

# KOROKIPO APPLE LIMITED PARTNERSHIP

## INVESTMENT BRIEF | 23 APRIL 2018

An opportunity for wholesale investors to participate in the ownership of a maturing 24.43 Planted Ha Hawke's Bay apple orchard and the lease of a second smaller orchard with development potential.

Forecast distributions of 21.3% p.a. from full maturity in FY25

Monthly distributions commence Q2 2020 and are expected to average 13.7% p.a. from year 3, reaching 20% p.a. from year 6.

### INVESTMENT HIGHLIGHTS

- The offer ("Offer") is for \$5.16 million (516 units ("Units") at \$10,000/Unit), with a minimum investment of \$100,000.
- Korokipo Apple LP will purchase a 24.4 planted Ha orchard and prospectively lease a second 14.2 planted Ha in prime Hawke's Bay locations.
- The Korokipo Orchard purchase price is \$4.7 million (\$192,386/Planted Ha) and the prospective lease rental is \$90,000 p.a. (\$6,325/Planted Ha).
- Development working capital requires a further \$2.3 million of investment.
- Orchards will be managed and developed by Freshmax at the syndicate's expense (\$1,000/Planted Ha p.a.).
- Investment funded 70% by Partnership contributed capital and 30% by bank debt.
- Partnership will list on Syndex on completion of the Offer.
- Distributions expected to commence Q2 2020.

### Projected Cash Distributions

(% p.a. of Initial Contributed Capital)

FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
0.0%	0.0%	0.5%	13.0%	14.4%	20.1%	20.7%	21.3%

Korokipo Apple LP (the Partnership) is being formed to:

- purchase Korokipo orchard ('Korokipo') a 24.43 Planted Ha immature apple orchard, and,
- prospectively (subject to lessor confirmation) lease a mature 14.23 Planted Ha apple orchard with development potential.

Both orchards are situated in top locations in the Heretaunga Plains, Hawke's Bay. Korokipo is near Fernhill, and the prospective lease orchard is 15 kms away near Hastings.

MyFarm has formed a relationship with Freshmax Pty Limited (Freshmax') an Australian registered, but New Zealand founded and headquartered company, that produces and exports New Zealand apples and other Australasian fresh produce.

Freshmax is a vertically integrated business that grows, packs, stores, distributes and markets New Zealand apples to the international marketplace. The Company produces the majority of the 1.5 million Tray Carton Equivalents ('TCE') it markets annually on orchards it owns or leases. Its aim is to maximise orchard gate returns ('OGR') by maximising orchard yields and market prices for the fruit that it supplies and providing intermediary services at competitive market rates.

Freshmax wishes to expand its export apple business, but is constrained by the Overseas Investment Act. Unless it goes through a formal consent process, Freshmax is limited to a 24.9% stake in any orchard owning entity and/or a maximum orchard lease term of three years.

To mitigate this constraint, MyFarm has formed a relationship with Freshmax which provides that MyFarm will form syndicates to purchase and lease apple orchards that will be managed by Freshmax and the fruit from which will be pooled and exported with Freshmax's own fruit. This arrangement is expected to give syndicates higher OGRs than they might otherwise be able to achieve.

If you have invested with us in the last two years and have a Syndex account, you will be able to apply online with a couple of clicks – no paper work or online forms to fill in.





## THE ORCHARD

- Korokipo Orchard is located at 1691 Korokipo Road Fernhill.
- The property comprises a 24.43 Planted Ha apple orchard and includes a large shed with staff facilities and secure storage. It also has three frost machines and a permanent irrigation system.
- The Korokipo Orchard was replanted into Galaxy and Pacific Queen in 2014-2016 and is five years from full maturity.
- 50% of the prospective lease orchard is planted in a Galaxy/Royal Gala and Pacific Queen and the balance is a mix of Braeburn, Fuji and other varieties.
- It is intended that 2.91 Planted Ha of the prospective lease orchard will be redeveloped for intensive Dazzle production.

## INVESTMENT STRUCTURE

- Korokipo Apple LP will be structured as a limited partnership in which investors (limited partners) will each own a proportion of orchard assets and receive a proportion of orchard profits.
- Distributions will be made on a pre-tax basis and investors will account for tax on their share of Partnership profits and losses.
- The Partnership will be governed by its general partner, Korokipo Apple GP Limited, a subsidiary of AGInvest Holdings. The board of Korokipo Apple GP Ltd will comprise two senior MyFarm executives, Grant Rowan and Brian Cloughley and be headed by an independent chairman, Tony Hawken, appointed for his governance and fruit industry experience.
- On successful completion of the Offer, Units in Korokipo Apple LP will be quoted and may be traded on Syndex, a peer to peer platform for proportionately owned investments.
- Syndex will also help maintain the register, ensure that the syndicator, MyFarm, complies with its listing rules, provide a conduit for Unitholder communications and act as a repository for Partnership information.

## ABOUT MYFARM

- MyFarm is a specialist syndication business with a focus on land-based syndications.
- Since 1990, MyFarm has provided investors with opportunities to access returns from New Zealand farm land through investment in handpicked premium farms. It has more than \$500 million of farm assets under management.
- In recent years MyFarm has diversified into kiwifruit, vineyard and apple orchard syndication and switched to a commercial property business model in which it syndicates property for leasing to high-quality counterparties who have the farming and sector expertise to make a success of the lease.
- With Korokipo, MyFarm has partnered with Freshmax who will manage rather than lease orchards from the Partnership. Freshmax has synergistic investments further along the value chain that enables them to deliver high levels of OGR.

### For more info please contact:

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## APPLE INDUSTRY

- Apples are New Zealand's third largest horticultural export behind kiwifruit and wine, and the industry is long established, highly organised, vertically integrated and export focused. In the year ended June 2015 fresh apple exports totalled \$562m.
- At the turn of the century the New Zealand apple industry was based on Royal Gala, Braeburn and Fuji varieties and exporting to the US and EU. It is now focused on selling new trademarked varieties to Asian markets where demand from emerging economies is growing, shipping costs are lower and prices are higher.
- In 2016 40% of exports went to Asia and 30% of exports were of new trademarked varieties exclusive to New Zealand.
- New Zealand currently produces around 500,000 tonnes p.a. of apples on 9,300 ha's of land, but this is expected to increase by 20% to around 600,000 tonnes p.a. and 11,000 ha's by 2020.
- This will be the first increase in New Zealand apple production for 20 years and is a reflection of the high levels of orchard profitability over the last four seasons (currently +20% p.a. EBIT).
- New Zealand accounts for just 0.4% of global apple production, but is a counter-seasonal producer, exporting fresh apples when production in Northern Hemisphere countries is at cyclical lows. New Zealand accounts for 3-4% of global exports and is a top 10 global exporter.

