



NZX Regulation Decision

Z Energy Limited (“ZEL”)

Application for waivers from NZX Debt Market Listing Rules
5.2.3 and 7.11.1

1 August 2018



Background

1. The information on which this decision is based is set out in Appendix One to this decision. The waivers will not apply if that information is not or ceases to be full and accurate in all material respects.
2. The Rules to which this decision relates are set out in Appendix Two to this decision.
3. Capitalised terms that are not defined in the decisions have the meanings given to them in the Rules.

Waiver from Rule 5.2.3

Decision

4. Subject to the conditions in paragraph 5 below, and on the basis that the information provided by ZEL is complete and accurate in all material respects, NZXR grants ZEL a waiver from Rule 5.2.3 in respect of the ZEL060s for a period of six months from Quotation Date, to the extent that this Rule would otherwise require the ZEL060s be held by at least 100 Members of the Public holding a Minimum Holding of at least 25% of the ZEL060s on issue.
5. The waiver in paragraph 4 above is provided on the conditions that:
 - a. ZEL clearly and prominently discloses this waiver, and the implications of this waiver in the Terms Sheet for the ZEL060s, and any other Offering Document relating to an offer of ZEL060s made during the period of this waiver;
 - b. ZEL clearly and prominently discloses this waiver, and the implications of this waiver in any Half-Year and Annual Reports issued during the period of this waiver);
 - c. ZEL discloses liquidity as a risk in the Terms Sheet for the ZEL060s; and
 - d. ZEL notifies NZXR as soon as practicable if there is a material reduction to the total number of Members of the Public holding at least a Minimum Holding of the ZEL060s, and/or the percentage of ZEL060s held by Members of the Public holding at least a Minimum Holding.

Reasons

6. In coming to the decision to provide the waiver set out in paragraph 4 above, NZXR has considered that:
 - a. ZEL has advised that it expects the spread of the ZEL060s will increase over time to meet the spread requirements of Rule 5.2.3. However, ZEL will have no knowledge of how the ZEL060s will be allocated until after the Bookbuild. Accordingly, ZEL will be unable to confirm prior to the Offer opening, whether the spread requirements will be met on Quotation;
 - b. Debt Securities are not generally subject to the same degree of trading activity as Equity Securities;
 - c. the conditions, contained in paragraph 5(a), 5(b) and 5(c) above, require ZEL to provide access to information about this waiver and its implications to prospective investors as part of the Offer, as well as those wishing to trade in the ZEL060s for the

period of this waiver. Investors can take this information into account when making their investment decision;

- d. the condition contained in paragraph 5(d) above requires ZEL to provide information that will allow NZXR to monitor any material reduction in the spread of the ZEL060s over the period of this waiver;
- e. this waiver is granted for six months. This gives NZXR the opportunity to reconsider the spread of the ZEL060s in six months' time if ZEL considers a waiver is still required; and
- f. there is precedent for this decision.

Waiver from Rule 7.11.1

Decision

7. Subject to the conditions in paragraph 8 below, and on the basis that the information provided by ZEL is complete and accurate in all material respects, NZXR grants ZEL a waiver from Rule 7.11.1 in respect of the ZEL060s, to the extent that this Rule would otherwise require ZEL to allot the ZEL060s within five Business Days after the latest date on which applications for the ZEL060s close.
8. The waiver in paragraph 7 above is provided on the conditions that:
 - a. ZEL allots the ZEL060s no later than six Business Days after the latest date on which applications for the ZEL060s close; and
 - b. ZEL clearly and prominently discloses this waiver in the Terms Sheet for the ZEL060s.

Reasons

9. In coming to the decision to provide the waiver set out in paragraph 7 above, NZXR has considered that:
 - a. the policy of Rule 7.11.1 is to ensure that, where application monies have been submitted, subscribers obtain the benefit of their investment without undue delay. The granting of this waiver will not offend the policy behind Rule 7.11.1;
 - b. ZEL has submitted, and NZXR has no reason not to accept, that bringing the allotment date forward is not practicable as it would restrict the time available to firms participating in the Offer to sell down their respective allocations to investors;
 - c. allotting four or five Business Days after the Offer closes (i.e. on Thursday 30 August 2018 or Friday 31 August 2018) would result in a scheduled interest payment date of 30 February or 31 February respectively (which does not exist). This could cause confusion for retail investors as to when interest will be paid;
 - d. allotting five Business Days after the Offer closes (i.e. on Friday 31 August 2018) would result in the maturity date for the ZEL060s falling on a non-Business Day;
 - e. allotting six Business Days after the Offer closes (i.e. on Monday 3 September 2018) will:



- i. avoid an interest payment date falling on a non-existent day at the end of February;
and
- ii. avoid the maturity date falling on a non-Business Day;
- f. the conditions of the waiver provide comfort that the impact on investors will be limited to one Business Day. Further, ZEL will be required to provide information on the extended allotment period to prospective investors, for the investors to consider before they decide to invest in the ZEL060s; and
- g. there is precedent for this decision.

Confidentiality

- 10. ZEL has requested that this application, and any decision made in relation to it, be kept confidential until the Terms Sheet, and the form of notice to be provided by ZEL under clause 20(1)(a) of Schedule 8 of the Financial Markets Conduct Regulations 2014, has been released to market.
- 11. In accordance with Footnote 1 to Rule 1.11.2 NZXR grants ZEL's request.



Appendix One

1. Z Energy Limited (**ZEL**) is a Listed Issuer with bonds Quoted on the NZX Debt Market (**Debt Market**). These include the ZEL030 Bonds which mature on 15 November 2019, the ZEL040 Bonds which mature on 1 November 2021, and the ZEL050 Bonds which mature on 1 November 2023.
2. ZEL intends to make a new offer of fixed-rate bonds (**ZEL060s**) to be Quoted on the Debt Market (**Offer**).
3. The Offer will open on 20 August 2018 and close at 11:00am on 24 August 2018. The joint lead managers for the Offer will conduct a bookbuild on or about 24 August 2018 in order to determine the margin of the ZEL060s (**Bookbuild**), which will be used to determine the interest rate of the ZEL060s (subject to a minimum rate). ZEL intends to allot the ZEL060s on or about 3 September 2018 (**Allotment Date**) and Quote the ZEL060s on the Debt Market on or about 4 September 2018 (**Quotation Date**).
4. ZEL will release a terms sheet prior to the Offer opening, setting out the main terms of the ZEL060s (**Terms Sheet**).
5. In accordance with NZX Regulation's (**NZXR**) Ruling on NZX Debt Market Listing Rule (**Rule**) 5.2.3 issued on 29 September 2015 (the **Ruling**), the ZEL060s are required to be held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements must continue to be met.
6. The Offer is structured so that 100% of the ZEL060s are reserved for clients of the joint lead managers of the Offer, institutional investors, primary market participants, and other approved financial intermediaries. There will be no public pool for the Offer. ZEL has therefore indicated that it is uncertain whether the ZEL060s will satisfy the spread requirements of Rule 5.2.3, when the ZEL060s are initially Quoted on the Debt Market.
7. Rule 7.11.1 requires securities to be allotted within five Business Days after the latest date on which applications for Securities close. ZEL has sought a waiver from Rule 7.11.1 to structure the Offer so that the Allotment Date is six Business Days after the Closing Date. Subscription monies for the Offer are payable by the holder on allotment of the ZEL060s.



Appendix Two

NZX Debt Market Listing Rule 5.2.3

A Class of Securities will generally not be considered for Quotation on the NZSX or NZDX unless those Securities are held by at least 500 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained, or NZX is otherwise satisfied that the Issuer will maintain a spread of Security holders which is sufficient to ensure that there is a sufficiently liquid market in the Class of Securities.

Ruling on NZX Debt Market Listing Rule 5.2.3 – 29 September 2015

For the purposes of Rule 5.2.3, a Class of Debt Securities will generally not be considered for Quotation on the NZDX unless those Securities are held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained.

NZX Debt Market Listing Rule 7.11.1

An Issuer making an issue of Securities Quoted or to be Quoted (other than Equity Securities issued under Rule 7.3.10) shall proceed to allotment within five Business Days after the latest date on which applications for Securities close.

