

# RFM Poultry | NSX: RFP

Managed by:  
 Rural  
Funds  
Management



## Financial results presentation

Financial year ended 30 June 2018

**5 September 2018**

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1. **Financial results**
2. **Operational update and outlook**
3. **Appendices**
  - **Trading RFP units**

## RFM presenters

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**Stuart Waight**  
*Executive*



**Daniel Yap**  
*Financial Controller*



**James Powell**  
*General Manager –  
Investor Relations &  
Marketing*



# Financial results

*Broiler chickens, Griffith, New South Wales, December 2016*

# 1

# FY18 results summary

## Metrics as at 30 June 2018

<b>Income</b>		
Revenue		24,772,117
Net profit after income tax		618,536
Earnings cents per unit (cpu)		8.98
<b>Portfolio</b>		
Net assets value (NAV)		7,726,209
NAV per unit		1.12
<b>Balance sheet</b>		
Gross assets		9,283,464
External borrowings		Nil
<b>Distributions</b>		
		<b>cpu</b>
Paid October 2017		2.5125
Paid January 2018		2.5125
Paid April 2018		2.5125
Declared June 2018		2.5125
Total distribution		10.0500
Franking (October 2017, January 2018, April 2018) <sup>2</sup>		3.2304
Franking (June 2018) <sup>3</sup>		0.9530
Total grossed up distribution		14.2334

- Profit for the period of \$0.62m after tax is within the forecast range.
- NAV per unit ended the period \$1.12.
- Nil interest bearing liabilities.
- Distributions of 14.23 cpu (inc. franking) representing a yield of 12.2%.<sup>1</sup>
- Installation of solar panels on Lethbridge farms were successfully implemented during the year.
- All sheds continue to be endorsed as compliant with RSPCA guidelines.

### Notes:

1. Calculated using 29 June 2018 closing price of \$1.17.
2. Franking for October 2017, January 2018 and April 2018 distributions based on a tax rate of 30%.
3. Franking for June 2018 declared distribution based on a tax rate of 27.5% as RFP is expected to be classified as a 'base rate entity' in FY19, and be eligible for a lower corporate tax rate.

## Summarised Statement of Comprehensive Income

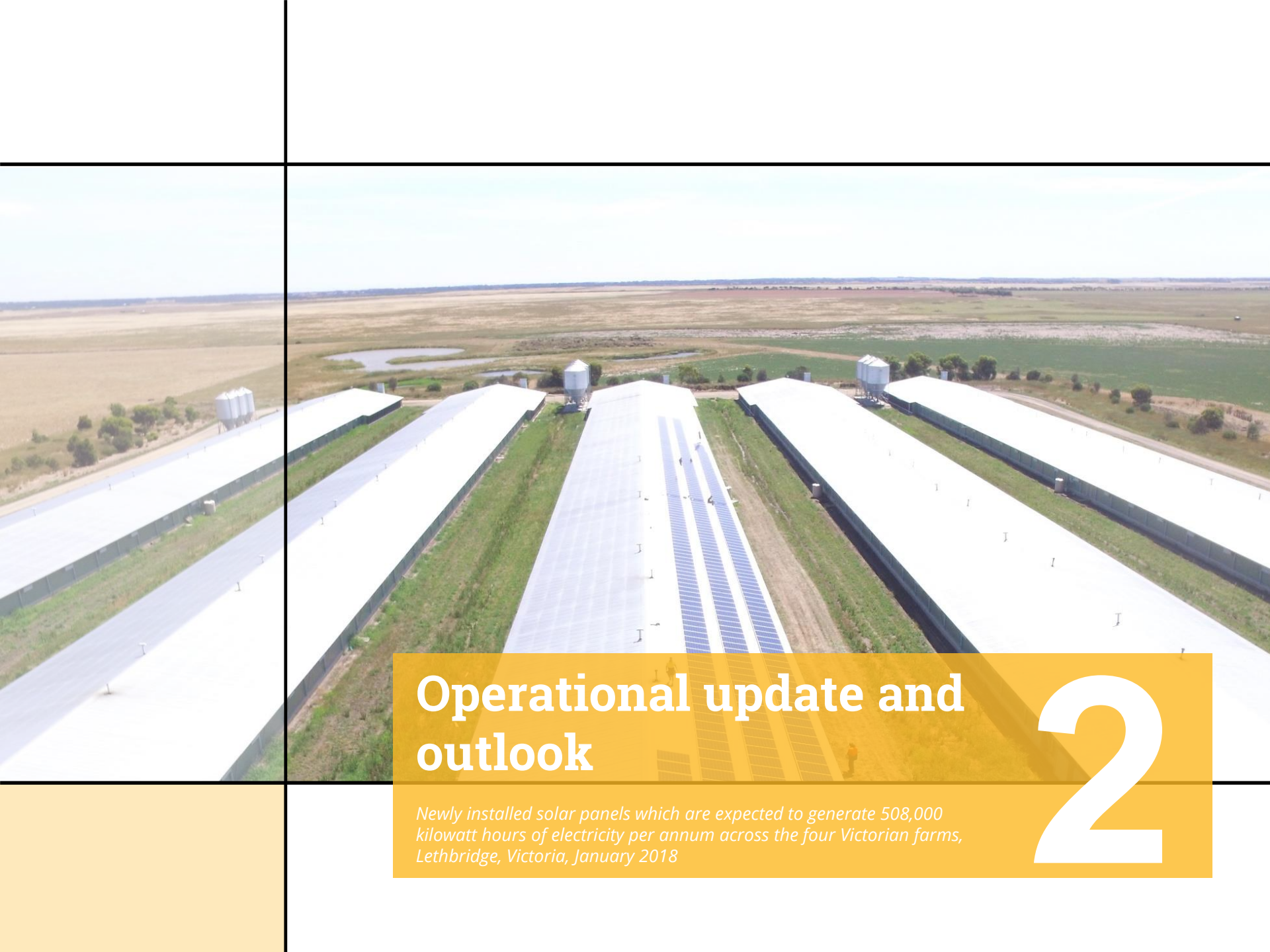
	Year ended 30 June 2018	Year ended 30 June 2017
Revenue	24,772,117	24,188,653
Other income	119,629	108,402
<b>Total income</b>	<b>24,891,746</b>	<b>24,297,055</b>
Property lease expenses	(10,688,652)	(10,537,989)
Direct grower expenses	(4,849,701)	(4,312,518)
Wages & labour	(4,769,813)	(4,468,154)
Repairs and maintenance	(2,088,804)	(2,264,736)
Insurance expenses	(370,174)	(392,733)
Other indirect expenses	(612,351)	(565,899)
Management fees	(545,000)	(545,030)
Depreciation and impairment	(83,628)	(35,837)
<b>Net profit before income tax</b>	<b>883,623</b>	<b>1,174,159</b>
Income tax expense	(265,087)	(352,248)
<b>Net profit after income tax</b>	<b>618,536</b>	<b>821,911</b>
<b>Total comprehensive income</b>	<b>618,536</b>	<b>821,911</b>

- Revenue:
  - increased mainly as a result of adjustments to the grower fee (to recognise higher FY17 energy costs compared to FY16) and indexing
  - was impacted by discounts incurred under the Efficiency Ratings System (see page 9 for further details).
- Main increases to expenses included:
  - direct grower costs; due to increased energy costs
  - wages and labour; following changes to contractor remuneration and additional management resources to improve operational outcomes.
- Management fees were capped at \$0.545m.

## Summarised Balance Sheet

	As at 30 June 2018	As at 30 June 2017
Cash and cash equivalents	5,432,110	6,230,162
Trade and other receivables	1,852,519	1,896,547
Other current assets	560,524	345,405
Income tax receivable	46,334	80,819
Plant and equipment	1,357,952	420,338
Deferred tax assets	34,025	30,089
<b>Total assets</b>	<b>9,283,464</b>	<b>9,003,360</b>
Trade and other payables	1,319,513	990,420
Short term provisions	236,825	211,271
Long term provisions	917	2,112
<b>Total liabilities</b>	<b>1,557,255</b>	<b>1,203,803</b>
<b>Net assets</b>	<b>7,726,209</b>	<b>7,799,557</b>
Units on issue	6,884,416	6,884,416
NAV per unit	1.12	1.13

- Net assets of \$7.7m and \$1.12 per unit as at 30 June 2018.
- \$2.5m of cash held in term deposits.
- Nil interest bearing liabilities.
- Retained earnings of \$1.1m.
- Increase in plant and equipment largely relates to:
  - solar panels installed on Lethbridge farms (\$0.39m)
  - fixed water sanitation system (\$0.21m)
  - two mobile water sanitation systems (\$0.12m)
  - tractors and farm equipment (\$0.21m).
- RFP maintains an adequate capital position with sufficient working capital and reserves to assist with financial volatility resulting from operations.



## Operational update and outlook

*Newly installed solar panels which are expected to generate 508,000 kilowatt hours of electricity per annum across the four Victorian farms, Lethbridge, Victoria, January 2018*

# 2



## Efficiency Ratings System (ERS)

- The ERS measures the performance of poultry farms in the region and applies a premium or discount to the grower fee based on relative performance. RFP incurred discounts to the grower fee during FY18 (see disclosure 28 February 2018).
- Management has undertaken multiple initiatives to address farm performance as advised as part of the HY18 results. These initiatives include improvements to the lighting programs and the purchase of water sanitation systems. Further capital expenditure for water sanitation equipment is expected prior to 31 December 2018.
- The effectiveness of these initiatives has been difficult to measure during the period. This is because ILT respiratory disease in the Riverina (see disclosure 7 September 2016) distorts the objective measurement of farm performance. For this reason the ERS was suspended for the last three batches of FY18.
- Management is confident that the initiatives outlined above will improve performance. However, there remains a risk that farms may continue to incur ERS discounts.

## Insurance renewal

- Industrial special risk insurance is due for renewal by 30 September 2018. RFM has arranged a tender process for renewed coverage via its insurance brokers. However, it is expected that there will be a material increase in the premium. This will be communicated to investors as part of the HY19 results or prior if necessary.

## Lethbridge solar power generation

- The solar generation unit was installed in December 2017 and is performing to expectations. Solar production for the period 1 January - 31 August 2018 was 319,954 kWh across the four Lethbridge farms.
- The cost of energy generated is cheaper than current electricity prices.

- The forecast profit before tax for FY19 is consistent with the FY18 result. The forecast profit after tax is slightly different due to the change in the corporate tax rate. Forecast FY19 profit is:
  - \$0.88m before tax
  - \$0.64m after tax.
- RFP is expected to be classified as a 'base rate entity' in FY19, and be eligible for a lower corporate tax rate of 27.5% (FY18 rate 30.0%).
- The forecast FY19 distribution (inc. franking) are:
  - \$0.72m total cash distributions
  - 14.48 cpu (inc. franking).
- As at 30 June 2018, RFP's retained earnings were \$1.1m and cash position was \$5.4m.

## Forecast FY19 distributions (inc. franking)

Record date	cpu
28 September 2018	3.71
28 December 2018	3.59
29 March 2019	3.59
28 June 2019	3.59
<b>Total</b>	<b>14.48</b>

## Additional distribution information

Total FY19 distribution (forecast)	10.50 cpu
Total FY19 franking (forecast)	3.98 cpu
Distribution payment frequency	Quarterly
Distribution reinvestment plan	Suspended



# Appendices

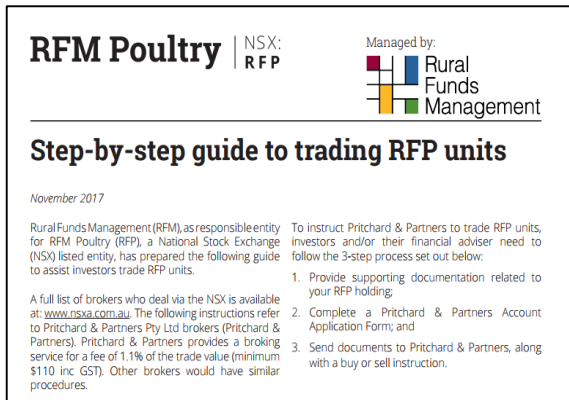
*Fixed sanitation system which reduces organic matter levels in water, installed in May 2018, Griffith, NSW, June 2018.*

# 3

# Trading RFP units

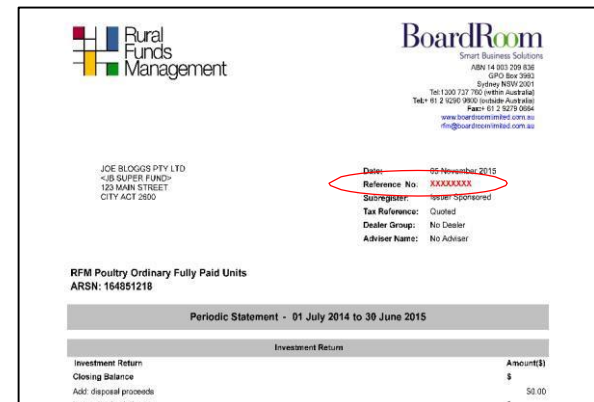
- Pritchard & Partners Pty Ltd provides a broking service at a cost of 1.1%, with a minimum \$110 (inc. GST).
- A detailed guide to trading RFP units through Pritchard & Partners Pty Ltd can be accessed by contacting RFM (Figure 1), however as an overview:
  1. Provide supporting documentation related to your RFP holding (Figure 2).
  2. Complete a Pritchard & Partners Account Application Form.
  3. Send documents to Pritchard & Partners, along with a buy or sell instruction.
- **Pritchard & Partners Pty Ltd**
  - (02) 4920 2877
- 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, Pritchard & Partners.*

**Fig 2: Obtaining your SRN**



*Example: Periodic Statement (SRN circled in red).*

# Rural Funds Management

## Key information

Established	1997
	Total \$848m
Assets under management	Rural Funds Group: \$793m RFM Poultry: \$9m Almond Funds 06-08: \$35m 2007 Macgrove Project: \$11m
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 key responsibilities	<ul style="list-style-type: none"> <li>• Compliance with financial, farming and reporting requirements.</li> <li>• Continuous improvement of operations.</li> <li>• Management of infrastructure e.g. ongoing R&amp;M.</li> <li>• Budgeting and performance monitoring.</li> <li>• Relationship with processors (Baiada Poultry and Turi Foods).</li> <li>• Improve awareness to increase liquidity and fair valuation.</li> <li>• Investigating growth opportunities.</li> </ul>

## Board and management team contacts and tenure



**Guy Paynter**  
Non-Executive Chairman  
8 yrs



**David Bryant**  
Managing Director  
21 yrs



**Michael Carroll**  
Non-Executive Director  
8 yrs



**Julian Widdup**  
Non-Executive Director  
1 yr



**Stuart Waight**  
Executive  
15 yrs



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



**Daniel Yap**  
Financial Controller  
6 yrs



**Jonty Ephron**  
Chief Operating Officer  
<1 yr



**David Thomson**  
Business Manager RFM Poultry  
11 yrs



**Adriann Sheilds**  
National Manager - Poultry  
14 yrs



**James Powell**  
General Manager - Investor Relations & Marketing  
10 yrs



# Rural Funds Management

Managing good assets with good people

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