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NZ Rural Land Co IPO to open next week

Offer seeks \$75m to \$150m to buy dairy farms.

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By **NBR staff**

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NZ Rural Land Fund independent chair Rob Campbell

A \$75 million to \$150m offer of shares in NZ Rural Land Company will open next week, with a listing of its shares on the NZX due on December 18.

A prospectus document was filed on Monday for the share offer.

The new company, headed by independent chair Rob Campbell, aims to acquire dairy farmland for lease to experienced tenants.

According to the prospectus, NZ Rural Land Co has identified 21 dairy properties totalling 9239ha, all in the South Island, for potential acquisition.

It has also done due diligence on three potential tenants.

No land will be acquired unless the company has agreed a binding lease with a tenant.

The offer document notes the dairy sector has relied on debt as its main source of capital but bank appetite for lending to dairy farming has waned.

“Banks are increasingly requiring principal repayments on dairy sector debt,” it said.

“Since December 2016, the share of ‘interest only’ loans has decreased from 67% to 58% while ‘principal and interest’ loans have increased from 8% to 16% with the balance of lending being in revolving credit facilities. Credit growth to the dairy sector has declined to below zero while lending to other agriculture sectors has grown steadily.”

As an alternative source of capital, the NZ Rural Land Co would be well-positioned to buy dairy farms at attractive prices, it said.

The listed company will be managed through an external management contract with a limited partnership owned by NZX-listed Allied Farmers, Elevation Capital, Richard Milsom, and Hayden Dillon.

Elevation’s managing director Chris Swasbrook and Dillon will act as consultants to the general partner, while the general partner will be directed by Milsom, Shelley Ruha, and Marise James.

Under the management agreement, the manager will be paid fees of 0.5% of Rural Land Co’s net assets, plus a transaction fee of 1.25% of an asset’s value when bought or sold.

Each lease entered into will also generate a fee of \$30,000.

Shares in Rural Land Co will be offered at \$1.25 with a minimum investment of \$1000.

The offer is lead managed by Jarden.

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