

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1948/031013/06

ISIN: ZAE000090692

JSE and A2X share code: MTA

("Metair" or the "Company", together with its subsidiaries, the "Metair Group")



DETAILED TERMS ANNOUNCEMENT REGARDING THE DISPOSAL OF METAIR'S TURKISH OPERATIONS

1. INTRODUCTION

- 1.1. Metair shareholders ("Shareholders") are hereby advised that on 16 September 2024 ("Signature Date"), Metair and its wholly owned subsidiary, Metair International Holdings Coöperatief U.A. ("MIH" or the "Seller"), entered into a sale and purchase agreement ("SPA") with Quexco Incorporated ("Quexco") in terms of which MIH will dispose of its entire shareholding in Metair Akü Holding Anonim Şirketi ("Metair Türkiye") to Quexco and/or a nominated affiliate of Quexco, wholly owned and controlled, directly or indirectly, by the beneficial owner of Quexco ("Purchaser") for the consideration set out in paragraph 4.1 ("Disposal Consideration"), ("Disposal").
- 1.2. The Disposal will be subject to the fulfilment or waiver of the Conditions (as envisaged in paragraph 4.2).

2. INFORMATION REGARDING METAIR TÜRKIYE AND QUEXCO

2.1. Metair Türkiye

- 2.1.1. Metair Türkiye forms part of Metair's Energy Storage vertical and operates as the holding company of Metair's Turkish operations, which consist of Mutlu Holding Anonim Şirketi, Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi, Mutlu Plastik ve Ambalaj Sanayii Anonim Şirketi and Metair Gayrimenkul Proje Kiralama Anonim Şirketi (collectively herein referred to as the "Mutlu Group").
- 2.1.2. The Mutlu Group manufactures and trades energy storage products and solutions, including lead-acid batteries and lithium-ion batteries for use in mobility applications as well as in the telecoms, utility, mining, retail and materials / products handling sectors.
- 2.1.3. Automotive batteries manufactured by the Mutlu Group are supplied to major automotive original equipment manufacturers for installations in new vehicles in Türkiye. Batteries are also sold into the automotive aftermarket through the Energy Storage vertical's aftermarket distribution channels and franchised retail networks.
- 2.1.4. The value of Metair Türkiye's net assets as at 31 December 2023 was R2.9 billion and the loss attributable thereto for the year ended 31 December 2023 was R70.6 million.
- 2.1.5. The values attributable to the net assets and the profits thereto have been extracted from Metair Türkiye's annual financial packs for the year ended 31 December 2023, which were prepared in accordance with International Financial Reporting Standards (IFRS) and reported on by Metair's external auditors.
- 2.1.6. More information pertaining to the Mutlu Group is available on Metair's website at <https://www.metair.co.za/>, including Metair's: (i) annual financial statements and (ii) annual integrated report, for the year ended 31 December 2023 (which are available at https://www.metair.co.za/wp-content/uploads/2024/03/Metair-IAR_2023.pdf).

2.2. Quexco

- 2.2.1. Quexco was founded in 1984 (with its predecessor entity dating back to 1974). It operates as a diversified, private holding company with interests in the lubricants industry and a rich history, having in the past operated in the battery industry expanding over 50 years. The company was founded and is wholly owned and controlled by its current Chairman, Mr Howard Meyers.

- 2.2.2. Quexco historically held selective investments in lead mining, smelting and recycling businesses as well as battery distribution businesses and through its past affiliates, had operated 17 non-ferrous smelting and refining facilities and three anode and flat roll producing facilities, with operations throughout the European Union, North America and South Africa. In addition, Quexco previously operated Bayou Steel, a steel manufacturer with facilities in LaPlace, Louisiana and Harriman, Tennessee, before selling this business to ArcelorMittal.
- 2.2.3. Quexco is currently the owner of Bestolife Corporation, a leading producer of lubricants in oil production. Bestolife products are supplied throughout the United States of America, Canada, Mexico, Europe and the Far East, often serving as a single source supplier.

3. RATIONALE FOR THE DISPOSAL

3.1. The Mutlu Group has been an important part of Metair since its acquisition in 2013, enabling an element of geographic and sector diversification within the Metair Group. After careful consideration, Metair commenced a process of reviewing and restructuring the Mutlu Group in 2022. This led to Metair making the decision to dispose of the Mutlu Group. The Disposal rationale is as follows:

- 3.1.1. **Metair Group operational risk profile enhanced:** The Mutlu Group operates under challenging macroeconomic conditions that, together with the current hyperinflationary environment in Türkiye, has introduced significant complexity and risk to the Metair Group. In 2023, the Mutlu Group faced a number of additional challenges, including a shortage of contract workers and the loss of material export volumes, resulting in a drop in profitability, along with higher debt levels and increased working capital. The decision to dispose of the Mutlu Group derisks the Metair Group, by removing its exposure to the Mutlu Group's challenging operational conditions and hyperinflationary environment, and ultimately enhances the Metair Group's operational risk profile.
- 3.1.2. **Metair Group balance sheet materially strengthened:** Metair's South African Subsidiaries are highly leveraged, placing pressure on the Metair Group. The proceeds from the Disposal will enable Metair to deleverage its balance sheet by addressing 3 of its key near-term liquidity requirements:
 - 3.1.2.1. re-capitalising Hesto Harnesses Proprietary Limited ("**Hesto**") through an optimised capital structure;
 - 3.1.2.2. contributing to the settlement of current debt and enabling the refinancing of the Metair Group debt; and
 - 3.1.2.3. selling the Mutlu Group with its operational debt,resulting in the Metair Group's balance sheet being materially strengthened as a result of the Disposal, as well as a material interest expense reduction due to the reduced debt.
- 3.1.3. **Significant value unlock for the Shareholders:** The Disposal provides an opportunity for Metair to realise material value from its investment in the Mutlu Group in the immediate term and for Shareholders to unlock value through a potential rerating of the Metair Share price as a result of the improved Metair Group's operational and financial risk profile and the remaining Metair Group (i.e. excluding the Mutlu Group) being observed independently by the market.
- 3.1.4. **A refined strategy focused on the Sub-Saharan African sector:** After conclusion of the Disposal, Metair will primarily be an automotive component manufacturing business focused on South Africa, with a strategic focus of being a key player in the Sub-Saharan African mobility sector, which has compelling macroeconomic tailwinds in the medium to long term. The Disposal and subsequent deleveraging will free-up capacity to focus on growth in the sector to drive value for Shareholders.

4. SALIENT TERMS OF THE DISPOSAL

The salient terms and conditions of the Disposal, and other salient information pertaining to the Disposal, are set out below.

4.1. Disposal Consideration

In terms of the SPA, the Disposal Consideration in respect of MIH's entire shareholding in Metair Türkiye will be an amount of US\$110 million (approximately R1.95 billion, based on the US\$:R exchange rate of R17.76:\$1 as at the Signature Date), payable in cash, by the Purchaser to the Seller on the Closing Date (as defined in paragraph 4.3), subject to customary adjustments based on the Mutlu Group's net debt and working capital amounts.

4.2. Conditions to the Disposal

4.2.1. Implementation of the Disposal will be subject to the fulfilment or waiver (to the extent permitted as per paragraphs 4.2.2 and 4.2.3) of the following conditions precedent by 16 March 2025 (unless extended by the Seller and the Purchaser by agreement in writing) ("**Long Stop Date**"):

4.2.1.1. the approval of the Disposal by way of an ordinary resolution adopted by the requisite majority of Shareholders at the general meeting of Shareholders convened for purposes of considering and, if deemed fit, passing the resolution to approve the Disposal, or any postponement or adjournment thereof ("**General Meeting**"), as contemplated in terms of paragraph 9.20 of the JSE Limited Listings Requirements ("**JSE Listings Requirements**"), ("**Ordinary Resolution**");

4.2.1.2. the approval or deemed approval of the Turkish Competition Board in respect of the Disposal being received on an unconditional basis; and

4.2.1.3. the relevant Mutlu Group companies having executed a financing agreement with a Turkish bank to be agreed between the Seller and the Purchaser,

(collectively, the "**Conditions**").

4.2.2. Each of the Conditions set out in paragraphs 4.2.1.1 and 4.2.1.2 are not capable of waiver.

4.2.3. The Condition set out in paragraph 4.2.1.3 is capable of waiver by the Purchaser and the Seller by agreement in writing at any time before the Long Stop Date.

4.3. Closing Date of the Disposal

The Closing Date of the Disposal, in each case unless extended by the Purchaser and the Seller by agreement in writing, shall be the last business day of the month in which all the Conditions have been fulfilled or waived, save that:

4.3.1. if all the Conditions are fulfilled or waived on a date falling after the 20th day of the month; and/or

4.3.2. if the last business day of the month in which all the Conditions have been fulfilled or waived is a date falling less than 10 business days after the date of the passing of the Ordinary Resolution,

then the Closing Date shall be the last business day of the month immediately following the month in which the Conditions are fulfilled or waived ("**Closing Date**").

4.4. Other significant terms of the SPA

4.4.1. The SPA contains warranties given by MIH and Metair to the Purchaser, and by the Purchaser in favour of MIH, which are customary for a transaction of this nature, as well as indemnities in relation to (i) pre-closing tax liabilities of the Mutlu Group; (ii) anti-trust proceedings against Metair's subsidiary in Romania and (iii) outstanding occupancy permits in respect of the Mutlu Group's Tuzla facility.

4.4.2. In terms of the SPA, should any of the following events occur:

4.4.2.1. damage to or the destruction of the whole or substantial part of any of the Mutlu Group's Tuzla facilities or Gediz facilities as a result of earthquake, flood, fire, explosion, military, civilian or terrorist attack or acts of god, as a result of which the Mutlu Group companies are no longer able to operate in any material capacity;

- 4.4.2.2. the cancellation (or issuance of a notice of cancellation) of the workplace opening and operation permit of the Mutlu Group's Gediz facility by the relevant governmental authority or the operations in the Gediz facility ceasing or being required to cease (whether as a result of an injunction, order or other act of a relevant governmental authority) as a result of non-compliance of the workplace opening and operation permit of the Gediz facility; or
- 4.4.2.3. any one more constructions in the Tuzla facilities being sealed or removed or ordered to be sealed or removed (whether as a result of an injunction, order or other act of a relevant governmental authority) as a result of the lack of any occupancy permit at the Tuzla facilities resulting in the ceasing of or a material disruption to any operations of the Mutlu Group ("**Tuzla Facilities MAC**") and not being remedied through the obtaining of the relevant occupancy permit or permits such that the relevant operations of the Mutlu Group resume within the earlier of 60 days of such ceasing of relevant operations and the Long Stop Date (as extended, if applicable),

the Purchaser shall, subject to paragraph 4.4.3 below, be entitled, prior to the Closing Date and by notice to the Seller, to terminate the SPA.

- 4.4.3. In the event that the Tuzla Facilities MAC occurs, the Closing Date may be extended by the Seller and the Purchaser by agreement in writing.
- 4.4.4. Metair has guaranteed the due and punctual performance and observance by MIH of its obligations under the SPA.

5. APPLICATION OF THE DISPOSAL CONSIDERATION

The Disposal Consideration will be applied towards deleveraging the Metair Group's balance sheet to a sustainable level, by addressing 3 of its key near-term liquidity requirements:

- 5.1. re- capitalising Hesto through an optimised capital structure;
- 5.2. contributing to the settlement of current debt and enabling the refinancing of the Metair Group debt; and
- 5.3. selling the Mutlu Group with its operational debt,

resulting in the Metair Group's balance sheet being materially strengthened as a result of the Disposal, as well as a material interest expense reduction due to the reduced debt.

6. IRREVOCABLE UNDERTAKING IN SUPPORT OF THE DISPOSAL

As at the date of this announcement, Metair has obtained a binding irrevocable in support of the Ordinary Resolution from Value Capital Partners, a Shareholder holding 39 075 118 issued Metair ordinary shares ("**Metair Shares**") (including Metair Shares held on behalf of its clients), representing c. 19.64% of the Metair Shares.

7. CLASSIFICATION OF THE DISPOSAL

- 7.1. As the value of the Disposal exceeds the 30% threshold outlined in paragraph 9.5 of the JSE Listings Requirements, the Disposal is categorised as a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements.
- 7.2. Accordingly, the Disposal is required to be approved by Shareholders by way of an Ordinary Resolution at the General Meeting, as contemplated in paragraph 9.20(b) of the JSE Listings Requirements.
- 7.3. The Disposal is not made to a "*related party*", as defined in paragraph 10.1(b) of the JSE Listings Requirements, therefore there are no "*related party transaction*" implications in terms of section 10 of the JSE Listings Requirements.

8. CIRCULAR

- 8.1. Metair will issue a circular to Shareholders, as contemplated in paragraph 9.20(b) of the JSE Listings Requirements, setting out the full terms and conditions of the Disposal and incorporating a notice convening the General Meeting (“**Circular**”), on or about Monday, 30 September 2024. A further announcement pertaining to the issue of the Circular will be published on SENS in due course.
- 8.2. Shareholders are advised to refer to the Circular for the full terms and conditions of the Disposal.
- 8.3. For the avoidance of doubt, in the event of an inconsistency in the terms and conditions of the Disposal, between this announcement and the Circular, the provisions of the Circular will prevail.

9. OTHER IMPORTANT INFORMATION

Further details relating to the Disposal, the General Meeting and the related salient dates and times will be published on SENS in due course.

Johannesburg
17 September 2024

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