



NXT Market Overview

October 2015

 **Northington**
Partners

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Section One

Overview

NXT

A new market for small, high growth businesses

Simple / Supportive / Targeted / Effective

- A market aimed at **small to mid-sized** businesses
- **Reduced costs and complexity** for listed companies, both during the listing process and on an ongoing basis
- **More support** for companies listed on the market
- A streamlined regulatory environment, with a set of short, **simpler rules** and procedures
- The presence of market making to aid **efficiency and liquidity**
- **Better information on companies** for investors through quarterly updates, research coverage, and reporting by companies of Key Operating Milestones

The NXT Advisor

NXT advisors will **help companies list** and extract the most value from the NXT market. Specific roles include:

- Preparing the **listing document**
- Setting and revising **Key Operating Milestones**
- Establishing sound **governance policies**
- **Reviewing strategic business plans** and company performance on a quarterly basis
- Ensuring market **compliance**

Listing Criteria

- Expected market capitalisation of \$10m – \$100m
- At least 50 shareholders where 25% is in public hands
- Minimum of 2 Independent Directors
- Short prospectus and no prospective financial information

Minimum of 50 shareholders...



...compared to 500 on the NZX Main Board

Fees

- NXT companies will incur listing fees, annual fees and professional adviser fees
- For smaller companies, listing on NXT is intended to be less expensive than the NZX Main Board
- Ongoing annual fees on NXT are fixed at \$30,000 (including research)

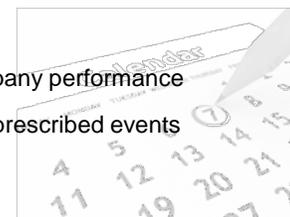
Approximate listing fees for a \$25 million market cap company

NXT \$13,000

NZX \$50,000

Disclosure

- NXT does not require 'continuous disclosure'
- Key Operating Milestones to measure and track NXT company performance
- Quarterly business updates with immediate disclosure for prescribed events
- Audited annual and half year reports published every year
- Short standardised templates available for disclosure



Support

- All NXT companies will receive independent research coverage to provide additional information to investors
- Dedicated market maker to improve depth and liquidity of the market
- Engaging a NXT Advisor is a listing requirement and advisors will provide full support for up to 36 months post listing

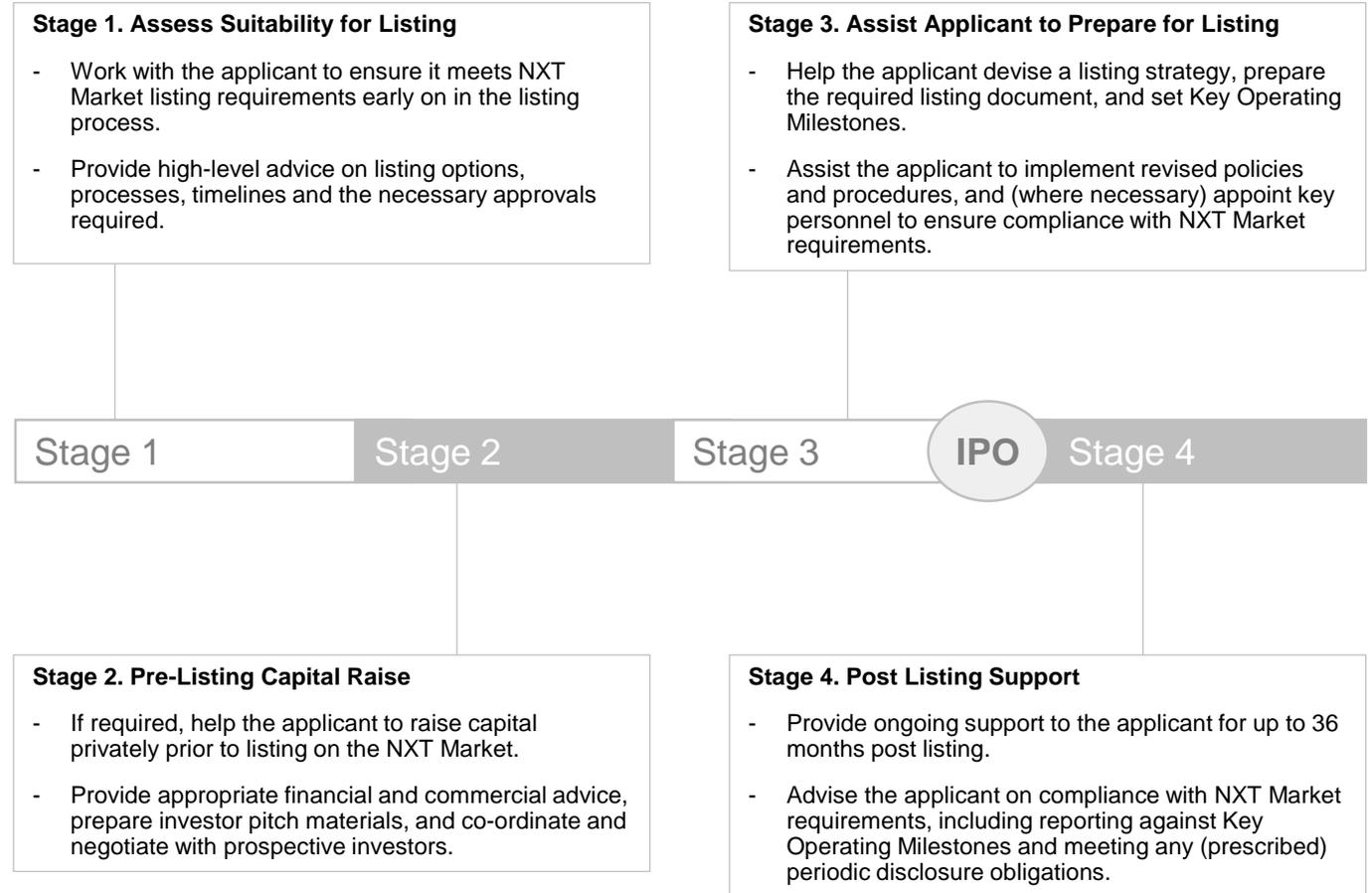


Section Two

The Role of NXT Advisor

Role of a NXT Advisor

NXT Advisors are expected to assist companies through every stage of the NXT Market listing process. The precise services required will vary depending on the nature/stage of the relevant business.



Role of a NXT Advisor

NXT Market applicants must engage a NXT Advisor pre and post listing

Stage 1. Assess Suitability for Listing

- We will assess the suitability of an applicant for a NXT Market listing and confirm the applicant fulfils the listing requirements.
- Where an applicant falls short of the listing requirements, we will advise on what steps need to be taken to become compliant.
- During this stage we can also provide applicants with an early stage commercial view of their listing goals:
 - Is the time right to list?
 - Will the market react favourably?
 - Are valuation expectations reasonable?
- Key tasks during this stage include:
 - Confirming that the applicant meets the prescribed NXT Market listing requirements.
 - Reviewing governance (including insider trading) policies and ensuring the transparency of processes for the appointment of directors and auditors, the assessment of board performance, and the setting of directors' and senior management remuneration.
 - Providing high level advice on listing options, processes, timeline and necessary approvals required.

Stage 2. Pre-Listing Capital Raise

- Where an applicant wishes to raise capital before listing on the NXT Market, we will co-ordinate the capital raise and provide the applicant with appropriate financial and commercial advice.
- The structure and pricing of the capital raise will depend on the level of capital needed, strategic drivers underlying the business, and discussions with management.
- Key tasks include:
 - Gaining a detailed understanding of the applicant's business, its strategic plans, and conducting a SWOT analysis.
 - Establishing key valuation drivers of the business and assessing a high level benchmark valuation for the business.
 - Preparing and distributing key investor marketing materials to prospective cornerstone investors.
 - Co-ordinating and negotiating with prospective investors and generally assisting to effect a successful capital raise.

Role of a NXT Advisor (continued)

NXT Market applicants must engage a NXT Advisor pre and post listing

Stage 3. Assist Applicant to Prepare for Listing

- Helping applicants prepare for listing is a key role for NXT Advisors, and is likely to constitute a significant portion of the work performed by the NXT Advisor.
- Preparation for listing typically takes at least 3 months to complete.
- Listing preparation work-streams would likely be carried out concurrently with any required pre-listing capital raise.
- The NXT Advisor does not distribute or underwrite a NXT Market listing issue. We will however work closely with retail brokers to ensure that appropriate retail distribution is available.
- Key tasks include:
 - Assisting in the preparation of the listing application, which includes preparing a listing document and setting Key Operating Milestones and associated performance targets.
 - Advising on a listing strategy, having regard to the applicant's plans around capital structure and the expectations of shareholders and investors.
 - Assisting with the preparation of marketing materials and investor roadshow pitches.
 - Managing the pricing and placement of the offer (if new capital is raised).

Stage 4. Post Listing Support

- Once an applicant has successfully listed, the NXT Advisor is required to provide ongoing guidance for a minimum of 36 months (unless a shorter period is agreed with NZX) in respect of the company's NXT Market responsibilities.
- A NXT Advisor is expected to provide advice to NXT companies on:
 - Meeting ongoing governance requirements.
 - Reviewing and reporting against Key Operating Milestones.
 - Assisting with future changes in capital, material transactions and related party transactions, if any.
- Key tasks include:
 - Modelling and analysis of the company's performance against Key Operating Milestones.
 - Assisting in the preparation of interim releases and quarterly business updates.
 - Advising on ongoing compliance matters.

Section Three

Key Operating Milestones

Key Operating Milestones

Key Operating Milestones measure and track the performance of NXT companies

Objective

- The main objective of setting up KOMs is to help investors understand the key financial and operating drivers of a NXT company.
- The KOMs take into account the company's strategic direction and initiatives to improve profitability and earnings growth.
- With the assistance of the NXT Advisor, KOMs and associated annual targets are first established as part of preparing the listing document.
- Following listing, NXT companies must review the KOMs and track its performance against annual targets on an ongoing basis.

Setting up Key Operating Milestones

- KOMs must be measurable and meet the NXT Standard.
- Annual targets must be quantitative and specific. Range targets are not permitted.
- Targets are typically set for the company's current financial year and, at a minimum, the next financial year.
- A minimum number of 3 to 4 KOMs is recommended by NZX.
- KOMs are not limited to drivers of revenue, and can include drivers of costs, customer satisfaction and product quality.

Example Key Operating Milestones

- Examples of KOMs for different businesses are set out below.

Industry	Key Operating Milestones
Manufacturing Company	<ul style="list-style-type: none">- Number of products sold (by geography)- Average gross margin per product- Inventory turnover- Fixed asset turnover
Service Provider	<ul style="list-style-type: none">- Number of customers- Average revenue per customer- EBITDA Margin- Staff wages as a percentage of revenue
Software as a Service	<ul style="list-style-type: none">- Number of paying subscribers- Average revenue per subscriber- Customer churn rate over time- Research & Development expense as a percentage of revenue

- Actual KOMs will depend on the business strategies and nature of each NXT company.

Key Operating Milestones (continued)

NXT companies must have ongoing processes to review and report KOMs and associated targets

Ongoing Reporting for KOMs

- NXT companies must review their KOMs every 12 months against the NXT Standard.
- If management believes the KOMs no longer meet the NXT Standard, the company must immediately release an interim update highlighting:
 - Reasons for not meeting the NXT Standard
 - Expected impacts of the restatement on the company
 - Proposed timeline for restating the KOMs
- Following the interim update, management must (with the assistance of the NXT Advisor) seek to restate the KOMs and its associated targets in the next quarterly business update
- NZX approval is required to restate the KOMs.

Ongoing Reporting for annual targets

- During the quarterly business updates, NXT companies must report their performance against the annual targets for each KOM.
- If management becomes aware that the company's performance may vary more than 10% against the annual target (as at end of the financial year), it must immediately release an interim update highlighting:
 - Details of the variance.
 - Reasons for the variance (including taking into account factors such as seasonality and other normal trading conditions).
 - Expected impacts of the variance on the company.
- Following the interim update, management may seek to reset the annual target in the next quarterly business update.
- NZX approval is not required to reset the annual targets.

Section Four

Northington Partners Team & Credentials



About Northington Partners

Northington Partners provides a unique combination of practical commercial experience and unsurpassed analytical capability

Our Practice

Investment Banking

- Merger and acquisition advice
- Business sales
- Capital raising support
- Takeover advice

Corporate Finance

- Corporate strategy
 - Independent expert reports
 - Company valuations
 - Capital structure analysis
 - General financial modelling
-

Our investment banking practice is focused on the mid-market with transaction values typically in the range of \$10m to \$200m.

Our investment banking services are provided across all industry sectors for clients comprising publicly listed companies, state owned enterprises, privately held companies and other institutions operating throughout New Zealand and the Asia-Pacific region.

Our corporate finance practice covers a wide range of transactions, deal sizes and clients.

Our Approach

Our business model is structured around a senior team who are not only technical experts, but who adopt a pragmatic and commercial approach to all assignments. We have a personable yet professional approach.

Client Focus

- We pride ourselves on our client relationships which are based on trust, understanding and the quality of our work
- We always strive to give decisive, practical advice
- Every client and transaction is important to us and are managed on a day-to-day basis by senior staff
- We have significant experience in managing local and international processes
- We have a flexible approach, tailored to the wishes of our clients and designed to achieve optimal results
- We focus on delivering exceptional levels of service

Key Northington Attributes

Northington Partners is well qualified to assist NXT applicants with their NXT Market requirements

Experienced Team

- Our team has advised a broad range of companies in relation to capital raising and M&A engagements.
- All of our mandates are carried out directly by senior executives with analyst support where appropriate.

Accredited NXT Advisor

- Northington Partners was accredited as a NXT Advisor by NZX on 18 December 2014.
- Through various corporate finance roles for a large number of listed entities, we have extensive knowledge of the NZX Listing Rules and other regulatory requirements for listed companies.

Relevant Networks

- We have strong relationships with all of the key institutional investors in the New Zealand market, as well as a large network of private investors. Successfully leveraging our networks is key to successfully raising any capital sought prior to embarking on the NXT listing process.
- We have worked closely with all of the full service firms with retail distribution, including Forsyth Barr, Craigs Investment Partners, First NZ Capital, Macquarie and Goldman Sachs. These relationships will be a key element to the successful management of raising capital and expanding the shareholder base upon listing.

Client Service

- Our style is very much centered on working collaboratively with our clients. We believe a flexible approach will be needed to strike a balance between satisfying a NXT applicant's wishes and meeting the expectations of prospective investors.
- As your NXT Advisor, you can be assured of our best efforts at all times.

The Northington Team

Northington Partners has a senior and experienced team across offices in Auckland and Christchurch

Greg Anderson, Director



Greg has been a principal of Northington Partners (and its predecessor Crighton Anderson Corporate Finance) for over 15 years, and has been Managing Director of the business for the last five years. In that time, he has assisted clients with numerous M&A and corporate finance mandates across a range of sectors.

Greg has also been retained in lead advisory roles by publicly listed companies, large scale private companies, and State Owned Enterprises dealing with a wide range of commercial negotiations and broader corporate strategy issues.

Steven Grant, Director



Steven has more than 15 years' investment banking experience, including 7 years at Macquarie Bank and 2 years at PricewaterhouseCoopers. Prior to this he was a commercial lawyer at Bell Gully. Steven joined Northington Partners in 2008.

Mark Cahill, Director



Mark has over 15 years experience in the finance and investment banking industry. He joined Northington Partners in late 2008 after nine years at Macquarie Group in Sydney where he was responsible for M&A for the Banking and Securitisation Group.

Nick Sandlant, Director



Nick Sandlant recently joined Northington Partners as a director in the Auckland office. Nick has more than 15 years of global banking, derivative sales and capital markets experience, with the last two years in Auckland with ANZ. Previously he was with HSBC Global Markets in the Middle East, working with the capital markets and project finance teams to structure risk management solutions for corporate and government clients in the region.

The Northington Team (continued)

Northington Partners has a senior and experienced team across offices in Auckland and Christchurch

Nicholas Wheadon, Associate Director



Nicholas joined Northington Partners from Macquarie Capital Australia in 2011. Nicholas has experience in complex analysis and financial modelling across a wide variety of sectors including logistics, healthcare, heavy industrials, retail and agriculture.

Richmond Tait, Associate



Richmond joined Northington Partners in 2012, and has assisted corporate clients with financial analysis and independent valuations. Richmond has also been involved in all aspects of M&A and capital raising transactions from origination to execution.

Lex Chen, Associate



Lex joined Northington Partners from ANZ Bank in 2014. During his time at ANZ, Lex performed credit analysis for client lending transactions and was responsible for day-to-day portfolio management. Lex is currently a CFA Level III candidate.

Relevant Recent Experience

Northington Partners has a broad range of experience which is relevant to the role of a NXT Advisor

Northington Partners has considerable experience:

- Assisting private companies with capital raising and funding requirements; and
- Working for listed companies, and has developed a full understanding of the key issues arising from public ownership.

Our experience includes working together with “full-service” investment banks which have the distribution capability needed to support capital raisings for listed companies. Some examples include:

Entity	Northington Role	Distribution Partners
	Advisor in relation to a pre-IPO capital raise and potential IPO for Straker, a New Zealand based global leader in technology based translation services.	n/a (Based on our network of private investors)
	Financial advisor in relation to an equity capital raise comprising a placement to eligible investors and a share purchase plan.	Forsyth Barr and Craigs Investment Partners
	Independent Advisor in relation to share placement and pro-rata renounceable rights issue used to fund the \$1.1bn acquisition of Symbion Pty.	UBS and Forsyth Barr
Confidential (Ongoing mandate)	Capital raise for NZ based SaaS business at the early stages of a global sales roll-out.	n/a (Based on our network of private investors)

We believe that this partnering approach will maximise the chances of a successful listing. The expected transaction size for companies interested in the NXT Market is likely to be too small to support advisory mandates for the full service investment banks, who will instead look to partner with firms like ours: we will provide the advisory services and use the distribution capability of the larger firms when required.

We have had preliminary discussions with potential partners who have indicated strong interest in working together on this basis.

The remainder of this section summarises recent transactional and advisory mandates which we believe appropriately demonstrate our expertise. We particularly refer to our extensive experience as an independent advisor, acting in most cases for listed entities where our role has required all of the attributes needed by a NXT Advisor. Northington Partners:

- Is a market leading expert in company and equity valuation, with in-depth knowledge of the key value drivers for businesses in a wide range of sectors;
- Has extensive experience with all aspects of corporate strategy, corporate finance and investor relations;
- Has a full understanding of the key regulatory framework for public companies, including the Takeovers Code, NZX Listing Rules and the Companies Act;
- Has advised companies on all aspects of corporate governance, including the impact of various shareholding structures on the control position of a company.

Selected Transactional and Advisory Experience

We have advised on a wide variety of transactions with leading businesses and institutions and are able to leverage that experience for the benefit of our clients with all our mandates



Financial advisor in relation to an equity capital raise comprising a placement to eligible investors and a share purchase plan.



Advisor in relation to a pre-IPO capital raise and potential IPO for Straker, a New Zealand based global leader in technology based translation services. Investor search included global institutions, tech funds and HNW individuals.



Financial advisor to EBOS in relation to an underwritten share placement used to partially fund the \$100m acquisition of PRNZ Limited



Financial advisor in relation to an equity capital raise comprising additional investment by existing shareholders and an extensive search for a third party investor



Capital and strategic assessment of post-earthquake options:

- Co-lead advisor in relation to \$260m of new capital contributed by the Crown;
- Lead advisor in relation to a variety of perimeter property developments.



Equity capital raising for Pinnacle Life Insurance.

Undisclosed
(Ongoing mandate)

Advisor to an international food producer in respect of a capital raise / divestment process.

Undisclosed
(Ongoing mandate)

Advisor to a boutique New Zealand based food producer in respect of a capital raise / sell-side process.



Advising the management team of Auldhouse New Zealand on their successful management buyout from Telecom New Zealand and the associated debt and equity capital raising.

Selected Transactional and Advisory Experience

We have advised on a wide variety of transactions with leading businesses and institutions and are able to leverage that experience for the benefit of our clients with all our mandates



Equity valuations for Kiwi Rail and Transpower, prepared for COMU as part of the Treasury's SOE reporting process.



Origination and structuring advice for NZX listed TeamTalk on the acquisition of NZ's largest satellite broadband provider.



Lead sale advisor in relation to the sale of a significant forestry asset.



Sell-side and Buy-side advisor for several transaction processes; provision of strategic and analytical advice in relation to long-term investment; capital structure planning; asset valuations.



Te Rūnanga o Ngāi Tahu

Strategic appraisal and M&A advice in relation to funding and investment options for Ngai Tahu Holdings, spanning a wide range of sectors.



Buy-side valuation advice, transaction identification and financial modelling in relation to various acquisition prospects



Advice in relation to ING's \$300m+ offer to acquire units issued by the Diversified Yield Fund and the Regular Income Fund for ING (NZ) Limited and ING Insurance International BV.



Lead sale advisor to Panacea Healthcare in its sale to AWF and ongoing acquisition advice to AWF for its healthcare vertical



Valuation and transaction advice in relation to the external management companies associated with two listed property vehicles.

Selected Independent Report Experience

We have prepared independent reports for a range of New Zealand's largest companies

Our extensive experience gives us a unique depth of knowledge on NZX processes and listing rules



Independent advisor in relation to share placement and pro-rata renounceable rights issue used to fund the \$1.1bn acquisition of Symbion Pty Ltd.



Provision of an Independent Advisor's Report required by Rule 21 of the Takeovers Code in relation to a full takeover offer from Christchurch City Holdings Limited.



Provision of an Independent Advisor's Report required by Rule 18 of the Takeovers Code in relation to a proposed acquisition of shares by Lowe Corporation.



Provision of an Independent Advisor's Report required by Rule 21 of the Takeovers Code in relation to the partial takeover offer made by Talley's.



Independent Advisor's Report required by Rule 21 of the Takeovers Code in relation to the takeover offer made by Lempriere Group Limited.



Independent Advisor's Report required by Rule 22 of the Takeovers Code in relation to the full takeover offer made by New Dawn Energy Limited.



Independent Advisor's Report required by Rule 9.2 of the Listing Rules in relation to a material transaction with a related party involving the acquisition of two retirement village operators.



Certification of fairness required by Rule 57 of the Takeovers Code in relation to the compulsory acquisition of shares by the New Plymouth District Council.



Independent Advisor's Report required by Rule 22 of the Takeovers Code in relation to the full takeover offer made by BayWa AG.

Selected Independent Report Experience

We have prepared independent reports for a range of New Zealand's largest companies

Our extensive experience gives us a unique depth of knowledge on NZX processes and listing rules



Independent Advisor's Report required by Rule 22 of the Takeovers Code in relation to the full takeover offer made by Cerebos New Zealand.



Independent Advisor's Report required by Rule 22 of the Takeovers Code in relation to the full takeover offer made by Ballylinch Limited Partnership.



Appraisal Report required by Rule 9.2 of the Listing Rules in relation to the sale by PGG Wrightson of the shares in PGG Wrightson Finance to Heartland Building Society.



Appraisal Report required by Rule 9.2 of the Listing Rules in relation to the sale by PGG Wrightson of the shares in PGG Wrightson Finance to Heartland Building Society.



Report required by Listing Rule 9.1 and 9.2 in relation to the internalisation of the management rights and corporatisation of the trust.



Independent Report on the merits of the proposed merger of MARAC Finance, Canterbury Building Society and Southern Cross Building Society and the formation of Heartland Building Society.



Independent Advisor's Report required by Rule 7(d) of the Takeovers Code and an Appraisal Report required by Rule 7.5 of the Listing Rules in relation to a rights issue and allotment under an underwriting arrangement to an existing substantial shareholder.



Appraisal Report required by Rule 9.2 of the Listing Rules in relation to a material transaction with a related party.



Provision of three independent expert opinions on the merits of proposed capital reconstruction transactions.



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