

NZX announcement – 29 March 2021

Precinct Internalisation Agreement

The Independent Directors of Precinct Properties New Zealand Limited ("Precinct") (NZX: PCT) are pleased to announce today that they have reached an agreement with the Manager, AMP Haumi Management Limited ("AHML"), to terminate the Management Services Agreement and internalise the management of Precinct.

The transaction is expected to provide cost savings of \$14.6 million per annum and be 6.0%¹ accretive to adjusted funds from operations (AFFO) per share on a pro forma basis which assumes that current development projects are complete. Importantly, Precinct will retain key management personnel and the transaction positions Precinct to deliver on the next phase of its strategy.

Craig Stobo, Independent Chairman of Precinct said "Since listing in 1997 Precinct has continued to evolve through a changing market, to become one of New Zealand's leading listed property businesses today. AHML has helped create significant shareholder value for Precinct shareholders as we have transformed the quality of this business over the past 10 years. The shareholders of AHML have a global perspective of real estate markets and their influence is evident in the successful completion of over \$1.5bn in developments in that time. We are delighted that we have been able to agree terms with AHML to internalise the management of Precinct.

The independent directors believe that internalisation will best position Precinct for future growth and is an appropriate progression considering the scale and breadth of Precinct's business. The internalisation will ensure the retention of key staff, the continuity of Precinct's successful strategy and ongoing stable shareholder returns."

Key terms of the transaction include:

- A gross payment from Precinct to AHML of \$215m.
- As a result of this transaction, \$10m of fees on current development projects are no longer required to be paid.

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

- 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 \$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.

In September 2020, the Independent Directors formed a sub-committee to assess the potential for internalisation.

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 advice from PwC corporate finance, Chapman Tripp and KPMG tax was obtained in assisting with due diligence and negotiating the transaction. PwC advised that the present value of the benefits to Precinct of terminating the Management Services Agreement are estimated to significantly exceed the after-tax cost of terminating the agreement.

The termination payment will be funded through a new \$250 million 5-year bank facility and will result in an increase in total drawn borrowings initially of \$215 million, and a post-transaction gearing ratio of 31.1% based on the net cost to Precinct.

Further information will be presented today by webcast at 10:00am.

Webcast link: [Link](#)

Ends

For further information, please contact:

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About Precinct (PCT)

Precinct is New Zealand's only listed city centre specialist investing predominately in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns Auckland's HSBC Tower, AMP Centre, ANZ Centre (50%), Jarden House, 1 Queen Street, Mason Bros. Building, 12 Madden Street, 10 Madden Street and Commercial Bay; and Wellington's AON Centre, NTT Tower, No. 1 and No. 3 The Terrace, Mayfair House and Bowen Campus.

Precinct owns Generator NZ, New Zealand's premier flexible office space provider. Generator currently offers 13,600 square metres of space across four locations in Auckland.