

NZX Release

5 May 2020

### **\$45 Million Equity Raise to Strengthen Balance Sheet and Restore Financial Flexibility**

Augusta Capital Limited (**Augusta**) has today announced that it is conducting a fully underwritten \$45 million Equity Raise via a placement (**Placement**) to certain institutional investors, together with a pro-rata accelerated entitlement offer (**Entitlement Offer**) (together the "**Equity Raise**").

The Placement component of the Equity Raise of approximately \$12.4 million will be conducted this morning at a price of \$0.55 per share. All shares issued under the Placement are cum-entitlements.

Augusta is pleased to announce that Centuria Capital and Centuria Funds Management (together "**Centuria**") have committed to taking up an initial holding of 15.6% under the Placement. Centuria has also committed to Augusta to fully subscribe for all of its entitlements under the Entitlement Offer, as well as partially sub-underwrite the Entitlement Offer. Centuria is expected to have a minimum shareholding of 19.0% following completion of the institutional component of the Entitlement Offer. Centuria's shareholding will not exceed 24.99% of Augusta's shares on issue after completion of the Equity Raise (and is in accordance with the COVID-19 Takeovers Code exemption notice and the terms of the consent granted to Augusta under the Overseas Investment Act).

Board Chair, Paul Duffy, said: "Augusta is taking decisive action to strengthen its balance sheet by raising \$45 million of equity. The proceeds from the Equity Raise will be used to repay debt, restore financial flexibility for future property fund offerings and allow Augusta to defer development activity and retain property assets until market conditions improve. With the financial flexibility provided by the Equity Raise, Augusta will be able to maximise outcomes from the assets on its balance sheet and is ready to access new opportunities as they become available in a post COVID-19 recovery. While we intend this to be sooner rather than later, the Equity Raise provides Augusta with a great deal of flexibility regarding the timing of future offering activity, whilst Augusta continues to manage the existing portfolio over this uncertain period."

Managing Director, Mark Francis said: "We are delighted to welcome Centuria to our register as a strategic shareholder following completion of the Equity Raise. Their support in the Equity Raise reinforces the confidence that we as the Board and Management team have in the Augusta business model and investment thesis."

#### **Key Highlights:**

- Augusta is conducting a fully underwritten \$45 million Equity Raise via a \$12.4 million Placement to certain institutional investors, together with a \$32.6 million 1 for 1.9 pro-rata accelerated Entitlement Offer. Both the Placement and Entitlement Offer will be undertaken at a fixed offer price of \$0.55 per new share. The Equity Raise is supported by Augusta's Board, with Managing Director, Mark Francis committing to subscribe for \$3 million of new shares, with the balance of the Equity Raise fully underwritten by Forsyth Barr Group Limited and Jarden Partners Limited.
- The Placement will be completed today in which Centuria will take up an initial stake in Augusta of 15.6%. Centuria has committed to fully subscribe for all of its entitlements under the Entitlement Offer, as well as partially sub-underwrite the Entitlement Offer, with Centuria's final shareholding not exceeding 24.99% of Augusta's shares on issue following completion of the Equity Raise.
- Augusta's investment thesis and long-term fundamentals remain strong notwithstanding the short-term impacts of the COVID-19 pandemic. As at 31 March 2020 Augusta had total assets under management of \$1.83 billion.
- The Equity Raise proceeds will be used to repay existing debt facilities, resulting in a pro forma net cash position of \$11 million (as at 31 March 2020), restoring financial flexibility and positioning Augusta to take advantage of future fund offering opportunities as market conditions improve.



- In conjunction with the Equity Raise, Augusta has secured a relief package from its existing lender, including a partial covenant waiver to 31 March 2021 (inclusive) and facility extension such that no ongoing facilities will expire in the 2021 financial year<sup>1</sup>.
- Augusta has also announced a number of proactive cost reduction initiatives to increase financial flexibility, with overheads now expected to be up to 20% less than original targets. All non-essential expenditure and cash outflow has been deferred.
- The Augusta Board believes it is prudent that no Q4 dividend be paid, with future dividends to be determined by the Board having regard to a sustained recovery in profitability.
- As part of Centuria's participation in the Equity Raise, a nominee of Centuria will also be appointed as a non-independent director of Augusta with effect from the date of allotment of the Retail Entitlement Offer.
- As a part of the Board's continued focus on cost reduction a decision has been made to reduce the size of the Augusta Capital Board, with Fiona Oliver and Jonathan Ross having now resigned. The Augusta Capital Board would like to thank them both for their hard work and service to the company.
- Bryce Barnett has also decided to resign from the Augusta Capital Board to ensure a majority of the Board remains independent. Bryce will remain as a director of Augusta Funds Management Limited. The Augusta Capital Board would like to thank Bryce for his continued support and service to the company.

## Impacts of and Responses to the COVID-19 Pandemic

COVID-19 has had a significant impact on Augusta, including two new fund offerings that did not proceed; the Augusta Property Fund and the Augusta Tourism Fund, resulting in additional strain on the Augusta balance sheet and lost offeror and underwriting fees. Near-term operating earnings are now expected to be near breakeven until Augusta can bring new fund offerings to market.

The withdrawal of the Augusta Property Fund (**APF**) resulted in no fees realised by Augusta from the planned establishment and ongoing management of the fund. Sunk costs incurred by Augusta in preparation for the APF launch are also now unrecoverable. Augusta had previously paid deposits for the two APF seed assets, with the \$4.5 million deposit paid on the Albany Lifestyle Centre now unrecoverable. The \$2.75 million deposit paid for the Anglesea Medical Centre has not been able to be recycled by Augusta in the timeframe originally planned, with settlement for this asset now deferred to 30 September 2020 (subject to approval by the vendor's shareholders).

The planned Augusta Tourism Fund (**ATF**) did not proceed resulting in no fees realised by Augusta from the planned establishment and ongoing management of the fund. The development assets that were intended to seed the ATF remain on the Augusta group's balance sheet with further development now deferred. Allocation of capital to these development assets has strained the Augusta balance sheet. The Equity Raise provides flexibility to hold these assets on the Augusta balance sheet until market conditions prove conducive to realising value for these assets.

The withdrawal of the Asset Plus capital raise (announced on 10 March 2020) has led to uncertainty regarding potential one-off leasing fees, additional development fees, management fees or investment income to Augusta that would have resulted. Following the withdrawal of the capital raise, Asset Plus experienced material share price decline resulting in a significant reduction in the fair value of Augusta's 18.9% shareholding. The Equity Raise

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<sup>1</sup> Bank relief package subject to the successful completion of an Equity Raise by Augusta of at least \$25 million by 30 June 2020, repayment of the drawn balance under the Funds Management Facility and Overdraft Facility, and a reduction in the limit and drawn balance of the Investment Facility of \$1 million.



has been sized to provide Augusta the flexibility to participate in any future Asset Plus capital raise, if and when this should arise.

Augusta has undertaken a number of cost reduction initiatives to provide increased financial flexibility throughout this period of increased uncertainty. All non-essential expenditure and cash outflows (including development expenditure) have been deferred, with overheads expected to decrease by up to 20% from original targets. Augusta has implemented a 10% reduction to Director fees and Senior Management salaries, alongside a 10% reduction in other staff salaries or a reduction in hours worked to 80% for 3 months. A material reduction in operating overheads, amounting to approximately \$0.7m annually has been made and a New Zealand Government COVID-19 wage subsidy of \$0.3m was received in April. The Augusta Board has decided not to pay the Q4 dividend, with future dividends to be determined by the Board having regard to a sustained recovery in profitability.

Augusta is expected to generate an FY20 NPAT loss of approximately \$27 million, predominantly due to material write downs to Augusta's investment assets. FY20 Adjusted funds from operations (AFFO) is expected to be near breakeven.<sup>2</sup> The FY20 financial information provided is unaudited and subject to change ahead of Augusta releasing its final results for the 2020 financial year in the second half of June 2020.

## Equity Raise Details

The fully underwritten \$45 million Equity Raise comprises a \$12.4 million Placement and a \$32.6 million pro-rata accelerated Entitlement Offer. Both the Placement and the Entitlement Offer will be undertaken at a fixed price of \$0.55 per share, which represents a discount of 31.3% to the last close price of \$0.80 per share on Friday, 1 May 2020 and a 19.2% discount to the theoretical ex-rights price (TERP) of \$0.68<sup>3</sup>.

The Equity Raise is supported by Augusta's Board, with Managing Director, Mark Francis, committing to subscribe for \$3 million of new shares, with the balance of the Equity Raise fully underwritten by Forsyth Barr Group Limited and Jarden Partners Limited.

### Placement

The fully underwritten Placement will be conducted this morning through a bookbuild in which institutional and other select investors in New Zealand and Australia will be invited to participate. Under the Placement, Centuria will take up an initial stake of 15.6% in Augusta. A trading halt was granted by NZX prior to the market opening yesterday morning.

The Placement will raise gross proceeds of approximately \$12.4 million and is underwritten at a fixed price of \$0.55 per share. The Placement will comprise the issue of approximately 22.5 million shares which represents 13.1% of Augusta's shares on issue following the completion of the Entitlement Offer.

Settlement of the Placement is scheduled to take place later today (Tuesday, 5 May 2020) for Centuria, and Thursday, 7 May 2020 for other participating institutions, with commencement of trading of new shares on the NZX

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<sup>2</sup> Adjusted funds from operations (AFFO) is non-GAAP financial information and is a common investor metric, calculated based on guidance issued by the Property Council of Australia. A reconciliation of NPAT to AFFO is included in Appendix F of the attached investor presentation. The AFFO calculation has not been reviewed by the auditors.

<sup>3</sup> The TERP is the Theoretical Ex-Rights Price at which Augusta ordinary shares would trade immediately after the ex-rights date for the Entitlement Offer. TERP is calculated with reference to Augusta's closing share price of \$0.80 on 1 May 2020 and includes all new shares issued under the Equity Raise. TERP is a theoretical calculation only and the actual price at which Augusta ordinary shares will trade immediately after the ex-rights date for the Entitlement Offer will depend on many factors and may not be equal to TERP.



taking place shortly after on the same respective days (subject to the trading halt being lifted for the commencement of trading of new shares issued to Centuria). All new shares issued under the Placement are cum-entitlements.

### Entitlement Offer

The fully underwritten 1 for 1.9 Entitlement Offer will raise a total of approximately \$32.6 million at an application price of \$0.55 per share. The Entitlement Offer comprises the issue of approximately 59.2 million shares which represents 34.5% of Augusta's shares on issue following the completion of the Entitlement Offer.

The Entitlement Offer will be conducted in two parts, a component to institutional investors (**Institutional Entitlement Offer**) and a component to retail shareholders (**Retail Entitlement Offer**). The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferrable.

Eligible shareholders under the Institutional Entitlement Offer include sophisticated, professional and other institutional shareholders located in New Zealand, Australia and select international jurisdictions as at 5.00pm (NZST) on the Record Date of Thursday, 7 May 2020 (**Record Date**). The Institutional Entitlement Offer will be accelerated and will close on Tuesday, 5 May 2020 for institutions in New Zealand, Australia and Asia, and Wednesday, 6 May 2020 for the rest of the world.

The Retail Entitlement Offer will be offered to eligible retail shareholders with a registered address in New Zealand as at 5.00pm (NZST) on the Record Date. The Retail Entitlement Offer will open on Friday, 8 May 2020, and close on Tuesday, 19 May 2020 (unless extended). If a retail shareholder does not take up all of its entitlements, its current shareholding will be diluted as a result of the issue of new shares. Retail shareholders who take up 100% of their entitlements in the Equity Raise will be diluted by approximately 20%. The Retail Offer Document, containing full details of the Entitlement Offer, will be sent to Eligible Retail Shareholders on Friday, 8 May 2020.

The rights will not be listed on NZX and there will be no shortfall bookbuild for those entitlements not taken up. Those shareholders who do not exercise their entitlements, or who are ineligible to do so, will have their shareholdings diluted.

Retail shareholders are strongly encouraged to complete applications online via [www.augustashareoffer.co.nz](http://www.augustashareoffer.co.nz) given the likelihood of delays with the postal system at this time. Those that do apply for shares by postal applications are strongly encouraged to mail their applications as early as possible during the offer period.

### Indicative Timetable

Event	Date
Trading halt commenced	Monday, 4 May 2020
Announcement of Equity Raise	Tuesday, 5 May 2020
Placement completed	Tuesday, 5 May 2020
Institutional Entitlement Offer opens	Tuesday, 5 May 2020
Settlement of new shares issued under the Placement on NZX to Centuria and commencement of trading of allotted new shares (subject to trading halt)	Tuesday, 5 May 2020
Institutional Entitlement Offer closes for New Zealand, Australia and Asia	Tuesday, 5 May 2020
Institutional Entitlement Offer closes for Rest of World	Wednesday, 6 May 2020
Announce results of Institutional Entitlement Offer	Wednesday, 6 May 2020



Trading halt lifted and shares recommence trading on NZX on an ex-entitlement basis	Wednesday, 6 May 2020
Settlement of new shares issued under the Placement on NZX to all other investors and commencement of trading of allotted new shares	Thursday, 7 May 2020
Record Date for the Entitlement Offer	Thursday, 7 May 2020
Retail Entitlement Offer opens	Friday, 8 May 2020
Dispatch of the Offer Document and Entitlement and Acceptance Forms to Eligible Retail Shareholders	Friday, 8 May 2020
Settlement of Institutional Entitlement Offer on NZX and commencement of trading of allotted new shares	Tuesday, 12 May 2020
Retail Entitlement Offer closes	Tuesday, 19 May 2020
Announce results for Retail Entitlement Offer	Friday, 22 May 2020
Settlement of Retail Entitlement Offer on the NZX and commencement of trading of allotted new shares	Tuesday, 26 May 2020

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### Additional Information

Additional information regarding the Equity Raise is contained in the investor presentation accompanying this announcement. The investor presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raise.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. Investors are encouraged to seek appropriate professional advice before making any investment decision.

For any questions in respect of the Retail Entitlement Offer, please visit [www.augustashareoffer.co.nz](http://www.augustashareoffer.co.nz) or call Link Market Services Limited on +64 9 375 5998 between 8:30am and 5.00pm (NZST) Monday to Friday during the Retail Entitlement Offer Period. For other questions, investors should contact a professional adviser.

-ENDS-

For further information, contact:

Paul Duffy  
Chairman

Mark Francis  
Managing Director

Simon Woollams  
Chief Financial Officer

### Important Notices and Disclaimer

This announcement has been prepared for publication in New Zealand, and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.



### *Forward-looking statements*

This announcement may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Augusta. Forward-looking statements can generally be identified by use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of Augusta, which may cause the actual results or performance of Augusta to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this announcement. Augusta undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such dates or to update or keep current any of the information contained herein, except as required by law or regulation (including the Listing Rules). Any estimates or projections as to events that may occur in the future (including projections of revenue, expense, net income and performance) are based upon the best judgment of Augusta from the information available as of the date of this announcement. Actual results may vary from the projections and such variations may be material. You are cautioned not to place undue reliance on forward-looking statements.

All dollar values are in New Zealand dollars (" \$" or "NZ\$") unless stated otherwise.