

FAIRVEST PROPERTY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/005011/06)
JSE share code: FVT ISIN: ZAE 000203808
(Approved as a REIT by the JSE)
(Fairvest)

ARROWHEAD PROPERTIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2007/032604/06)
JSE share code: AHA ISIN: ZAE000275491
JSE share code: AHB ISIN: ZAE000275509
(Approved as a REIT by the JSE)
(Arrowhead)

JOINT FIRM INTENTION ANNOUNCEMENT REGARDING A PROPOSED MERGER BETWEEN FAIRVEST AND ARROWHEAD BY WAY OF A SCHEME OF ARRANGEMENT AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENTS

1. Introduction

Shareholders are referred to the cautionary announcements released by Arrowhead and Fairvest (the **Parties**) on SENS, the latest being on 9 September 2021 and 17 September 2021, respectively; and the SENS announcement released by Fairvest on 7 September 2021.

In those announcements Fairvest and Arrowhead shareholders were advised that:

- at the general meeting of Fairvest shareholders held on Tuesday, 7 September 2021, all the resolutions required to be passed by Fairvest shareholders in order to authorise and approve, *inter alia*, (i) the acquisition by Fairvest of certain Arrowhead B ordinary shares (**AHB Shares**) in exchange for the issue of Fairvest ordinary shares (**Fairvest Shares**), based on a ratio of 1.85 Fairvest Shares per AHB Share (**Share Swap Ratio**), which would, if implemented, result in Fairvest acquiring control of the majority of the Arrowhead shares in issue and entitling Fairvest to exercise the majority of the voting rights attaching to all Arrowhead shares in issue (**Fairvest Acquisition**) and (ii) the internalisation of Fairvest's asset management function (**Manco internalisation**) were passed by the requisite majority of Fairvest shareholders.
- as an alternative to the acquisition by Fairvest of a controlling shareholding in Arrowhead, Arrowhead and Fairvest were engaging regarding the possibility of a single-step merger (**Merger**). In line with what has been communicated in the circular issued to Fairvest shareholders on 10 August 2021 (**Fairvest Circular**), if Arrowhead and Fairvest agree on the terms of a Merger, they will work together on the appropriate process to obtain the required approvals. However, the Merger may succeed or fail and accordingly, Fairvest proceeded to seek Fairvest shareholder approval for, *inter alia*, the Fairvest Acquisition but will only implement this transaction, once unconditional, if the Merger does not succeed for any reason.

Fairvest and Arrowhead have entered into a scheme implementation agreement and an addendum thereto (the **Implementation Agreement**) setting out, *inter alia*, the terms and conditions of the Merger. Although the Merger remains Fairvest-led, for structural reasons, it is proposed that Arrowhead will acquire Fairvest.

The Merger will be implemented by way of a scheme of arrangement (**Scheme**) in terms of section 114 of the Companies Act, No. 71 of 2008 (**Companies Act**), to be proposed by Fairvest to its shareholders (**Transaction**), and to which Arrowhead will be a party. The pricing of the Transaction will mirror the Share Swap Ratio with Arrowhead offering to issue 0.54054 AHB Shares per Fairvest Share acquired pursuant to the Transaction (i.e. the inverse of the Share Swap Ratio) (**Scheme Consideration** or **Scheme Consideration Shares**).

In the event that the Scheme is implemented, the listing of Fairvest Shares on the Main Board of the JSE Limited (**JSE**) and on A2X will be terminated. Arrowhead shall remain listed on the Main Board of the JSE and (subject to the necessary shareholder approval) will change its name to Fairvest Limited or the like.

2. Rationale for the Transaction

The Transaction is expected to unlock value for shareholders of both Arrowhead and Fairvest and is an initiative that has been widely supported by shareholders of both companies.

Investors generally favour larger REITs in which their investment is liquid. In addition, key shareholders have expressed confidence in Fairvest's ability to unlock value both operationally and through capital allocation within its traditional low-income retail focus as well as from other sub-classes of investment property.

The implementation of the Merger in a single step will accelerate the new management team's access to the combined portfolio and brings forward the ability to realise operational cost savings, as well as cost savings attributable to a single listing, a single board of directors, and a reduced number of executives across the two businesses.

Both Fairvest and Arrowhead's property portfolios are exclusively focused within South Africa and the merged company will be the largest exclusively South African-focused REIT with a portfolio of about R12.74 billion.

3. Nature of the businesses

Arrowhead is a diversified South African REIT listed on the JSE holding a portfolio comprising 123 retail, office and industrial properties with a total gross lettable area of 1 024 097 m² and valued in aggregate at R9.3 billion. Arrowhead holds a 60.0% interest in JSE-listed Indluplace Properties Limited, which owns a portfolio of residential properties, as well as an 8.6% interest in JSE-listed Dipula Income Fund Limited.

Fairvest is a South African REIT listed on the JSE and A2X with a focus on retail assets weighted toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower LSM market, in high-growth nodes, close to commuter networks. The Fairvest portfolio comprises 43 properties located throughout South Africa, with a total gross lettable area of 250 896m² and valued in aggregate at R3.44 billion.

4. Salient terms of the Transaction

4.1. Scheme Consideration

Arrowhead shall allot and issue 0.54054 new AHB Shares to the Scheme participants for each Fairvest Share acquired in terms of the Scheme. Where a Fairvest shareholder's entitlement to the Scheme Consideration results in a fractional entitlement, such fraction of an AHB Share will be rounded down to the nearest whole number, resulting in allocations of whole AHB Shares, and a cash payment will be made to each Scheme participant for the fraction, as required, based on the volume weighted average share price traded on the JSE on the day after the expected Scheme last day to trade discounted by 10%.

4.2. Conditions to implementation of the Scheme

Shareholders are advised that the unconditional approval by the relevant South African competition authority/ies, in terms of the Competition Act 89 of 1998, as amended, has been obtained in respect of the Transaction.

The implementation of the Scheme is subject to the fulfilment or waiver, as the case may be, of the following remaining suspensive conditions (**Conditions Precedent**) contained in the Implementation Agreement:

- 4.2.1 (i) by no later than 17h00 on 31 October 2021, Arrowhead has reached agreement on terms Fairvest has confirmed in writing are acceptable to its board, with each of Mr Mark Kaplan and Mr Junaid Limalia in terms of which they will resign as Arrowhead's chief executive officer and chief financial officer respectively, on or before the last day of the month during which the Scheme Operative Date occurs (with the terms of their departure being in accordance with the principles set out in the Implementation Agreement, which principles include that any termination payments will not exceed the amounts which they would have been entitled to under the terms of their existing employment contracts, in the case of a change of control resulting in their removal or replacement) and (ii) by no later than 31 January 2022 there has been compliance with the JSE Listings Requirements in relation to the arrangements contemplated in (i) and any necessary approvals of Arrowhead shareholders in relation thereto have been obtained;
- 4.2.2 by not later than 17h00 on 31 January 2022, the approval of the Fairvest shareholder resolutions required to approve and implement the Transaction by the requisite majority of Fairvest shareholders is obtained at a meeting of Fairvest shareholders (**Scheme Meeting**);
- 4.2.3 by not later than 17h00 on 31 January 2022, the approval of the Arrowhead shareholder resolutions required to approve and implement the Transaction by the requisite majority of Arrowhead shareholders is obtained at a general meeting of Arrowhead shareholders (**Arrowhead General Meeting**);
- 4.2.4 by not later than 17h00 on 31 January 2022, to the extent required under section 115(3) of the Companies Act, approval by the court of the implementation of the special resolution passed by Fairvest shareholders to approve the Scheme (**Scheme Resolution**) being obtained, and Fairvest not having treated the Scheme Resolution as a nullity (which it may not do unless it is agreed by both Fairvest and Arrowhead);
- 4.2.5 as at 12h00 on the business day immediately following the last day on which a valid demand may be made by a Fairvest shareholder in respect of the Scheme in terms of section 164(7) of the Companies Act, Fairvest has not received valid demands from Fairvest shareholder/s holding in aggregate more than 1% of all the issued Fairvest Shares;
- 4.2.6 by not later than 17h00 on 31 January 2022, the providers of debt funding to Fairvest and Arrowhead have, to the extent required, provided such consents or approvals, in writing, as may be required under the relevant funding agreements in order for the Scheme to be effected without triggering any event of default or other potential adverse consequence under the relevant agreements;
- 4.2.7 as at 17h00 on the date on which the last of the conditions in paragraphs 4.2.1 and 4.2.3 to 4.2.6 has been fulfilled or, where appropriate, waived, none of the following events shall have occurred in respect of Fairvest or Arrowhead —
 - 4.2.7.1 any corporate action, legal proceedings or other procedure or other step (including an application to court, proposal of a resolution or convening of a meeting of shareholders, members, directors or other officers) is taken by any person with a view to –
 - 4.2.7.1.1 a moratorium, compromise, composition, business rescue or similar arrangement with any of its creditors;

- 4.2.7.1.2 its winding-up, dissolution or commencement of business rescue proceedings, or for the seeking of relief under any applicable bankruptcy, insolvency, company or similar law, or any such resolution; or
- 4.2.7.2 the value of its assets is less than its liabilities (taking into account of contingent and prospective liabilities) or it is unable to pay its debts as they fall due;
- 4.2.8 by not later than 17h00 on 31 January 2022, all outstanding regulatory approvals legally necessary for the implementation of the Scheme have been obtained; and
- 4.2.9 by not later than 17h00 on 31 January 2022, the Takeover Regulation Panel (**TRP**) has issued a compliance certificate in relation to the Scheme.

4.3. Clean-out Distributions

The intention of the Parties is for the Scheme, should it become operative, to have commercial effect as from 1 October 2021 (**Commercial Effective Date**). To give commercial effect to this intention –

- 4.3.1 the Scheme Consideration Shares will be issued on the basis that Fairvest shareholders that participate in the Scheme will not, in respect of their Scheme Consideration Shares, participate in the distributable income of Arrowhead for the period commencing on 1 October 2020 and ending on 30 September 2021 (the **Arrowhead Pre-Effective Date Period**), but will be entitled to participate in Arrowhead's distributable income for the period commencing on the Commercial Effective Date; and
- 4.3.2 the Fairvest Shares acquired under the Scheme will be acquired by Arrowhead on the basis that Arrowhead will not participate in the distributable income of Fairvest for the period commencing on 1 July 2021 and ending on 30 September 2021 (the **Fairvest Pre-Effective Date Period**) but will be entitled to participate in Fairvest's distributable income for the period commencing on the Commercial Effective Date.

Accordingly, in terms of the Implementation Agreement, Arrowhead and Fairvest have agreed that each shall effect a cash distribution of its distributable income in respect of the Arrowhead Pre-Effective Date Period or the Fairvest Pre-Effective Date Period (as applicable) (each a **Clean-out Distribution**).

4.4. Change of name

Subject to the approval by Arrowhead shareholders and the Companies and Intellectual Property Commission, Arrowhead will change its name from “Arrowhead Properties Limited” to “Fairvest Limited” or the like.

4.5. Reconstitution of the Arrowhead board of directors and executive team

The Parties shall take such steps as may be necessary to ensure that, upon the Scheme Operative Date, the Arrowhead board of directors (**Arrowhead Board**) is immediately reconstituted to comprise members of each of the existing Arrowhead Board and the existing Fairvest board of directors (**Fairvest Board**), as follows –

- 4.5.1 5 of the non-executive directors on the Fairvest Board shall be elected or co-opted as directors of Arrowhead;
- 4.5.2 3 of the existing non-executive directors on the Arrowhead Board shall remain in office;
- 4.5.3 the executive members of the reconstituted Arrowhead Board will include –
 - 4.5.3.1 Mr Darren Wilder (as chief executive officer);
 - 4.5.3.2 Mr Jacques Kriel (as chief financial officer),

or such other composition as may be agreed between the Parties in writing at any time before the

Scheme Operative Date.

The Parties have undertaken to procure that all members of the Arrowhead Board and the Fairvest Board who are not to serve as members of the reconstituted Arrowhead Board will resign from office as directors on the applicable board on and with effect from the Scheme Operative Date.

Subject to the fulfilment of the Condition Precedent in paragraph 4.2.1, Arrowhead's existing:

- 4.5.4 chief executive officer, Mark Kaplan, will resign as chief executive officer and from the Arrowhead Board; and
- 4.5.5 financial director, Junaid Limalia, will resign as chief financial officer and, unless appointed as non-executive director, from the Arrowhead Board,

on or before the last day of the month on which the Scheme becomes unconditional. Arrowhead's existing chief operating officer, Riaz Kader and chief investment officer, Alon Kirkel will be retained in their current capacities in the merged entity.

5. Financial effects pertaining to the Scheme

The *pro forma* financial effects of the Scheme for Fairvest shareholders, as set out below, are provided for illustrative purposes only to provide information about how the Scheme may affect the financial performance and financial position of Fairvest, and because of their nature, may not fairly represent the financial performance and financial position of Fairvest after the implementation of the Scheme.

The *pro forma* financial effects have been prepared in accordance with International Financial Reporting Standards, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and the JSE Listings Requirements.

The table below sets out the *pro forma* financial effects of the Scheme on a Fairvest shareholder based on Fairvest's results for the period ended 30 June 2021. The *pro forma* statement of financial position at 30 June 2021 gives effect to the Transaction as if it had occurred on 30 June 2021. The *pro forma* statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 are presented as if the Transaction had become operative at the beginning of the relevant period.

	Before the Scheme ¹	<i>Pro forma</i> after the Scheme ²	Percentage change (%)
Basic earnings per share (cents) ³	11.66	16.29	39.7%
Diluted earnings per share (cents) ³	11.66	16.04	37.6%
Headline earnings per share (cents) ³	12.71	14.67	15.4%
Headline diluted earnings per share (cents) ³	12.71	14.43	13.5%
Distributable earnings per share (cents) ⁴	11.47	11.95	4.2%
NAV per share (R) ⁴	2.30	2.98	29.4%
TNAV per share (R) ⁴	2.30	2.96	28.9%

Notes:

1. The "Before the Scheme" column has been extracted without adjustment from the results of Fairvest for the period ended 30 June 2021.
2. "*Pro forma* after the Scheme" reflects the position after the 100% acquisition of Fairvest and the Manco internalisation.
 - a. Included in earnings per share is a gain on bargain purchase calculated at R58.1 million and the Manco internalisation contract cancellation cost of R131.4 million.
 - b. It is anticipated that Arrowhead will not be in a position to recover anything more than the current carrying value of the loans granted in terms of the historic Arrowhead employee share schemes and arrangements in relation thereto, which are carried at the estimated

realisable value of the Arrowhead shares held as security for the loans, and therefore no adjustments have been made in this regard.

3. Per combined Arrowhead A ordinary shares (**AHA Shares**) and AHB Shares.
4. Distribution and NAV per AHB Share.

6. Financial information and property specific information

As required by the JSE Listings Requirements, a separate announcement containing the requisite financial information and property specific information in relation to the properties comprising Fairvest's property portfolio as at 30 June 2021 will be released on SENS simultaneously with this announcement.

7. Independent expert

The independent board of Fairvest (**Fairvest Independent Board**), comprising Louis Andrag, Khengu Nkuna, Ndabezinhle Mkhize, Jacob Wiese and Trevor Cohen has appointed Mazars Corporate Finance Proprietary Limited to act as the independent expert to review the terms of the Scheme and to provide a fair and reasonable opinion as required in terms of the Companies Regulations, 2011. The opinion of the independent expert will include the report required by section 114(3) of the Companies Act.

8. Confirmation to the TRP

Arrowhead has confirmed with the TRP that it has a sufficient number of AHB Shares in order to satisfy the Scheme Consideration on implementation of the Scheme.

Arrowhead has also provided the TRP with an irrevocable confirmation that it has sufficient cash held in escrow in order to satisfy the cash payments in respect of fractional entitlements as referred to in paragraph 4.1.

9. Shareholding in Fairvest

No beneficial interests in Fairvest are held or controlled, directly or indirectly, by Arrowhead.

10. No concert party arrangements

Arrowhead is not acting in concert with any other person in relation to the Scheme.

11. Approvals required by Fairvest shareholders and distribution of scheme circular

Full details of the Scheme and ancillary matters will be set out in a joint circular which will be distributed by Fairvest and Arrowhead to Fairvest shareholders within 20 business days after the date of this announcement (or such longer period as allowed by the TRP) which will include, *inter alia*, the opinions of the independent expert referred to in paragraph 7 above, a notice of Scheme Meeting of Fairvest shareholders to approve the Scheme and the applicable salient dates and times.

12. Approvals required by Arrowhead shareholders and distribution of circulars

The Transaction will constitute a category 1 transaction for Arrowhead in terms of the JSE Listings Requirements and accordingly Arrowhead shareholder approval will be required. Full details of the Transaction will be set out in a category 1 circular (**Category 1 Circular**), which will be distributed to Arrowhead shareholders in due course, which will include, *inter alia*, the *pro forma* financial effects of the Transaction on Arrowhead (including on the AHA and AHB Shares) and a forecast statement of comprehensive income of the combined entity post the Transaction, a notice of general meeting of Arrowhead shareholders to approve the Transaction and other ancillary matters as well as the applicable salient dates and times.

In addition, the Transaction will constitute a reverse takeover of Arrowhead by Fairvest in terms of the JSE Listings Requirements, requiring revised listing particulars in respect of the enlarged Arrowhead group post implementation of the Transaction. Accordingly, revised listing particulars will be distributed to Arrowhead shareholders together with the Category 1 Circular.

13. Shareholder support

13.1 Fairvest shareholder support

The following Fairvest shareholders have provided undertakings of support, in respect of which they have agreed to, *inter alia*, vote all their Fairvest Shares which they own or control in favour of the Fairvest shareholder resolutions required to implement the Transaction.

Fairvest shareholder	Number of Fairvest Shares held	% of total issued Fairvest Shares ⁽¹⁾
Vukile Property Fund Limited (“Vukile”)	140 387 931	14.2%
MICC Properties (Pty) Ltd, a subsidiary of Vukile	130 006 881	13.1%
Counterpoint Asset Management (Pty) Ltd	104 787 410	10.6%
Stanlib Asset Management (Pty) Ltd	79 439 019	8.0%
Visio Fund Management (Pty) Ltd	52 800 000	5.3%
Ninety One SA (Pty) Ltd	44 574 642	4.5%
Cohesive Capital (Pty) Ltd	34 837 653	3.5%
Catalyst Fund Managers SA (Pty) Ltd	31 023 859	3.1%
Catalyst Fund Managers Alternative Investments (Pty) Ltd	14 000 000	1.4%
36ONE Asset Management (Pty) Ltd	6 515 986	0.7%
Knight Capital (Pty) Ltd	4 480 331	0.5%
Total	642 853 712	65.0%

1. Total Fairvest shares in issue of 989 246 076 calculated as 1 027 332 675 less 38 086 599 treasury shares.

13.2 Arrowhead shareholder support

The following Arrowhead shareholders have provided undertakings of support, in respect of which they have agreed to, *inter alia*, vote all of their Arrowhead shares which they own or control in favour of the Arrowhead shareholder resolutions required to implement the Transaction.

Arrowhead shareholder	Number of AHA Shares held	Number of AHB Shares held	Total Arrowhead shares held	% of total issued Arrowhead shares ⁽¹⁾
36ONE Asset Management (Pty) Ltd	9 902 379	139 817 420	149 719 799	14.8%
Vukile Property Fund Limited	-	114 438 564	114 438 564	11.3%
Catalyst Fund Managers SA (Pty) Ltd	5 546 053	90 050 346	95 596 399	9.4%
Visio Fund Management (Pty) Ltd		84 000 000	84 000 000	8.3%
Counterpoint Asset Management (Pty) Ltd		27 393 699	27 393 699	2.7%
Ninety One SA (Pty) Ltd		20 193 735	20 193 735	2.0%
Catalyst Fund Managers Alternative Investments (Pty) Ltd		14 357 152	14 357 152	1.4%

Knight Capital (Pty) Ltd	-	2 279 900	2 279 900	0.2%
Cohesive Capital (Pty) Ltd		1 600 000	1 600 000	0.2%
Total	15 448 432	494 130 816	509 579 248	50.2%

- Total Arrowhead shares in issue of 1 014 140 687 calculated as 62 718 658 AHA Shares plus 951 422 029 AHB Shares.*

14. Responsibility statements

The Fairvest Independent Board accepts responsibility for the information contained in this announcement insofar as it relates to Fairvest and the Scheme. To the best of the Fairvest Independent Board's knowledge and belief, the information contained in this announcement is true and this announcement does not omit anything likely to affect the importance of the information.

The Arrowhead Board accepts responsibility for the information contained in this announcement insofar as it relates to Arrowhead. To the best of the Arrowhead Board's knowledge and belief, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

15. Withdrawal of cautionary announcements

Post the release of this announcement, Fairvest and Arrowhead shareholders are advised that caution is no longer required to be exercised in their dealings in Fairvest and Arrowhead shares.

27 September 2021

Corporate advisor and transaction sponsor to Fairvest

Java Capital

Legal advisor to Fairvest

Werksmans

Independent expert to Fairvest

Mazars Corporate Finance

Sponsor to Fairvest

PSG Capital

Strategic transaction advisor to Arrowhead

Ferryman Capital Partners

Joint corporate advisor and transaction sponsor to Arrowhead

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Legal advisor to Arrowhead

Cliffe Dekker Hofmeyr Incorporated

Reporting Accountants

BDO South Africa Incorporated