



RFM Poultry (NSX: RFP)

Financial year results presentation year ended 30 June 2014

11 September 2014

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RFM attendees



David Bryant
Managing Director



Stuart Waight
*Chief Operating
Officer*



Melanie Doyle
*Chief Financial
Officer*



James Powell
*Investor Relations &
Distribution Manager*

Highlights and results



Achievements

- Commenced business on 19 December 2013 and listed on NSX 17 March 2014
- Trading price of units up 26%
- 8.2% registry turnover since listing
- Sale facility for small parcels implemented in August 2014

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- Net assets of \$6.6m
- Earnings per unit of 7.21 cents
- Nil interest bearing liabilities
- Results in line with previous forecasts

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Forecasts FY15

- Forecast distributions, inclusive of franking credits, of 14.35 cents per unit

Results summary

Metrics as at 30 June 2014

Income		
	Revenue	\$13,698,369
	Net Profit after income tax	\$489,677
	Earnings (CPU)	7.21
Portfolio		
	Net assets value (NAV)	\$6,608,016
	NAV per unit	\$0.97
Balance sheet		
	Gross assets	\$8,906,106
	External borrowings	Nil
Distributions		
	Declared December 2014 (CPU)	3.31
	Declared March 2014 (CPU)	3.31
	Declared June 2014 (CPU)	3.31

- Results in line with expectations for the period
- Accounts reflect 6 months and 13 days of operation, being 19 December to 30 June 2014

2014 financial year results

Summarised income statement

	Period ended 30 June 2014 \$
Revenue	13,698,369
Other income	29,865
Total income	13,728,234
Direct grower costs	(10,734,690)
Employee costs	(396,430)
Depreciation and impairment	(30,037)
Repairs and maintenance	(959,879)
Management fees	(317,779)
Other expenses	(673,868)
Profit / (loss) before tax	615,551
Tax expense	(125,874)
Profit / (loss) after tax	489,677

- Period relates to 6 months and 13 days of operation
- All poultry sheds in Griffith leased by RFP were endorsed as compliant with RSPCA guidelines during the period ended 30 June 2014, securing RFP's position as a premium chicken grower
- Poultry sheds in Lethbridge, Victoria are expected to adopt RSPCA guidelines in the coming year

2014 financial year results

Summarised balance sheet

	As at 30 June 2014
	\$
Cash and cash equivalents	4,065,890
Trade and other receivables	4,198,374
Other current assets	283,043
Non current plant and equipment	311,962
Deferred tax assets	46,837
Total assets	8,906,106
Trade and other payables	1,834,823
Short term provisions	276,176
Income tax payable	172,711
Long term provisions	14,380
Total liabilities	2,298,090
Net assets	6,608,016
Units on issue	6,794,115

- The RFP cash position depends on the timing of the batch cycle
- NAV \$6.6m or \$0.97 per unit
- Nil interest bearing liabilities

- The listing of RFP on the NSX provides unitholders the platform to sell their securities should they desire
- RFP sale facility correspondence was sent to 253 eligible unitholders on 11 July 2014 who owned units valued at less than \$500 as at record date 10 July 2014
- The sale facility was implemented in order to assist unitholders economically dispose of small parcels (i.e. without incurring any brokerage or handling costs) and to minimise RFM Poultry corporate costs
- 234 unitholders with a combined balance of 87,328 units are participating
- Units are currently being sold on market on behalf of participating unitholders
- For further information on how to trade on the NSX and a full list of NSX approved brokers please visit www.nsx.com.au

Forecasts



FY15 forecast financial results

Forecast income statement

	Period ended 30 June 2015	Period ended 30 June 2014
	\$	\$
Revenue	25,133,672	13,698,369
Other income	223,365	29,865
Total income	25,277,037	13,728,234
Direct grower costs	(19,786,944)	(10,734,690)
Employee costs	(471,757)	(396,430)
Depreciation and impairment	(57,553)	(30,037)
Repairs and maintenance	(2,175,000)	(959,879)
Management fees	(573,785)	(317,779)
Other expenses	(1,220,362)	(673,868)
Profit / (loss) before tax	1,091,636	615,551
Tax expense	(327,151)	(125,874)
Profit / (loss) after tax	764,484	489,677
Earnings per unit after tax	11.25 cents	7.21 cents
Earnings per unit before tax	16.07 cents	9.70 cents

- Business as usual
- Forecast result consistent with PDS forecast dated October 2013
- Outsource maintenance function
- Period ended 30 June 2014 relates to 6 months and 13 days of operation

Note:

- The forecast should be read in conjunction with the sensitivity table in the appendices
- Earnings per unit for FY2015 are based on units on issue at 30 June 2014 and may change due to reinvestment of distributions

2015 forecast financial results

Notes and assumptions to FY15 forecast financial results

- 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 1.96% 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
- FY15 distributions franking inclusive of 14.35 cents per unit declared. Distributions have been calculated based upon forecast revenue from RFMP's trading activities less forecast expenses and amounts set aside for cash reserves

Forecast FY15 distributions

- Forecast quarterly distributions of 2.51 cents plus 1.07 cents franking
- Forecasts in line with previous disclosure date 17 March 2014
- Expected future distribution record dates: March, June, September, December (end of month)



Strategy

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

- Manager is seeking to outsource asset maintenance to:
 - Facilitate internal focus on poultry growing operations
 - Reduce cost
 - Improve efficiency of the maintenance function

Appendices

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Sensitivity analysis

Sensitivity analysis of disclosure date 11 Sep 14 FY15 forecast

Item	Assumption	Change	Change in total comprehensive income	% change in total comprehensive income
Variable expenses	\$8,196,799	5% increase in expenses	(\$286,888)	(37.5%)
Variable expenses	\$8,196,799	5% decrease in expenses	\$286,888	37.5%
Penalty for growing performance	\$24,817,550	(\$265,016)	(\$185,511)	(24.3%)
Bonus for growing performance	\$24,817,550	\$265,016	\$185,511	24.3%

Notes:

- Each sensitivity assumes all other variables unchanged
- Variable expenses are defined as gas and electricity, direct agribusiness expenses, and repairs and maintenance
- Change in Comprehensive Income on a post tax basis
- The penalty change of \$265,016 reflects the actual penalty incurred in 2014
- Effect of changes in assumptions on the distributions will depend on the circumstances at the time

RFP further details

- One of Australia’s largest contract chicken growers (growing ~30 million birds p.a.) successfully managed by RFM since 2003
- RFP has long term contracts for growing chicken spanning 10 to 22 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
- 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
- Each farm undertakes ~5 to 6 growing cycles per year
- RFP grower payments are primarily based on the size of the chicken growing facilities, not on throughput (i.e. take-or-pay contracts)
- 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
- Further details can be obtained from the RFM Poultry Product Disclosure Statement dated 21 October 2013 available at www.ruralfunds.com.au or by calling RFM on 1800 026 665

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	303,216 sqm
FY15 lease cost	\$10.35m
FY15 lease indexation	1.96%
Water entitlement	Leased property includes water entitlement attached to each farm



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 7 agricultural investment funds which as at 30 June 2014, had in excess of \$300m of agricultural assets under management in New South Wales, South Australia, Victoria and Western Australia and a 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 31 full time corporate staff (offices in Canberra, Sydney and Melbourne) and 18 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 below. Further details can be obtained from the RFM Poultry Product Disclosure Statement dated 21 October 2013 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 \$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 Ltd, Tassal Group Ltd, Select Harvests Ltd, Sunny Queen Ltd, Rural Finance Corporation of Victoria, 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
- 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
- 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 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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