Newsletter

Recently, Armillary and its team (along with JP Morgan and Craig's Investment Partners) played a lead role in arranging finance for a very large acquisition transaction. The Tiriti o Waitangi Settlement was an acquisition of the land under 40 Wellington Schools and its lease back to the Crown for Education purposes.

A so-called Deferred Settlement Purchase or Property (DSP), this was a significant transaction because it was the largest such transaction to not dissipate the Iwi's ownership of the Whenua through Syndication. It allowed Schools, in the home rohe of Toa Rangatira, to be owned solely by Toa Rangatira as mana whenua of the region. Previously, large ticket deals have had to be secured by the collective action of Iwi, to secure such opportunities.

The way this was achieved was due to the lease covenant with the Crown. A perpetual lease over a portfolio of properties, with limited capacity to terminate individual schools other than within the provisions of the Education Act, or a force majeure event that limits access to the specific individual site, and even then only after reference to tiered reduction cap in the portfolio annual rentals pegged to then market rental.

In essence, TOA and its finance partners: ANZ; BNZ; Booster; Fisher Funds; Westpac; Toa Rangatira Trust, and Rotoma Inc, we're able to relay the Crowns undertakings to pay rent (of a simple) circa $462m over 21 years (with rent reviews at year 7 and 14) to service the circa $360m of net borrowings, after being able to swap its loan obligations to a fixed rate for a 15 year period. This allows for a planned full amortisation over a 25 year period.

So what does this mean for Toa Rangatira? Any improvements in land values will be solely to its account. It doesn't need to consult with parties other than the SPV's lenders, Trustee & paying agent, and absent a devastating natural disaster - they won't have to consult much with them!

Securitisation focuses on the quality of receivables and improves the creditworthiness of the borrower or issuer through one or more of four credit enhancements: the portfolio nature of the inflows - in this case 40 separate schools; the creditworthiness of the cashflow provider - the AAA rating of the Crown; credit insurance - not strictly used here, but certainly enhanced with the rolling peg limit of reduced cash flows, and credit enhancement - created by the senior hold-co funding vehicle that sweeps surplus cashflows to service interest.

This is the sixth time that Armillary and its team have used securitisation principles to support highly leveraged transactions. From using trade debtors to fund the acquisition of 80% of a services consultancy; to securitising lease flows to support IT network infrastructure, to discounting corporate rentals to fund investment in an ESG fund, and now to help an Iwi to lower its borrowing costs, access higher levels of ownership and exercise its mana more effectively, and all without guarantees on a bankruptcy remote basis. Tehei Mauri Ora! He iwi Toa, He iwi Rangatira!

People Movements

Andrew Arthur

Senior Analyst - Auckland

Andrew joined us in May 2022, prior to which he worked as Senior BAS Accountant at Grant Thornton, having previously worked at VCFO Group as a Management Accountant. Andrew holds a Bachelor of Commerce in Accounting from the University of Auckland, is a Chartered Accountant accredited by CAANZ and is a participant in the CFA program, having passed level 1, currently working on level 2.

Jansson Ford

Analyst - Wellington

Jansson joined us in July 2022, prior to which he worked as an analyst for Te Tai Ōhanga (The Treasury NZ). Jansson holds a Masters of Finance and a Bachelor of Commerce Majoring in Finance both from the University of Otago.

Completed Transactions

Ngati Toa & Ministry of Education

Ngati Toa successfully purchased 40 public schools spanning 144 hectares within the Porirua and Wellington region, worth upwards of $400m from the Ministry of Education. The land will be leased back to the Ministry, making the Runanuga the largest landlord of the MOE.

Ngati Toa & One Forty One

Ngāti Toa and OneFortyOne agreed on an advance rental payment by OneFortyOne of over $20m being 13 years of Forestry rentals to form the capital of the Toa Rangatira ESG Fund. The fund will support Ngāti Toa's infrastructure goals in social housing, education, health, and social services.

Valuations

Our valuation practice continues to be busy preparing Appraisal Reports for NZX listed issuers and valuations for a wide range of private companies across the medical equipment, building supplies, MarTech, and trucking & transport sectors.

Current Engagements

Our Current Engagements include the following:

Clean Tech Software and Financing

Capital Raise: Company focused on sustainable fleet management and advisory for governmental and local businesses with the aim to reduce carbon emissions.

Food and Beverage

Capital Raise: South Island based boutique ice cream manufacturer seeking to raise capital to meet production demand in national, Australasian, and Asian markets.

Marine Engineering

Sale: Stark Bros. Limited ship repair and boat building business, a leading marine engineering business based in Lyttleton which includes strategic property adjoining dry stock.

Wine Sector

Acquisition and Capital Raise: Advisory services to combine a number of South Island based wine businesses into a significant scale domestic and export branded business.

Health and Wellness Software

Capital Raise: Development of a patient and provider portal, simplifying healthcare for consumers.

Residential Property Development - Auckland

Capital Raise: Auckland based property developer currently in the process of constructing c.50 apartments.

MedTech

Capital Raise: New capital raise for a company that specialises in drug verification technology. The technology is aimed to roll out through hospitals and pharmacies.

Residential Property Development - Marlborough

Capital Raise: Marlborough based property developer looking to construct c.150 residential dwellings.

Factory Software

Acquisition and Capital Raise: Auckland based software solutions provider, specialising in improving factory floor efficiency.

> "As always we have a range of investment opportunities available. View our current opportunities here."

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