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Stride Property Limited (IRD No: 085-323-229)

Stride Investment Management Ltd (IRD No: 118-951-239)

Issued: 24 November 2020

BR Prd 20/05

The Arrangement is a capital raising by the Stride Property Group

START DATE – END DATE

24/11/2020 – 31 /03/2021

(THIS TITLE PAGE DOES NOT FORM PART OF THE RULING.)

Product Ruling – BR Prd 20/05

This is a private ruling made under s 91F of the Tax Administration Act 1994.

Name of persons who applied for the Ruling

This Ruling has been applied for by:

- Stride Property Limited (IRD No: 085-323-229)
- Stride Investment Management Ltd (IRD No: 118-951-239)

Taxation Laws

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This Ruling applies in respect of s CD 4.

The Arrangement to which this Ruling applies

- 1) The Arrangement is a share placement to new and existing institutional investors (Share Placement), undertaken in accordance with NZX Listing Rule 4.5, and a share purchase plan (SPP) to all existing New Zealand shareholders in Stride Property Limited (SPL) and Stride Investment Management Limited (SIML), the shares in each company being stapled to the other and traded on the NZX as one security under ticker SPG, as part of a capital raising by each of them.
- 2) Further details of the Arrangement are set out in the paragraphs below.

Background

- 3) SPL is:
 - an NZX-listed property investment company; and
 - a listed PIE for tax purposes.
- 4) SPL owns office, retail and industrial properties, directly and indirectly through its subsidiaries (discussed below). Its investment property portfolio (both directly held and indirectly held through its interest in its subsidiaries and associates) has a value of \$996.1 million as at 31 March 2020.

- 11) The quantum of the capital raising is yet to be determined but is likely to total approximately \$220 million, comprising approximately \$180 million by way of Share Placement and \$40 million by way of SPP, although the final split is to be confirmed. The majority of the net proceeds will be raised by SPL and the remainder by SIML.
- 12) A capital raise undertaken by SPL requires an equal issue of shares in SIML, as the shares are stapled and vice versa (that is, a capital raise undertaken by SIML will necessitate an equal issue of shares in SPL). Accordingly, shares will be issued by the two entities. The majority (approximately 97%) of the funds will be received by SPL.
- 13) Under the capital raising, shares will be offered to two classes of person:
 - Persons who are not existing shareholders in SPL and SIML via the Share Placement; and
 - Persons who are existing shareholders in SPL and SIML, via the Share Placement or and/the SPP.

Mechanics of the placement and share offer to existing shareholders

Share Placement

- 14) The Share Placement will comprise an offer of shares to invited shareholders and new investors located in New Zealand and certain offshore jurisdictions (Invited Investors).
- 15) The placement price will be set through a bookbuild process during the course of the day of launch, with an underwritten floor price (which is set on the evening before the bookbuild). The floor price will likely represent a discount to the last close, on the day of trading prior to launch and a discount to the volume weighted average price for Stride Property Group's (SPG) shares over the preceding five business days. Any shares not taken up in the placement will be underwritten by Goldman Sachs New Zealand Limited at the underwritten floor price, pursuant to the terms of a placement agreement that will be entered into with Stride Property Group immediately before the Share Placement is announced.

SPP

- 16) The SPP will be offered to all eligible shareholders. An eligible shareholder is a person who is an existing shareholder in the share register at 5pm on the record date having a registered address in New Zealand, unless that person holds shares on behalf of another person who resides outside New Zealand (Eligible Existing Shareholder). The record date is the cut-off date set by SPL / SIML, in accordance with NZX Listing Rules, to determine which of the existing shareholders are eligible to participate in the SPP.

- 17) Under the SPP, each Eligible Existing Shareholder has the right to apply for the same dollar amount of new shares in SPL and SIML on the same terms and conditions as each other Eligible Existing Shareholder (Subscription Right).
- 18) While the total amount that each Existing Eligible Shareholder can apply for has yet to be determined, it is likely to be \$50,000 worth of shares for each shareholder. The issue price under the SPP will be the lower of:
 - the price paid by investors in the Share Placement; and
 - the price that is a 2.5% discount to the volume weighted average price for SPG shares traded on the NZX Main Board over the five business days prior to and including the closing date of the SPP offer.
- 19) The SPP will be structured to be as fair as possible to all existing shareholders, and will enable the majority of shareholders to participate through either the placement or the SPP (except where restricted due to legal constraints), and should scaling be required, it will be by reference to existing shareholdings.
- 20) The SPP is not underwritten.
- 21) The offer made under the SPP to an Eligible Existing Shareholder is personal to the shareholder and the shareholder cannot transfer their right to purchase new shares under the SPP to anyone else.
- 22) Under the SPP and Subscription Right, an Existing Eligible Shareholder has no right to dispose of the shares issued (under the SPP) to the Existing Eligible Shareholder to SPL / SIML.

How the Taxation Laws apply to the Arrangement

The Taxation Laws apply to the Arrangement as follows:

- (a) Shares issued by SIML to Invited Investors under the Share Placement will not give rise to a dividend under s CD 4.
- (b) Section CD 29B(1) will apply to the issue by SIML of the Subscription Right, under the SPP, to Eligible Existing Shareholders and the issue of that right will not be a dividend.
- (c) Section CD 29B(2) will apply to the issue by SIML to Eligible Existing Shareholders, under the SPP, of SIML shares and the issue of the shares will not be a dividend.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 24 November 2020 and ending on 31 March 2021.

This Ruling is signed by me on the 24th day of November 2020.

Howard Davis

Group Leader, Tax Counsel Office