SIMPSON GRIERSON

Expanding Horizons

Offshore perspectives on investment into New Zealand

October 2024

In collaboration with

Mergermarket

Introduction

Welcome to the sixth edition of *Expanding Horizons*, our report on the attitude of offshore investors to Aotearoa New Zealand.

The report is based on a survey of 90 international investors who have previously completed a deal in New Zealand. They are a group who are highly knowledgeable of the region and provide a valuable bellwether of future M&A trends.

This year's survey is as insightful as ever, with the headline finding being the likelihood of a jump in activity as investors see value down under.

Green shoots as a downbeat local economy creates favourable investment conditions

It has been a tough year for New Zealand's economy, with GDP predicted to have contracted in the 12 months from July 2023 to June 2024 and inflation remaining stubbornly high. The outlook is rosier looking ahead to the next year, with a return to growth expected, boosted by interest rate cuts.

New Zealand's economic challenges have contributed to strong positive sentiment from offshore investors, through lower target valuations and better deal sourcing opportunities. An overwhelming 98% of investors are considering further investments in the country in the next five years, with a large proportion, 40%, in the very near term.

This is good news for New Zealand, with foreign capital an important driver of growth as we look to reset after our post-Covid hangover.

A focus on good business fundamentals in identifying acquisition targets

It's no surprise that the attributes most in demand from investors this year relate to good business fundamentals in a high-inflation, low-growth environment. A premium is being placed on the solidity of customer demand and the ability to pass on cost increases, important messages for local businesses looking to attract investment.

Endorsement of New Zealand businesses with IP in strong demand

An encouraging feature of this year's report is the high demand for New Zealand IP and technology. This comes through both in terms of the sectors that investors are targeting, and the many comments which compliment how local businesses are incorporating technology into their operations.

As always, we hope you enjoy reading the report and look forward to connecting with you to discuss the findings and your views on New Zealand M&A trends.

Andrew Matthews
Head of Corporate/Commercial
Simpson Grierson

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Key findings

98% of offshore investors are considering an investment in New Zealand in the next five years, with 40% in the next 12 months

New Zealand is again rated as the top destination in Asia-Pacific for ease of doing business and quality of investment opportunities

New Zealand's economic challenges are providing opportunities for offshore investors with fewer competitors, better deal sourcing and lower target valuations

57% say the change in Government in the October 2023 election has increased their intention to invest in New Zealand

32% consider New Zealand's corporate tax rate to be unattractive, compared to 4% who consider it attractive

58% consider solidity of customer demand as the most important factor for acquisition strategy in New Zealand given global economic and geopolitical challenges

Achieving economies of scale and growth acceleration are the main objectives for future New Zealand acquisitions

79% expect M&A in New Zealand to increase moderately in the next 12 months

73% say that ESG factors are very important to M&A decision-making with a focus on regulatory compliance and business ethics

The quality of New Zealand's IP is a key draw, with 39% looking to acquire new and advanced technology and 58% rating TMT as the most attractive sector

Methodology: In July 2024, Simpson Grierson commissioned Mergermarket to undertake a survey of opinions of offshore investors about the investment opportunities, trends and challenges in New Zealand.

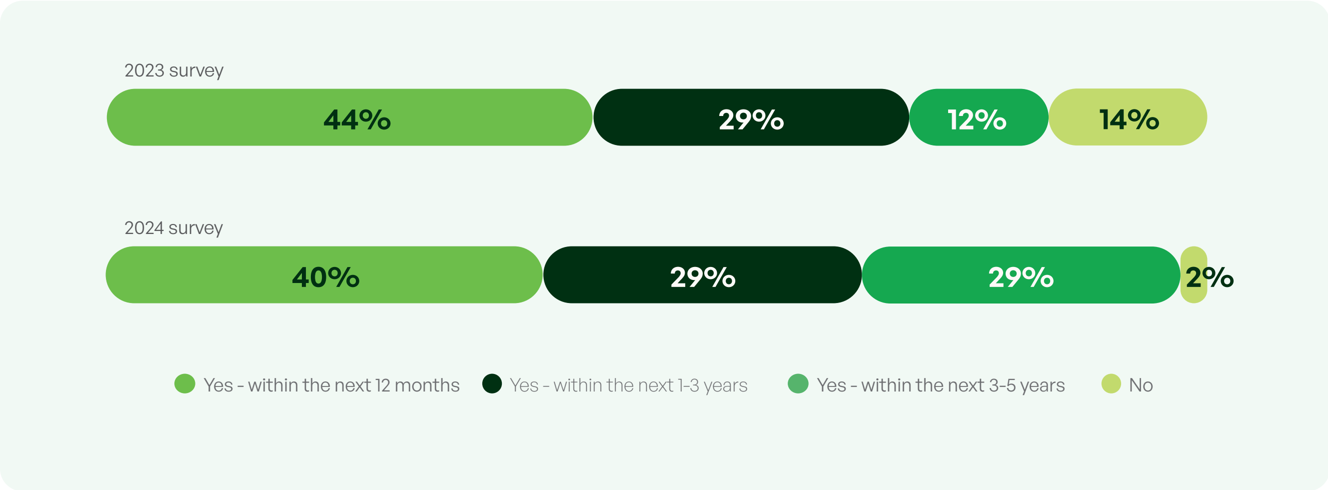
There were 90 survey respondents split between Asia-Pacific, North America and Europe. All respondents had completed at least one investment into New Zealand in the past five years or been an adviser to a deal in this period.

Section 1
A new dawn as offshore intention to invest in New Zealand strengthens

This year the headline finding from our Expanding Horizons survey is the strengthening of respondents' intentions to invest in New Zealand.

Overall, 98% say they are considering an acquisition in New Zealand over the next five years, with 40% planning an investment in the next 12 months. This is a jump up from 2023's results where 84% indicated they planned to invest within a five-year horizon.

Figure 1: Are you considering or would you consider an acquisition in New Zealand?



This year's survey represents a welcome vote of confidence from international investors and bodes well for a continued pick-up in New Zealand M&A, says corporate partner James Hawes.

"Notwithstanding recent challenges, New Zealand maintains its global reputation as an open, politically stable and legally advanced member of the Asia-Pacific group. This year's survey saw a return to core themes including the ease with which investors can do business in New Zealand. This arrested a recent decline in sentiment around Government policies and, in particular, the overseas investment regime which many have been seen as becoming overbearing in recent years.

"Alongside this, New Zealand's solid fundamentals continue to attract offshore investors, many of whom regard New Zealand as a safe haven in an increasingly challenging global context (perhaps a nod to the Government's swift action on inflation) and see it as a place where relatively reasonable valuations can still be found on globally competitive businesses."

New Zealand’s strong fundamentals drive high investor sentiment

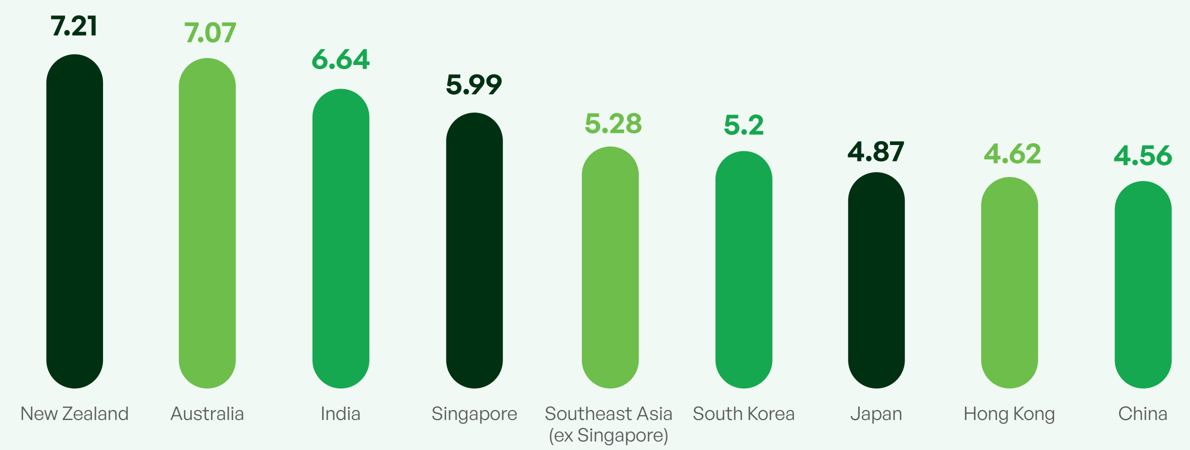
The survey continues a strong theme from previous years, with New Zealand’s business fundamentals giving it an edge over other Asia-Pacific regions. As with the 2023 survey, New Zealand was ranked the top destination for ease of doing business and quality of investment opportunities.

James Hawes says: “We are pleased to see New Zealand maintain its top ranking in the region for the ease of doing business.

“We believe this is justified, particularly in light of the new coalition Government’s attempts to ease the regulatory burden on inbound investment.

“Alongside the general attempt to streamline New Zealand’s Overseas Investment regulations (which has seen a marked reduction in processing timelines), the Government has also sought to attract investment into critical industries by reducing red tape – the promises to reverse the ban on oil and gas exploration being the most recent example.”

Figure 2: In terms of ease of doing business and quality of investment opportunities, please rate each of the following markets from 10 (less difficult and better opportunities) to 1 (more difficult and worse opportunities).



Respondents commented on the quality of investment opportunities in New Zealand.

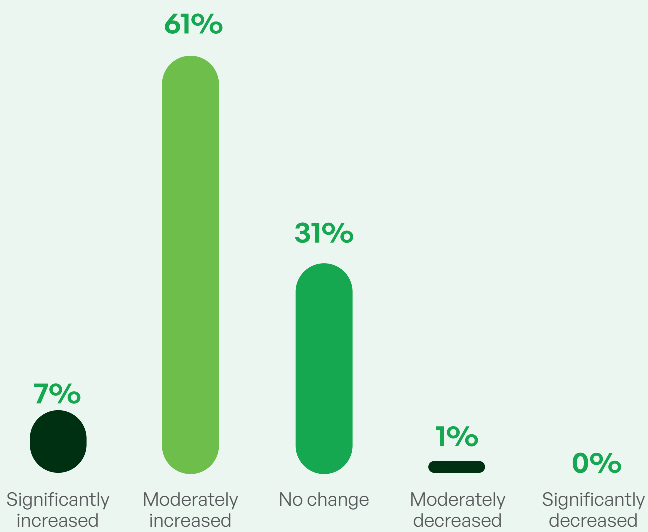
> “New Zealand has the best quality of investment opportunities. When doing deals, the sourcing outcomes have been strong in the past. Companies are utilising modern technology to their advantage.”
>
> **Strategy Director,**
> Foreign Corporation, USA

> “It’s quite easy doing business in New Zealand. Since there are untapped markets in the country, we do not see much competition for assets in the region, and this makes the region more attractive.”
>
> **Chief Financial Officer,**
> Foreign Corporation, Taiwan

> “New Zealand and Australia have good quality business investment choices. The companies are more advanced in terms of their technology usage, and work more cost-effectively.”
>
> **Director of Corporate Development**, Foreign Corporation, France

New Zealand's strong fundamentals also help to make us a safe haven in a time of challenging global conditions. 68% of respondents reported that current global economic and geopolitical challenges had made them more likely to invest in New Zealand.

Figure 3: Have current global economic and geopolitical challenges changed your intention to invest in New Zealand?

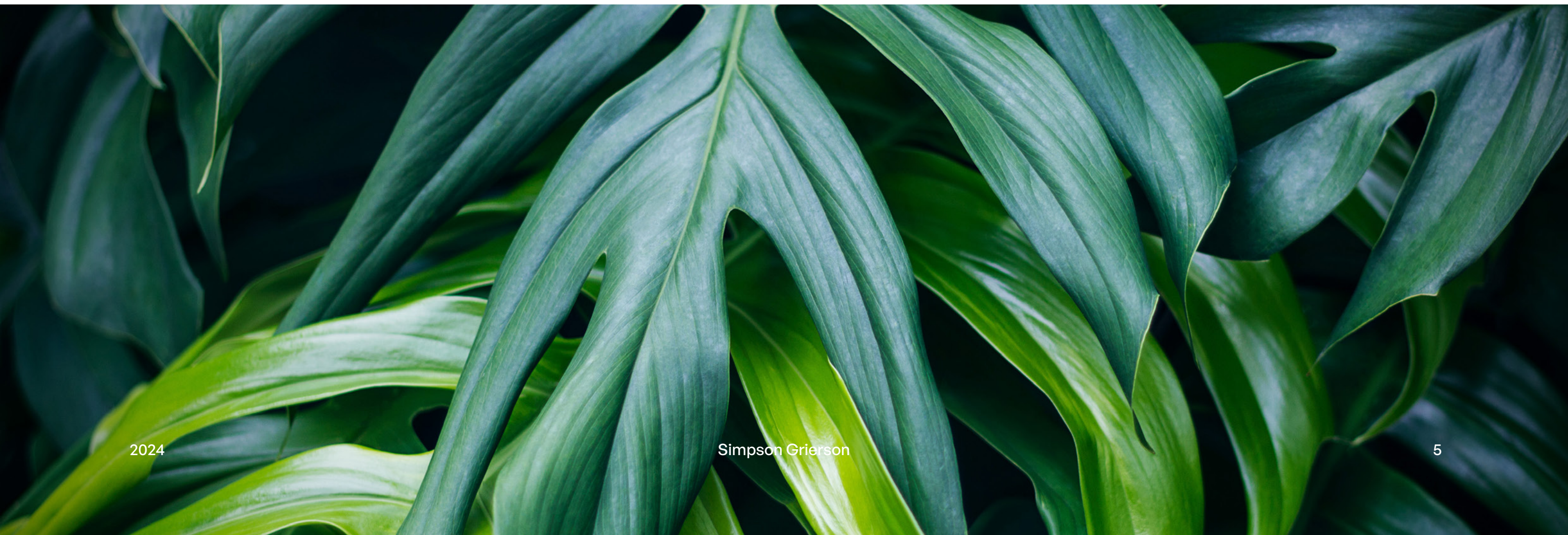


Many of the comments received reflected on the importance of New Zealand's relative political and economic stability to their investment decisions.

> "It's increased our intention to invest in New Zealand, because the challenges have affected fewer companies in the region. We can expect better short-term returns from investments in New Zealand."
>
> **Head of Strategy and Sustainability,**
> Foreign Corporation, Malaysia

> "The investment intentions have increased moderately in New Zealand. We are concerned about the growing inflation and geopolitical threats in other regions, so our investments will be directed towards more secure markets."
>
> **Director, Mergers & Acquisitions,**
> Foreign Corporation, Norway

> "I feel that political and regulatory stability draw most investors to New Zealand. We're also happy with the level of legal certainty in the region. It creates less pressure preparing for deal terms."
>
> **Head of Corporate Development & Strategy**, Foreign Corporation, USA

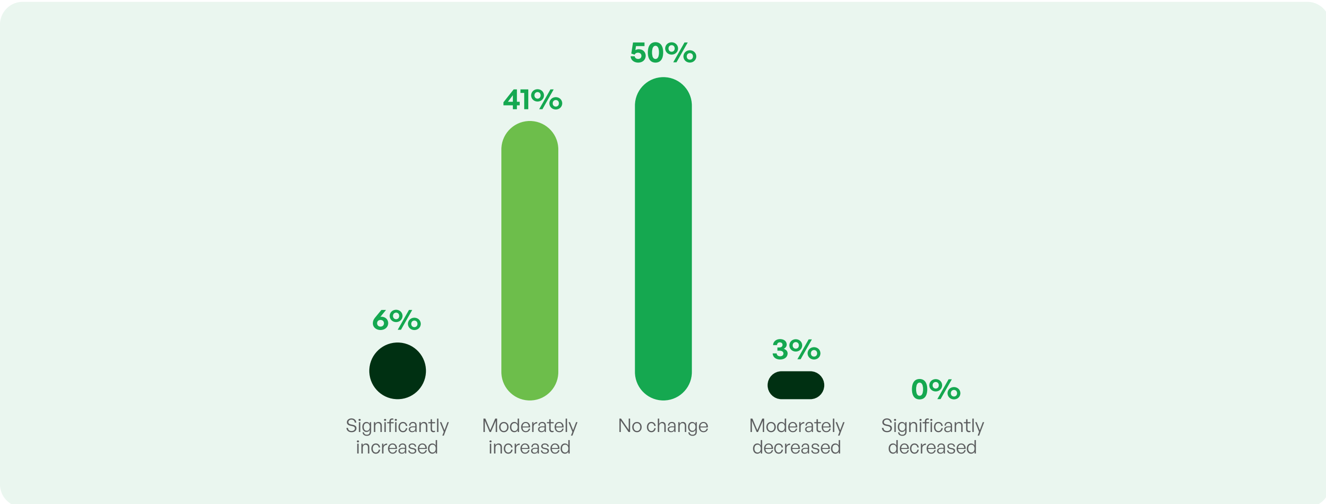


Local economic challenges are creating favourable investment conditions in New Zealand

A strong theme through this year's survey is that New Zealand's own economic challenges have also created more favourable conditions for investors.

47% reported an increase in their intention to invest in New Zealand because of economic challenges, with just 3% reporting a decrease.

Figure 4: Have New Zealand's current economic challenges changed your intentions to invest in New Zealand?



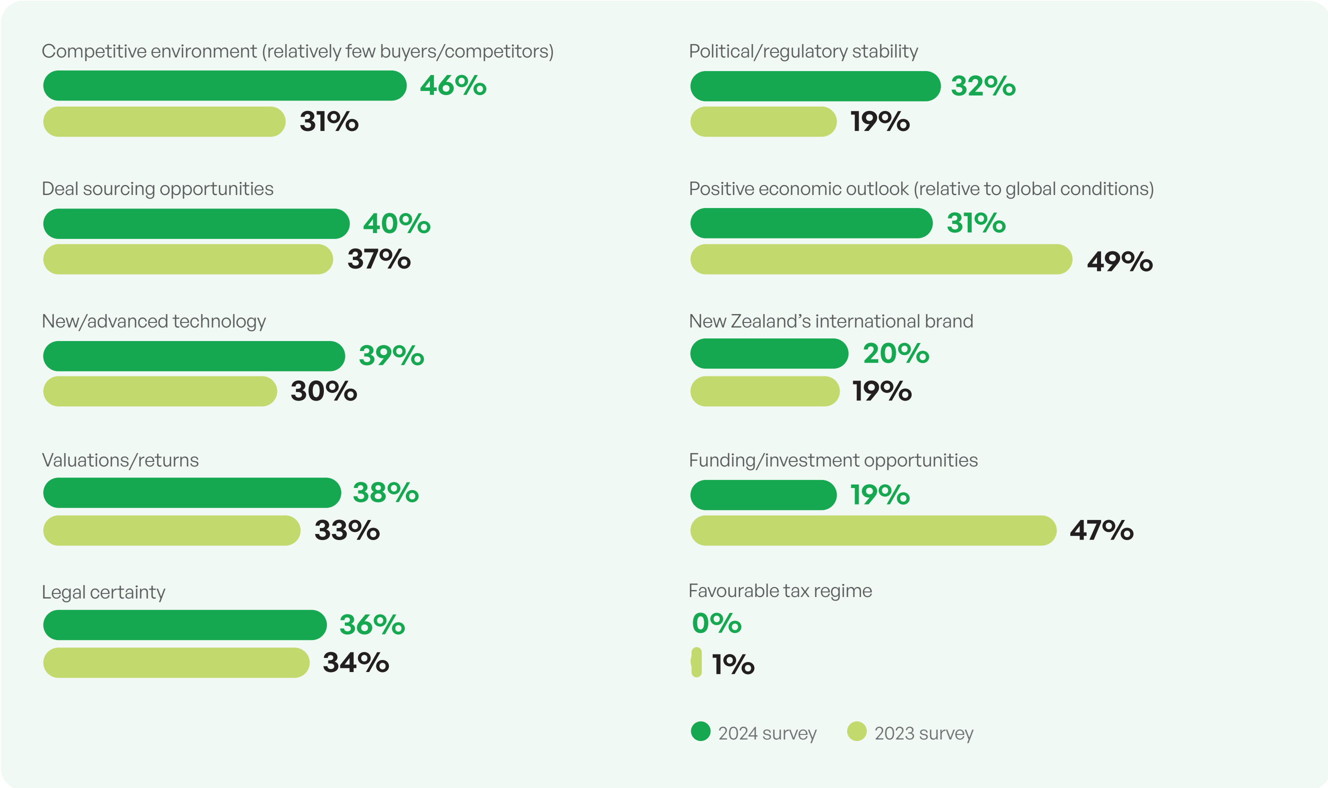
This year there was a noticeable uptick in respondents seeing in New Zealand a more attractive competitive environment (less competition for targets), better deal sourcing opportunities and lower valuations for targets – all factors linked to a weaker economy.

Corporate partner, Anastasiya Gamble comments: "New Zealand's recent economic challenges, combined with early signs of recovery (including inflation apparently being under control and the possibility of a further falling OCR), create the perfect conditions for offshore investors to re-enter the market.

"Local equity market valuations also present an opportunity having been weighed down by several quarters of negative growth and the relatively shallow capital pools available in New Zealand. All these factors combine to provide fertile ground for offshore investors seeking returns.

"A number of NZX-listed companies (including Comvita, Rakon and Sky) have been the target of recent takeover approaches – albeit the low number of successful transactions appears to indicate there may still be some way to go before the aspirations of sellers decline enough to meet the value expectations of buyers."

Figure 5: What makes New Zealand attractive as an investment destination for you? Please choose up to three.



Many of the comments received reflected on the favourable conditions for investing in New Zealand.

"Our intentions have increased moderately mainly because it will modify valuation trends in our favour. We were concerned about potential high valuations, but now we expect positive changes."

Partner,
Foreign PE/VC Firm, United Kingdom

"I feel that the competitive environment is good for us right now. There are fewer international dealmakers competing for similar targets. Since there is proximity to home markets, we can take advantage of opportunities."

Chief Financial Officer,
Foreign Corporation, Australia

"Since the competition for assets is lower in New Zealand, the valuations are already favourable. The recent challenges have made sellers more willing to lower valuations further to attract sellers."

Partner,
Foreign PE/VC Firm, USA

"There are fewer buyers aiming to conduct deals in New Zealand. I think that the location being faraway from other key markets is a concern for some dealmakers. However, it remains an ideal market for us."

Head of Corporate Development,
Foreign Corporation, Austria

A new Government has also increased investor confidence

A final reason for the positive sentiment towards New Zealand is the change in Government in October 2023, with 57% of respondents reporting that this had increased their intention to invest in New Zealand.

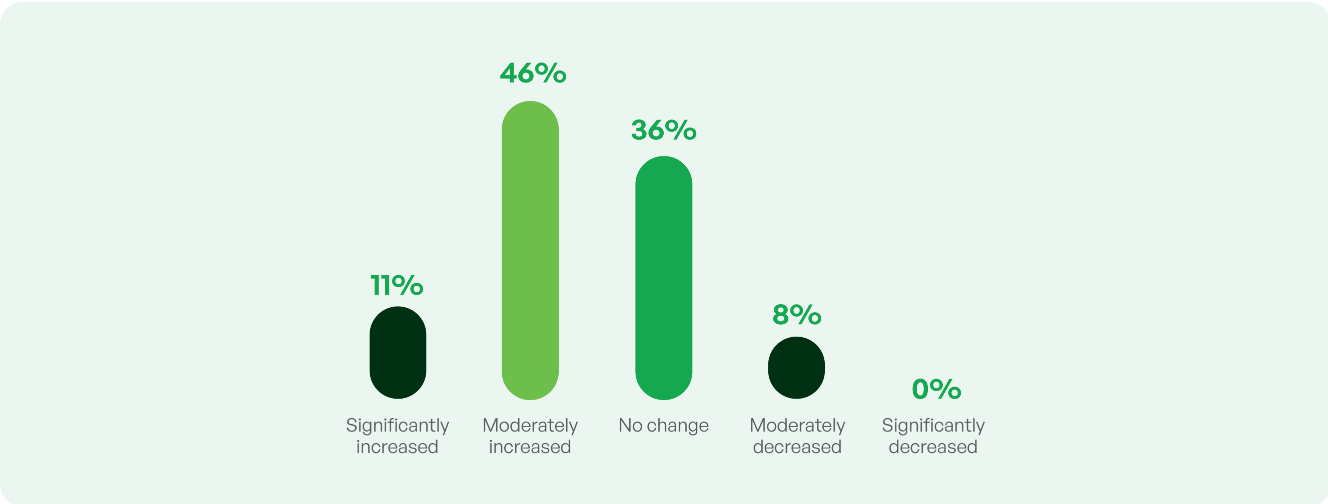
"The Government has won friends among the international investment community by recognising that, in a country of only five million people, international investment is critical for the delivery of basic services", says James Hawes.

"The most obvious example of this, is the energy sector which, as a result of insufficient generation, has seen unsatisfied demand and a surge in wholesale energy prices putting significant pressure on retailers. The Government, to its credit, has sought ways to resolve this including a reversal of the Labour Government's ban on oil and gas exploration and plans to import liquified natural gas.

"Beyond oil and gas, the new Government recognises that New Zealand has an infrastructure deficit valued at over NZ$200 billion. This can be partially attributed to New Zealand's three-year political cycle which often sees a new Government cancel the projects sponsored by its predecessor before they have even got off the ground.

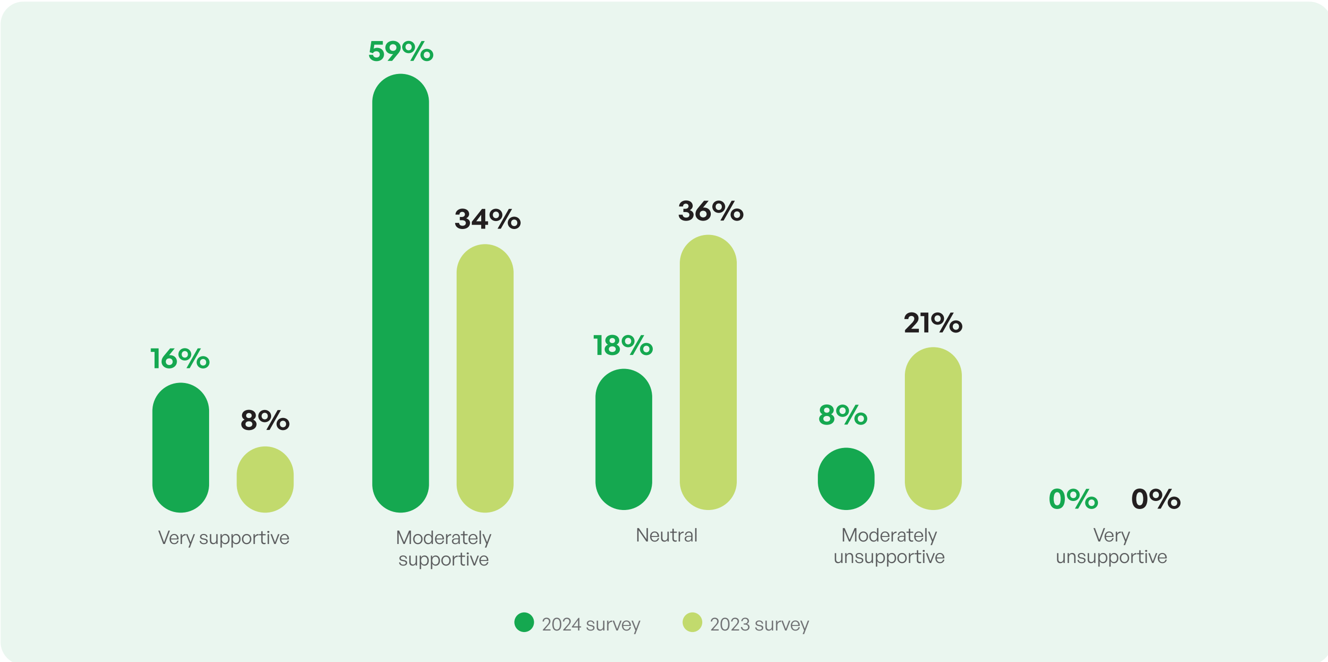
"The new coalition Government recognises this issue and is seeking to address it, not only by packaging and commissioning multiple projects together (making it more difficult to reverse), but also by seeking broad political consensus on a 30 year pipeline of projects."

Figure 6: Has the change in New Zealand's Government in October 2023 changed your intentions to invest in New Zealand?



Unsurprisingly, the current centre-right Government is seen as being more supportive of foreign investment than the previous centre-left Government.

Figure 7: How supportive do you think New Zealand Government policies are towards foreign investment at present?



Comments received generally reflect balanced support for the policy direction of the current Government.

> “The scope for conducting deals will improve in New Zealand. The Government and the economic development plans will drive up the dealmaking intentions. We will source more deals in the region going forward.”
>
> **Partner**,
> Foreign PE/VC Firm, USA

> “The Government has shown that they are ready to implement plans for steady economic conditions in the future. Since we expect these changes to take shape over a period of time, our intentions have increased moderately.”
>
> **Partner**,
> Foreign PE/VC Firm, Sweden

However, a number of comments made the point that while general policy settings are seen favourably, New Zealand’s corporate tax rates are not perceived so positively. This is a topic which we explore in Section 5 of this report.

> “When I look at the protectionist policies of some other governments, relatively, policies of the New Zealand Government are moderately supportive. Apart from the corporate taxation policies, other aspects are reasonably maintained.”
>
> **Chief Strategy Officer**,
> Foreign Corporation, Japan

> “The foreign investment policies in New Zealand remain supportive. There are good plans to engage foreign investors in various new projects. However, we are wary about the extent of taxation at the same time.”
>
> **Partner**,
> Foreign PE/VC Firm, Australia

Section 2

New Zealand M&A trends track international patterns as volumes stabilise but values stay low

Dealogic data, provided by Mergermarket, shows the New Zealand M&A market broadly tracking global and APAC markets, with volumes stabilising but values well down from the peaks of 2021 and 2022.

Corporate partner Michael Pollard notes that local and international M&A hit unprecedented levels during Covid as a result of a number of factors.

“Foremost among these were the monetary stimulants being introduced by Governments which disrupted market dynamics by underpinning target company revenue and creating abnormal demand in certain asset classes. This supercharged demand from buy-out funds pushing deal volumes and valuations to new heights.

“However, in the years since Covid, the monetary sugar rush has worn off leaving only a prolonged inflationary hangover. H1 2024 saw deal activity continue its muted trend.

“However, anecdotally, H2 may be starting to witness a new dawn – as evidence grows that inflation has been curbed and the promise of reduced financing costs emerges, domestic and international investors are starting to look at new opportunities.”

Figure 8: New Zealand M&A deal volumes and values

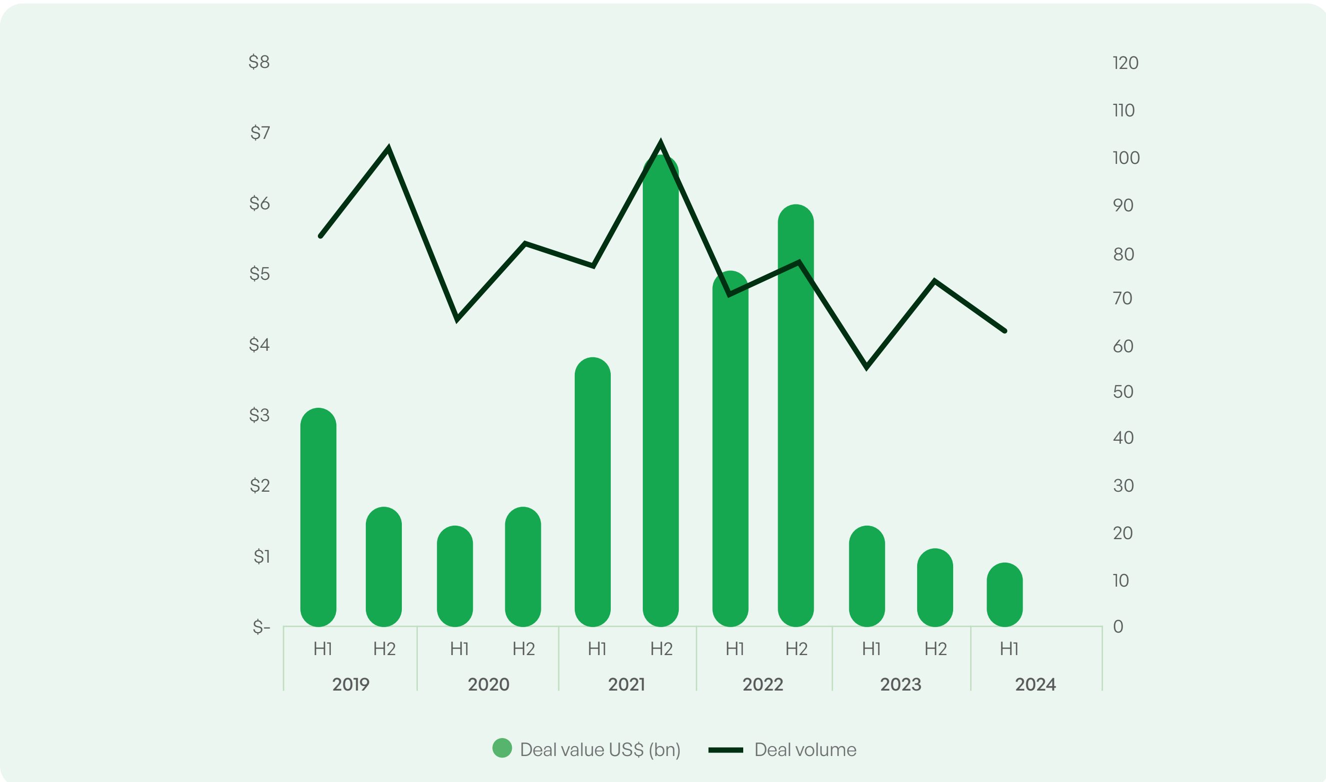


Figure 9: APAC M&A deal volumes and values

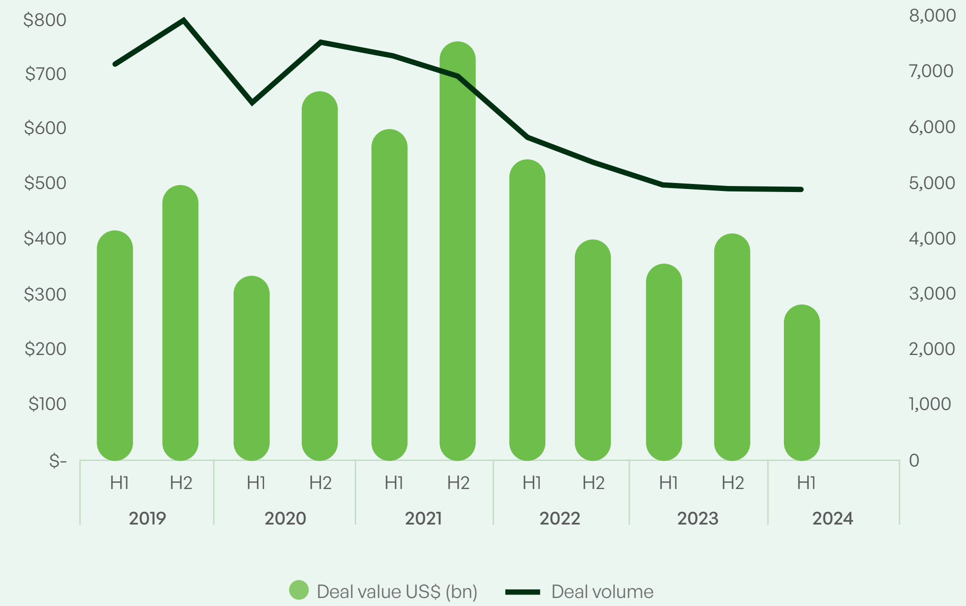
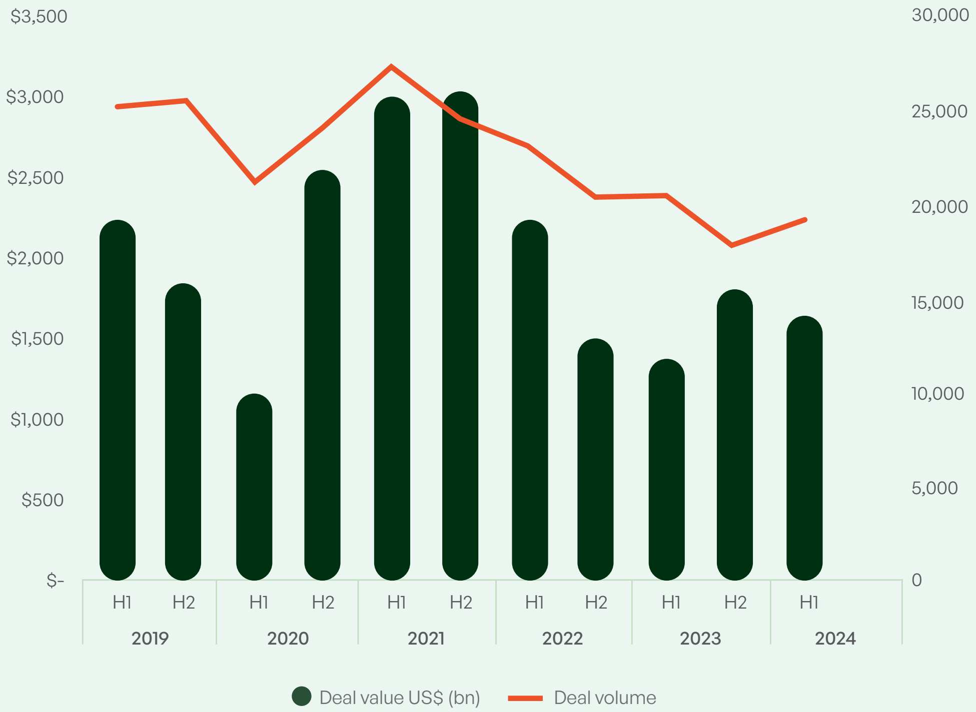


Figure 10: Global M&A deal volumes and values

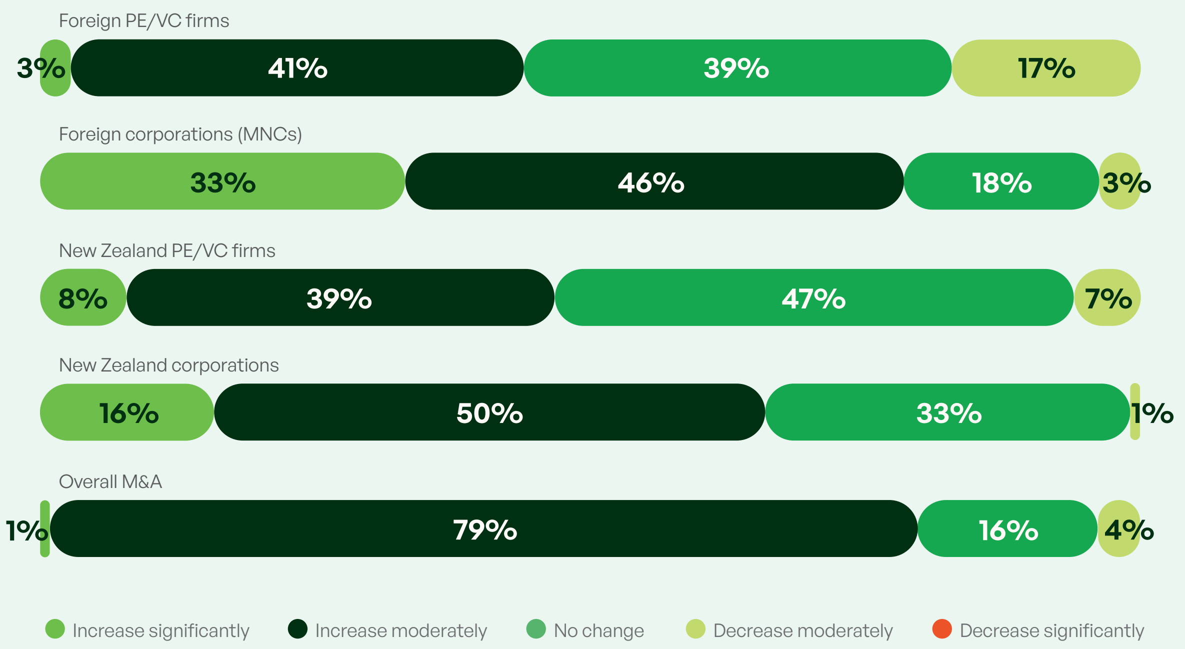


Unsurprisingly, given the strong sentiment towards investing in New Zealand, 79% of respondents are anticipating a moderate increase in overall M&A activity in the next 12 months. This is a distinct uplift in expectations from last year when 60% were predicting a moderate increase in activity.

Corporate partner Andrew Matthews says the findings are consistent with a more optimistic mood in the M&A market over the past few months, as investors look for good value acquisition targets.

"The trend in this year's results is also away from more opportunistic, short-term acquisitions towards a more measured pipeline. This is consistent with other findings of the survey which suggest that, consistent with pre-Covid practice, offshore purchasers are looking to acquire New Zealand businesses not only for their relatively modest valuations but also for the opportunities for market acquisition and inorganic growth which they represent."

Figure 11: What do you expect to happen to M&A in New Zealand regarding the level of activity from the following acquirers/investors in the next 12 months?



Comments received reflect the mixed views on which types of organisation will be most active in New Zealand M&A.

> "Foreign corporations have started looking at New Zealand more positively. Seeing the positive economic outlook compared with other regions has made New Zealand more attractive. More deals will be done by foreign corporations."
>
> **Director, Mergers & Acquisitions,**
> Foreign Corporation, France

> "Foreign PE/VC activity will increase steadily because of the sourcing choices and the optimum valuations. Firms are looking for assets to hold for around 5-7 years, and New Zealand offers good opportunities for this."
>
> **Managing Director,**
> Foreign Investment Bank, Australia

> "New Zealand corporations will have good opportunities to expand in local markets. They are well-versed with the regulatory, economic and political trends, so it offers more opportunities and keeps the risk factors in control."
>
> **Head of Corporate Development & Strategy**, Foreign Corporation, USA

Section 3

Economic pressures place premium on robustness of business models in target selection

Amid global economic and geopolitical challenges, investors are increasingly looking at business fundamentals in their acquisition strategy for New Zealand.

58% report that a focus on solidity of customer demand for products and services is their top strategic priority, up from 49% last year. Close behind, 52% say the ability to pass on cost increases to customers is a major focus.

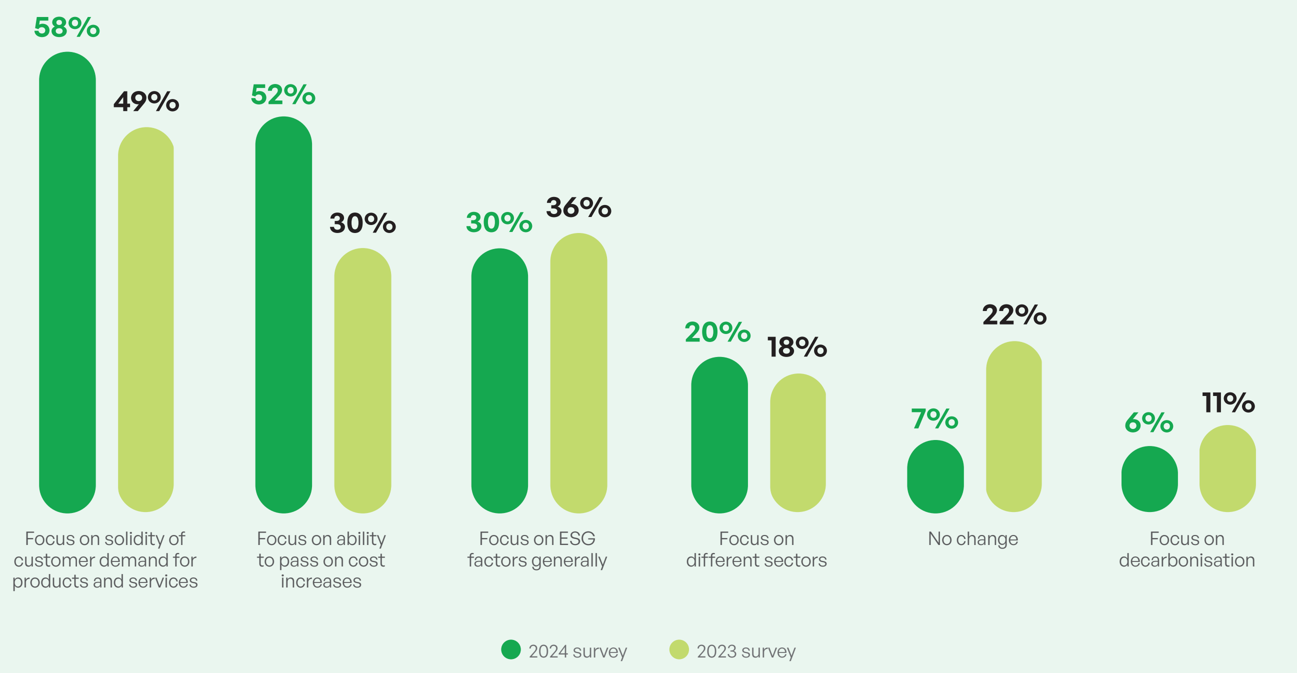
ESG factors are still considered important but have slipped from 42% in 2022 to 36% last year and 30% this year.

Anastasiya Gamble comments that: “In the current climate, this focus on business fundamentals is not a surprise, but we do not see it as a signal that ESG considerations are no longer important (merely that they have to compete with the fundamentals).

“We expect that, once the market conditions begin to stabilise, ESG considerations will once again receive more focus from buyers.

“With 99% of investors viewing ESG as important to M&A decision-making (Figure 14), ESG is not just a checkbox exercise. With the growth in global ESG regulation, investors are increasingly aware of the importance of managing ESG risk if they want sustainable growth in their acquisition targets.”

Figure 12: Have the current global economic and geopolitical challenges changed your acquisition strategy for New Zealand? Select all that apply.



“The ability to pass on cost increases has to be embedded in the strategy today. The inflation rate has become quite high over the past year, and we have to manage the repercussions by changing our strategy.”

Director, Mergers & Acquisitions,
Foreign Corporation, Sweden

“The focus will be on solidity of customer demand. There has always been emphasis on quality, but we plan on improving our product range over time. Our strategy for New Zealand has to be changed as per consumer demands.”

Head of Strategy,
Foreign Corporation, Switzerland

“It’s essential to factor in the growing impact of cost increases on operational value and our profitability percentage. We need to focus on this aspect when considering new investments in the region.”

Managing Director,
Foreign Investment Bank, China

“The main aspect of the strategy would be solidity of customer demand. Making sure that there is steady demand for the brands we support would be the key to staying in the markets for longer.”

Managing Director,
Foreign PE/VC Firm, Hong Kong

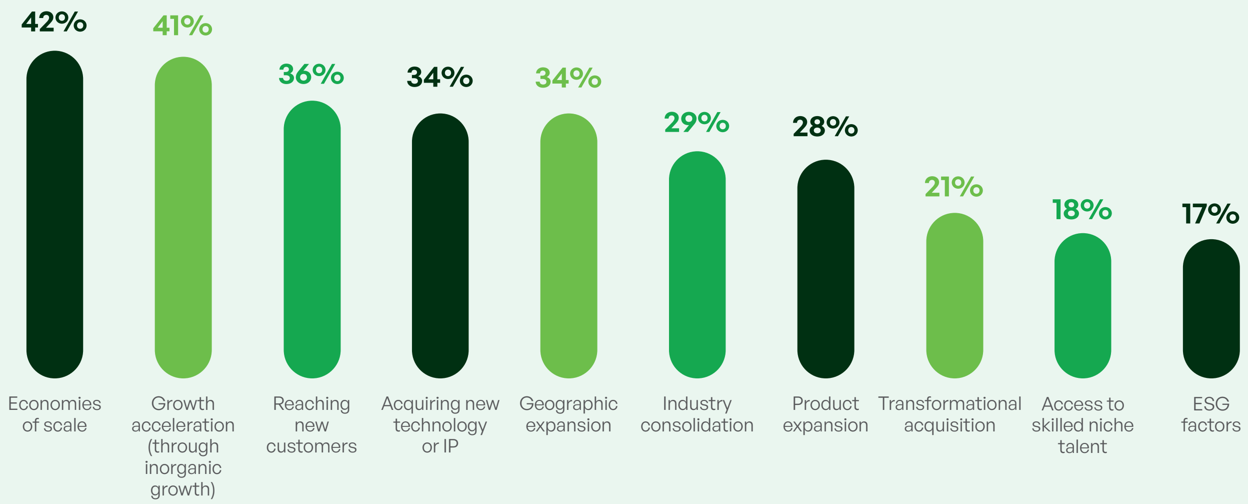
New Zealand deal targets provide opportunities to deliver key business objectives

In considering the main objective for future acquisitions in New Zealand, respondents also focused on business fundamentals, with creating economies of scale (42%) and accelerating growth (41%) the standout reasons provided.

James Hawes says: “The focus in this year’s responses on creating economies of scale and accelerating growth are interesting in that, given New Zealand’s size, purchasers’ cannot be driven purely by a desire to grow within the New Zealand market.

“Rather, we see that as a clear sign that the perception of New Zealand as stable bridgehead to Asia-Pacific has returned amongst offshore investors. This is extremely pleasing given the recent economic challenges and the necessity of offshore capital.”

Figure 13: Which of the following best describes the main objective in future acquisition plans in New Zealand? Please choose up to three.



Comments received indicate that New Zealand provides opportunities to deliver business objectives.

> “I anticipate the focus to be on economies of scale. We can reduce the financial burden by investing in companies in the same industry. We are looking for valuable opportunities to build synergies in the region.”
>
> **Chief Financial Officer,**
> Foreign Corporation, Australia

> “The main intent during the recent transaction was geographic expansion. We’ve been looking at different regions to invest that would be suited to our company’s development plans. New Zealand did fit our expectations well.”
>
> **Strategy Director,**
> Foreign Corporation, USA

> “The most recent deal was done to acquire new technology. We are always focusing on technology acquisitions to strengthen our product base. In these competitive conditions, we need to emphasise technology advancements to succeed.”
>
> **CEO,** Foreign Corporation, Italy

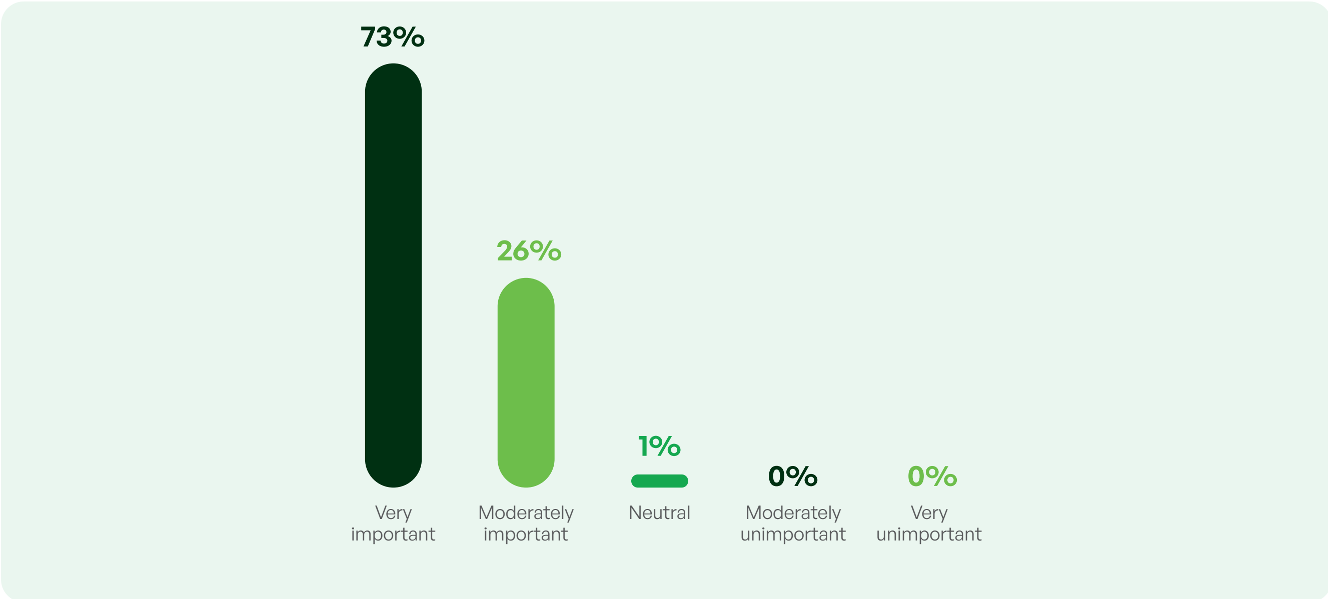
> “Economies of scale has become important during these inflationary trends. Our investments in New Zealand will be based on this objective in particular. We want to reduce the cost of operations by a good margin.”
>
> **Chief Financial Officer,**
> Foreign Corporation, USA

ESG remains important in M&A decision-making as investors look to manage risk

Notwithstanding its slippage in terms of importance in investment strategy, ESG factors are still central to M&A decision-making.

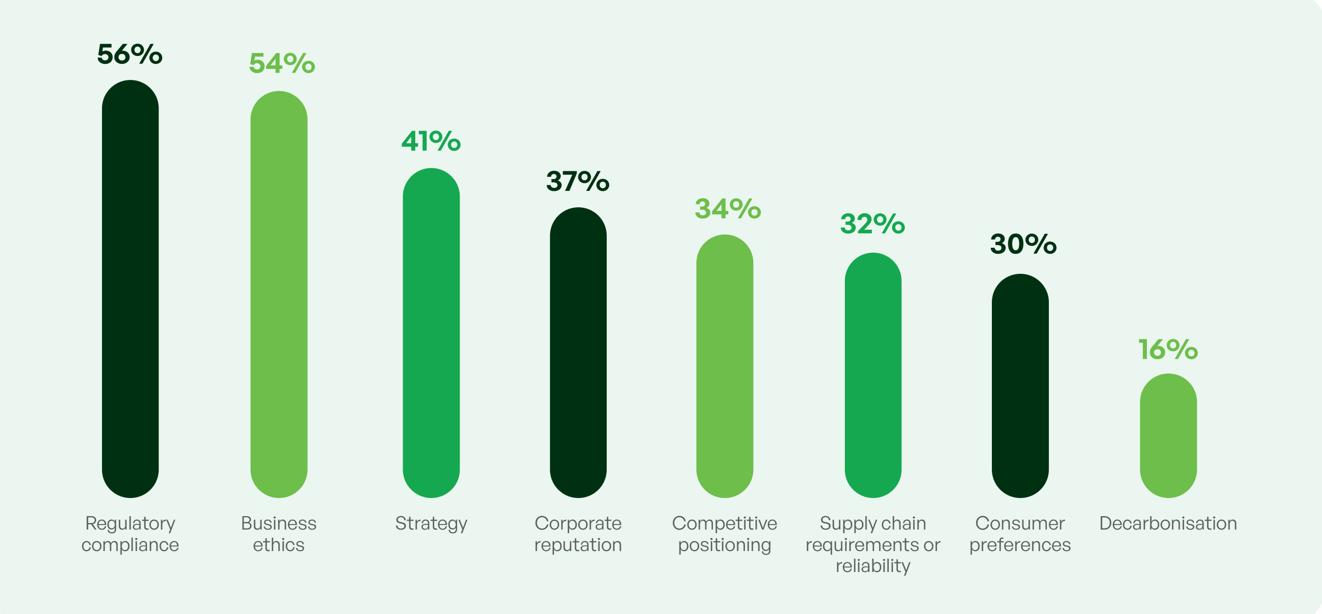
Overall, 99% of respondents rate ESG as important in considering deals, with 74% saying it is very important.

Figure 14: How important are ESG factors to your organisation's M&A decision-making (regarding value, risk, pricing)?



The reasons why ESG factors are considered so important when selecting acquisition targets are heavily linked to managing risks, with regulatory compliance (56%) and business ethics (54%) the top two reasons.

Figure 15: What are the main reasons you consider ESG factors in relation to a proposed transaction? Please select up to three.

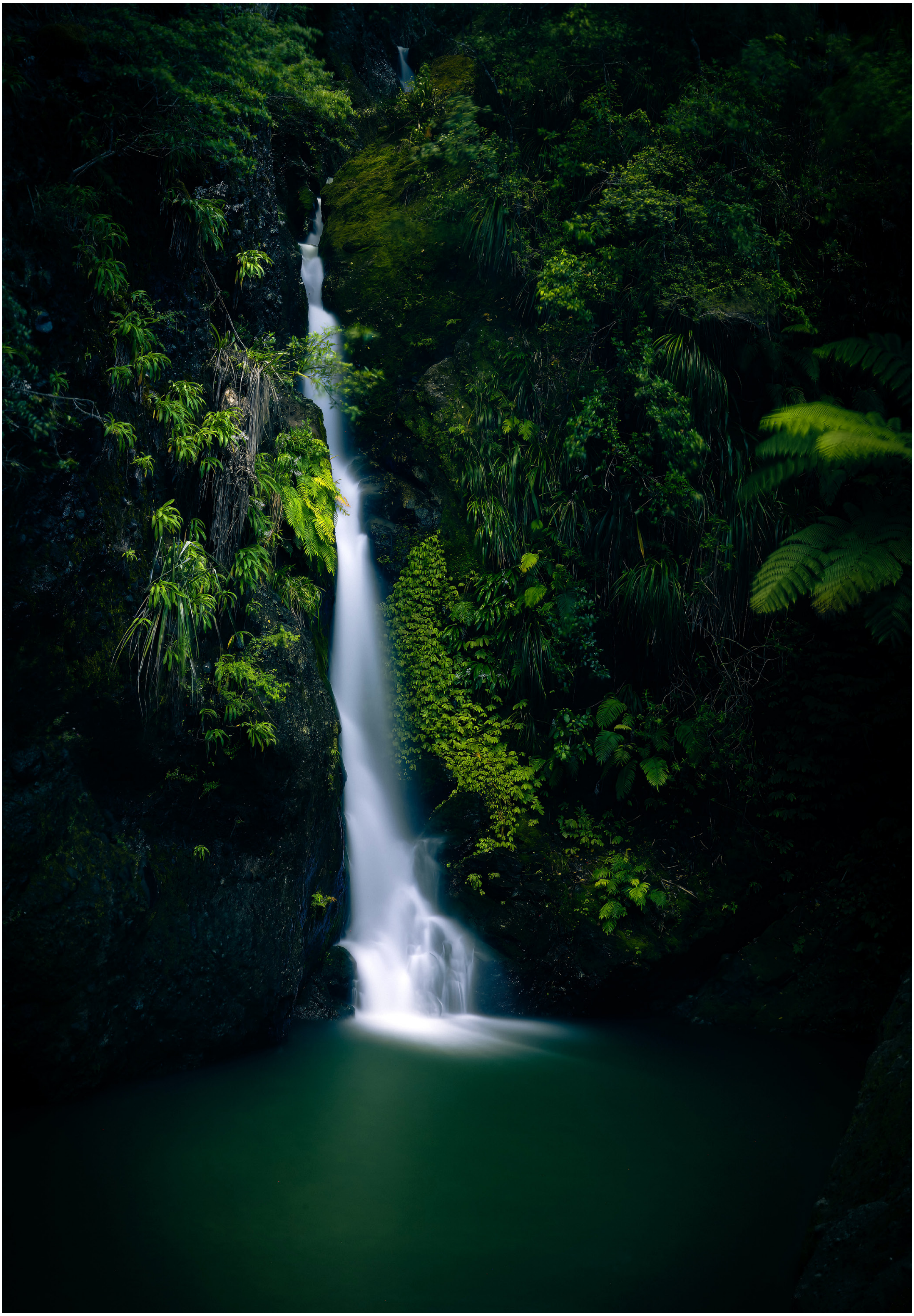


> "Comprehensive investigations are conducted into operations and the entire supply chain. It's very important that we identify ESG threats before we enter the deal. The deal terms can be discussed based on findings."
>
> **Chief Financial Officer,**
> Foreign Corporation, Australia

> "Regulatory compliances are kept in mind when we review the ESG performance of target companies. It's essential to understand the underlying risks fully, and also prepare negotiation terms accordingly."
>
> **Managing Director,**
> Foreign PE/VC Firm, Hong Kong

> "The main reason would be business ethics. We want the companies we associate with to follow ethical and sustainable business practices. It reflects well on our company this way."
>
> **Managing Director,**
> Foreign Investment Bank, USA

> "For competitive positioning, focus on ESG is a must today. Companies have started advertising sustainable aspects of their products and services widely, so we need to include ESG in our decisions to invest."
>
> **Head of Mergers Acquisitions,**
> Foreign Corporation, Germany



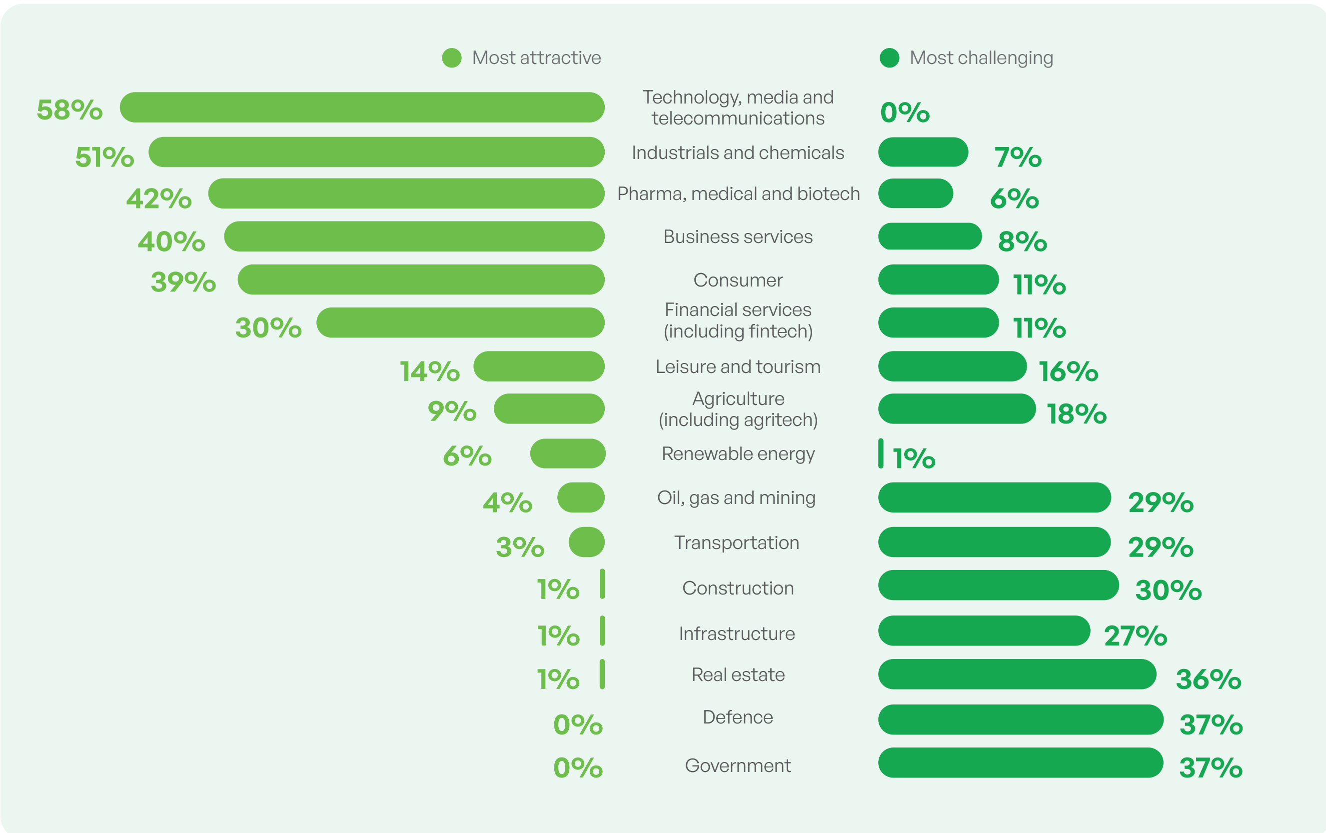
Section 4
New Zealand IP in demand from offshore investors

The demand for New Zealand IP, particularly technology, was a consistent theme throughout the survey, a finding which is a strong endorsement of New Zealand Inc.

In Figure 5, 39% of respondents reported that the opportunity to acquire new or advanced technology makes New Zealand an attractive investment destination. And in Figure 13, 34% of respondents said that acquiring new technology or IP would be a main objective of their next acquisition in New Zealand.

This theme was also reflected when we asked foreign investors what sectors are the most attractive to them. TMT came top of the list (58%) with another IP-heavy sector, pharma, medical and biotech, third (42%).

Figure 16: Which of the following sectors do you think will be most attractive over the next 12-24 months? Which are most challenging to invest in? Please select up to three for each.



Comments received throughout the survey highlighted the attractiveness of local IP and technology.

"For us, it's an attractive investment because of the advanced technologies that companies utilise. These are quite essential to improve the quality of products and sell in global markets."

CEO,
Foreign Corporation, Italy

"Pharma, medical and biotech companies have been advancing steadily. There is keen interest on engaging technologies to drive better output. Funding for research and development projects in the sector will also increase."

Director,
Mergers & Acquisitions, Norway

"I think the technology sector investments can deliver the expected returns for most investors. This sector is attractive for same-industry and cross-industry deals over the next few years."

Head of Strategy & Sustainability,
Foreign Corporation, Malaysian

"There are good targets in New Zealand. I like the way companies approach technology developments in a positive manner, and include these technologies in their operations."

Director of Mergers & Acquisitions,
Foreign Corporation, France

IP portfolios increasingly important to New Zealand business acquisitions

IP portfolios are often a key driver of value in business acquisitions and are frequently recognised as a strategic asset for maintaining a competitive advantage. Buyers have become increasingly sophisticated and diligent in assessing the quality of intellectual property assets in potential acquisitions, and vendors have had to respond by being more thorough in the way that they record and protect their intellectual property assets.

We have seen real interest in intellectual property in the biotech/pharma space, with a sharp increase in clinical trials and development. This, combined with a very active and mobile development of IT – particularly in the broader health sector, but also in other areas such as transport and business services, has meant that investment in IP in New Zealand remains strong.

Technology is also one of New Zealand's largest export sectors and is continuing to grow, so it is perhaps no surprise that the sector remains of serious interest to potential investors. Growth in this area is supported by the Ministry of Business, Innovation & Employment, which continues to invest in funding, incentives and programmes for diversifying and advancing science and innovation. The success of high-profile New Zealand businesses in the technology sector also helps to demonstrate local capability and credibility.

A capital gains tax on intangible assets, including intellectual property and rights in software, was recommended by the New Zealand Tax Working Group in its 2019 report, Future of Tax. However, the Government at the time decided not to adopt that recommendation, and we have not seen any indication otherwise from the current Government. This should, at least for the meantime, avoid potential dampening of interest in technology sector investment.

Richard Watts, Head of IP/ICT

Section 5

Mixed views on New Zealand's tax system, with high relative corporate tax rate an unattractive feature

Last year's survey was the first time we asked specifically about the impact of New Zealand's tax system on investment decisions. The results were generally positive, although some respondents criticised New Zealand's 28% corporate tax rate as being too high.

The results this year were similar, with the overall picture remaining favourable. However, an increasing number of respondents singled out the corporate tax rate as an unattractive feature (32%). In addition, there was a marked upswing in the number of respondents who see New Zealand's tax settings for debt funding acquisitions as unattractive (54%).

This year we also asked an open question about whether the coalition Government's plans in its first term to take a 'business as usual' approach and make no significant changes to corporate tax settings impacting inbound investment was appropriate. Many of the comments received were critical of the Government in not progressing changes, particularly in relation to the corporate tax rate, although also recognised economic conditions may be acting as a handbrake on any major reform for the time-being.

Partner Barney Cumberland believes this year's survey results paint a clear picture that the New Zealand corporate tax rate is increasingly perceived as uncompetitive by some European, US and Canadian-based respondents.

"The numbers tend to bear this out. New Zealand's corporate tax rate has remained at 28% since 2010, while the average top corporate rate among EU27 countries has declined to 21.16% and 23.57% percent across all OECD countries."

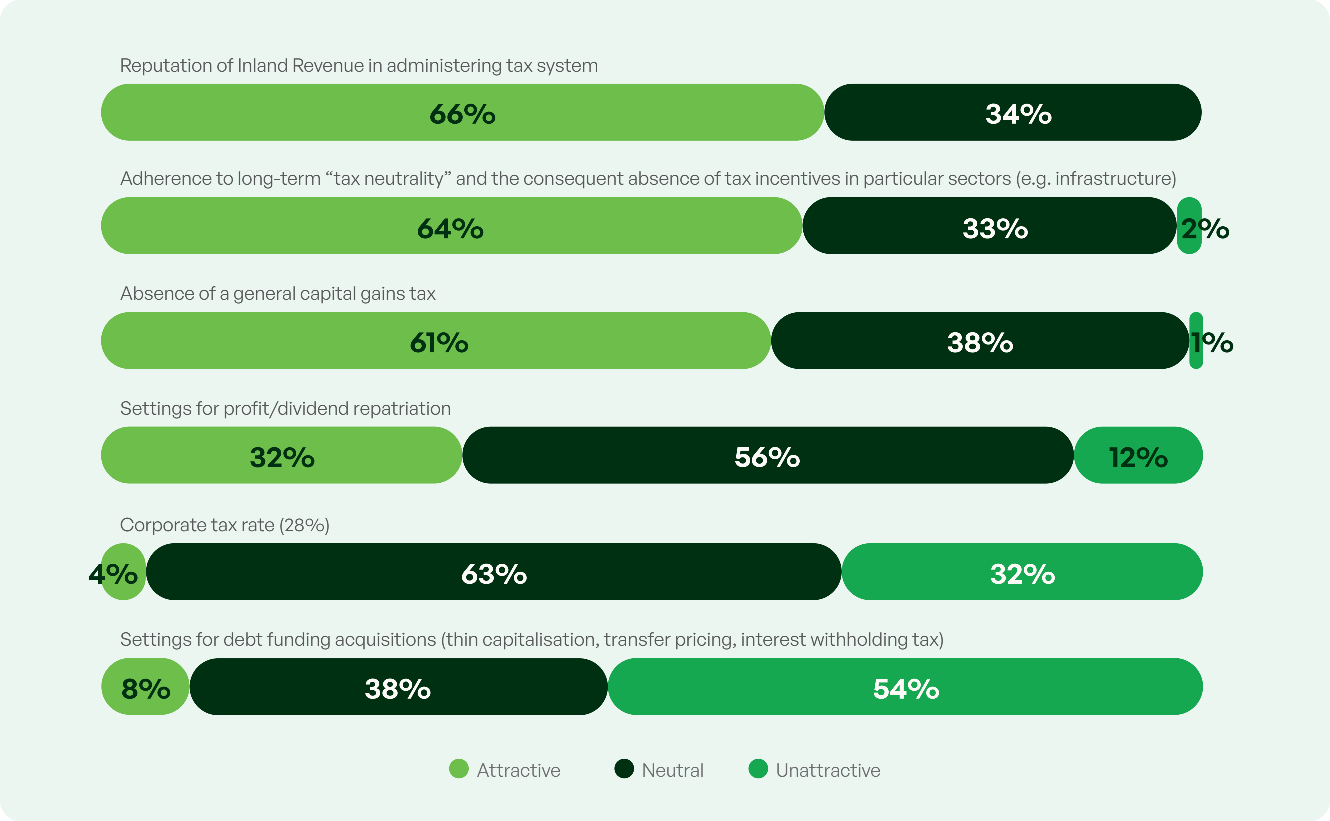
The negative perception of settings for debt funding acquisitions in New Zealand is also interesting to Barney.

"This could be due in part to the fact that New Zealand remains (for now) committed to a thin capitalisation regime based on a debt-to-equity ratio measurement, while many countries (recently including Australia) have shifted to an interest-to-pretax-earnings ratio measurement. In addition, our experience is that clients from some jurisdictions are bemused by New Zealand's 'restricted transfer-pricing' (RTP) approach to determining the allowable deductible interest rate on related party debt. The RTP rules depart from conventional OECD principles in favour of a considerably more restrictive approach."

Barney considers that it is inevitable that policy makers will need to grapple with these issues in the medium term.

"While the Government's 'business as usual' approach to tax settings for inbound investment and corporate taxation generally has the advantage of fostering certainty, there will come a point where this is not enough to ensure international investor behaviour is not negatively distorted by tax."

Figure 17: How do you assess the following features of the New Zealand tax system in relation to New Zealand's relative attractiveness as an investment destination?



Many of the comments received were critical of the Government in not progressing changes, particularly around the tax rate.

"The corporate tax rate is very high. It's more than the average taxation we see in countries. However, the adherence to long-term tax neutrality is good for deciding on the right course of action when investing."

Managing Director,
Foreign Investment Bank, USA

"It will make a difference to investors, especially since the corporate tax rate is quite unattractive. It should be lower in order to impact investment sentiments positively."

Managing Director,
Foreign PE/VC Firm, USA

"The new coalition government should have taken a more positive direction when it comes to corporate taxation settings. The 'business as usual' approach would have worked if the taxes were already attractive."

Managing Director,
Foreign Investment Bank, Germany

"The taxes are very unattractive, and reforms would have been nice. I think at least a 3% cut would have increased the volume of inbound investments into New Zealand."

Managing Director,
Foreign Investment Bank, China

However, the Government's hands-off approach did gain some support in the comments.

"Governments cannot cut their inbound corporate taxes without knowing that the income from other sources would increase. Since we are in the middle of an inflationary period, they can justify this decision."

Chief Financial Officer,
Foreign Corporation, Australia

"The new government would have thought the decision through. Taxes cannot be changed without understanding the implications on government finances. There are many factors involved, and the decision would be justified for them."

Chief Financial Officer,
Foreign Corporation, Thailand

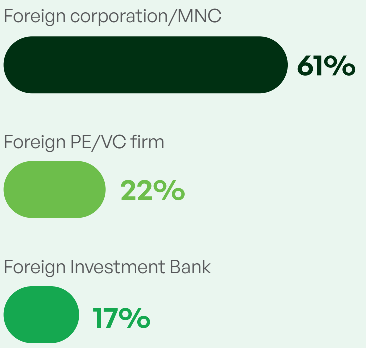
Methodology

In July 2024, Simpson Grierson commissioned Mergermarket to canvass the opinions of foreign investors on the investment opportunities, trends and challenges in New Zealand. There were 90 respondents to the survey, split between Asia-Pacific, North America and Europe.

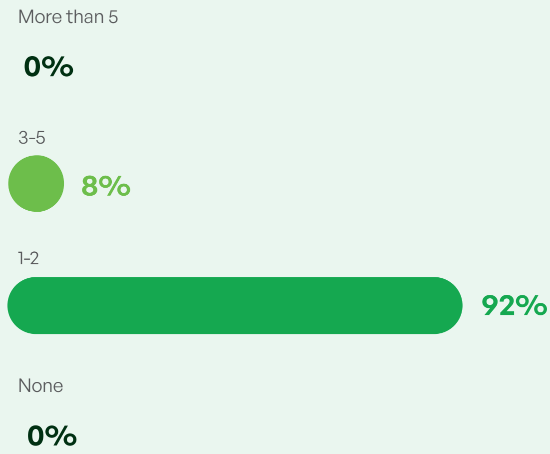
Respondents had completed at least one investment into New Zealand in the past five years or been an adviser to a deal in this period.

Within the graphed survey results, percentages may not sum to 100% due to rounding, or when respondents were allowed to choose more than one answer.

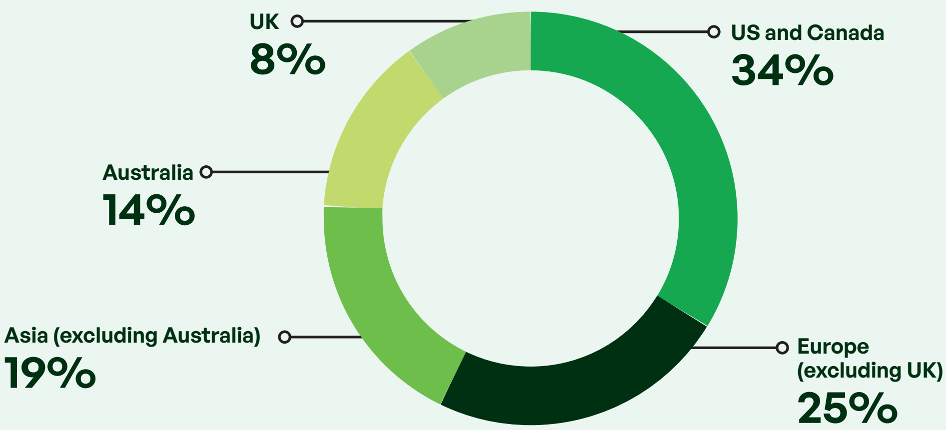
How would you categorise your company?

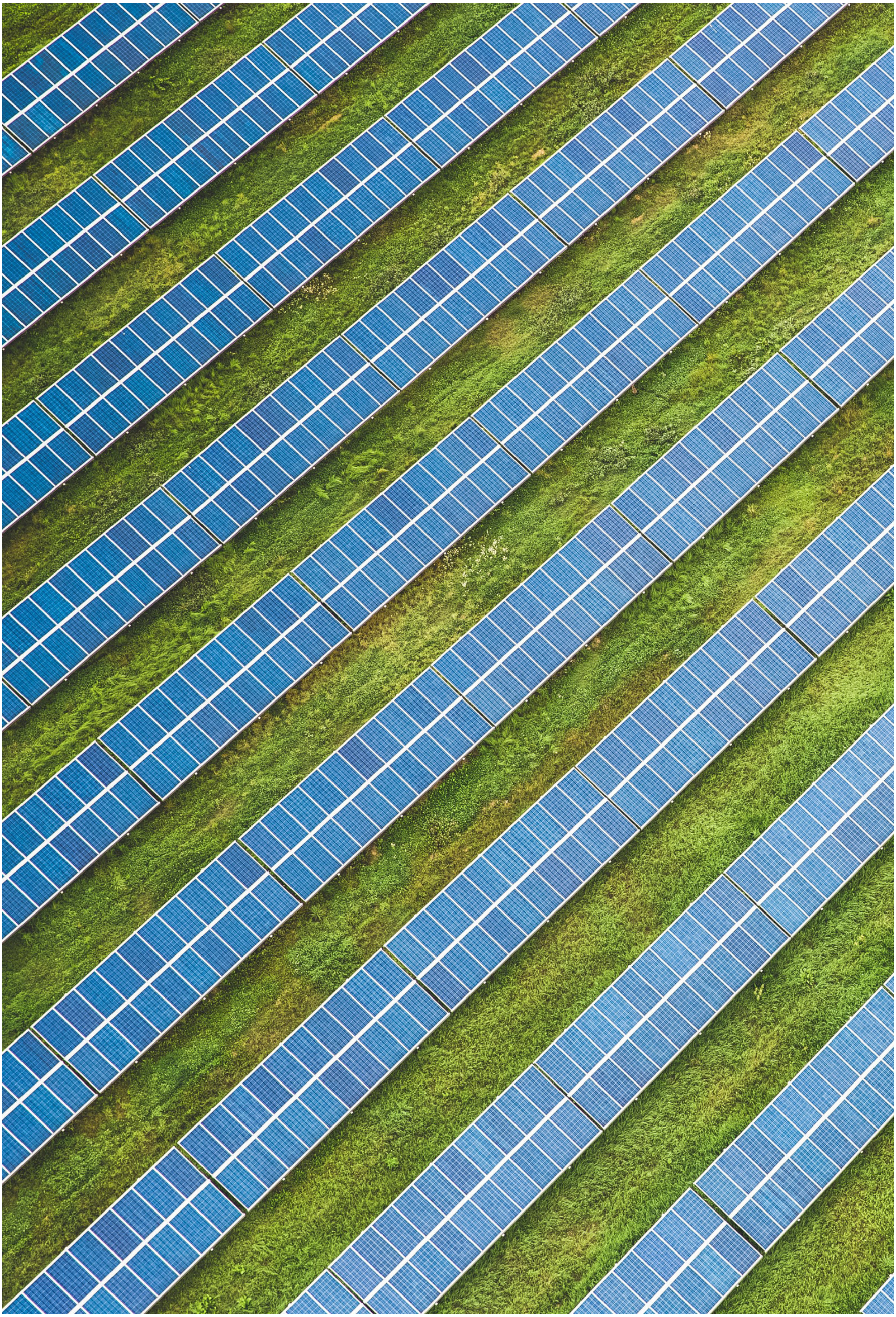


How many acquisitions/investments have you considered, made or advised on in New Zealand in the last five years?



Where is your company based?





Mergermarket

Mergermarket blends market-leading human insights, advanced machine learning and 30+ years of Dealogic data to deliver the earliest possible signals of potential M&A opportunities, deals, threats and challenges.

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Simpson Grierson

We are one of New Zealand's largest law firms, but that's not what sets us apart. It is our team of experts, market-leading reputation, and absolute commitment to achieving the right outcome for each client that makes us different.

By involving us early on, our clients and their advisers benefit from access to an unsurpassed understanding of New Zealand's business and regulatory environments.

You will have the advantage of leading specialists delivering timely advice, solving problems and anticipating issues. Having us in your corner means making decisions with confidence.

Please contact any of our experts for advice on the New Zealand market and investment opportunities, or to discuss any aspect of this report.

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