

ATTACQ LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1997/000543/06)
JSE share code: ATT ISIN: ZAE000177218
(Approved as a REIT by the JSE)
("Attacq")



EQUITES PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
JSE share code: EQU ISIN: ZAE000188843
JSE alpha code: EQUI
(Approved as a REIT by the JSE)
("Equites")



ATTACQ / EQUITES TRANSACTION RELATING TO INDUSTRIAL PROPERTIES IN WATERFALL

1. INTRODUCTION

Shareholders and noteholders are advised that Attacq (through its wholly owned subsidiary Attacq Waterfall Investment Company Proprietary Limited ("AWIC")) and Equites have reached conditional agreement whereby Attacq will dispose of an undivided half share of the leasehold rights and rental enterprises in respect of:

- two logistics properties being the Amrod and Massbuild distribution centres; and
- 56 723 m² of undeveloped land to be co-developed by Attacq and Equites with Cotton On as a tenant within the Waterfall Logistics Hub (collectively, the "**disposal assets**") to Equites, with effect from 1 September 2021 (the "**transaction**") and for a total purchase consideration of R444 505 437 ("**purchase consideration**"). AWIC will continue to hold the remaining 50% interest in the disposal assets.

2. RATIONALE FOR ATTACQ

The transaction is aligned with Attacq's stated intention of reducing its debt levels and improving its interest cover ratio, whilst retaining 50% of the disposal assets. This transaction, combined with the previously communicated asset disposals, will contribute to a further de-gearing of the Attacq balance sheet and in addition substantiates Attacq's ability to transact at the carrying value of its quality assets.

On a pro-forma basis, taking into account this transaction and the proceeds generated by Attacq's disposals of its 50% interest in the Deloitte building, shares in MAS Real Estate Inc. and 2 Eglin, Attacq's gearing ratio of 50.4% at 31 December 2020 would reduce to 43.4%.

Attacq continues to attract quality light industrial tenants to its Waterfall Logistics Hub. It has a further 275 923 m² of light industrial leasehold rights (effective share measured in terms of surface area), providing Attacq with an opportunity to increase its light industrial portfolio, which, once developed, will complement its existing quality portfolio. The Waterfall City development pipeline continues to attract experienced joint venture partners, such as Equites, who understand and value the unique investment opportunity in the Waterfall node.

3. RATIONALE FOR EQUITES

The transaction meets Equites' strategic objectives due to the following reasons:

- Equites has communicated its strategy of pursuing growth in South Africa through high-quality acquisitions and developments;
- The logistics sector is the best performing sector in the South African property market and high-quality logistics assets rarely come to market;
- The Waterfall Logistics Hub is regarded as one of the preeminent logistics parks in South African and this acquisition will increase Equites' exposure to this node;
- The disposal assets comprise two modern distribution centres and a development lease, let to A-grade tenants, with a WALE of 9.4years across the three properties; and
- The transaction serves to create further scale in Equites' high-quality logistics portfolio with stable and predictable rental growth profiles which enhances capital and income growth in the medium to long-term.

This acquisition opportunity was secured given Equites' existing strong relationship with Attacq. Equites will fund the transaction from available debt facilities. Equites' LTV ratio, on a pro-forma basis at 1 September 2021, will increase marginally from 31.2% to 32.7%.

4. TERMS OF THE TRANSACTION

The salient terms of the transaction are as follows:

- The purchase consideration will be payable by Equites in cash on the date of transfer of the disposal assets;
- AWIC will continue to manage the disposal assets;
- The lease agreements with Amrod and Massbuild are triple net leases with the tenants responsible for all operating costs, assessment rates, insurance, repairs and maintenance. The Amrod lease expires in December 2028 and the Massbuild lease expires in March 2033. The net initial yield on the assets is 8.9% and 8.2% respectively;
- Cotton On has entered into a 10 year and 2 months lease in respect of a 20 796 m2 distribution centre with an estimated commencement date of 1 May 2022. The land purchase price payable by Equites is R32 904 375 and Equites' share of the estimated development spend is R66 241 670, resulting in an estimated total development cost to Equites of R99 146 045 (representing an undivided half share). The estimated yield on the total development cost is 8.1%;
- Equites and AWIC will jointly undertake the Cotton On development and following the acquisition of the aforesaid land, Equites will fund 50% of the total development costs in respect of the Cotton On development, which is estimated to be completed in May 2022; and
- The agreement contains undertakings, warranties and indemnities which are normal for a transaction of this nature.

5. DETAILS OF THE DISPOSAL ASSETS

The property fundamentals of the Amrod and Massbuild distribution centres are robust. Both income-producing properties are classified as modern logistics facilities with at least 15.5 metre clear height to eaves and ample yard space. The disposal assets are situated in the Waterfall Logistics Hub, which is an established logistics node. The Cotton On development will also be in the heart of the Waterfall Logistics Hub. The transaction will therefore add to the quality, defensiveness and income predictability of Equites' earnings.

The purchase consideration for the disposal assets is R444 505 437. Based on the two income-producing properties, the transaction consideration equates to an initial yield of c.8.5%.

Property name	Geographical location	Sector	GLA (100% of property) m²	Weighted average rental per m² R	Net profit for the six months ended 31 December 2020 R'000	Total consideration payable for an undivided half share R	Attacq carrying value for an undivided half share at 31 December 2020 R
Massbuild	Waterfall, Gauteng	Logistics	50 033	61.04	11 987	214 601 062	212 470 000
Amrod	Waterfall, Gauteng	Logistics	37 937	82.34	978	197 000 000	199 951 000
Cotton On (land only)	Waterfall, Gauteng	Logistics	56 732*	-	n/a	32 904 375	31 769 920^
Total					12 965	444 505 437	444 190 920

* Surface area of undeveloped land

^ Carrying value adjusted for cost to complete

The purchase consideration is considered to be in line with fair market value, as determined by the directors of Equites and Attacq. The directors are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

6. CONDITIONS PRECEDENT

The transaction is subject to the fulfilment of the following conditions precedent:

- The funders having provided such consents or approvals, in writing, as may be required for the release of the existing mortgage bonds and the assumption of the assumed debt;
- The landowner and the tenants having provided such consents or approvals, in writing, as may be required in respect of the transaction; and
- The approval of the Competition Authorities.

7. CATEGORISATION

The transaction is a category 2 transaction for Attacq in terms of the JSE Listings Requirements and accordingly, does not require approval by Attacq shareholders.

This transaction is not categorisable for Equites in terms of the JSE Listings Requirements and accordingly, does not require approval by Equites shareholders. For Equites, this announcement is voluntary and for information purposes only.

6 July 2021

Sponsor to Attacq and Equites

JAVACAPITAL

Debt Sponsor for Equites

