Precinct Properties
Internalisation

Internalisation overview

- The Independent Directors of Precinct Properties New Zealand Limited ("**Precinct**") are pleased to announce today that they have reached an agreement with the Manager, AMP Haumi Management Limited ("**AHML**"), to internalise the management of Precinct
- The agreement includes a gross payment of $215m from Precinct to AHML as consideration for the termination of its Management Services Agreement and the acquisition of certain assets and liabilities
- As a result of the agreement $10m of fees on current development projects will not be paid
- Precinct will apply for a binding ruling from the IRD to confirm the termination payment is deductible for income tax purposes
- The net cost to Precinct is expected to be $145 million
- Importantly, Precinct's key management personnel have been retained, and the internalisation positions Precinct to deliver on the next phase of its strategy

On a pro forma basis, the internalisation is expected to provide cost savings of $14.6 million[1] per annum and be 6.0%[2] accretive to AFFO per share

[1] Refer to appendix
[2] Assuming the net cost to Precinct of $145m is funded via debt. Accretion of 3.3% based on PCT's WACC

Background

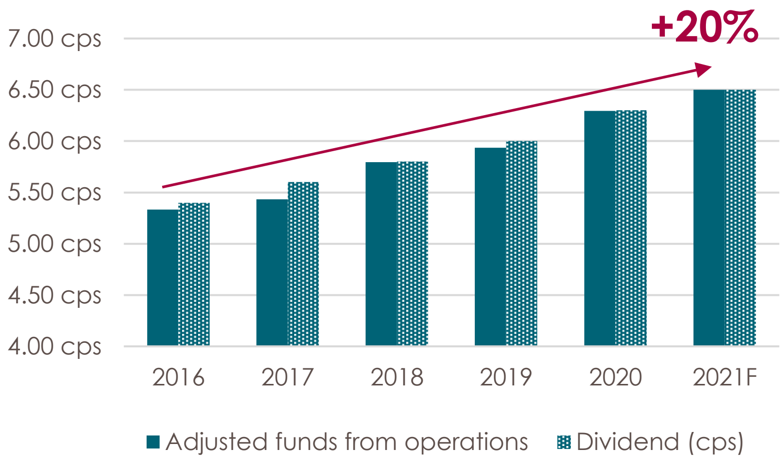
- AMP NZ Office Trust was listed in 1997 following the sale of AMP owned office assets to create AMP NZ Office Trust
- In 2010, AMP NZ Office Trust (now Precinct) was corporatised and entered into a Management Services Agreement with AMP Haumi Management Ltd (AHML)
- AMP has played a significant and beneficial role in the origination, listing and ongoing management of Precinct
- Precinct has evolved from a $0.5b office based investment fund to a $3.5b (pro forma) real estate investment company focused on city centre real estate
- Over the past 10 years, Precinct has completely transformed its business through the successful completion of over $1.5b in developments of prime grade real estate
- AHML's role in managing this transformation has been significant and Precinct shareholders have benefitted from their world class expertise

PCT Transformation

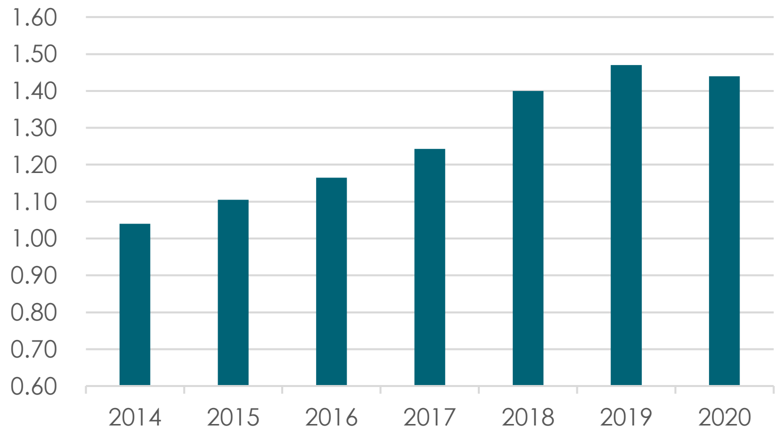
Portfolio transformation

	2010	2020
Size	$1.27 b	$3.0 b
Age	26 yrs	12 yrs
Maint. Capex	0.60-0.80% p.a	0.20% p.a
AKL Weighting	47%	73%
Quality	A-grade	Premium
WALT	4.3 yrs	7.7 yrs

AFFO and Dividend per share growth



NTA growth



$1.5 b of premium grade developments completed

Internalisation approach

- In September 2020, Precinct established a sub-committee of Independent Directors to assess the potential for internalisation.
- The Independent Directors determined that the most optimal outcome was to internalise the management of Precinct.
- As Independent Directors needed to act quickly and with certainty given competing interest, and to ensure Precinct was able to secure all the benefits of internalising management, an NZX waiver was obtained so that the transaction did not require a shareholder vote.
- Specialist advisers (PwC corporate finance, Chapman Tripp and KPMG tax) supported and informed the due diligence and negotiations of the internalisation with AHML.
- PwC advised the present value of the benefits of termination are estimated to significantly exceed the after-tax cost.
- Negotiations concluded with an agreement to terminate the Management Services Agreement and acquire the assets and liabilities of AHML.
- The Independent Directors unanimously support the internalisation and believe that it is in the best interests of, and fair and reasonable to, Precinct and shareholders not associated with AHML.

Key terms of the internalisation

- **Gross payment from Precinct to AHML of $215m.**
- $10m of fees on current development projects will no longer be paid.
- Precinct will apply for a binding ruling from the IRD to confirm that the termination payment is deductible for income tax purposes.
- **The net cost to Precinct is expected to be $145m.**
- **Scott Pritchard, George Crawford and Richard Hilder have been retained as CEO, Deputy CEO and CFO** respectively under new employment agreements with Precinct.
- All other employees of the Manager have entered into new employment contracts with Precinct.
- The Board will remain unchanged through the transition, which includes Mohammed Alnuaimi who will retain his board seat as a representative of Precinct's largest shareholder who maintain their 17.3% stake. Chris Judd and Rob Campbell will be non-executive directors, and eligible for election at the 2021 annual meeting of shareholders.
- Settlement will occur **on 31 March 2021**

Benefits of internalisation

The internalisation is expected to provide significant benefits to Precinct and its shareholders

- **On a pro forma basis, pre-tax gross cash savings** of approximately $14.6 million[1] per annum in total management fees net of costs
  - **MER reduces from 0.74% to 0.31%**
- **Pro forma accretion** to adjusted funds from operations (earnings) of 6.0% per share against Precinct's cost of debt (3.3% against WACC)
  - Pro forma accretion is expected to be fully realised once Bowen Campus and 1 Queen St projects are completed and income producing
- Enable the smooth transition of management and staff to Precinct, where **management capability and knowledge will be retained** for the benefit of shareholders
- **Increased alignment of interests** between management and shareholders, with management accountable to the Precinct board and with incentives aligned with Precinct's performance
- **Removal of uncertainty**, where Precinct could be negatively impacted through a change of control of the Manager or Management Agreement (over which Precinct currently has very limited control)
- **All directors will be appointed at the direction of Shareholders** (whereas the Manager previously appointed two directors to the board)

$14.6m annual cash savings

In total management fees net of costs

6.0% accretion

in pro forma adjusted funds from operations (earnings)

[1] Refer to appendix

Funding

- Internalisation to be debt funded through a new 5-year $250 million bank facility
- The new facility will increase bank debt to $860 million out of a total facility pool of $1.45 billion
- Expected settlement for ANZ Centre remains on track for April 2021
- As previously outlined, Precinct is investigating the sale of further non-core assets (c.$90m)
- Assuming the sale of non-core assets, and after the internalisation, the balance sheet has capacity to fund 1 Queen Street which is anticipated to now proceed within the next three months
- Post funding of the internalisation, commitment to 1 Queen St and the sale of a non-core asset, committed gearing will be ~36%

Summary

- The internalisation is expected to provide significant benefits to Precinct and its shareholders
  - Management alignment
  - Removal of uncertainty
- Net cost to Precinct of internalisation is expected to be $145 million[1]
- On a pro forma basis, the internalisation is expected to provide cost savings of $14.6 million per annum and be 6.0% accretive to AFFO per share
- Key management personnel have been retained, and the internalisation positions Precinct to deliver on the next phase of its strategy
- FY21 dividend guidance unchanged at 6.50 cps

Further information on Precinct is available at www.precinct.co.nz

[1] The tax deductibility of the termination payment of the management contract remains subject to a binding ruling from the IRD

Precinct

Appendices

Analysis of pro forma impacts

Pro forma Portfolio size	**$3.5 b**	**Assumes completion of committed projects, 1 Queen St and the sale of a non-core asset**
Management fee	$14.8 m	MSA 0.55% up to $1bn, 0.45% between $1-1.5bn and 0.35% greater than $1.5bn
Performance fee	$1.5 m	10-year annual average paid
Leasing fees	$3.2 m	10-year annual average paid
Development Management fees	$4.0 m	Based on $100m of development per annum. 10 year average paid equal to $4.4m
Acquisition and disposal fees	$0.5 m	Assumes 3% per annum portfolio turnover with fees paid to Manager half the time 10 year average paid equal to $0.5m
Retail & Generator Management fees	$1.4 m	MSA current agreed cost
Recoverable staff cost	$4.8 m	Current cost
Total	**$30.2 m**	0.74% MER (ex recoverable costs)
Internal Cost	($15.6 m)	0.31% MER (ex recoverable costs)
Pro forma cash cost saving	**$14.6 m**	

Disclaimer

The information and opinions in this presentation were prepared by Precinct Properties New Zealand Limited or one of its subsidiaries (**Precinct**).

Precinct makes no representation or warranty as to the accuracy or completeness of the information in this presentation.

Opinions including estimates and projections in this presentation constitute the current judgment of Precinct as at the date of this presentation and are subject to change without notice. Such opinions are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Precinct's control, and which may cause actual results to differ materially from those expressed in this presentation.

Precinct undertakes no obligation to update any information or opinions whether as a result of new information, future events or otherwise.

This presentation is provided for information purposes only.

No contract or other legal obligations shall arise between Precinct and any recipient of this presentation.

Neither Precinct, nor any of its Board members, officers, employees, advisers (including AMP Haumi Management Limited) or other representatives will be liable (in contract or tort, including negligence, or otherwise) for any direct or indirect damage, loss or cost (including legal costs) incurred or suffered by any recipient of this presentation or other person in connection with this presentation.