

The Treasury

Project Korimako - Release of advice

December 2022

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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Treasury Report: Additional Information on Kiwi Wealth

Date:	11 February 2022	Report No:	T2022/207
		File Number:	SE-2-12-4-2-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Sign the attached letter to the Chair of NZ Post outlining your expectations in relation to any potential Kiwi Wealth sale	17 February 2022
Acting Minister for State Owned Enterprises (Hon Dr Megan Woods)	Note the contents of this report	None
Associate Minister of Finance (Hon David Parker)	Note the contents of this report	None

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Alex Ng	Senior Analyst, Commercial Performance	[39]	N/A (mob) ✓
Shelley Hollingsworth	Manager, Commercial Performance	[35]	

Minister's Office actions (if required)

Return the signed report to Treasury. Once signed, **send** the attached letter to the Chair of New Zealand Post.

Note any feedback on the quality of the report

Enclosure: Yes (attached)
[Minister of Finance's letter to NZ Post Chair re Kiwi Wealth \(Treasury:4615639v1\)](#)

Treasury Report: Additional Information on Kiwi Wealth

Purpose of Report

1. This report provides you with additional information relating to the potential value of Kiwi Wealth Management Limited (Kiwi Wealth) and the projected capital requirements for Kiwibank Limited (Kiwibank) over the medium term. In addition, attached is a letter for you to send to the Chair of New Zealand Post Limited (NZ Post) outlining your expectations regarding any potential sale of Kiwi Wealth.

Background

2. Last week we briefed you on the exploratory sales process for Kiwi Wealth that had been signalled by Kiwi Group Holdings Limited (KGH) [T2022/53 refers]. We indicated that, given industry trends and Kiwi Wealth's position in the marketplace, KGH's proposal to sell Kiwi Wealth was a reasonable commercial decision. We noted that it could also allow KGH to increase its focus on Kiwibank.
3. You have now indicated that you are comfortable with a sale of Kiwi Wealth as long as New Zealand Post understands your expectation [25], [33]
You requested additional information on Kiwi Wealth's potential value and the medium-term capital requirements of Kiwibank.

Value of Kiwi Wealth

4. New Zealand's long-term savings scheme KiwiSaver is still relatively early life and, accordingly, is likely to exhibit growth rates above the wealth industry market average for many years. Kiwi Wealth is a default KiwiSaver provider, with \$9.9 billion of funds under management (FUM) as at 31 December 2021, and its KiwiSaver product makes up 69% of its total FUM. Accordingly, based on industry valuation yardsticks, [25], [33], [34]
5. The value of Kiwi Wealth could be higher to any purchaser which could derive synergy gains (cost savings by combining Kiwi Wealth with its existing operations). With the New Zealand funds management industry entering what appears likely to be an extended period of consolidation, there are likely to be several well-funded New Zealand managers looking to scale up through acquisition – especially if they are not currently providing KiwiSaver products or recently lost out on default KiwiSaver status.
6. The value could also be higher for any purchaser which saw significant strategic benefits from Kiwi Wealth as an initial (i.e. the first of several) acquisition in New Zealand's long-term savings sector. We suspect that there will be a number of potentially interested overseas parties in this category.
7. Given the possible synergy gains or strategic benefits, the upper end of a potential bid range [25], [33], [34]

¹ [25], [33], [34]

8. We understand from KGH that work undertaken by an external consultant, engaged by KGH last year, indicated a value [25], [33]
9. We further understand that the KGH board is likely to consider Kiwi Wealth's future when it meets on 22 February 2022.
10. However, we also note that due to the potential competitive bidding situation that could arise for Kiwi Wealth, there is the possibility that a higher sale price could be achieved.

Kiwibank's Capital Requirements

11. We understand from KGH that the Te Ara Hou Transformation is progressing well – to the extent that Kiwibank is talking about the project publicly. [25], [26]

12. [25], [26]

The Treasury notes that were Kiwibank to grow [25], [26] its need for additional capital to support growth would be higher. [25], [26], [34]

13. [25], [26], [34]

14. [25], [34]

15. [34]

Expectation Letter to the Chair of NZ Post

16. You advised us (through your office) that you are comfortable should the shareholders of KGH decide to sell Kiwi Wealth. However, given Kiwibank's future prospective capital requirements and the current process through which the ownership arrangements for KGH are being considered, you have an expectation that until the ownership arrangements are resolved, proceeds from any divestment would be retained by KGH.
17. Your office requested that we provide a draft letter addressed to the Chair of NZ Post acknowledging the potential sale of Kiwi Wealth and your expectations regarding any proceeds arising. A draft of this letter is attached for your consideration.

Treasury Observations

18. In conversations we had with KGH this week, the group emphasised the importance it placed on maximizing the value of Kiwibank over time [25] supporting Kiwibank's ongoing development is a clear priority for the KGH group.
19. We note, however, that over the last couple of years, KGH's current shareholders have emphasised to us that the shareholders had agreed not to inject new capital into the group [25]
20. [25]

Recommended Action

We recommend that you **send** the attached letter to the Chair of NZ Post outlining your expectations regarding KGH retaining the proceeds of any potential sale of Kiwi Wealth until the future ownership arrangements for KGH are resolved.

Agree/disagree.
Minister of Finance

Shelley Hollingsworth
Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Acting Minister for State Owned Enterprises

Hon David Parker
Associate Minister of Finance