

ESK VALLEY ORCHARD LIMITED PARTNERSHIP

FACTSHEET

An opportunity for wholesale investors to participate in the ownership and conversion to apples of a 25.6 plantable ha property in a top Hawkes Bay location.

Orchard leased for 6.0% p.a. of the value of land and improvements, plus 50% of orchard profits.

Distributions projected to range between 5.7%-16.4% p.a.

Development margin expected based on change of land use and intensification.

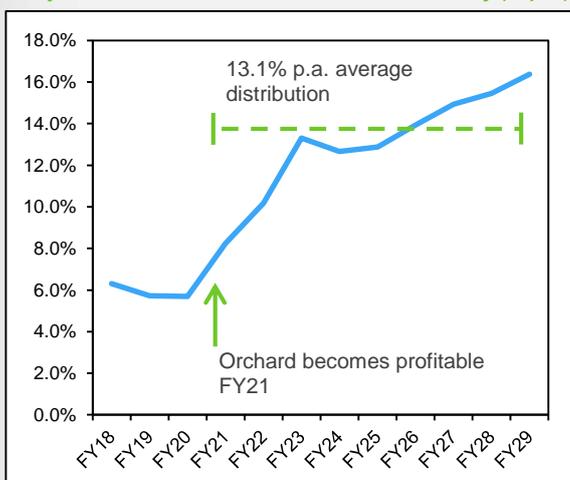
Esk Valley Orchard Limited Partnership is being formed to acquire and develop a 25.6 planted ha intensive hedge-row apple orchard called Esk Valley Orchard (Orchard). The Orchard is located on the Napier-Taupo Road at Eskdale, and comprises 24.6 planted ha of land that will be purchased, currently in grapes (19.7 planted ha) and nectarines (4.9 planted ha), plus 1 plantable ha of adjoining railway land that will be leased.

Upon acquisition, the Orchard, excluding the 4.9 planted ha in nectarines, will be leased to Orchard Investments Limited (OIL), a specialist Hawkes Bay orchard leasing and development company, for conversion to intensive apple production. The 4.9 planted ha in nectarines is currently leased to Johnny Appleseed until July 2022. At the end of the Johnny Appleseed lease, the area in nectarines will be left as bare land, and will be added to the existing OIL area for conversion to intensive apple production. The staged nature of the development means that annual returns are projected to increase until full orchard production is achieved in FY29.

OIL currently leases 23 apple orchard properties across Hawkes Bay, covering 150 planted ha in total. OIL will manage the conversion of Esk Valley Orchard to apples at the Partnership's expense.

The lease to OIL is for a term of 10 years with two rights of renewal of five years each. The rent comprises a base payment of 6% p.a. of the value of land and improvements, plus 50% of deemed orchard profits (calculated as actual orchard gate returns, less an allowance for on-orchard expenses, less actual orchard overheads and the base rent).

Projected Annual Distributions to Orchard Maturity (% p.a.)



Investment Highlights

- Offer closes 7 July and is for \$3.6 million (360 units at \$10,000/unit), minimum investment \$100,000.
- Orchard purchase price is \$3.0 million with development budgeted to cost a further \$1.82 million.
- Funded 70% by Partnership contributed capital and 30% by bank debt.
- Monthly cash distributions commence September 2017, and are projected to average 5.9% p.a. during the first three years and an average of 13.1% p.a. over the following nine years it takes for the whole orchard to reach full maturity.
- Partnership will list on Syndex on completion of the Offer.

Who can Invest?

- Investors who invest \$750,000 or more;
- Investors who certify they have investing experience that enables them to know their information needs and assess the merits of offers and the adequacy of information provided, or;
- Investors who either have a business based on investing, or meet prescribed income or asset criteria (a portfolio of specified investments > \$1.0 million, or net assets or annual income > \$5 million).

MYFARM
INVESTMENTS

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Esk Valley Orchard

- Currently known as Esk Valley Vineyard, the property is 28.6 ha in total area and located in Eskdale, Hawkes Bay. The property is positioned between State Highway 5 in the south, Yule Road in the west and the Esk River in the north.
- Social, commercial, professional and recreational services are provided from Napier which is 19 km from the orchard.
- The property is currently planted in a mix of grapes and nectarines. Improvements include a lockable implement shed, a self-contained smoko room complex with toilet and shower, pump shed, chemical shed and net shed.
- The Eskdale district experiences a moderate Hawke's Bay climate with hot dry summers and mild winters and is highly suited to early apple production.
- The orchard will be developed as an intensive apple orchard using the existing grape trellis structures to espalier apples into hedge rows. This sort of production system is common overseas, and is utilised in modern orchard development because of the higher yields and quality that can be achieved.
- Three apple varieties will be planted; Galaxy (a Royal Gala variety with no trademark protection); Aztec (a variety of Fuji marketed by Mr Apple under the Diva™ brand), and; a new early maturing trademarked variety called TCL3 (a cross between Royal Gala and Pacific Rose™).
- At maturity, these varieties are budgeted to produce an average of 4,200 Total Carton Equivalent/Planted Ha on an intensive hedgerow growing system. This production is in the upper quartile of yields achieved in the Hawkes Bay under all growing systems.

Investment Structure

- Esk Valley Orchard LP is a limited partnership in which investors (limited partners) will own a proportion of orchard assets and receive a proportion of orchard profits.
- Distributions will be made pre-tax and investors will account for tax on their share of Partnership profits and losses.
- The Partnership will be governed by its general partner, Esk Valley Orchard GP Limited, a subsidiary of AGInvest Holdings (MyFarm).
- The board of Esk Valley Orchard GP Ltd will comprise two senior MyFarm executives, Grant Rowan and Brian Cloughley, and be headed by independent chairman, Tom Skerman appointed for his governance and apple industry experience.
- On successful completion of the Offer, Units in Esk Valley Orchard LP will be quoted and may be traded on Syndex, a peer to peer platform for proportionately owned investments. Syndex provides an opportunity for liquidity directly between investors.
- Syndex also helps maintain the register, ensures that the syndicator, MyFarm, complies with its listing rules, provides a conduit for Unitholder communications, and acts as a repository for Partnership information.

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.

About MyFarm

- MyFarm is a specialist syndication business with a focus on land-based syndications, mainly in dairy and sheep and beef.
- Since 1990, MyFarm has provided investors with opportunities to access returns from New Zealand farm land through investment in handpicked, premium farms.
- In recent years MyFarm has diversified into kiwifruit and vineyard syndication, and switched to a 'buy and rent' commercial property business model in which it syndicates property for leasing to high-quality counterparties with the farming and sector expertise to make a success of the lease.
- Typically, as in the case with OIL, the counterparty has synergistic investments that enable them to enter into leases on terms that are more attractive to the lessor.



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