



NEWS

NZ Rural Land Co's \$150m IPO a step closer

Staff Reporter
October 19, 2020

New Zealand investors will get the chance to buy into farmland if NZ Rural Land Company's plans to join the NZX in December go ahead.



Christopher Swasbrook | October 20,
2020

GlobalHQ

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The company plans to launch an initial public offering next month to raise between \$75 million and \$150m to buy rural land, which it will then lease to farmers.

The rural sector has struggled to find a circuit-breaker as banks dialled back the availability of credit a couple of years ago, putting a roadblock in front of new entrants and making it much harder for farming operations to expand.

NZ Rural Land Co is targeting a December listing and would be the second for the NZX in a year disrupted by the covid-19 pandemic, with medicinal cannabis firm Rua Biosciences poised to go public next week.

Director Chris Swasbrook, a long-time capital markets participant, says the documents are being reviewed by the regulator, and subject to its approval, will be formally lodged in November.



Jarden's investment banking team has been working on the offer, and NZ Rural Land Co is chaired by high-profile professional director Rob Campbell.

NZ Rural Land Co would essentially operate in the same manner as other listed real estate plays, except its focus would be on farmland rather than commercial property.

That means investors remove the commodity risk typically attached to agricultural investments in favour of a regular dividend yield, plus potential for capital appreciation in the net tangible asset value.

"New Zealand Rural Land Company has intentions of acquiring rural land across the agricultural sector and leasing it back to high-quality operators," Swasbrook said.

"The big difference from listed companies in the past is that they owned the land and the on-farm operations."

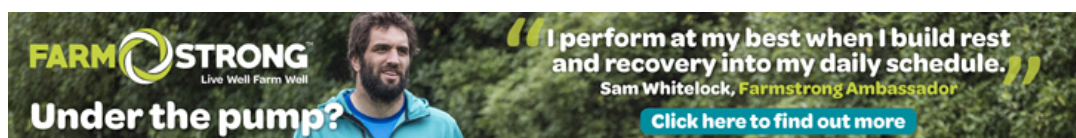
That entity would be managed separately by NZ Rural Land Management, which is where listed rural services firm Allied Farmers comes in.

Allied today said it has signed a conditional agreement to buy half of NZ Rural Land Management for \$2.5m in shares. Provided the IPO goes ahead and raises at least \$75m, Allied will issue up to 5 million shares at 50 cents a piece for the stake in the manager. That's a discount to the 62 cents the shares closed at yesterday.

Chair Richard Perry says the investment is part of a strategy to diversify Allied's business in a complementary way, and is part of the ongoing pinch farmers are feeling as they struggle to access capital.

"The rural sector is getting squeezed quite heavily over the last year or two. We've been working on how we can bring alternative funding opportunities to the market," Perry said.

The Real Estate Institute's all farm price index – which adjusts for different farm types, sizes and locations – was down 4.3% in the three months through to August compared to a year earlier. In saying that, the period saw 386 farms sold, the highest turnover in a three-month period since 2016.



Perry says there are still headwinds facing farm prices in the short-term with the restrictions on foreign investment, reluctant banks and growing regulatory cost. Still, land remained an attractive long-term investment that tended to weather economic cycles.



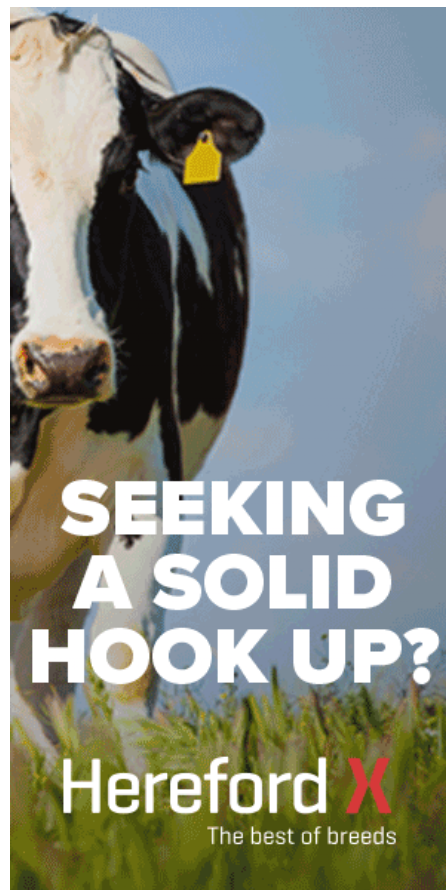
The deal is subject to shareholder approval, and Allied to raise another \$2.5 million from existing shareholders on the same terms to invest in its existing livestock finance business and other digital technologies.

Swasbrook will join Allied's board once the IPO is completed, and said the deal gives the rural services firm some more scale as it branches out into new ventures.

"This is a way for Allied to get back onto the radar screen," he said.

"Provided the IPO proceeds as planned, we'll have two agricultural companies that people can choose to invest in. It's a real positive for the NZX."

– BusinessDesk



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