

**Tsogo Sun Hotels Limited**

Incorporated in the Republic of South Africa

Registration number 2002/006356/06

Share Code: TGO ISIN: ZAE000272522

("Tsogo Sun Hotels" or "the Group" or "the Company")

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**SALE OF SHARES AGREEMENT BETWEEN SOUTHERN SUN AFRICA AND KASADA ALBATROSS HOLDING**

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**1. INTRODUCTION**

Shareholders are advised that the Company's wholly owned subsidiary, Southern Sun Africa ("SSA") has entered into a sale of shares agreement (the "Sale Agreement") with Kasada Albatross Holding (the "Purchaser"), which is a subsidiary of Kasada Hospitality Fund LP. In terms of the Sale Agreement, SSA will dispose of all of its shares (the "Sale Shares") in its wholly owned subsidiary, SS Ikoyi Holdings ("SSIH") together with all shareholder loan claims (the "Sale Claims") against Ikoyi Hotels Limited ("IHL") to the Purchaser (collectively, the "Disposal"). SSIH holds the Company's entire interest in IHL, comprising 75.55% of the issued shares of IHL.

**2. DISPOSAL CONSIDERATION**

The aggregate disposal consideration is US\$30.4 million, comprised of US\$29.1 million for the Sale Shares and US\$1.3 million for the Sale Claims (together the "Disposal Consideration"), which may be adjusted by the difference in the net debt of IHL ("Net Debt") between the date of signature and the effective date, provided that no such adjustment will result in the aggregate consideration received by SSA exceeding 30% of the Company's market capitalization.

Net Debt is determined as the external debt of IHL, which currently has a face value of approximately US\$12.8 million (the "External Debt") plus debt equivalents of US\$3.0 million (including *inter alia* trade and other payables, provisions, and the face value of the Sale Claims) less cash and cash equivalents of US\$5.2 million (including *inter alia* trade and other receivables, inventory and the face value of the Sale Claims). In addition, the Purchaser will assume or otherwise procure the release of the Company and its subsidiaries from its obligations in respect of the External Debt of IHL.

**3. DESCRIPTION OF IHL**

IHL was incorporated in 2002 under the laws of Nigeria and owns the Southern Sun Ikoyi hotel located at No. 47 Alfred Rewane Road, Ikoyi, Lagos, Nigeria. SSA has managed the 181-bedroom hotel since 29 January 2009 and acquired its 75.55% interest in IHL on 29 June 2013.

**4. RATIONALE FOR THE DISPOSAL**

The stated intention of the Group since its separate listing has been to reduce its US dollar denominated interest-bearing debt (the "Offshore Debt"). COVID-19 has limited the Group's ability to apply its cash resources towards the settlement of this debt. The Disposal Consideration allows the Group to achieve this objective and to divest from its shareholding in IHL which is an acceptable outcome. The successful implementation of the Disposal would result in the reduction of Offshore Debt through the deconsolidation of IHL's External Debt of US\$12.8 million and provides SSA with sufficient cash resources to offset Offshore Debt in Mozambique amounting to US\$26.6 million, thereby eliminating the forex risk to the Group.

## 5. APPLICATION OF THE DISPOSAL CONSIDERATION

The cash proceeds from the Disposal Consideration will be applied towards the settlement of SSA's Offshore Debt of US\$6.4 million with the balance used to offset the Offshore Debt balances in Mozambique which as at the date hereof amounts to US\$26.6 million.

## 6. EFFECTIVE DATE OF THE DISPOSAL

The Disposal is subject the fulfilment (or waiver) of *inter alia*, the following conditions precedent ("Conditions Precedent"):

- 6.1. the Federal Competition and Consumer Protection Commission ("FCCPC") in Nigeria unconditionally approves the implementation of the sale of the Sale Shares from the Seller to the Purchaser, or if conditionally approved, the Parties accept the relevant conditions;
- 6.2. the Hotel Management Agreement concluded between SSA and Ikoyi Hotels Ltd being fully and finally terminated with no claims against, or recourse, to Ikoyi Hotels Ltd after the completion date; and
- 6.3. Absa Limited (in its capacity as a third party provider of debt financing to IHL under the Absa Finance Documents ("Absa")) has, to the extent required under the Absa Finance Documents, approved the sale of the Sale Shares in writing, and agreed to release the Company, Southern Sun Hotel Interests (Pty) Ltd, Southern Sun Offshore (Pty) Ltd and Tsogo Sun Investments (Pty) Ltd from all existing security and/or encumbrances created in its favour relating to the Sale Shares.

Delivery and payment in terms of the Disposal shall be the last day of the month during which the last of the Conditions Precedent is fulfilled ("CP Satisfaction Date") provided that if the CP Satisfaction Date falls on a date that is not at least 20 (twenty) business days prior to the last day of a month, then the effective date shall fall on the last day of the next month.

## 7. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE SALE AGREEMENT

The Sale Agreement provides for warranties, undertakings, indemnities and events of default that are normal for transactions of this nature.

## 8. FINANCIAL INFORMATION

The value of the net assets of IHL was US\$ 41.0 million as at 31 March 2022, being the date of the group's reviewed condensed consolidated financial statements for the year ended 31 March 2022 published on SENS on 26 May 2022. The Group's 75.55% share of IHL's net asset value equates to US\$ 31.0million

The attributable headline profit of IHL for the year to 31 March 2022, was US\$0.7 million based on the reviewed condensed consolidated financial statements published on SENS on 26 May 2022, which were prepared in terms of IFRS.

## 9. CATEGORISATION

The Disposal constitutes a Category 2 transaction for the Group as contemplated in section 9 of the Listings Requirements of the JSE Limited. Further announcements will be made in due course updating shareholders on the status of the Disposal.

Fourways

26 May 2022

Sponsor: Investec Bank Limited

Legal advisor: ENSafrica