EQUITES PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
JSE share code: EQU
Alpha code: EQUI
ISIN: ZAE000188843
(Approved as a REIT by the JSE)
("**Equites**" or the "**group**")

ESTABLISHMENT OF JOINT VENTURE AND ACQUISITION OF DSV CAMPUS

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1. INTRODUCTION

Shareholders are advised that Equites and the Eskom Pension and Provident Fund ("**EPPF**"), have agreed terms pursuant to which, *inter alia* –

- Equites and EPPF will establish a joint venture company ("**JVCo**" or "**Purchaser**") in which Equites will subscribe for 51% of the share capital and EPPF will subscribe for the remaining 49%;
- Equites' total equity contribution to the JVCo will be R732 million;
- the JVCo will acquire Erf 1881 Witfontein Extension 89 Township, Registration Division IR, Province of Gauteng, measuring c. 38.3 hectares in extent ("**Property**" or "**DSV Campus**") from DSV Real Estate Johannesburg Proprietary Limited ("**Seller**") on the basis that the Property will be leased back to DSV Solutions Proprietary Limited ("**Tenant**"), a subsidiary of DSV A/S, for a purchase price of R2 050 000 000, reflecting an initial yield of 7.68% ("**Sale Agreement**"); and
- the JVCo and the Tenant will conclude a long-term "double net" lease agreement in respect of the DSV Campus ("**Lease Agreement**"),

(the "**Transaction**").

2. RATIONALE

The Transaction meets Equites' strategic objectives of:

- investing in high-quality assets which meet modern-logistics criteria;
- focusing on an asset class which has proven to outperform over time;
- investing in assets with world-class sustainability elements;
- growing its relationship with key tenants in the portfolio; and
- creating further scale in its high-quality logistics portfolio through the acquisition of an asset with a stable and predictable rental growth profile which enhances capital and income growth in the medium to long-term.

The intention is to establish a strategic venture between Equites and EPPF with the aim of building a world-class logistics property portfolio in South Africa. EPPF is one of the largest asset managers in the country, with R145 billion assets under management and this joint venture creates a mutually beneficial partnership built for the future. Through this JVCo, Equites has the ability to potentially dispose of a stake in its South African properties to the JVCo in the future, which ensures that EPPF will obtain exposure to the highly coveted logistics sector whilst providing Equites with an alternative source of equity for its attractive development pipeline both in the UK and in SA.

For Equites, the Transaction evidences the following sound fundamentals in line with its investment criteria:

- Enhanced income certainty – the lease is concluded on a ten-year basis with two renewal options of three years each;
- Superior quality build – the logistics campus was built to DSV's exacting requirements and to institutional standards;
- Location – the Property is strategically located on the R21 highway in Riverfields, Gauteng, the location benefits from convenient and easy access to Johannesburg, Pretoria, and the surrounding municipalities, the R21 highway, the O.R. Tambo International Airport, and intermodal transportation services.

- High quality tenant – the Tenant is a subsidiary of DSV Solutions Holding A/S which, in turn, is wholly owned by DSV Panalpina A/S (aka DSV A/S), headquartered in Denmark. DSV is listed on the Copenhagen Stock Exchange, has 1 300 offices and logistics facilities in more than 80 countries and employs 57 000 people. DSV Panalpina is rated A- (Stable) by Standard & Poor's and A3 (Stable) by Moodys, as of February 2021. Currently DSV is the fifth largest third-party logistics (3PL) provider globally, and with the acquisition of Agility GIL (announced 27 April 2021, and expected to be completed in 3Q21) will be the third largest 3PL with estimated combined revenue of USD 21.7 billion (Source DSV Roadshow presentation Q1 2021).

3. PROPERTY DETAILS

The Property consists of approximately 87,000 m² of warehouse space, 40,000 m² of cross-dock space, and a three-storey P-grade office facility measuring over 10,500 m². The warehouse has a clear ceiling height of 14.3 meters and the cross-dock building has 9-meter eaves.

The Property includes sufficient photovoltaic capacity to generate 0.99 MW of electricity, five boreholes, a water filtration plant, double glazing for heat and acoustic improvement, and LED lighting as part of improving its environmental impact. All the buildings on the site have been constructed to the highest standards and DSV has put in place measures to ensure the long-term sustainability of the facility.

Property Name	Geographical Location	GLA^ (m^2)	Property type	Weighted average rental per square metre	Purchase consideration
DSV Campus	Erf 1881 Witfontein, Riverfields, Gauteng	142 129	Logistics	R92.35	R2 050 000 000

^ gross lettable area

The directors of Equites are satisfied that the purchase consideration is in line with its fair market value. The directors of Equites 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.

4. TERMS OF THE TRANSACTION

Sale Agreement

The salient features of the Sale Agreement are:

- The Seller will sell the Property to the Purchaser as a going concern for a cash purchase price of R2 050 000 000 including VAT at a zero rate and the purchase price is to be secured by a bank guarantee.

- The costs of the transfer, including conveyancing costs, will be borne by the Purchaser.

- The Sale Agreement is subject to certain conditions precedent, including Equites' satisfaction with the results of its due diligence investigation, approval from the competition authorities and the conclusion of the Lease Agreement.

- The Sale Agreement includes market-related warranties and limitations of liability.

- The development guarantees and the development agreements in respect of all elements relating to the development of the Property will be transferred by the Seller to the Purchaser.

Lease Agreement

The salient features of the Lease Agreement are:

- The lease will be a double net lease (fully repairing and recovering lease save for the JVCo's (the "**Landlord**") obligations in respect of a limited list of structural items).

- The lease will endure for an initial period of 10 years.
- The term of the Lease Agreement and rent commencement shall commence upon closing of the Transaction, being from the date registration of the transfer of the Property into the name of the Purchaser ("**Transfer Date**").
- The initial annual rental payable by the Tenant shall be R157 515 084 (including VAT) which is based on a rental area of 142 129 m².

The effective date of the Transaction will be the Transfer Date, which will occur as soon as possible after the last of the conditions contained in the Sale Agreement has been fulfilled, which is expected to be during November 2021.

5. CONDITIONS PRECEDENT

The Transaction is subject to certain conditions precedent, including –

- completion of an ordinary course due diligence investigation Equites to the satisfaction of Equites;
- the Purchaser and the Tenant entering into the lease and the Lease Agreement has become unconditional in accordance with its terms and conditions;
- the Purchaser has demonstrated to the satisfaction of the Seller that on the Transfer Date it will for purposes of the Broad-Based Black Economic Empowerment Amendment Act of 2013 have an agreed level of black ownership and B-BBEE rating;
- approval by the competition authorities in accordance with the Competition Act No. 89 of 1998.

The Sale Agreement and the Lease Agreement contain the undertakings, warranties and indemnities which are normal for a transaction of this nature.

6. FINANCIAL INFORMATION

Distributable income forecast

Set out below is the JVCo forecast for the Transaction ("**the forecast**") for the 3 months ending 28 February 2022 and year ending 28 February 2023 ("**the forecast period**").

The forecast has been prepared on the assumption that the Transaction will be fully implemented on 1 December 2021.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of Equites and has been prepared in accordance with Equites' accounting policies, which is in compliance with International Financial Reporting Standards. The forecast has not been reviewed or reported on by independent reporting accountants.

R'000	**Forecast for the period ending 28 February 2022**	**Forecast for the period ending 28 February 2023**
Contractual rental income	**39 378 771**	**160 271 598**
Property expenses	(636 250)	(2 545 000)
Finance costs	(10 762 500)	(43 050 000)
Net distributable earnings	**27 980 021**	**114 676 598**

The forecast incorporates the following material assumptions in respect of revenue and expenses:

- The contractual Lease Agreement is assumed to be valid and enforceable.
- The forecast assumes an initial loan-to-value ratio of 30%.
- JVCo will be a 'controlled company' for the purposes of section 25BB(1) of the Income Tax Act.
- There will be no tax leakage.

- There will be no unforeseen economic factors that will affect the tenant's ability to meet its commitments in terms of the leases.

Funding and impact on Equites' LTV ratio

Equites' equity contribution to the JVCo will be funded from existing cash resources and undrawn debt facilities. The Transaction will increase Equites' LTV ratio by 3.1% from 28.6% (31 August 2021) to 31.7%.

7. CATEGORISATION

The Transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by Equites' shareholders.

13 October 2021

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