

NZX Announcement 30 March 2017

NPT and Kiwi Property agree terms - Notice of Meeting issued

Kiwi Property Proposal

NPT Limited advises shareholders that it has now finalised terms and entered into conditional agreements with Kiwi Property Group Limited (**Kiwi Property**) to give effect to the proposal it received from Kiwi Property (**Kiwi Property Proposal**) in December last year. A Notice of Meeting has now been issued for a special meeting of shareholders to be held on 21 April 2017 so that shareholders can consider and vote on this.

The NPT Board supports the Kiwi Property Proposal, which it considers to be a transformational transaction that would reposition NPT with the scale and resources to best serve its shareholders' interests into the future, and unanimously recommends shareholders vote in favour of the proposal.

The Kiwi Property Proposal includes the purchase of The Majestic Centre in Wellington and the North City Shopping Centre in Porirua (together, the **Kiwi Properties**) by two NPT subsidiaries, and a management agreement whereby Kiwi Property proposes to manage the NPT Group and its property portfolio.

Under the Kiwi Property Proposal:

- the Kiwi Properties will be sold to two NPT subsidiaries for a total consideration of \$230 million, being a price supported by independent market valuations dated 31 December 2016;
- Kiwi Property will pay NPT a one-off amount of \$6 million to acquire the right to manage the NPT Group and its property portfolio under the terms of a management agreement. The management agreement may be terminated by NPT or Kiwi Property after five years upon payment to Kiwi Property of a termination fee;¹ and
- Kiwi Property will subscribe for new, fully paid ordinary shares in NPT and become a cornerstone shareholder in NPT, with a shareholding of approximately 19.9%.

NPT and its subsidiaries propose to fund the acquisition of the Kiwi Properties through additional bank borrowings of approximately \$87 million and by making a pro-rata entitlement offer of new shares to eligible NPT shareholders to raise approximately \$94 million (the

¹ In the event of NPT exercising this right of termination, Kiwi Property will be entitled to a termination fee equal to the higher of 2.5% of NPT's "Total Assets" and "Fair Market Value" (each as defined in the management agreement). In the event of Kiwi Property exercising this right of termination, Kiwi Property will be entitled to a termination fee equal to 2.5% of "Total Assets" (as defined in the management agreement).



Entitlement Offer), together with the placement of new shares to Kiwi Property as described above.

If the Kiwi Property Proposal proceeds it is expected to result in an approximately 7% increase in pro forma dividends per share for the year to 31 March 2018 (on a pro forma basis assuming that the transactions had occurred on 1 April 2017), subject to the outcome of the Entitlement Offer.²

NPT is pleased to call a special meeting of shareholders, to be held at 11:00 a.m. on 21 April 2017 at Link Market Services Limited, Level 11, Deloitte Centre, 80 Queen Street, Auckland, to seek approval for the acquisition of the Kiwi Properties and the issue of shares to Kiwi Property.

If this resolution is approved, NPT will progress the Entitlement Offer. While the terms of the Entitlement Offer are yet to be determined, it is expected to commence following the special shareholder meeting, with an offer document to be sent to all shareholders in late April 2017.

Conditions

In the event of any of the following circumstances, the conditions to the agreements for the purchase of the Kiwi Properties will not be satisfied and, unless waived by the relevant party, the Kiwi Property Proposal will not proceed:

- the resolution to approve the transactions with Kiwi Property is not approved;
- the Entitlement Offer is unsuccessful;
- NPT is unable to finalise its funding arrangements to acquire the Kiwi Properties; or
- the Overseas Investment Office declines approval to the acquisition of the Kiwi Properties.

The conditions must be satisfied by 21 April 2017 (in the case of the shareholder approval condition), 31 May 2017 (in the case of the funding and Entitlement Offer conditions), and within 60 working days of the passing of the shareholder resolution (in the case of the approval of the Overseas Investment Office - this date may be extended for a period of two months at the request of NPT subsidiaries if the condition is not satisfied by this date).

² FY18F pro forma Distributable Profit per share post the Kiwi Property Proposal based on the expected incremental earnings from the Kiwi Properties and proposed funding structure assuming they are acquired on 1 April 2017 and assumes a full year contribution to Distributable Profit. The NPT Board considers Distributable Profit as an appropriate measure to evaluate the impact of the Kiwi Property Proposal relative to GAAP profit measures as it removes the impacts of investment property revaluation gains and other one-off items. Schedule 2 of the Notice of Meeting provides a reconciliation of NPT's forecast FY18F net profit before taxation and Distributable Profit following the Kiwi Property Proposal. Pro forma dividends per share for FY18F are based on a pay-out of approximately 96% of FY18F Distributable Profit, resulting in a dividend of 3.85 cents per share.



Resolutions relating to NPT board composition

The Notice of Meeting also contains resolutions from Augusta Capital Limited (**Augusta**) regarding proposed changes to the NPT Board, to be considered and voted on at the special shareholders meeting. It is the Board's view that these resolutions are without merit, and therefore urge shareholders to vote against them.

The existing Board has already been substantially refreshed and, in the last month, a new Chair appointed, whilst at the same time retaining important institutional knowledge.

Chairman Tony Sewell said:

"Shareholders should understand that, not only are board changes at this time an unnecessary distraction, but if there is a change to the composition of the Board at the special shareholders meeting, even if shareholders vote in favour of the Kiwi Property Proposal, there can be no guarantee as to what sort of transaction, if any, a revised Board may pursue."

Augusta has advised NPT that it has withdrawn its request that the special shareholders meeting discuss its own proposal, issued on 28 October 2016.

Important information

The Notice of Meeting contains important information relating to the Kiwi Property Proposal and shareholders are urged to read this and all information provided carefully and to exercise their voting rights in person or by providing a proxy.

The NPT Board considers the transactions outlined are in the best long-term interests of NPT and looks forward to the opportunity to discuss the important matters before the Company with as many shareholders as possible at the upcoming special shareholders meeting.

ENDS

Tony Sewell
Chairman
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