

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

DISPOSAL OF THE SOUTH AMERICAN SHIPPING BUSINESS

1. INTRODUCTION

Imperial shareholders are referred to the announcement released on the Stock Exchange News Service on Monday, 04 May 2020, in which they were advised, *inter alia*, that Imperial's South American shipping business will be continued on a stand-alone basis but will remain available for sale.

The board of Imperial is pleased to announce that Imperial Mobility International BV, Imperial Logistics International B.V. & Co. KG and Imperial Fleet Services GmbH, all wholly owned subsidiaries of Imperial, have closed a transaction on 16 April 2021 ("closing date") in respect of the sale of its respective interest, being assets, shares and claims, in its South American shipping business ("South American shipping business" or "Interest in the South American Operations") to Hidrovias do Brasil S.A. and other wholly owned subsidiaries of Hidrovias do Brasil ("Purchaser") ("Transaction").

2. BACKGROUND INFORMATION OF THE PURCHASER

Hidrovias do Brasil S.A. is an independent integrated logistics provider focused on waterways logistics services in Latin America. Founded in 2010, the Purchaser operates in large logistics corridors in the north of Brazil (Tapajós-Amazon Rivers) and in the Paraguay-Paraná river system. In the Northern Corridor (Miritituba-Barcarena, Pará), the Purchaser offers an integrated logistics solution to transport grains from the midwest region of Brazil to an export port. In the South Corridor, operations use the Paraguay-Paraná rivers system, where the Purchaser transports over 6 million tons of cargo per year including iron ore, grains, fertilisers and pulp.

3. BACKGROUND INFORMATION OF THE SOUTH AMERICAN SHIPPING BUSINESS

In 2014, Imperial expanded its shipping business by entering the South American market with presence through the South American shipping business in the Hidrovia-Paranha-Paraguay waterways and with access to the largest seaports in the region. The business has a large and sophisticated fleet of more than 90 owned vessels and safely moves approximately 1.6 million tons of diversified products (dry bulk cargo) every year. Primary customers are blue chip industrial groups in the steel and agriculture industries. The South American shipping business employs approximately 150 people led by an experienced management team.

The South American shipping business generated revenue and earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the year ended 30 June 2020 of c. USD 36.0 million

and c. USD 9.4 million respectively (approximately ZAR 522 million and ZAR 136 million, respectively).

4. RATIONALE FOR THE TRANSACTION

As previously communicated to the market, it is Imperial's strategic intent to become a 'One Imperial' business and serve as the 'Gateway to Africa' to its clients, principals, and customers. Imperial is transforming from a portfolio of regional businesses to an integrated end-to-end logistics and market access business that is focused on Africa, leveraging its scale, competitive advantages and capabilities in the healthcare, consumer, chemicals, automotive, and industrial and commodities industries. As such, Imperial has thoroughly assessed the strategic fit of its Logistics International business and decided to exit this business in a phased approach as it is non-core. The South American shipping business forms part of this process and follows the disposal of the European shipping business, which was concluded on 31 July 2020. The remaining freight management and contract logistics operations within the International Logistics business remain for sale and Imperial is in the process of disposing of these, as announced at the Group's F2021 interim results on 23 February 2021.

5. SALIENT TERMS OF THE TRANSACTION

The agreed maximum enterprise value for the Interest in the South American Operations is USD 90.0 million (approximately 1,305 million) which equates to a multiple of 9.6X FY2020 reported EBITDA. The enterprise value includes an earn-out component of up to USD 5.0 million (approximately ZAR 73 million). The earn-out component is payable dependent on water levels over the 4-year period commencing on 1 January 2021. The earn-out comprises 4 annual payments of up to USD 1.25 million each (approximately ZAR 18 million) with each annual payment settled in cash by 31 March of the following year.

The maximum aggregate purchase price, payable in cash, for the Interest in the South American Operations is approximately USD 100 million (approximately ZAR 1,450 million) which includes 'locked box' interest from 1 July 2020 until the closing date as well as the full earn-out payment.

The rights, benefits and advantages of the South American shipping business accrued to the Purchaser from 1 July 2020 in terms of a 'locked box structure'.

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

The Transaction is not subject to any outstanding conditions or regulatory approvals.

6. NET ASSETS AND PROFITS ATTRIBUTABLE TO THE SOUTH AMERICAN SHIPPING BUSINESS

The unaudited attributable loss after tax for the six months ended 31 December 2020 was USD 4.7 million (approximately ZAR 68 million) and the unaudited net asset value as at 31 December 2020 was USD 110.3 million (approximately ZAR 1,600 million). These were prepared under International Financial Reporting Standards in respect of the South American shipping business being divested.

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

7. APPLICATION OF PROCEEDS

The proceeds of the Transaction will be used to optimise the financial position of Imperial, reducing its overall existing debt in the short-term and will be invested in new growth areas in line with the Group's strategy in due course.

8. CATEGORISATION AND EXCHANGE RATE

The Transaction is classified as a Category 2 Transaction in terms of the JSE Listings Requirements and there are no related parties involved. The exchange rate of ZAR 14.5 / USD was utilised in respect of the Transaction calculated as at 15 April 2021.

Bedfordview
19 April 2021

Corporate sponsor to Imperial: RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Financial Advisor to Imperial: BNP Paribas S.A.

International Legal Advisors to Imperial: Taylor Wessing Partnerschaftsgesellschaft mbB