

ATTACQ LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/000543/06)

JSE share code: ATT ISIN: ZAE000177218

(Approved as a REIT by the JSE)

(“Attacq” or the “Company” or the “Attacq Group”)



PROPOSED R2.7 BILLION INVESTMENT BY THE GOVERNMENT EMPLOYEES' PENSION FUND (“GEPF”) THROUGH ITS ACQUISITION OF A 30% SHAREHOLDING IN ATTACQ WATERFALL INVESTMENT COMPANY PROPRIETARY LIMITED (“AWIC”) AND WITHDRAWAL OF CAUTIONARY

1. INTRODUCTION

Shareholders are referred to the SENS announcement released on 13 February 2023 advising that the Company (“**Seller**”) and the GEPF (“**Purchaser**”), represented by the Public Investment Corporation (SOC) Limited (“**PIC**”) (together, the “**Parties**”), had concluded a non-binding term sheet in respect of the proposed acquisition by the Purchaser of 30% of the ordinary shares and shareholder loans in AWIC and a shareholder loan advancement by the Purchaser into AWIC (“**Proposed Transaction**”).

Attacq is pleased to advise that on 5 July 2023 (“**Signature Date**”), the Parties concluded binding legal agreements detailing the terms and conditions of the Proposed Transaction (“**Transaction Agreements**”). Should the Proposed Transaction be approved by shareholders and be implemented, the Purchaser will acquire 30% of the ordinary shares and shareholder loans in AWIC in exchange for a maximum consideration of R2.388 billion in cash, with an additional R300 million being injected by the Purchaser into AWIC as a shareholder loan.

The effect of the Proposed Transaction, if implemented, is that Attacq will retain control of AWIC with a majority shareholding of 70% with the Purchaser holding a minority shareholding of 30%, and Attacq continuing to provide asset, property, development and fund management services to AWIC at market-related fees.

This announcement incorporates the material agreed upon terms and conditions as set out in the Transaction Agreements and differs in certain respects from the terms outlined in the abovementioned non-binding term sheet. The Transaction Agreements contain warranties and guarantees which are typical of a transaction of this nature.

2. RATIONALE AND USE OF PROCEEDS

AWIC is a wholly owned subsidiary of Attacq, holding Attacq’s completed real estate portfolio and development and leasehold rights in Waterfall City (including developments under construction and leasehold land). Waterfall City represents an exceptional diversified investment and development opportunity, offering a “work, play, live” lifestyle within a smart, safe, sustainable environment.

If implemented, the Proposed Transaction will make a transformative contribution to furthering Attacq’s strategic objectives, which include (i) introducing a long-term investment partner to AWIC, thereby securing funding for its ongoing Waterfall City development rollout; (ii) optimising AWIC and the Attacq Group’s capital structure by improving debt metrics and investment capacity; and (iii) enhancing the liquidity position of the Attacq Group.

Attacq intends on utilising the proceeds of the Proposed Transaction to settle R2.2 billion of debt in AWIC and c.R500 million of debt in the rest of the Attacq Group. On implementation, the debt reduction will result in a decrease in the Attacq Group’s gearing from 38.0% at 31 December 2022 to c.26.3% on a *pro forma* basis. Attacq is also in the process of engaging with its debt providers to refinance the remaining debt in the Attacq Group on more beneficial terms.

A rebalanced overall capital structure consisting of a deleveraged Attacq Group balance sheet with a lower cost of debt will afford Attacq increased investment capacity to fund future developments, whilst being favourably positioned to optimise potential returns on capital deployed by Attacq in funding developments.

The Proposed Transaction will be accretive from an Attacq distributable income perspective, given the impact of lower interest costs associated with the repayment of debt and the refinancing of the remaining Attacq Group debt and the additional fee income earned by Attacq.

3. EFFECTIVE DATE

The Proposed Transaction will be required to be implemented by the 20th business day after the date on which the last of the conditions precedent have been fulfilled or waived by written agreement (“**Implementation Date**”).

4. TERMS OF THE TRANSACTION

4.1. Acquisition of AWIC shares and claims

Pursuant to the Proposed Transaction and in accordance with the Transaction Agreements, on the Implementation Date, the Purchaser will acquire 30% of the ordinary shares in AWIC through a combination of (i) a cash sale of AWIC shares held by Attacq to the Purchaser (“**Sale Shares**”) and (ii) a subscription for new AWIC shares for cash (“**Subscription Shares**”). The Sale Shares and Subscription Shares collectively being the “**Sale Equity**”.

The Purchaser will also acquire from Attacq a corresponding percentage of all amounts owing by AWIC to Attacq on loan account (“**Sale Claims**”) as at the Implementation Date.

4.2. Additional loans

The Seller and the Purchaser shall advance shareholder loans to AWIC *pro rata* to their post transaction shareholding, with Attacq advancing an additional loan of R700 million and the Purchaser advancing an additional loan of R300 million (“**Purchaser’s Loan**”).

4.3. Consideration payable

4.3.1. Preliminary purchase price

The preliminary purchase price (“**Preliminary Purchase Price**”) payable on the Implementation Date by the Purchaser for the Sale Equity and the Sale Claims will be an amount equal to the estimated net asset value (“**NAV**”) of AWIC subsequent to the implementation of the restructure of AWIC’s interest in MAS P.L.C. so that it is held elsewhere in the Attacq Group (“**MAS Restructure**”), based on the latest available consolidated AWIC management accounts as at the Implementation Date, adjusted for certain agreed items, including;

- adding back all shareholder loans as at the Implementation Date;
- adding 90% of unrecognised profits in respect of bankable residential pre-sales;
- increasing the aggregate value (as determined by external valuations as at 31 December 2022 and contained in AWIC’s reviewed financial statements for the six months ended 31 December 2022) of all completed investment properties held as at the Implementation Date by 4.5% per annum, *pro rated* accordingly to the Implementation Date;
- fair valuing properties under construction as at 31 December 2022 to their date of practical completion or the Implementation Date, as the case may be;
- reversing any expected credit loss adjustments in respect of shareholder loans advanced by AWIC to its investee companies;

- deducting any dividends paid or to be paid by AWIC prior to the Implementation Date; and
- providing a 15% discount to the Purchaser on the aggregate of the Sale Equity, as adjusted, and the Sale Claims,

(the “**Purchase Price Methodology**”).

All risk in, ownership of, and benefit attaching to the Sale Equity and Sale Claims will pass to the Purchaser on the Implementation Date, against payment of the Preliminary Purchase Price to the Seller and AWIC, respectively. Further, the acquisition of the Sale Equity and the Sale Claims by the Purchaser as well as the advance of the Purchaser’s Loan are indivisibly inter-related and accordingly will be implemented simultaneously on the Implementation Date.

4.3.2. Final purchase price

The final purchase price (“**Final Purchase Price**”) will be determined in accordance with the Purchase Price Methodology based on the management accounts of AWIC prepared either as at the end of (i) the preceding month (should the Implementation Date fall on or before the 15th day of the relevant month) or (ii) the current month (should the Implementation Date fall after the 15th day of the relevant month) (“**Implementation Date Accounts**”). The Preliminary and Final Purchase Price will be subject to verification procedures performed by AWIC’s auditors.

The Implementation Date Accounts will be prepared and completed within 20 business days following the date of the Implementation Date Accounts.

As soon as the Implementation Date Accounts have been prepared, AWIC shall prepare its calculation of the Final Purchase Price and notify the Seller and the Purchaser of the calculation (the “**Final Purchase Price Determination Date**”).

If the Final Purchase Price is greater than the Preliminary Purchase Price, the difference will be paid by the Purchaser to the Seller and, similarly, should the Preliminary Purchase Price be greater than the Final Purchase Price, the difference will be refunded by the Seller to the Purchaser. Any required payment will be made within ten business days of the Final Purchase Price Determination Date.

The maximum consideration payable by the Purchaser (including the Purchaser’s Loan) is R2.688 billion.

5. CONDITIONS PRECEDENT

The Proposed Transaction is subject to certain conditions precedent, including:

- within 45 days of the Signature Date, the Seller providing confirmation to the Purchaser that the MAS Restructure has been implemented; and
- within 150 days of the Signature Date, Attacq and AWIC obtaining all approvals required in terms of the JSE Listings Requirements for the implementation of the Proposed Transaction, including the approval of Attacq’s shareholders in a general meeting.

It is noted that the Proposed Transaction will not require the approval of the Competition Authorities.

6. PROPERTY SPECIFIC AND FINANCIAL INFORMATION

Name of property ¹	Valuer ³	AWIC's share	AWIC's share of gross lettable area (m ²)	Weighted average rental per m ² per month (R)	Valuation as at 31 December 2022 (R'000)	AWIC's share of valuation (R'000)	AWIC net profit for the six months ended 31 December 2022 (R'000)
Retail experience hubs							
Mall of Africa	Sterling Mills	80%	103 361	302	5 236 071	4 188 857	203 532
Waterfall Corner	Fitchet Mills	100%	9 879	202	224 444	224 444	9 234
Waterfall Lifestyle	Fitchet	100%	7 139	193	99 683	99 683	7 090
Collaboration hubs							
Allandale Building	Mills Fitchet	100%	15 476	196	295 203	295 203	13 253
Cell C Campus ²	Sterling	100%	43 890	214	751 642	751 642	38 154
Corporate Campus Building 1	Sterling	50%	2 934	268	139 086	69 543	5 080
Corporate Campus Building 2	Sterling	50%	3 231	227	149 116	74 558	2 597
Corporate Campus Building 3 ²	Sterling	50%	1 985	214	126 052	63 026	4 783
Corporate Campus Building 4	Sterling	50%	2 485	219	106 554	53 277	75
Corporate Campus Building 5 ²	Sterling	50%	2 791	214	139 980	69 990	(1 931)
Corporate Campus Building 6	Sterling	50%	1 986	216	96 884	48 442	729
Corporate Campus Building 7	Sterling	50%	2 046	212	79 292	39 646	743
Gateway West Building	Mills Fitchet	100%	13 803	257	320 493	320 493	809
The Ingress PSG Wealth ²	Mills Fitchet	100%	4 311	214	115 069	115 069	2 142
The Ingress Building 2	Mills Fitchet	100%	4 395	168	72 630	72 630	(397)
Maxwell Office Park Building 1 ²	Mills Fitchet	50%	3 040	214	127 774	63 887	3 889
Maxwell Office Park Building 2	Mills Fitchet	50%	2 523	182	111 630	55 815	3 002
Maxwell Office Park Building 3	Mills Fitchet	50%	3 616	173	158 488	79 244	(275)
Maxwell Office Park Building 4	Mills Fitchet	50%	3 182	173	133 922	66 961	797
Maxwell Office Park Building 5 ²	Mills Fitchet	50%	2 000	214	93 494	46 747	699
Maxwell Office Park Building 6	Mills Fitchet	50%	1 986	248	82 986	41 493	1 049
Maxwell Office Park Building 7 ²	Mills Fitchet	50%	2 122	214	110 626	55 313	1 891
Nexus Waterfall - Building 1 ²	Sterling Mills	100%	7 252	214	133 307	133 307	(1 286)
Novartis ²	Fitchet	100%	7 982	214	179 986	179 986	7 301
PwC Tower and Annex ²	Mills Fitchet	75%	36 461	214	1 852 927	1 389 695	93 721
Waterfall Circle	Sterling	100%	24 354	-	393 604	393 604	(11 641)
Waterfall Point Building 2	Mills Fitchet	100%	2 585	222	59 952	59 952	11 356
Waterfall Point Building 4 ²	Mills Fitchet	100%	2 585	214	69 255	69 255	5 648

Logistics hubs							
Amrod ²	Sterling	50%	18 969	105	390 362	195 181	(1 032)
BMW ²	CBRE	100%	31 987	105	318 844	318 844	45 498
Crick Clothing ²	CBRE	100%	4 710	105	53 250	53 250	1 519
Cotton On ²	Sterling	50%	10 374	105	216 506	108 253	14 839
Cummins ²	Sterling	50%	7 649	105	242 718	121 359	6 033
Dimension Data ²	CBRE	100%	8 291	105	102 490	102 490	3 150
Dischem ²	CBRE	100%	8 518	105	80 470	80 470	1 407
GloTool ²	CBRE	100%	5 262	105	56 220	56 220	3 630
Massbuild Distribution							
Centre ²	CBRE	50%	25 017	105	445 030	222 515	11 759
Pirtek ²	CBRE	100%	2 816	105	32 860	32 860	2 832
Midi warehouse 4 ²	CBRE	100%	4 603	105	52 680	52 680	3 460
Vantage Data Centre ²	CBRE	50%	5 781	105	586 556	293 278	50 000
Zimmer Biomet ²	CBRE	50%	2 050	105	67 640	33 820	1 433
Hotel							
City Lodge ²	Mills						
	Fitchet	100%	5 744	225	108 349	108 349	6 074
Courtyard ²	Mills						
	Fitchet	100%	6 715	225	215 910	215 910	(5 194)
Developments under construction							
Plumblink head office and distribution centre	Sterling	50%	7 472	-	147 456	73 728	(290)
Development rights	Valquest	100%	-	-	683 600	683 600	(13 340)
Infrastructure, IFRS adjustments and Head office						372 672	(188 778)
Finance costs in respect of interest-bearing debt							(243 387)
Total			475 358		15 261 091	12 247 241	101 657

	AWIC net asset value 31 December 2022 (R'000)	AWIC total comprehensive profit for the six months ended 31 December 2022 (R'000)
AWIC's share of investment property valuations	12 247 241	-
Net profit	-	101 657
Other comprehensive income	-	110 023
Interest-bearing debt	(5 023 180)	-
Other net assets and IFRS-related adjustments	(806 302)	-
Total	6 417 759	211 680

Notes:

- All properties are located at Waterfall, Gauteng.
- With regard to single-tenanted properties, the weighted average rental per m² per month provided is the average of all single-tenanted properties in relevant sector calculated as at 31 December 2022.
- The properties have been valued at 31 December 2022 by Sterling Valuation Specialists Close Corporation (“**Sterling**”); CBRE Excellerate CRES Proprietary Limited (“**CBRE**”), Mills Fitchet Cape Proprietary Limited (“**Mills Fitchet**”) and Vallun Properties Proprietary Limited (“**Valquest**”), all of whom are independent external valuers registered in terms of the Property Valuers Professions Act 47 of 2000.

4. Net profit for the six months ended 31 December 2022 was extracted from the interim results of Attacq for the six months ended 31 December 2022 which were prepared in terms of International Financial Reporting Standards. Debt funding is done on a portfolio basis, as a result finance costs are not allocated per building and the total finance costs have been deducted in arriving at the net profit attributable to the properties for the six months ended 31 December 2022.

7. CATEGORISATION OF THE TRANSACTION

The Proposed Transaction will constitute a Category 1 transaction with a related party in terms of the JSE Listings Requirements given its size relative to the market capitalisation of Attacq and the fact that the Purchaser is a material shareholder in Attacq. Accordingly, the Proposed Transaction will be subject to the approval of a majority of Attacq's shareholders, excluding the Purchaser and its associates, in a general meeting. A circular in this regard, containing a fairness opinion prepared by an independent expert, is in the process of being prepared and shall be distributed to Attacq's shareholders in due course.

8. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcement and renewals thereof published on 13 February 2023, 28 March 2023, 15 May 2023 and 27 June 2023, respectively, and are advised that as a result of the publication of this announcement, the cautionary is withdrawn. Accordingly, caution is no longer required to be exercised by shareholders when dealing in their Attacq shares.

6 July 2023

Sponsor and corporate advisor

The logo for Java Capital, featuring the word "JAVA" in a stylized font with a blue swoosh under the "A", followed by "CAPITAL" in a plain, uppercase font.