NZX Regulation Decision

SKYCITY Entertainment Group Limited (SKC)
Application for waivers from NZX Main Board Listing Rules 7.3.1(a), 7.10.1, 7.10.2, and 7.10.8

11 May 2016

Waiver from Rule 7.3.1(a)

Decision

1. On the conditions set out in paragraph 2 below, and on the basis that the information provided to NZX is complete and accurate in all material respects, NZX Regulation (**NZXR**) grants SKYCITY Entertainment Group Limited (**SKC**) a waiver from NZX Main Board Listing Rule (**Rule**) 7.3.1(a) so that SKC is not required to obtain shareholder approval for the issue of the New Shares in connection with the Offer.

2. The waiver in paragraph 1 above is provided on the conditions that:

   a. the issue of the New Shares is conducted in accordance with Rule 7.3.4(a) (read in conjunction with Rules 7.3.4(d) to 7.3.4(h)), except for the requirement in Rule 7.3.4(a) that the Offer is Renounceable; and

   b. instead of the requirement in Rule 7.3.4(a) that the Offer is Renounceable, SKC ensures that an Institutional Bookbuild and Retail Bookbuild occurs pursuant to the Offer Document.

3. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.

4. The Rule to which this decision relates is set out in Appendix Two to this decision.

Reasons

5. In coming to the decision to provide the waiver set out in paragraph 1 above, NZXR has considered that:

   a. Rule 7.3.1(a) is designed to prevent the dilution of shareholders' interests without their prior approval. The policy of Rule 7.3.4(a) is that shareholder approval is not required where all shareholders have the same entitlement to participate in the issue because those shareholders have the opportunity to avoid dilution;

   b. Rule 7.3.4(a) recognises that an Issuer may make a pro-rata renounceable rights issue without the prior approval of its shareholders under Rule 7.3.1(a). NZXR is satisfied that the issue of the New Shares is consistent with the policy of Rule 7.3.4(a). The New Shares will be offered on a pro-rata basis to Eligible Institutional Shareholders and Eligible Retail Shareholders, and they will have the opportunity to maintain their existing proportionate rights. The New Shares will not be offered to Ineligible Shareholders, which is consistent with the policy of Rule 7.3.4(h) for offers conducted in accordance with Rule 7.3.4(a);

   c. the Offer may provide a return to shareholders who do not, or are unable to, exercise their entitlement, in the form of any Institutional Premium and Retail Premium reached in the Institutional Bookbuild and Retail Bookbuild (respectively) in excess of the Entitlement Price. Accordingly, while the Offer is not strictly Renounceable in accordance with the definition in the Rules, it does somewhat fulfil the purpose of the requirement for an offer to be Renounceable;

d. the condition at paragraph 2(a) above will ensure that any exceptions to the proportionate nature of the issue must be conducted in accordance with Rules 7.3.4(d) - (h);

e. whilst SKC has not made any guarantees through its Offer, the condition at paragraph 2(b) above, will help ensure that shareholders who do not, or are unable to, exercise their entitlement under the Offer, can potentially receive value as contemplated in the Offer Document;

f. accordingly, NZXR is satisfied that the policy of Rule 7.3.1(a) will not be offended by the granting of this waiver; and

g. there is precedent for this decision.

Waiver from Rule 7.10.1

Decision

6. On the basis that the information provided to NZX is complete and accurate in all material respects, NZXR grants SKC a waiver from Rule 7.10.1 to enable Eligible Institutional Shareholders to be notified of their entitlement prior to the Record Date, and to enable that notification to occur by means other than by physical letters of entitlement.

7. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.

8. The Rule to which this decision relates is set out in Appendix Two to this decision.

Reasons

9. In coming to the decision to provide the waiver set out in paragraph 6 above, NZXR has considered that:

   a. the policy behind Rule 7.10.1 is to ensure that letters of entitlement are sent as soon as possible after the Record Date for an entitlement. This ensures that shareholders have the maximum amount of time in which to consider how to deal with their entitlement;

   b. the waiver will only apply to Eligible Institutional Shareholders. NZXR accepts that due to the proposed structure of the Offer, SKC will need to calculate the entitlements of its Eligible Institutional Shareholders prior to the Record Date, and inform the Eligible Institutional Shareholders of their entitlement in time for them to participate in the Institutional Entitlement Offer;

   c. Rule 7.10.1 contemplates that an Issuer will not know the identity of entitled shareholders prior to the Record Date. In this case, the Eligible Institutional Shareholders will be known prior to the Record Date. NZXR does not consider the policy behind Rule 7.10.1 would be to preclude notification of entitlements prior to the Record Date when such entitlements are known;

   d. SKC will need to notify Eligible Institutional Shareholders of their entitlement in as timely manner as possible, which may include means other than physical letters of entitlement;

e. with regard to Eligible Retail Shareholders, SKC will be required to comply with Rule 7.10.1;

f. NZXR is satisfied that the policy behind Rule 7.10.1 will not be offended by granting this waiver; and

g. there is precedent for this decision.

Waiver from Rule 7.10.2

Decision

10. On the condition set out in paragraph 11 below and on the basis that the information provided to NZXR is full and accurate in all material respects, NZXR grants SKC a waiver from Rule 7.10.2 to the extent that it would otherwise require the Institutional Entitlement Offer to remain open for twelve Business Days.

11. The waiver in paragraph 10 above is provided on the condition that the announcement and Offer Document will clearly state that a shorter than usual offer period will be available to Eligible Institutional Shareholders under the Institutional Entitlement Offer.

12. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.

13. The Rule to which this decision relates is set out in Appendix Two to this decision.

Reasons

14. In coming to the decision to provide the waiver set out in paragraph 10 above, NZXR has considered that:

    a. the policy behind Rule 7.10.2 is to ensure that shareholders have sufficient time to consider, and act on, an entitlement offer;

    b. the waiver only applies in respect of Eligible Institutional Shareholders. NZXR accepts that Eligible Institutional Shareholders are accustomed to considering offers and making investment decisions at short notice;

    c. the Retail Entitlement Offer will be open for the full twelve Business Day period as required by Rule 7.10.2;

    d. accordingly, NZXR is satisfied that the policy behind Rule 7.10.2 will not be offended by granting this waiver; and

    e. there is precedent for this decision.

Waiver from Rule 7.10.8

Decision

15. On the condition set out in paragraph 16 below and on the basis that the information provided to NZXR is full and accurate in all material respects, NZXR grants SKC a waiver from Rule 7.10.8 to the extent that the Rule would otherwise require notification of the Offer five Business Days before the Ex Date.

16. The waiver in paragraph 15 above is provided on the condition that the Offer is notified to the market in accordance with Rule 7.10.8 no later than the Ex Date for the Offer.

17. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.

18. The Rule to which this decision relates is set out in Appendix Two to this decision.

Reasons

19. In coming to the decision to provide the waiver set out in paragraph 15 above, NZXR has considered that:

    a. the policy behind Rule 7.10.8 is to provide shareholders and stakeholders within the market sufficient notice of an upcoming entitlement. It also provides an opportunity for investors to trade in or out of that relevant security;

    b. NZXR has been advised that the shortened notification period of the Record Date does not provide any issues for SKC's registry;

    c. it is a feature of an AREO that an Issuer does not provide five Business Days prior notification of the Record Date and without waiving the Rule, SKC would be unable to undertake the Offer;

    d. NZXR accepts SKC's submissions regarding the benefits of the AREO structure, as set out in paragraphs 10 and 11 of Appendix One; and

    e. there is precedent for this decision.

Confidentiality

20. SKC has requested this application and any decision be kept confidential until SKC announces the Offer.

21. In accordance with Footnote 1 to Rule 1.11.2, NZXR grants SKC's request.

Appendix One

1. SKYCITY Entertainment Group Limited (**SKC**) is a Listed Issuer with ordinary shares and bonds Quoted on the NZX Main Board and NZX Debt Market, respectively.

2. SKC proposes to undertake a capital raising (**Offer**) by way of a pro-rata offer of new shares in SKC (**New Shares**). The Offer will be made in the form of an accelerated pro rata entitlement offer (commonly referred to as an **AREO**). The Offer is to be conducted in the following stages:

    a. **Institutional Entitlement Offer**: An accelerated entitlement offer at a fixed price (**Entitlement Price**) to institutional shareholders resident in New Zealand and various overseas jurisdictions (including to certain US institutional shareholders which SKC will invite to participate in the Offer) (**Eligible Institutional Shareholders**) (**Institutional Entitlement Offer**).

    b. **Institutional Bookbuild**: New Shares not taken up by Eligible Institutional Shareholders, along with New Shares in respect of entitlements that would have been offered to any ineligible overseas institutional shareholders are offered under a bookbuild to institutional investors (**Institutional Bookbuild**). If the price achieved in the Institutional Bookbuild is higher than the Entitlement Price, the excess (**Institutional Premium**) will be shared (on a pro-rata basis) between the institutional shareholders who did not, or who were not able to, take up their entitlement.

    c. **Retail Entitlement Offer**: Following completion of the Institutional Bookbuild, a pro-rata offer of New Shares (**Retail Entitlement Offer**) made at the same price and ratio as the Institutional Entitlement Offer to existing shareholders in New Zealand and Australia who did not receive an offer under the Institutional Entitlement Offer (**Eligible Retail Shareholders**).

    d. **Retail Bookbuild**: New Shares not taken up by Eligible Retail Shareholders, along with New Shares in respect of entitlements that would have been offered to any ineligible overseas retail shareholders are offered under a bookbuild to institutional investors (**Retail Bookbuild**). If the price achieved in the Retail Bookbuild is higher than the Entitlement Price, the excess (**Retail Premium**) will be shared (on a pro-rata basis) between the retail shareholders who did not, or who were not able to, take up their entitlement.

3. As part of the Offer, SKC will conduct a "private placement" offer in the United States, under which a limited number of institutional shareholders which are based in the United States, will be invited by SKC to subscribe for New Shares through the Institutional Entitlement Offer, Institutional Bookbuild and the Retail Bookbuild (**US Private Placement**). The US Private Placement will not be managed by the Underwriters. The US Private Placement will not be a private placement in the conventional sense (i.e. it is not a separate institutional offer operating outside the Offer), and this terminology is only used to reflect the US securities law exemption which SKC will rely on in order to allow certain institutional shareholders which are based in the United States, to participate in the Institutional Entitlement Offer, the Institutional Bookbuild and the Retail Bookbuild.

4. Eligible Institutional Shareholders and Eligible Retail Shareholders will be offered New Shares on a basis that would (if accepted by all shareholders) maintain the existing proportionate rights of each shareholder (relative to all other shareholders) to votes and distributions. New Shares in respect of entitlements that are not taken up, or not able to be

taken up, by shareholders will be offered through the Institutional Bookbuild and the Retail Bookbuild, providing an opportunity for shareholders that do not, or are not eligible to, take up their entitlements, to receive value for them via an Institutional Premium or a Retail Premium, should either eventuate. Entitlements will not be able to be traded or sold privately by shareholders.

5. SKC will not make the Offer available to SKC shareholders resident in certain overseas jurisdictions (**Ineligible Shareholders**), on the grounds that it would be unduly onerous for SKC to make the Offer available to the Ineligible Shareholders. New Shares in respect of the entitlements of Ineligible Shareholders will be offered through the Institutional Bookbuild and the Retail Bookbuild, providing Ineligible Shareholders an opportunity to receive value for their entitlements.

6. The New Shares will be of the same class and have the same rights as SKC's ordinary shares on issue. The New Shares will be Quoted on the NZX Main Board on their allotment.

7. It is intended that the Offer would be underwritten by First NZ Capital Securities Limited and Credit Suisse (Australia) Limited (the **Underwriters**).

8. The Offer will be conducted in accordance with the following timetable:

Date	Event
11 May 2016	Announcement of Offer Offer document released to NZX Opening Date for Institutional Entitlement Offer Trading Halt begins
12 May 2016	Closing date for Institutional Entitlement Offer
13 May 2016	Institutional Bookbuild Ex-date
16 May 2016	Record date (9pm (NZ time)) for Institutional Entitlement Offer and Retail Entitlement Offer Trading Halt ends on Open of trading
17 May 2016	Last day for mail-out of retail letters of entitlement Retail Entitlement Offer opens
19 May 2016	Settlement and allotment date for Institutional Entitlement Offer and Institutional Bookbuild
2 June 2016	Closing date for Retail Entitlement Offer at 7pm (NZ time)
7 June 2016	Trading Halt begins Retail Bookbuild

8 June 2016	Trading Halt ends on Open of trading Settlement of Retail Entitlement for Eligible Australian Retail Shareholders
9 June 2016	Allotment of New Shares for Eligible Australian Retail Shareholders
10 June 2016	Settlement and allotment date for Retail Entitlement Offer and Retail Bookbuild and trading of shares on NZX and ASX on a normal settlement basis

9. The Offer is to be conducted pursuant to clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**) and the associated regulations. An offer booklet which will contain terms of the Offer (**Offer Document**) will be prepared and, prior to the Institutional Entitlement Offer and Retail Entitlement Offer being made, a notice will be released by SKC to the NZX Main Board, in accordance with the FMCA.

10. The main benefits to SKC from adopting an AREO structure, as opposed to undertaking a traditional renounceable rights offer, are as follows:

    a. the accelerated institutional component of the Offer means that the Underwriters have a much shorter period of exposure on that part of the Offer. This reduced exposure means that obtaining an underwriting commitment was much more achievable for SKC, as both the risk and the cost associated with the underwriting commitment will have been substantially reduced;

    b. the underwriting commitment provides certainty to SKC as to the minimum amount to be raised from the Offer;

    c. evidence from similar entitlement offers undertaken in Australia which had an AREO structure, as well as the AREOs undertaken recently by Precinct Properties New Zealand Limited and Kiwi Property Group Limited, suggests that the shorter timetable for the institutional component of the Offer potentially reduces the issue price discount when compared to traditional rights issues, as less market risk arises for institutions; and

    d. as the Institutional Entitlement Offer and the Institutional Bookbuild will be conducted at the beginning of the Offer, SKC will receive the proceeds of the Institutional Entitlement Offer and the Institutional Bookbuild before the Retail Entitlement Offer is completed.

11. In addition to the benefits to SKC outlined above, SKC considers that proceeding with any capital raising in the form of an AREO is in the best interests of shareholders for the following reasons:

    a. the sale of entitlements through a bookbuild process managed by the Underwriters (other than in respect of the US Private Placement which they are not managing) galvanises demand for stock from all eligible investors at one time. This can be of advantage to SKC shareholders who do not, or are not eligible to, take up their entitlement because Eligible Institutional Shareholders and other investors who are not currently SKC shareholders, can compete for New Shares in the Institutional Bookbuild and the Retail Bookbuild;

b. shareholders will not be required to pay any brokerage or incur other transactions costs under the Institutional Bookbuild and Retail Bookbuild structure in order to realise the value of their entitlements. Under a conventional renounceable offer, shareholders selling their rights would be required to pay brokerage. For smaller shareholders, the cost of brokerage could exceed the value of the rights; and

c. Eligible Retail Shareholders will have the benefit of knowing the outcome of the Institutional Entitlement Offer and Institutional Bookbuild prior to deciding whether or not to take up their entitlement.

Waiver from Rule 7.10.1 – Further Background

12. The Offer has been structured so that the Record Date for the Institutional Entitlement Offer will be 9.00pm (NZ time) on the second Business Day after the Institutional Entitlement Offer closes. As a result SKC will need to:

    a. calculate the entitlements of its Eligible Institutional Shareholders prior to the Record Date; and

    b. notify Eligible Institutional Shareholders of their entitlement at the same time or after the Offer Document is released to NZX (which may include means other than physical letters of entitlement).

Waiver from Rule 7.10.2 – Further Background

13. SKC considers that it is important that upfront commitments are received from Eligible Institutional Shareholders to enable SKC to obtain the benefits of the AREO structure described in paragraphs 10 and 11 above.

14. According to the proposed Offer timetable, the Offer Document will be provided to Eligible Institutional Shareholders on the day on which the Institutional Entitlement Offer is announced and opens, with those Eligible Institutional Shareholders then having the rest of that day and part of the following day to consider the Offer.

Waiver from Rule 7.10.8 – Further Background

15. The AREO structure commonly provides for the Offer to be announced to the market at the same time that the Institutional Entitlement Offer opens and Current Shares in SKC are put in to trading halt. This is the standard timeframe for AREO transactions, and it is one that institutional investors in New Zealand and overseas are familiar with.

Appendix Two

Rule 7.3 Issue of New Equity Securities

7.3.1 No Issuer shall issue any Equity Securities (including issue on Conversion of any other Security) unless:

(a) the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved (subject to Rule 7.3.3) by separate resolutions (passed by a simple majority of Votes) of holders of each Class of Quoted Equity Securities of the Issuer whose rights or entitlements could be affected by that issue, and that issue is completed within the time specified in Rule 7.3.2; or

Rule 7.10 Rights Issues and Share Purchase Plans

7.10.1 Letters of entitlement to Rights (whether or not Renounceable) are to be sent to holders of the Rights within five Business Days of the Record Date for the determination of the entitlement and by means that will give the holders reasonable time to deal with their Rights, whether the holders' addresses are in New Zealand or elsewhere.

7.10.2 Without limiting Rule 7.10.1, the closing date and time for applications under Rights issues (whether or not renounceable) shall not be earlier than the 12th Business Day after the day of mailing of the last of the letters of entitlement.

[…]

7.10.8 Where a Rights issue is to be made but Quotation is not sought the Issuer shall give to NZX forthwith after the decision has been made and at least 5 Business Days before the Ex Date to determine entitlements, on the form in Appendix 7, full details of the issue, including the nature, entitlement and timing of the issue of Rights and conversion, pricing, amounts payable and ranking of Securities for future benefits.