



ASX ANNOUNCEMENT

28 February 2020

Vitalharvest 1H2020 Financial Results

Vitalharvest Freehold Trust (ASX:VTH), the owner of Australia's largest portfolio of citrus and berry farms which are leased to Costa Group Holdings Ltd (ASX:CGC), today reported its results for the half year period ending 31 December 2019.

Key highlights:

- Profit for the period of \$14.3m
- Rental revenue of \$9.4m
- Funds From Operations (FFO) of \$6.7m, representing 3.62 cents per unit
- Interim distribution of 3.25 cents per unit at a 90% of FFO payout ratio
- Total assets of \$282.6m which includes cash balances of \$6.8m
- Net Asset Value (NAV) of \$0.95 per unit
- Gearing of 35.0% (target of 40%)

Rental Income

VTH generated \$9.4m of rental income for the 6-month period to 31 December 2019. Base Rent for the half year period was \$4.8m. Variable Rent for the half year period was \$4.7m with contributions from both categories.

Distribution

VTH has declared an interim distribution of 3.25 cents per unit with a Record Date of 13 March 2020 and Payment Date of 27 March 2020. The interim distribution represents 90% of the FFO for the period.

Citrus Performance

That component of the Variable Rent from citrus operations, for the half year period has been impacted by:

- smaller fruit sizing in late season varieties, which affected yield and pricing;
- higher water prices for temporary water allocation due to ongoing drought conditions across the southern Murray Darling Basin; and
- a portion of the Kangara citrus farm being located within the Lindsay Point fruit fly suspension zone, resulting in additional costs to deliver fruit to market (Note: the suspension zone was lifted on 20 January 2020).

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Hailstorm Event in the Riverland

On 4 November 2019, a hailstorm event impacted VTH's Yandilla and Kangara citrus properties in the Riverland, SA. The tenant advised that there was no structural damage to the trees however hail to one side of the trees has caused marking on the newly developing fruitlets. This will result in reduced quality and prices for affected fruit, however the full impact to the CY20 crop can only be assessed later in the season.

Berry Performance

That component of the Variable Rent from berry operations, for the half year period has been impacted by:

- smaller fruit sizing resulting from hot and dry conditions;
- crumbly fruit condition with raspberries resulting in increased wastage and higher labour costs;
- lower blueberry prices as a result of earlier industry peak volume in September with a late rally in December due to supply pressures; and
- additional water carting costs at Corindi as a result below average rainfall in catchment areas.

Corindi Water Issues

The Corindi berry farm suffered from low rainfall during CY19 which led to extremely low water storages in December 2019. As previously advised, the tenant developed and executed plans to increase water supply by carting water from local sources, and to reduce water consumption by removing annual raspberry and blackberry plants from production and heavily pruning in-soil blueberry plants to preserve the bushes.

In late January and February 2020, significant rainfall events at Corindi has resulted in the dam network being at capacity. Raspberry and blackberry planting will resume in line with the tenant's annual planting schedules.

Tumbarumba Bushfire

On 1 January 2020 the Tumbarumba berry farm sustained damage from the NSW Dunn's Road bushfire. The fire destroyed VTH's packshed and coolroom and the tenant's packing equipment and several vehicles. A horticultural assessment conducted by the tenant has determined that an estimated 10% of bushes on the property were affected by heat with a large portion expected to recover. At the time of the bushfire, all unharvested fruit at Tumbarumba was lost. Tumbarumba represents approximately 6% of VTH's berry plantings.

The farm is expected to produce a crop in December 2020.

Valuations

Net Asset Value (NAV) per unit has increased from \$0.90 per unit at 30 June 2019 to \$0.95 per unit as at 31 December 2019, predominantly due to higher valuations for the citrus and berry properties.

VTH engaged Colliers International to conduct independent valuations of the berry properties at 31 December 2019. The citrus properties were independently valued at 30 June 2019.

Portfolio Growth - Capital Expenditure

Capital expenditure investment demonstrates a commitment by the landlord and tenant to invest in the long-term productivity and profitability of the properties. Capital expenditure contributed by VTH delivers a return of 8% per annum via the Base Rent and may contribute to an increase in Variable Rent returns as a result of any productivity and profitability gains. VTH funded \$2.7m of capital expenditure to the Citrus and Berry properties which contributed to an increase in Base Rent cost base during 1H2020.

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The capital expenditure projects funded by the Irrigation Industry Improvement Program (3IP) on the citrus properties have been completed. A total of \$3.4m worth of government grants, received in return for 479ML of water entitlements, has been used for substantial irrigation infrastructure upgrades and installation of protective netting over citrus and overhead cooling systems over avocados.

Portfolio Growth - Acquisitions

As previously advised, VTH settled on a 5.3ha Berry property at Corindi containing 3.3ha of raspberry plantings in July 2019. Historically, the property was leased by the former owner to CGC and continues to be leased to CGC under the same terms as the remaining VTH Berry Leases.

Summary

Managing Director, Liam Lenaghan, commented "From an agricultural perspective, if it could go wrong, it did go wrong in the past 6 months. Our assets and our tenant have both been challenged by drought, bushfire, pestilence and crumbly berries. Notwithstanding, Vitalharvest's revenue model of base rent plus profit share has underpinned a distribution of 3.25 cents for the half year period. The assets themselves are investment-grade, important to the Australian horticultural industry and appreciating in value, as validated independently by Colliers International. Vitalharvest continues to offer an excellent investment opportunity for patient investors."

Results Webcast

VTH will conduct a webcast of its HY2020 results presentation at **10.30am on Friday 28 February 2020** (Australian Eastern Daylight Time).

Participants can access the webcast via the following link: <https://webcast.openbriefing.com/5897/>

Participants should log on at least 15 minutes before the scheduled commencement time.

An archived version will be available to download shortly after conclusion of the briefing.

END.

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About Vitalharvest

Vitalharvest owns the largest aggregation of berry and citrus farms in Australia. These are located in prime growing locations in New South Wales, South Australia and Tasmania and are leased to Costa Group (ASX:CGC).

Vitalharvest provides investors with exposure to agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for healthy, nutritious food. These assets provide agricultural diversification by way of crop type, climatic region, water source and product end markets.

Vitalharvest is an agricultural real estate investment trust managed by goFARM Asset Management (ACN 625 505 455) AR No. 001264243.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (Responsible Entity), part of Perpetual Limited (ASX:PPT), is the responsible entity for the Vitalharvest Freehold Trust ARSN 626 537 362.

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