

## ZEDER INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2006/019240/06)

Share code: ZED

ISIN: ZAE000088431

("Zeder" or "the Company")



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### Category 1 Disposal Announcement

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#### 1. INTRODUCTION

- 1.1. Shareholders of Zeder ("**Shareholders**") are referred to the joint announcement of firm intention released by Pioneer Food Group Limited ("**Pioneer Foods**"), PepsiCo Inc ("**PepsiCo**") and Simba Proprietary Limited, a wholly owned subsidiary of PepsiCo, ("**PepsiCo Offeror**") on SENS today ("**Firm Intention Announcement**"), in which it was announced that Pioneer Foods and PepsiCo have entered into a transaction implementation agreement pursuant to which the PepsiCo Offeror has delivered notice to Pioneer Foods of its firm intention to make an offer to acquire the issued ordinary shares of Pioneer Foods ("**Pioneer Ordinary Shares**"), by way of a scheme of arrangement ("**Scheme**") in terms of section 114 of the Companies Act 71 of 2008 ("**Companies Act**") or a general offer ("**Standby Offer**"), at a cash consideration of ZAR110 (one hundred and ten Rand) ("**Base Price**") plus certain dividend(s) per Pioneer Ordinary Share (the detail of which is set out in paragraph 4 below).
- 1.2. The aforementioned offer made by the PepsiCo Offeror, which is set out in more detail in the Firm Intention Announcement, is referred to as the "**Transaction**".
- 1.3. The Base Price per Pioneer Ordinary Share, represents a premium of 56.5% (fifty six point five per cent) to the 30-day volume weighted average traded price of Pioneer Ordinary Shares of ZAR70.31 (seventy Rand and thirty one cents), as at 12 July 2019, being the last trading date prior to the date on which the Pioneer Foods cautionary announcement was published on SENS.
- 1.4. Zeder, through its wholly owned subsidiary, Zeder Financial Services Limited, holds 58 250 788 (fifty eight million two hundred and fifty thousand seven hundred and eighty eight) Pioneer Ordinary Shares ("**Disposal Shares**") equivalent to 28.23% (twenty eight point two three per cent) of the Pioneer Foods shares entitled to vote on the Scheme and the related Transaction resolutions.
- 1.5. Shareholders are advised that, Zeder, PepsiCo and the PepsiCo Offeror have concluded an irrevocable undertaking ("**Irrevocable Undertaking**"), in terms of which Zeder has undertaken in favour of PepsiCo and the PepsiCo Offeror, subject to the conditions precedent set out in paragraph 6.1 below ("**Irrevocable Undertaking Conditions**"), to vote in its capacity as a shareholder of Pioneer Foods, in person or by proxy, all of the Disposal Shares in favour of the resolutions required and proposed by Pioneer Foods to approve the Scheme and the Transaction and to accept the Standby Offer, if made, which will result in Zeder disposing of the Disposal Shares to the extent that the Scheme or the Standby Offer becomes unconditional and are implemented ("**Zeder Disposal**").

- 1.6. To the extent that the Zeder Disposal is implemented at the Base Price, it is anticipated that Zeder will receive approximately ZAR6.4 billion (six point four billion Rand) through the disposal of the Disposal Shares.

## **2. DESCRIPTION OF PIONEER FOODS**

- 2.1. Pioneer Foods was incorporated in 1996 and listed on the JSE Limited (“**JSE**”) in 2008. Pioneer Foods is the second largest listed fast-moving consumer goods company in South Africa based on market capitalisation, producing and distributing a range of branded food and beverage products. Pioneer Foods and its subsidiaries (“**Pioneer Food Group**”) operates mainly across South Africa, providing wholesale, retail and informal trade customers with products of a consistently high standard. Pioneer Foods exports to more than 60 (sixty) countries across the globe.

- 2.2. The Pioneer Food Group operates a number of world-class production facilities producing a range of products that includes some of the most recognisable and best loved brand names in South Africa, including the following power brands: Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko and White Star.

- 2.3. The Pioneer Food Group has three main segments, namely:

### **2.3.1. Essential Foods**

The Essential Foods division (i) manufactures wheat and maize products such as pasta; (ii) packs rice, beans and other dried vegetables; and (iii) has large bakery operations.

### **2.3.2. Pioneer Foods Groceries**

Pioneer Foods Groceries Proprietary Limited produces breakfast cereals, rusks, cake mixes, baking aids, dried fruit products, nuts, sweet and savoury spreads, processed salads, carbonated soft drinks, long-life fruit juices, fruit concentrate mixtures and dairy fruit blends.

### **2.3.3. International**

The International division comprises a well-established fruit juice and industrial dried fruit export business with a footprint across Africa, Europe, North America, Asia and the Middle East. Furthermore, the division manages in-country breakfast cereals and fruit snacking operations in the United Kingdom, as well as joint venture bakery operations in Nigeria and milling and distribution joint ventures in Namibia and Botswana.

The equity-accounted, joint venture investments based in South Africa, Nigeria, Botswana, Kenya and Namibia do not form part of the Pioneer Food Group’s segmental results, but are managed by its international division. These include Heinz Foods SA (100%), Bowman Ingredients South Africa (50%), Bokomo Namibia (50%), Bokomo Botswana (50%), Food Concepts Pioneer Limited, Nigeria (64%), Alpen Food Company SA (50%), Future Life Health Products (50%), and Weetabix East Africa (49.8%).

### 3. RATIONALE FOR THE ZEDER DISPOSAL

The rationale for the Zeder Disposal is best described in two separate parts:

- 3.1. firstly, the strategic benefits to Pioneer Foods, of a partnership with one of the world's leading food and beverage groups, was considered to be important and valuable to Pioneer Foods as a leading organisation that aims to continue growing its business on the African continent. To accommodate this new investment by PepsiCo, as requested, Zeder decided that it would not stand in the way of Pioneer Foods and its growth objectives; and
- 3.2. secondly, having regard for the reasons described in paragraph 3.1 above, the independent board of directors of Zeder, established by Zeder for purposes of the Transaction and the Zeder Disposal ("**Independent Board**") considers the Per Share Scheme Consideration (as defined below) to be fair and reasonable and the Independent Board is of the opinion that the Zeder Disposal will release value for Shareholders and represent an attractive return on investment.

### 4. DISPOSAL CONSIDERATION

- 4.1. To the extent that the Scheme becomes unconditional, the PepsiCo Offeror will acquire the Disposal Shares from Zeder for the cash consideration payable for each Disposal Share, being an amount calculated in accordance with the following formula ("**Per Share Scheme Consideration**"):

$$A = \text{the Base Price (being ZAR110 (one hundred and ten Rand)) plus B plus C minus D}$$

where:

A = the Per Share Scheme Consideration (expressed in Rand);

B = if implementation of the Scheme ("**Scheme Implementation Date**") is after 30 September 2019, the amount per Pioneer Ordinary Share (expressed in Rand) in respect of the final cash distribution for the Pioneer Foods financial year ending 30 September 2019, but only if and to the extent that (i) the final cash distribution is declared by Pioneer Foods after 30 September 2019, but prior to the Scheme Implementation Date and (ii) the entitlement to such cash distribution vests in persons who are holders of Pioneer Ordinary Shares as at a dividend participation record date which is on or after the Scheme Implementation Date, provided that the maximum amount of B shall be a total amount of ZAR2.19 (two Rand and nineteen cents) per Pioneer Ordinary Share;

C = if the Scheme Implementation Date is after 31 March 2020, either:

- (i) if the interim cash distribution for the 6 (six) month period ending 31 March 2020 has been declared prior to the Scheme Implementation Date, the amount per Pioneer Ordinary Share (expressed in Rand) of that interim cash distribution, but only if and to the extent that the entitlement to such cash distribution vests in persons who are holders of Pioneer Ordinary Shares as at a dividend participation record date which is on or after the Scheme Implementation Date; or

- (ii) if the interim Cash Distribution for the 6 (six) month period ending 31 March 2020 has not been declared prior to the Scheme Implementation Date, an amount of ZAR1.05 (one Rand and five cents),

provided that the maximum amount of C shall be ZAR1.05 (one Rand and five cents);

D = the total amount (expressed in Rand) of any Extraordinary Distributions (as defined below) per Pioneer Ordinary Share which are declared by Pioneer Foods prior to the Scheme Implementation Date, and which have been paid or are payable to persons who are holders of Pioneer Ordinary Shares as at a date prior to the Scheme Implementation Date.

4.2. For the purpose of D above, an “**Extraordinary Distribution**” is any of the following:

- 4.2.1. a cash distribution (irrespective of the amount thereof) declared, distributed and/or paid by Pioneer Foods on Pioneer Ordinary Shares which does not coincide with, or approximate, in respect of date, either the annual final dividend or the interim dividend declared by Pioneer Foods on Pioneer Ordinary Shares for the Pioneer Foods financial year ending 30 September 2018 or the 6 (six) month period ending 31 March 2019 (respectively);
- 4.2.2. the amount/s by which an annual final cash distribution declared, distributed and/or paid by Pioneer Foods for the Pioneer Foods financial year ending 30 September 2019 exceeds a total amount of ZAR2.19 (two Rand and nineteen cents) per Pioneer Ordinary Share; or
- 4.2.3. the amount/s by which any interim cash distribution declared, distributed and/or paid by Pioneer Foods for the 6 (six) month period ending 31 March 2020 exceeds either a total amount of ZAR1.05 (one Rand and five cents) per Pioneer Ordinary Share.

4.3. The Standby Offer, if made, will be made at the Per Share Scheme Consideration.

## 5. APPLICATION OF THE DISPOSAL CONSIDERATION

- 5.1. Firstly, Zeder will use a portion of the aggregate consideration received by it in respect of the Disposal Shares (“**Disposal Consideration**”) to reduce or settle debt.
- 5.2. Secondly, Zeder will distribute a portion of the Disposal Consideration to Shareholders by way of a special dividend.
- 5.3. Thirdly, the remaining portion of the Disposal Consideration, following the reduction or settlement of debt and the distribution by way of a special dividend, will be used to invest in new opportunities or to re-invest in Zeder’s existing underlying portfolio.

## 6. CONDITIONS PRECEDENT

- 6.1. The undertakings given by Zeder in the Irrevocable Undertaking are subject to the following Irrevocable Undertaking Conditions:
  - 6.1.1. the resolutions to be proposed to the Shareholders, as set out in paragraphs 12.1 and 12.2 below, are approved by Shareholders as contemplated in section 115(2) of the Companies Act and section 9 of the JSE Listings Requirements (“**Zeder Disposal Resolutions**”);

- 6.1.2. if any person who voted against the Zeder Disposal Resolutions applies to court for a review of the Zeder Disposal in terms of section 115(3)(b) and section 115(6) of the Companies Act, either:
  - 6.1.2.1. leave to apply to court for any such review is refused; or
  - 6.1.2.2. if leave is so granted, the court refuses to set aside the Zeder Disposal Resolutions; and
- 6.1.3. unless Zeder waives this condition in a written notice to PepsiCo, either:
  - 6.1.3.1. no Shareholder both (i) gives notice objecting to the Zeder Disposal Resolutions as contemplated in section 164(3) of the Companies Act and (ii) votes against the Zeder Disposal Resolutions at the general meeting of Shareholders to be convened by Zeder for purposes of voting on the Zeder Disposal Resolutions (“**General Meeting**”); or
  - 6.1.3.2. if any Shareholder gives notice objecting to the Zeder Disposal Resolutions as contemplated in section 164(3) of the Companies Act and then votes against the Zeder Disposal Resolutions at the General Meeting, Shareholders holding no more than 15% (fifteen per cent) of all of the issued Zeder ordinary shares give such notice objecting to the Zeder Disposal Resolutions as contemplated in section 164(3) of the Companies Act and vote against the Zeder Disposal Resolutions at the General Meeting; or
  - 6.1.3.3. if any Shareholder gives notice objecting to the Zeder Disposal Resolutions as contemplated in section 164(3) of the Companies Act and then votes against the Zeder Disposal Resolutions at the General Meeting in respect of more than 15% (fifteen per cent) of all of the issued Zeder ordinary shares, such Shareholders actually exercise their appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act, in respect of no more than 15% (fifteen per cent) of all of the issued Zeder ordinary shares within the maximum period permitted by the Companies Act.
- 6.1.4. To the extent that any conditions set out in paragraph 6.1 are not fulfilled or waived by Zeder (if legally permissible), then Zeder shall be entitled to terminate the Irrevocable Undertaking on written notice to PepsiCo.
- 6.2. The Zeder Disposal is subject to the Scheme or the Standby Offer becoming unconditional in accordance with its terms as set out in the Firm Intention Announcement.

## **7. EFFECTIVE DATE OF THE ZEDER DISPOSAL**

The Zeder Disposal will be implemented, and delivery and payment in respect of the Disposal Shares will take place, on the Scheme Implementation Date or following acceptance of the Standby Offer, to be announced on SENS, after the conditions precedent to the Scheme or the Standby Offer are fulfilled or waived (as the case may be).

## **8. FINANCIAL INFORMATION**

- 8.1. The value of the net assets comprising the Disposal Shares as at 28 February 2019, being the date of the last published financial information of Zeder, which is the annual

financial statements of Zeder for the year ended 28 February 2019, was ZAR4.7 billion (four point seven billion Rand).

- 8.2. The share of profits of associates attributable to the Disposal Shares, included in the net income from associates in the annual financial statements of Zeder for the year ended 28 February 2019, was ZAR318 million (three hundred and eighteen million Rand).

## 9. OTHER SIGNIFICANT TERMS OF THE IRREVOCABLE UNDERTAKING

The Irrevocable Undertaking contains representations and confidentiality undertakings by Zeder in favour of PepsiCo and the PepsiCo Offeror which are standard for a transaction of this nature.

## 10. INDEPENDENT EXPERT REPORT

- 10.1. The Independent Board has appointed BDO Corporate Finance Proprietary Limited as the independent expert ("**Independent Expert**") and details of the Independent Expert's report will be contained in the circular, referred to in paragraph 14 below, that will be sent to Shareholders.
- 10.2. Having considered the terms and conditions of the Zeder Disposal and based on the information set out in the Independent Expert's report, the Independent Expert has concluded that the terms and conditions of the Zeder Disposal are both fair and reasonable to Shareholders, as each of these terms is defined in the Companies Regulations.

## 11. THE VIEWS OF THE INDEPENDENT BOARD

- 11.1. The Independent Board, after due consideration of the Independent Expert's report, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Zeder Disposal, as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view of the fair value range of Pioneer Foods, which accords with the range contained in the Independent Expert report, in considering its opinion and recommendation.
- 11.2. The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Zeder Disposal and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Shareholders and, accordingly, recommend that Shareholders vote in favour of the Zeder Disposal at the General Meeting.

## 12. CLASSIFICATION OF THE ZEDER DISPOSAL

- 12.1. As the value of the Zeder Disposal exceeds 30% (thirty per cent) of Zeder's market capitalisation as at the date of the signature of the Irrevocable Undertaking, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements. As a result, the Zeder Disposal is required to be approved by an ordinary resolution of Shareholders, which will require the support of more than 50% (fifty per cent) of the votes exercised on it.
- 12.2. In addition, the Zeder Disposal is regarded as a disposal of the greater part of the assets or undertaking of Zeder in terms of section 112 of the Companies Act and therefore constitute an "affected transaction" that will require the approval of

Shareholders by way of a special resolution, which will require the support of at least 75% (seventy five per cent) of the votes exercised on it, as well as the appointment of an independent expert to compile a fairness opinion on the Zeder Disposal in terms of the regulations published in terms of the Companies Act.

- 12.3. The Zeder Disposal is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements.

### 13. IRREVOCABLE UNDERTAKINGS

Irrevocable undertakings have been given to vote in favour of the Zeder Disposal by the following Shareholders, who collectively holds 60.3% (sixty point three per cent) of the ordinary shares in Zeder:

Shareholder	Number of Zeder ordinary shares held	% Zeder ordinary shares held
PSG Group Limited	748 354 891	43.76%
Allan Gray Proprietary Limited	137 096 767	8.02%
Coronation Asset Management Proprietary Limited	110 481 866	6.46%
PSG Asset Management Proprietary Limited	26 959 533	1.58%
Associates of Norman Celliers	7 340 499	0.43%
Associates of Johann Le Roux	1 045 838	0.06%
<b>Total</b>	<b>1 031 279 394</b>	<b>60.3%</b>

### 14. CIRCULAR

A circular containing the full details of the Zeder Disposal ("**Circular**"), incorporating a notice convening the General Meeting which is required to vote in respect of the Zeder Disposal Resolutions, will be distributed to Shareholders in due course, at which time the salient dates and times of the Zeder Disposal, including the date of the General Meeting, will be announced on SENS.

### 15. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcements released on SENS by Zeder and Pioneer Foods on 15 July 2019.

Shareholders are hereby advised that as the particulars of the Transaction and the Zeder Disposal have now been announced, caution is no longer required to be exercised by Shareholders when dealing in Zeder's securities.

19 July 2019

Sponsor and Transaction Adviser



Independent Expert

