

## **BRIMSTONE INVESTMENT CORPORATION LIMITED**

(Incorporated in the Republic of South Africa)

Registration number 1995/010442/06

Share Code: BRT ISIN: ZAE000015277

Share Code: BRN ISIN: ZAE000015285

("Brimstone")

## **ACQUISITION BY BRIMSTONE OF A 15% INDIRECT INTEREST IN CLOVER INDUSTRIES LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

### **1. INTRODUCTION**

Further to the cautionary announcement released on the Stock Exchange News Service ("**SENS**") of the JSE Limited ("**JSE**") on 21 January 2019, holders of ordinary shares in Brimstone and N ordinary shares in Brimstone ("**Brimstone Shareholders**" and "**Brimstone Shares**", respectively) are referred to the joint announcement ("**Firm Intention Announcement**") released on SENS today, 4 February 2019, by Clover Industries Limited ("**Clover**") and Milco SA Proprietary Limited ("**Milco SA**" or the "**Offeror**"), in respect of the firm intention by Milco SA to make a cash offer to acquire all the shares of Clover on a fully diluted basis (the "**Offer**" or the "**Proposed Transaction**").

The Firm Intention Announcement was released following the conclusion of an agreement between Clover and Milco SA on 4 February 2019 ("**Implementation Agreement**"), in terms of which Milco SA will make the Offer to Clover shareholders ("**Clover Shareholders**") to acquire all of their Clover ordinary shares ("**Clover Shares**") by way of a scheme of arrangement (the "**Scheme**") in terms of section 114 of the Companies Act, No. 71 of 2008, as amended ("**Companies Act**").

The amount payable to Clover Shareholders in terms of the Scheme will be a cash consideration of R25.00 per Clover Share ("**Scheme Consideration**"), amounting to an aggregate Scheme Consideration of approximately R4.8 billion. The Scheme will be subject to the fulfilment or waiver of a number of conditions precedent, on or before 20 August 2019 (or such later date as Milco SA and Clover may agree upon), which have been detailed in the Firm Intention Announcement. If the Scheme becomes operative, the listing of all of Clover's Shares on the main board of the JSE and the Namibian Stock Exchange ("**NSX**") will be terminated and Clover will become a wholly-owned subsidiary of Milco SA.

### **2. BRIMSTONE'S PARTICIPATION IN THE PROPOSED TRANSACTION**

On 3 February 2019 ("**Signature Date**"), Brimstone entered into an agreement ("**Shareholders and Subscription Agreement**") with International Beer Breweries Limited ("**IBBL**"), Ploughshare Investments Limited ("**Ploughshare**"), as incorporators and on behalf of Milco Mauritius International Limited ("**Milco Mauritius**"), IncuBev Limited ("**IncuBev**"), Milco SA and the executive management of Clover ("**Clover Management**"), in terms whereof the parties have agreed to constitute and capitalise Milco SA for purposes of implementing the Proposed Transaction.

In terms of the Shareholders and Subscription Agreement, the shareholding of Milco SA will be as follows:

- 78.7% by Milco Mauritius, a Mauritian holding company, which will become a party to the Shareholders and Subscription Agreement upon its formation when it ratifies and confirms and agrees in writing to be bound by the provisions thereof. The shareholders of Milco Mauritius will be IBBL (59.5%), IncuBev (8.3%) and Ploughshare (10.9%);
- 15% by Brimstone; and
- 6.3% by Clover Management.

In terms of the Shareholders and Subscription Agreement, Brimstone shall subscribe for 15% of the entire issued share capital of Milco SA ("**Brimstone Subscription**") for a cash consideration of R726 million ("**Brimstone Subscription Amount**"), which will be funded through debt funding.

The purpose of this announcement is to advise Brimstone Shareholders of the terms and conditions of the Proposed Transaction and Brimstone Subscription.

### 3. NATURE OF BUSINESS OF CLOVER

Clover is a leading and competitive branded consumer goods and products group operating in South Africa and select African countries reaching a wide range of consumers with a range of quality value-added dairy and non-dairy products. Clover has one of the largest ambient and chilled distribution networks in Southern Africa. The company's segments include: dairy fluids, dairy concentrated products, ingredients, non-alcoholic beverages, fermented products and other products. Clover's footprint extends across South Africa and sub-Saharan Africa, employing over 8,500 employees.

### 4. THE SCHEME CONSIDERATION PREMIUM

The Scheme Consideration represents a compelling proposition and attractive opportunity for Clover Shareholders to realise value in cash and to divest of their Clover Shares at a substantial premium, as set out below, which is also attractive considering the low trading volumes in Clover Shares on the JSE and NSX.

The table below illustrates the Scheme Consideration premium relative to the Clover Share price determined on a number of metrics:

Scheme Consideration premium to	Clover share price prior to the Cautionary Announcement <sup>1</sup>	Scheme Consideration premium	Clover share price prior to the Firm Intention Announcement <sup>2</sup>	Scheme Consideration premium
Closing price	R14.10	77%	R20.00	25%
30-day VWAP <sup>3</sup>	R14.73	70%	R19.09	31%
60-day VWAP <sup>3</sup>	R16.10	55%	R18.05	39%
90-day VWAP <sup>3</sup>	R16.16	55%	R16.93	48%

Notes:

1. Respective price metrics of a Clover Share on the JSE on 18 October 2018, being the last trading day prior to the publication of the first cautionary announcement by Clover ("**Cautionary Announcement**").
2. Respective price metrics of a Clover Share on the JSE on 1 February 2019, being the last trading day prior to the publication of the Firm Intention Announcement.
3. VWAP refers to the volume weighted average price over the particular number of trading days.

### 5. INFORMATION ON THE OFFEROR

Set out below are the credentials of the parties playing a lead-role in the Offeror:

- IBBL is a directly owned subsidiary of the Central Bottling Company ("**CBC**") Group. CBC is a privately-owned international food and beverage group whose subsidiary companies serve over 160 million consumers worldwide. CBC is Israel's leading manufacturer and distributor of beverages, and, through its foreign subsidiaries, has manufacturing and distribution operations in Turkey, Romania, and Uzbekistan. CBC, which is also the owner of the Tara dairy, Israel's second largest milk processing dairy, produces and distributes its own brands and Müller brands, and it operates the license for the Müller brand in Romania. CBC also owns Gat Foods, a "grove to table" juice operation with customers in over 70 countries. In addition, CBC works closely with its international franchisors, including The Coca-Cola Company, Carlsberg, Anheuser-Busch InBev, the Müller Group and Diageo;
- IncuBev is an international business focused on the food and beverage sectors in sub-Saharan Africa. The shareholders of IncuBev comprise global executives with extensive knowledge, experience and relationships, both in sub-Saharan Africa and the rest of the world, in the dairy and non-alcoholic beverage industry. IncuBev has a network design with access to deep operational, private equity, banking and management consulting expertise, within sub-Saharan Africa and globally; and
- Ploughshare is a privately owned, independent investment company which is part of a broader international investment group which has investments and expertise in retail, distribution and beverages.

Milco SA will not only retain the services of Clover Management but Clover Management will, together with a loan

from Milco SA, reinvest a portion of the proceeds they receive from the Scheme, and settlement of their share appreciation rights, into Milco SA.

## 6. RATIONALE FOR BRIMSTONE'S PARTICIPATION IN THE OFFER

Milco SA and Brimstone believe that Clover presents a uniquely attractive investment given its large chilled distribution capability, a strong market position for key brands and an experienced management team. Milco SA brings extensive knowledge of the dairy, juice and non-alcoholic beverage industries. It has the technical and research ability to bring healthier food to consumers, has access to international brands and know-how, and connections and operating experience in sub-Saharan businesses, alongside its proven commercial and trade abilities. Milco SA intends to combine its capabilities with those of Clover to unlock value through key strategic initiatives, primarily aimed at accelerating sales, distribution and efficiency opportunities within Clover's product portfolio in South Africa and expansion into select sub-Saharan Africa territories.

## 7. SALIENT TERMS OF THE SHAREHOLDERS AND SUBSCRIPTION AGREEMENT

### 7.1 Lock-in period, warranties and other salient terms

- 7.1.1 Brimstone has undertaken not to dispose of or encumber its Milco SA Shares for a period of seven years from the date on which it acquires its Milco SA Shares, unless approved by a special majority of the shareholders of Milco SA who in total hold not less than 60% of the voting rights (whether directly or indirectly) of Milco SA, provided that a special majority shall always include (i) IBBL for as long as it (a) holds an effective interest in Milco SA of not less than 10%, (b) Milco Mauritius is the largest shareholder of Milco SA and (c) IBBL is the largest shareholder of Milco Mauritius, and (ii) at least one other material shareholder, being a shareholder that holds 10% or more of the issued share capital of the Milco SA or Ploughshare and/or IncuBev for as long as they each retain at least 90% of their respective effective interest in Milco SA.
- 7.1.2 The Shareholders and Subscription Agreement is unconditional and contains representations and warranties which are standard for an agreement of this nature.
- 7.1.3 Following the Signature Date, Brimstone shall be entitled to nominate one person for election to the board of Milco SA.
- 7.1.4 For so long as Brimstone is a shareholder of Milco SA, and in exchange for the provision of various management services, Brimstone shall be paid an annual management fee by Milco SA equivalent to (i) 1% of the Brimstone Subscription Amount for the first seven years, and (ii) 1.5% thereafter.

### 7.2 Brimstone Put Option

Simultaneously with the conclusion of the Shareholders and Subscription Agreement, Brimstone concluded an agreement ("**Brimstone Put Option Agreement**") with Milco SA, IBBL and Ploughshare in terms whereof Brimstone will be entitled, at its election, to exercise a put option against Milco SA, Clover or Milco Mauritius, subject to any applicable regulatory and/or shareholder approvals, for the Milco SA Shares held by Brimstone to be repurchased by Milco SA or purchased by Clover or Milco Mauritius ("**Brimstone Put Option**"). The Brimstone Put Option is exercisable at any time (i) during the period commencing 120 days after the seventh anniversary of the date on which Milco SA acquires all of the Clover Shares ("**Effective Date**") and terminating 120 days after the 10th anniversary of the Effective Date ("**Put Option Period**"); or (i) during the period commencing on the Signature Date and terminating at the end of the Put Option Period if: IBBL ceases to hold at least 50.1% of the entire issued share capital of Milco Mauritius and/or ceases to control (as such term is defined in the Companies Act) Milco Mauritius; or there is a disposal by Clover of all or greater part of its assets or undertaking.

## 8. LOSS ATTRIBUTABLE TO, AND NET ASSETS OF, THE BRIMSTONE SUBSCRIPTION

As mentioned above, Brimstone will, through the Brimstone Subscription, acquire an indirect 15% interest in Clover.

Based on the audited results of Clover for the year ended 30 June 2018, the net asset value of Clover as at 30 June

2018 was R2,842.4 million (15% of this figure being equivalent to R426.4 million) and the loss attributable to Clover Shareholders for the year ended 30 June 2018 was R(38.0) million (15% of this figure being equivalent to R(5.7) million). These results were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.

## **9. CATEGORISATION OF THE BRIMSTONE SUBSCRIPTION AND CIRCULAR TO BRIMSTONE SHAREHOLDERS**

In terms of the JSE Listings Requirements, the Brimstone Subscription is classified as a Category 1 transaction, and accordingly requires Brimstone Shareholder approval.

Details of the Brimstone Subscription and the Proposed Transaction, together with *inter alia, pro forma* financial effects of the Brimstone Subscription, will be included in a circular to Brimstone Shareholders ("**Brimstone Circular**"), which is required to be posted to Brimstone Shareholders within 60 days of this announcement.

The salient dates and times pertaining to the implementation of the Brimstone Subscription and the Proposed Transaction will be released on SENS and published in the press at the time of posting of the Brimstone Circular.

## **10. BRIMSTONE SHAREHOLDER SUPPORT**

To date, Brimstone has received irrevocable undertakings to vote or procure the voting of Brimstone Shares in favour of the necessary resolutions to give effect to the Brimstone Subscription, representing 54.74% of the voting rights of Brimstone Shares.

## **11. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

As details of the Proposed Transaction and the Brimstone Subscription have been announced, Brimstone Shareholders are no longer required to exercise caution when dealing in their Brimstone Shares.

### **Cape Town**

4 February 2019

### **Investment Bank, Corporate Advisor and Sponsor to Brimstone**

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

### **Legal Advisor to Brimstone**

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