

## Investa Office Fund (ASX: IOF)

### Proposal to acquire all the units in IOF

Investa Listed Funds Management Limited (**ILFML**), as Responsible Entity of the Investa Office Fund (ASX: IOF), advises that it has entered into a Process Deed with DEXUS Property Group (ASX: DXS) (**DEXUS**) in relation to an indicative, conditional and non-binding proposal (**the Proposal**) pursuant to which DEXUS would acquire all of the outstanding units in IOF.

#### Background to the Proposal

As previously announced, the Independent Board Committee (**IBC**) of ILFML commenced a strategic review with the objective of maximising unitholder value by exploring the ongoing management and ownership options for IOF.

The strategic review has involved a thorough assessment of the alternatives available to IOF, and had regard to the formal process being undertaken by Morgan Stanley Real Estate Investing to sell the Investa Office Management Platform.

As part of the strategic review, the IBC and its advisers proactively contacted a number of potential parties who may have interest in acquiring the units in IOF. One of those parties was DEXUS.

In response to that approach, the IBC has now received a proposal from DEXUS that it believes is superior to all other alternatives investigated as part of the strategic review.

#### Summary of the Proposal

Consideration under the Proposal will comprise 0.424 DEXUS securities and \$0.8229 in cash for each IOF unit. The cash component was determined having regard to the 10 day VWAP of DEXUS securities, implying an offer value of \$4.11 per IOF unit. Under the Proposal, it is anticipated that IOF unitholders will have the option to elect cash or scrip consideration based on an exchange ratio of 0.53 DEXUS securities per IOF unit, subject to caps on the amount of cash<sup>1</sup> with scale-back (if necessary) on a pro rata basis.

If implemented, the Proposal is expected to deliver annualised FY16 FFO accretion of at least 15% to IOF unitholders<sup>2</sup> and would deliver attractive premia to IOF unitholders, as set out in the table below:

Proposal - Valuation Metrics		DXS 10-day VWAP	DXS 5-day VWAP	DXS Close (4-Dec)
DXS Security Price		\$7.76	\$7.79	\$7.65
Implied Offer Value		\$4.11	\$4.13	\$4.07
Premia to:				
IOF Close 13-Aug <sup>3</sup>	\$3.72	10.6%	10.9%	9.3%
IOF Close 4-Dec	\$3.83	7.4%	7.7%	6.2%
IOF 1-month VWAP to 4-Dec	\$3.86	6.7%	7.0%	5.4%
IOF Pro-forma NTA <sup>4</sup>	\$3.91	5.2%	5.5%	4.0%

<sup>1</sup> Total cash consideration will be capped at \$505 million.

<sup>2</sup> Based on the midpoint of DEXUS guidance and IOF guidance for FY16 FFO.

<sup>3</sup> Being the day prior to the announcement of the IOF strategic review.

<sup>4</sup> Unaudited management estimate as per the 30 November 2015 ASX release titled 'Portfolio valuation update' which indicated around 8% increase in 30 June 2015 NTA.

Under the Proposal, IOF unitholders will be entitled to receive the full IOF distribution for the six months ending 31 December 2015, which is expected to be 9.8 cents per IOF unit. If the Proposal is implemented, this will be the final distribution paid by IOF to IOF unitholders.

DEXUS securities issued to IOF unitholders under the Proposal will rank equally with all other DEXUS securities and therefore, will have full entitlement to the DEXUS distribution (if any) for the six month period ending 30 June 2016 and subsequent distribution periods.

It is intended that the Proposal will be implemented via a Trust Scheme requiring the approval of IOF unitholders.

### **Process Deed & IBC Recommendation**

ILFML has entered into a Process Deed with DEXUS (a copy of which is attached to this announcement). Under the Process Deed, ILFML has granted DEXUS a two week period to conduct due diligence on an exclusive basis (which may be extended by the written agreement of DEXUS and IOF at their discretion for up to a further two weeks) (**Due Diligence Period**). During the Due Diligence Period, the IBC has agreed to a number of customary deal protections in favour of DEXUS, subject to appropriate fiduciary carve-outs. Details of these arrangements are set out in the Process Deed.

The parties currently expect that, following completion of the Due Diligence Period, they will enter into a binding Merger Implementation Agreement.

The IBC intends to unanimously recommend that IOF unitholders vote in favour of the Proposal, subject to an Independent Expert opinion that the Proposal is in the best interests of IOF unitholders, and no superior proposal emerging.

### **Conditions**

The Proposal remains subject to a number of conditions outlined in the Process Deed, including:

- satisfactory completion of confirmatory due diligence by DEXUS and IOF;
- execution of a mutually satisfactory Merger Implementation Agreement; and
- approval by the requisite majority of IOF unitholders.

### **Process**

Subject to a number of the conditions outlined above, it is envisaged that a binding Merger Implementation Agreement will be executed in mid to late December 2015. It is expected that an explanatory memorandum in relation to the Proposal will be released in February / March 2016, with a meeting of IOF unitholders to follow thereafter.

### **Conclusion**

Deborah Page AM, Independent Chair of ILFML, said: "The independent directors are pleased that the strategic review has resulted in a Proposal with an attractive value proposition for IOF unitholders, reflective of the quality of our real estate portfolio. The strategic review has considered a wide range of alternatives, and the Proposal announced today, if implemented, would deliver the best outcome of those alternatives for IOF unitholders."

Mrs Page added: "It is particularly pleasing that this Proposal, if implemented, will see IOF unitholders being offered the opportunity to invest in a combined DEXUS-IOF entity that will be Australia's pre-eminent, internally managed office platform. I am also pleased that if the Proposal reaches implementation, our Australian office assets of approximately A\$3.5bn would continue to be held in a listed format and that the enlarged entity would have the potential to offer significant earnings and distribution accretion to IOF unitholders."

No action is required by IOF unitholders at this time. ILFML will keep IOF unitholders fully informed of material developments.

The IBC is being advised by Macquarie Capital (Australia), Fort Street Advisers and Herbert Smith Freehills.

**-ENDS-**

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### About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. IOF has total assets under management of AU\$3.49 billion with 22 investments located in core CBD markets throughout Australia. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia.

### About Investa Office

Investa Office is Australia's leading owner and manager of commercial office buildings, controlling assets worth more than \$9 billion in key CBD markets across Australia. Our end-to-end real estate platform incorporates funds, portfolio and asset management, property services, development, sustainability, capital transactions and research.

We strive to be the first choice in Australian office, by delivering consistent outperformance for our investors and exceeding the expectations of our tenants and staff. Investa Office is a global leader in sustainability and is committed to responsible property investment and the ongoing pursuit of sustainable building ownership and management.

We are a signatory of the United Nations Principles for Responsible Investment.

### Fund Enquiries

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