



FDI 2016-2018

FOREIGN DIRECT INVESTMENT REPORT

A REVIEW OF OIO APPLICATION APPROVALS,
INSIGHTS & TRENDS FOR THE PERIOD
JANUARY 2016 TO JUNE 2018

March 19

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FUELLING
PROSPERITY 



CONTENTS

INTRODUCTION

01

INVESTMENT TRENDS 2013-18

12

INVESTMENT BY SECTOR

24

AGRI-BUSINESS

28

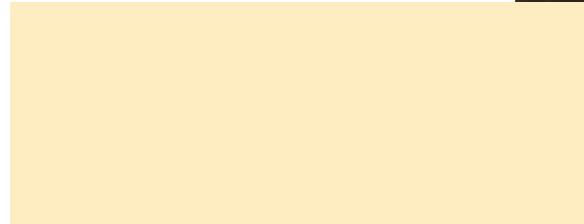
LAND ACQUISITION

36

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

INTRODUCTION





// FOREIGN DIRECT INVESTMENT

An insight into foreign investment trends in New Zealand

Awareness and interest in foreign direct investment has been growing over recent years, and continues to be an issue which generates a broad range of responses, which on occasions are divergent. Investment (whether foreign or domestic) is an important lever to fuel prosperity in New Zealand. Understanding the source and focus of Foreign Direct Investment (“FDI” or “investment”) provides an insight into how New Zealand connects with the world.

This is the fourth report KPMG has prepared on FDI; the first was published in 2013 and followed by two further reports in 2015 and 2016. This report covers OIO decisions over the last two and half years

(January 2016 – June 2018), and also provides a longer time series analysis for the period 2013 to June 2018.

When we first produced these reports, we noted the volatility in investment between years, and that a longer term horizon would provide a relevant picture. We are moving closer to this goal of building a longer term view of investment trends, with this report now providing a five and a half year perspective!

It should be noted that the majority of these transactions are between an offshore vendor and an offshore acquirer. So while the assets are New Zealand based, the consequent value to the New Zealand economy will depend on the

perspective and intended activities of the asset owner. A reference to “investment” or “FDI” is therefore a reference to an approved OIO application.

We hope that this report aids discussion on FDI. If you have any feedback, or would like to discuss these findings in more detail, you are welcome to get in touch with us at KPMG.

Kind regards

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// FOREIGN DIRECT INVESTMENT

Report highlights

Foreign direct investment has a direct impact on the prosperity of New Zealand - both by cementing trade relationships, and creating employment through investment in New Zealand businesses. Our analysis highlights that:

FIVE COUNTRIES CONTINUE TO DOMINATE THE STATISTICS FOR ORIGIN OF INVESTMENT

// Over half our overseas investment comes from five countries, when measured by consideration.

// North American and Australian investors are the most significant source of investment, followed by China and Singapore. Over the period between 2016 to June 2018, Australia, the United States and China accounted for 44% of investment.

THE MIX OF INVESTMENT HAS CHANGED IN RECENT YEARS

// There has been a decline in agri-business investment (measured by consideration) in recent years. Large deals in Financials and Energy, Power & Utilities make up a large part of investment between 2016 and 2018.

THE VOLUME OF APPROVED APPLICATIONS HAS DECLINED

// There has been a noticeable drop in the number of approved applications since 2014, however total consideration has been generally increasing.

// Agri-business applications account for a significant portion of the decrease in the past 6 years, however they tend to be for lower levels of consideration.

// Approved applications for dairy and milk processing have generally declined since 2014, likely reflecting declining commodity prices for milk products and a slowing in new supply.

AGRIBUSINESS INVESTMENT HAS SHIFTED FROM DAIRY TO FORESTRY

// Large Forestry deals have shaped agri-business investments in the past two and a half years and surpassed investments in the Dairy industry.

// Total foreign direct investment in agri-business was \$4.3b between 2013 and June 2018, representing roughly 9.7% of total investment in this period.

// China was the most significant investor in agri-business over 2013 to June 2018, followed closely by the United States.

FREEHOLD LAND ACQUISITION HAS INCREASED IN RECENT YEARS DUE TO INCREASED FORESTRY INVESTMENT

// The acquisition of freehold land has increased in recent years, reflecting the increased investment in forestry.

// North American investors have acquired more than half of all the land (approximately 420,000 hectares) since 2013. China has acquired approximately 7.3% (freehold and leasehold combined).





// FOREIGN DIRECT INVESTMENT

Approach

METHODOLOGY FOR ANALYSIS OF OVERSEAS INVESTMENT OFFICE (OIO) DATA

The analysis which follows is based on an analysis of published decision summaries and consultation with the OIO. As the report is based on an aggregation of decision summaries, the percentages may differ from aggregated statistics which include confidential transactions. We have excluded significant transactions or mergers which were approved but did not proceed, which provides another source of difference from aggregated statistics.

Where we have reviewed specific approvals, we have adopted the following procedures in analysing the OIO data:

// The majority of the analysis performed in producing this report has been provided by way of summary data from Land Information New Zealand (LINZ) and the decision summary cases from the

Overseas Investment Office;

// In situations where application consideration is “confidential” and the consideration is disclosed as exceeding \$100m, we have assumed a value of \$100m as the gross consideration;

// A standardised list of macro industry sectors and their constituent subsectors was used in conjunction with overseas investment decision summary descriptions to guide the categorisation of each application;

// Country-specific contributions are calculated by taking a country’s percentage stake in the applicant and multiplying it by the total consideration stated in the said application;

// Where “cost of development” has been cited in place of consideration, we have treated the figure quoted as gross consideration;

// Where the “asset valuation” of the vendor was stated in place of consideration, we have treated the figure quoted as gross consideration; and

// Where a foreign entity purchased a controlling stake in a New Zealand company, the total land area controlled by the overseas entity is recorded in the land area statistics.



CAVEATS TO THIS REPORT

With the exception of the origin of investment and the land acquisition statistics, there are several caveats to the conclusions drawn in this report. Specifically:

// A number of transactions are deemed to be confidential. At the country level over the 2016 to 2018 period, over 75% of consideration values were able to be recovered, with the residual being withheld under confidentiality. There are various reasons why information may be confidential. A frequent ground for withholding official information is that the release will result in “prejudice to a person’s commercial position”;

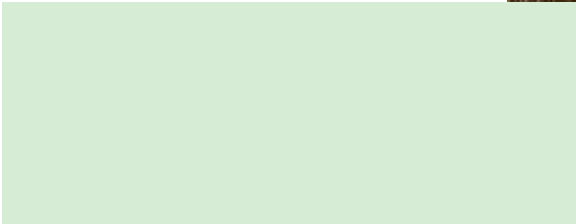
// A number of well-known New Zealand listed companies are captured in the data by virtue of their share register containing overseas investors;

// Takeovers occurring in overseas markets and IPOs can trigger OIO application requirements in New Zealand markets by virtue of the change in control;

// Australian investors are no longer required to make an OIO application where the consideration is less than approximately \$500 million, and the investment does not include any sensitive land or fishing quota. This is likely to reduce the level of observed Australian investment relative to other countries ; and

// Not all OIO decisions necessarily proceed to settlement or result in an investment. Therefore the information cannot be interpreted as actual investment data. We have removed two large proposed mergers which have not proceeded to date, being the proposed merger of Vodafone and Sky, and the proposed merger of NZME and Fairfax.

INVESTMENT TRENDS 2013-18





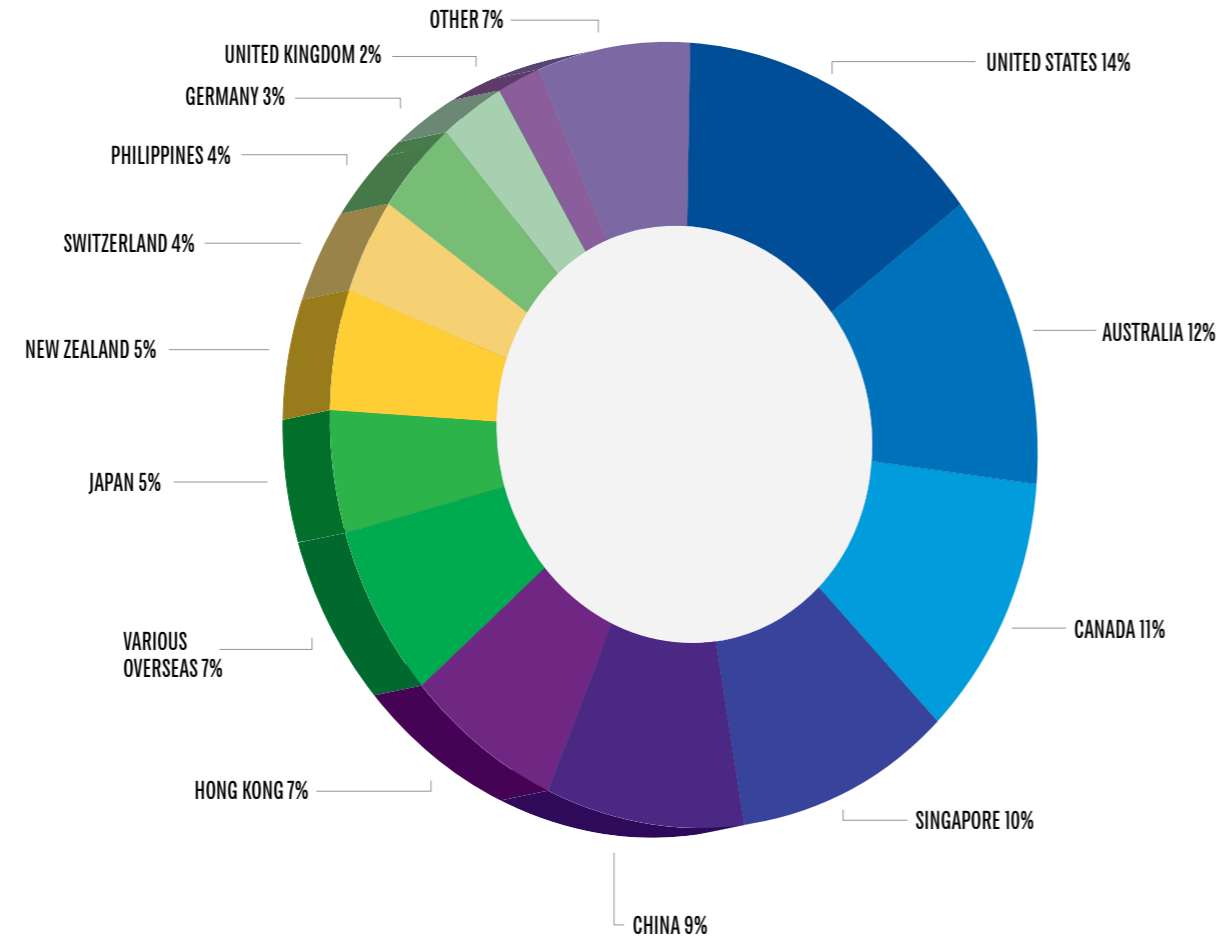
// FOREIGN DIRECT INVESTMENT

Origin of Investment

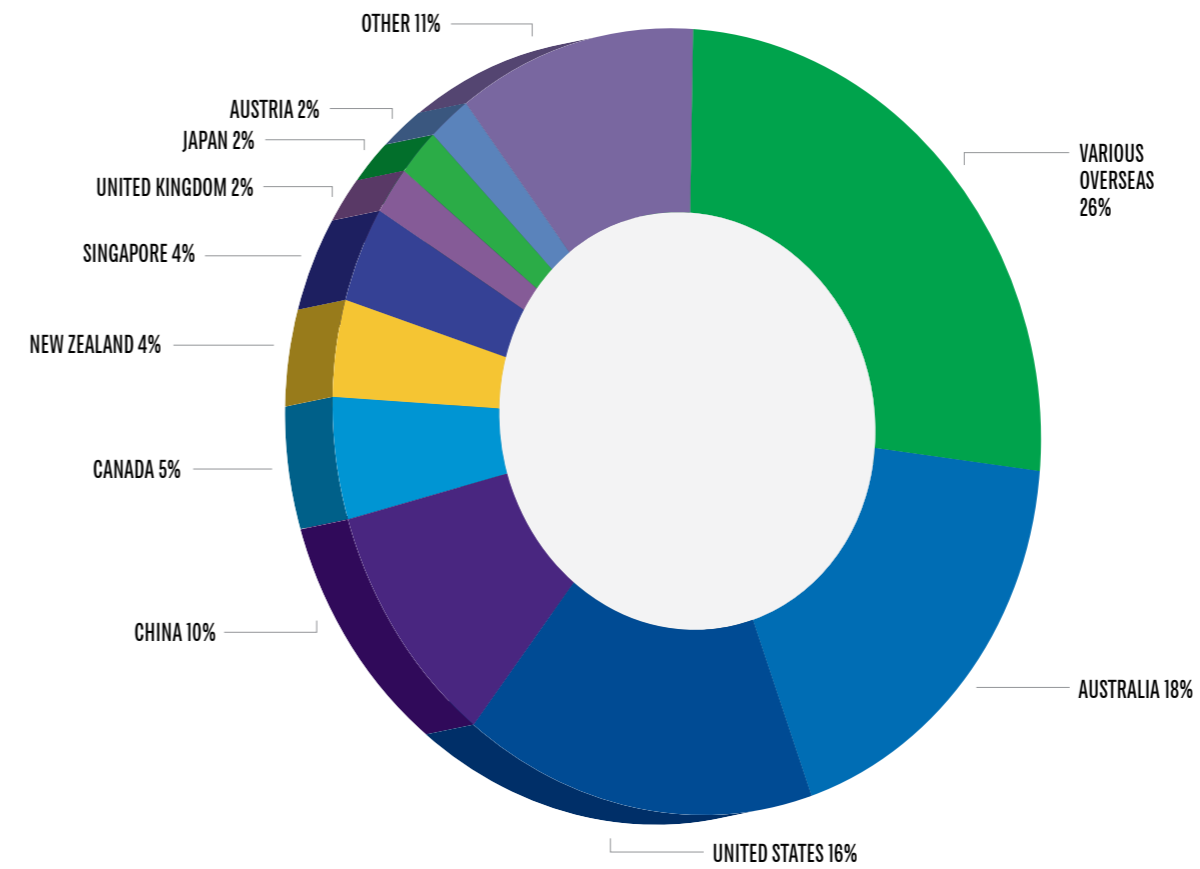
KEY FINDINGS

Australia, the United States and China were the most significant investors in New Zealand, accounting for 44% of investment between 2016 and 2018.

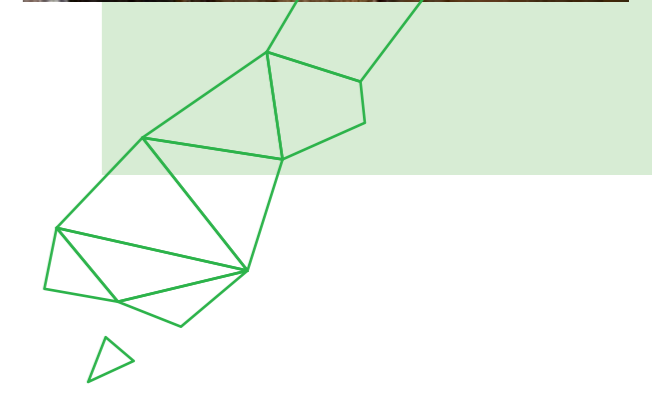
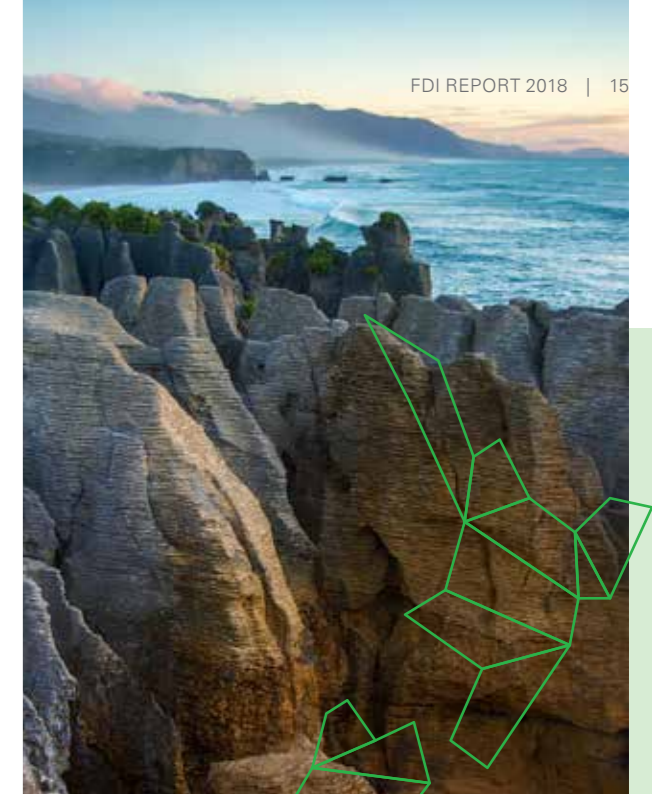
ORIGIN BY COUNTRY 2013-15



ORIGIN BY COUNTRY 2016-18



Note: 'Various Overseas' is a categorisation included in OIO applications where the origin of investor is not disclosed. This is shown separately from 'Other', which relates to countries which did not warrant disclosure in this graph.



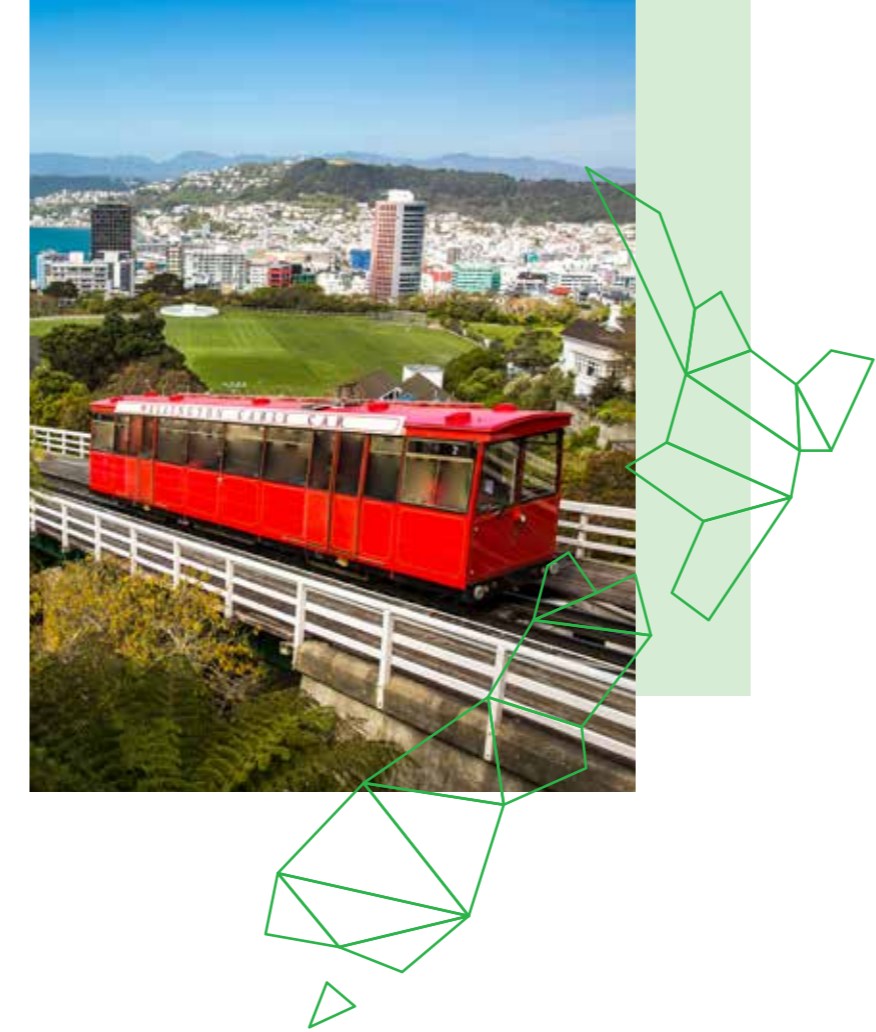
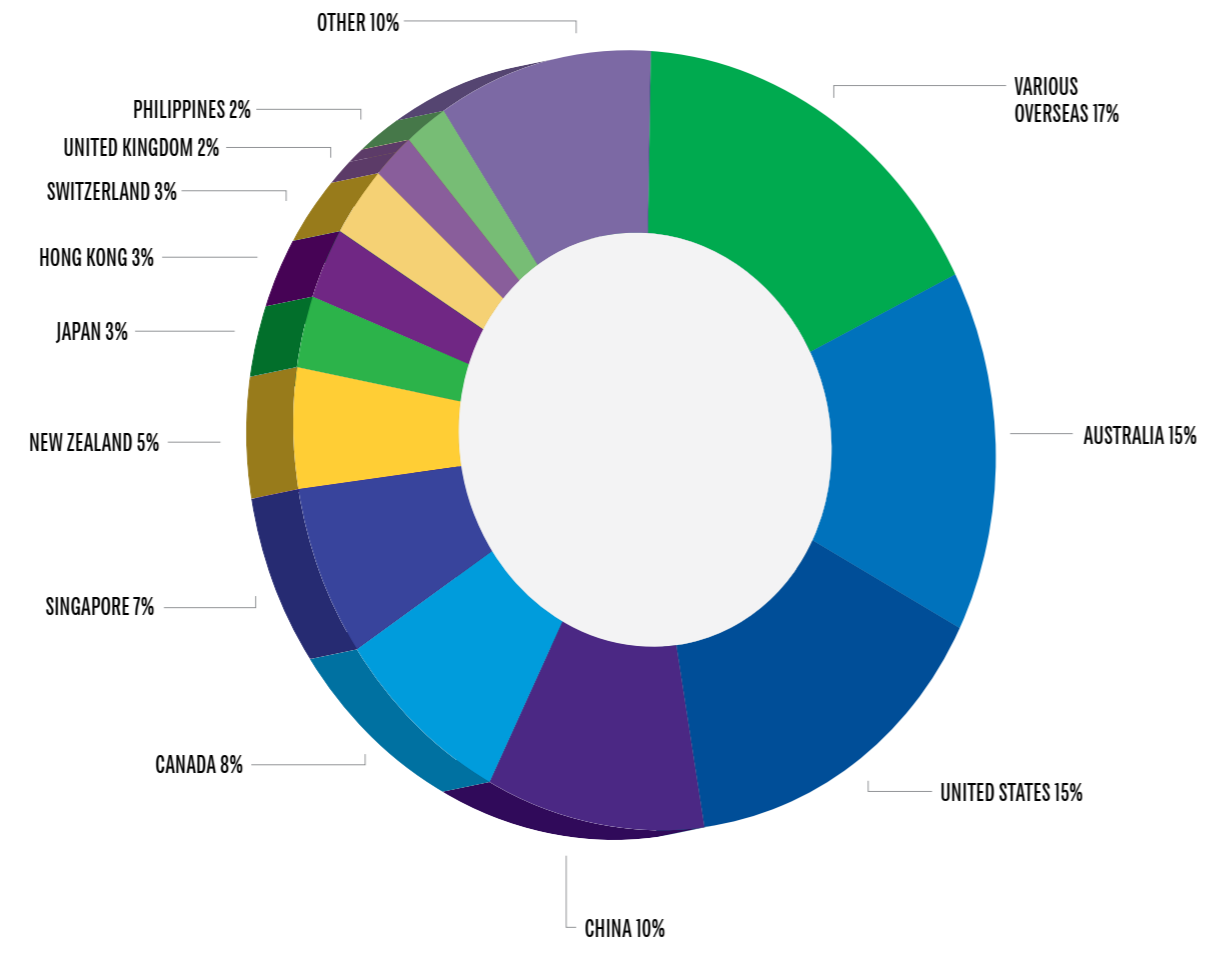


// FOREIGN DIRECT INVESTMENT

Origin of Investment 2013-18

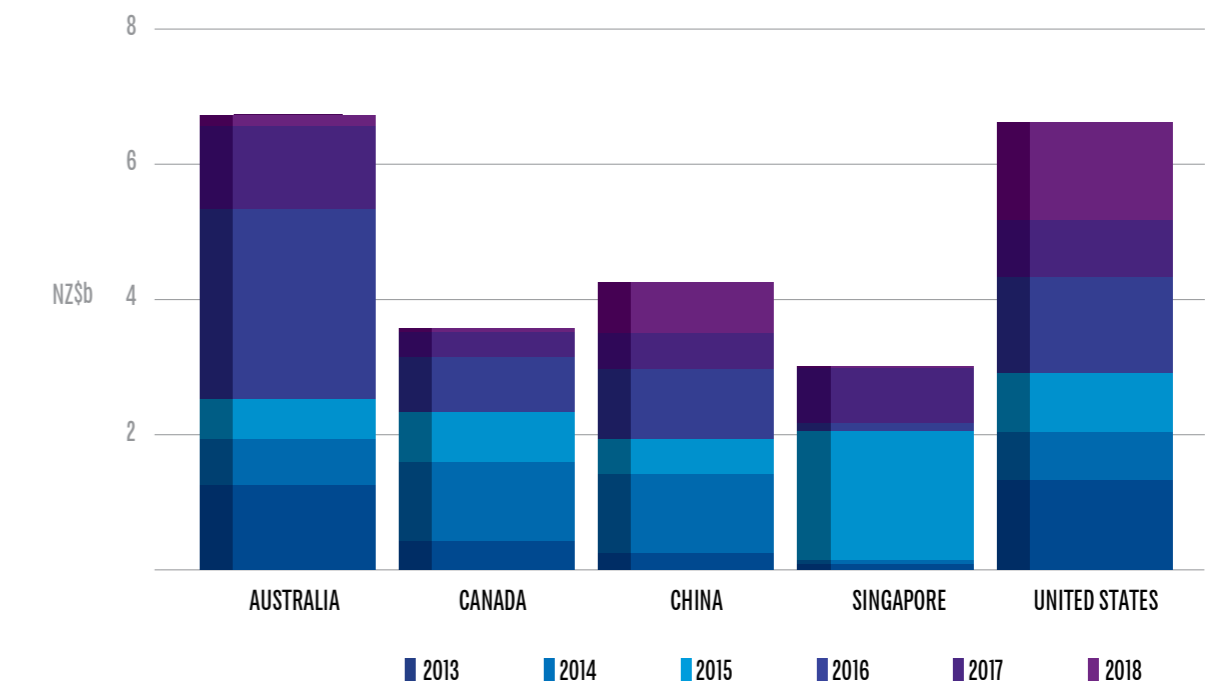
KEY FINDINGS
Over half our overseas investment comes from five countries, when measured by consideration over the period 2013 to June 2018.

ORIGIN OF INVESTMENT 2013-18



KEY FINDINGS
North American and Australian investors are the most significant source of FDI in New Zealand, followed by China and Singapore.

ORIGIN OF INVESTMENT 2013-18



// FOREIGN DIRECT INVESTMENT

Top 10 Investments

» Top 10 transactions 2016 (NZ\$m)

DATE	GROSS CONSIDERATION	TARGET COMPANY/ VENDOR ASSETS	ORIGIN OF DOMINANT OVERSEAS INVESTOR
Jun 16	1,045	Nuplex Industries	United States
Apr 16	953	Vector Gas	Australia
Dec 16	498	NZ Steel	Australia
Feb 16	452	Broadspectrum	Europe
Jun 16	370	Tasman Bay Forests	Japan
Dec 16	366	Two Degrees	United States
Nov 16	364	Merger Du Pont and Dow Chemical Company	Various
Dec 16	353	Hellaby Holding	Australia
May 16	315	Fisher & Paykel Finance	Australia
Total	5050		
Share of total consideration 2016	54%		

Note 1: Target company name has been modified from the legal name in some instances to present the business name for ease of reading.

Note 2: Gross consideration may differ from transaction value, which may be a lower amount in instances where the application refers to asset value of the investment.



» Top 10 transactions 2017 (NZ\$m)

DATE	GROSS CONSIDERATION	TARGET COMPANY	ORIGIN OF DOMINANT OVERSEAS INVESTOR
Dec 17	1,750	Origin Energy	Australia
Mar 17	660	Sistema Plastics	United States
Jun 17	552	Two Degrees	Austria
Mar 17	350	Dae Ju Group (hotel development)	Singapore
Jun 17	340	Gull Petroleum	Australia
May 17	328	Spotless Group	Australia
Nov 17	278	Auckland City Holdings	Singapore
Nov 17	263	Opus International Consultants	Canada
Dec 17	242	Office Max	North America
Mar 17	230	Kiwi Property Holdings	New Zealand
Total	4,993		
Share of total consideration 2017	66%		



// FOREIGN DIRECT INVESTMENT Top 10 Investments

» Top 10 transactions Jan- July 2018 (NZ\$m)

DATE	GROSS CONSIDERATION	TARGET COMPANY / VENDOR ASSETS	ORIGIN OF DOMINANT OVERSEAS INVESTOR
Jun 18	4,133	Commonwealth Bank - life insurance business	United States
Apr 18	363	Stride Property	China
Mar 18	288	Icebreaker Holdings	United States
May 18	280	Indirect Ownership of Airworks	China
May 18	209	Goodman Nominee (NZ) Ltd (property - Central Park)	North America
June 18	208	Godfrey Hirst	United States
Mar 18	203	Trilogy International	China & Canada
Feb 18	150	Todd Maari	United States
Apr 18	103	Lambton Quay Properties Nominee (HSBC Tower)	Switzerland
Feb 18	100	Eclipx Leasing Finance (NZ)	Australia
Total	6,037		
Share of total consideration 2018	97%		



KEY FINDINGS

The first half of 2018 saw AIA International purchase Commonwealth Bank's life insurance business for 4.1 billion NZD. This represented the price for both the Australian and NZ (Sovereign) insurance businesses.





// FOREIGN DIRECT INVESTMENT

Applications & consideration 6-year trend

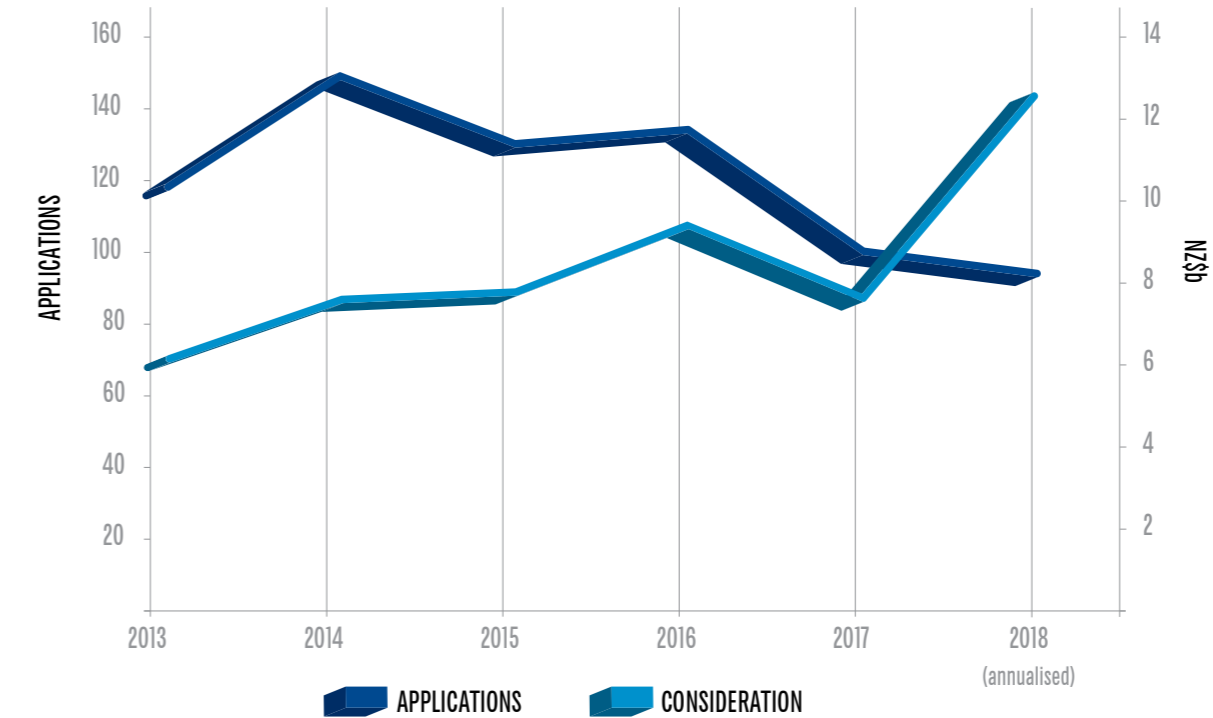
(annualized 2018)

KEY FINDINGS

There has been a noticeable drop in the number of approved applications since 2014, however total consideration has been generally increasing, reflecting in part an increase in deal size and a change in the mix of investment.

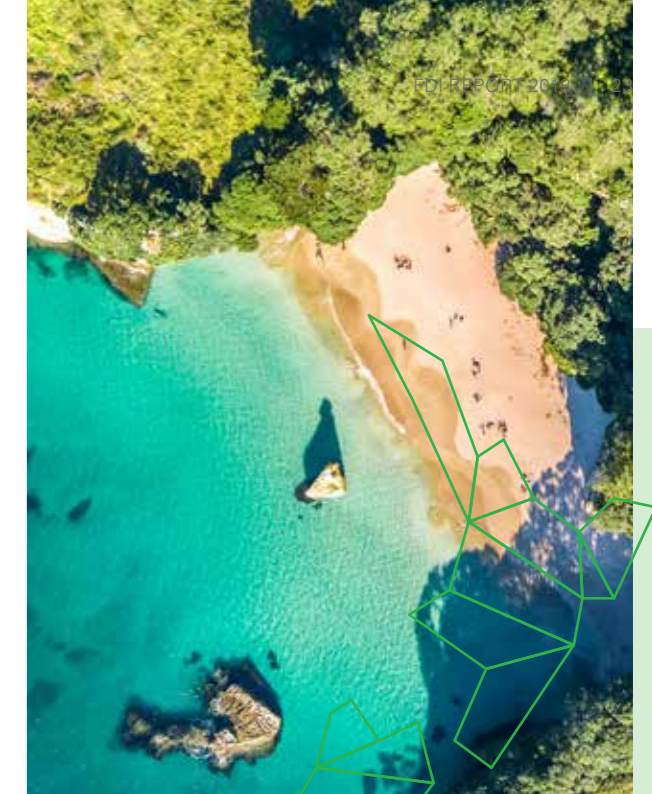


APPLICATION AND CONSIDERATION 2013-2018

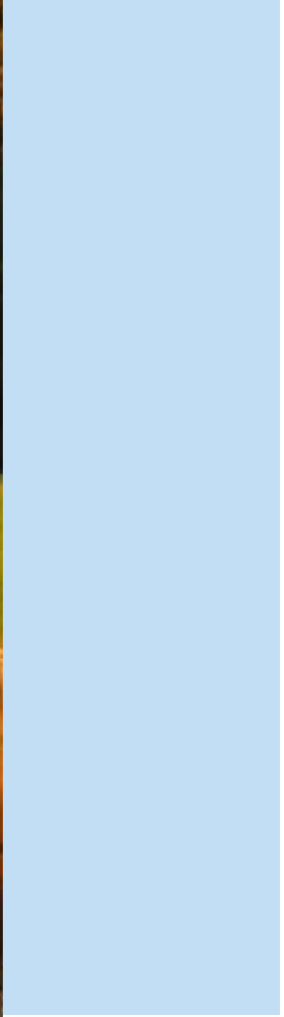
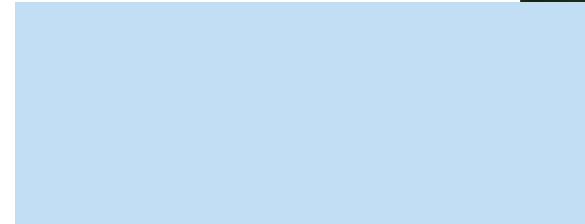


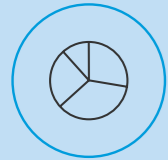
KEY FINDINGS

Agri-business and real estate accounted for more than 60% of applications, however they tend to be for lower levels of consideration.



INVESTMENT BY SECTOR





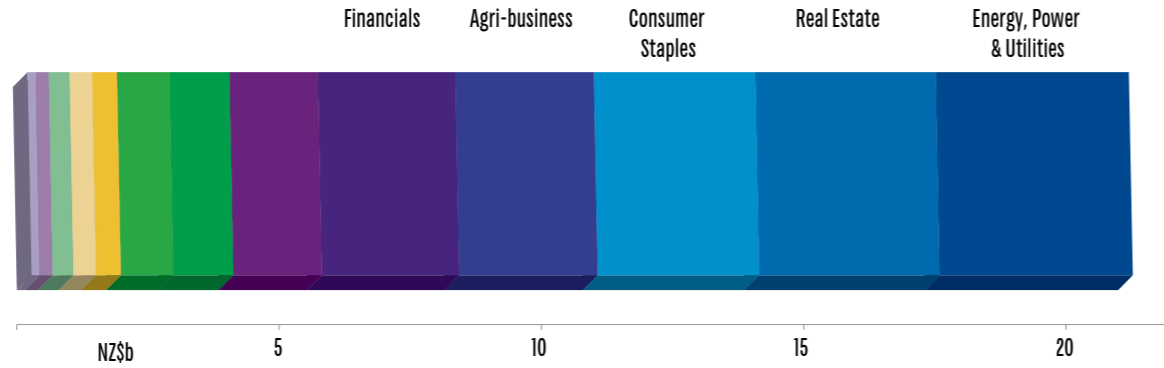
// FOREIGN DIRECT INVESTMENT

Investment by sector

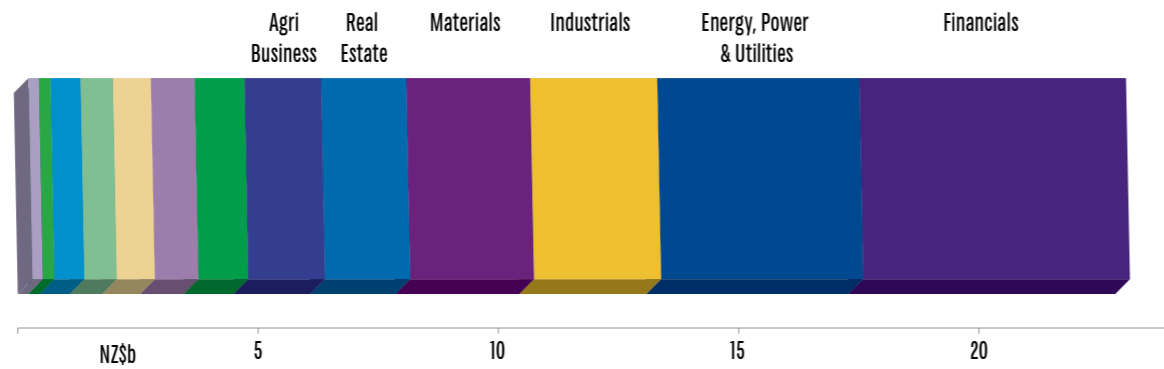
KEY FINDINGS

There has been a decline in agri-business FDI (measured by consideration) in recent years. Large deals in Financials and Energy, Power & Utilities make up a large part of FDI between 2016 and 2018.

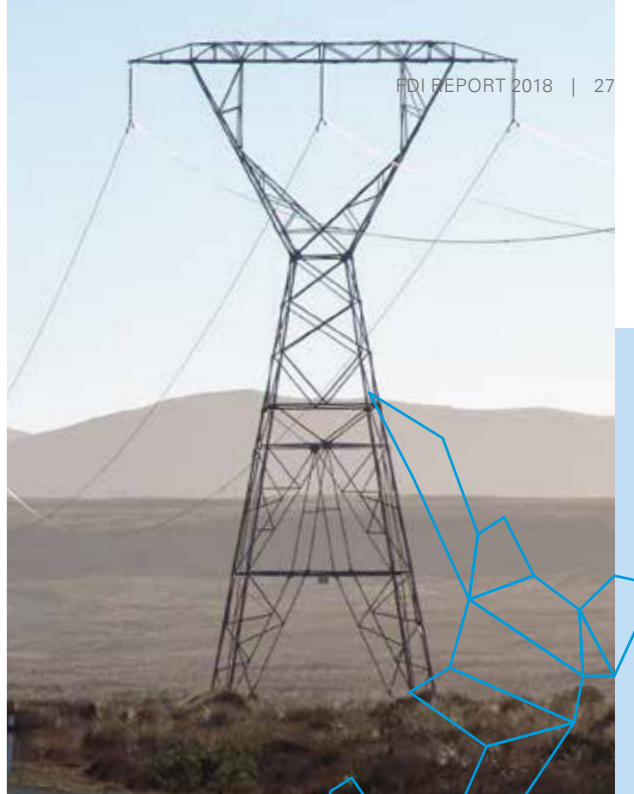
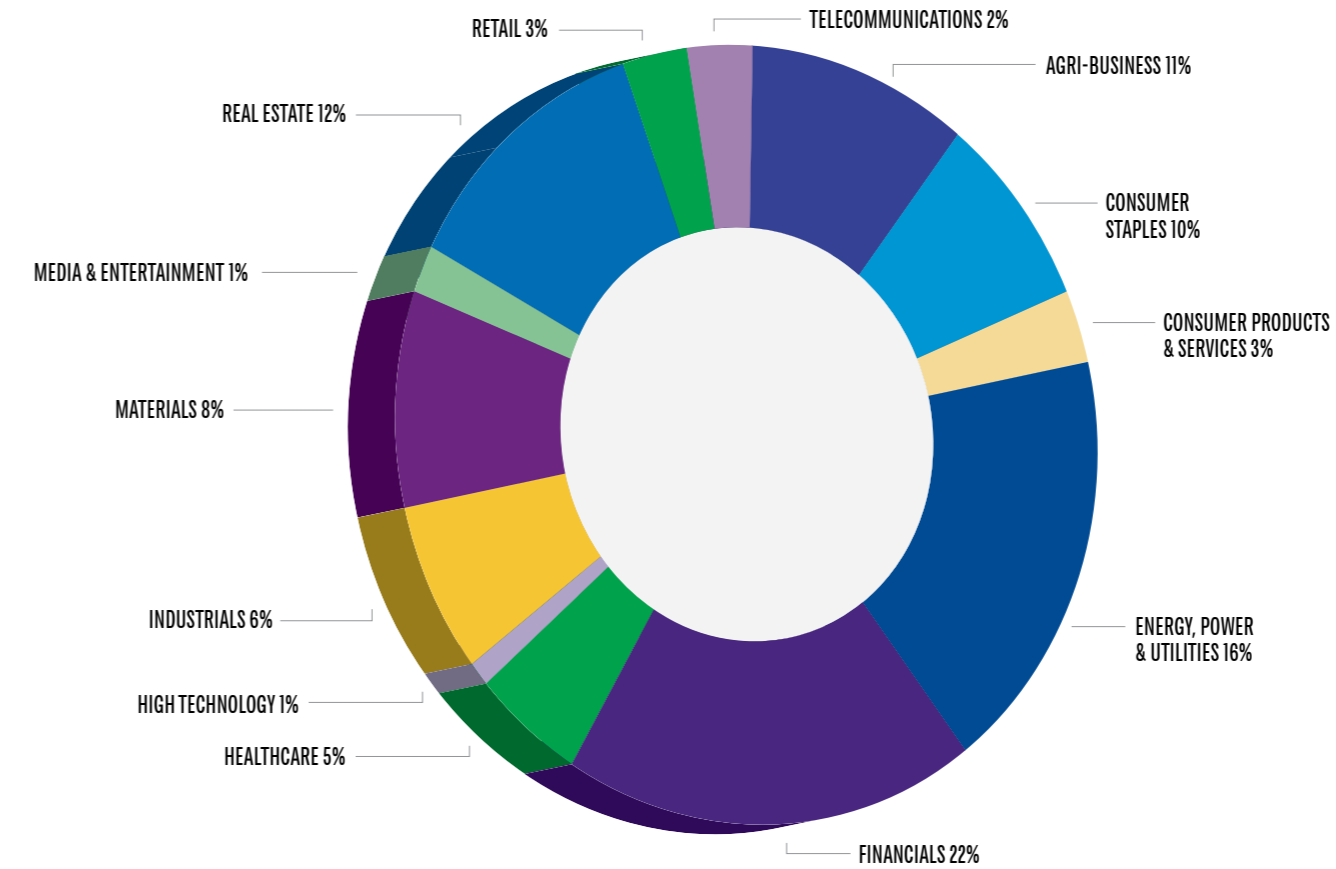
INVESTMENT BY SECTOR 2013-15



INVESTMENT BY SECTOR 2016-18



INVESTMENT SECTOR 2013-18 - % GROSS CONSIDERATION



AGRI-BUSINESS





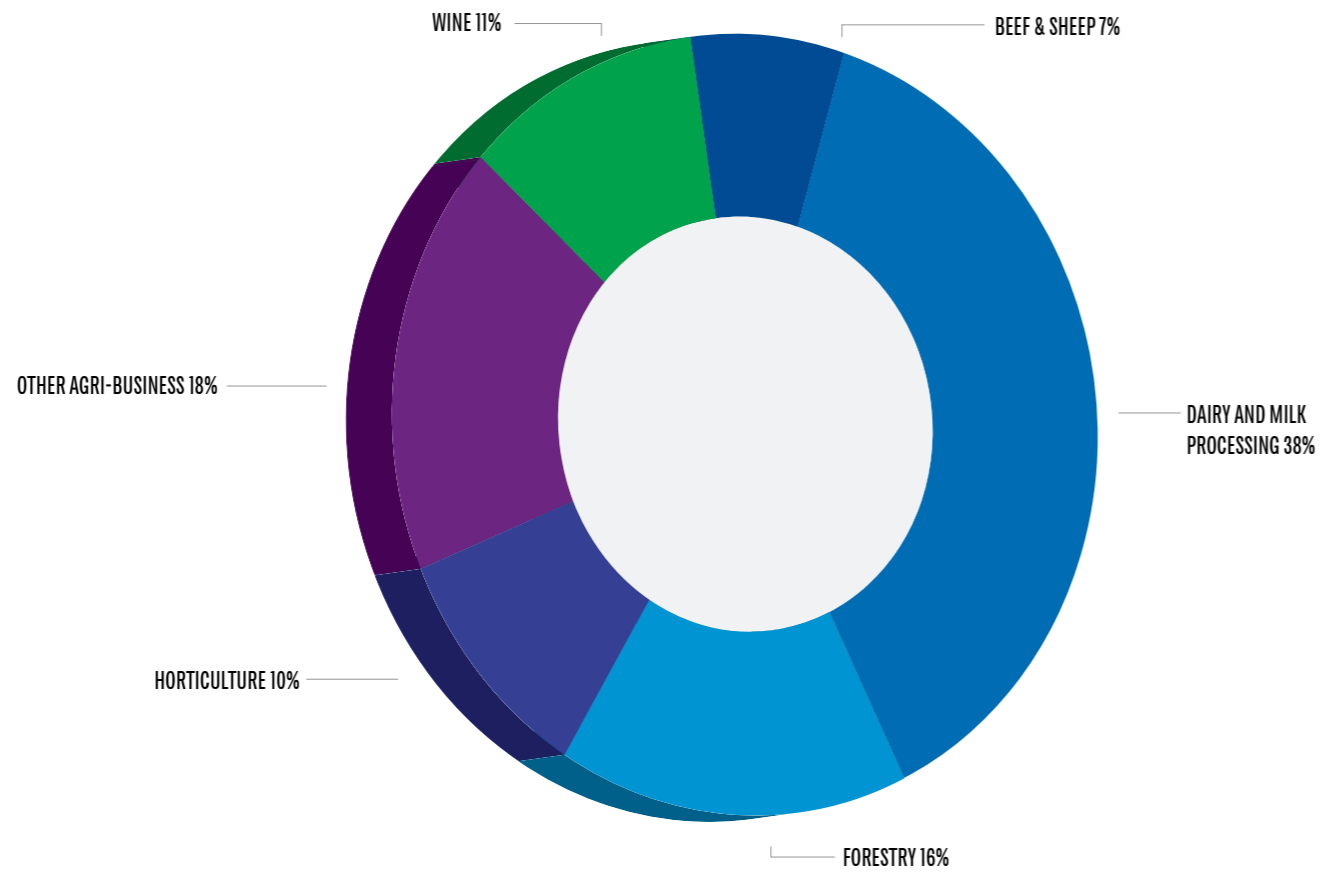
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Agri-business

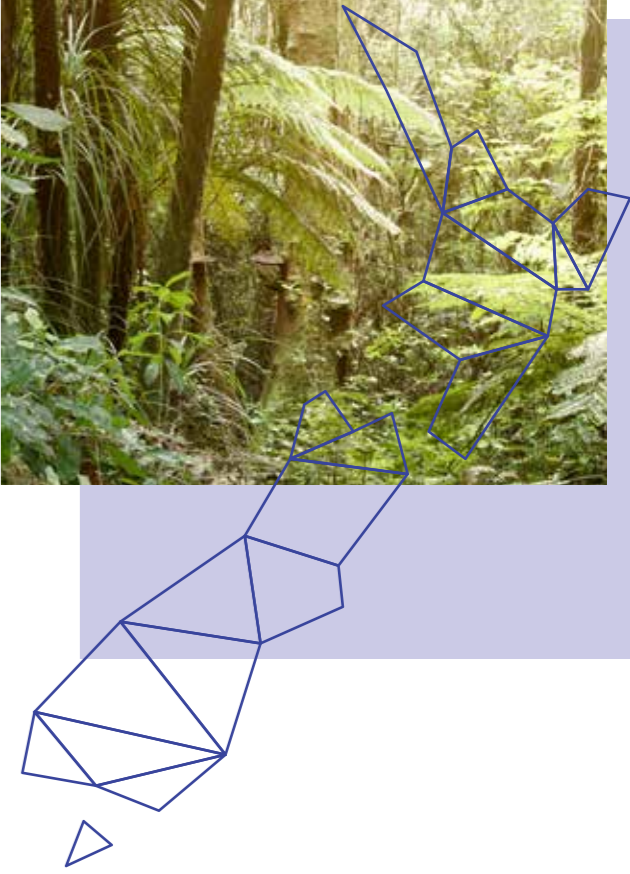
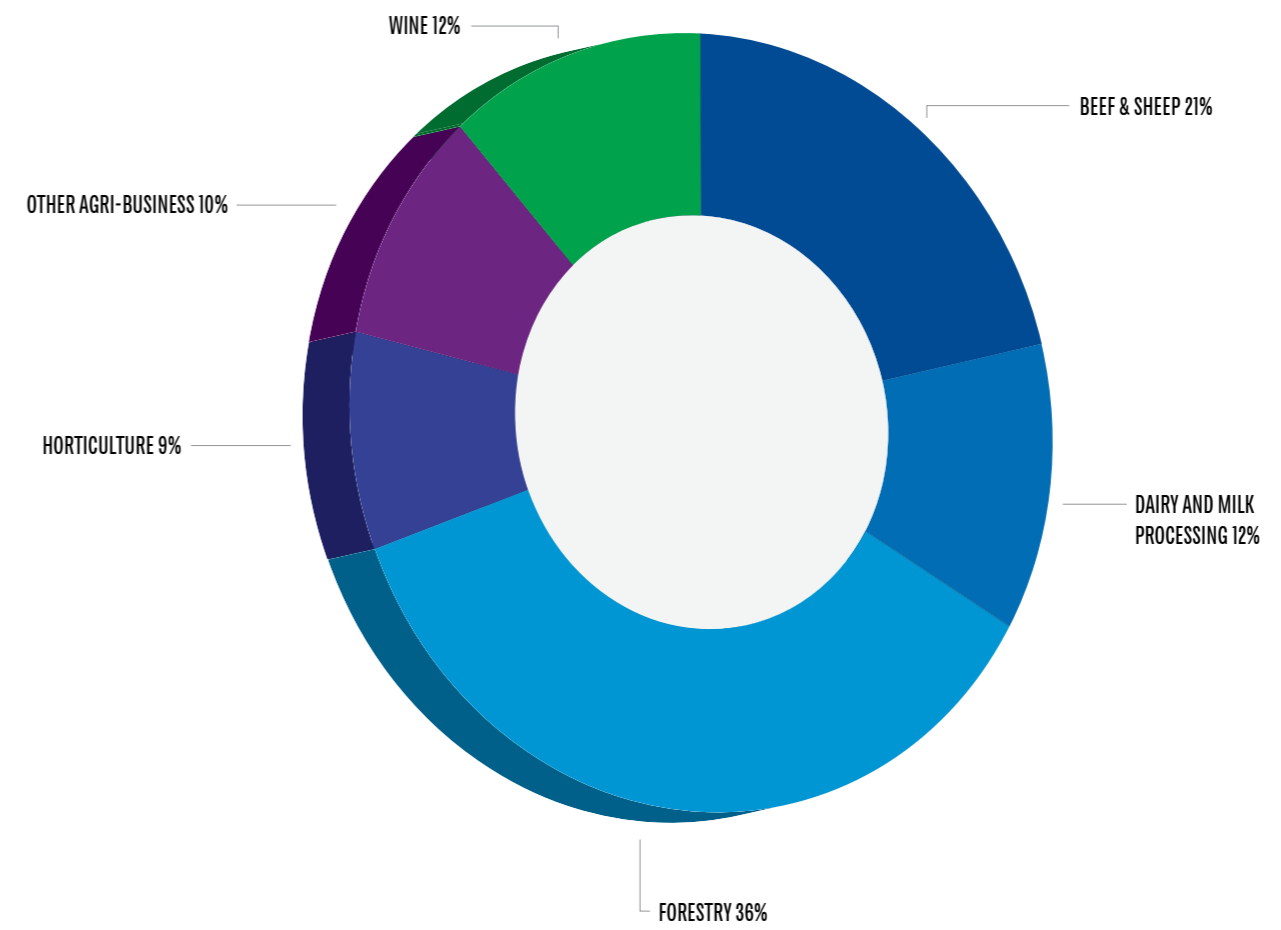
KEY FINDINGS

Large Forestry deals have shaped Agri-business FDI in the past two and a half years and surpassed FDI in the Dairy industry.

AGRI-BUSINESS 2013-15 - % GROSS CONSIDERATION



AGRI-BUSINESS 2016-18 - % GROSS CONSIDERATION





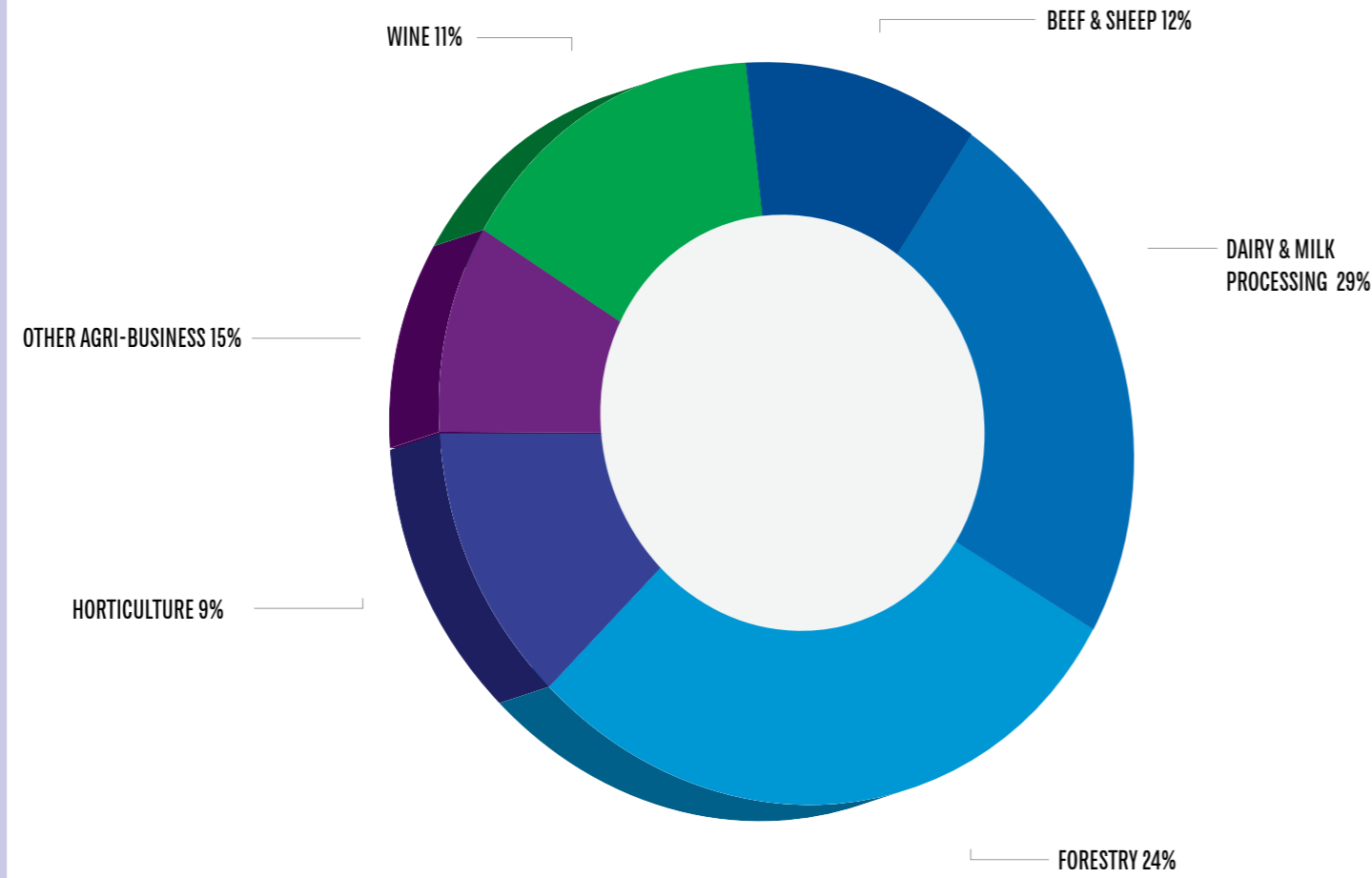
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Agri-business 2013-18

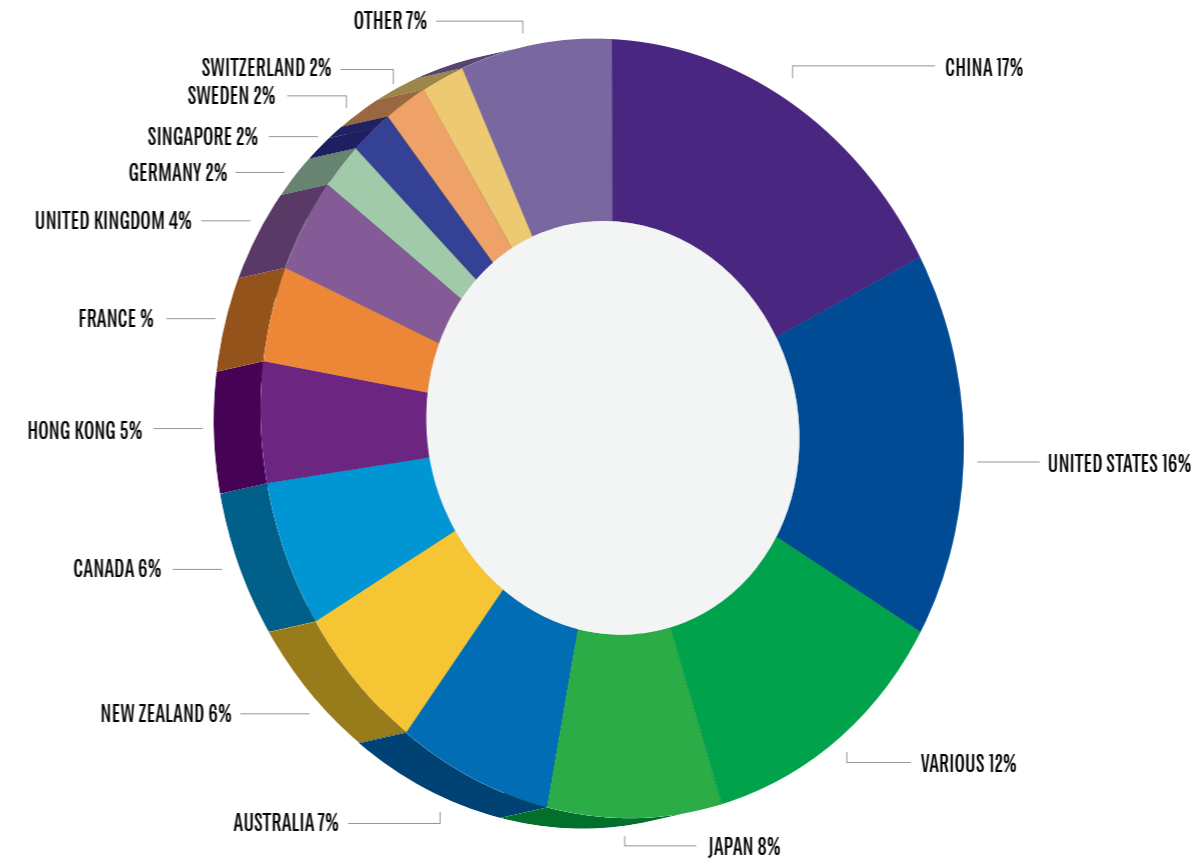
KEY FINDINGS

Total FDI in Agri-business was \$4.3b between 2013 and 2018, representing roughly 9.7% of the total for this period

AGRI-BUSINESS 2013-18 - % GROSS CONSIDERATION

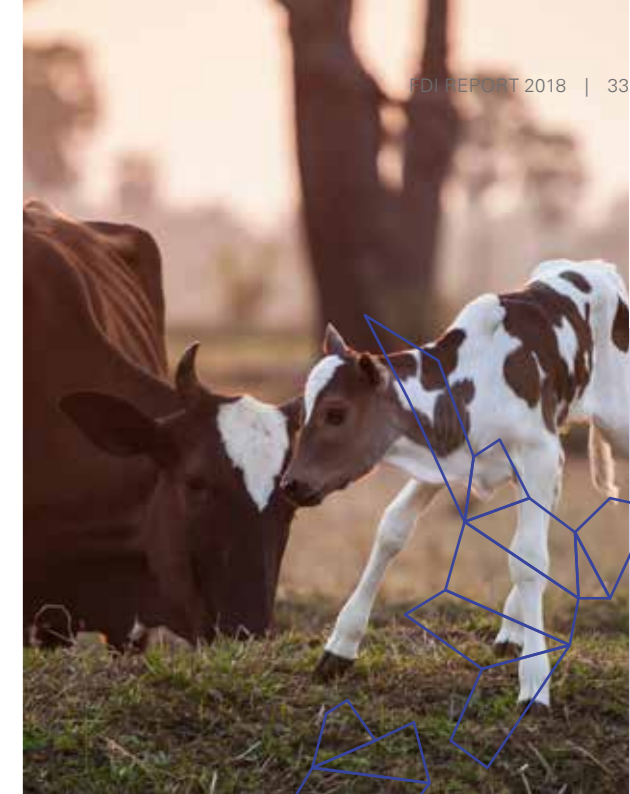


AGRI-BUSINESS INVESTMENT ORIGIN 2013-18



KEY FINDINGS

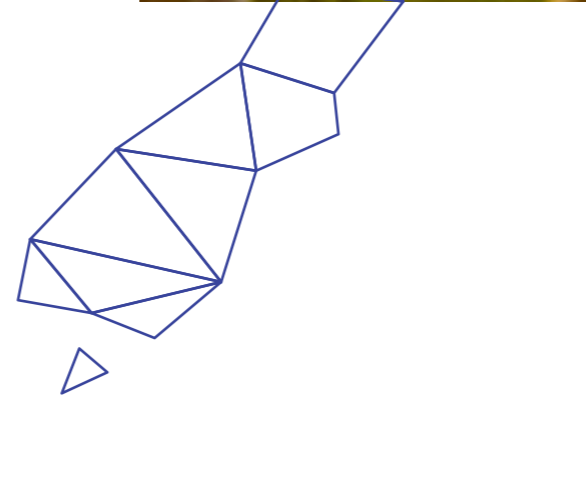
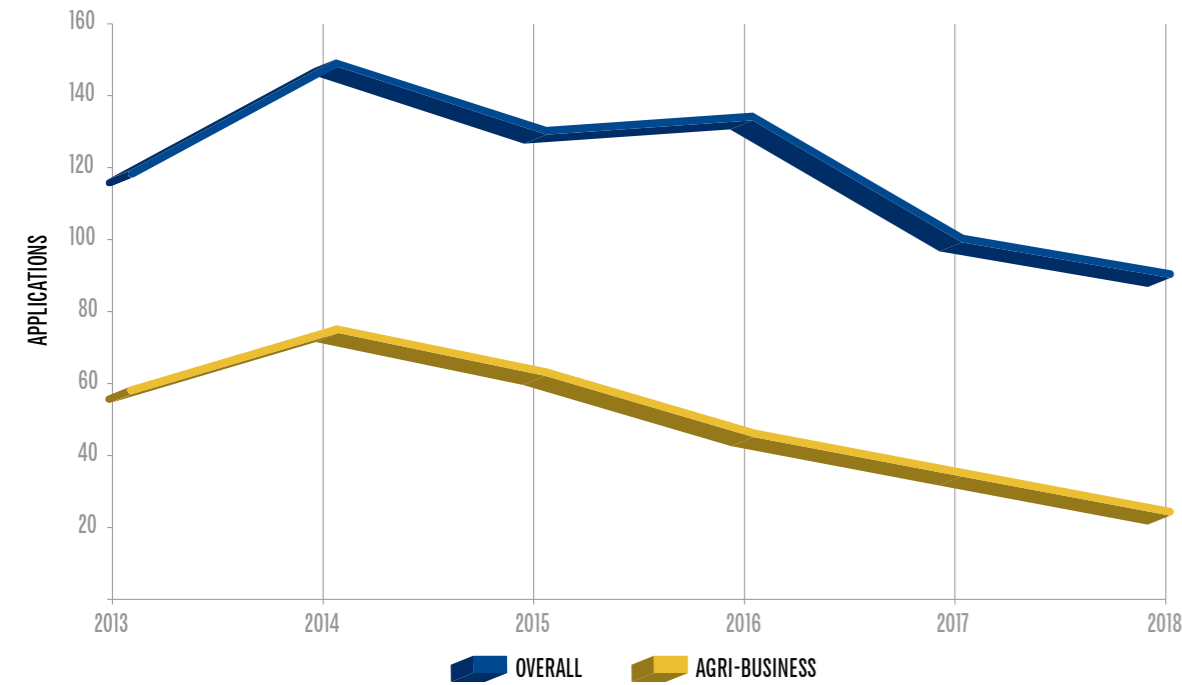
China was the most significant investor in agri-business over 2013 – June 2018, followed closely by the United States.



// FOREIGN DIRECT INVESTMENT

Approved applications 2013-18

(annualized)



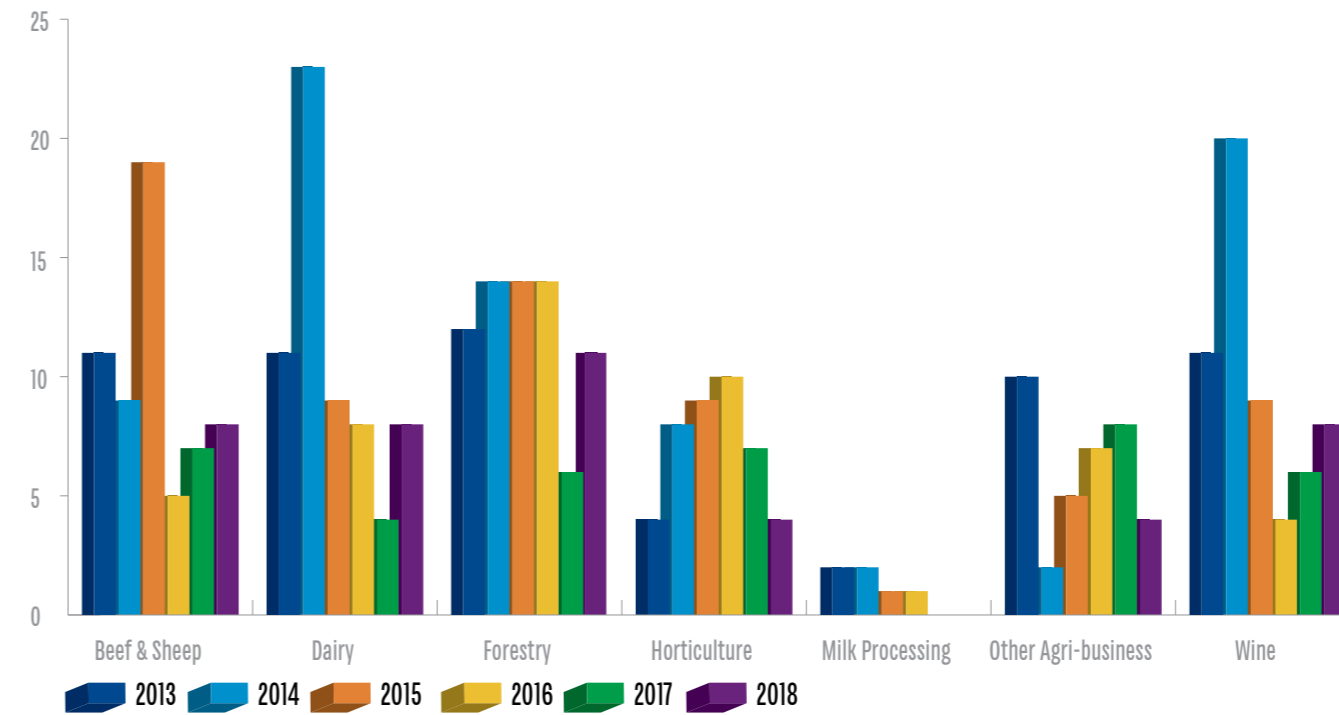
KEY FINDINGS

Agri-business accounts for a significant portion of the decrease in the past 6 years.

// FOREIGN DIRECT INVESTMENT

Agri-business sub-sector applications 2013-18

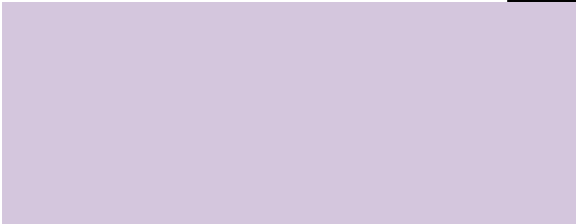
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KEY FINDINGS

Approved applications for dairy and milk processing have generally declined, likely reflecting declining commodity prices for milk products and a slowing in new supply over this period.

FREEHOLD & LEASEHOLD LAND ACQUISITION



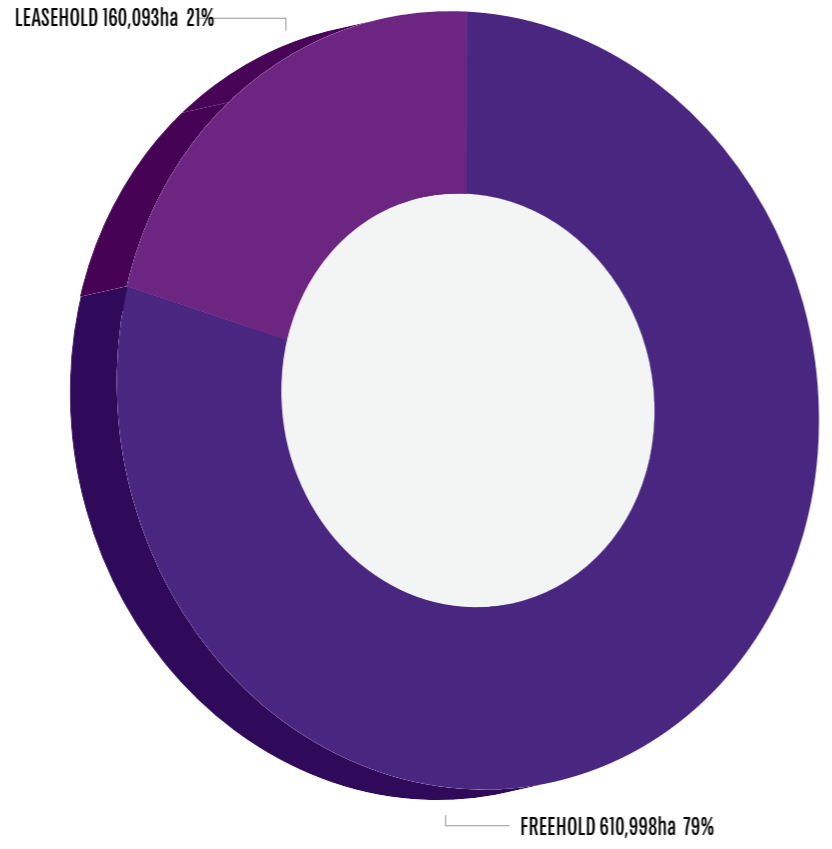


// FOREIGN DIRECT INVESTMENT

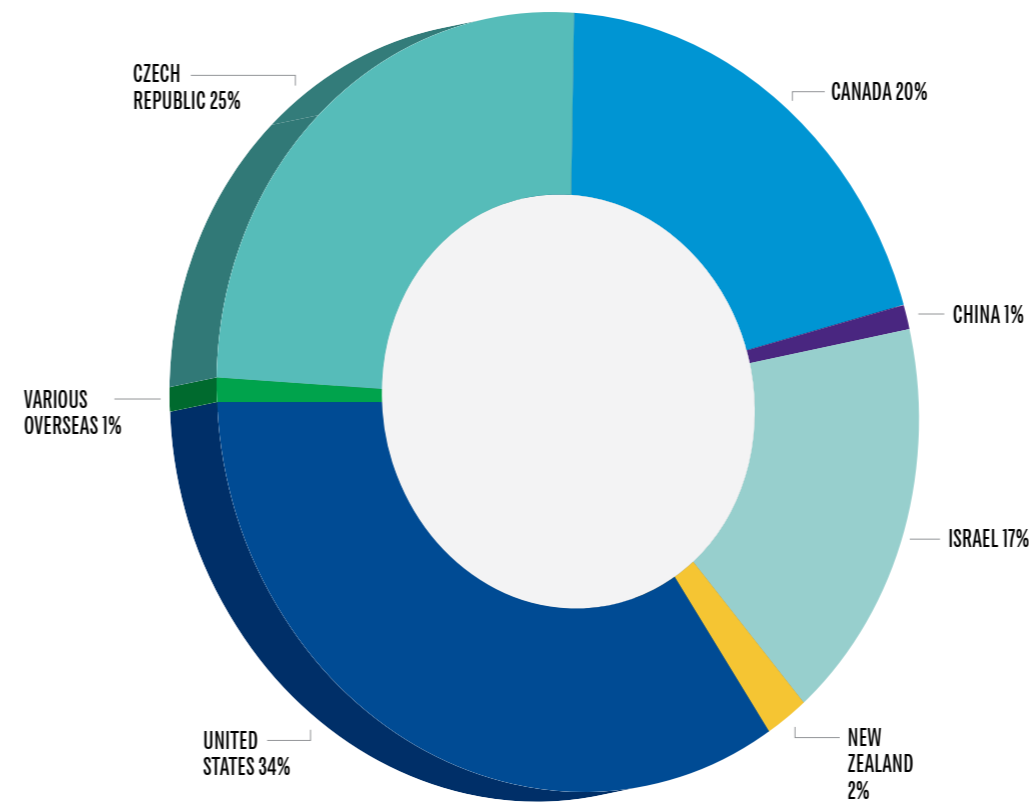
Land acquisition 2013-18

KEY FINDINGS
 North American investors have acquired more than half of all the land (approximately 420,000 hectares) since 2013. China has acquired approximately 7% (freehold and leasehold combined). The acquisition of freehold and leasehold land has increased in recent years, reflecting the increased investment in forestry which has experienced strong export growth in recent years.

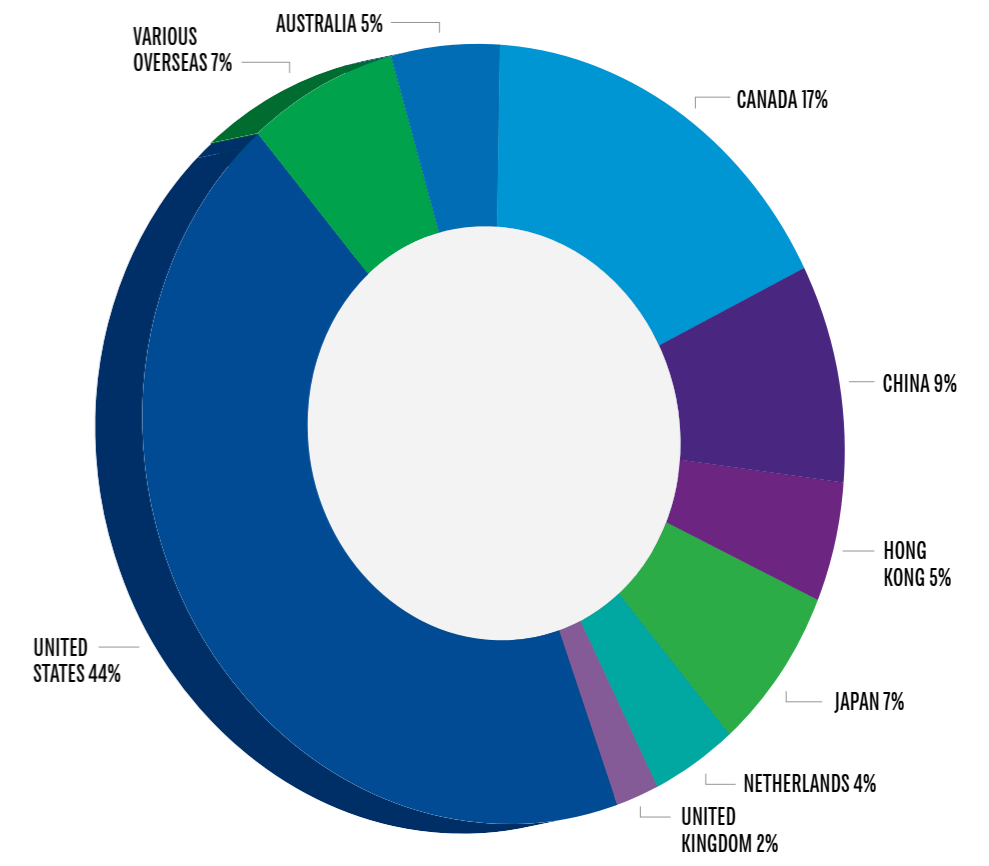
LAND ACQUISITION 2013-18



LEASEHOLD 2013-18

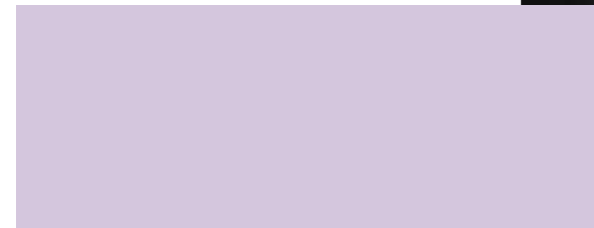
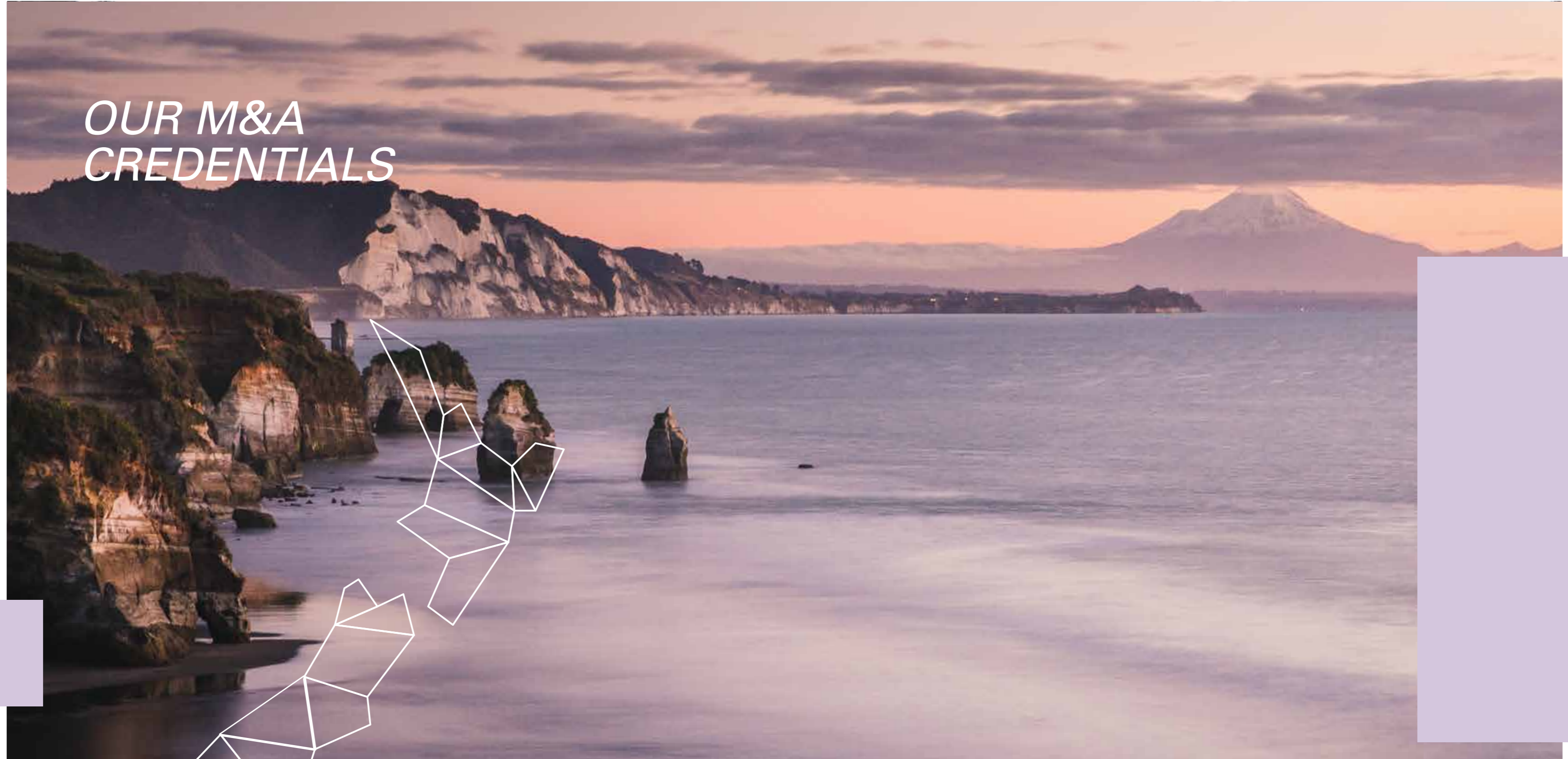


FREEHOLD 2013-18



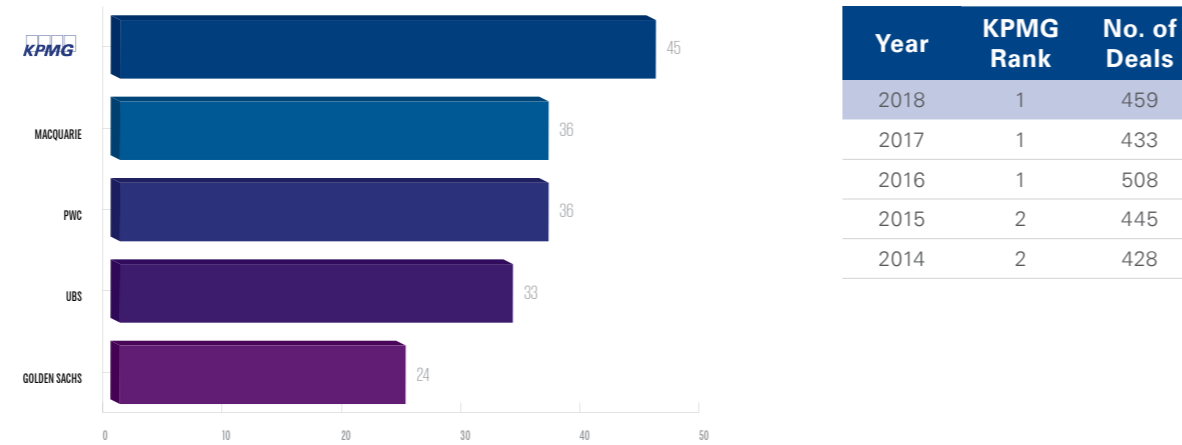
NOTE:
 The acquisition of land is presented on a gross basis. A sale of land from one overseas owner to another would be captured in these statistics.

OUR M&A CREDENTIALS



// M&A credentials

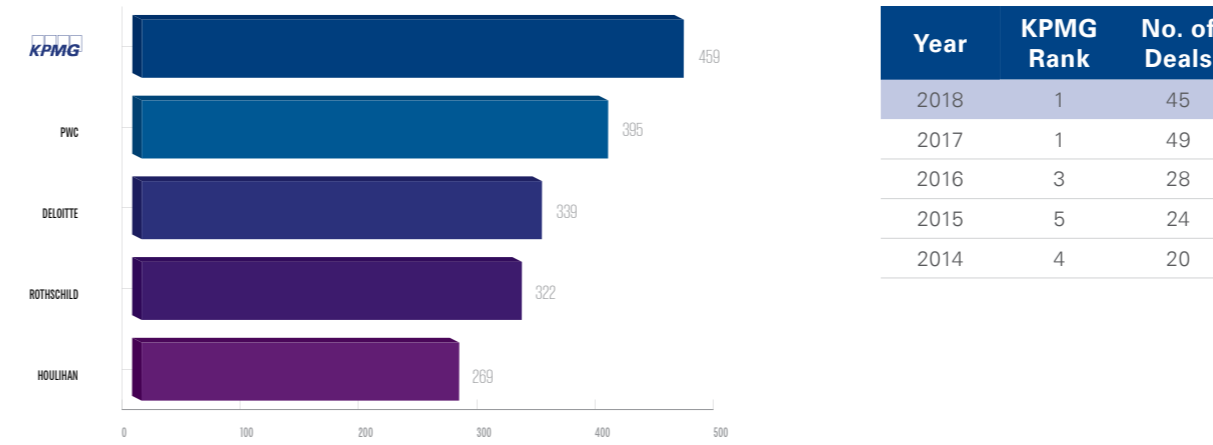
2018 AUSTRALASIAN DEAL COUNT



KPMG are a leader in M&A locally and currently ranked number 1 in Australasia

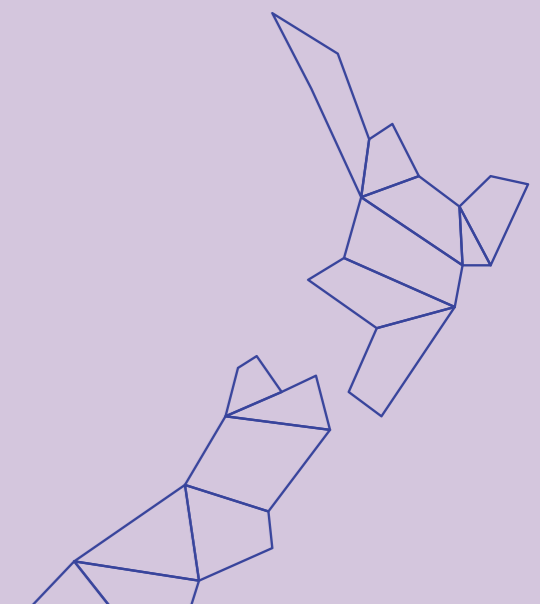
- // Consistently ranked as a top M&A advisor in Australasia and pride ourselves on providing insightful and commercial advice
- // Collaborative, unbiased and professional working style with clients, other deal advisors and the KPMG global network
- // Senior specialist New Zealand M&A team with experience gained from top tier global investment banks and corporate finance houses

2018 GLOBAL DEAL COUNT



Our local team is supported by the leading global M&A network

- // Globally, KPMG has been ranked as the #1 M&A advisor for the last three years
- // Our international KPMG M&A network operates seamlessly with our local team, providing valuable access to buyers and industry leaders at the right level (i.e. executive, board level)



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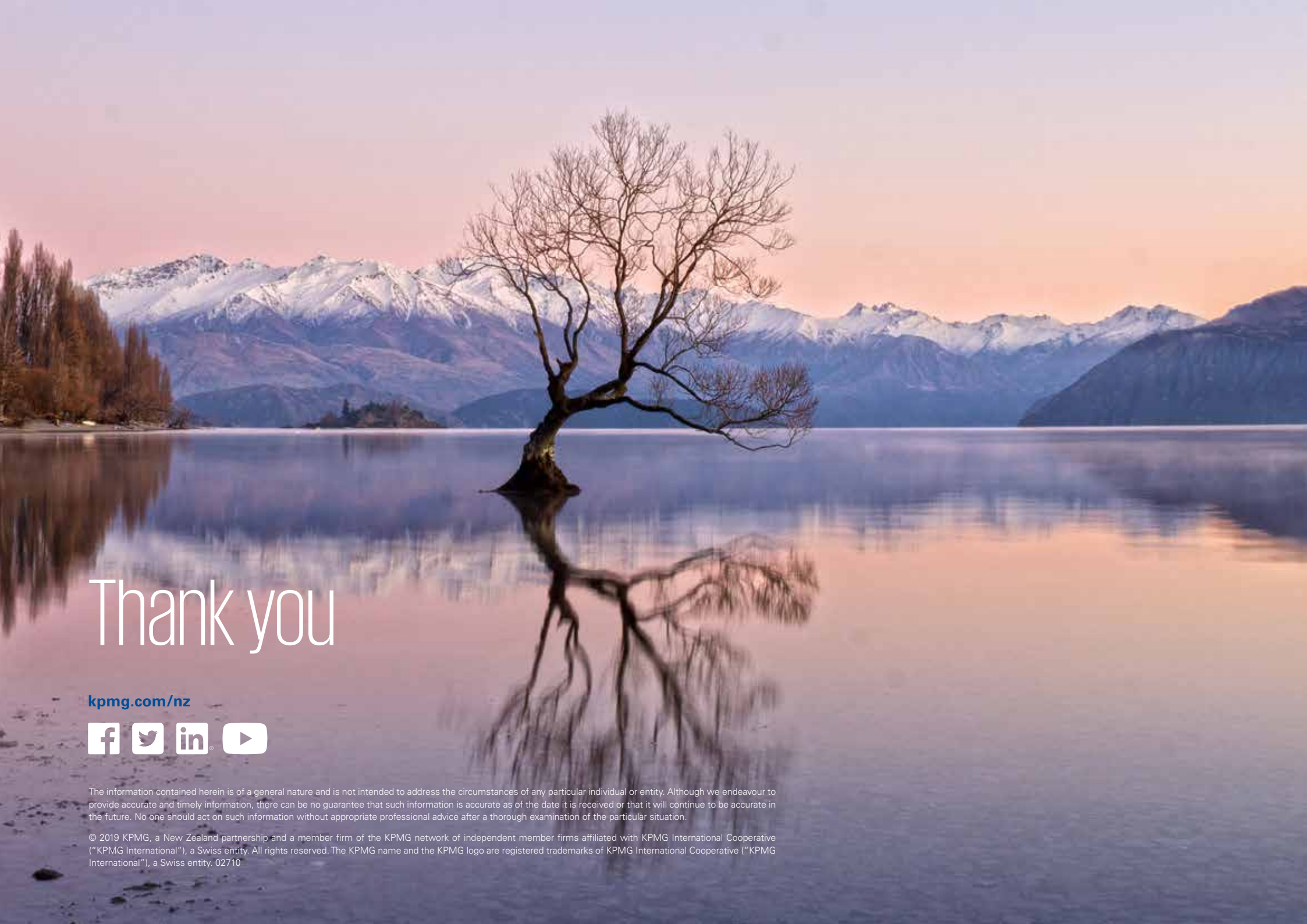
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