

REDEFINE PROPERTIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1999/018591/06)

JSE share code: RDF ISIN: ZAE000190252

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(Approved as a REIT by the JSE)

(“**Redefine**” or the “**Company**”)



CONCLUSION OF A SALE OF ENTERPRISE AGREEMENT AND A PUT OPTION AMENDMENT AGREEMENT IN RESPECT OF THE MALL OF THE SOUTH AND FURTHER CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION AND RATIONALE

- 1.1. Shareholders are referred to the previous announcements published in regard to the put option agreements entered between the Trustees for the time being of the Truzen 89 Trust (“**The Trust**”) (an entity associated with Zenprop Property Holdings Proprietary Limited) and FirstRand Bank Limited (acting through its Rand Merchant Bank Division) (“**RMB**”) and Redefine as part of a structured financing transaction in respect of the Mall of the South (“**MOTS**” or the “**Enterprise**”), being:
 - 1.1.1. the put option agreement between The Trust and RMB in terms of which The Trust could require RMB to purchase the Enterprise, as a going concern from The Trust in certain circumstances (“**The Trust Put Option**”); and
 - 1.1.2. the put option agreement between RMB and Redefine in terms of which RMB could require Redefine to purchase the Enterprise from RMB in certain circumstances, including upon the exercise of The Trust Put Option in relation to RMB (“**RMB Put Option**”).
- 1.2. Shareholders are advised that following constructive engagement between Redefine, The Trust and RMB, the parties have agreed a mutually beneficial and alternative arrangement on 2 October 2020 (“**Signature Date**”) and have concluded (i) an agreement in terms of which various amendments were made to the put option arrangements between the parties (the “**Tripartite and Put Option Amendment Agreement**”); and (ii) a sale of enterprise agreement (the “**Sale Agreement**”) in terms of which the Enterprise will be sold as a going concern by The Trust (as the “**Seller**”), to a limited liability special purpose vehicle to be incorporated by RMB Investments and Advisory Proprietary Limited (“**RMBIA**”) and Redefine (“**PropCo SPV**” or the “**Purchaser**”) in accordance with the terms detailed below (the “**Transaction**”).
- 1.3. MOTS is a 73 111 m² regional shopping centre located in Aspen Hills in the south of Johannesburg between two main arterial roads, namely Kliprivier Drive and Swartkoppies Road with over 200 retail tenants. MOTS is ideally positioned within an established residential node to the north, with a track of vacant land to the south.

1.4. Development began on MOTS during 2013, and at that time, Redefine considered it to be an attractive asset which would complement Redefine's retail property portfolio. In order to secure participation in the Enterprise, Redefine entered into a structured financing transaction with The Trust and RMB, which would allow or require Redefine to purchase MOTS upon the occurrence of certain events. During 2020, MOTS was put to Redefine and as a result of the current environment being unforeseen at the time of entering into the put arrangements, the parties to the transaction (as stated per paragraph 1.2 above) entered into negotiations to restructure the initial put arrangements. The restructure allows additional time for MOTS to recalibrate to the post COVID-19 retail real estate environment and provides Redefine with the opportunity to either acquire or dispose of MOTS over a three-year period. It is not anticipated that the restructured arrangement will have a significant adverse impact on Redefine's loan-to-value ratio.

2. TERMS OF THE TRANSACTION

- 2.1. RMBIA will hold an 80% equity interest in PropCo SPV and Redefine will hold the remaining 20% equity interest. RMBIA and Redefine will jointly control Propco SPV.
- 2.2. PropCo SPV will acquire the Enterprise, with effect from the date upon which the last outstanding condition precedent (as detailed in paragraph 3 below) is fulfilled or waived (the "**Closing Date**"), with ownership, risk and benefit in the Enterprise vesting in PropCo SPV with effect from the Closing Date irrespective of the date of transfer of the Enterprise to PropCo SPV.
- 2.3. The aggregate purchase consideration payable in respect of the Enterprise comprises:
- 2.3.1. an initial purchase price of R1 759 575 326, payable in cash to the Seller on the Closing Date, subject to any adjustments to the net operating income in respect of the Enterprise for the period 1 September 2019 to 31 August 2020 as determined by the auditors of the Seller; and
 - 2.3.2. an agterskot payment, being an amount equal to three times the amount of all accounts receivables in relation to certain of the Enterprise debtors as agreed to between the parties, collected and/or received by the Purchaser/ Seller during the 12 month period immediately preceding the first, second and third anniversary of the Closing Date up to a maximum amount of R25 500 000.
 - 2.3.3. Should the Closing Date occur after 1 November 2020, the initial purchase price will be escalated by the prevailing prime overdraft rate published by FirstRand Bank Limited, until the date of payment of the initial purchase price.
- 2.4. On or before the Closing Date, RMB and PropCo SPV will conclude a loan facility agreement in terms of which RMB shall make a facility available to PropCo SPV for the purposes of funding, *inter alia*, the payment of the aggregate purchase consideration up to a maximum amount of R1 825 000 000 ("**Loan Agreement**").

- 2.5. During the period determined from the Closing Date up until the date of transfer of the Enterprise, the Seller and the Purchaser agree that the Seller shall lease the bare dominium in respect of the MOTS property to the Purchaser so as to place the Purchaser in the same position as if transfer had been effected on the Closing Date, for a rental amount of R10 000 per annum.
- 2.6. On or before the Closing Date, RMB, RMBIA, Propco SPV and Redefine will conclude placement and underwriting agreements (“**Placement Agreements**”) which will provide for:
- 2.6.1. the marketing activities in relation to the proposed sale of the issued share capital of Propco SPV or the Enterprise (as the case may be) to potential third party acquirors;
- 2.6.2. put options to be granted by Redefine to RMB and RMBIA, in terms of which Redefine grants RMB and RMBIA the right to require Redefine to acquire (i) all of RMB’s claims against Propco SPV and (ii) all of RMBIA’s shares in Propco SPV at the put option strike price (as detailed in paragraph 2.7 below) upon the occurrence of certain conditions, including:
- 2.6.2.1. the loan amount in terms of the Loan Agreement exceeding the maximum amount of R1 825 000 000;
- 2.6.2.2. an event of default in respect of the Loan Agreement;
- 2.6.2.3. the insolvency of Redefine;
- 2.6.2.4. an event of default by Redefine in terms of any of its existing funding arrangements with RMB;
- 2.6.2.5. a breach of the financial covenants by Redefine in respect of any of its existing security arrangements between Redefine and RMB;
- 2.6.2.6. the expropriation of the MOTS asset which in RMB’s reasonable opinion will have an impact on the ability of MOTS to trade; and
- 2.6.2.7. the date falling three months before the conclusion of a period of three years from the date of the first advance under the Loan Agreement; and
- 2.6.3. a guarantee to be issued by Friedshelf 1189 (RF) Proprietary Limited (“**Redefine Security SPV**”) in favour of RMB, in terms of which the Redefine Security SPV shall guarantee the obligations of Redefine under and in terms of the Placement Agreement, (collectively the “**Implementation Agreements**”).
- 2.7. The put option strike price:
- 2.7.1. in respect of the RMBIA shares will be calculated as the greater of:

- i. $A \times (B - C - D)$; or
- ii. R1 (One Rand), where:

A = RMB's 80% equity interest in PropCo SPV;

B = the day 1 loan amount in terms of the Loan Agreement, including any Agterskot amounts payable and capitalised costs;

C = any amounts contributed by Redefine which are used to reduce the outstanding loan amount in terms of the Loan Agreement;

D = the balance of the outstanding loan amount upon the put option exercise date, or the receipt of the sales proceeds arising from the sale of the issued share capital of Propco SPV or the Enterprise (as the case may be) to a third party; and

2.7.2 in respect of the RMB claims will be the balance of the outstanding loan amount in terms of the Loan Agreement (including any accrued interest but excluding any hedge break costs/gains).

2.8. In the event that the Sale Agreement fails to become unconditional in accordance with its terms and/or the Sale Agreement is cancelled as a result of a breach of the terms set out in the Sale Agreement, the amendments to the RMB Put Option as contemplated in the Tripartite and Put Option Amendment Agreement will be of no further force or effect with the terms and conditions of the RMB Put Option Agreement as they existed prior to the Signature Date becoming applicable, and the put option price payable by Redefine, being an amount of approximately R1 940 649 730 shall accrue interest from 15 October 2020 until the day on which the put option price is settled.

3. CONDITIONS PRECEDENT

3.1. The Transaction is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

3.1.1. by no later than 45 days after Signature Date (or such later date as may be agreed by all of the parties in writing), the Implementation Agreements becoming unconditional in accordance with their terms;

3.1.2. by no later than 45 days after the Signature Date (or such later date as may be agreed by all of the parties in writing), the transaction being approved by the applicable Competition Authority and all other regulatory approvals necessary for the implementation of this Transaction being obtained; and

3.1.3. by no later than 45 days after the Signature Date (or such later date as may be agreed by all of the parties in writing), RMBIA having obtained approval for the incorporation of Propco SPV under and in terms of Section 52 of the Banks Act, Act 94 of 1990.

4. PROPERTY SPECIFIC AND FINANCIAL INFORMATION IN RESPECT OF MOTS

Details, including the name, geographical location, sector, gross lettable area (“GLA”), weighted average rental per square meter, the net operating profit, and the value attributed to MOTS, are set out below:

Property name	Geographical location	Sector	GLA (m ²)	Weighted average rental per m ² (R/m ²)	Net operating profit (R) ²	Value of MOTS as at 31 August 2020 (R) ³
Mall of the South	Corner Swartkoppies Road & Kliprivier Drive, Aspen Lakes Ext 12, 2190	Retail	73 111	187.70	124 715 913	1 654 800 000

Notes:

1. The financial information has been provided to Redefine by the Seller and has not been verified by Redefine or reported on by its auditors.
2. The financial information has been extracted from the Sellers unaudited management accounts for the period for the period 1 September 2019 to 31 August 2020 which were prepared in terms of IFRS. The Seller and Redefine have advised that they have considered and are satisfied with the quality of the management accounts to the extent possible in respect of the information available to the Seller and Redefine. The normalised net operating income for the period 1 September 2019 to 31 August 2020 per the property valuation report (adjusted for the impact of COVID-19) is R141 231 038.
3. MOTS was valued as at 31 August 2020 by Jones Lang LaSalle, who are external property valuers registered as such in terms of the Property Valuers Profession Act, No. 47 of 2000.

5. CATEGORISATION OF THE TRANSACTION

The Transaction and the possible future exercise of the put option at the instance of RMB as provided for in the Placement Agreement constitutes a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, the Transaction is not subject to approval by Redefine shareholders.

6. FURTHER CAUTIONARY ANNOUNCEMENT

Shareholders are advised that the cautionary announcement in respect of the Transaction is withdrawn. However, shareholders are referred to the cautionary announcement published on 21 August 2020 in respect of the acquisition of M1 Marki Commercial Centre and are advised to continue to exercise caution when dealing in Redefine securities until a further announcement in respect of the acquisition of M1 Marki Commercial Centre is made.

5 October 2020

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