



Agreement to Sell New Zealand Bus to Next Capital

24 December 2018

Infratil today announced a conditional sale of its 100% interest in its NZ Bus business (**NZ Bus**) to funds controlled by Next Capital. The agreement is conditional on counterparty consents to the change of control, Overseas Investment Office approval, and standard material adverse change clauses, as well as full documentation of the vendor loan. Subject to satisfaction of the conditions, completion of the transaction is expected to be around 30 June 2019.

On completion of the transaction, Infratil expects to receive proceeds of approximately \$218 - 240 million, with final proceeds adjusted for normal working capital, capital expenditure, and net debt, and an earnout. Proceeds include provision of a vendor loan of between \$20 and \$30 million repayable within 5.5 years of completion.

“The conditional sale agreement enables NZ Bus to continue to grow its business and people under new ownership and allows Infratil to focus its investments on its established platforms targeting renewable energy, retirement services, and growth in data and connectivity” said Morrison & Co executive and NZ Bus Chairman Kevin Baker.

“Next Capital considers that the bus industry provides the core public transport function in NZ’s dynamic metropolitan environments and is excited about its re-entry into this important sector, following prior successful investments in GoBus in NZ and Forest Coach Lines in Australia. We look forward to the opportunity to continue the NZ Bus journey, partnering with Auckland Transport, Greater Wellington Regional Council and Bay of Plenty Regional Council, to deliver superior public transport outcomes across New Zealand and drive the long-term success of this iconic NZ business” said Next Capital partners John White and James Murphy.

UBS New Zealand advised Infratil on the strategic review and the transaction, and Murray & Co advised Next Capital.

Kevin Baker
Infratil Limited

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Background

NZ Bus

Infratil acquired NZ Bus in 2005 and announced a strategic review of its investment in February 2018. NZ Bus provides public transport operations in Auckland, Wellington and Tauranga under long term contracts with the relevant local authorities. The business comprises approximately 720 buses, operates from 13 depot locations and employs 1,400 staff across Auckland, Wellington and Tauranga.

Over the last twelve months, NZ Bus successfully concluded its negotiations to secure long-term scale and stability for its Auckland and Wellington bus operations. The Auckland contracts have an average term of nine years, and a total contract value of around \$1bn, and the Wellington contracts have an average term of 10.8 years and total contract value of approximately \$323 million. In April 2018, NZ Bus won the Bay of Plenty Regional Council tender to operate its new Western Bay of Plenty bus contracts, comprising an 86 bus fleet for a nine-year term. These contracts position NZ Bus well to play an important and ongoing role in the provision of quality public transport services in Auckland, Wellington and Tauranga, and to be part of the future growth of public transport in New Zealand.

The book value of NZ Bus's assets at completion date is estimated at \$200 million. NZ Bus reported an EBITDA of \$13.2 million for the half year ended 30 September 2018 and \$33.4 million for the full year ended 31 March 2018.

Next Capital

Next Capital is a leading Australasian private equity investor, founded in 2005 with a strong operational focus. Next Capital was a former owner of Go Bus, a New Zealand based public transport operator and Forest Coach Lines, a Sydney-based public transport operator. NZ Bus will be its fourth major investment in New Zealand following Hirepool, Healtheries and Nutra-Life (the latter two combined to form leading NZ nutraceuticals company Vitaco). These businesses have seen record investment into people and capital to produce world class local operations that have gone on to compete on the world stage.