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## ACQUISITION OF THREE SHOPPING CENTRES

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### 1. Introduction

Shareholders are advised that on 12 May 2019 ("**signature date**") Vukile concluded an agreement ("**acquisition agreement**") pursuant to which, subject to the fulfilment of various conditions precedent (more fully detailed below), Vukile will acquire from Rebosis Property Fund Limited ("**Rebosis**"), as an indivisible transaction, the rental enterprises comprising three shopping centres known as Mdantsane City Shopping Centre, Bloed Street Mall and Sunnypark Shopping Centre (collectively the "**shopping centres**" or "**rental enterprise**") ("**the acquisition**").

The rental enterprise includes the immovable properties, land and buildings together with all movable assets, fixed assets, assets installed therein used in connection with the operations including the rights and obligations in terms of the Bloed Street Mall notarial leases and Rebosis' rights and obligations in terms of all lease agreements and other contracts used in the operation of the rental enterprise.

### 2. Rationale

The acquisition of the shopping centres is in line with Vukile's stated strategy of being a high-quality, low-risk JSE listed retail focussed REIT operating in South Africa and in Spain. The acquisitions are consistent with Vukile's South African focus on mid to low LSM shopping centres in South African townships and urban areas. The acquisition will complement Vukile's retail portfolio and positioning as a leading retail REIT in South Africa.

### 3. Description of the shopping centres

#### 3.1. Mdantsane City

Mdantsane City is a shopping centre that is located in one of the largest townships in South Africa. It is an established and very well supported shopping centre in the node and is situated on the main arterial route through Mdantsane. Mdantsane City has over 90 shops, with Shoprite, Pick n Pay and Cashbuild as anchor tenants. It has a high national tenant component and includes other national retailers such as Truworths, Woolworths, Foschini, Mr Price and Markham.

#### 3.2. Bloed Street Mall

Bloed Street Mall is situated in central Pretoria. Its location makes it easily accessible to commuters. The taxi rank located in the basement beneath the mall is the largest and busiest taxi interchange in the greater Tshwane region. Established almost two decades ago it continues to provide an exceptional and convenient shopping experience for local shoppers and commuters. Bloed Street Mall is anchored by Game, Superspar, Usave and also has an excellent mix of national fashion retailers.

#### 3.3. Sunnypark Shopping Centre

Sunnypark Shopping Centre is situated in Pretoria and provides shoppers with a contemporary shopping experience. The mall is anchored by Woolworths, Checkers, Mr Price, Truworths and Foschini. The food court comprises some of the best-loved South African food brands such as Nandos, Wimpy, Debonairs, Steers, Fishaways, Ocean Basket, and Chicken Licken. The shopping centre has a Virgin Active gym. Sunnypark Shopping Centre is well positioned and easy to access. It is situated close to local and national government buildings, embassies and tourist attractions. The mall is well supported by a loyal and established customer base.

#### 4. Salient terms of the acquisition

##### 4.1. Transfer date

Vukile will acquire the rental enterprise, with effect from the date of registration of transfer of ownership of the relevant immovable properties and the assignment of the Bloed Street Mall notarial leases into Vukile's name (the "**transfer date**"), which is anticipated to be on 31 August 2019. Ownership, risk and benefit in the rental enterprises shall vest in Vukile as from the transfer date.

##### 4.2. Purchase price

4.2.1. The purchase consideration will be an amount determined by applying a yield of 9.00% to the forecast net property income (the "**forecast NOI**") to be generated from the shopping centres for the 12-month period commencing 31 August 2019 plus (i) any agterskot payments referred to in paragraph 4.3 ("**agterskot**") and (ii) any payment in respect of the Mdantsane bulk referred to in paragraph 4.4 below ("**Mdantsane bulk**") (the "**purchase consideration**").

4.2.2. The forecast NOI has been provided by Rebosis and has not been reported on by Vukile's auditors or reporting accountants and is subject to confirmation during a due diligence process to be undertaken by Vukile.

4.2.3. The NOI for the purpose of the acquisition agreement has been assumed to be R160 million (which would translate into an aggregate purchase price of R1 777 777 778.00). That will constitute the maximum purchase price payable by Vukile, subject only to the agterskot and any payment that may be made in respect of Mdantsane bulk. If during the due diligence process it is established that the forecast NOI is less than R160 million (as determined by way of agreement between Vukile and Rebosis or, failing agreement, as determined by an independent expert), then Vukile shall pay a lower purchase price determined by applying a yield of 9.00% to the forecast NOI as agreed or as so independently determined. If the agreed or determined forecast NOI is less than R155 million then Vukile may elect to either purchase the rental enterprise for a purchase consideration of R1 722 222 222.22, or not to proceed with the acquisition.

4.2.4. If the shopping centres are not transferred into Vukile's name on or before 31 August 2019, the purchase consideration will be escalated by 6.00% per annum, calculated and expressed as an effective daily rate, from 31 August 2019 until the transfer date.

4.2.5. The purchase consideration will be settled in cash and will be discharged on the transfer date.

##### 4.3. Agterskot formulation

As at the signature date, 2 300m<sup>2</sup> of the office and retail components within the Sunnypark Shopping Centre is vacant ("**Sunnypark vacancy**"). If, prior to the first anniversary of the transfer date, Rebosis is able to procure independent creditworthy 3rd party tenants to lease the Sunnypark vacancy (on terms acceptable to Vukile) for lease periods of at least 3 years, then Vukile will pay Rebosis an additional amount of consideration in respect of the acquisition limited to R55 555 555 ("**agterskot payment**"). The agterskot payment shall be determined by applying a yield of 9.00% to the net property income of the first year of the relevant leases. If post the transfer date and prior to the first anniversary of the transfer date Vukile leases out all or portion of the Sunnypark vacancy, then Vukile will pay Rebosis 35% of the relevant agterskot payment.

##### 4.4. Mdantsane bulk

If Vukile, within 24 months of the transfer date, commences construction of an extension in respect of the undeveloped bulk at Mdantsane Shopping Centre, then subject to the development delivering at least a 10.5% development yield in the first year to Vukile, Vukile will pay to Rebosis an amount attributable to the undeveloped Mdantsane bulk used in the extension.

Such amount is to be determined by Norval Wenzel Steinberg ("**NWS**") from a development feasibility to be prepared by NWS. If the development yield as determined by NWS is lower than 10.5% in the first

year, then the cost attributable to the undeveloped bulk to be used in the extension will be reduced by such an amount in order for Vukile to achieve a development yield of 10.5%. The payment of any amount payable in terms of this paragraph shall be paid to Rebosis, within 30 days of the practical completion of the development.

#### 4.5. General terms

4.5.1. Rebosis shall remain liable for all liabilities associated with the rental enterprise up to the transfer date and has provided Vukile with appropriate indemnities in this regard.

4.5.2. Employees of the seller directly involved in the management and operation of the shopping centres will transfer together with the rental enterprise. It is anticipated that these employees will be accommodated within Vukile's existing outsource property management arrangements.

4.5.3. The acquisition agreement provides for undertakings, warranties and indemnities which are normal for transactions of this nature.

### 5. Funding of the purchase consideration

Whilst it is anticipated that Vukile may gear up to 25% of the purchase consideration under debt arrangements, Vukile proposes funding a significant portion of the purchase price by way of a vendor consideration placement of Vukile shares (a "**vendor consideration placement**"), thereby reducing the level of gearing against the shopping centres. The acquisition is conditional on *inter alia* Vukile shareholders approving both the acquisition and the vendor consideration placement.

### 6. Conditions precedent

The acquisition is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent, the last of which is required to be fulfilled by not later than 150 days of the signature date:

6.1. the securing, to the extent necessary, of any necessary regulatory approvals required to implement the acquisition including, in particular, any required Competition Authority approval;

6.2. Vukile having completed a comprehensive due diligence investigation in respect of the rental enterprise and Vukile issuing a written confirmation to Rebosis that Vukile is in its sole and absolute discretion satisfied as to the outcome of its due diligence investigation;

6.3. Rebosis securing any necessary consents, approvals and/or waivers of any third party pre-emptive rights in order for Rebosis to effect transfer of the immovable properties and/or the assignment of the Bloed Street Mall notarial leases to Vukile;

6.4. the securing by Rebosis of any necessary shareholder approvals required for it to dispose of the rental enterprise;

6.5. the securing by Vukile of shareholder approval for the acquisition and for Vukile to undertake the vendor consideration placement; and

6.6. the successful conclusion of the vendor consideration placement in respect of at least 75% of the purchase price at a pricing and on terms acceptable to Vukile.

### 7. Property specific information

Details of the shopping centres, including the name, geographical location, sector, GLA, weighted average rental per square metre, the net operating profit and the valuations, are set out in the table below. The financial information in this announcement has been provided to Vukile as extracted by Rebosis from the audited financial

statements of Reboasis for the year ended 31 August 2018 which was prepared in terms of International Financial Reporting Standards.

No	Name and geographical location	Sector	GLA (m <sup>2</sup> )	Weighted average rental per m <sup>2</sup> (R/m <sup>2</sup> )	Net operating profit (R'million)	Valuation <sup>1</sup> (R'million)
1	Mdantsane Shopping Centre, Eastern Cape	Retail	34 935	116.20	40.2	635
2	Bloed Street Mall, Gauteng	Retail	26 400	155.20	48.7	695
3	Sunnypark Shopping Centre, Gauteng	Retail Office	27 507 1 423	157.00	55.1	770
<b>Total</b>			<b>90 265</b>		<b>144</b>	<b>2 100</b>

**Notes:**

- The shopping centres were valued as at 31 August 2018 by Mills Fitchet Magnus Penny & Wolffs (Pty) Ltd, who are external independent valuers registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

## 8. CATEGORISATION OF THE ACQUISITION

Whilst the acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements and as such does not, in terms of the JSE Listings Requirements, require Vukile shareholder approval, Vukile has made the acquisition conditional on its shareholders approving the acquisition and its shareholders providing the Vukile board with the requisite authorities to undertake the vendor consideration placement. A circular convening a general meeting and providing further information on the acquisition and the vendor consideration placement will be sent to Vukile shareholders in due course.

13 May 2019

Corporate advisor and JSE sponsor

JAVACAPITAL

NSX sponsor



Attorneys and Competition law advisors

