

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

ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL OF DEEP CATCH NAMIBIA HOLDINGS (PROPRIETARY) LIMITED

1. INTRODUCTION

Imperial is pleased to advise that on 16 June 2021 it has, through its wholly-owned subsidiary, Imperial Capital Limited ("the Purchaser"), entered into an agreement ("Agreement") to acquire 100% of the issued share capital of Deep Catch Namibia Holdings (Proprietary) Limited ("Deep Catch") ("the Sale Shares") from its shareholders, Salt Capital Ventures Limited ("Salt Capital") and DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH (those shareholders hereinafter referred to as the "Investor Shareholders") and Christoph Kubirske, Jared-Dwight Geyser and Lewton Geyser (those shareholders hereinafter referred to as the "Management Shareholders") (collectively, "the Sellers") ("the Transaction").

2. DESCRIPTION OF DEEP CATCH

Deep Catch is a diversified and vertically integrated business engaged in the wholesale, distribution and cold storage of perishable foods (mainly poultry, fish and dairy products) in Namibia and the SADC region. Headquartered in Namibia and with subsidiaries in Namibia, South Africa, Zimbabwe and Zambia, Deep Catch employs over 480 people and serves customers in the wholesale, hospitality and retail sectors – including exporting Namibian and South African food products to other SADC markets.

Deep Catch has three commercial cold storage warehouses located in Namibia and South Africa. Its distribution business has physical presence in SADC countries with over 50 multi-temperature delivery vehicles. The business also owns a majority stake in one of the largest freight forwarding businesses in Namibia.

3. RATIONALE FOR THE TRANSACTION

The Transaction is in line with Imperial's 'Gateway to Africa' strategy and provides Imperial with the opportunity to increase its reach into the consumer market and expand its footprint with new capabilities on the African continent.

Through the expansive cold chain capability and extensive network acquired through Deep Catch, Imperial's Market Access business will be positioned to enter and build onto its cold chain capability and product category expansion in its existing markets of operation in Sub-Saharan Africa (mainly South Africa, Mozambique, Ghana and Nigeria), where there is substantial demand for affordable protein products. This acquisition will provide access to defensive, value-added capabilities in FMCG, such as re-packaging.

In addition, and in line with Imperial's strategy to leverage cross-selling opportunities across its businesses in Africa, the acquisition of Deep Catch, through expansion into the cold chain capability, will also provide opportunity to expand Imperial's reach to new customers and principals in other markets of operation.

4. PURCHASE CONSIDERATION

4.1. Assuming that Deep Catch achieves its earnings before interest, taxes, depreciation, and amortisation ("EBITDA") targets in respect of FY2021 through FY2024, the agreed purchase consideration (calculated on the basis of a "locked box" structure) is N\$633 million (ZAR633 million) (increased by an interest factor equal to the Bank of Namibia's repo rate plus 50 basis points reckoned from 1 July 2020 to the date of payment) ("the Purchase Consideration") plus, if applicable, the amount referred to in paragraph 4.2 below. The Purchase Consideration is payable as follows:

- 4.1.1. on the Completion Date (which is the second business day following the date on which the last of the conditions precedent as set out in paragraph 5 below is fulfilled), N\$341,7 million shall be paid to the Sellers;
- 4.1.2. on the finalisation of the audited annual financial statements of Deep Catch in respect of FY2021, a maximum amount of N\$128,4 million shall be paid to the Sellers, subject to a downward adjustment if Deep Catch does not achieve its target EBITDA of N\$129 million; and
- 4.1.3. an amount of N\$162,9 million shall be paid to the Management Shareholders in three equal tranches on the finalisation of the audited annual financial statements of Deep

Catch in respect of FY2022, FY2023 and FY2024 respectively ("the Management Deferred Consideration"), based on Deep Catch's performance during the relevant year concerned save that:

- if the target EBITDA for the year concerned is not met but the actual EBITDA is equal to or greater than 90% of the target EBITDA, the Management Shareholders shall receive 80% of the payment due for that year; and
 - if the actual EBITDA for the year concerned is less than 90% of the target EBITDA, the Management Shareholders shall receive 50% of the payment for that year.
- 4.2. The final determination of the Management Deferred Consideration shall be based on the average EBITDA achieved over FY2022, FY2023 and FY2024 providing the Management Shareholders an opportunity, at the end of FY2024, to recoup any amount not earned by them in any of the target years FY2022, FY2023 and/or FY2024.
- 4.3. In addition to the Purchase Consideration referred to in paragraph 4.1 above, the Management Shareholders shall be entitled to an earn-out payment equal to a maximum of N\$40,7 million, to the extent that the actual cumulative EBITDA for FY2022, FY2023 and FY2024 achieved by Deep Catch, exceeds the target cumulative EBITDA for that period.

5. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment of the following suspensive conditions ("Conditions Precedent"):

- 5.1. the submission of merger filings to the South African, Namibian and COMESA Competition Authorities and approval by the South African and Namibian Authorities of the Transaction;
- 5.2. the consent of the existing funders of Deep Catch to the Transaction and the counterparties to certain material contracts;
- 5.3. the consent and waivers of pre-emptive rights from the shareholders of Camel Thorn Freight Forwarding Proprietary Limited and Seapride Zimbabwe Proprietary Limited pursuant to the Transaction;
- 5.4. the conclusion of 3-year service agreements including restraints between the Management Shareholders, key managers and Deep Catch; and

- 5.5. Imperial confirming that no material adverse event has occurred within ten business days of the fulfilment of all the other Conditions Precedent.

6. COMPLETION DATE OF THE TRANSACTION

The Transaction will be implemented on the Completion Date, whereupon ownership of the Sale Shares shall pass to the Purchaser.

7. FINANCIAL INFORMATION

The value of the net assets of Deep Catch as at 30 June 2020, being the date of the last audited annual financial statements, was N\$287,6 million.

The revenue, EBITDA and profit after tax attributable to the net assets for the year ended 30 June 2020, were N\$1 035,8 million, N\$100,8 million, and N\$21,9 million respectively, based on the audited annual financial statements of Deep Catch for the year ended 30 June 2020, which were prepared in terms of International Financial Reporting Standards for Small and Medium-sized Entities.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by the Sellers in favour of the Company which are standard for a transaction of this nature.

9. CLASSIFICATION OF THE TRANSACTION AND EXCHANGE RATE

The Transaction constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements. The exchange rate of N\$1/ZAR1 was utilised in respect of the Transaction and accordingly all Namibian Dollar amounts herein are reflective of the corresponding Rand (ZAR) amount.

10. OTHER

The Company confirms, for purposes of paragraph 9.16 of the JSE Limited Listings Requirements, that nothing in the constitutional documents of Deep Catch and/or Imperial Capital Limited will, in any way, frustrate or relieve the Company from compliance with the JSE Limited Listings Requirements.

Enquiries

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Bedfordview

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Sponsor to Imperial

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