

SHOPRITE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration no. 1936/007721/06
ISIN: ZAE000012084
JSE share code: SHP
NSX share code: SRH
LuSE share code: SHOPRITE
("Shoprite Holdings" or the "Company")

ESTABLISHMENT OF JOINT VENTURE BY SHOPRITE HOLDINGS, THROUGH A WHOLLY-OWNED SUBSIDIARY, AND EQUITES PROPERTY FUND LIMITED

1. INTRODUCTION

Shareholders are advised that Shoprite Holdings, through its wholly-owned subsidiary Shoprite Checkers Proprietary Limited ("**Shoprite Checkers**"), and Equites Property Fund Limited ("**Equites**") have concluded a binding heads of agreement on 24 February 2020 ("**Heads of Agreement**") in terms of which, *inter alia*:

- Shoprite Checkers and Equites will establish a joint venture company (the "**JVCo**") whereby Shoprite Checkers will contribute a portfolio of distribution centres and associated undeveloped land in Brackenfell in the Western Cape and Centurion in Gauteng (the "**Portfolio**") valued at c.R2.0 billion into the JVCo and Equites will inject cash of c.R2.1 billion into the JVCo in exchange for a 50.1% equity stake in the JVCo;
- the JVCo will thereafter acquire the Cilmor distribution centre and the associated undeveloped land for an agreed cash consideration of c.R1.2 billion;
- the JVCo and Shoprite Checkers will conclude "triple net" lease agreements in respect of the Brackenfell, Cilmor and Centurion distribution centres (collectively the "**Lease Agreements**"); and
- the JVCo will manage the portfolio and it will serve as a platform for the future development of the undeveloped land situated at Cilmor and Centurion and for possible future property acquisition and development opportunities

(the "**Proposed Transaction**").

2. RATIONALE

The establishment of the joint venture between Shoprite Checkers and Equites will result in the following benefits to Shoprite Holdings, together with its subsidiaries (the "**Group**"), which are in line with the Group's strategy:

- optimise return on invested capital;
- release of capital to be deployed into higher yielding retail projects and technology;
- provides both operational and capital flexibility going forward; and
- results in a strategic partnership with a best-in-class logistics property company in South Africa.

3. OVERVIEW OF THE PROPERTIES SUBJECT TO THE SALE AND LEASEBACK

The properties that form part of the Proposed Transaction comprise of a logistics campus, two modern distribution centres and undeveloped land which is further detailed below:

No.	Property Name	Geographical Location	Approximate GLA [^] (m ²)	Property type
1	Centurion campus	Corner of Olievenhoutbosch Avenue and Brakfontein Road, Louwlandia, Centurion	169 966	Logistics campus and undeveloped land
2	Cilmor distribution centre	Cecil Morgan Drive, Brackenfell, Cape Town	128 706	Modern distribution centre
3	Brackenfell distribution centre	Corner of Old Paarl and Kruisfontein Roads, Brackenfell, Cape Town	101 797	Modern distribution centre
4	Undeveloped land	Cecil Morgan Drive, Brackenfell, Cape Town	39 593*	Strategic land

[^] Gross lettable area

* This is the extent of the undeveloped land

The Portfolio with a net asset value of c.R2.0 billion as at the last reporting period did not generate any rental profits for the Group in light of the Portfolio being utilised for operational purposes.

4. TERMS OF THE PROPOSED TRANSACTION

Equites will contribute c.R2.1 billion in cash to the JVCo and Shoprite Checkers will transfer the Brackenfell and Centurion distribution centres (collectively valued at c.R2.0 billion) to the JVCo in exchange for shares in the JVCo. Post the contributions Shoprite Checkers and Equites will own 49.9% and 50.1% of the JVCo, respectively. It is the intention of Shoprite Checkers to retain its shares in the JVCo.

The JVCo will acquire the Cilmor distribution centre and the associated undeveloped land for a cash consideration of c.R1.2 billion, while the unutilised cash will be lent to Equites and will be repaid by Equites to the JVCo as and when the JVCo requires funds for purposes of future property acquisitions or developments.

Contemporaneously with the sale of the distribution centres to the JVCo, Shoprite Checkers (as tenant) and the JVCo (as landlord) will conclude the Lease Agreements.

Each Lease Agreement will be a fully repairing and insuring lease, enduring for an initial period of 20 years, with the right to renew for a further three 10-year periods on the same terms and conditions. The initial yield on the leases will be 7.5% and the rental will escalate at a rate of 5% each year.

In respect of the undeveloped land at Centurion and Cilmor, the Lease Agreements will contain provisions relating to the future development of such undeveloped land, in terms of which Equites will be appointed as the developer and the JVCo will fund the development.

The effective date of the Proposed Transaction will be the date on which the last of the conditions contained in the Heads of Agreement has been fulfilled, which is expected to be during May 2020.

The Proposed Transaction is subject to certain conditions precedent, including –

- completion of an ordinary course due diligence investigation Equites to the satisfaction of Equites;
- conclusion of the Proposed Transaction agreements and documents;
- board approval of the Proposed Transaction by the boards of directors of both Shoprite Checkers (and where required, approval by the shareholder of Shoprite Checkers) and Equites; and
- approval by the Competition Commission in accordance with the Competition Act No. 89 of 1998.

The Heads of Agreement does, and the Proposed Transaction agreements and documents will, include appropriate shareholder protections typical for a transaction of this nature.

5. CATEGORISATION

The Proposed Transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by the shareholders of Shoprite Holdings.

Cape Town
25 February 2020

Financial Advisor and Transaction Sponsor: Investec Bank Limited