

**PEPKOR HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 2017/221869/06)

Share code: PPH

Debt code: PPHI

ISIN: ZAE000259479

("Pepkor" or "the Company")

---

**SMALL RELATED PARTY TRANSACTION**

---

**1. INTRODUCTION**

1.1. Shareholders and noteholders are advised that on 18 December 2020, after an extended period of negotiations and a detailed due diligence, the Company and two of its wholly-owned subsidiaries, Ultimo Properties Proprietary Limited ("**Ultimo**") and JD Consumer Electronics and Appliances Proprietary Limited ("**CEA**") entered into *inter alia* a framework agreement ("**Framework Agreement**") with Steinhoff Africa Holdings Proprietary Limited ("**Steinhoff Africa**") and the Steinhoff Subsidiaries, as defined below. In terms of the Framework Agreement Ultimo and CEA have agreed to –

1.1.1. acquire 10 properties and an undivided half share in another property, together with the rental enterprises conducted thereon ("**Rental Enterprises**"), from the Steinhoff Subsidiaries. Entities within the Pepkor group of companies ("**Pepkor Group**") currently lease these 11 properties; and

1.1.2. take transfer, by way of a cession and delegation, of a long-term notarial lease between Tanzanite (as lessee) and the Elias Motsoaledi Local Municipality (as lessor) ("**Groblersdal Lease**") and of the sub-lease concluded in respect of this property from Tanzanite, upon which CEA will become the new lessee. An entity within the Pepkor Group is the sub-lessee in terms of the sub-lease,

(together, the "**Transaction**").

1.2. Details of the properties are set out in the table in paragraph 8 below.

1.1. The Steinhoff Subsidiaries comprise the following indirect wholly owned subsidiaries of Steinhoff International Holdings N.V. ("**Steinhoff N.V.**"): Steinhoff Properties Proprietary Limited ("**Steinprop**"), JD Group Property Holdings Proprietary Limited ("**JD Group Property Holdings**"), Tanzanite Treasure Trading 7 Proprietary Limited ("**Tanzanite**"), Showboat Trade and Invest 17 Proprietary Limited ("**Showboat**") and Copperzone 185 Proprietary Limited ("**Copperzone**").

**2. RATIONALE FOR THE TRANSACTION**

2.1. The properties are predominantly used by Pepkor's operating entities as distribution centres with one property being used as a corporate head office and one property being used as a call centre.

2.2. The board of directors of Pepkor believes that the Transaction will result in the following benefits for the Pepkor Group:

2.2.1. operational cost savings, as the rental expenses relating to the properties rented by the Pepkor Group from the Steinhoff Subsidiaries amounted to R111 million during Pepkor's 2020 financial year, which is expected to be accretive on an earnings per share basis (without taking IFRS16 into account) and results in a cash saving for the Pepkor group;

- 2.2.2. secures ownership of high roof distribution centre buildings for Ackermans, Pepkor Speciality and JD Group that are strategically important to their businesses; and
- 2.2.3. secures ownership of Tenacity's call centre and JD Group's corporate head office, the locations of which are ideally suited to cater for their operational needs.

### 3. PURCHASE CONSIDERATION

- 3.1. The aggregate purchase consideration payable in terms of the Transaction is R1,050,000,000 (one billion fifty million rand) ("**Aggregate Consideration**"), which will be settled by Pepkor issuing, in aggregate, 70 000 000 (seventy million) new Pepkor shares ("**Pepkor Consideration Shares**") to the respective Steinhoff Subsidiaries. It is considered appropriate to issue new Pepkor shares in order to preserve cash resources. The Pepkor Consideration Shares equates to 1.91% of the issued share capital of Pepkor prior to issuing the Pepkor Consideration Shares.
- 3.2. The Pepkor Consideration Shares will be issued at an issue price of R15 per share which represents a premium of 16.0% to the volume weighted average trading price of Pepkor's shares traded on the JSE over the 30 trading days up to and including 19 November 2020, being the date prior to the board of directors of Pepkor approving the key terms of the Transaction.

### 4. CONDITIONS PRECEDENT

- 4.1. In terms of the Framework Agreement, the Transaction is subject to the fulfilment of a number of conditions precedent ("**Conditions Precedent**") which include that on or before 15 March 2021 (or such later date as the parties to the Framework Agreement may agree in writing):
  - 4.1.1. the approvals required by the Competition Act No. 89 of 1998 for the implementation of the Transaction have been granted, either unconditionally or subject to such conditions as have been approved in writing by the Company and, to the extent that any conditions are imposed on them, also the Steinhoff Subsidiaries;
  - 4.1.2. the shareholders of Pepkor have approved, by way of a special resolution in terms of section 60 of the Companies Act the issue of the Pepkor Consideration Shares to the Steinhoff Subsidiaries in accordance with section 41(1) of the Companies Act;
  - 4.1.3. the Steinhoff Subsidiaries have obtained the consent of Steinhoff N.V.'s creditors under the written "Contingent Payment Undertakings" in place by Steinhoff N.V. in favour of its creditors, to the extent required; and
  - 4.1.4. the JSE has approved the admission to listing on the Main Board of the JSE of the Pepkor Consideration Shares.

### 5. RESOLUTIVE CONDITION

The Transaction is subject to a resolute condition that the Framework Agreement and all of the substantive agreements between CEA or Ultimo, as applicable, Pepkor and the relevant Steinhoff Subsidiary, relating to each of the relevant Rental Enterprises and underlying properties (described in paragraph 8 below) ("**Substantive Agreements**") will terminate and cease to be of further force and effect if the registration of transfer of the Cliffdale Property (described in paragraph 8 below) into the name of Ultimo and the issuing of the relevant portion of the Pepkor Consideration Shares to Steinprop for the Cliffdale Property does not occur by 30 April 2021 (or such later date as the parties to the Framework Agreement may agree to in writing).

### 6. EFFECTIVE DATE OF THE TRANSACTION

The effective date of the transaction is the dates of the transfer of each of the Rental Enterprises shall be the date on which (i) transfer of the relevant property or, with respect to the Groblersdal Property, cession and assignment of the Groblersdal Lease Agreement to CEA or Ultimo, as applicable, is registered in accordance with the provisions of the Deeds Registries Act No. 47 of 1937, and (ii) Pepkor allots and issues the corresponding number of Pepkor Consideration Shares to the relevant Steinhoff Subsidiary in

accordance with the relevant Substantive Agreement (as read with the Framework Agreement). The effective date of the Properties other than the Cliffdale Property will be after the date of transfer of the Cliffdale Property.

## 7. WARRANTIES AND OTHER SIGNIFICANT TERMS TO THE TRANSACTION

- 7.1. The Framework Agreement and the Substantive Agreements contains warranties by the parties thereto in favour of each other, which are usual for a transaction of this nature.
- 7.2. The Steinhoff Subsidiaries have each undertaken not to dispose of or encumber the Pepkor Consideration Shares received by it in terms of the applicable Substantive Agreement for a period of at least 6 months from the date of the relevant Pepkor Consideration Shares were issued to it.
- 7.3. In terms of the Framework Agreement, if CEA or Ultimo dispose of any of the Rental Enterprises to a third party within a period of 12 months from the relevant transfer date of such Rental Enterprise, at a profit, they will be obliged to pay an amount equal to such profit up to a maximum of R200 million in aggregate to the applicable Steinhoff Subsidiary. The aforesaid clawback shall not apply if the Rental Enterprise is sold to another company within the Pepkor Group or if the disposal occurs pursuant to a transaction which does not have as its primary objective, the disposal of the relevant Rental Enterprise. Pepkor deems the acquisition of the Rental Enterprises to be strategic in nature and does not intend to dispose of the Rental Enterprises in the next 12 months.
- 7.4. Steinhoff Africa has guaranteed all payment obligations of each of Steinhoff Subsidiaries in terms of the Transaction, which guarantee is effective for a period of 6 months from the date of implementation of each Substantive Agreement.
- 7.5. Steinhoff Africa has also indemnified the Company, CEA and Ultimo against any loss, expense, liability or cost which they may suffer if Showboat, Tanzanite and/or Copperzone is liquidated at any time within 6 months from the date of implementation of any Substantive Agreement to which Showboat, Tanzanite or Copperzone, as the case may be, is a party.
- 7.6. Following the issue by Pepkor of the Pepkor Consideration Shares, CEA and Ultimo will each become indebted to Pepkor in an amount equal to their respective portions of the Aggregate Consideration.

## 8. THE PROPERTIES

- 8.1. Details of each of the properties in respect of which the Rental Enterprises are conducted are as follows:

Property Name	Erf and Size	Current Owner (applicable Steinhoff subsidiary)	Province	Property Type	Tenant
Cliffdale Property	Erf 241 Cliffdale, in extent 10,3167 hectares	Steinprop	KwaZulu Natal	Distribution centre (warehouse)	Ackermans Pepkor Speciality
	Erf 242 Cliffdale, in extent 4,2527 hectares				
	Erf 243 Cliffdale, in extent 3,1831 hectares				
	Erf 244 Cliffdale, in extent 11,2510 hectares				
East Gate property	Erf 126 Eastgate Extension 3, in extent 2,4765 hectares	Steinprop	Gauteng	Office building (B-grade offices)	JD Group
Kuils River Property	Erf 9379 Kuils River, in extent 1,0527 hectares	Steinprop	Western Cape	Office building (B-grade offices)	Tenacity
Jet Park Property	Erf 684 Jet Park Extension 66, in extent 3,5739 hectares	JD Group Property Holdings	Gauteng	Distribution centre (warehouse)	JD Group
PE Property	Portion 193 of Farm Kuyga No. 8, Nelson Mandela Bay Metropolitan, in extent 2,5491 hectares	JD Group Property Holdings	Eastern Cape	Distribution centre (warehouse)	JD Group
Polokwane Property	Remaining extent of Erf 5669 Pietersburg Extension 12, in extent 3,0716 hectares	JD Group Property Holdings	Limpopo	Distribution centre (warehouse)	JD Group

Property Name	Erf and Size	Current Owner (applicable Steinhoff subsidiary)	Province	Property Type	Tenant
Tzaneen Property	Portion 1 of Erf 1972, Tzaneen Extension 18, in extent 2,0815 hectares	JD Group Property Holdings	Limpopo	Distribution centre (warehouse)	JD Group
Vryburg Property	Erf 2963 Vryburg, Naledi Municipality, in extent 1,5255 hectares	JD Group Property Holdings	North West	Distribution centre (warehouse)	JD Group
Groblersdal Property (note 1)	Erf 832 Groblersdal, Extension 15, in extent 4,9514 hectares	Tanzanite (current lessee)	Limpopo	Distribution centre (warehouse)	JD Group
Kokstad Property	Erf 8947 Kokstad, in extent 3269 square metres	Showboat	KwaZulu Natal	Distribution centre (warehouse)	JD Group
	Erf 8948 Kokstad, in extent 3281 square metres				
	Erf 8949 Kokstad, in extent 1677 square metres				
	Erf 8950 Kokstad, in extent 1663 square metres				
Richards Bay Property	Erf 8778, Richards Bay (Extension No. 28), in extent 1,7437 hectares	Showboat	KwaZulu Natal	Distribution centre (warehouse)	JD Group
Nelspruit Property (note 2)	Portion 3 of Erf 5, Karino Township, in extent 4,0600 hectares	Copperzone	Mpumalanga	Distribution centre (warehouse)	JD Group

Notes:

- The Groblersdal Property itself is not the subject of the relevant acquisition and will not be acquired by Pepkor. The Groblersdal Lease in respect of portion A of the Groblersdal Property, in extent 1,990 hectares, is the subject of the acquisition and will be transferred, by way of a cession and assignment from Tanzanite (as lessee) to CEA, following which CEA will become the new Lessee, as contemplated by paragraph 1.1.2 above.
- Copperzone is the owner of an undivided share in the Nelspruit Property. Accordingly, CEA will not acquire ownership of the whole property but only an undivided half share in the Nelspruit Property.

## 9. FINANCIAL INFORMATION

- The fair value of the net assets comprising the Rental Enterprises at the date of the announcement equates to R1,050,000,000, being the purchase consideration.
- The profits attributable to the Rental Enterprises for the 12 months ended 30 September 2020 were approximately R79.6 million, based on Steinhoff's unaudited management accounts. The profit was calculated as the after tax operating profit of each property after tax and does not take into account the impact of the capital structure, rental smoothing and any impairments.
- The Company is satisfied with the quality of Steinhoff's management accounts, however, shareholders are advised that these management accounts are unaudited.

## 10. CLASSIFICATION OF THE TRANSACTION FOR PURPOSES OF THE JSE LISTINGS REQUIREMENTS

- The Transaction constitutes a small related party transaction for Pepkor as contemplated by paragraph 10.7 of the JSE Listings Requirements given that:
  - Steinhoff N.V. and the Steinhoff Subsidiaries are "related parties" of Pepkor by virtue of the fact that Steinhoff N.V. is indirectly a material shareholder of the Company; and
  - the number of the Pepkor Consideration Shares to be issued by Pepkor to the Steinhoff Subsidiaries as a percentage of Pepkor's shares in issue (excluding treasury shares), equates to 1.91%.
- Pepkor is accordingly required to appoint an independent expert to prepare a fairness opinion on the Transaction in terms of paragraph 10.7(b) of the JSE Listings Requirements to confirm that the Transaction is fair to shareholders of the Company.
- The board of directors of the Company has appointed PSG Capital Proprietary Limited ("**Independent Expert**") as the independent expert to prepare the required fairness opinion on the Transaction. The

Independent Expert has considered the terms and conditions of the Transaction and is of the opinion that the terms and conditions of the Transaction are fair to the shareholders of the Company. A copy of the fairness opinion is available for inspection at the Company's registered office for a period of 28 days from the date of this announcement.

## 11. SECTION 60 CIRCULAR TO SHAREHOLDERS

As contemplated in paragraph 4.1.2.2 above, approval by the shareholders of the Company is required in terms of section 41(1) of the Companies Act for the issue of the Pepkor Consideration Shares to the Steinhoff Subsidiaries as a result of the fact that the Steinhoff Subsidiaries are related or inter-related to the Company, as contemplated in section 2 of the Companies Act. This approval will be sought as a written resolution of Pepkor shareholders in terms of section 60 of the Companies Act. In this regard, a circular detailing the Transaction and incorporating a notice of the required written resolution to be voted on by Pepkor Shareholders, will be distributed to shareholders on or about 18 January 2021.

18 December 2020

Equity Sponsor

PSG Capital



Legal Advisor to Pepkor

ENSAfrica



Debt Sponsor

Rand Merchant Bank (A division of Firststrand Bank Limited)

