

**NZ RegCo**

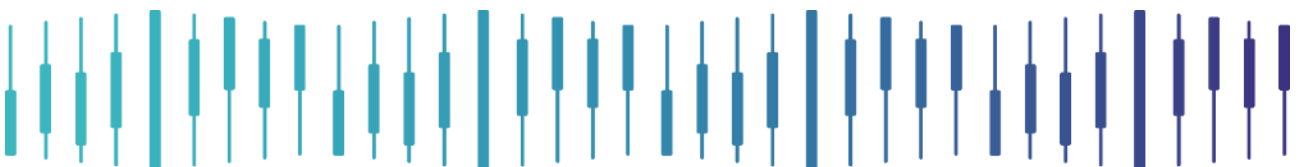
NZ'S LISTED  
MARKET REGULATOR

21 December 2022

# NZ RegCo Decision

Vector Limited (NS) (“VCT”)

Application for waiver from NZX Listing Rule 5.1.1(b)



## Background

1. 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.
2. The NZX Listing Rule (**Rule**) to which this decision relates is set out in Appendix Two.
3. Capitalised terms that are not defined in this decision have the meanings given to them in the Rules.

## Waiver from Listing Rule 5.1.1(b)

### Decision

4. Subject to the conditions set out in paragraph 5 below, and on the basis that the information provided by VCT is complete and accurate in all material respects, NZ RegCo grants VCT a waiver from Rule 5.1.1(b) to the extent that this Rule would otherwise require shareholder approval of the VMDS Share Sale (being a component of the Proposed Transaction, as defined below).
5. The waiver in paragraph 4 above is provided on the conditions that:
  - a. certification be provided to NZ RegCo signed by the Chair of VCT which confirms that the VCT board has approved the VMDS Share Sale, and the Proposed Transaction, on the basis that the Proposed Transaction:
    - i) does not significantly change, either directly or indirectly, the nature of the business of VCT;
    - ii) is in the best interest of VCT and its shareholders; and
    - iii) has been and will be negotiated on an arms' length basis.
  - b. the conditions and implications of this waiver are disclosed in VCT's next annual report;
  - c. that at the time of entry into the Proposed Transaction, 50% of the consideration payable for the VMDS Share Sale (reflecting the true economic interest of what VCT is selling) is not more than 50% of the Average Market Capitalisation of VCT; and
  - d. that Entrust approves the Proposed Transaction in writing under clause 34.1 of VCT's constitution.

### Reasons

6. In coming to the decision to provide the waiver set out in paragraph 4 above, NZ RegCo has considered that:
  - a. the consideration payable for the VMDS Share Sale, which represents the economic interest that VCT is selling, is less than 50% of VCT's Average Market Capitalisation. As such, except for the steps being taken to implement the Proposed Transaction, Rule 5.1.1(b) would not otherwise be engaged as the Proposed Transaction does not otherwise involve the disposal of assets with a Gross Value above 50% of VCT's Average Market Capitalisation;
  - b. as the 50% of Average Market Capitalisation threshold in Rule 5.1.1(b) is only engaged due to restructure steps being taken to implement the Proposed Transaction, granting this waiver will not offend the policy behind Rule 5.1.1. The policy of this Rule is to regulate those major

transactions that NZX considers to be so significant to the Issuer, and therefore so likely to impact shareholders' interests, that shareholders should have an opportunity to consider and vote on the transaction before the transaction can take effect; and

- c. the nature of VCT's business, being regulated distribution of electricity and gas, is not changing as a result of the Proposed Transaction. VCT is also retaining a 50% interest in the metering business, and the Vector Metering business is not VCT's predominant business.

## **Confidentiality**

7. VCT requested this decision be kept confidential until it has announced the Proposed Transaction to the market.
8. In accordance with Rule 9.7.2(a), NZ RegCo grants VCT's request.

## Appendix One

1. VCT operates a smart metering business in New Zealand and Australia (**Vector Metering**). Vector Metering is the leading provider of smart electricity and gas meter infrastructure for mass market and commercial & industrial customers in New Zealand and Australia.
2. On 21 December 2022, VCT announced that it had entered into a conditional agreement with QIC Private Capital Pty Limited (**QIC**) for the sale to managed or advised funds and clients of QIC (**QIC Funds**) of a 50% interest in Vector Metering. The key transaction terms imply an enterprise value for Vector Metering of approximately NZ\$2.51 billion. VCT's market capitalisation is currently around \$4.25 billion.
3. It is proposed that QIC Funds will directly or indirectly acquire 50% of the shares in the entities that hold and conduct the Vector Metering business (the **Proposed Transaction**).
4. To facilitate the Proposed Transaction, VCT is first undertaking a restructure of some of the entities that hold the Vector Metering business (**Restructure**).
5. The need for a waiver arises in relation to one step of a multi-step restructure, comprising the acquisition of all of the shares in Vector Metering Data Services Limited (VMDS) (which will hold the New Zealand components of the Vector Metering business) from wholly owned entities within the VCT group.
6. As part of the Proposed Transaction and associated Restructure (and in the order set out below):
  - i. VCT has established a New Zealand holding company called NZ HoldCo Limited;
  - ii. QIC Funds will subscribe for 50% of the share capital in NZ HoldCo Limited; and
  - iii. NZ HoldCo Limited (which will at such time be 50% owned by a wholly owned subsidiary of VCT and 50% owned by QIC Funds) will then indirectly acquire VMDS (**VMDS Share Sale**).
7. As a function of the order of the steps of the Restructure, the VMDS Share Sale will technically trigger Rule 5.1.1(b) as VCT is disposing of assets with a Gross Value above 50% of VCT's Average Market Capitalisation, requiring VCT to obtain shareholder approval for the VMDS Share Sale Restructure step. This is because whilst, in substance, VCT is selling a 50% interest in the Vector Metering business and the economic value of this interest would not otherwise trigger Rule 5.1.1(b), as a matter of form (and through the sequencing of linked restructure steps), VCT would be selling a 100% interest in Vector Metering to NZ HoldCo Limited (which, as set out above, will at such time be 50% indirectly owned by VCT and 50% owned by QIC Funds) for the purposes of the Restructure.
8. Under clause 34.1 of VCT's constitution, the trustees of Entrust, who hold 75.1% of the shares in VCT, already have an approval right in relation to the transaction (triggered by a sale of assets representing 15% of VCT's Average Market Capitalisation). As such, Entrust's written approval is required for the Proposed Transaction to proceed. This was sought and obtained before VCT entered into the Proposed Transaction in early December.
9. VCT therefore sought a waiver from Rule 5.1.1(b) to enable it to complete the VMDS Share Sale without the need to obtain shareholder approval.

## Appendix Two

### Rule 5.1.1

An Issuer must not enter into any transaction, or related series of transactions, to acquire, sell, lease (whether as lessor or lessee), exchange, or otherwise (except by way of charge) dispose of assets where the transaction or related series of transactions:

- (a) would significantly change, either directly or indirectly, the nature of the Issuer's business, or
- (b) involves a Gross Value above 50% of the Average Market Capitalisation of the Issuer,

unless the transaction, or related series of transactions, is:

- (c) approved by an Ordinary Resolution, or a special resolution if approval by way of special resolution is required under section 129 of the Companies Act 1993, or
- (d) conditional upon such approval required by paragraph (c) above.