

---

## ACQUISITION OF PUMA DISTRIBUTION CENTRE IN GLASSHOUGHTON, ENGLAND

---

### 1. INTRODUCTION

Shareholders are advised that Equites, through its Isle of Man based wholly-owned subsidiary, Equites International Limited ("**Equites International**"), has concluded an agreement with Barlow Property II LLP ("**the seller**"), in terms of which Equites International will acquire a new, 24 340 square meter distribution centre situated in Glasshoughton, England ("**the property**") from the seller for a purchase consideration of £30 675 000 (equivalent to approximately ZAR559 818 750) (the "**purchase consideration**") which is payable in cash ("**the transaction**").

### 2. RATIONALE

The transaction is consistent with Equites' stated growth and investment strategy of:

- diversification into the United Kingdom ("**UK**") in order to mitigate the risks of its emerging market focus and access the advanced know-how and technology in respect of logistics facilities in the UK;
- focusing on premium "big-box" distribution centres, let to investment grade tenants on long-dated "triple net leases", in proven logistics nodes and built to institutional specifications; and
- building a high-quality logistics portfolio, consisting of properties with predictable rental growth profiles, that promotes capital growth and increasing income returns over the medium to long term.

Equites views the property as evidencing the following sound investment fundamentals:

- The property, which meets modern logistics requirements, is in Glasshoughton (near Leeds) which is an established industrial and distribution market owing to its strategic location at the intersection of the A1(M), M1 and M62 motorways. It also benefits from excellent road, rail, air and sea connectivity.
- The property, 24 340 square metres in extent on a 5.3 hectare site which translates into a low coverage of 45%, provides the tenant with a steel portal framed warehouse, a two storey high quality office area, dock level and level access doors, extensive 50 metre yards and clear height to eaves of 15 metres.
- The seller and Puma United Kingdom Limited ("**Puma**") have concluded an agreement of lease for a 15-year period as from 1 August 2019, with an option in favour of the tenant to break after 10 years. The tenant forms part of the German based Puma SE Group, the third largest sportswear company in the world, with Puma SE being listed on the Frankfurt Stock Exchange. The group employs 13 000 people and its products are distributed in more than 120 countries. Puma SE, which had a global turnover of €6.54 billion (approximately ZAR110 billion) in 2018 will act as guarantor in respect of all the obligations of the tenant in terms of the lease.
- The Puma lease will be on a fully repairing and insuring basis with rent reviews at the end of years 5 & 10 where the rent will be reviewed to the higher of open market rental value or RPI uplifts compounded annually with a cap of 3% and a collar of 1%. Independent expert advice has been that the current estimated rental value for the property is higher than the base rent of £5.75 per square foot as per the Puma lease, which confirms the rental growth profile of the property.

The property will therefore add to the quality, defensiveness and income predictability of Equites.

### 3. DETAILS OF THE PROPERTY

The purchase consideration is based on the first year's rental income of £1 506 500 (ZAR27 493 625) at £5.75 per square foot.

| Property name | Geographical location  | Sector    | GLA (m <sup>2</sup> ) | Weighted average rental per square foot | Weighted average rental per square metre | Purchase consideration          |
|---------------|--|-----------|-----------------------|---|--|---------------------------------|
| Puma          | Whistler Drive,<br>Glasshoughton,<br>Wakefield,<br>WF104PR,<br>England | Logistics | 24 340                | £5.75<br>(ZAR104.94)                    | £61.89<br>(ZAR1 129.49)                  | £30 675 000<br>(ZAR559 818 750) |

The purchase consideration of the property is considered to be its fair market value, as determined by the directors of the company. The directors of the company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

The property has been let to Puma on a 15 year fully repairing and insuring lease which Puma can terminate after 10 years.

### 4. TERMS OF THE TRANSACTION

4.1 Contracts exchanged with the seller on 8 August 2019 and contractual completion is due to take place on 16 August 2019, on which date all risk and benefits in respect of the property will pass to Equites International.

4.2 On 8 August 2019, Equites paid a deposit on account of the purchase consideration in the amount of £3 067 500 (“**deposit**”), with the balance of the purchase consideration being due and payable after contractual completion.

4.3 The contract is unconditional.

### 5. FINANCIAL INFORMATION

Set out below is the forecast for the property (“**the forecast**”) for the six-and-a-half-month period ending 29 February 2020 and year ending 28 February 2021 (“**the forecast period**”).

The forecast has been prepared on the assumption that the transaction will be implemented on 16 August 2019 and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the company. The forecast has not been reviewed or reported on by independent reporting accountants.

The forecast presented in the table below has been prepared in accordance with the company's accounting policies, which are in compliance with International Financial Reporting Standards.

|  | <b>Forecast for the<br/>six-and-a-half-month<br/>period ending<br/>29 February 2020<br/>ZAR'000</b> | <b>Forecast for the<br/>year ending<br/>28 February<br/>2021<br/>ZAR'000</b> |
|--|---|--|
| <b>Rental revenue</b>                    | <b>14 996</b>   | <b>29 226</b>  |
| Non-recoverable property expenses        | (92)  | (97)   |
| <b>Net property income</b>               | <b>14 904</b>   | <b>29 129</b>  |
| Less: finance costs                      | (3 817)   | (7 439)  |
| <b>Profit after tax</b>                  | <b>11 087</b>   | <b>21 690</b>  |
| <b>Profit available for distribution</b> | <b>11 087</b>   | <b>21 690</b>  |

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The forecast has been prepared in Pounds and translated at an exchange rate of ZAR18.35/£1.00 and ZAR19.40/£1.00 for the period ending 29 February 2020 and for the year ending 28 February 2021 respectively.
2. The forecast is based on information derived from the management accounts, budgets, and rental contracts provided by the seller.
3. Revenue comprises contracted rental income based on the terms of the Puma lease, which is assumed to be valid and enforceable.
4. The lease is a fully repairing and insuring lease and normal property operating expenses are assumed to be recoverable from the tenant.
5. The asset management functions for this property will be performed internally.
6. 50% of the purchase consideration will be funded from UK debt, with the balance funded from existing cash resources. The marginal Pound cost of debt assumed in the forecast is 2.50%, which is in line with the group's current marginal Pound cost of debt funding.
7. No fair value adjustment is recognised.
8. There will be no unforeseen economic factors that will affect the lessee's ability to meet its commitment in terms of the lease.

## 6. CATEGORISATION

The transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by Equites' shareholders.

12 August 2019

Corporate advisor and sponsor to Equites

**JAVACAPITAL**