

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" or the "Group")

ACQUISITION OF AUTOZONE HOLDINGS PROPRIETARY LIMITED

1. Introduction

- 1.1. Metair is pleased to advise that on Thursday, 3 October 2024 ("**Signature Date**"), the Company entered into a sale of shares and facility agreement (the "**Agreement**") with, *inter alios*, TP Hentiq 6128 Proprietary Limited (the "**Seller**") and the appointed business rescue practitioners of AutoZone Holdings Proprietary Limited, a company currently in business rescue ("**AutoZone**").
- 1.2. In terms of the Agreement, on and with effect from the Closing Date (as defined in paragraph 7 below), Metair, or a nominated subsidiary of Metair, will, as one indivisible transaction:
 - 1.2.1. acquire the entire issued share capital of AutoZone (the "**Sale Shares**") from AutoZone's shareholders, which, following an internal restructure to be implemented on or before the Closing Date, will be the Seller, Main Street 1256 Proprietary Limited, Main Street 1257 Proprietary Limited and ABSA Bank Limited ("**ABSA**"); and
 - 1.2.2. advance to AutoZone a facility to be used by AutoZone to settle creditor claims and fund certain working capital requirements,in accordance with the implementation of AutoZone's approved business rescue plan (the "**Business Rescue Plan**"), ("**Transaction**").
- 1.3. If Metair nominates one of its subsidiaries to be the purchaser and lender in terms of the Agreement, Metair shall guarantee the obligations of that nominated subsidiary under the Agreement.
- 1.4. As at the Signature Date, the Seller is beneficially owned by: (i) The James and Paula Family Trust; (ii) GPAM Proprietary Limited; (iii) Ethos Fund VI (Jersey), L.P.; (iv) Ethos Mid- Market Fund I (A) and (B) Partnerships and (v) Emerald Panther Investments 42 Proprietary Limited. Notwithstanding this, ABSA, in its capacity as the preferential creditor in terms of the Business Rescue Plan, controls and holds over 75% of the votes in a creditor meeting.

2. Overview of AutoZone

- 2.1. AutoZone is a privately owned leading distributor of auto parts, spares and car accessories in South Africa, with approximately 169 retail stores and 7 QSV stores.
- 2.2. AutoZone entered into business rescue proceedings on 1 July 2024 and is currently operating in terms of its Business Rescue Plan, pursuant to which the appointed business rescue practitioners are authorised and empowered to conclude the Transaction, for and on behalf of AutoZone.
- 2.3. As at 1 July 2024, the value of AutoZone's net assets (excluding liabilities that are subject to the Business Rescue Plan) was approximately R485 million (including net working capital of R421 million). Further, for the financial year preceding business rescue proceedings up

until 30 June 2024, AutoZone generated positive earnings before interest, taxation, depreciation and amortisation (“**EBITDA**”) of approximately R62 million and a net loss attributable thereto of approximately R61 million.

- 2.4. The values attributable to the net assets, EBITDA and net loss attributable to AutoZone have been extracted from unpublished AutoZone’s unaudited *pro forma* management accounts for the year ended 30 June 2024, prepared in terms of the international financial reporting standards (IFRS) (“**Management Accounts**”), normalised for the assets, liabilities not transferred and non-recurring costs. The Company confirms that it is satisfied with the quality of the Management Accounts.
- 2.5. It should be noted that a key driver of the historical trading performance of AutoZone has been the impact of the significant debt on the balance sheet predominantly related to the 2014 leveraged buyout of the business. This funding structure impacted AutoZone’s ability to invest in working capital sustainably, ultimately impacting historical profitability. All of AutoZone’s historical debt will be settled following implementation of the Business Rescue Plan.
- 2.6. Metair is of the view that following the restructuring of AutoZone in terms of the Business Rescue Plan and investment in working capital, the business can return to profitability and be value accretive for Metair.

3. Rationale for the Transaction

The acquisition is in line with Metair’s strategy of diversification in the mobility sector and provides Metair with an established distribution channel to grow Metair’s current automotive aftermarket businesses in South Africa.

4. Transaction value

- 4.1. In terms of the Agreement, the maximum amount payable by Metair (or its nominated subsidiary) pursuant to the Transaction is R290 million, payable in cash on the Closing Date (“**Maximum Transaction Consideration**”).
- 4.2. The Maximum Transaction Consideration comprises the following:
 - 4.2.1. a nominal amount for the acquisition of the Sale Shares; and
 - 4.2.2. an aggregate loan facility of up to R290 million to be advanced by Metair (or its nominated subsidiary) to AutoZone on the Closing Date and applied by AutoZone as follows:
 - 4.2.2.1. R200 million, payable to ABSA to settle ABSA’s secured claim, as adjusted downwards in terms of a net working capital formula based on the difference between AutoZone’s actual net working capital and an agreed reference net working capital of R400 million, assessed in terms of financial statements prepared before the Closing Date;
 - 4.2.2.2. R15 million, to settle pre-commencement unsecured creditors; and
 - 4.2.2.3. R75 million to fund the working capital requirements of AutoZone and provide AutoZone with the ability to trade as normal.
- 4.3. In the event that AutoZone’s actual net working capital at the Closing Date is less than R344 million, Metair has the right to terminate the Agreement.

5. Conditions

The implementation of the Transaction is subject to the fulfilment or waiver (to the extent permitted) of, *inter alia*, the following conditions (the “**Conditions**”) by an agreed long stop date, being 75 days from the Signature Date or such later date as agreed to by the applicable parties:

- 5.1. the South African competition authorities approving the Transaction;
- 5.2. Metair’s lenders consenting to the Transaction; and
- 5.3. Counter-parties to certain AutoZone contracts consenting to the Transaction.

6. Other significant terms of the Transaction

It is contemplated that as soon as reasonably practicable following the Closing Date, the business rescue practitioners will file a notice of substantial completion of the Business Rescue Plan with the Companies and Intellectual Property Commission and AutoZone shall exit business rescue proceedings. Furthermore, the Agreement contains additional terms customary to a transaction of this nature.

7. Closing Date

The Closing Date of the Transaction, in each case unless extended by the applicable parties by agreement in writing and subject to the parties agreeing on the applicable net working capital adjustments, shall be the third business day after the last of the Conditions has been fulfilled or waived (“**Closing Date**”).

8. Categorisation and memorandum of incorporation

- 8.1. The Transaction, taking into consideration the Maximum Transaction Consideration, is classified as a category 2 transaction for Metair in terms of paragraph 9.5(a), as read with paragraph 9.8(c), of the JSE Limited Listings Requirements (“**Listings Requirements**”) and is therefore not subject to shareholder approval.
- 8.2. In compliance with paragraph 10.21 of Schedule 10 of the Listings Requirements, following implementation of the Transaction, Metair will ensure that the provisions of the memorandum of incorporation of AutoZone does not frustrate or relieve the Company in any way from compliance with its obligations in terms of the Listings Requirements.

4 October 2024
Johannesburg

Sponsor to Metair
One Capital

Financial Advisor to Metair
KPMG Services Proprietary Limited

Legal Advisor to Metair
Webber Wentzel

Business Rescue Practitioner to AutoZone
Matuson and Associates

Legal Advisor to AutoZone
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