

Exemplar REITail Limited
(Incorporated in the Republic of South Africa)
(Registration number 2018/022591/06)
Approved as a REIT by the JSE
JSE share code: EXP
ISIN: ZAE000257549
LEI: 3789000558287E37F130
("Exemplar" or "the Company")



RELATED PARTY ACQUISITION OF A 50.1% SHARE IN MALL OF THEMBISA PROPRIETARY LIMITED

1. INTRODUCTION

Shareholders are advised that the Company has, subject to certain conditions precedent, acquired 50.1% of the shares in the Mall of Thembisa Proprietary Limited ("**Devco**") from McCormick Property Development Proprietary Limited ("**MPD**"), in addition to MPD's claims on loan account against Devco in excess of R632,592,052. Devco's only asset is the Mall of Thembisa, a 44 809m² mall currently under development in Thembisa, Gauteng. The total purchase consideration is R78,584,805, which will be satisfied through the issue of 7 262 921 new ordinary Exemplar shares to MPD (the "**consideration**").

2. RATIONALE

The acquisition is in line with Exemplar's strategy to acquire high quality assets from MPD, which assets are consistent with the metrics of the existing Exemplar property portfolio.

3. TERMS OF THE ACQUISITION

3.1. The Transaction

Exemplar has entered into an agreement with MPD to acquire 50.1% of the issued shares in Devco, in addition to the claims on loan account in excess of R632,592,052 which MPD has against Devco, for the consideration (the "**acquisition**"), and with effect from 20 November 2020 (the "**effective date**").

3.2. Purchase consideration

The consideration payable for the acquisition will be settled through the issue of 7 262 921 new ordinary Exemplar shares to MPD.

3.3. Conditions precedent

The acquisition is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

- that the development of the Mall of Thembisa is completed to the reasonable satisfaction of Exemplar;
- that all approvals required for the Mall of Thembisa to be tenanted legally have been granted unconditionally, or are granted subject to such conditions which the parties agree are acceptable to them;
- that all approvals required in terms of the Competition Act are granted without conditions or are granted subject to such conditions which the parties agree are acceptable to them; and
- all approvals required by the JSE Limited have been obtained.

3.4. Material terms

The agreement in respect of the acquisition contains warranties which are normal for an acquisition of this nature; specifically, 50.1% of the net income is guaranteed by MPD for a period of two years, from 1 December 2020.

4. PROPERTY SPECIFIC INFORMATION

Property name	Geographical location	Sector	GLA (m ²)	Weighted average rental per m ² (R/m ²)	Purchase consideration (R)	Value attributed to the property as at 1 November 2020 (R)
Mall of Thembisa	Gauteng	Retail	44,809	R137.16	R78,584,805	R726,000,000

* Valuations have been carried out by Quadrant Properties Proprietary Limited as at 1 November 2020. Quadrant Properties is an external valuer as defined in section 13 of the JSE Listings Requirements. The purchase price 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.

5. FINANCIAL INFORMATION

Set out below are the forecast revenue, operational net income, net profit after tax and earnings available for distribution of the acquisition (“the forecast”) for the 12 months ending 30 November 2021 (the “forecast period”).

The forecast has been prepared on the assumption that the acquisition will be implemented on 1 December 2020 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.

	Forecast for the 12 months ending 30 November 2021
	R’000
Revenue	109 541 158
Net property income	71 603 992
Net after tax profit	34 103 992
Total comprehensive profit for the period	34 103 992
Profit available for distribution	23 984 844

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

1. The forecast is based on information derived from the management accounts, budgets, and rental contracts provided by Devco.
2. Rental income is derived from the forecasts provided to the Company by Devco.
3. Net property income includes the effects of straight lining rental income.
4. Total comprehensive profit includes the effects of finance costs.
5. Contracted revenue is based on existing lease agreements including stipulated increases, all of which are valid and enforceable.
6. Of the rental income of R73,750,800, 100% relates to contracted rental. No near contracted rental income is forecast.
7. Property operating expenditure has been forecast by the property manager on a line-by-line basis based on management's review of historical expenditure, where available, and discussion with the property manager.
8. No fair value adjustment is recognised.
9. There will be no unforeseen economic factors that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

6. RELATED PARTY TRANSACTION

In terms of section 10 of the JSE Listings Requirements, the acquisition constitutes a small related party transaction as MPD is a material shareholder of Exemplar, and John McCormick and Jason McCormick are directors of both MPD and Exemplar. Accordingly, Exemplar is required to obtain a fairness opinion from an independent expert in this regard.

A further announcement will be released following the finalisation of the independent expert's opinion.

30 October 2020

Sponsor

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