include:
 - lower energy costs
 - hedging against future energy price rises
 - lower maintenance costs by reducing pressure on existing electricity infrastructure
 - lower environmental impact
 - potential revenue from grid feed-in tariffs
- Estimated capex of \$0.42m
- Implementation subject to regulatory approvals, and agreement with the processor – Turi Foods Pty Ltd
- An additional announcement will be made at the appropriate time

Lethbridge farm

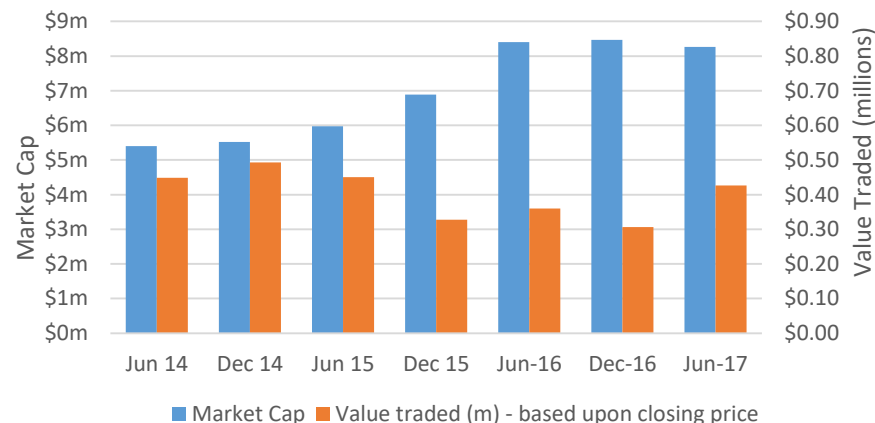


The Lethbridge poultry farms have been identified as potentially suitable for a solar installation.

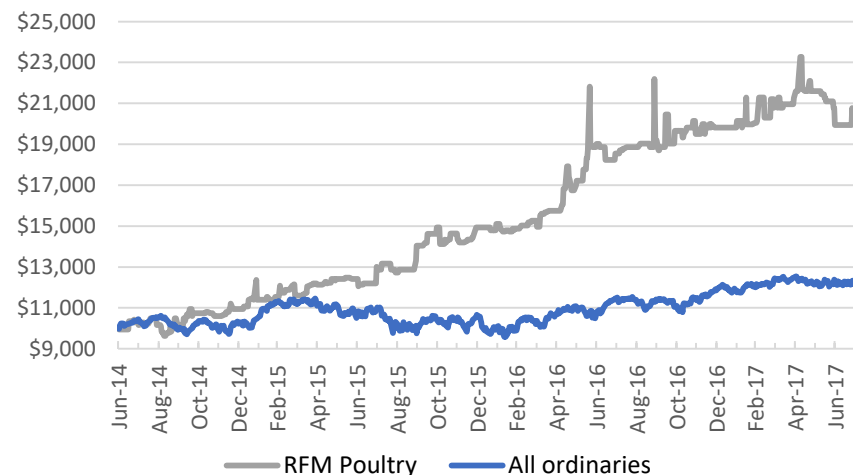
Fund performance and strategy

- RFM's stated strategy for RFP is to build awareness to increase fair valuation and liquidity
- Fair valuation:
 - since June 2016 RFP has consistently traded at or above NAV
 - RFP closed on 30 June 2017 at \$1.20 compared to corresponding NAV of \$1.13
- Liquidity:
 - RFM prepared a guide for investors on efficiently trading RFP units which was released in conjunction with the results presentation dated 2 March 2017 (see appendices for details)
 - liquidity has improved in the past 6mths:
 - 168 trades (381,645 units) 6mths to 22 Aug 17
 - 71 trades (272,376 units) 6mths to 22 Feb 17

Market capitalisation and liquidity



Total shareholder return 1 July 2014 – 30 June 2017¹



Note:

¹ RFP is not part of the All Ordinaries Index. Total return assumes \$10,000 invested June 2014 and all distributions are reinvested. Total return of All Ordinaries Accumulation Index as provided by S&P.

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Appendices



Trading RFP units

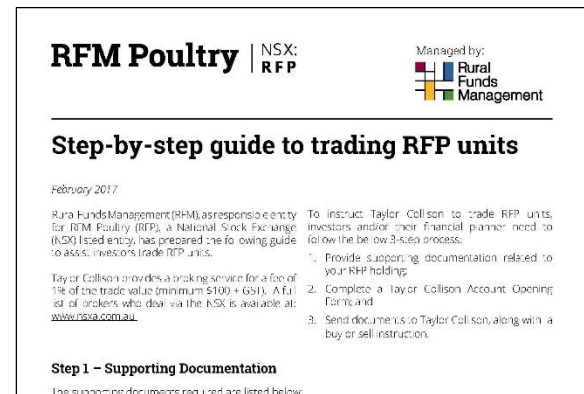
- RFM previously advised it would prepare communication on trading RFP units on the NSX with the aim of improving liquidity
- Taylor Collison provides a broking service at a cost of 1%, with a \$100 min (plus GST)
- A detailed guide to trading RFP units through Taylor Collison can be accessed by contacting RFM (Figure 1), however as an overview:
 1. Provide a copy of your Issuer Sponsored Holding Statement with Securities Reference Number (SRN) (Figure 2);
 2. Complete an Account Application form, available from Taylor Collison (and RFM);
 3. Submit certified identification (e.g. certified by a financial planner); and
 4. Provide Taylor Collison with instruction by email or phone to trade

Taylor Collison contact - Emilia Seto:

- eseto@taylorcollison.com.au
- (08) 8217 3900 (South Australia)

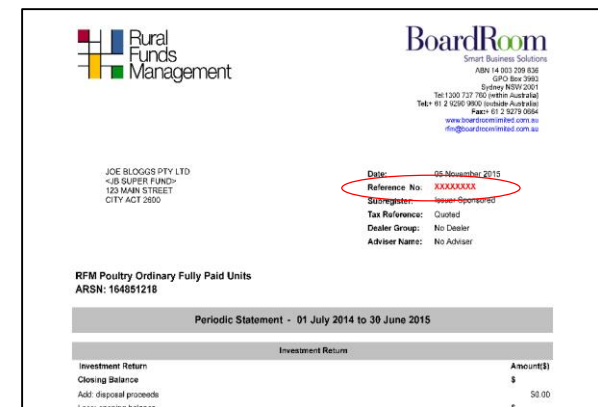
- A complete list of authorised brokers is available on the NSX website

Fig 1: Step-by-step guide



RFM has compiled a step-by-step guide to trading RFP through a broker, Taylor Collison

Fig 2: Obtaining your SRN



Example: Periodic Holding Statement (SRN circled in red)

Rural Funds Management

RFM is a fund and farm manager with 20 years experience in Australian agriculture

Key information

Established	1997
Total	\$641m
Assets under management	Rural Funds Group: \$588m RFM Poultry: \$9m Almond Funds 06-08: \$34m 2007 Macgrove Project: \$10m
Ownership	Directors & staff
Farm & operations staff	50
Funds management staff	35
RFM direct operational experience	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010
RFP fee structure	5% p.a. of operating expenses & cost recovery
RFP key responsibilities	<ul style="list-style-type: none"> Compliance to financial, farming and reporting requirements Continuous improvement of operations Management of infrastructure e.g. ongoing R&M Budgeting and performance monitoring Relationship with processors (Baiada Poultry and Turi Foods) Improve awareness to increase liquidity and fair valuation Investigating growth opportunities

Board and management team contacts and tenure



Guy Paynter
Non-Executive
Chairman

8 yrs



David Bryant
Managing
Director

20 yrs



Michael Carroll
Non-Executive
Director

8 yrs



Julian Widdup
Non-Executive
Director

1 yr



Stuart Waight
Chief Operating
Officer

15 yrs



Andrea Lemmon
Executive Manager,
Funds Management

20 yrs



Daniel Yap
Financial
Controller

6 yrs



David Thomson
Business Manager -
RFM Poultry

10 yrs



James Powell
Investor Relations &
Distribution Manager

10 yrs

Corporate information



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