



SA CORPORATE REAL ESTATE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2015/015578/06)
JSE share code: SAC ISIN: ZAE000203238
(Approved as a REIT by the JSE)
(SA Corporate)

INDLUPLACE PROPERTIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2013/226082/06)
JSE share code: ILU ISIN: ZAE000201125
(Approved as a REIT by the JSE)
(Indluplace)

JOINT FIRM INTENTION ANNOUNCEMENT REGARDING THE PROPOSED ACQUISITION AND DELISTING OF INDLUPLACE BY SA CORPORATE BY WAY OF A SCHEME OF ARRANGEMENT AND CATEGORY 2 TRANSACTION ANNOUNCEMENT BY SA CORPORATE

1. Introduction

Shareholders of SA Corporate and Indluplace (together, the **Parties**) are advised that the Parties have entered into a scheme implementation agreement (**Implementation Agreement**) on 14 March 2023 (**Signature Date**), in terms of which SA Corporate has expressed its firm intention to make an offer, either itself or via a nominated group company (the **SAC Offeror**), to acquire the entire issued ordinary share capital of Indluplace (excluding treasury shares) (the **Proposed Transaction** or **SAC Offer**).

The Proposed Transaction will be implemented by way of a scheme of arrangement (**Scheme**) in terms of section 114(1)(c) of the Companies Act, No. 71 of 2008 (**Companies Act**), to be proposed by Indluplace to its shareholders (**Indluplace Shareholders**), and to which the SAC Offeror will be a party. The SAC Offer will be made at a cash price of R3.40 (**Scheme Consideration**) per Indluplace ordinary share (**Indluplace Share**) acquired in terms of the Scheme (**Scheme Shares**).

In the event that the Scheme is implemented, Indluplace will become a wholly owned subsidiary of SA Corporate, and accordingly, the listing of Indluplace Shares on the Main Board of the JSE Limited (**JSE**) will be terminated.

2. Rationale for the Proposed Transaction

The Proposed Transaction provides Indluplace Shareholders with a liquidity event by way of a cash offer for their shares, whilst also enabling SA Corporate to grow its portfolio in the residential sector and further its strategy of creating a larger and more diversified residential property portfolio, leveraging its existing platform.

Indluplace's shares are illiquid and its largest shareholder, Fairvest Limited (**Fairvest**), classifies its shareholding therein as non-core. To date, the Indluplace residential property portfolio has not been successful in reaching the critical mass that the listing in 2015 sought to achieve.

The Proposed Transaction, if implemented, will enhance SA Corporate's exposure to the residential sector. SA Corporate views the Indluplace portfolio as complementary to its own quality residential rental portfolio held within Afhco Holdings Proprietary Limited (**Afhco**). SA Corporate has successfully executed a program of divestment of non-core assets realising full value during a period of global economic stimulus and is now in a position to deploy certain of these proceeds in an accretive acquisition aligned to its

residential property strategy.

The implementation of the Proposed Transaction will accelerate the Afhco management team's ability to realise operational cost efficiencies, as well as realise cost savings attributable to the discontinuation of Indluplace's listing.

Both SA Corporate and Indluplace's residential property portfolios are exclusively focused within South Africa and, following implementation of the Proposed Transaction, SA Corporate will have one of the largest listed residential property portfolios of circa 19 268 units valued at R7.9 billion and is supportive of its strategy to establish a residential rental portfolio of scale which attracts, in addition to investment from shareholders invested in SA Corporate's listed shares, a direct investment by socially responsible impact investors in the portfolio.

3. Nature of the businesses

SA Corporate owns a diversified portfolio of quality industrial, retail and residential buildings located primarily in the major metropolitan areas of South Africa, with a secondary node in Zambia. SA Corporate's strategy is to provide its shareholders with exposure to a defensive portfolio comprising convenience-oriented retail shopping centres, logistics, and quality residential rental properties. As at 30 June 2022, the property portfolio consisted of 160 properties, with 1 365 366m² of GLA, valued at R15.1 billion, a 50% joint venture interest in three Zambian entities with properties valued at R1.1 billion, a 90% joint venture interest in The Falls Lifestyle Estate with property valued at R312 million and listed investments valued at R162 million. The Afhco portfolio consists of 10 079 residential units (including student accommodation) and 68 862m² of retail space. The portfolio comprising 60 properties is situated predominantly in Gauteng and is valued at R4.6 billion. An updated view of the SA Corporate portfolio will be presented in the SA Corporate annual results to be released on or about 16 March 2023.

Indluplace owns a substantial residential property portfolio and was the first residential focused REIT to be listed on the Main Board of the JSE in June 2015. The portfolio comprises 9 189 residential units (including student accommodation) and 15 549m² of associated retail space. The portfolio of 124 buildings, valued at R3.3 billion, is situated mainly in Gauteng, with further limited exposure in Mpumalanga and the Free State. The portfolio described excludes Annlin Place, which is currently in a process of disposal. Properties are situated where a proven demand for rental units exists, being close to major transport routes and work opportunities.

4. Salient terms of the Scheme

4.1. The Scheme will constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act. It will be implemented in accordance with the Companies Act and the Companies Regulations, 2011 (**Regulations**) and will be regulated by the Takeover Regulation Panel (**TRP**).

4.2. In the event that the Scheme becomes operative:

4.2.1.1. all Indluplace Shareholders, excluding those shareholders who validly exercise their appraisal rights in terms of section 164 of the Companies Act (**Dissenting Shareholders**), (**Scheme Participants**) shall dispose of their Scheme Shares to the SAC Offeror for the Scheme Consideration; and

4.2.1.2. the listing of all of the Indluplace Shares on the JSE will be terminated in terms of paragraph 1.16(b) of the JSE Listings Requirements.

4.3. Scheme Consideration

The SAC Offeror shall pay a cash consideration of R3.40 to the Scheme Participants for each Scheme Share acquired in terms of the Scheme. The Scheme Consideration represents a 13.3% premium to the closing Indluplace Share price and a 12.8% premium to the 30-day volume-

weighted average price as at 13 March 2023.

4.4. Conditions to the implementation of the Scheme

4.4.1. The implementation of the Scheme will be subject to the fulfilment or, where appropriate, waiver of the suspensive conditions (**Scheme Conditions**) contained herein:

- 4.4.1.1. the Scheme is approved by the requisite majority of Indluplace Shareholders at the Scheme meeting (**Scheme Resolution**);
- 4.4.1.2. approval of the implementation of the Scheme Resolution by the High Court of South Africa is obtained, to the extent required, and, if applicable, Indluplace not having treated the Scheme Resolution as a nullity as contemplated in section 115(5)(b) of the Companies Act;
- 4.4.1.3. as at 12h00 on the business day immediately following the last day on which a valid demand may be made by an Indluplace Shareholder in respect of the Scheme in terms of section 164(7) of the Companies Act, Indluplace has not received valid demands from Indluplace Shareholder/s holding in aggregate more than 5% of all the issued Indluplace Shares (excluding treasury shares);
- 4.4.1.4. the providers of debt funding to Indluplace have, to the extent required, provided such consents or approvals, in writing, as may be required under the relevant funding agreements in order for the Scheme to be able to be effected without triggering any event of default or other potential adverse consequence under the relevant agreements;
- 4.4.1.5. the receipt of any and all regulatory approvals, including but not limited to the relevant competition authorities, the JSE and the TRP;
- 4.4.1.6. during the period commencing on the Signature Date and ending at 17h00 on the date on which the last of the Scheme Conditions in paragraphs 4.4.1.1 to 4.4.1.5 has been fulfilled or, where appropriate, waived, no circumstance, fact or event has arisen or might reasonably be expected to arise after the Signature Date which, alone or together with any other circumstance, fact or event, which has arisen or which might reasonably be expected to arise has, or is reasonably expected to have, a materially adverse effect with regard to the operations, continued existence, business, condition, assets and/or liabilities of Indluplace and its subsidiaries (**Indluplace Group**). To be "materially adverse" the effect or reasonably expected effect must represent (i) a negative impact on the gross asset value of the Indluplace Group's property portfolio (viewed collectively) of not less than 20%, if compared to the gross asset value of the Indluplace Group's property portfolio (viewed collectively) as at 30 September 2022 (determined by reference to the annual financial statements of the Indluplace Group for the financial period ended 30 September 2022); and/or (ii) a negative impact on the sustainable net income of the Indluplace Group of not less than 20% if compared to the net income of the Indluplace Group for the financial year ended 30 September 2022 (determined by reference to the annual financial statements of the Indluplace Group for the financial period ended 30 September 2022);
- 4.4.1.7. as at 17h00 on the date on which the last of the Scheme Conditions in paragraphs 4.4.1.1 to 4.4.1.6 has been fulfilled or, where appropriate, waived, Indluplace has furnished SA Corporate with a certificate confirming that the interim period undertakings contemplated in paragraph 6 have been complied with;
- 4.4.1.8. as at 17h00 on the date on which the last of the Scheme Conditions in paragraphs 4.4.1.1 to 4.4.1.7 has been fulfilled or, where appropriate, waived, none of the following events shall have occurred in respect of Indluplace —
 - 4.4.1.8.1. any corporate action, legal proceedings or other procedure or other step (including an application to court, proposal of a resolution or convening of a meeting of shareholders, members, directors or other officers) is taken by any person with a view to —
 - i. a moratorium, compromise, composition, business rescue or similar arrangement with any of its creditors;

- ii. its winding-up, dissolution or commencement of business rescue proceedings, or for the seeking of relief under any applicable bankruptcy, insolvency, company or similar law, or any such resolution; or
- 4.4.1.8.2. the value of its assets is less than its liabilities as per the management accounts (taking into account contingent and prospective liabilities) or it is unable to pay its debts as they fall due; and
- 4.4.1.9. the TRP has issued a compliance certificate in relation to the Scheme.
- 4.4.2. The Scheme Conditions set out in paragraphs 4.4.1.3, 4.4.1.4, 4.4.1.6, 4.4.1.7 and 4.4.1.8 are capable of waiver or relaxation by SA Corporate in its sole discretion by notice in writing to Indluplace prior to the expiry of the time period set out in those respective paragraphs (each a **Fulfilment Date**).
- 4.4.3. The remainder of the Scheme Conditions shall not be capable of waiver.
- 4.4.4. Neither Party may extend the Fulfilment Date of any one or more of the Scheme Conditions unless that extension is agreed to in writing by both Parties and is permissible by law.

5. Clean-out distributions

The intention of the Parties is for the Scheme, should it become operative in accordance with its terms, to have commercial effect as from, if the last of Scheme Conditions contemplated in paragraphs 4.4.1.1 to 4.4.1.7 is fulfilled or waived (as applicable), on the:

- 1st to the 15th calendar day (both inclusive) of the applicable month, the first day of the month during which such fulfilment or waiver (as applicable) occurs; or
- the 16th calendar day of the applicable month or later, the first day of the month following the month in which such fulfilment or waiver (as applicable) occurs,

(**Commercial Effective Date**).

To give commercial effect to this intention, subject to compliance with the Companies Act, Indluplace shall effect a cash distribution in respect of a portion of its distributable income for the applicable financial period commencing on 1 October 2022 and ending on the day immediately preceding the Commercial Effective Date (**Clean-out Distribution**) (**Distribution Period**), being a distribution in an amount equal to Indluplace's entire distributable income for the Distribution Period less an amount (being a maximum of R85 million) to be retained by Indluplace as agreed between Indluplace and SA Corporate. The Clean-out Distribution will be declared on the basis that the record date for participating in the Clean-out Distribution will be on or prior to the record date for participating in the Scheme and therefore SA Corporate will not participate in the Clean-out Distribution.

6. The Interim Period Undertakings

In terms of the Implementation Agreement, Indluplace has provided interim period undertakings to and in favour of SA Corporate, typical for a transaction of this nature, in terms of which, *inter alia*, during the interim period between the Signature Date and the date on which the Scheme becomes operative –

- 6.1. Indluplace will conduct its business in the ordinary course and in a manner consistent with past practice;
- 6.2. other than the Clean-out Distribution, Indluplace will not recommend, declare, pay or make any distribution (including a capitalisation issue or capital reduction);
- 6.3. Indluplace will not repurchase any of Indluplace Shares, or cause or permit any subsidiary to do so;
- 6.4. Indluplace will not issue any securities, grant any options or create any shares or securities carrying rights of conversion into, or subscription for, Indluplace Shares;
- 6.5. Indluplace will not enter into any transaction or take any action outside of the ordinary course of business;
- 6.6. Indluplace shall not carry out any group re-organisation or capital restructuring;
- 6.7. in respect of the financial indebtedness of the Indluplace Group, Indluplace will not, and it will procure that each entity within the Indluplace Group will not, (i) permit any new financial indebtedness to be incurred; (ii) increase its financial debt and related arrangements (other than redrawing from its committed revolving facilities in place as at the Signature Date from income previously paid into such

facilities, fees and costs and any other liabilities and expenses), (iii) amend any of the terms applicable to its existing debt facilities and related arrangements; and/or (iv) exceed the maximum net debt threshold contemplated in the Implementation Agreement;

- 6.8. Indluplace will not sell or otherwise alienate (i) any material part of its business or any of its immovable assets; or (ii) any material asset other than in the ordinary course of business;
- 6.9. Indluplace will comply with section 126 of the Companies Act; and
- 6.10. Indluplace will not solicit competing offers to the Scheme.

7. Independent expert

Indluplace has, in accordance with regulation 108(8) of the Regulations, constituted an independent board (**Indluplace Independent Board**), comprising Selwyn Noik, Nindiphiwe Tetyana and Clifford Abrams, to consider and engage with SA Corporate in relation to the Scheme. The Indluplace Independent Board will appoint an independent expert to review the terms of the Scheme and to provide an independent expert's report as required in terms of sections 114(2) and 114(3) of the Companies Act read with the Regulations (**Independent Expert's Report**). The Independent Expert's Report will be prepared in accordance section 114(3) of the Companies Act and regulations 90 and 110 of the Regulations and will be included as an annexure to the circular to be distributed to Indluplace Shareholders in respect of the Scheme (**Scheme Circular**).

8. Confirmation to the Takeover Regulation Panel

In accordance with regulation 111(4) and regulation 111(5) of the Regulations, SA Corporate has delivered to the TRP an irrevocable bank guarantee issued by Absa Bank Limited in respect of the maximum aggregate Scheme Consideration.

9. Shareholding in Indluplace

No beneficial interests in Indluplace are held or controlled, directly or indirectly, by SA Corporate, or any of its directors; nor does SA Corporate or any of its directors have any options to purchase any Indluplace Shares or beneficial interests therein.

10. No concert party arrangements

SA Corporate is not acting in concert with any other person in relation to the SAC Offer.

11. Approvals required by Indluplace Shareholders and distribution of Scheme Circular

Full details of the Scheme and ancillary matters thereto will be set out in the Scheme Circular which will be distributed jointly by Indluplace and SA Corporate to Indluplace Shareholders, including, *inter alia*, a copy of the Independent Expert's Report and a notice to convene a general meeting of Indluplace Shareholders to consider and, if appropriate, approve the Scheme. It is expected that the Scheme Circular will be issued within 20 business days after the date of this announcement, which is expected to be on or about 17 April 2023 (or such extended date as allowed by the TRP).

12. Approvals required by SA Corporate shareholders

The Proposed Transaction will constitute a category 2 transaction for SA Corporate in terms of the JSE Listings Requirements and, accordingly, SA Corporate shareholder approval is not required.

13. Financial information and property specific information in relation to Indluplace

As required by the JSE Listings Requirements, SA Corporate will publish a separate announcement on SENS after this announcement, containing the requisite financial and property specific information, in relation to the properties comprising Indluplace's property portfolio as at 30 September 2022.

14. Indluplace Shareholder support

SA Corporate has received written irrevocable undertakings in respect of the following Indluplace Shares, in terms of which the providers thereof have undertaken to, *inter alia*, vote (or procure the voting of) all the Indluplace Shares which they own, control or are able to direct the exercise of voting rights in respect of, in favour of the resolutions to be proposed to implement the Scheme:

Indluplace Shareholder	Number of Indluplace Shares held	% of total issued Indluplace Shares ⁽¹⁾
Fairvest	191 581 362	56.8%
The Buffet Bewind Trust	22 440 285	6.7%
Total	214 021 647	63.5%

1. Total Indluplace Shares in issue of 337 037 384.

15. Responsibility statements

The Indluplace Independent Board accepts responsibility for the information contained in this announcement insofar as it relates to Indluplace and the Scheme. To the best of the Indluplace Independent Board's knowledge and belief, the information contained in this announcement is true and this announcement does not omit anything likely to affect the importance of the information.

The board of directors of SA Corporate (**SA Corporate Board**) accepts responsibility for the information contained in this announcement insofar as it relates to SA Corporate and the SAC Offer. To the best of the SA Corporate Board's knowledge and belief, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

14 March 2023
Johannesburg

Corporate advisor and transaction sponsor to SA Corporate

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Corporate advisor and transaction sponsor to Indluplace

Java Capital

Legal advisor

Cliffe Dekker Hofmeyr Incorporated

Mandated lead arranger and guarantee bank to SA Corporate

Absa Corporate and Investment Banking, a division of Absa Bank Limited