TOWER

Level 5, 136 Fanshawe Street
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Incorporated in New Zealand

6 September 2024

Comprehensive market update as strategic review concludes

Tower Limited (NZX/ASX: TWR) announces today:

- The conclusion of its strategic review.
- The removal of its additional solvency margin requirement by the Reserve Bank of New Zealand (RBNZ).
- Reaffirmation of its FY24 guidance and intended dividend.
- Its capital return proposal.

Strategic review concludes

In December 2023, Tower commenced a strategic review exploring options to maximise value for all Tower shareholders and optimise its capital structure to enhance competitiveness in the market.

As part of this process, the Company and its financial advisors Goldman Sachs engaged in wide-ranging discussions with several parties regarding potential opportunities including partnerships, risk transfer solutions and alternative ownership and capital structures.

While some of these discussions provided valuable insight and perspectives for Tower's business, none advanced to the formal proposal stage. Consequently, the Board has decided to conclude the strategic review.

The strategic review process did identify several initiatives including potential quota share arrangements, that could be employed to support future growth if required.

Tower Chair, Michael Stiassny said the Board's objective in undertaking the strategic review was to ensure the Company's ownership and capital structures remain optimal to deliver long-term value to all shareholders.

"We have determined that the best course of action at this time is to continue executing our current business strategy under the existing ownership structure. Although the strategic review has been concluded, the Board remains open to considering any future proposals or opportunities that align with the best interest of all Tower shareholders," he said.

The Company will also keep pursuing organic growth opportunities that deliver accretive value.

RBNZ removes licence condition

As of 16 August 2024, the Reserve Bank of New Zealand (RBNZ) reduced Tower's minimum solvency margin from $15m to $0.

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The removal of the additional solvency margin requirement recognises Tower's risk and capital management processes, solvency position, fewer remaining Canterbury earthquake claims and the materiality of those claims diminishing significantly over time.

Based on unaudited management accounts, Tower Limited's (Parent) adjusted solvency margin as at 30 June 2024 was $147.2m.

Tower's current internal capital management processes and dividend policy set a target solvency margin which is higher than the regulatory minimum required by the RBNZ. Therefore, this reduction will not directly impact dividends or other capital management actions.

Guidance reaffirmed and intended dividend

As advised on 8 August 2024, Tower expects to report underlying net profit after tax (NPAT) of more than $45m for the financial year ending 30 September 2024. In addition, if no large events were to occur in FY24, underlying NPAT would be increased by an additional $32m ($45m less tax).

In accordance with Tower's ordinary dividend policy of 60-80% of adjusted earnings, the Board intends to pay a final dividend of 5 cents per share provided it remains prudent to do so. This would bring the full year dividend to 8 cents per share.

"The Board is mindful that the Company continues to remain focused on delivering sustainable growth, satisfactory and proportionate profits, and consistent dividends in the future," Mr Stiassny said.

Return of capital proposal

As a result of work undertaken as part of the strategic review of Tower's capital structure, assessing current opportunities, the sale of Pacific subsidiaries, and simplification of its business, the Tower Board has determined it is in shareholders' best interests to return excess capital to them.

The Board has approved a return of NZ$45m of excess capital to shareholders, by way of mandatory share buyback. The return of capital is expected to deliver meaningful earnings per share accretion to Tower's shareholders.

The return of capital will be conducted as a scheme of arrangement, and will be subject to:

- Receiving High Court approval of the arrangement; and
- Shareholder approval at the Tower Annual Shareholder Meeting in early 2025.

In addition, the return of capital will be conditional on:

- Tower receiving confirmation from the Inland Revenue Department (IRD) that the capital return is not in lieu of a dividend;
- Tower continuing to satisfy solvency and prudential capital requirements, including under its capital management process, up to the time the capital return is given effect; and
- The Tower Board remaining satisfied up to the time the capital return is given effect that it remains prudent to undertake the capital return.

Given the importance of IRD confirmation, Tower will seek this before initiating the Court process.

For the avoidance of doubt, this capital return will be in addition to Tower's ordinary dividend as outlined earlier in this announcement.

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The Company will communicate further details with the release of its FY24 full year result in November. If approved by shareholders, the return of capital would likely be implemented in March 2025.

ENDS

This announcement has been authorised by Tower Limited Chairman, Michael Stiassny.

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