

CASHBUILD LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1986/001503/06)
ISIN: ZAE000028320
JSE share code: CSB
("Cashbuild" or "the Company")



DETAILED TERMS OF CASHBUILD'S ACQUISITION OF THE BUILDING COMPANY

1. INTRODUCTION

Cashbuild is pleased to announce that it has entered into a definitive sale and purchase agreement ("SPA") on 3 August 2020 with Pepkor Holdings Limited ("Pepkor"), subject to the conditions precedent outlined in paragraph 4, to acquire 100% of the issued share capital of The Building Company Proprietary Limited ("TBC"), a wholly owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1,074,700,000 (the "Transaction").

2. DESCRIPTION OF TBC

TBC is a leading Southern African building materials retail and wholesale business, providing a full spectrum service offering to the construction industry including residential, commercial and industrial markets, with a core competency in servicing building contractors. In the prior financial year ending 30 September 2019, TBC achieved revenue of c.R8.2 billion across the retail, wholesale and specialised divisions. In the twelve month period ended 31 March 2020, TBC achieved revenue of c.R8.0 billion.

TBC offers a portfolio of 13 well-known brands across its three divisions, namely: the retail division which houses notable brands including Buco and Timbercity; the wholesale division which includes Cachet and MacNeil chains, and the specialised division offering differentiated products across brands including Bildware and Tiletoria. In addition to the core retail division, the wholesale and specialised divisions allow for differentiated access to a broader base of specialised products and materials.

TBC has an attractive portfolio of store locations with an established presence across the coastal regions of South Africa, comprising 160 TBC outlets and 21 franchise stores. The portfolio includes 91 Buco stores, 75% of which are merchant stores with the balance being cash stores, and 20 Timbercity stores. The remainder of TBC's store footprint largely covers both the wholesale and specialised divisions. TBC's presence, inclusive of franchise stores, is predominantly based in South Africa (171 stores) with a further presence in the rest of Southern Africa including Namibia (7 stores), Botswana (2 stores) and Zambia (1 store).

In the financial year ending 30 September 2019, the retail division contributed 68% of total TBC revenue across its stores. Over the same year, the wholesale division contributed 21% to total TBC revenue, and the specialised division contributed the balance of 11% of TBC revenue.

Pepkor is a diversified retailer with key segments including clothing and general merchandise, furniture, appliances and electronics, building materials and fintech, operating over 5,400 stores across 11 African countries.

3. RATIONALE FOR THE TRANSACTION

Cashbuild's management identified geographic expansion and incremental access to additional segments of the market as key areas for potential growth. An acquisition of TBC allows Cashbuild an opportunity to drive these growth initiatives while still maintaining its commitment to its customers in the South African and neighbouring markets.

The Transaction is anticipated to result in the following benefits to the Company and its shareholders:

- an increased retail store footprint presence in Cashbuild's previously underrepresented regions, particularly those in the Western Cape, Eastern Cape and Kwa-Zulu Natal;
- a broader reach into the middle-to-higher income customer segment, a target market currently underserved by Cashbuild's current offering;
- incremental competency in accessing and servicing the building contractors segment of the market; and
- improved operational efficiencies and improved future trading profitability through access to additional suppliers, inventory and the optimisation of delivery routes.

In addition to the above benefits, Cashbuild is delighted to be bringing on a highly experienced senior management team who are fully supportive of the Transaction.

4. KEY TERMS OF THE TRANSACTION

The purchase consideration payable by Cashbuild is R1,074,700,000 (the "Purchase Consideration"), payable at the time of Transaction closing, subject to:

- an escalation rate of 5.5% per annum from 1 January 2021 until the Transaction closing date; and
- the sum of the Purchase Consideration and the total escalation not exceeding R1,119,700,000.

The Purchase Consideration represents an implied enterprise value multiple of 5.0x TBC's earnings before interest, tax, depreciation and amortisation (excluding the impact of IFRS 16) for the twelve month period ended 31 March 2020. The Purchase Consideration will be fully funded through committed acquisition debt financing facilities ("Debt Financing").

The Transaction will be subject to the usual warranties and indemnities consistent with agreements of this nature and which are more fully described in the SPA. The Transaction will become effective immediately following the fulfilment of the conditions precedent detailed below.

Conditions Precedent

The Transaction is subject to, *inter alia*, the following conditions precedent ("Conditions Precedent"):

- all regulatory approvals (including but not limited to the required competition authorities and Takeover Regulation approvals, as defined in the Companies Act No. 71 of 2008) being obtained; and
- the Debt Financing agreements being duly executed and becoming unconditional.

Cashbuild and Pepkor are committed to engage with the relevant authorities and affected stakeholders in order to fulfil the Conditions Precedent to enable the Transaction to become unconditional as soon as possible.

5. FINANCIAL INFORMATION

The below financial information is based on TBC's unaudited, consolidated management accounts.

R' millions	Profit / (loss) after tax attributable to the equity holders of TBC^{2,3}	Total net asset / (deficit) attributable to the equity holders of TBC²	Shareholder loan claims^{2,5}	Total shareholder interest²
Year ended 30 September 2018	94	62	2,661	2,723
Year ended 30 September 2019	(1,094)	(1,173)	2,841	1,668
Impairment ¹	1,247	N/A	N/A	N/A
Related tax adjustment ¹	(113)	N/A	N/A	N/A
Adjusted to exclude the impact of impairment for the year ended 30 September 2019 ⁴	40	(1,173)	2,841	1,668
Last twelve months ended 31 March 2020 ⁴	(1,126)	(1,274)	2,929	1,655
Impairment ¹	1,247	N/A	N/A	N/A
Related tax adjustment ¹	(113)	N/A	N/A	N/A
Adjusted to exclude the impact of impairment for the last twelve months ended 31 March 2020 ⁴	8	(1,274)	2,929	1,655

Notes:

1. TBC recognised an impairment totalling R1,247 million (R557 million in relation to intangible assets, R686 million in relation to goodwill and R4 million in relation to PPE), mainly due to the poor outlook of the construction industry at the time. The related tax impact in relation to deferred tax liabilities reversed amounted to R113 million. This financial information is based on the TBC's unaudited, consolidated management accounts for the financial year ended 30 September 2019.
2. Based on TBC's unaudited, consolidated management accounts for the financial year ended 30 September 2018, the financial year ended 30 September 2019 and the financial interim period ended 31 March 2020.
3. Net profit/(loss) attributable to equity holders of the parent excluding the impact of interest on shareholder loan claims.
4. The adjusted financial information excluding the impact of the impairment constitutes pro-forma financial information in terms of the JSE Listings Requirements. The preparation of the pro-forma information is the responsibility of the directors of TBC. The directors of Cashbuild are responsible for the presentation of the

pro-forma financial information in accordance with the JSE Listings Requirements. The purpose of presenting the pro forma financial information is to illustrate the impact of the impairment on reported earnings. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of TBC. This pro-forma financial information has not been reported on by a reporting accountant.

5. Shareholder loan claims due by TBC to the Pepkor related entities amounted to R2,929 million, R2,841 million and R2,661 million as at the financial interim period ending 31 March 2020, and the financial years ended 30 September 2019 and 30 September 2018 respectively.

The financial information was prepared in accordance with International Financial Reporting Standards (excluding the impact of IFRS 16) and the Companies Act. Cashbuild is satisfied with the quality of financial information contained in TBC's unaudited, consolidated management accounts.

Over the course of the COVID-19 related nationwide lockdown, there have been significant disruptions to TBC trading. Lockdown regulations severely constrained trading during April and May 2020 where the business was only permitted to trade on a very limited product range. The TBC business was permitted to trade on its full product range since June 2020 in line with the reopening of the construction industry and has since seen a positive trajectory in trading momentum.

6. CATEGORISATION OF THE TRANSACTION

In terms of the JSE Listings Requirements, the Transaction is classified as a category 2 transaction and accordingly does not require approval by the shareholders of Cashbuild.

7. TRANSACTION PRESENTATION AND CALL

Cashbuild shareholders are advised that a presentation in relation to the Transaction will be made available on the Company's website later today. There will be a call at 17h00 today (South Africa Standard Time) for Cashbuild management to present the Transaction.

Call participants are advised to pre-register for the call at <https://www.diamondpass.net/7603631>.

4 August 2020

Johannesburg

Financial Advisor and Transaction Sponsor: Investec Bank Limited



Legal Advisor: Webber Wentzel

