

VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE NSX share code: VKN
ISIN: ZAE000180865
Debt company code: VKEI
(Granted REIT status with the JSE)
("Vukile")



DISPOSAL OF REMAINING NON-RETAIL PROPERTY ASSETS

1. Introduction

Shareholders are advised that on 27 November 2019 Vukile concluded an agreement ("**sale agreement**") pursuant to which, subject to the fulfilment of various conditions precedent (more fully detailed below), Vukile will dispose of all its remaining non-retail property assets to Mbako Property Fund ("**Mbako**"), a wholly owned subsidiary of AWCA Investment Holdings ("**AIH**").

Vukile will dispose, as an indivisible transaction, the rental enterprises comprising the nine properties known as Centurion Samrand N1, Houghton 1 West Street, Kempton Park Spartan Warehouse, Midrand Allandale Industrial Park, Midrand Ulwazi Building, Pinetown Richmond Industrial Park, Pretoria Rosslyn Warehouse, Sandton Bryanston Ascot Offices and Sandton Linbro 7 On Mastiff Business Park (collectively the "**properties**" or "**rental enterprises**") ("**the transaction**").

Mbako is a new black-women-owned and managed unlisted property fund led by AIH as its founding shareholder, which will be managed by a new joint venture between AIH and Vukile ("**Manco**"). Mbako, meaning "to build", embodies its co-founders' vision of working together to build a sustainable South African property fund.

The sizeable Mbako seed portfolio includes nine properties split between the office and industrial sectors. Eight of the properties are in the country's commercial hub of Gauteng and one is in the Pinetown industrial node in KwaZulu-Natal. The portfolio has a total gross lettable area of more than 94 000m².

2. Rationale

The sale of the properties is in line with Vukile's strategy to recycle non-core assets and to redeploy the funds into its core strategy and thereby realise its strategic vision of creating a directly held portfolio made up exclusively of retail property in South Africa and Spain. More importantly, the transaction achieves industry-leading and significant economic and gender transformation in the South African property sector and provides Mbako with a platform for growth, wealth creation and skills transfer in the form of a dedicated management company which will be formed by AIH and Vukile to manage the property portfolio and potentially other assets in the future.

The Manco benefits from the experienced financial and business management of AIH with strong governance, while Vukile contributes its proven property and asset management expertise, as well as its skill in successfully managing third-party portfolios and corporate structures. The result is a powerful combination of skills and experience that deliberately includes a four-year programme of property expertise transfer from Vukile into Mbako, allowing it to transition into a fully independent fund.

3. Salient terms of the transaction

3.1. Transfer date

Vukile will dispose of the rental enterprises, with effect from the date of registration of transfer of ownership of the properties into the name of Mbako (the “**transfer date**”), which is anticipated to be in April 2020. Ownership, risk and benefit in the rental enterprises will pass to Mbako as from the transfer date.

3.2. Purchase consideration

Vukile will dispose of the nine rental enterprises making up the portfolio to Mbako for a purchase consideration of R700 million. The purchase consideration will be settled in cash and will be discharged on the transfer date.

3.3. Funding of the purchase consideration

Mbako has sourced debt funding from Rand Merchant Bank (RMB) of R600 million which will be in the form of a four-year term loan, R125 million of which will be guaranteed by Vukile. The balance of the purchase consideration of R100 million will be funded by way of a Mbako cash equity contribution. Vukile will have no equity interest in Mbako.

3.4. General terms

- 3.4.1. Vukile will remain liable for all liabilities associated with the rental enterprise up to the transfer date and has provided Mbako with appropriate indemnities in this regard.
- 3.4.2. The sale agreement provides for undertakings, warranties and indemnities which are normal for transactions of this nature.

4. Conditions precedent

The transaction is conditional on the fulfilment or waiver, as the case may be, of the conditions precedent which are summarised below, by no later than 31 March 2020:

- 4.1.1. the board of directors of Mbako approving the acquisition of the properties from Vukile on and subject to the terms and conditions of the sale agreement;
- 4.1.2. the bondholder’s consenting to the release of the properties from the operation of the mortgage bonds, or the cancellation of such mortgage bonds, as the case may be;
- 4.1.3. Vukile securing the waiver of a third-party pre-emptive right in respect of the property known as Pretoria Rosslyn Warehouse;
- 4.1.4. Vukile and AIH entering into an asset management agreement and it becoming unconditional in accordance with its terms and that the securities register of the Manco reflects that the issued shares are held 70% by AIH and 30% by Vukile;
- 4.1.5. Mbako securing debt funding from RMB in an amount of not less than R600 million;
- 4.1.6. Mbako obtaining equity capital funding of an amount of not less than R100 million; and

- 4.1.7. the securing, to the extent necessary, of any regulatory approvals required to implement the transaction including, in particular, any required Competition Authority approval.

5. Categorisation of the transaction

The transaction is not categorisable from a Vukile perspective and no shareholder approval is required by Vukile for its implementation.

28 November 2019

Corporate advisor and JSE
sponsor



NSX sponsor



Attorneys and Competition law
advisors

