17 September 2020

Metlifecare Ltd (MET)

The company will hold a Special Shareholders Meeting **12.00pm, Friday 2 October 2020**.

If Covid restrictions allow there will be a physical meeting at the **Guineas Room 3, Level 3, Ellerslie Event Centre, Greenlane, Auckland.**

You can also join the meeting online at https://web.lumiagm.com/ The Meeting Code is 320-094-312.

Note that the instructions are not contained in the notice of meeting but in the separate Virtual Meeting Guide.

The purpose of the meeting is to hold a shareholder vote on a scheme of arrangement between Metlifecare Limited (Metlifecare/MET) and Asia Pacific Village Group Limited (APVG). APVG is an entity owned by EQT Infrastructure IV Fund and managed by EQT Fund Management S.à r.l. The scheme offer price is NZ$6.00 per Metlifecare share.

Note: The Resolution requires 75% or more of the votes cast to be voted in favour of the resolution and more than 50% of the votes of the total number of Metlifecare shares on issue must be voted in favour.

NB NZSA strongly recommends shareholders read all the notes to the Notice of Meeting and form their own views.

Shareholders should then direct their votes accordingly. Because of the voting structure, every shareholder's vote will count.

The Association has provided the following summary to inform shareholders about how we reached our conclusions on voting undirected proxies.

This is a new proposal.

Metlifecare entered into a Scheme Implementation Agreement (SIA) with Asia Pacific Village Group Limited (APVG) on 10 July 2020, where APVG agreed to acquire all the shares in MET for $6.00 cash per share under a Scheme of Arrangement (Scheme). Prior to the announcement, on 6 July 2020, that a non-binding indicative offer had been received, the shares were trading around $5.20. The Scheme price is thus at a 15% premium.

There was an earlier Agreement in December 2019 which NZSA covered in July this year. You can read our view on that here -

https://www.nzshareholders.co.nz/pdf/proxies/MET_PVI_2020_SSM_.pdf

Under that Agreement APVG agreed to acquire all the shares in MET for $7.00 cash per share under a Scheme of Arrangement (Scheme). Prior to that announcement the shares were trading around $6.38. Before that, an announcement was made on 20th November that a non-binding indicative offer had been received. Prior to that announcement, the share price was around $5.15. That offer was thus at a 36% premium.

That original Agreement was superseded by the new Scheme which was proposed after MET and APVG disputed the consequences of it occasioned by Covid – 19.

NZ Super Fund has 20% of the shares and supports the Scheme and with other institutions, particularly short-term arbitrage funds, having also voiced support, it appears the Scheme is likely to be approved. However, the decision is up to the shareholders.

Should that happen the company will delist from NZX but there are $100 million in bonds on issue, listed on the NZX debt market, and they will continue to be listed.

APVG has engaged Georgeson Shareholder Communications Australia Pty Ltd (Georgeson) "… to assist solicit proxy votes in favour of the Scheme of Arrangement."

Georgeson has confirmed to NZSA that it will undertake a telephone campaign in pursuit of that objective, but it will not provide the telephone script to NZSA. It did agree however make a call to NZSA during the campaign.

We suggest you do your own research rather than rely on advice from the group attempting the takeover.

The fact that the bidder is actively soliciting support from shareholders with even relatively small numbers of shares indicates that its confidence is not absolute.

How to vote in this matter will likely depend on the personal situation of individual investors.

NZSA notes the following:

- The current offer recommended by most MET directors is below the current NTA ($7.18 at time of writing) even after the recent asset write down for Covid.
- The offer is below the mid-point of the independent valuation. The independent valuation is the same as that made at the time of the first proposal yet in the interim the average share price of the four other companies in the sector has lifted over 14%.
- Even though the shares have been trading at a significant discount to NTA shareholders might reasonably expect, in a takeover situation, that a higher price, close to NTA, is appropriate. Shareholders may wonder whether they are being offered a sufficient premium for control.
- The company has a solid future and does not need to be rescued or bailed out.
- The offeror obviously sees value in the company.
- Many commentators have said the share price will drop if the offer does not proceed. However, although the price fell last time that was because of Covid-19 and hedge funds dropping the stock. At least one analyst is now saying that though the price may fall if the scheme does not succeed, they expect that any fall will be lower than last time. Such a fall may well be short-term in nature as it will be largely driven by hedge funds once again bailing out.
- The company has just reported a year-end result similar to last year and ahead of its forecasts. This roundly contradicts claims that a price lower than the original offer is justified.
- It has been suggested that if the Scheme does not go ahead, the company may need to raise capital in the short to medium term and this may dilute existing shareholders if they are unable or

unwilling to participate. However, at face value, it does appear that there is no need for the company to raise capital and the company itself has not so far mentioned this possibility.

- Shareholders who are also bond holders will have reduced influence and no voting power in the new entity. The key issue for bond holders is that there will be less transparency and it will be hard to determine if the risk profile of the new company changes. They will certainly be left with the feeling "this is not what we signed up for". Investors with long memories will recall the fate of Bluestar bond holders. Is this a matter for the Court to consider before approving the arrangement? NZSA thinks it is and will pursue that point.
- The Board of MET was not unanimous in deciding to support the Scheme. The Chair, Kim Ellis, is not in favour and will vote interests with which he is associated against it.
- Another director (Carolyn Steele) has abstained because she was previously associated with NZ Super Fund. This should not be relevant as her director duty is to Metlifecare. Shareholders have been deprived of knowing how she evaluates the offer, something that is at the least far from satisfactory.
- Why would directors recommend this offer for a profitable company which, despite having been the retirement sector laggard, has now actually outperformed its own expectations? Many investors will have bought in to Metlifecare because they saw it as better value than its listed comparators. If the company is sold, current investors will lose the opportunity to see this value gap close.
- Has the Board performed to the standard shareholders expect? Independent directors in other companies (such as Tilt) have shown that they can act robustly to secure better outcomes for shareholders by striving to resist takeover offers. Or is the problem simply that the actions of NZ Super Fund and the short-term players compromised the ability of the board to negotiate a better price.
- What is the rationale for New Zealand's sovereign investment fund dumping an existing business when government is keen to see it invest more "at home". If it has a "long term view" then it should be nurturing and helping businesses that do real things instead of effectively aiding the progressive gutting of the local capital market. This is surprising when another government fund with a large investment portfolio (ACC) has recently announced its investment in New Zealand housing.
- In this case some short term focussed investment funds which bought in at the time of the earlier proposal have been vocal in their support for the Scheme in an attempt to recover their losses as quickly as possible.
- Schemes are loaded in favour of predatory investors who can, in a range of circumstances, exert pressure on boards. The lower threshold than for takeovers enhances that power to the serious disadvantage of retail and long-term investors.
- Inequality of information among the parties is a major drawback to Schemes of Arrangement. Retail investors are disadvantaged.

Having considered all these issues the New Zealand Shareholders Association has concluded that

it will vote undirected proxies AGAINST the Scheme proposal.

Individual investors should consider their own financial circumstances and, if possible, determine their own needs and direct their vote.

New Zealand Shareholders Association Inc.

NZSA

Many Investors, One Voice

Proxies

You can vote online or appoint a proxy at https://www.investorvote.com.au/Login

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **11.00am Wednesday 8 July 2020.**

Please note you can appoint the Association as your proxy. We will have a representative at the meeting.

STANDING PROXIES - AUTOMATICALLY APPOINT NZSA AS YOUR PROXY

MAKE YOUR VOTE COUNT!

Details on the NZSA website.

http://www.nzshareholders.co.nz/shareholders-standing-proxies.cfm

The Team at NZSA