



**Precinct
Proposed Staped
Structure**

April 2023

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Precinct Properties New Zealand Limited

Scott Pritchard, CEO

George Crawford, Deputy CEO

Richard Hilder, CFO

Note: All \$ are in NZD

Background

- Precinct has continued to evolve over the past several years
 - Successful completion of \$1.6bn of development of prime grade real estate
 - Operating businesses providing service and amenity
 - Internalisation of management
 - Third party capital partnerships
 - Residential development platform
- As identified in February 2022 Precinct has been actively considering adopting a stapled structure to support further strategic growth opportunities

The proposed stapled structure ensures the most robust company structure to allow flexibility for Precinct to continue to execute its strategy whilst retaining Portfolio Investment Entity (PIE) status.

Section 1

Strategy



Our Strategy

Precinct is a central city real estate investment company. It invests in high quality strategically located real estate with a focus on sustainability.

- Core strategy well established with the portfolio developed by Precinct over the past 10 years

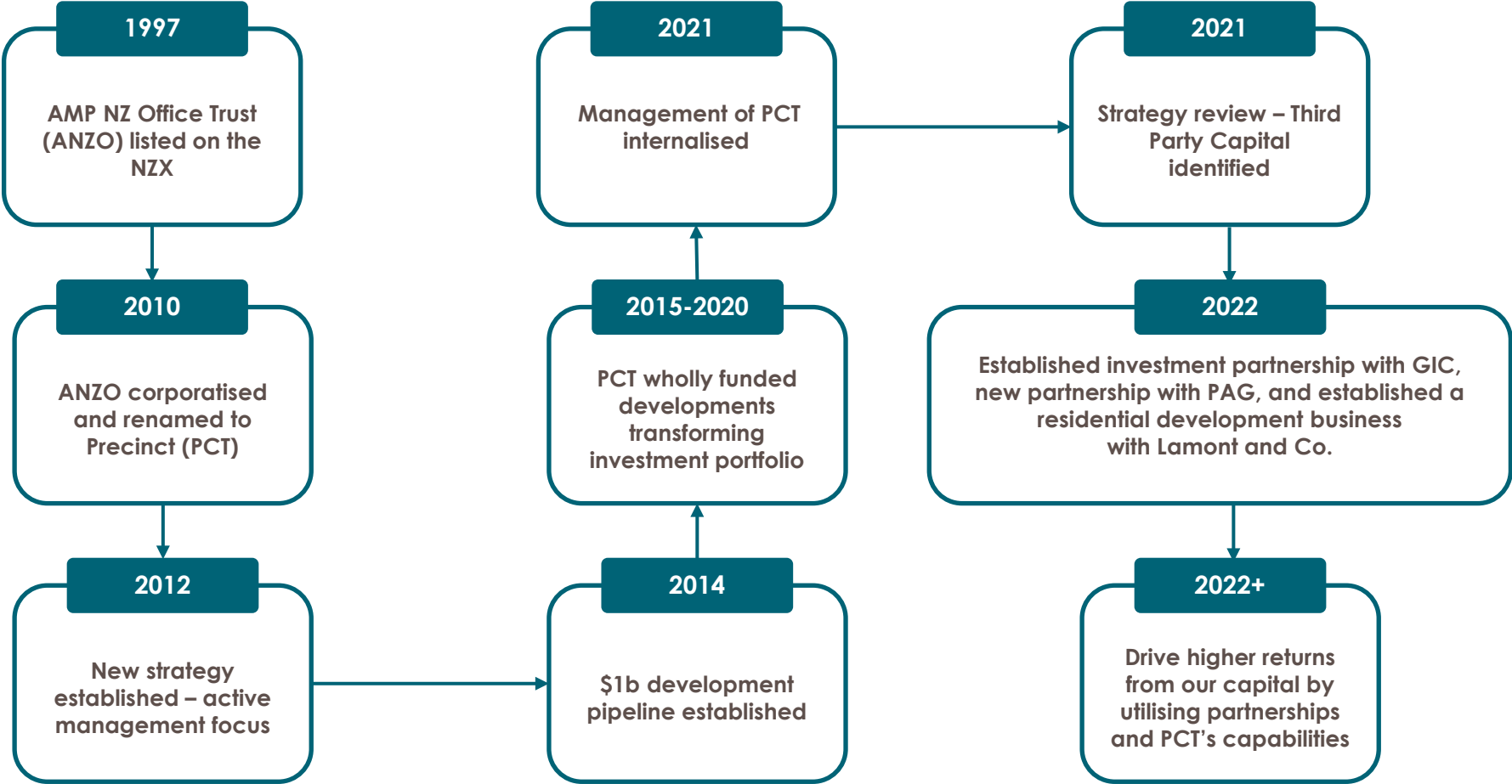
Principles of Success

- Focusing on concentrated ownership in strategic locations
- Maintain and grow occupier relationships
- Investing in quality, both in assets and environments
- Maintain a long-term view
- Leveraging Precinct's people and its platform to attract third party capital
- Identify, cultivate, and maintain strong long term capital partnerships



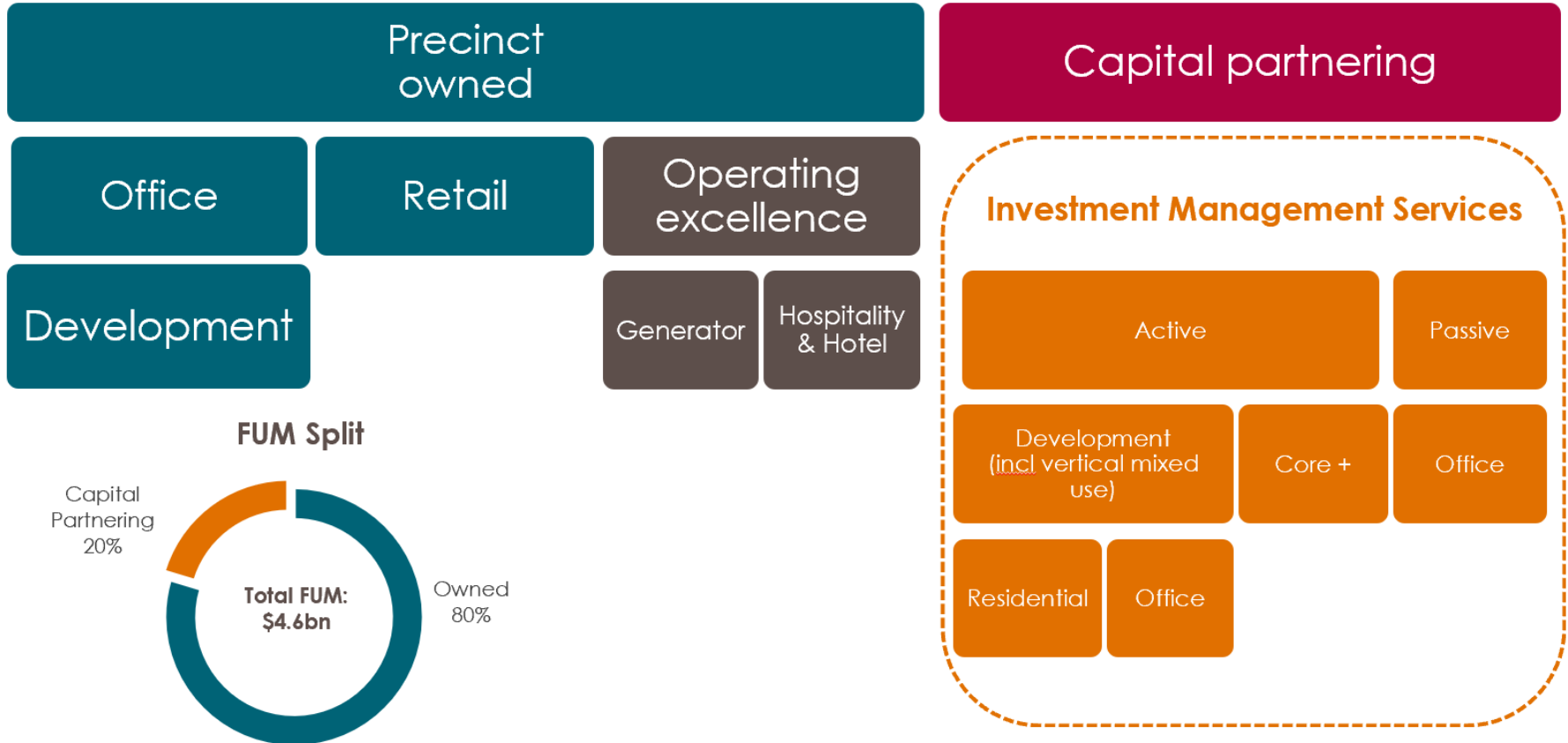
Strategy evolution

As we continue to work with our partners and consider future opportunities, the active management of Precinct's high-quality portfolio is supporting both the evolution and execution of our strategy.



Strategy supports growth

Precinct is a central city specialist



Strategy continues to evolve as value-add opportunities are explored & executed

Successful execution:

- Established Precinct Pacific Investment Limited Partnership (PPILP) with Singapore sovereign wealth fund GIC
 - Advanced growth with Wynyard Quarter Stage 3 development sold to PPILP
- Established Bowen Investment Limited Partnership (BILP) with global private investment firm, PAG
- Residential development business established with Lamont & Co.
- Preferred development partner for Downtown Carpark site in Auckland

Stapling supports our strategic direction

The proposed stapled structure will ensure the most robust company structure to allow flexibility for Precinct to continue to execute its strategy whilst retaining Portfolio Investment Entity (PIE) status.

Key strategic focus over the next 12+ months includes:

- Participate in a wider set of opportunities
- Secure development rights for, and progress design of Downtown Car park site and discussions with potential third party investors
- Secure further development opportunities
- Execute on strategic growth initiatives with existing and future capital partners



Retaining Precinct's existing company structure will require Precinct to limit its strategic aspirations and opportunities:

- Precinct will be constrained in its ability to continue to grow its management and operational business or pursue new growth opportunities to adhere to PIE rules.



Section 2

Proposed
Stapled Structure

Proposed Stapled Structure

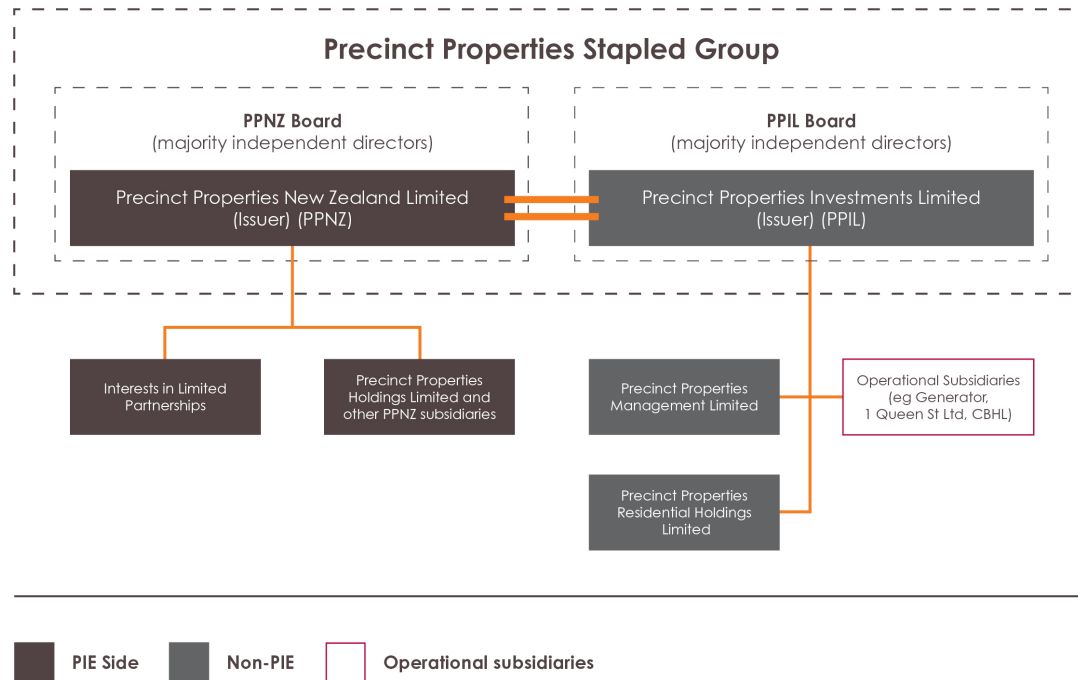
Why move to a stapled structure

- To ensure Precinct is fit for purpose and able to continue to deliver on its strategy and growth potential.
- The proposed stapled structure will enable growth in Precinct's capital partnerships, future participation in a wider set of opportunities and large scale vertical mixed-use development projects.
 - Precinct now has income and investments that are classified as both qualifying and non-qualifying for the purposes of PIE eligibility as set out under the Income Tax Act.
- A stapled structure will ensure both Precinct and its investors retain the tax benefits available under New Zealand's Portfolio investment Entity (PIE) regime for its qualifying investments
 - Under this regime tax investors pay on distributions is capped at the company tax rate (28%)

Proposed Stapled Structure

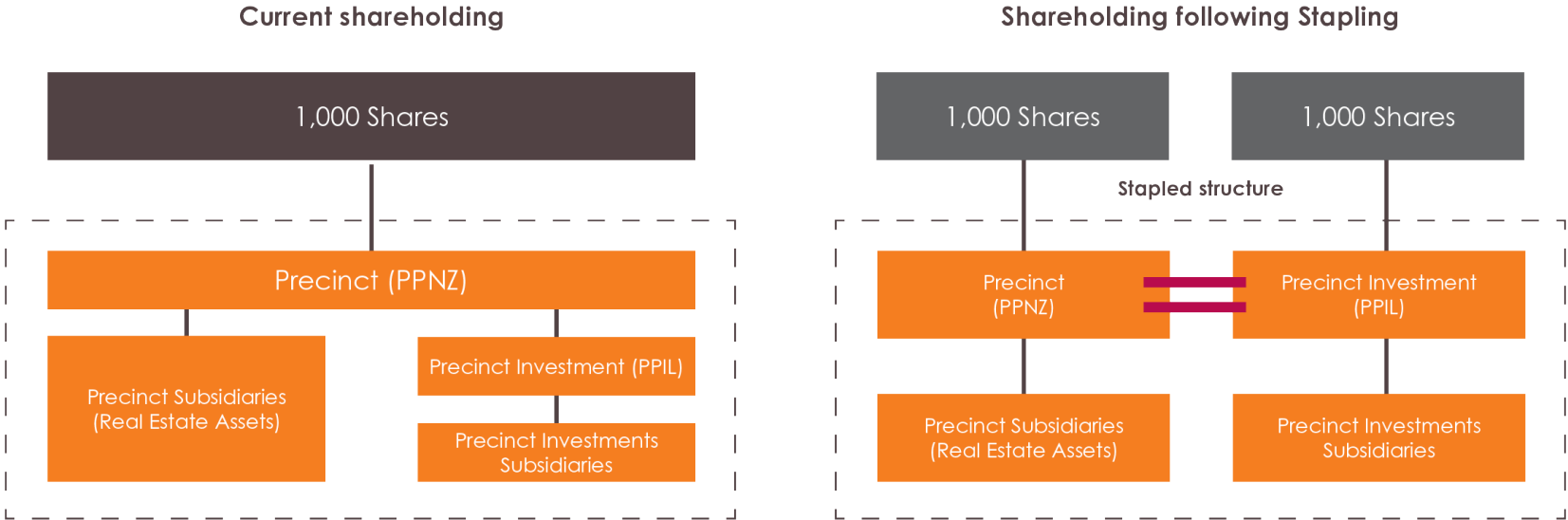
- The diagram below outlines the structure of the proposed Stapled Group and managed entities
 - **If the Precinct Stapling is approved by Shareholders, Precinct will implement Stapling and the Stapled Securities would form a single saleable unit that would trade on the NZX Main Board under a single ticker code.**

Illustrative Precinct Stapled Group Structure



Shareholding Post Proposed Stapled Structure

- Precinct shareholders will receive 1 Precinct Investments share for every 1 Precinct share they hold.
- **There is no change in the underlying assets represented by your shareholding.**
- The diagram below shows an illustrative 1,000 shareholding in Precinct and how this shareholding will change after the Stapling.



Short term impact of proposed Stapled Structure

- An illustrative example of the impact of the Stapling on Shareholder returns is outlined below.
 - **It shows the impact on the FY23 dividend payment under the current structure compared with a Stapled Structure.**
 - **Based on FY23 dividend guidance of 6.7¢ per share Precinct and Precinct Investment's tax rate is 28% for the FY23 year.**
- Additional non-qualifying income of between \$0m and \$3.1m would be required to return each investor tax payer to the existing dividend amount. This could be made up of a combination of Precinct's different non-qualifying income sources:
 - Funds management services
 - Development management services
 - Capital participation in for-sale developments
 - Operating businesses

Illustrative example

	Current Structure	Stapled structure						
		Proforma dividend split		Investor personal tax rate				
		PPNZ	PPIL	39.0%	33.0%	30.0%	17.5%	10.5%
Dividend to Shareholders								
Net Dividend	6.70	6.26	0.44	6.70	6.70	6.70	6.70	6.70
Imputation Credits	-	-	0.08	0.08	0.08	0.08	0.08	0.08
Gross Dividend	6.70	6.26	0.52	6.78	6.78	6.78	6.78	6.78
Excluded PIE income	6.70	6.26	-	6.26	6.26	6.26	6.26	6.26
Gross imputed dividend	-	-	0.52	0.52	0.52	0.52	0.52	0.52
Tax at investor tax rate (cps)	N/A	N/A	N/A	0.12	0.09	0.07	0.01	0.00
Investor after tax dividend (entity level)	6.70	N/A	N/A	6.58	6.61	6.62	6.69	6.70

Longer term benefits of a Stapled Structure

The proposed stapled structure, combined with strategy execution, is expected to provide significant long-term benefits to Precinct and its shareholders

- Provides flexibility for Precinct to continue to execute its strategy whilst retaining PIE status
- Ensures Precinct is fit for purpose to enable sustainable growth including the growth of its operational subsidiaries
- Allows growth in Precinct's capital partnerships
- Enables future participation in a wider set of opportunities including residential and large-scale development projects
- Expected to improve Precinct's capital management position, return on equity and long term earnings for shareholders.



Section 3

Summary

Summary

- The proposed stapled structure, combined with continued strategy execution, is:
 - Expected to provide significant long-term benefits to Precinct and its shareholders;
 - Anticipated to provide earnings growth; and
 - Ensures Precinct retains its PIE tax status.
- If Shareholder approval is not obtained, Precinct's constitution cannot be amended, and stapling will not occur.
 - Retaining Precinct's existing company structure will require Precinct to limit its strategic aspirations and opportunities.
 - Precinct will be limited in its ability to pursue new growth opportunities and to grow its management and/or operational business in order to retain PIE status.
 - Precinct will remain listed on the NZX Main Board but will not be a part of a Stapled Group with Precinct Investments. Precinct Investments will remain a subsidiary of PPNZ.

A modern lounge area with a long beige sofa, orange and grey armchairs, and diamond-shaped art pieces on the wall. The room features a patterned rug, track lighting, and a large window with potted plants.

Section 4

Shareholder
approval and
Timetable

Shareholder approval

A Special Meeting for shareholders will be held online at: <https://meetnow.global/nz> on 11 May 2023 at 3:00pm

Shareholder approval sought

- Precinct will seek shareholder approval (75% majority) to amend its Constitution to provide for Stapling.
 - **Special Resolution:** *“That the Constitution of Precinct Properties New Zealand Limited (“Precinct”) be revoked and Precinct adopt a replacement Constitution in the form described in the Notice of Meeting and Explanatory Memorandum and tabled at the Special Meeting and signed by the Chair for the purpose of identification to take effect from a time determined by the board of directors of Precinct and notified to NZX, and provided that this resolution will be deemed not to have been passed unless the board resolve that, in the board’s view, the adoption of the replacement Constitution remains in the best interests of Precinct and its Shareholders taken as a whole.”*

Board recommendation

- Following a comprehensive review of Precinct’s corporate structure, the Board believes the proposed stapling is in the best interests of Precinct’s shareholders and **unanimously supports and recommends that shareholders vote in favour of the Special Resolution.**

Timetable

	Date
Meeting documents available and sent to Shareholders	18 April 2023
Latest time for receipt by Precinct of proxy forms	3:00pm 9 May 2023
Record date for voting on Special Resolution	5:00pm 9 May 2023
Special Meeting of Shareholders to consider Stapling	3:00pm 11 May 2023
Effective date of Stapling	Expected to be 1 July 2023
Stapled Securities commence trading on the NZX Main Board	Expected to be 3 July 2023

An artist's impression of a rooftop terrace. The foreground shows a wooden deck with a curved white wall and a large wooden bench. Several people are standing and sitting on the deck. The terrace is surrounded by lush greenery, including trees and tall grasses. In the background, a city skyline is visible, featuring several skyscrapers, including one with a distinctive curved top. A large white circle is overlaid on the right side of the image, containing the text "Thank you".

Thank you

Artist Impression – 124 Halsey rooftop terrace