

Imperial Logistics Limited
(Incorporated in the Republic of South Africa)
Registration number: 1946/021048/06
Share code: IPL
ISIN: ZAE000067211
("Imperial")

CATEGORY 1 TRANSACTION ANNOUNCEMENT RELATING TO THE DISPOSAL OF THE EUROPEAN SHIPPING BUSINESS

1. INTRODUCTION

The board of Imperial is pleased to announce that Imperial Logistics International B.V. & Co. KG ("Imperial Logistics International"), a wholly owned subsidiary of Imperial, has entered into an agreement for the sale of its interest, being shares and claims, in its European shipping business ("Interest in the European Operations") to Häfen und Güterverkehr Köln AG, Cologne, Germany ("Purchaser" and the "Proposed Transaction"). It should be noted that only Imperial's interest in the European shipping business is being disposed of meaning Imperial will retain its interest in the South American shipping business.

2. BACKGROUND INFORMATION OF THE PURCHASER

The Purchaser operates a large variety of logistics services, covering port operations, warehousing, inland waterway shipping and railway transport in Germany, the Netherlands, Belgium and France. On a group basis, it generates annual revenue of approximately EUR 550,000,000 and employs approximately 1,350 persons. The Purchaser is owned by community owned entities, Stadtwerke Köln GmbH (54.5%), City of Cologne (39.2%) and Rhein-Erft-Kreis (6.3%).

3. BACKGROUND INFORMATION OF THE SHIPPING BUSINESS

Headquartered in Duisburg, Germany, Imperial's shipping business, acquired in 1999, operates inland waterway transportation in Europe and, since 2014, also in South America, providing services in the areas of dry bulk, liquid, chemicals and gaseous products.

In Europe, the shipping business is the largest inland navigation operator - active in the most important river basins and inland waterways with a focus on the rivers Rhine, Main, Danube, Neckar, Elbe and the German canal system. The business has a large and sophisticated fleet of more than 400 owned, leased and chartered vessels (including push boats, dry bulk barges, cargo motor vessels, chemical and gas barges) and moves approximately 45 million tons of diversified products annually. The European shipping business employs approximately 910 staff led by an experienced management team.

The European shipping business generated revenue and operating profit for the year ended 30 June 2019 of EUR 350,818,000 and EUR 19,518,000, respectively.

4. RATIONALE FOR THE PROPOSED TRANSACTION

The core strategic focus of Imperial is to grow our African footprint and reach and align our international portfolio to position the group as the “Gateway to Africa” in the medium to long term. This will result in Imperial having an integrated logistics and market access offering, focused on Africa, which leverages our competitive advantages and capabilities mainly in the healthcare, consumer, chemicals, industrial and automotive industry verticals. This strategy includes investing in new areas that enhance our African growth vision - exploring growth opportunities in other emerging and selected developed markets based on the relevance of our capabilities, scale, benefits and client relationships that support trade flows into and out of Africa, including the potential expansion into international freight management.

In aligning our international portfolio with this strategic direction and our core competitive advantages, the shipping business was identified as being non-core to the strategy. Imperial has adopted a phased approach in the disposal of its shipping business, and as such, Imperial is disposing of the European shipping business to the Purchaser, which we believe is well positioned to operate the business sustainably based on long-standing customer relationships and a highly motivated work force. The South American shipping business will be continued on a stand-alone basis but will remain available for sale.

5. SALIENT TERMS OF THE PROPOSED TRANSACTION

5.1. Purchase consideration

The agreed enterprise value for the Interest in the European Operations is EUR 225,000,000 (approximately ZAR 4.65 billion) which equates to a multiple of 11.5x FY2019 earnings before interest and taxes.

The purchase price for the Interest in the European Operations comprises the aggregate of (i) an amount of EUR 115,200,000 for the shares being acquired, escalated at a rate of 1.63% per annum from 31 December 2019 until the closing date, and (ii) an amount equal to the intercompany receivables outstanding on the closing date (expected to be approximately EUR 60,000,000). The aggregate purchase price for the Interest in the European Operations is expected to be approximately EUR 176,100,000 (approximately ZAR 3.64 billion), depending on the date of completion, and will be settled in cash on the closing date.

The rights, benefits and advantages of the European shipping business will accrue to the Purchaser from 31 December 2019 in terms of a ‘locked box structure’.

The Proposed Transaction includes contractual undertakings normal for a transaction of this nature, including warranties, interim undertakings, non-compete undertakings and termination rights.

5.2. Conditions precedent

The Proposed Transaction is conditional upon certain conditions precedent being fulfilled or waived, including:

- approval from the relevant competition authorities;

- all local transfer agreements have been duly executed;
- approval by Imperial shareholders as referred to below; and
- approvals of the municipal, district and county authorities responsible for the Purchaser.

6. NET ASSETS AND PROFITS ATTRIBUTABLE TO THE EUROPEAN OPERATIONS OF THE SHIPPING BUSINESS

The unaudited attributable profit after tax for the six months ended 31 December 2019 and the unaudited net asset value as at 31 December 2019 are EUR 7,340,000 and EUR 83,411,000, respectively, prepared under International Financial Reporting Standards, in respect of the European shipping business being divested.

Imperial is satisfied with the quality of the management accounts from which the above financial information has been extracted.

7. APPLICATION OF PROCEEDS

The Proposed Transaction proceeds will be used to optimise the financial position of Imperial and, where appropriate, reduce Imperial's overall existing debt.

8. CATEGORISATION

The Proposed Transaction is classified as a Category 1 Transaction in terms of the Listings Requirements and requires an ordinary resolution approval by Imperial shareholders.

9. DISTRIBUTION OF CIRCULAR

A circular containing the full details of the Proposed Transaction, incorporating a notice convening a shareholders meeting, will be distributed to shareholders in due course. The salient dates and times of the Proposed Transaction, including the date of the shareholders meeting, will also be announced on the Stock Exchange News Service at the time of distributing the circular.

Bedfordview

4 May 2020

Financial Advisor to Imperial: BNP Paribas S.A.

South African Legal Advisors to Imperial: Bowman Gilfillan Incorporated

International Legal Advisors to Imperial: Taylor Wessing Partnerschaftsgesellschaft mbB

Transaction Sponsor to Imperial: Deloitte & Touche Sponsor Services Proprietary Limited

Independent Reporting Accountants and Auditors: Deloitte & Touche