

KAAP AGRI LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2011/113185/06)

Share code: KAL

ISIN: ZAE000244711

("KaaP Agri" or "the Company")



CATEGORY 2 DISPOSAL ANNOUNCEMENT

1. INTRODUCTION

Shareholders of the Company ("**Shareholders**") are advised that on 1 October 2021, the Company, through its wholly-owned subsidiary, Kaap Agri Bedryf Limited ("**KAB**"), entered into an agreement ("**Agreement**") with TFC Properties Proprietary Limited ("**TFC Properties**"), TFC Operations Proprietary Limited ("**TFC Operations**"), Empowerment and Transformation Investments Proprietary Limited ("**ETI**"), C-Max Investments 71 Proprietary Limited ("**C-Max**") and Buffdaxco 30 Proprietary Limited ("**Purchaser**"), in terms of which, *inter alia*, KAB will dispose of all of its shares, comprising 70,5% of the entire issued share in and claims against TFC Properties to the Purchaser ("**Sale Equity**") ("**Disposal**").

2. RATIONALE FOR THE DISPOSAL APPLICATION OF THE DISPOSAL CONSIDERATION

- 2.1. The historical rationale for acquiring retail fuel and convenience properties was aligned with the strategic drive of footprint growth in this new market. Given that TFC has now successfully entered the retail fuel and convenience markets, and upon reviewing the returns generated on capital invested, it has been decided to dispose of TFC Properties, and in doing so enter into long term leases to ensure tenure on its fuel retail sites.
- 2.2. Proceeds from the disposal of TFC properties will in the interim be used to reduce borrowings and provide dry powder for higher return generating acquisition opportunities.

3. DESCRIPTION OF TFC PROPERTIES

TFC Properties is a property holding entity owning 21 immovable properties on which fuel stations with quick service restaurants and other retail tenants operate, the details of which are set out below ("**Immovable Properties**").

4. DISPOSAL CONSIDERATION

- 4.1. The enterprise value of the Company is R502 000 000 (five hundred and two million Rand), which is based on the fair value of the Company portfolio ("**Enterprise Value**") equating to a disposal yield to Shareholders of 10.2%. The equity value of the Company is equal to the Enterprise Value of the Company less the shareholder loan claims of KAB which are outstanding as at the Effective Date ("**Equity Value**").
- 4.2. The purchase consideration payable by the Purchaser to KAB for the Sale Equity is the aggregate of the shareholder loans of KAB outstanding as at the Effective Date plus KAB's 70.5% shareholding held in the issued share capital of the Company multiplied by the Equity Value ("**Purchase Consideration**").

- 4.3. Based on the projected shareholder loan balances as at the Effective Date the estimated Purchase Consideration payable to KAB taking into account its Equity Value and shareholder loan balance approximates to R445,603,643.

5. CONDITIONS PRECEDENT

The Agreement is subject to the fulfilment or waiver (to the extent legally permissible) of conditions precedent ("**Conditions Precedent**"), including but not limited to:

- 5.1. the boards of directors of the Company, TFC Properties, the Purchaser, C-Max and ETI have each approved and ratified the entering into and implementation of the Agreement and all agreements and transactions contemplated therein;
- 5.2. the shareholders of TFC Properties have passed all the necessary special resolution/s to approve the transactions contemplated in the Agreement, to the extent applicable;
- 5.3. the new lease agreements have been concluded in respect of the Sasol Properties (defined below), subject only to the Condition Precedent that the corresponding existing lease agreements expire, are cancelled or otherwise terminated;
- 5.4. the Lease Agreements (defined below) have been concluded and such agreements have become unconditional in accordance with their terms, save for any condition requiring the Agreement to become unconditional;
- 5.5. the Purchaser has provided to the sellers written confirmation from the Purchaser's bank confirming that it has secured sufficient funding to discharge the Purchase Consideration;
- 5.6. the Mortgage Bonds have been registered over the Immovable Properties (defined below) at the relevant Deeds Registries ("**Mortgage Bond Registrations**");
- 5.7. TFC Properties notifying the relevant regulatory authority and obtaining the prior written consent of counterparties to any material contracts (to the extent required), of the change in control of TFC Properties pursuant to the implementation of the Agreement; and
- 5.8. the Transactions have (to the extent necessary) been unconditionally approved in terms of the Competition Act, 1998, or conditionally approved on terms and conditions acceptable to the parties to the Agreement.

6. EFFECTIVE DATE OF THE DISPOSAL

- 6.1. The effective date of the Disposal will be the first day of the calendar month immediately following the date on which the last Condition Precedent is fulfilled or waived (to the extent permissible), as the case may be ("**Effective Date**").
- 6.2. Delivery and payment in respect of the Sale Equity will take place on the 15th calendar day following the Effective Date ("**Closing Date**").

7. THE IMMOVABLE PROPERTIES

Details of the fully tenanted immovable properties owned by TFC Properties ("**Immovable Properties**") are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m ²)	Weighted Average
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				Gross Rental / m²
Brits Expressmark, R511 and R566, Krokodildrift, Brits, 0250	North West Province	Fuel retail and quick service restaurant and retail	95,074	R3,01
Sasol Figtree, 1 William Moffat Rd, Charlo, Port Elizabeth, 6512	Eastern Cape	Fuel retail and quick service restaurant and retail	2298	R37,15*
Vredenburg Expressmark (Engen), 17 Saldanha Rd, Vredenburg, 7380	Western Cape	Fuel retail and quick service restaurant and retail	1508	R76,45
Kareedouw Expressmark, 16 Van Riebeeck Str, Kareedouw, 6400	Eastern Cape	Fuel retail and quick service restaurant and retail	1986	R43,68
Modderivier Expressmark, 1 Main Road, Modderivier, 8701	Northern Cape	Fuel retail and quick service restaurant and retail	5002	R39,19
Kakamas Expressmark, 282 Augrabiesweg Road, Kakamas, 8870	Northern Cape	Fuel retail and quick service restaurant and retail	4121	R57,40
Danielskuil Expressmark, 314 Rhode street, Danielskuil, 8405	Northern Cape	Fuel retail and quick service restaurant and retail	4282	R45,90
Britstown Expressmark, 1 Mark Street, Britstown, 8787	Northern Cape	Fuel retail and quick service restaurant and retail	1902	R43,86
Bergivier Expressmark, 1 Oosbosch Street, Paarl, 7646	Western Cape	Fuel retail and quick service restaurant and retail	4559	R19,34
Garden route Expressmark, N2 & Kurland Rd, Kurland, Plettenbergbay	Western Cape	Fuel retail and quick service restaurant and retail	22348	R7,94
Sasol Stanford road, Stanford & Drew Street, Korsten, Port Elizabeth, 6070	Eastern Cape	Fuel retail and quick service restaurant and retail	3280	R33,23*

Sasol Motherwell, Nzunga & Dinanisa Street, Motherwell, N45, Port Elizabeth	Eastern Cape	Fuel retail and quick service restaurant and retail	5480	R23,24*
Total Clayville, Olifantsfontein & Southward Drive, Olifantsfontein, 1632	Gauteng	Fuel retail and quick service restaurant and retail	7809	R32,39
Total Summit road, 869 Summit rd, Northview Country Estate, Centurion, 0157	Gauteng	Fuel retail and quick service restaurant and retail	31001	R6,87
Engen Clayville, Olifantsfontein & Southward Drive (North), Olifantsfontein, 1632	Gauteng	Fuel retail and quick service restaurant and retail	6500	R43,83
Sasol Verbaard, N1, Farm Verbaard, Musina, 0900	Limpopo	Fuel retail and quick service restaurant and retail	47645	R8,43*
Engen Ventersdorp, Hendrick Potgieter & Carmichael St, Ventersdorp, 2710	North West	Fuel retail and quick service restaurant and retail	3733	R43,16
Caltex Autostar, Voortrekker Rd, Witbank, 1049	Mpumalanga	Fuel retail and quick service restaurant and retail	2518	R55,12
Engen Akasia Kathu, Ben Alberts Way, Kathu, 8446	Northern Cape	Fuel retail and quick service restaurant and retail	2974	R103,40
Elegant Fuels Kathu, N14 & Frikkie Meyer Street, Kathu, 8446	Northern Cape	Fuel retail and quick service restaurant and retail	28091	R16,07
Total Atlas road, Atlas Rd & Silver Wings Blvd, Parkhaven, Boksburg, 1459	Gauteng	Fuel retail and quick service restaurant and retail	8222	R30,85

*Including the rental guarantee amounts referred to below

Notes:

The Disposal Consideration payable in respect of the Sale Equity is considered to be its fair market value, as determined by the directors of the Company. The directors of the

Company are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.

8. FINANCIAL INFORMATION

- 8.1. The value of the net assets comprising the assets of TFC Properties ("**Assets**") as at 30 September 2020, being the date of the last audited consolidated annual financial statements, was R471 888 728.
- 8.2. The audited consolidated profits after tax attributable to the Assets for the period ended 30 September 2020, was R3 238 262, based on the audited consolidated annual financial statements of the Company for the year ending 30 September 2020, which were prepared in terms of IFRS.

9. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

- 9.1. **Warranties and indemnities-** The Agreement contains representations, warranties and indemnities by the sellers in favour of the Purchaser which are standard for a transaction of this nature.
- 9.2. **Rental Guarantee** - TFC Operations has guaranteed to and in favour of the Purchaser a proportion of the market related monthly rental due to TFC Properties in respect of the four immovable properties leased by TFC Properties to Sasol ("**Sasol Properties**") and the triple net costs payable in respect of such properties for the remaining duration of the leases between TFC Properties and Sasol ("**Rental Guarantee**").
- 9.3. **New Lease Agreements** - All pre-existing leases subsisting as at the Effective Date, between TFC Properties and TFC Operations will be cancelled with effect from the Effective Date, and replaced with new triple net lease agreements (the "**Lease Agreements**") which will endure for 12 years from the Effective Date. TFC Operations, as lessee, will be entitled, at its election, to renew any one or more of the Lease Agreements prior to the expiry thereof. In respect of the Sasol Properties, TFC Properties has agreed to lease those Immovable Properties to TFC Operations on the expiry of those respective lease agreements on the same terms and conditions as the Lease Agreements.
- 9.4. The aggregate annual rental, including the Rental Guarantee, payable by TFC Operations in respect of the Immovable Properties will be in the amount of R51,036,433. The rental will escalate at the higher of 1.) escalation attributable to the CAPEX portion of the RAS Schedule; 2.) the consumer price index, from time to time.
- 9.5. In terms of the Lease Agreements, in cases where the breach relates to the non-payment by TFC Operations of monthly rental owing by TFC Operations under the lease, then should TFC Operations fail to remedy the breach within 7 business days of receiving written notice to do so, then TFC Properties shall be entitled (but not obliged), to sue for specific performance or, provided that a period of 53 business days has elapsed from the expiry of the 7 business day breach notice period set out above ("**Monthly Rental Breach**"), to cancel the Lease Agreement. If TFC Operations is in breach of rental guarantee provisions under the Agreement for a period of 60 business days from the date of breach, and/or TFC Operations is in Monthly Rental Breach in respect of a non-payment under one or more of the Lease Agreements, for the full period set out above, TFC Properties will be entitled (but not obliged) to cancel some or all of the Lease Agreements and to claim from TFC Operations any damages suffered by TFC Properties arising from such breach and/or cancellation, without prejudice to any other rights of TFC Properties.

- 9.6. If TFC Properties at any time during the Lease Period wishes to sell or dispose of or alienate any of the Immovable Properties (including the Sasol Properties), then TFC Operations (or its nominee) shall have the first right of acquiring the relevant Immovable Properties or any one of them or the portion thereof, at the same price and upon the same terms and conditions as are offered to any *bona fide* third party.

10. CLASSIFICATION OF THE DISPOSAL

The Disposal constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

4 October 2021
Sponsor and Corporate Advisor

PSG Capital

