

25.11.2021

NZ RegCo Decision

Stride Property Limited and Stride Investment
Management Limited (NS) ("SPG")

Application for waivers from NZX Listing Rules 3.14.1 and
4.5.1

Background

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

Waiver from Listing Rule 3.14.1

Decision

4. Subject to the conditions set out in paragraph 5 below, and on the basis that the information provided by SPG is complete and accurate in all material respects, NZ RegCo grants SPG a waiver from the five Business Day notice requirement under Listing Rule 3.14.1 in relation to its interim dividend.
5. The waiver in paragraph 4 above is provided on the conditions that:
 - a. SPG announces its interim results, the Placement and the Retail Offer on 25 November 2021;
 - b. SPG releases information on the interim dividend in the form required by Listing Rule 3.14.1 with the interim results, Placement and Retail Offer information being announced on 25 November 2021;
 - c. the Record Date for the interim dividend is no earlier than 30 November 2021;
 - d. the implications of this waiver are disclosed in the announcements on 25 November 2021; and
 - e. the waiver, its conditions and its implications are disclosed in SPG's annual report for the financial year ending 31 March 2022.

Reasons

6. In coming to the decision to provide the waiver set out in paragraph 4 above, NZ RegCo has considered that:
 - a. the purpose of Listing Rule 3.14.1 is to ensure the market and those persons who are to receive any benefit to be paid or distributed on Quoted Financial Products (such as an interim dividend) are given sufficient notice ahead of that benefit;
 - b. it would not be possible for SPG to provide details of the interim dividend before the announcement of the interim results as advanced notification would signal to the market that a significant transaction was imminent;
 - c. there is commercial rationale for the timetable of the Offer that means SPG is unable to provide the required 5 Business Days' notice to market;
 - d. investors will have one full trading day (being 26 November 2021) to trade SPG stapled securities in order to be on or off SPG's share register before the Record Date for the interim dividend;
 - e. SPG has submitted, and NZ RegCo has no reason not to accept SPG's submission, that a single trading day, that has been notified to the market the prior Business Day, where trading can occur for investors who wish to trade on or off the SPG share register in contemplation of the interim dividend is a sufficient period in the circumstances, given an active step by those on the share register is not required in order to receive the interim dividend;

- f. SPG has confirmed with its share registry that the timing of the notice for the interim dividend will not create any practical problems; and
- g. there is precedent for this decision.

Waivers from Listing Rule 4.5.1

Decision

- 7. Subject to the conditions set out in paragraph 8 below, and on the basis that the information provided by SPG is complete and accurate in all material respects, NZ RegCo grants SPG a waiver from Listing Rule 4.5.1 to the extent required to allow a placement of up to 15% of SPG's ordinary shares without requiring approval by ordinary resolution in accordance with Listing Rule 4.1.1 and Listing Rule 4.2.1.
- 8. The waiver in paragraph 7 above is provided on the conditions that:
 - a. the waiver, its conditions and its implications are disclosed in the Retail Offer Booklet published in relation to the Placement and Retail Offer; and
 - b. the waiver, its conditions and its implications are disclosed in SPG's annual report for the financial year ending 31 March 2022.

Reasons

- 9. In coming to the decision to provide the waiver set out in paragraph 7 above, NZ RegCo has considered that:
 - a. the policy behind Listing Rule 4.5.1 is to ensure that, unless shareholders approve otherwise, equity capital raisings should be conducted in a way to support participation by retail shareholders and seek to mitigate dilutionary effects. The policy underlying the 12-month requirement in Listing Rule 4.5.1 is an anti-avoidance mechanism to prevent an Issuer from undertaking multiple equity raises that dilute a minority shareholder's holding;
 - b. SPG submits, and NZ RegCo has no reason not to accept, that in this case these circumstances do not apply to the Placement because:
 - i the Offer structure comprising a Placement and Retail Offer was determined by the SPG Boards to be the optimal capital raising structure for SPG and its shareholders at this time and was a structure which provided genuine benefits for SPG's shareholders (over a Rights offer or Accelerated Offer);
 - ii the Retail Offer is being conducted principally to be fair to minority shareholders by providing a mechanism to mitigate the dilutionary impacts of the Placement; and
 - iii a Retail Offer amount of up to \$50,000 per registered holder (or beneficial owner) permits almost all (approximately 98%) of SPG's eligible shareholders to participate in the Retail Offer to a level which at least maintains their pre-Offer holding;
 - c. there is commercial rationale for the timetable of the Offer that means SPG is unable to delay in launching the Offer until SPG's placement capacity is refreshed in full;
 - d. SPG has submitted, and NZ RegCo has no reason not to accept that there is a risk that, in the current market conditions, alternative offer structures would achieve a materially less favourable pricing outcome and therefore result in more dilution for non-participating shareholders than the Placement and Retail Offer;
 - e. the waiver is an appropriate response, and is only required, given the unique circumstances currently subsisting in New Zealand and globally due to COVID-19 and the unique circumstances arising as a consequence of the COVID Relief.

Confidentiality

10. SPG has requested that this decision be kept confidential until SPG releases an announcement relating to the Offer.
11. In accordance with Rule 9.7.2, NZ RegCo grants SPG's request.

Appendix One

Background

12. Stride Property Group (**SPG**) is a stapled group, comprising Stride Property Limited (**Stride**) and Stride Investment Management Limited (**SIML**), with the shares of Stride and SIML stapled and quoted together as a stapled security on the NZX Main Board. Stride is a listed portfolio investment entity that invests in New Zealand office, retail, and industrial property. SIML is a real estate investment manager.
13. SPG is considering undertaking a potential equity capital raise, which will be undertaken by way of:
 - a. a placement to existing and new institutional investors under Listing Rule 4.5.1 (**Placement**); and
 - b. a retail share offer (the **Retail Offer**), by way of an offer of up to \$50,000 of stapled securities per eligible shareholder under Listing Rules 4.3.1(c) and 4.17 in respect of the first \$15,000 per eligible shareholder (the **SPP component**) and under Listing Rule 4.5.1 in respect of the additional \$35,000 offered per eligible shareholder in excess of that (subject to scaling);(the Placement and the Retail Offer, together the **Offer**).
14. SPG had been advised that, due to market conditions, the current time presents the optimal window for a capital raising to be launched and the capital raise structured as the Offer is the optimal offer structure.
15. SPG previously undertook an equity capital raise in November/December 2020 by way of placement and share purchase plan (the **Previous Offer**) in reliance on the NZX Regulation Class Waiver and Ruling in relation to section 4 of the Listing Rules issued on 30 September 2020 (the **COVID Relief**).
16. SPG intends to launch the Offer and issue its "cleansing notice" with the release of its interim results on 25 November 2021, with the Offer timetable being set based on this interim results release date and to mitigate the execution risk prior to the Christmas holiday period. The Offer timetable contemplates that:
 - a. The Record Date for the Retail Offer is 24 November 2021.
 - b. SPG announces the Offer on 25 November 2021, the same day as SPG announces its interim results and interim dividend.
 - c. SPG intends to request a trading halt while undertaking the Placement on 25 November 2021. The stapled securities under the Placement will be allocated to investors on that same day, and any trading halt lifted by market open on 26 November 2021.
 - d. The Placement is to settle on 1 December 2021, being a T+3 settlement period.
 - e. The Retail Offer is to settle on 16 December 2021.

Waiver from Listing Rule 3.14.1 – Further Background

17. SPG proposes to set the Record Date for its interim dividend so that any stapled securities allotted under the Placement or Retail Offer will not participate in the interim dividend. To achieve this, the Record Date must be on or before 30 November 2021 in order to be prior to settlement of the Placement. SPG is therefore seeking a waiver from Listing Rule 3.14.1 to the extent it requires SPG to provide notice to NZX of the interim dividend at least 5 Business Days before the Record Date for the interim dividend.

Waivers from Listing Rule 4.5.1 – Further Background

Waiver One

18. Under the placement component of the Previous Offer, SPG issued 84,112,150 fully paid stapled securities on 1 December 2020, being equal to approximately 23% of the issued capital of SPG immediately prior to the Previous Offer. All of the stapled securities issued under the Placement were issued under Listing Rule 4.5.1, as modified by the COVID Relief.
19. At SPG's annual shareholder meetings held on 23 September 2021, SPG's shareholders passed resolutions in accordance with Listing Rule 4.5.1(c) to ratify the prior issue of 84,112,150 stapled securities and "refresh" SPG's placement capacity.
20. The COVID Relief was subject to the condition that the 10% extra placement capacity (**Temporary Additional Placement Capacity**) over and above the ordinary 15% placement capacity that would otherwise apply under Listing Rule 4.5.1, could not be issued and then ratified under Rule 4.5.1(c).
21. The Placement component of this Offer proposes to settle and allot on 1 December 2021 (being, within 12 months of the Previous Offer). Absent this waiver, the calculation under Listing Rule 4.5.1, as amended by the COVID Relief, prevents the additional 8% of stapled securities issued by SPG under the Previous Offer (above the normal 15% capacity) being ratified under Listing Rule 4.5.1(c). This reduces SPG's aggregate placement capacity below 15% and prevents SPG undertaking a further 15% placement during the 12 month period from the Previous Offer (despite the ratification by SPG's shareholders).

Appendix Two

NZX Listing Rules

Rule 3.14.1 Distributions, conversion and calls

An Issuer must release through MAP, at least 5 Business Days before the Record Date, the details of a proposal to:

- (a) pay or distribute a benefit on Quoted Financial Products,
- (b) proceed with a Conversion of Quoted Financial Products, or a Conversion of any Financial Products into Quoted Financial Products, or
- (c) make a call on a Quoted Financial Product,

in the form prescribed by NZX from time to time.

Rule 4.5 15% Placements

4.5.1 An Issuer may issue Equity Securities provided the number to be issued, together with all other Equity Securities of the same Class issued under this Rule 4.5.1 over the shorter of the previous 12 months or the period since the Issuer was Listed, will not exceed the aggregate of:

- (d) 15% of the Equity Securities of that Class on issue at the beginning of that period, and
- (e) 15% of the Equity Securities of that Class issued during that period under any of Rules 4.2.1, 4.3, 4.4.1(a), 4.6, 4.8.1 and 4.9, and
- (f) any Equity Securities of that Class issued under this Rule 4.5.1 during that period, the issue of which has been ratified by an Ordinary Resolution (such resolution being subject to the voting restrictions in Rule 6.3), less
- (g) 15% of Equity Securities of that Class which have been acquired or redeemed by the Issuer during that period (other than Equity Securities held as Treasury Stock),

provided that:

- (h) Employees and Directors of the Issuer, and Associated Persons of a Director of the Issuer may participate only if:
 - (i) all Directors voting in favour of the resolution to issue the Equity Securities sign a certificate that the participation of such persons is in the best interests of the Issuer and fair to other Equity Security holders,

- (ii) the terms of issue are the same for all persons participating in the issue and such persons are not exclusively Employees and / or Directors of the Issuer and / or Associated Persons of a Director of the Issuer, and
 - (iii) the level of participation of any Employee, Director or Associated Person of a Director, is determined according to criteria applying to all persons participating in the issue, and
- (i) Financial Products which may Convert to Quoted Equity Securities are deemed to be of the same Class as the Quoted Equity Securities into which they may Convert, and
- (j) the Financial Products referred to in paragraph (f) are deemed to be of the same number as the Quoted Equity Securities to which they may Convert, except that for the purpose of this calculation:
 - (i) in relation to the conversion ratio or conversion price, any reference to the market price (however described) of the underlying Quoted Equity Securities will instead be to the Average Market Price, and
 - (ii) any provisions for early Conversion at the option of a holder exercisable in limited circumstances (such as due to an event of default or change of control or similar) using a different formula or method will be disregarded.