

ARB Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1986/002975/06)
Share code: ARH
ISIN: ZAE000109435
(**"ARB"** or **"the Company"**)

Masimong Electrical Holdings Proprietary Limited
Incorporated in the Republic of South Africa
(Registration number 2021/985213/07)
(**"the Offeror"**)

JOINT FIRM INTENTION ANNOUNCEMENT ON THE FIRM INTENTION TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL (OTHER THAN THE EXCLUDED SHARES) OF ARB, DELIST ARB FROM THE JSE AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1 The board of directors of ARB (**"Board"**) advises shareholders of ARB (**"ARB Shareholders"**) that it has received a firm intention offer (**"Offer"**) from the Offeror, to acquire the entire issued share capital of ARB, other than the Excluded Shares (as defined in paragraph 5 of this announcement) (**"Scheme Shares"**), by way of a scheme of arrangement in terms of section 114(1)(c) of the Companies Act, No. 71 of 2008, as amended (the **"Companies Act"**), to be proposed jointly by the Offeror and the Board between ARB and the ARB Shareholders (the **"Scheme"**) for a cash consideration of R8.00 per Scheme Share (**"Scheme Consideration"**) and the subsequent delisting of the Company from the Main Board of the securities exchange operated by the JSE Limited (**"JSE"**) in terms of paragraph 1.17(b) of the Listings Requirements of the JSE (the **"Delisting"**). The Scheme and the Delisting are collectively referred to herein as the **"Transaction"**.
- 1.2 The Offer values ARB at a material premium to the traded price of its shares on the JSE. Specifically, the Scheme Consideration equates to a 21.92% premium to the 30-day volume weighted average price of ARB shares traded on the JSE as at 2 December 2021, being the day prior to the publication of the first relevant cautionary announcement by ARB.
- 1.3 The independent board of ARB, established in relation to the Offer, comprises Mr Ralph Patmore, Mr James Dixon and Mr Simon Downes (**"Independent Board"**).

2. NATURE OF ARB AND THE OFFEROR

- 2.1 ARB is an investment holding company for closely related businesses involved in the trading and distribution of electrical, lighting and related products to the contracting, mining, industrial, construction, parastatal, retail and domestic markets across South and Southern Africa. ARB is listed on the JSE Main Board Electrical Components sector. ARB together with its majority owned subsidiaries (the **"Group"**) operates and reports across three key segments being Electrical, Lighting and Corporate.
- 2.2 The Offeror is a private company being utilised for the purpose of this Offer and has not conducted any business since incorporation. The Offeror is owned by Masimong Group Holdings Proprietary Limited (**"Masimong"**) as to 50.1% and Sabvest Finance and Guarantee Corporation Proprietary Limited (**"Sabvest"**) as to 49.9%. Masimong is a private investment group founded by its Chairman, Mr Mike Teke, in 2013 and is controlled by a Teke Family Trust. Sabvest is wholly owned by Sabvest Capital Limited, an investment group which has been listed on the JSE since 1988 (initially as Sabvest Limited) and is controlled by a family trust of its CEO, Mr. Chris Seabrooke.

3. RATIONALE

- 3.1 ARB has four decades of successful track record in sourcing, importing and distributing a wide range of retail and industrial lighting and electrical products, with an established and trusted reputation in the market.

- 3.2 Despite ARB's financially successful track record since listing, no new shares have ever been issued and ARB has limited or no foreseeable need to raise capital through the public markets. In addition, 62% of the issued shares are held by the founding family.
- 3.3 As a result ARB's shares trade with small volumes and minimal liquidity. Therefore from the perspective of the ARB Shareholders, the Offer is a rare liquidity event at a premium to the market price.

4. MECHANICS OF THE OFFER

- 4.1 The Offer constitutes an "affected transaction" as defined in section 117(1)(c)(iii) of the Companies Act. The Offer will be implemented by way of the Scheme.
- 4.2 In terms of the Scheme the Offeror will acquire the entire issued share capital of ARB, other than the Excluded Shares, for the Scheme Consideration by way of a scheme of arrangement in terms of section 114(1)(c) of the Companies Act.
- 4.3 The resultant shareholding of the Offeror in ARB pursuant to the Scheme becoming unconditional will be 37.07%.
- 4.4 The Scheme Consideration assumes that ARB will not declare, pay or make or propose to recommend, declare, pay or make, any capitalisation issue, dividend or other distribution, whether payable in cash or otherwise or propose or effect any repurchase of its shares or issue any new shares ("**Restricted Actions**") up to and including the finalisation date of the Scheme, and the Scheme Consideration shall be reduced on a rand for rand basis for the occurrence of any Restricted Action prior to the finalisation date of the Scheme. The occurrence of a Restricted Action would result in a beneficial flow to Scheme Participants and a resulting decrease in the cash resources of the Company. The rand for rand reduction in the Scheme Consideration on occurrence of a Restricted Action would result in the Scheme Participants receiving the same total benefit via the reduced Scheme Consideration and the proceeds from the Restricted Action.
- 4.5 Accordingly, subject to the approval of the Scheme by shareholders with the requisite voting rights at the meeting convened to approve the Scheme ("**Scheme Meeting**") or any postponement or adjournment thereof, and the fulfilment of the conditions to the Scheme set out in paragraph 6 below, each shareholder other than the holders of the Excluded Shares will be deemed to have sold their ARB Shares to the Offeror for the Scheme Consideration, such that the Offeror will own all of the Scheme Shares, and ARB will then be delisted in terms of paragraph 1.17(b) of the Listings Requirements of the JSE.

5 THE EXCLUDED SHAREHOLDERS

- 5.1 The Offeror will acquire all the Scheme Shares, which will exclude the following 147 892 939 ARB shares ("**Excluded Shares**") representing the following percentages of the current issued shares based on 235 000 000 ARB shares in issue:
 - 5.1.1 the shares held by Burke Consolidated Holdings Proprietary Limited (55.54%);
 - 5.1.2 the shares held by The Alan Burke Trust (6.37%);
 - 5.1.3 the treasury shares held by the Alan Burke Charitable Trust (0.85%);
 - 5.1.4 the shares held by Deborah Gail Burke (0.04%);
 - 5.1.5 the shares held by Candice Michelle Burke (0.03%);
 - 5.1.6 the shares held by Blayne Gordon Burke (0.03%);
 - 5.1.7 the shares held by Tyron Ronald Burke (0.03%); and
 - 5.1.8 the shares held by Jason Michael Burke (0.03%).

- 5.2 The Offeror has agreed the terms of the binding shareholders agreement with Burke Consolidated Holdings Proprietary Limited, the Alan Burke Trust and the Alan Burke Charitable Trust, setting out the shareholder arrangements that will apply in respect of ARB following the implementation of the Transaction.

6 SCHEME CONDITIONS

- 6.1 The implementation of the Scheme will be subject to the fulfilment or waiver (in whole or in part) of the following conditions ("**Scheme Conditions**") by not later than 31 May 2022 (or such later date as may be agreed between the Offeror and ARB in writing):
- 6.1.1 the Independent Board receiving a favourable fair and reasonable opinion on the Transaction from a suitably qualified independent expert appointed in terms of section 114(3) of the Companies Act, and the Independent Board resolving to recommend to ARB shareholders that they vote in favour of the Transaction;
 - 6.1.2 the approval of the Scheme by the requisite majority of ARB shareholders, as contemplated in section 115(2) of the Companies Act, and (i) to the extent required, the approval of the implementation of such resolution by the Court in terms of section 115(3) of the Companies Act; and (ii) if applicable, ARB not treating the aforesaid resolution as a nullity as contemplated in section 115(5)(b) of the Companies Act;
 - 6.1.3 within 30 business days following the approval of the Scheme, either no ARB shareholders validly exercising appraisal rights, by giving demands in terms of section 164(7) of the Companies Act, or, if any such appraisal rights are exercised, they are exercised in respect of no more than 2% of the issued ordinary shares of ARB unless otherwise agreed in writing by the Offeror;
 - 6.1.4 the receipt of any and all regulatory approvals as may be required by any competent regulatory authority, including but not limited to the JSE, the TRP, and the South African Reserve Bank;
 - 6.1.5 no Material Adverse Change having occurred within ten business days of the publication of the financial statements for the interim period ended 31 December 2021. This condition will be deemed to be fulfilled if the Offeror does not notify ARB of the occurrence of a Material Adverse Change before such date. For these purposes a "Material Adverse Change" shall mean any circumstance, fact or event (including any change in law) ("**Event**"), actual or which may reasonably be expected to arise, which, alone or together with any other Event, actual or which may reasonably be expected to arise, has or is reasonably likely to have the effect of being materially adverse with regard to the operations, continued existence, business, condition, assets and/or liabilities of the Group. In this regard, to be materially adverse, the relevant Event/s, at the time of assessment thereof, must have or must reasonably be likely to lead to:
 - 6.1.5.1 the Group's consolidated earnings before interest, tax, depreciation and amortisation declining for the interim period ended 31 December 2021, specifically excluding any reduction arising from a change in the put option liability as defined in note 21 of the annual financial statements for the full year period ended 30 June 2021 (the "**Applicable AFS**") (the "**Put Option Liability**") to below **90%** of 50% of the earnings before interest, tax, depreciation and amortization of the Group as set out in the Applicable AFS or;
 - 6.1.5.2 the consolidated net asset value of the Group for the interim period ended 31 December 2021 declining to below **95%** of the consolidated net asset value of the ARB group as set out in the Applicable AFS less R100m (One hundred million rand), and specifically excluding any reduction arising from a change in the Put Option Liability.
- 6.2 Each party shall use its reasonable endeavours to procure the timeous fulfilment of the Scheme Conditions to the extent that fulfilment thereof is within such party's power.

- 6.3 The Scheme Conditions in paragraphs 6.1.1, 6.1.3 and 6.1.5 are for the benefit of the Offeror and may be waived by the Offeror in its sole discretion by notice in writing to ARB, provided that in the case of any waiver of a Scheme Condition or the acceptance by the Offeror and/or ARB of a conditional approval or authorisation by any regulatory authority in relation to the fulfilment of any Scheme Condition, that waiver or conditional approval or authorization has been consented to by Rand Merchant Bank (a division of FirstRand Bank Limited) ("**RMB**") (as issuer of the bank guarantee referred to in paragraph 9) in writing. For the avoidance of doubt, should the Offeror waive the Scheme Condition in paragraph 6.1.1 and the independent board of ARB does not receive a favourable fair and reasonable opinion from an independent expert, the independent board retains its discretion whether or not to recommend to ARB shareholders that they should vote in favour of the Transaction.
- 6.4 The remainder of the Scheme Conditions are regulatory in nature and cannot be waived by the parties.
- 6.5 An announcement will be published on SENS as soon as practicable after all the Scheme Conditions have been fulfilled or waived, as the case may be.

7 SHAREHOLDING IN ARB, ACTING AS PRINCIPAL AND CONCERT PARTIES

- 7.1 As at the date of this announcement, the Offeror and its shareholders do not beneficially, directly or indirectly, hold or control any shares in ARB nor does it or its shareholders have any options to purchase any ARB shares or beneficial interest therein.
- 7.2 The Offeror is acting as principal and not as agent in respect of the Transaction and it is acting in concert with the following parties ("**Concert Parties**") for purposes of the implementation of the Transaction:

Party	Number of Shares	% of Shares Outstanding ¹
Burke Consolidated Holdings Proprietary Limited	130 527 454	55.54%
Alan Burke Trust	14 962 631	6.37%
Alan Burke Charitable Trust	2 000 000	0.85%
Deborah Gail Burke	100 000	0.04%
Candice Michelle Burke	81 840	0.03%
Blayne Gordon Burke	76 914	0.03%
Tyron Ronald Burke	73 500	0.03%
Jason Michael Burke	70 600	0.03%
Total	147 892 939	62.93%

1: Calculated on 235 000 000 ARB shares in issue.

- 7.3 The Concert Parties will remain as ARB Shareholders after the Company has been delisted from the JSE.
- 7.4 The Concert Parties will not be entitled to vote on the Transaction, nor will their shareholding be taken into account for the purposes of establishing a quorum at the Scheme Meeting.

8 IRREVOCABLE UNDERTAKINGS

- 8.1 The Offeror approached the major ARB Shareholders to procure irrevocable undertakings from ARB Shareholders holding at least 69% of the voting rights entitled to be exercised in respect of any

resolutions required to approve the Transaction and which undertakings the Offeror deemed necessary to proceed with the Transaction.

- 8.2 Each of the below listed ARB Shareholders have given an irrevocable undertaking to vote their ARB shares in favour of the Transaction, and accordingly the Offeror is confident that the Transaction will receive the requisite shareholder support at the Scheme Meeting.

Shareholder	Number of Shares	% of Shares Outstanding ¹	% of Eligible Shares ²
Visio Fund Management Proprietary Limited ³	46 291 505	19.70%	53.14%
W R Neasham	4 861 539	2.07%	5.58%
C M Cockerell	4 787 613	2.04%	5.50%
Aylett & Co ⁴	4 519 393	1.92%	5.19%
Total	60 460 050	25.73%	69.41%

1: Calculated on 235 000 000 ARB shares in issue.

2: Calculated based on the outstanding ARB shares per (1) above less Excluded Shares.

3: Total number of shares over which Visio exercises voting control via discretionary mandate. Actual shares are held across a number of nominee accounts.

4: Total number of shares over which Aylett & Co exercises voting control via discretionary mandate. Actual shares are held across a number of nominee accounts.

9 CONFIRMATION OF FINANCIAL RESOURCES

In accordance with Regulation 111(4) and Regulation 111(5) of the Companies Regulations, RMB has provided an irrevocable bank guarantee to the Board and the TRP in respect of the Scheme Consideration (inclusive of Securities Transfer Tax payable thereon), totalling R698,598,629.22 which guarantee confirms that in the event that the Scheme Consideration is not paid within the relevant time period, RMB agrees to make payment of the Scheme Consideration into the bank account designated by the Takeover Regulation Panel. The guarantee expires on 21 October 2022.

10 INDEPENDENT EXPERT

10.1 The Independent Board will, in accordance with sections 114(2) and 114(3) of the Companies Act and regulations 90(1) and 110(1) of the Companies Regulations and paragraph 1.15(d) of the Listings Requirements of the JSE, appoint an independent expert ("**Independent Expert**") to provide it with an independent opinion in regard to the fairness and reasonableness of the Offer and to make appropriate recommendations to the Board for the benefit of ARB Shareholders.

10.2 The contents of the Independent Expert's advice and the final view and recommendation of the Independent Board will be detailed in a circular, however, having considered the Offer and a number of factors (including the empowerment requirements and operational requirements of the ARB Group), the Independent Board is, subject to the advice it receives from the Independent Expert, supportive of the Transaction, which it believes is in the interests of ARB and its stakeholders.

11 UNDERTAKINGS

11.1 The parties have agreed to provide undertakings usual for a transaction of this nature from the date of acceptance of the firm intention offer letter of the Offeror by the Independent Board ("**Signature Date**") until the date on which the Scheme becomes operative.

12 EXCLUSIVITY

- 12.1 ARB has granted the Offeror exclusivity from the Signature Date until the earlier of (i) the date of the Scheme Meeting, (ii) the failure of any of the Scheme Conditions or (iii) the withdrawal or termination of the Scheme ("**Exclusivity Period**"). During the Exclusivity Period, the Company will not (i) solicit, initiate, facilitate or encourage the submission or making of any proposal or offer for a merger or amalgamation, agree to the repurchase of any the Company's Shares, direct or indirect acquisition of the businesses or material assets of the Company, or for the acquisition of more than 10% of the issued Shares in the Company (each a "**Competing Proposal**"), or (ii) participate in any discussions or negotiations regarding, or furnish to any person any material non-public information in relation to, a Competing Proposal, or (iii) enter into any agreement regarding a Competing Proposal.
- 12.2 Should the Company receive an unsolicited Competing Proposal during the Exclusivity Period which the Independent Board determines in good faith constitutes, or would reasonably be expected to result in, a more favourable offer (from a financial perspective) to the ARB shareholders, the Company shall, to the extent permitted to do so, promptly notify the Offeror of the communication or receipt of the Competing Proposal, indicating the identity of the person making such Competing Proposal and the material terms and conditions thereof, and shall afford the Offeror a period of not less than 10 business days after receipt of a more favourable Competing Proposal to issue an offer on terms which are at least as favourable (from a financial perspective) as the terms of the Competing Proposal, during which period the Company shall not participate in any discussions or negotiations regarding the Competing Proposal or communicate the Competing Proposal to shareholders or the public, except to the extent required by law (in particular, the Companies Act and the Takeover Regulations) or the Listings Requirements of the JSE.
- 12.3 As of the date of publication of this Firm Intention Announcement, no Competing Proposal has been received by the Company.
- 12.4 The Company has undertaken to pay to the Offeror, on written demand, an expense contribution fee equal to the Offeror's demonstrable costs and expenses incurred in connection with the Transaction, subject to a maximum amount of 1% of the Scheme Consideration (exclusive of VAT), in the event that the Scheme fails as a result of the Independent Board supporting a Competing Proposal or if the Scheme fails due to a breach by ARB of any material obligation to the Offeror in terms of the Offer. The Offeror has undertaken to pay to the Company, on written demand, an expense contribution fee equal to the Company's demonstrable costs and expenses incurred in connection with the Transaction, subject to a maximum amount of 1% of the Scheme Consideration (exclusive of VAT), in the event that the Scheme fails following the Offeror waiving the Scheme Condition in paragraph 6.1.1 or a material breach by the Offeror of any obligation to the Company in terms of the Offer.

13 RESPONSIBILITY STATEMENT

- 13.1 The Independent Board and the Board, collectively and individually, accept responsibility for the information contained in this announcement to the extent that it relates to ARB. To the best of their knowledge and belief, such information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of such information.
- 13.2 The Offeror accepts responsibility for the information contained in this announcement to the extent that it relates to the Offeror. To the best of their knowledge and belief, such information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of such information.

14 DOCUMENTATION AND SALIENT DATES

Further details of the Scheme and Delisting will be included in a circular relating to the Transaction, which will contain, *inter alia*, a notice of the Scheme Meeting, a form of proxy, and a form of acceptance surrender and transfer ("**Circular**"). The Circular is expected to be posted on or about 25 March 2022. The salient dates in relation to the Scheme and the Delisting will be published on SENS and in the press on the date of the posting of the Circular.

15 WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary and renewal of cautionary announcements published on 3 December 2021 and 18 January 2022 relating to the possible Transaction ("**Cautionary SENS**"). As the full terms of the Transaction to which the Cautionary SENS related have been published in this announcement, the Cautionary SENS are accordingly withdrawn and caution is no longer required to be exercised when dealing in the Company's securities.

Durban
27 January 2022

Transaction Sponsor and Corporate Advisor to ARB
Merchantec Capital

Legal Adviser to ARB
Webber Wentzel

Legal Adviser to the Offeror
Cliffe Dekker Hofmeyr

Joint Corporate Finance Advisors to the Offeror
Rand Merchant Bank (A division of FirstRand Bank Limited) and Apex Partners