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19 October 2020

RURAL EQUITIES LIMITED - SHARE BUYBACK

Rural Equities Limited (REL) announced morning that it intends to make an Offer to shareholders to repurchase up to 3,431,098 REL shares at \$5.15.

Details of the Offer are provided in the documents that are being sent to REL shareholders today – a copy of the documents are on the following pages.

Issued by – James Wright, Chief Operating Officer – 06 870 4672



19 October 2020

Dear Shareholder

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SHARE BUYBACK IN RURAL EQUITIES LIMITED (REL) AT A RECORD \$5.15 PER SHARE

REL intends to make an offer to all shareholders to repurchase up to 3,431,098 shares at a record price of \$5.15 per share (*the Offer*). Shareholders who accept the Offer will remain entitled to receive the three cents per share dividend on 3 November 2020 resulting in effective total consideration of \$5.18 per share.

The Directors are not aware of REL shares ever trading at \$5.15 or above. At the date of this letter the effective total consideration that a shareholder who accepts the Offer will receive (\$5.18 per share) represents a 38 cent premium to the last market price on Unlisted¹ and a 54 cent premium to the weighted average price of REL shares traded on Unlisted during the prior 60 days.

Given that REL shares trade infrequently on Unlisted, the Directors consider that the Offer will provide shareholders who are contemplating exiting their investment in REL a convenient and efficient mechanism to realise their holding at \$5.15, a considerable premium to the latest market price. In addition, no brokerage or other transactional costs will be incurred.

For shareholders who may be concerned that the result of the recent general election will lead to stricter environmental standards, less production, additional compliance costs and significant capital expenditure being incurred to meet regulatory requirements, this repurchase provides an opportunity to exit at a substantial premium to the market price.

Depending on the level of acceptances received, this may be the last share repurchase opportunity offered to shareholders. REL currently has available subscribed capital (ASC) of \$17,670,158. This gives REL the ability to repurchase 3,431,098 shares at the Offer price of \$5.15. Once REL's ASC is utilised there cannot be any further share repurchases. In the past, liquidity in REL shares has been provided through a series of share repurchases which will cease once REL's ASC has been utilised.

REL is a code company under the Takeovers Code (*the Code*) and therefore REL and its shareholders are required to adhere to the provisions of the Code. A provision of the Code is that shareholders who own more than 20% of the voting rights cannot increase their shareholding by more than 5% in any 12 month period. H&G Limited and other entities associated with the Cushing family (*the Cushing Family entities*) currently own 74.59% of REL shares. If the Offer results in more than 810,110 shares being repurchased, then the Cushing Family entities' ownership of REL would increase by more than 5% in the current 12 month period.

REL has the ability to repurchase 810,110 shares without the Cushing Family entities exceeding the Code's 5% limit. However, in order for REL to repurchase up to 3,431,098 shares without the Cushing Family entities being required to subsequently sell down shares to the 5% limit, shareholders' approval is required. A special shareholders' meeting will be held before the Offer closes. It is expected that the notice of meeting and a report from an independent adviser in relation to the Offer will be sent to shareholders with the Offer documents during the week commencing 9 November 2020. The Cushing Family entities are not permitted to vote at the special shareholders' meeting.

¹ Unlisted Securities Exchange – Unlisted is not a Licensed Financial Product Market

You will be able to accept the Offer for all or part of your REL shareholding – however if you do accept the Offer you must accept for a minimum of 15% of the shares that you hold. The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. **Shareholders should, however, seek their own taxation and financial advice.**

If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances. If you intend to accept the Offer, we strongly recommend accepting early. If the resolution is not approved by the shareholders at the special meeting **only** 810,110 shares can be repurchased.

The Offer will be made in accordance with Section 60(1)(b)(ii) of the Companies Act 1993 (*the Act*). The Act requires that the Company issues to all shareholders the enclosed Share Repurchase Disclosure Document which sets out the key terms of the Offer.

Formal Offer documents cannot be sent to shareholders until 10 working days after the Share Repurchase Disclosure Document has been sent to shareholders. It is REL's expectation that formal Offer documents will be sent to shareholders during the week commencing 9 November 2020, with the Offer closing on 16 December 2020. Payment to shareholders accepting the Offer will be made on or about 18 December 2020.

The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

Until you receive the formal Offer documents (which will be accompanied by the special meeting documents) **no action is required**, but in the interim, if you have any questions about the Offer, please contact the REL office.

A handwritten signature in black ink, appearing to read 'Rodger Finlay', written in a cursive style.

Rodger Finlay
DEPUTY CHAIRMAN



RURAL EQUITIES LIMITED (REL)
SHARE REPURCHASE DISCLOSURE DOCUMENT
(Sections 61(5) and 62 of the Companies Act 1993 (*the Act*))

1. Introduction

- 1.1 The Directors of REL (*the Directors*) have further considered the options available to REL to provide shareholders who are contemplating exiting or reducing their investment in REL a convenient and efficient mechanism to realise their shareholding.
- 1.2 To achieve this, and being in accordance with REL's capital management strategy, the Directors have resolved to make an off market share repurchase offer to REL shareholders pursuant to section 60(1)(b)(ii) of the Act for a maximum of 3,431,098 REL shares.
- 1.3 REL is a code company under the Takeovers Code (*the Code*). A provision of the Code is that shareholders who hold 20% or more of the voting rights cannot increase their shareholding by more than 5% in any 12 month period. H&G Limited and other entities associated with the Cushing family (*the Cushing Family entities*) currently own 74.59% of REL shares. If the offer results in more than 810,110 shares being repurchased then the Cushing Family entities ownership of REL would increase by more than 5% in the current 12 month period.
- 1.4 REL has the ability to repurchase 810,110 shares without the Cushing Family entities exceeding the Code's 5% limit. However, in order to repurchase up to 3,431,098 shares without the Cushing Family entities being required to subsequently sell down shares to the 5% limit, shareholders' approval to the repurchase is required. REL will call a special shareholders' meeting before the Offer closes to seek that approval.
- 1.5 Section 61(5) of the Act requires that REL sends to all REL shareholders this Share Repurchase Disclosure Document explaining the implications of the proposed repurchase offer for REL and its shareholders.

2. Terms of the Offer

- 2.1 All REL shareholders will receive an off market share repurchase offer pursuant to section 60(1)(b)(ii) of the Act for a maximum of 3,431,098 REL shares at \$5.15 per share (*the Offer*).
- 2.2 The Offer comprises two components:
 - a. the repurchase of up to 810,110 shares that does not require Shareholders' approval.
 - and
 - b. the repurchase of up to a further 2,620,988 shares that is subject to Shareholders' approval.

For the avoidance of doubt, the repurchase of up to 810,110 shares will proceed regardless of whether or not Shareholders approve the repurchase, but subject to clause 2.10.
- 2.3 Once repurchased, the shares will be cancelled.
- 2.4 The Offer will open during the week commencing 9 November 2020 (being a date not less than 10 working days after this Share Repurchase Disclosure Document has been sent to each shareholder) and subject to clause 2.10 will close at 2.00 pm on 16 December 2020.
- 2.5 Participation in the Offer is entirely voluntary – there is no compulsion for any shareholder to accept the Offer.
- 2.6 A shareholder may accept the Offer for all or part of their shareholding. However, a shareholder must accept for at least 15% of the shares that they hold.
- 2.7 The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. Shareholders should however, seek their own taxation and financial advice.

- 2.8 If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances.
- 2.9 Payment for the shares repurchased will be made on or about 18 December 2020.
- 2.10 The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

3. Directors' participation in the Offer

- 3.1 The Offer is being made to all REL shareholders including the Directors and Associated Persons of each Director.
- 3.2 As at 19 October 2020 the nature and extent of any relevant interest in REL shares of each Director and their Associated Persons are as follows:

Director	REL shares held beneficially	REL shares held by Associated Persons
Nigel Atherfold	-	-
David Cushing	263,160	23,237,729
Sir Selwyn Cushing	85,673	23,399,066
Rodger Finlay	-	924,811

4. Directors' authorisation

In accordance with the requirements of the Act, the Offer has been approved by the Directors of REL (*the Directors*). The following is the text of the resolution that was passed by the Directors on 19 October 2020:

"It was resolved that:

1. Rural Equities Limited (*REL*) sends to every REL shareholder the Disclosure Document as required by Section 61(5) of the Companies Act 1993 (*the Act*).
2. Not less than 10 working days after the Disclosure Document has been sent to every REL shareholder, REL makes an off market share repurchase offer to all REL shareholders up to a maximum of 3,431,098 shares at \$5.15 per share (the Offer).
3. The repurchase of the REL shares under the Offer is in the best interests of REL and is of benefit to REL's remaining shareholders.
4. The terms of the Offer and the consideration offered for the shares are fair and reasonable to both the Company and to REL's remaining shareholders.

5. The Directors are not aware of any information that will not be disclosed to shareholders:

- 5.1 Which is material to an assessment of the value of the shares.

and

- 5.2 As a result of which the terms of the Offer and consideration offered for the shares are unfair to the REL shareholders accepting the Offer.

6. The Directors have reached the conclusions in resolutions 3 and 4 on the basis that:

- 6.1 For a shareholder wishing to accept the Offer, as at the date of this resolution, the Offer price is a premium of 38 cents per share to the last market price on Unlisted¹ and a 54 cent premium to the weighted average price of REL shares traded on Unlisted during the prior 60 days. As REL shares trade infrequently and in small volumes the Offer will provide shareholders who are contemplating exiting their investment in REL with a convenient and efficient mechanism to realise their holding.

and

- 6.2 For shareholders disinclined to accept the Offer, the share price is below REL's net tangible asset value of \$5.60 per share as recorded in REL's audited financial statements as at 30 June 2020.

7. The Directors, having considered the matters set out in their certificate, are satisfied that the Company will, immediately after acquiring the shares, satisfy the solvency test applied under section 52 of Act.

8. Rodger Finlay and James Wright are authorised to sign such documents and do such other things as may be necessary or appropriate to complete the Offer."

Issued by Rural Equities Limited



James R Wright
CHIEF OPERATING OFFICER
19 October 2020

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