

## Rubicon announces property purchase and new lease arrangement



27 August 2019 – Rubicon announced today that it has committed to acquire, for US\$14.4 million (the “Purchase Price”), the US property where ArborGen Inc.’s (“ArborGen”) headquarters are located, in Ridgeville, South Carolina (the “Premises”).

ArborGen is currently the tenant of the Premises, which comprise approximately 13.5 acres of land and 55,000 square feet of office and laboratory building space. The underlying lease (the “Lease”) does not expire until 2032 and has fixed annual lease payment commitments of US\$1.4 million (i.e. approximately US\$18 million still outstanding)<sup>1</sup>.

The Rubicon Group has a “one-time” opportunity to exercise a right of first refusal to purchase the Premises should the landlord enter into an agreement to sell the Premises to a third party. This opportunity has now arisen, providing a range of benefits to the Rubicon Group. Specifically, acquisition of the Premises now will –

- Improve the Rubicon Group’s annual cash flows, as the principal and interest payments on the funding to acquire the Premises will be materially lower than the committed annual lease payments over the remaining term of the Lease
- Provide Rubicon with increased flexibility to deal with the Premises in future
- Allow Rubicon to lease unutilised space within the Premises, to a suitable party, generating additional immediate income and seeding future potential opportunities (*refer discussion below*)
- Extinguish US\$6 million of lease guarantees, including US\$4 million of indemnities Rubicon was required to grant to International Paper and WestRock in 2017 in respect of guarantees that each of these previous ArborGen owners provided to the landlord of the Premises.

One of ArborGen’s primary lenders in the US has agreed (pending the finalisation and signing of loan documentation, which is expected to be concluded this week), to lend a maximum of 80% of the Purchase Price (i.e. US\$11.5 million)<sup>1</sup>, under a 20-year term loan on a fully secured basis at an interest rate of approximately 4% per annum. To ensure Rubicon was able to take advantage of this opportunity, certain directors / major shareholders and senior management of the Rubicon Group have agreed to lend (on a fully subordinated basis to all ArborGen’s existing and new bank debt, repayable only at maturity (3 years), and at a 7% per annum interest rate) the 20% balance of the funding required (i.e. US\$2.9 million). Rubicon sought and received independent confirmation that the interest rate is reasonable to Rubicon.

In addition to the purchase of the Premises and the associated funding arrangements, the Rubicon Group has also entered into a 7-year lease agreement with a hemp processing company that is establishing an industrial hemp processing plant in South Carolina to take advantage of the burgeoning industrial hemp market in the US South-east.

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To: NZX From: Sharon Ludher-Chandra

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Further information on Rubicon Limited can be viewed at the Rubicon web site, at <http://www.rubicon-nz.com>.

Dave Knott, the ArborGen and Rubicon Chairman, said, “We are excited to be able to purchase ArborGen’s head office premises, which together with the new lease agreement, will improve the Rubicon Group’s earnings and cash flows by circa \$1 million on an annualised basis moving forward. Ownership of the premises will also strengthen Rubicon’s balance sheet over time, and open up a range of options for this property with the flexibility that outright ownership will give us. We are also delighted to be able to co-share the Premises with an exciting venture, and look forward to future opportunities that ArborGen’s expertise may provide in this emerging arena.”

1 At 31 March 2019 the Premises were recorded as a right-of-use finance lease in the Rubicon Group balance sheet, with a finance lease obligation (current and term) of US\$11.3 million and a corresponding finance lease asset (net book value) of \$10.6 million.



#### About ArborGen

ArborGen is a 100% owned subsidiary of Rubicon. It is the largest commercial global seedling supplier and a leading provider of advanced genetics, for the forest industry. Employing state-of-the-art technology, ArborGen is developing high-value products that significantly improve the productivity of forestry. For more information, please visit ArborGen’s website at [www.arborgen.com](http://www.arborgen.com).

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