

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 THE J&J GROUP AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**1. INTRODUCTION**

Further to the cautionary announcement released on the Stock Exchange News Service of the JSE Limited on 20 July 2021, Imperial is pleased to advise that on 27 July 2021, the Company and its wholly owned subsidiary, Imperial Capital Limited ("ICL"), entered into agreements ("Agreements") with, *inter alia*, CSSAF Holdings I, a private equity investment vehicle managed by The Carlyle Group, IAFPEF JJ Limited, a private equity investment vehicle managed by Ethos Private Equity, Lift Acquisitions, ITL Trustees Limited, the founders of the J&J Group, and certain individuals and key managers (collectively, "the Sellers").

Lift Logistics Holdco ("LLH") is the holding company of a privately owned group of companies known as J&J Transport ("J&J Group"). Greendoor Group Proprietary Limited ("Greendoor") houses the South African operations of the J&J Group.

In terms of the Agreements:

- 1.1 ICL will acquire 100% of the issued share capital of LLH ("the LLH Sale Shares") and shareholders loans in LLH ("Sale Claims") from the Sellers in three separate tranches; and
- 1.2 Imperial will acquire all the Greendoor shares held by LLH, via its subsidiary Lift Hauliers, comprising 70% of the issued share capital of Greendoor ("the Greendoor Sale Shares") in two separate tranches;

for a purchase consideration based on an enterprise value for the J&J Group of USD300 million (c. ZAR 4.4 billion) ("the Transaction").

2. DESCRIPTION OF THE J&J GROUP

Founded in 1995, and with operations in 5 key countries in Africa, the J&J Group offers end-to-end logistics solutions along the Beira and North South corridors, specialising in the transport of break-bulk, containerised, project, fuel and out of gauge cargo between Mozambique, Zimbabwe, Zambia, South Africa, Malawi and the DRC. The Beira Corridor is the road, railway networks and the pipeline running through and linking Zimbabwe, Zambia, Malawi and DRC to the Port of Beira, and the North South Corridor is the road and railway networks running through and linking DRC, Botswana, Malawi, Mozambique, South Africa, Zambia and Zimbabwe. Both corridors are of strategic importance to trade, transport and the integration of countries in the SADC region as they facilitate the movements of

people, goods and services between member states, and between member states and international markets.

The J&J Group's core business is cross border trucking, supported by integrated end-to-end transport logistics solutions from initial vessel logistics to warehousing, short haul in-country transport and specialised transport. The cargo transported mainly includes fertiliser (bulk and bagged), mining related products, agricultural products and general cargo. The J&J Group leverages leading technology throughout the business, ensuring operational efficiency through a suite of proprietary IT systems that were built and customised over time.

3. RATIONALE FOR THE TRANSACTION

As previously communicated, Imperial's strategy is to provide integrated market access and logistics services, serving as a 'Gateway to Africa' for clients, principals and customers. This requires Imperial to invest in businesses in Africa that will give the Group the ability to facilitate trade flows into, out of and across Africa.

The acquisition of the J&J Group is in line with Imperial's strategic positioning as it will optimise and expand Imperial's reach in Africa by providing scale in end-to-end cross border transportation services in 5 key African countries and new industries through well-established routes on the Beira and North South corridors, port capabilities, a developed asset base of 1700 trucks and 45 000m² of warehousing space, and an entrenched customer portfolio.

The acquisition will therefore contribute to Imperial's geographic and capability enhancement by granting Imperial access to new regions and corridors that will offer added benefits to the Group's logistics and market access offerings. This positions Imperial for quicker go-to-market outside of South Africa and will provide the Group with end-to-end access to certain key countries and corridors (port to customer) in Africa.

The J&J Group's strategic asset base will complement Imperial's asset-right focus and will serve to further expand the Group's access to critical trade networks, consolidating Imperial's leverage and reach on the African continent. The J&J Group provides access to a management team which collectively has 95 years of industry experience in transportation services in complex African markets, using leading technologies, processes and systems.

4. PURCHASE CONSIDERATION

The purchase consideration for the shares in both LLH and Greendoor is based on an aggregate enterprise value of USD300 million (c. ZAR 4.4 billion) which will be funded out of cash resources and existing debt facilities.

The acquisition by ICL of the LLH Sale Shares will take place in three tranches as follows:

4.1. ICL will acquire:

- 4.1.1. 51% of the LLH Sale Shares ("the First LLH Sale Shares") for an amount of USD59.6 million (c. ZAR 882.0 million) plus interest at a rate of 2.5% p.a. reckoned from 1 January 2021 to the date of payment (calculated on the basis of a "locked box" structure as at 31 December 2020) ("the specified rate") on the first day of the month following the fulfilment of the last of the conditions precedent, as set out in paragraph 6 below ("the First Closing Date"). To the extent that the earnings before interest, taxes, depreciation and amortisation ("EBITDA") of the J&J Group for the period commencing on the First Closing Date and ending 12 months thereafter ("Year 2"), is less than USD54.5 million, the purchase consideration of the First LLH Sale Shares will be adjusted downwards, and to the extent that it exceeds USD54.5 million, the purchase consideration of the First LLH Sale Shares will be adjusted upwards ("the adjustment amount"). The adjustment amount will be determined by multiplying the difference between the Year 2 EBITDA and USD54.5 million by a factor of 5.5, but subject to the EBITDA being capped at USD64.0 million and an EBITDA floor of USD40 million. The adjustment amount is payable on the Second Closing Date together with interest thereon at the specified rate;
- 4.1.2. 46.5% of the LLH Sale Shares ("the Second LLH Sale Shares") for a purchase consideration based on $5.5 \times \text{EBITDA}$ of the J&J Group for Year 2, less net debt and the value attributable to minorities, on the fifth business day after the later of the determination of the adjustment amount and the purchase consideration of the Second LLH Sale Shares ("the Second Closing Date"). The EBITDA is capped at USD65 million for purposes of determining the purchase consideration for the Second LLH Sale Shares. In the event that, consequent upon the occurrence of a material force majeure event, the Year 2 EBITDA is less than USD50 million, the sellers shall be entitled to use the EBITDA for the period commencing on the first anniversary of the Second Closing Date and ending 12 months thereafter ("Year 3") for purposes of determining the purchase consideration for the Second LLH Sale Shares and the Second Closing Date will be extended accordingly;
- 4.1.3. 2.5% of the LLH Sale Shares ("the Third LLH Sale Shares") for a purchase consideration based on $5.5 \times \text{EBITDA}$ of the J&J Group for year 3, less net debt and the value attributable to minorities, on the fifth business day after the determination of the purchase consideration of

the Third LLH Sale Shares. The EBITDA is capped at USD65.0 million for purposes of determining the purchase consideration for the Third LLH Sale Shares; and

4.1.4. 100% of the Sale Claims for an amount of USD5.0 million (c. ZAR 73.6 million) on the Second Closing Date.

5. The acquisition by the Company of the Greendoor Sale Shares will take place in two tranches as follows:

- 5.1. on the First Closing Date, Imperial will acquire 51% of the Greendoor Sale Shares ("First Greendoor Sale Shares") for an amount of USD7.2 million (c. ZAR 106.5 million) plus interest at the specified rate reckoned from 1 January 2021 to the date of payment (calculated on the basis of a "locked box" structure as at 31 December 2020). To the extent that the EBITDA of Greendoor for Year 2 is less than USD4.1 million, the purchase consideration of the First Greendoor Sale Shares shall be adjusted downwards and to the extent that it is more than USD4.1 million, the purchase consideration of the First Greendoor Sale Shares will be adjusted upwards ("the Greendoor adjustment amount"). The EBITDA of Greendoor is capped at USD6.0 million for purposes of determining the Greendoor adjustment amount. The Greendoor adjustment amount will be determined by multiplying the difference between the Year 2 EBITDA and USD4.1 million by a factor of 5.5. The Greendoor adjustment amount is payable on the Second Closing Date together with interest thereon at the specified rate;
- 5.2. on the Second Closing Date, Imperial will acquire 49% of the Greendoor Sale Shares ("Second Greendoor Sale Shares"). The purchase consideration of the Second Greendoor Sale Shares is based on $5.5 \times$ EBITDA of Greendoor for Year 2, less net debt, unless consequent upon the occurrence of a material force majeure event, the sellers of the LLH Sale Shares have elected to use the EBITDA of the J&J Group for Year 3 for purposes of determining the purchase consideration for the Second LLH Sale Shares, in which case the purchase consideration of the Second Greendoor Sale Shares will be based on $5.5 \times$ EBITDA of Greendoor for Year 3, less the Year 3 net debt of Greendoor and the Second Closing will be extended accordingly. The EBITDA of Greendoor is capped at USD6.0 million for purposes of determining the purchase consideration of the Second Greendoor Sale Shares.
- 5.3. Imperial has made an offer to the minority shareholders of Greendoor to acquire their shares on similar terms as the Greendoor Sale Shares.

6. CONDITIONS PRECEDENT

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

- 6.1. the conclusion of service agreements between LLH and key managers of LLH (two of whom are executive directors of LLH);
- 6.2. the consent of existing lenders of the J&J Group to a change of control event and/or conclusion of new facilities;
- 6.3. the receipt of all necessary governmental and regulatory approvals or consents including the Financial Surveillance Department of the South African Reserve Bank;
- 6.4. the approval of the South African and Mozambiquan Competition Authorities to the implementation of the Transaction and the submission of a merger filing to COMESA Competition Commission;
- 6.5. the adoption of a new constitution of LLH; and
- 6.6. following the fulfilment of the Conditions Precedent referred to in paragraphs 6.1 to 6.5, 10 business days after receipt of up to date pro forma management accounts, no material adverse change event has occurred and is continuing.

7. IMPLEMENTATION DATE OF THE TRANSACTION

The Transaction will be implemented on the first business day of the month following the month in which the last of the Conditions Precedent is fulfilled.

8. FINANCIAL INFORMATION

The J&J Group had a negative net asset value of USD5.6 million (c. ZAR 82.2 million) as at 31 December 2020, being the date of the last audited annual financial statements, which were prepared in terms of the International Financial Reporting Standards ("IFRS").

The EBITDA and audited profits after tax attributable to the net assets were USD49.2 million (c. ZAR 728.6 million) and USD13.1 million (c. ZAR 193.6 million) respectively, based on the audited annual financial statements of the J&J Group for the year ended 31 December 2020, which were prepared in terms of IFRS.

9. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENTS

The Agreements contain representations and warranties by the Sellers in favour of the Company which are normal for a transaction of this nature.

10. 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 ZAR 14.81 / USD was utilised in respect of the Transaction, calculated as at 27 July 2021.

11. OTHER

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

The Company further confirms that it has obtained the consent of DP World Logistics FZE ("DP World") to conclude the Transaction.

12. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Following the release of this announcement, shareholders are advised that the advice to exercise caution as detailed in the announcement released on 20 July 2021 is hereby withdrawn.

13. INDEPENDENT BOARD RESPONSIBILITY STATEMENT WITH RESPECT TO THE DP WORLD OFFER

The independent board of the Company accepts responsibility for the information contained in this announcement insofar as such information relates to the offer by DP World and, to the best of its knowledge and belief, such information is true and this announcement does not omit anything likely to affect the importance of such information included.

Bedfordview

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Enquiries

Imperial Investor Relations

E-mail: esha.mansingh@imperiallogistics.com

Sponsor to Imperial

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Legal Adviser to Imperial

TWB - Tugendhaft Wapnick Banchetti & Partners

Legal Advisers to the Sellers

Webber Wentzel