
ACQUISITION BY CASTELLANA PROPERTIES SOCIMI OF A SIGNIFICANT MINORITY SHAREHOLDING IN LAR ESPAÑA REAL ESTATE SOCIMI AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Shareholders are advised that Vukile’s 88% held subsidiary Castellana Properties SOCIMI, S.A. (“**Castellana**”), has concluded an unconditional share purchase agreement (“**share purchase agreement**”) pursuant to which Castellana will acquire a 21.7% shareholding in Lar España Real Estate SOCIMI, S.A (“**Lar España**”), from LVS II LUX XII S.À R.L. (the “**seller**”) (the “**transaction**”).

2. Rationale

The views of Vukile and Castellana are set out more fully in the presentation that may be accessed at www.vukile.co.za/cmsAdmin/uploads/investor-presentation-2022.pdf and summarised as follows:

- 2.1. Lar España is a leading, Madrid-stock exchange-listed, 100% retail-focused Spanish SOCIMI which owns a portfolio of 14 retail assets run by an experienced management team. Tenants in the Lar España portfolio are weighted toward large international and national tenants including the most recognizable brands in Spain. The portfolio has an occupancy rate of 95% of its 551 405m² total GLA.¹
- 2.2. Lar España has a high-quality, low-risk retail real estate portfolio offering predictable cash flows and has maintained prudent gearing through the pandemic with a current LTV of c.41%. After a recent debt restructure via corporate bonds, 100% of Lar España’s assets are now unencumbered.
- 2.3. Lar España’s properties are of similar nature and quality to Castellana’s properties and are complementary from a geographic perspective. Both portfolios comprise established shopping centres and retail parks that are well-located, dominant in their respective catchments with strong footfall and sales performance. As such, Castellana is particularly well placed to evaluate Lar España’s portfolio fundamentals, operating performance and earnings potential.
- 2.4. It is Castellana’s view, based on its current operational performance and barring further pandemic related disruptions, that both their and Lar España’s retail assets will resume generating earnings similar to pre-pandemic levels in the short-term. Further earnings tailwinds, specific to Lar España, are expected in the form of reduced finance costs off the back of a recently concluded debt restructure and the implementation of a new asset management agreement which will reduce corporate costs. Additionally, Lar España has significant cash on its balance sheet of c. €200 million¹, which Castellana believes provides further impetus to its investment into Lar España.
- 2.5. Castellana anticipates a forward acquisition FFO yield, in excess of market expectations, of between 9% to 11% as a consequence of the points listed in 2.4 above. This exceeds yields of direct real estate opportunities in the Spanish market.

¹Source: Lar Espana business update, December 2021

- 2.6. Lar España's asset valuations are in line with Castellana's on a €/m² basis and the acquisition price per share represents an attractive 48% discount to EPRA NTA (net tangible assets) as per Lar España's reviewed results for the six months ended 30 June 2021.
- 2.7. The pandemic has negatively affected the perception of retail real estate stocks in Spain and globally. Based on actual trading evidence in Spain of both Castellana and Lar España and others, Vukile believes the retail recovery is well underway and expects a rerating of retail share prices towards pre-pandemic levels once the recovery becomes visible to the market.

3. **Salient terms of the transaction**

3.1. **Sale and purchase**

Castellana will purchase 18 157 459 Lar España shares (the “**subject shares**”) from the seller at a purchase price of €5.35 per share. The closing date of the sale and purchase of the subject shares will be 26 January 2022 (the “**closing date**”).

3.2. **Purchase consideration**

The aggregate purchase consideration of €97 142 406 will be settled by Castellana in cash and will be discharged on the closing date.

3.3. **Other terms of the share purchase agreement**

The subject shares are acquired by Castellana cum dividend and any other rights (without limitation) that should arise before closing date.

Other terms and warranties are usual for an agreement of the nature contemplated.

4. **Funding**

- 4.1. Castellana will fund the purchase out of €15 million of available cash and the balance through a shareholder loan of €75 million from Vukile, which will be capitalised before the end of the current financial year ending 31 March 2022 at a price equal to the NAV per share of Castellana.
- 4.2. Vukile has secured a new facility of R1 129 million (equating to €65 million) to fund the shareholder loan to Castellana and will repay the new loan with:
- 4.2.1. proceeds from the placement of Fairvest shares concluded on 26 January 2022 of R400 million; and
- 4.2.2. proceeds of R840 million from the sale of its Namibian assets as well as other non-core properties in South Africa, all of which are due to transfer before the end of the current financial year, being 31 March 2022.
- 4.3. Additionally, Vukile is providing a further €10 million shareholder loan to Castellana which will be repaid by 21 January 2023 from free cash resources.

The transaction will result in a reduction in Castellana's LTV to c.45% and will be LTV neutral for Vukile.

5. **Forecast financial effects**

Vukile forecasts a positive impact on FFO per Vukile share for FY2022 as a result of the transaction and a material positive total return impact in the medium to long-term.²

6. **Financial information**

Lar España's last reported net asset value and its net profit after tax, as disclosed in its reviewed results for the six months ended 30 June 2021, prepared in terms of IFRS-EU, were €838.5 million and €7.7 million respectively.

7. **Categorisation of the transaction**

The transaction is classified as a Category 2 transaction in terms of paragraph 9.5(a) of the JSE Listings Requirements and accordingly does not require the approval of Vukile shareholders.

8. **Withdrawal of cautionary announcement**

Following the release of this announcement, Vukile shareholders are advised that caution is no longer required to be exercised in their dealings in Vukile shares.

9. **Investor teleconference**

Vukile management will provide further information during a videoconference scheduled for Thursday, 27 January 2022 at 11:00. Investors can access the videoconference at:

Zoom Meeting

<https://us02web.zoom.us/j/86834848485?pwd=WHhGZHNZUjY5b2xqa0QrM25TeVdBZz09>

Meeting ID: 868 3484 8485

Passcode: 458535

27 January 2022

Corporate advisor and transaction sponsor



NSX sponsor



² The forecast financial effects above have not been reviewed or reported on by Vukile's auditors