

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2015/407237/06)

Share Code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

Approved as a REIT by the JSE

(“**Spear**”)



SPEAR
REIT LIMITED

UPDATE ON THE IMPLEMENTATION OF THE DISPOSAL OF 15 ON ORANGE

1. IMPLEMENTATION OF THE DISPOSAL AND RECEIPT OF THE DISPOSAL CONSIDERATION

- 1.1. Shareholders are referred to the announcement released by Spear on SENS on 24 October 2022 (“**Announcement**”), in which Spear advised shareholders of the conclusion of a sale of shares agreement (“**Agreement**”) with Erf 18 Zimbali Coastal Resort Proprietary Limited (“**Purchaser**”) for the disposal of 100% of the issued shares in Spear’s wholly-owned subsidiary Blend Property 15 Proprietary Limited, which owns the immovable property known as 15 on Orange (“**Property**”), to the Purchaser for a disposal consideration of R246 000 000 (“**Disposal Consideration**”), as adjusted in terms of the Agreement (“**Disposal**”).
- 1.2. As detailed in the Announcement, the Disposal was subject to certain conditions precedent (“**Conditions Precedent**”), including the approval of the Disposal by the applicable competition authorities in terms of the Competition Act, No. 89 of 1998 (“**Competition Authorities**”).
- 1.3. Shareholders were subsequently advised by Spear, in the announcement released on SENS on 8 December 2022, that the Competition Authorities unconditionally approved the Disposal on 7 December 2022 and that all the Conditions Precedent had accordingly been fulfilled.
- 1.4. The implementation of the Disposal was finalised on 2 February 2023, on which date Spear received the final adjusted Disposal Consideration of R246 000 000. As noted in the Announcement, the full Disposal Consideration was received by Spear, since the Property was not financed, and no related debt needed to be settled as a result of the Disposal.
- 1.5. The disposal of the Property has resulted in Spear no longer having any direct real estate exposure to the hospitality sub-sector and is a culmination of its divestment strategy, as advised to the market.

2. APPLICATION OF THE DISPOSAL CONSIDERATION

- 2.1. As advised in the Announcement, the Disposal Consideration will be utilised to grow Spear’s portfolio in a strategy-aligned manner, following a value investment approach. However, whilst such strategic investment and growth opportunities are being pursued and finalised, the Disposal Consideration was applied as follows:
 - 2.1.1. certain existing loan facilities of the Spear group, amounting, in aggregate, to R161 000 000, were permanently settled; and

- 2.1.2. the remaining portion of the Disposal Consideration, in the amount of R85 000 000, was paid into (and will be held in) certain of Spear's remaining debt facilities.
- 2.2. The aforementioned application of the Disposal Consideration has reduced the Spear group loan to value ratio ("**LTV**") by 335 bps to 36.8%. Management's strategic objective remains to maintain the group's normalised LTV within the target range of between 38% and 43%, however, given the accretive nature of the debt settlement from the Disposal Consideration, rising interest rates and prudent debt portfolio management, the group LTV will be kept below the strategic objective range until such time as market opportunities, which are aligned with Spear's value investment approach, present themselves within the convenience retail and industrial sectors in the Western Cape.

Cape Town
3 February 2023

Sponsor
PSG Capital



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