

# NEW ZEALAND RURAL LAND CO.

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## NZX Announcement

30 April 2021

## Conditional Agreement to acquire Fourteen Large Scale Dairy Assets

New Zealand Rural Land Company [NZL.NZX] has entered into conditional agreements with Van Leeuwen Group and associated entities (VLG) and their major lender to acquire fourteen large scale dairy assets in South Canterbury and North Otago totalling approximately 6,350 hectares.

### The Transaction

Under the transaction NZL will acquire 14 dairy assets for an aggregate purchase price of \$114M (subject to final adjustments). NZL has also entered 3 separate lease agreements for the 14 dairy assets that will take effect on settlement of the transaction and have an aggregate annual rental of \$5.796M.

Over the past four months NZL has, through its Manager, undertaken extensive due diligence on these assets and the incoming tenants. NZL considers that, based on its due diligence, the acquisition represents an attractive purchase.

On 20 April 2021, receivers (Calibre Partners) were appointed to the vendor by its lenders. The receivers were quoted by the NBR (National Business Review) on 23 April 2021 as saying that "The business itself has strong ebitda" - "it's obviously got some capital structure issues". NZL believes the transaction announced today solves those capital structure issues.

### The Farms and Tenants

The farms are a mixture of seasonal supply pastoral dairy farms, hybrid grass based grazing and cut and carry winter barn farms, and dairy support blocks. The farms will be leased to three New Zealand based farming groups:

- 3 farms will be leased to Sustainable Grass Dairy Limited.
- 5 farms will be leased to Performance Dairy Limited.
- 6 farms will be leased to Performance Livestock Limited.

The three tenant entities will at settlement satisfy NZL's criteria for tenants. The leases each have an initial term of 11 years with two 12 year rights of renewal.



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## Conditions and Settlement

The transaction is conditional on NZL shareholders approving the transaction (as a major transaction under the NZX Listing Rules). NZL will call a special meeting of shareholders within the next two weeks. At that time a notice of meeting will be released to the market and sent to shareholders.

The transaction is also conditional on:

- the vendors financier terminating the appointment of the receiver. This condition should be satisfied after NZL's shareholder approval condition is satisfied.
- the vendor entering new financing arrangements for one of its dairy assets and its livestock. Key terms for these arrangements have been agreed and they are subject to final documentation.
- the vendors co-operating with the requirements of the financier and the receiver until such time as the receivership ceases.

The transaction is due to settle on 1 June 2021.

Should these transactions settle as expected this will complete the deployment of capital raised under the IPO late last year, marking significant progress towards NZL's plan to become an owner of New Zealand rural land at scale. The completion of these acquisitions will see NZL begin paying dividends in FY2022 as was outlined in the Product Disclosure Statement (PDS) at the time of the IPO.

## Related Potential Acquisitions

In addition, but subject to additional conditionality, the parties have agreed for NZL to acquire the following dairy assets in South Canterbury/North Otago:

- up to 366 hectares for a purchase price of up to \$10.76M for settlement on 18 June 2021. This is conditional on existing, unconditional sale contracts for these assets not being completed on or before 1 June 2021.
- 500 hectares for a purchase price of \$12.00M and for settlement on 1 August 2021. This is conditional on the vendor being unable to refinance its current borrowings over this land with a new financier and NZL raising finance for the acquisition.

Entering these transactions gives the vendors financier comfort that its current lending to the vendor will be settled. NZL has been comfortable entering these arrangements as these acquisitions, if they did proceed, involve quality dairy assets and make for an attractive acquisition. While NZL would welcome these assets to its portfolio, it does not anticipate that satisfaction of these conditions to enable their acquisition will occur.

Should one of these further acquisitions proceed, arrangements are in place where one of the three tenants above will lease the relevant land from NZRLC at a gross lease rate of over 5%.



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## Finance

The transaction will be financed using a combination of cash on hand (approximately \$70.00M) and the balance in new debt. NZL has obtained terms for this debt from Rabobank and is working through conditions precedent and documentation to enable drawdown at settlement.

Settlement of this transaction (and the previously announced Southland dairy farm acquisition) will see NZL temporarily exceed its internal debt policy of 30% of total assets (anticipated to be approximately 40%). NZL will look to restore its debt level in line with its policy once further work is completed on its short term capital requirements. NZL has a comprehensive pipeline of rural land acquisitions it is investigating - spanning dairy, viticulture and electricity generation. These opportunities should see NZL gain further scale throughout 2021.

## ENDS

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