

# Rangatira Limited

## Independent Adviser's Report

# In Respect of the Proposed Continuation of the Company's Share Buyback Scheme

*June 2024*

### Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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## 1. Introduction

### 1.1 Background

Rangatira Limited (**Rangatira** or the **Company**) was incorporated on 14 December 1937 as Rangatira Pty Limited. It changed its name to Rangatira Limited on 13 November 1973.

Rangatira is an investment holding company with total assets of approximately \$419 million as at 31 March 2024. It has built up a portfolio of local and international investments across a wide range of sectors. Rangatira has pursued a policy of private equity investment in small to medium sized New Zealand companies, complemented by holdings in a range of publicly listed New Zealand and Australian companies. Investments have been made taking a long term position in companies that are well founded and well managed with good growth potential.

Rangatira has 11 private equity investments:

- Auckland Packaging Company Limited (100%)
- BeGroup Investments Limited Partnership (25%)
- Boulcott Holdco Limited (69%)
- Fiordland Lobster Company Limited (8%)
- Magritek Holdings Limited (24%)
- New Zealand Pastures Limited (20%)
- NZS Group Limited (27%)
- Polynesian Spa Limited (51%)
- Rainbow's End Theme Park Limited (100%)
- Southern Cross Horticulture (Oaklands – 29%, Eastern Rise – 15%, Aurora Gold – 15%)
- Stuart Drummond Transport Limited (37%).

Rangatira has also invested in 4 managed funds – AirTree, Icon Ventures, Movac and Pacific Channel. The funds focus on early stage growth companies.

Rangatira also holds a portfolio of listed equities.

Approximately 44% of Rangatira's shares are held by the J R McKenzie Trust (the **JRM Trust**). The remainder of the shares are held by other community and charitable organisations and various companies and individuals.

Rangatira's shares are quoted on the Unlisted Securities Exchange securities trading facility (the **USX**).

The Company's net asset value (based on the directors' assessment of the market value of the unlisted investments) was approximately \$402 million as at 31 March 2024.

Details of Rangatira, its investments and its recent annual reports can be found at its website [www.rangatira.co.nz](http://www.rangatira.co.nz).

## 1.2 Share Buyback Scheme

### *2014 Share Buyback*

Rangatira announced on 28 November 2012 that it proposed to implement a share buyback scheme.

The Company's board of directors (the **Board**) resolved on 9 June 2014 that Rangatira would buy back up to an aggregate of 600,000 A Shares (the shares that carry full voting rights) and 600,000 B Shares (the shares that carry restricted voting rights) in accordance with section 60 of the Companies Act 1993 (the **Act**) and clause 8.1 of the Company's constitution (the **2014 Share Buyback**).

Consideration for each share would be equal to a maximum of 80% of the assessed asset backing value of each share as set out in the last public announcement of that assessed asset backing value made by the Company prior to the 2014 Share Buyback.

The 2014 Share Buyback was approved by the Company's shareholders at Rangatira's annual meeting on 4 August 2014 and was in effect for the 3 year period between 4 August 2014 and 4 August 2017.

Rangatira did not buy back any A Shares or B Shares under the 2014 Share Buyback.

### *2017 Share Buyback*

In 2017, the Company continued the share buyback scheme for a further 5 years. The Board resolved on 29 May 2017 that Rangatira would buy back up to an aggregate of 600,000 A Shares and 600,000 B Shares in accordance with section 60 of the Act and clause 8.1 of the Company's constitution (the **2017 Share Buyback**).

Consideration for each share would be equal to a maximum of 80% of the assessed asset backing value of each share as set out in the last public announcement of that assessed asset backing value made by the Company prior to the 2017 Share Buyback.

The 2017 Share Buyback was approved by the Company's shareholders at Rangatira's annual meeting on 31 July 2017 and has been in effect for the 5 year period between 4 August 2017 and 4 August 2022.

Rangatira has bought back 2,000 A Shares and 3,000 B Shares at prices between \$10.80 and \$13.00 per share under the 2017 Share Buyback. The shares are held as treasury stock.

### *2022 Share Buyback*

In 2022, the Company continued the share buyback scheme for a further 5 years. The Board resolved on 9 November 2022 that Rangatira would buy back up to an aggregate of 600,000 A Shares and 600,000 B Shares in accordance with section 60 of the Act and clause 8.1 of the Company's constitution (the **2022 Share Buyback**).

Consideration for each share would be equal to a maximum of 80% of the assessed asset backing value of each share as set out in the last public announcement of that assessed asset backing value made by the Company prior to the 2022 Share Buyback.

The 2022 Share Buyback was approved by the Company's shareholders at Rangatira's special meeting on 6 December 2022 and has been in effect since 6 December 2022.

Rangatira has bought back 6,000 A Shares and 9,333 B Shares at prices between \$14.45 and \$14.75 per share under the 2022 Share Buyback. The shares are held as treasury stock.

### **2024 Share Buyback**

The Company now intends to continue the 2022 Share Buyback, but at a higher maximum price of 90% of the assessed asset backing value of each share.

The Board resolved on 17 June 2024 that Rangatira will buy back up to an aggregate of 600,000 A Shares and 600,000 B Shares in accordance with section 60 of the Act and clause 8.1 of the Company's constitution (the **2024 Share Buyback**).

Consideration for each share will be equal to a maximum of 90% of the assessed asset backing value of each share as set out in the last public announcement of that assessed asset backing value made by the Company prior to the 2024 Share Buyback.

## **1.3 Code Shareholders**

23.23% of the A Shares are held by:

- the 2 children of Sir Roy McKenzie (deceased)
- the widow of a third child of Sir Roy McKenzie (who, together with the 2 children, are referred to as the **Siblings**)
- the 9 children of the Siblings (who are the grandchildren of Sir Roy McKenzie)
- a small number of independent trustees of family trusts who jointly hold shares with the Siblings and / or children
- the JRM Trust.

Roy McKenzie was a descendent of the original founder of Rangatira, John McKenzie. The 3 Siblings are:

- Robyn Gibson
- Ruth McKenzie
- John McKenzie.

Each Sibling has agreed that for the purposes of the Takeovers Code (the **Code**), he or she is an associate of his or her respective children due to each Sibling's close personal relationship with his or her children.

We refer to each Sibling and his or her children as a **Family Block**.

The JRM Trust is a philanthropic family trust.

The legal title to the A Shares is held by the personal trustees of the JRM Trust on trust for the JRM Trust. The personal trustees of the JRM Trust currently hold 4.81% of the A Shares on trust for the JRM Trust.

The current personal trustees are:

- Aubrey Bloomfield (a member of the John McKenzie Family Block)
- David Vance (independent of the McKenzie Family).

We refer to the Siblings, the Family Blocks and the JRM Trust collectively as the **Code Shareholders**. The Code Shareholders collectively control 2,183,343 A Shares, representing 23.23% of the voting rights in the Company.

The names and shareholdings of each Code Shareholder is set out below.

Code Shareholders		
	No. of A Shares	%
Anna Gibson	96,217	1.02%
Douglas Gibson	79,500	0.85%
Douglas Gibson, Robyn Gibson and William MacDonald	30,174	0.32%
Nicola Gibson	96,216	1.02%
Robyn Gibson	468,396	4.98%
Sarah McLennan	98,697	1.05%
Robyn Gibson Family Block	869,200	9.25%
Ruth McKenzie	354,744	3.77%
David McKenzie	139,506	1.48%
Miriam McKenzie	69,376	0.74%
Christopher McKenzie	69,376	0.74%
Ruth McKenzie Family Block	633,002	6.74%
John McKenzie and Jennifer McKenzie	57,168	0.61%
Ethan McKenzie	57,164	0.61%
Aubrey Bloomfield	57,164	0.61%
Sibyl Bloomfield	57,164	0.61%
John McKenzie Family Block	228,660	2.43%
Aubrey Bloomfield and David Vance (JRM Trust)	452,481	4.81%
Total	2,183,343	23.23%

*Source: Rangatira*

If the Code Shareholders do not participate in the 2024 Share Buyback, then any shares that the Company buys back from other shareholders (the **Non-associated Shareholders**) and which are then either held as treasury shares or cancelled will result in an increase in the Code Shareholders' level of voting rights in the Company.

Depending on the number of A Shares bought back, the 2024 Share Buyback will result in the Code Shareholders' holding A Shares (and therefore voting rights) in the Company of between:

- 23.23% - assuming no A Shares are bought back
- 24.82% - assuming the maximum 600,000 A Shares are bought back from Non-associated Shareholders.

#### 1.4 Summary of Opinion

Our evaluation of the merits of the 2024 Share Buyback as required under the Code is set out in section 2.

In our opinion, after having regard to all relevant factors, the positive aspects of the 2024 Share Buyback outweigh the negative aspects of the Code Shareholders retaining any increase in their respective voting rights as a result of the 2024 Share Buyback from the perspective of the Non-associated Shareholders.

## 1.5 Regulatory Requirements

Rangatira is a code company as defined by the Code and is subject to the provisions of the Code.

Rule 6 of the Code prohibits:

- a person who holds or controls no voting rights or less than 20% of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company
- a person who holds or controls 20% or more of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company

unless done in compliance with exceptions to this fundamental rule.

When a company buys back and cancels its shares, the percentage holding of any shareholder that does not participate in the buyback will increase. Consequently, if a company with a shareholder holding or controlling in excess of 20% of the voting rights (or a shareholder holding or controlling near to 20% of the voting rights) wishes to undertake a share buyback, that shareholder needs to rely upon an exemption to the Code.

The Takeovers Code (Class Exemptions) Notice (No 2) 2001 (the **Buyback Exemptions**) set out a general exemption for share buybacks.

Clause 4 of the Buyback Exemptions provides an exemption for a shareholder holding or controlling (alone or with their associates):

- less than 20% of the voting rights in a code company to increase its holding or control of voting rights beyond 20%
- 20% or more of the voting rights in a code company to increase its holding or control of voting rights

via a share buyback, provided the buyback has been approved by an ordinary resolution of shareholders and that such persons relying on the exemption be named in the notice of meeting (excluding shareholders who will rely on clause 4 of the Buyback Exemptions (and their associates)).

Clause 5 of the Buyback Exemptions provides an exemption that does not require shareholder approval, provided that, in general terms and subject to some subtleties, the shareholder reduces its percentage holding to pre-buyback levels within 12 months.

The 2024 Share Buyback could result in the Code Shareholders increasing their collective A shareholding (and therefore voting rights) in the Company from 23.23% to a maximum of 24.82%, depending on the number of A Shares bought back under the 2024 Share Buyback and the extent to which the Code Shareholders participate in the 2024 Share Buyback.

The Buyback Exemptions apply to the Code Shareholders if they are named in the notice of annual meeting.

Accordingly, the Non-associated Shareholders will vote on an ordinary resolution at the Company's annual meeting on 2 August 2024 in respect of the 2024 Share Buyback (the **Share Buyback Resolution**) so that the Code Shareholders do not have to sell down their A Shares.

The Code Shareholders are not permitted to vote on the Share Buyback Resolution.

The notice of annual meeting containing the Share Buyback Resolution must contain or be accompanied by an Independent Adviser's Report that complies with Rule 18 of the Code.

The Takeovers Code (Rangatira Limited) Exemption Notice 2024 (the **2024 Exemption Notice**) ensures that the same exemption applies to persons who acquire shares in Rangatira after the Share Buyback Resolution is passed and the 2024 Share Buyback is approved at the annual meeting (and who, accordingly, cannot be named in the notice of annual meeting), as if they were named in the notice.

A proviso of the 2024 Exemption Notice is that the 2024 Share Buyback be approved by ordinary resolution of the Company's shareholders.

## 1.6 Purpose of the Report

The Board has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the 2024 Share Buyback and of the Code Shareholders retaining any increase in their voting rights in the Company.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 June 2024 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Board for the benefit of the Non-associated Shareholders and to assist them in forming their own opinion on voting on the Share Buyback Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the 2024 Share Buyback and of the Code Shareholders retaining any increase in their voting rights in relation to each shareholder. Our advice and opinions are necessarily general in nature.

This Independent Adviser's Report is not to be used for any other purpose without our prior written consent.



## 2. Evaluation of the Merits of the 2024 Share Buyback

### 2.1 Basis of Evaluation

An evaluation is required of the merits of the 2024 Share Buyback and of the Code Shareholders retaining any increase in their voting rights in the Company, having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in either the Code or in any statute dealing with securities or commercial law in New Zealand.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers* dated 1 November 2023
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the 2024 Share Buyback and of the Code Shareholders retaining any increase in their voting rights in the Company should focus on:

- the rationale for the 2024 Share Buyback
- the terms and conditions of the 2024 Share Buyback
- the financial impact of the 2024 Share Buyback
- the impact of the 2024 Share Buyback on the control of the Company
- the impact of the 2024 Share Buyback on Rangatira's share price
- the benefits and disadvantages to the Non-associated Shareholders of the 2024 Share Buyback
- the implications if the Share Buyback Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

## 2.2 Summary of the Evaluation of the Merits of the 2024 Share Buyback

**In our opinion, after having regard to all relevant factors, the positive aspects of the 2024 Share Buyback outweigh the negative aspects of the Code Shareholders retaining any increase in their voting rights as a result of the 2024 Share Buyback from the perspective of the Non-associated Shareholders.**

Our evaluation of the merits is set out in detail in sections 2.3 to 2.9. In summary, the key factors leading to our opinion are:

- the rationale for the 2024 Share Buyback is sound. It is a continuation of the Company's share buyback scheme that the Non-associated Shareholders initially approved on 4 August 2014 and subsequently approved on 31 July 2017 and 6 December 2022. It is an efficient use of capital and may increase liquidity in the Company's shares
- any shares bought back will be bought at a price equal to a maximum of 90% of the assessed asset backing value of each share as assessed by the Board. The Company's shares have generally traded at prices slightly below and above 90% of the assessed asset backing value
- the financial impact of the 2024 Share Buyback is relatively minor. Total equity and cash will reduce by approximately \$21 million if the maximum 600,000 A Shares and 600,000 B Shares are bought back and the assessed asset backing value per share will increase by 0.6% as the 2024 Share Buyback will be undertaken at a discount to the asset backing value
- the 2024 Share Buyback will not increase the Code Shareholders' ability to influence the outcome of shareholder voting to any significant degree. At most, their collective voting rights will increase by 1.59% to 24.82%
- the impact of the 2024 Share Buyback on Rangatira's share price will most likely be positive
- the 2024 Share Buyback will likely improve the liquidity of the Company's shares over the period of the 2024 Share Buyback but may reduce the liquidity of the Company's shares after the 2024 Share Buyback is completed
- the 2024 Share Buyback is unlikely to reduce the attraction of Rangatira as a takeover target
- the implication of the Share Buyback Resolution not being approved is that the 2024 Share Buyback would not proceed. The Board could subsequently decide to implement the 2024 Share Buyback without seeking shareholder approval but the Code Shareholders would be required to sell down their shareholdings to return their percentage holdings to pre-buyback levels within 6 months of the increases. This may place downward pressure on the Company's share price and / or may reduce the Board's inclination to undertake buybacks.

## 2.3 Rationale for the 2024 Share Buyback

### *Board's Rationale*

The 2024 Share Buyback represents a continuation of the Company's share buyback scheme. The 2014 Share Buyback was approved by the Non-associated Shareholders on 4 August 2014, the 2017 Share Buyback was approved by the Non-associated Shareholders on 31 July 2017 and the 2022 Share Buyback was approved by the Non-associated Shareholders on 6 December 2022.

The Board has long been conscious of the very infrequent trading in Rangatira's shares and the considerable discount in prices bid compared with the assessed asset backing.

The Board considers the continuation of the Company's share buyback scheme through the 2024 Share Buyback to be in the best interests of the Company and its shareholders as:

- the consideration payable by the Company for the shares under the 2024 Share Buyback will be less than the assessed asset backing value of those shares at the time of the buyback
- acquiring shares where the share price is less than the assessed asset backing value of those shares is considered to be an efficient use of capital
- shareholders have total discretion to choose whether to participate in the 2024 Share Buyback so they can decide whether to take some or all of their investment back in the form of cash or continue to hold their shares
- the 2024 Share Buyback may increase liquidity in the Company's shares.

### *Finance Theory*

The benefits of share buybacks have long been the focus of academic research and practitioners' debate. It is generally accepted that share buybacks can affect value as follows:

- by supporting the share price
- by being an efficient use of capital
- by creating a more efficient capital structure.

In reality however the impacts can be difficult to quantify.

### *Supporting the Share Price*

There is some evidence to suggest that a share buyback has a signalling effect to the market. A share buyback could indicate to the market that a company's management is so confident of the company's prospects that it believes the best investment the company can make is in its own shares. On the other hand, the announcement of a share buyback has in instances been deemed an admission that the company cannot identify any other value creating opportunities in which to invest its capital.

A share buyback can also act to support a company's share price by creating buy-side demand.

### *Efficient use of Capital*

Companies often undertake share buybacks when they are of the view that the market is undervaluing their shares, therefore buying back those shares at the market price is an efficient use of the company's capital.

### *Capital Structure*

The share buyback is effectively an exchange of equity for debt, thereby increasing a company's leverage. In finance theory, increasing leverage can provide several benefits, such as:

- interest payments on debt are tax deductible, which means that the after-tax cost of debt is generally below shareholders' expected return on equity, hence reducing the company's average cost of capital
- debt supposedly serves as a discipline for a company's managers. Unlike equity, the need to pay cash to bondholders and banks prevents managers from investing in projects that earn returns below the company's cost of capital.

### *Conclusion*

Having considered all of the above, we are of the view that the rationale for the 2024 Share Buyback is sound.

## **2.4 Terms of the 2024 Share Buyback**

The key terms of the 2024 Share Buyback are:

- the Company intends to acquire up to an aggregate of:
  - 600,000 A Shares, being 6.38% of the A Shares currently on issue
  - 600,000 B Shares, being 5.20% of the B Shares currently on issue
- the consideration for each share will be determined by the Board from time to time, however will not exceed 90% of the assessed asset backing value of each share as set out in the last public statement of that assessed asset backing value made by Rangatira prior to the 2024 Share Buyback offer
- the 2024 Share Buyback offer(s) will be made between 2 August 2024 and the date on which the 2024 Exemption Notice expires on 2 August 2029. However, the Company will not be obliged to make offers and may cease doing so at any time
- each share acquired under the 2024 Share Buyback, up to 5% of the number of shares of the same class previously issued by Rangatira, will be held by the Company as treasury shares.

We consider the terms of the 2024 Share Buyback to be in line with normal commercial terms for a transaction of this nature, other than in respect of the buyback price. The price at which the shares will be bought back will not be based on the prevailing market price but based on a discount to the assessed asset backing value.

An analysis of the Company's share trading is set out in section 2.7:

- the A Shares last traded on 15 May 2024 at \$14.65, representing 76% of the assessed asset backing value of \$19.19 per share. Since 3 January 2022, the A Shares have traded at between 73% and 95% of the assessed asset backing value
- the B Shares last traded on 13 May 2024 at \$15.00, representing 78% of the assessed asset backing value of \$19.19 per share. Since 3 January 2022, the B Shares have traded at between 77% and 97% of the assessed asset backing value.

The proposed consideration of a maximum of 90% of the assessed asset backing value is within the range in which the shares have traded in recent times.

## **2.5 Financial Impact of the 2024 Share Buyback**

Rangatira's adjusted total equity (including the Board's assessment of the market value of the Company's unlisted investments) as at 31 March 2024 was approximately \$402 million, which equated to \$19.19 per share as at that date.

Assuming the 2024 Share Buyback offer is at \$17.27 per share (being the maximum 90% of the current \$19.19 assessed asset backing), the buyback of the maximum 600,000 A Shares and 600,000 B Shares will require a cash outlay of approximately \$21 million.

For illustrative purposes, using the Company's 31 March 2024 financial position and assuming the maximum 600,000 A Shares and 600,000 B Shares are bought back and cancelled, this will result in adjusted total equity reducing from approximately \$402 million to approximately \$381 million and adjusted equity per share increasing by 0.6% from \$19.19 to \$19.31 as at that date.

## **2.6 Impact on Control**

### ***Capital Structure and Shareholders***

Rangatira currently has 9,397,719 A Shares and 11,547,000 B Shares on issue. All the shares are fully paid.

The A Shares and B Shares rank equally, except that the B Shares carry restricted voting rights. These are restricted to voting on proposals to:

- sell the whole of the Company's undertaking
- alter its constitution.

The B shareholders are not entitled to participate in future cash issues unless the A shareholders agree.

The 9,397,719 A Shares are held by 226 shareholders and the 11,547,000 B Shares are held by 149 shareholders as at 17 June 2024.

The names, number of shares and percentage holding of the 10 largest holders of A Shares and B Shares as at 17 June 2024 are set out below.

<b>Rangatira's 10 Largest Shareholders</b>		
<b>A Shareholder</b>	<b>No. of A Shares Held</b>	<b>%</b>
Masthead Investments Limited	1,052,632	11.20%
Emetine International Limited (Emetine)	872,674	9.29%
Robyn Gibson	468,396	4.98%
JRM Trust	452,481	4.81%
Ruth McKenzie	354,744	3.77%
Partitio Trustee Limited	350,877	3.73%
Ziwotto Limited	350,877	3.73%
Nga Manu Trust	298,000	3.17%
William MacDonald and Murray Wills	288,038	3.06%
Forsyth Barr Custodians Limited	260,832	2.78%
Subtotal	4,749,551	50.54%
Others (216 shareholders)	4,648,168	49.46%
Total A Shares	<u>9,397,719</u>	<u>100.00%</u>
<b>B Shareholder</b>	<b>No. of B Shares Held</b>	<b>%</b>
JRM Trust	8,698,975	75.34%
Outward Bound Trust of New Zealand Foundation	237,500	2.06%
J R McKenzie Youth Education Fund	231,900	2.01%
Te Omanga Hospice Trust	172,500	1.49%
Emetine	130,100	1.13%
Seabrook McKenzie Trust Incorporated	130,000	1.13%
New Zealand Central Securities Depository Limited	120,900	1.05%
McKenzie Centre Trust Incorporated	115,000	1.00%
National Foundation for the Deaf Incorporated	100,000	0.87%
Deaf Aotearoa Holdings Limited	93,478	0.81%
Subtotal	10,030,353	86.87%
Others (139 shareholders)	1,516,647	13.13%
Total B Shares	<u>11,547,000</u>	<u>100.00%</u>

*Source: Rangatira*

The Code Shareholders collectively hold:

- 2,183,343 A Shares, representing 23.23% of the total A Shares
- 8,712,225 B Shares, representing 75.45% of the total B Shares.

Rangatira issued 3,232,719 A Shares on 5 September 2022 at \$14.25 per share, raising approximately \$46 million.

### **Shareholder Voting**

Any A shareholder that does not participate in the 2024 Share Buyback will see an increase in their respective percentage of votes held or controlled, even though they will not increase the actual number of A Shares they hold.

If the Code Shareholders do not participate in the 2024 Share Buyback, then the 2024 Share Buyback will result in the Code Shareholders holding between 23.23% and 24.82% of the Company's voting rights in the Company, depending on the number of A Shares bought back from the Non-associated Shareholders and assuming no other A Shares are issued during this time.

The impact of the increase in the Code Shareholders' collective control of voting rights from 23.23% to a maximum of 24.82% will not be significant on shareholder voting.

Assuming that the Code Shareholders vote in unison as one block of shares (which may not necessarily be the case), then they currently hold a strategic shareholding which potentially has the ability to block special resolutions (which require the approval of 75% of the votes cast by shareholders) and influence the outcome of ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders).

Under the Act, a special resolution is required to:

- adopt, alter or revoke a company's constitution
- approve a major transaction
- approve an amalgamation of a company
- place a company in liquidation.

While a 23.23% interest in the A Shares is technically not sufficient to block a special resolution, in reality, it probably is in a widely-held company with 226 A shareholders (as Rangatira currently has). This is because a number of shareholders in widely-held companies tend not to vote on resolutions and hence the relative weight of the 23.23% interest increases.

The increase in the level of voting rights from 23.23% to a maximum of 24.82% will increase the Code Shareholders' ability to block a special resolution. It will not however increase their ability to control the outcome of an ordinary resolution to any significant degree. Furthermore, it cannot be assumed as a certainty that the Code Shareholders would vote in unison as one block of shares.

The ability for any shareholder to influence the outcome of voting on the Company's special resolutions or ordinary resolutions may be reduced by external factors such as the Company's constitution and the Act.

### ***Board of Directors***

The directors of Rangatira are:

- David Gibson
- Keith Gibson, deputy chair
- Sophie Haslem
- Sam Knowles
- David Pilkington, chair
- Cathy Quinn
- Richard Wilks.

We are advised by the Board that the approval of the 2024 Share Buyback will not have any impact on the level of control of the Board by the Code Shareholders.

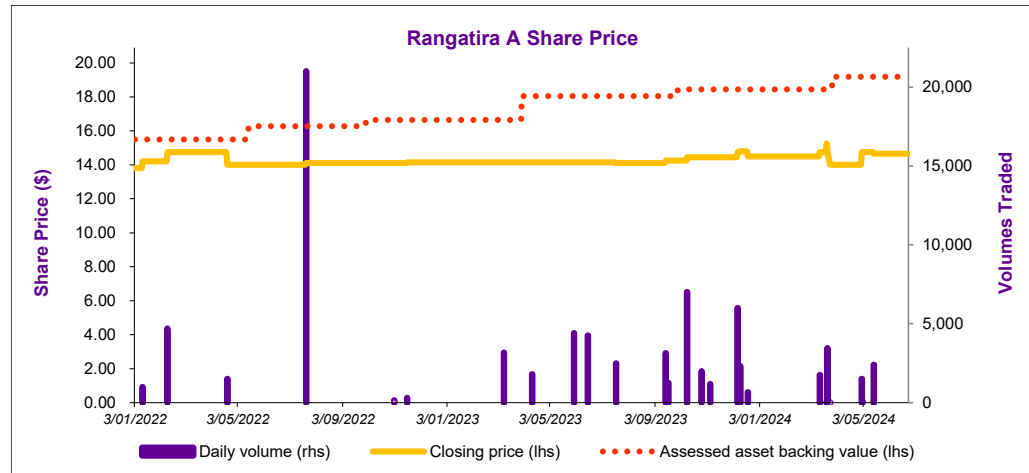
### ***Operations***

We are advised by the Board that the 2024 Share Buyback will not have any impact on the level of influence of the Code Shareholders over the Company's operations.

## 2.7 Impact on Share Price and Liquidity

### Share Price

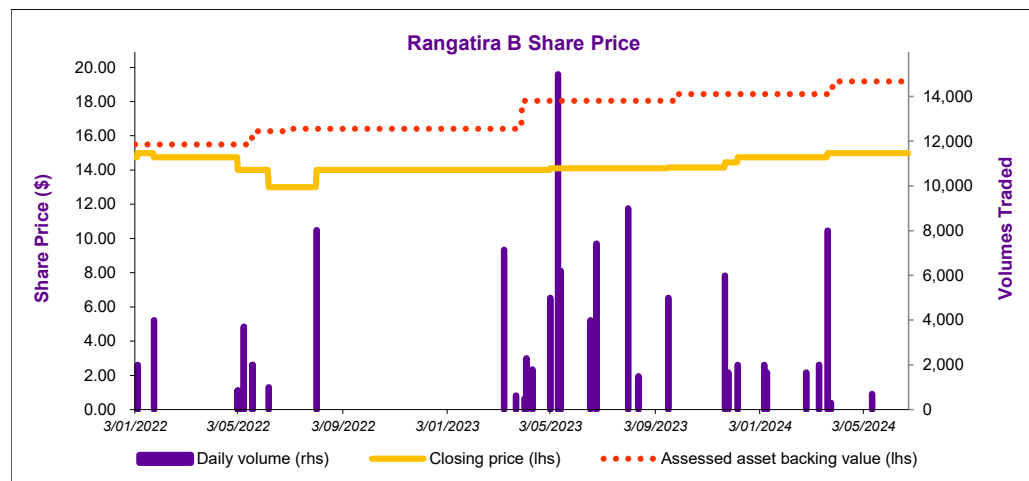
Set out below is a summary of Rangatira’s daily closing share price and daily volumes of A Shares and B Shares traded from 3 January 2022 to 24 June 2024 on the USX.



Source: USX

During the period, 77,594 A Shares have traded between \$13.80 and \$15.25 at a volume weighted average share price (VWAP) of \$14.35.

The A Share prices have ranged between 73% and 95% of the assessed asset backing value.



Source: USX

During the period, 122,161 B Shares have traded between \$13.00 and \$15.00 at a VWAP of \$14.23.

The B Share prices have ranged between 77% and 97% of the assessed asset backing value.



## Liquidity

Trading in the Company's shares is extremely thin, reflecting that approximately 23% of the A Shares and 75% of the B Shares are held by the Code Shareholders.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of total shares outstanding) up to 24 June 2024 is set out below.

Rangatira Share Trading to 24 June 2024					
Period	Low \$	High \$	VWAP \$	Volume Traded	Liquidity
<b>A Shares</b>					
1 month	14.65	14.65	n/a	-	n/a
3 months	14.01	14.75	14.69	3,970	0.0%
6 months	14.01	15.25	14.72	9,200	0.1%
12 months	14.01	15.25	14.54	35,309	0.4%
<b>B Shares</b>					
1 month	15.00	15.00	n/a	-	n/a
3 months	15.00	15.00	15.00	1,000	0.0%
6 months	14.75	15.00	14.78	18,000	0.2%
12 months	14.10	15.00	14.42	50,591	0.4%
<i>n/a: not applicable as no trades</i>					
<i>Source: USX</i>					

If Rangatira undertakes the 2024 Share Buyback to the maximum extent, it will repurchase 600,000 A Shares, representing 6.38% of the total A Shares currently on issue and 600,000 B Shares, representing 5.20% of the total B Shares on issue.

Only 0.4% of the A Shares and 0.4% of the B Shares traded in the past year. If the 2024 Share Buyback is undertaken to the maximum extent, it will significantly exceed the level of trading in Rangatira shares and thus will greatly improve the liquidity of the Company's shares over the period of the 2024 Share Buyback.

However, the 2024 Share Buyback will reduce the free float (ie those shares held by the Non-associated Shareholders and available to be freely traded) by up to 600,000 A Shares (representing approximately 8% of the A Shares free float) and up to 600,000 B Shares (representing approximately 21% of the B Shares free float). Accordingly, whilst the 2024 Share Buyback will provide some short term liquidity in the form of buy-side demand, in the longer term, the liquidity of Rangatira's shares may reduce.

## 2.8 Benefits and Disadvantages to Non-associated Shareholders

### Key Benefits

The key benefits to the Non-associated Shareholders of the 2024 Share Buyback are that it provides the Board with a capital management tool and that it will likely increase the liquidity of the Company's shares over the period of the 2024 Share Buyback.

There is no compulsion for Non-associated Shareholders to accept the 2024 Share Buyback offer. Acceptance of the offer is at their discretion. However, if Non-associated Shareholders wish to sell some or all of their investment in Rangatira, then the 2024 Share Buyback may provide an opportunity to realise a price that is higher than could otherwise be realised by selling their shares on the USX.

### ***Main Disadvantage***

The main disadvantage is that the 2024 Share Buyback may increase the Code Shareholders' collective voting rights in the Company from 23.23% to up to 24.82%, thereby increasing the Code Shareholders' ability to control the outcome of shareholder voting to some degree. However, we do not consider this level of increase to be significant.

### ***Unlikely to Change the Likelihood of a Takeover Offer from the Code Shareholders***

As long as the Code Shareholders hold more than 20% and not more than 50% of the voting rights in the Company, they cannot increase the level of their shareholding unless they comply with the provisions of the Code. They will only be able to increase their level of voting rights in the Company if:

- they make a full or partial takeover offer or
- a share acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders or
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders.

The Code Shareholders are seeking shareholder approval to increase their collective voting rights from 23.23% to up to 24.82% under the 2024 Share Buyback. Assuming the 2024 Share Buyback is approved, the Code Shareholders will not be able to increase their shareholding beyond 24.82% unless they comply with the provisions of the Code.

We are not aware of any intention on the Code Shareholders' part to make a takeover offer. However, if they did have such intent, an increase in their collective voting rights from 23.23% to up to 24.82% is unlikely to reduce the likelihood of a takeover offer for the Company as the increase in the level of voting rights is not significant.

### ***Likelihood of Other Takeover Offers Does not Change***

Any bidder looking to fully take over the Company would need to ensure that the Code Shareholders would accept its offer, irrespective of whether they collectively controlled 23.23% or 24.82% of the voting rights in the Company.

In the event that a bidder made a partial takeover offer for (say) 50.1% of the Company, the increase in the Code Shareholders' control of voting rights to up to 24.82% would technically still be insufficient to prevent a successful partial takeover at that level of control.

However, the bidder would most likely need to ensure that the Code Shareholders would accept its offer (or at least accept the offer in respect of some of their shares), irrespective of whether they collectively controlled 23.23% or 24.82% of the voting rights in the Company, so as to ensure the success of the offer.

In our view, the increase in the Code Shareholders' collective voting rights from 23.23% to up to 24.82% is unlikely to reduce the attraction of Rangatira as a takeover target to other parties.

## **2.9 Implications of the Share Buyback Resolution not Being Approved**

In the event that the Share Buyback Resolution is not approved, then the 2024 Share Buyback will not proceed. The Board could decide at a later date to implement the 2024 Share Buyback without seeking shareholder approval, in which case the Code Shareholders would be required to sell down their A shareholdings to return their percentage holdings to pre-buyback levels within 6 months of any increase in their control of voting rights in the Company.

Such a scenario is potentially disadvantageous to Non-associated Shareholders as:

- it may lead the Board to reconsider the degree to which it undertakes buybacks and hence reduce the ability for Non-associated Shareholders to sell their shares
- the forced sale of shares by the Code Shareholders may place downward pressure on the Company's share price.

## **2.10 Voting on the Share Buyback Resolution**

Voting on the Share Buyback Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

### **3. Sources of Information, Reliance on Information, Disclaimer and Indemnity**

#### **3.1 Sources of Information**

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the 2024 Exemption Notice
- the Rangatira annual reports for the years ended 31 March, 2014 to 2024
- the Rangatira information memorandum dated July 2022
- extracts from the Board minutes dated 17 June 2024 in respect of the 2024 Share Buyback
- shareholder data from Rangatira
- share price data from the USX.

During the course of preparing this report, we have had discussions with and / or received information from the Board and executive management of Rangatira and Rangatira's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the 2024 Share Buyback that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by Rangatira to the Non-associated Shareholders is sufficient to enable the Board and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the 2024 Share Buyback.

#### **3.2 Reliance on Information**

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Rangatira and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Rangatira. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

### **3.3 Disclaimer**

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Rangatira will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Rangatira and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of annual meeting issued by Rangatira and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

### **3.4 Indemnity**

Rangatira has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Rangatira has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

## 4. Qualifications and Expertise, Independence, Declarations and Consents

### 4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFENZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

### 4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Rangatira or the Code Shareholders or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the 2024 Share Buyback.

Simmons Corporate Finance has not had any part in the formulation of the 2024 Share Buyback or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Share Buyback Resolution. We will receive no other benefit from the preparation of this report.

### 4.3 Declarations

An advance draft of this report was provided to the Board for its comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

### 4.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to Rangatira's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons  
Director

**Simmons Corporate Finance Limited**  
25 June 2024