

Case study ›

Woolworths property spin-off

The deal › Woolworths property spin-off

Phases of project › Corporate, property, regulatory

The twist › Woolworths chose an equal capital reduction, which allowed participation by all Woolworths shareholders as well as a lower approval threshold.

Benefits › Enabled Woolworths to return its focus to its core retail business.

Consider this structure when › Companies want to move a large holding off balance sheet.

‘This was achieved through the distribution of Stapled Units in SCA Property Group to Woolworths shareholders via an equal capital reduction.’

Stuart McCulloch, Partner.

When Woolworths decided to reduce the amount of property held on its balance sheet, and revert attention and capital to its core retail business, it sparked one of the largest real estate investment trust launches since the global financial crisis.

The company had been acting as a developer to access the property needed to house its core supermarket, petrol, liquor and hardware retail businesses, and had subsequently developed a significant holding of properties on its balance sheet.

Realising that the property portfolio was diverting the company’s capital from its core retail business, the Woolworths board decided to move the property business off the balance sheet. A property spin-off was deemed the most appropriate model for achieving that goal, and so Shopping Centres Australasia Property Group (**SCA Property Group**) was born, involving 69 properties located in Australia and New Zealand, and independently valued at approximately A\$1.4 billion.

According to Partner Stuart McCulloch, who led the Allens Corporate team on the matter, in order to begin the spin-off process, SCA Property Group had to be created first, and then spun out via a Woolworths capital reduction.

‘This was achieved through the distribution of Stapled Units in SCA Property Group to Woolworths shareholders via an equal capital reduction,’ Stuart said.

‘The reduction was approved at the November 2012 Woolworths Annual General Meeting.’

In conjunction with the distribution, SCA Property Group conducted an offer of stapled units to raise between \$425 million and \$506 million. The capital raising involved a retail offer in Australia and NZ, and an institutional bookbuild open to institutional investors in Australia, NZ and certain other foreign jurisdictions.

According to Partner Paul Newman, who led the Allens Property team on the matter, Allens advised Woolworths on the establishment of the new REIT, the capital distribution and the capital raising by SCA Property Group to ultimately raise approximately \$472 million.

SCA Property’s share price rose on its Australian Securities Exchange debut.

Many partners and lawyers from across Allens’ Australian offices were involved on this complex matter, including partners Stuart McCulloch, Jon Webster, Greg Bosmans, Penny Nikoloudis, Mark Kidston and Adrian Chek. Senior associates Kate Towey, Paul Santamaria, Penelope Barclay, Alister Fitzgerald and Damon Angus were also heavily involved in this project.