

Massmart Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1940/014066/06)
JSE Share Code: MSM
ISIN: ZAE000152617

('Massmart Holdings' or 'Company' or 'Group')

CATEGORY 2 DISPOSAL ANNOUNCEMENT

1. INTRODUCTION

Shareholders of the Company ("**Shareholders**") are referred to the Operational update and trading statement released on SENS on 19 February 2021 and the Group results for the financial year ended 27 December 2020 released on SENS on 8 March 2021 ("**Results Release**"). As part of the Results Release, the Company advised that a strategic decision has been taken by the Group to reduce exposure to certain non-core assets, which included the disposal of the Cambridge Food, Rhino and Massfresh assets, as well as selected Masscash Cash and Carry assets.

Shareholders are advised that on 20 August 2021 ("**Signature Date**"), a sale of business agreement was entered into between the Company, through its wholly-owned subsidiaries Massmart Wholesale Proprietary Limited ("**Massmart Wholesale**"), Massmart Retail Proprietary Limited ("**Massmart Retail**"), Cambridge Food Gauteng Proprietary Limited ("**Cambridge Food Gauteng**"), Fresh Food Direct Proprietary Limited ("**Fresh Food**"), Clidet No 1003 Proprietary Limited ("**Clidet**") and DD's Cash and Carry Proprietary Limited ("**DD's Cash and Carry**") (collectively, "**Sellers**"), K2019389785 (South Africa) Proprietary Limited ("**Purchaser**"), a subsidiary of Shoprite Checkers Proprietary Limited ("**Shoprite Checkers**") ("**Agreement**"), in terms of which the Company will, through the Sellers, sell, as a going concern, their respective businesses comprising of -

- i. the Cambridge Food business and Rhino Cash and Carry business (collectively, ("**Cambridge Food Business**");
- ii. the Fruitspot business and Massfresh Meat business (collectively, "**Massfresh Business**"); and
- iii. 12 Masscash Cash and Carry stores (collectively, "**Selected Masscash Cash and Carry Assets**"),

(collectively, "**Sale Businesses**") to the Purchaser ("**Disposal**"), for the disposal consideration set out in paragraph 4 ("**Disposal Consideration**").

2. DESCRIPTION OF THE SALE BUSINESSES

The Sale Businesses consist of wholesale and retail chains that are all focused on high-volume and low-cost distribution and are each reliant on high volumes and operational excellence as the foundation of price leadership, in the distribution of mainly branded consumer goods for cash.

The Cambridge Food Business is owned by Massmart Retail, Cambridge Food Gauteng, DD's Cash and Carry and Clidet, in their respective proportions and consists of (i) Cambridge Food and (ii) Rhino Cash and Carry of which 56 (fifty-six) stores will form part of the Disposal. The Cambridge Food Business is a chain of food supermarkets in major urban and regional areas in South Africa supplying appropriate ranges of quality food and liquor products.

The Massfresh Business is owned by Fresh Food and consists of -

- i. The Fruitspot, being a wholesale and distributor of fresh fruit and vegetables with 3 (three) stores located in Johannesburg, Cape Town and Durban; and
- ii. Massfresh Meats, being a processor and distributor of meat and meat products with a meat processing facility located in Benoni.

The Selected Masscash Cash and Carry Assets consist of Browns & Weirs Cash & Carry - Idutywa, Browns & Weirs Cash & Carry - King Williams Town, Browns & Weirs Cash & Carry - Mount Frere, Ficksburg Cash & Carry, Nelspruit Cash & Carry, Piet Retief Liquors, Pretoria West Cash and Carry, Springs Cash & Carry, Thembani Wholesalers Pty Ltd, Vryburg Cash & Carry, Jumbo Cash & Carry - Durban and Qwa Qwa Liquors.

3. RATIONALE FOR THE DISPOSAL

In our journey to becoming the healthiest and strongest retailer in Africa with the best long-term prospects we announced at our annual results presentation on 8 March 2021, three key initiatives:

- Stabilise through the strong execution of our turnaround plan; -
- Focus through divestiture of non-core assets to drive sustainable, profitable growth; and
- Invest through accelerated growth in eCommerce, key categories and geographies.

Pursuant to the review of our portfolio (which remains ongoing), management has determined that the Sale Businesses are non-core to the ongoing operations of the Group. The Disposal adds a cash injection into the Group and frees up managements time to focus on the creation of shareholder value through the Invest initiative. The Disposal will also be effected in a responsible manner so as to preserve jobs via S197 of the Labour Relations Act No 66 of 1995. The Disposal is a key milestone in the Focus initiative as outlined above.

We continue to deliver on all three initiatives and will provide a further update at our results presentation on 27 August 2021.

4. DISPOSAL CONSIDERATION

The maximum Disposal Consideration in respect of the Sale Businesses is R1.36 billion, payable in cash as soon as the Agreement becomes unconditional. The Disposal Consideration is subject to adjustment based on the assets held by the Sale Businesses at the targeted effective date of the Disposal. It is anticipated that the transaction will become effective in early 2022 once all the conditions precedent as outlined in paragraph 6 below have been met.

5. USE OF THE PROCEEDS

The cash proceeds will be used to pay down drawn bank facilities.

6. CONDITIONS PRECEDENT

The Agreement (and thereby, the Disposal) remains subject to the fulfilment or waiver (to the extent permissible) of the following conditions precedent contained in the Agreement:

- i. the conclusion of written lease agreements in relation to the relevant immovable properties used in connection with the Sale Businesses and such lease agreements having become unconditional;
- ii. the assignment of lease agreements or new lease agreements being entered into as required by the Agreement;
- iii. the approval of relevant competition authorities in relation to the Disposal having been obtained;
- iv. the Purchaser having delivered a duly executed undertaking letter by Shoprite Checkers to the representatives of the Sellers guaranteeing the obligations of the Purchaser under the Agreement;
- v. the representatives of the Sellers having delivered a duly executed undertaking letter by the Company to the Purchaser guaranteeing the obligations of the Sellers under the Agreement; and
- vi. the relevant Sellers being in possession of certain agreed licenses.

7. FINANCIAL INFORMATION

Set out below is the financial information of the Sale Businesses that has been extracted from the Group's audited results for the 52 weeks ended 27 December 2020 which were prepared in terms of IFRS. The financial information is the responsibility of the board and has not been reviewed or reported on by the Group's external auditors.

			Trading
	Net Asset Value	Sales (Excluding	Profit/(Loss)
Rm	(Excluding	Intercompany	(Before Interest
	Intercompany Balances)	Sales)	and Tax but
			including Corporate
			Allocations)
Cambridge and Rhino	988.4	8,266.5	(363.5)
Massfresh	229.4	650.5	(136.0)
Certain Cash & Carry			
stores	116.0	1,910.6	12.9

8. CLASSIFICATION OF THE DISPOSAL

The Disposal is classified a category 2 transaction as contemplated in the JSE Listings Requirements, as such, no approval from Shareholders is required.

20 August 2021

Financial advisor in relation to Cambridge Food, Rhino and Massfresh: Barclays Bank PLC, acting through its Investment Bank

Financial advisor in relation to Masscash Cash and Carry stores: The Standard Bank of South Africa Limited

Legal advisor in relation to Cambridge Food, Rhino and Massfresh: Edward Nathan Sonnenbergs Incorporated

Legal advisor in relation to Masscash Cash and Carry stores: CMS RM Partners Inc. and Edward Nathan Sonnenbergs Incorporated

Sponsor: J.P. Morgan Equities South Africa (Pty) Ltd