



19 January 2024

Sale of 25% Interest in Portfolio

New Zealand Rural Land Company Limited (NZX.NZL) is pleased to announce that it has entered into a conditional subscription agreement to sell a 25% equity interest in its land portfolio to an Australia based investment fund managed by specialist private markets investment manager, Roc Partners (**Investor**).

The Investor will acquire the equity interest for approximately \$44.2 million payable in cash at completion of the transaction.

The transaction is expected to complete on 8 February 2024. The transaction is conditional on NZL completing an intra-group restructuring (detailed below), no material adverse change arising prior to completion and the Investor approving final purchase price allocations and the final form of debt facility documentation to be agreed between NZL and Rabobank.

NZL will use the proceeds to repay the \$11.8 million owing on the convertible note that it drew down in April 2023 to partially fund its forestry acquisition. The balance of the funds will be used for working capital while new growth opportunities are investigated.

Transaction Features

- **Restructuring:** Prior to completion, NZL will transfer its group assets (other than cash on hand) to a New Zealand registered limited partnership (**LP**). In substance, NZL's \$133.5 million revolving credit facility with Rabobank also transfers to the LP. At completion, the Investor will subscribe for a 25% equity interest in the LP. This restructuring is conditional on NZL obtaining any required third party consents.
- **Governance:** The general partner of the LP will be a New Zealand company owned by NZL and the Investor in the same proportions that they (or their related entities) hold equity interests in the LP. The Investor will have one director on the board of the general partner and NZL will have three directors.
- **Management:** New Zealand Rural Land Management Limited Partnership (**Manager**) will continue to be the manager of NZL and will also manage the LP. The existing management agreement will be amended at completion to facilitate this new structure, but those amendments are not material and merely allow for the Manager to manage entities that NZL has a controlling interest in (alongside its wholly owned subsidiaries) and adjust transaction fees to reduce NZL's liability for such fees to 75% of what would previously have been payable. The Manager will also act as manager for the Investor in respect of its interests in the LP.
- **Strategy:** The business strategy of the LP will be the business strategy of NZL and remains unchanged. Where NZL and the Investor approve an acquisition (and in particular, the funding for that acquisition) the LP will be the acquiring entity. If the Investor does not wish to fund the LP for an acquisition, NZL may proceed with that acquisition on its own, sole account. Third party debt funding of the LP must continue to not exceed a 40% LVR level at all times.
- **Lock-up:** The Investor's interests in the LP will be subject to a six-year lock-up period from completion where it may not sell to a third party (this can be shortened to four years if the financial condition of LP has deteriorated with no prospect of recovery). During this six-year

period NZL may sell down up to half of its interest in the LP to third parties (should it wish to do so).

- **Exit Mechanisms:** NZL will have a pre-emptive right to acquire any LP interests that the Investor wishes to sell. If, following the six-year period outlined above, NZL sells more than half its interest in the LP, the Investor may 'tag-along' into the sale. In addition, NZL and the Investor have agreed a redemption process as an exit mechanism for the Investor where part of the LP land portfolio could be selected for sale with a view to funding a redemption of the Investor's LP interests.

NZX Waiver from Rule 5.2.1

NZL has been granted a waiver from NZX Listing Rule 5.2.1 to the extent that it required NZL to seek shareholder approval prior to the entry into the transaction.

The Board considers that the granting of the waiver and the entry into the transaction and amended management agreement with the Manager is in the best interests of NZL and its non-interested shareholders as:

- the proceeds of the transaction enable NZL to repay the convertible note and have financial capacity to undertake further acquisitions without needing to raise new capital.
- the consideration implies a value of \$132.5 million on NZL's 75% interest in the LP. This together with the proceeds of the transaction, represent a premium to the current market capitalisation of NZL.
- it is intended that NZL and the Investor will co-invest (through the LP) in future acquisitions to grow the portfolio. Where this occurs, the Investor will fund 25% of the equity needed for an acquisition reducing NZL's associated capital requirements.
- shareholders will not be diluted due to the transaction occurring at a subsidiary level. While shareholders will be disadvantaged by NZL's economic interest in the land portfolio reducing to 75% the following advantages are considered to significantly out-weigh that disadvantage:
 - the 25% interest will be replaced by cash that NZL intends to primarily utilise towards growth in earnings.
 - the consideration is highly value accretive to shareholders given NZL's prevailing share price is trading at a significant discount to NZL's net asset value.
- The relationship and role of the Manager with NZL will not change in any material respect due to the transaction or the variation of the management agreement with the Manager. The Manager also does not receive a benefit due to its related party relationship with NZL.
- The terms of the Transaction have been negotiated on an arm's length commercial basis.

The transaction will clearly alter NZL's previous earnings guidance released to the market which is now withdrawn. Updated guidance will be issued following completion of the transaction.

We look forward to working with the Investor and will update the market as the transaction progresses.

For and on behalf of the Board

Rob Campbell

Chair