

EQUITES PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/080877/06)

JSE share code: EQU ISIN: ZAE000188843

(Approved as a REIT by the JSE)

("Equites" or "the company")



SALE OF TWO UK DISTRIBUTION WAREHOUSES TO BLACKSTONE

1 INTRODUCTION

As dealt with in detail below, Equites has sold two high-quality UK distribution warehouses (with remaining lease periods of five and six years) to real estate funds managed by Blackstone ("**purchaser**" or "**Blackstone**") for £43,400,000, being a 4.79% net exit yield and 6% premium to Equites' book value. The sale proceeds will be re-invested into the development of prime distribution warehouses by the Equites/Newlands JV, with the new warehouses let on 20- and 15-year leases to Hermes and Amazon. The recycling of capital allows Equites to optimise its positioning for UK opportunities available to it through the Equites/Newlands JV.

This transaction will realise net cash proceeds of £23,679,779 to Equites, while lowering the loan-to-value ratio across its portfolio.

2 SALE TRANSACTIONS

Equites, through its Isle of Man based wholly-owned subsidiary, Equites International Limited ("**Equites International**"), has concluded a share purchase agreement ("**share purchase agreement**") with an affiliate of Blackstone Group International Partners LLP, Algarve Holdco Limited, in terms of which Equites International will be selling the entire issued share capital of each of Equites UK SPV2 Limited ("**Equites SPV 2**") and Equites UK SPV 3 Limited ("**Equites SPV 3**") ("**the target companies**") to real estate funds managed by Blackstone ("**the transaction**").

Equites SPV 2 owns the property called Big Stan situated at Stanley Mathews Way, Stoke-On-Trent ST4 8GR England. This property comprises a distribution warehouse totalling 20,463 square metres which is let to Amazon UK Services Limited until 18 July 2026 ("**Amazon property**"). Equites SPV 3 owns the property called DSV Stoke situated at Prologis Park Sideway Park Sideway, Stoke-On-Trent ST4 4FA England. This property comprises a distribution warehouse totalling 19,511 square metres which is let to DSV Solutions Holdings Limited until 15 June 2027 ("**DSV property**") ("**the sale properties**").

3 RATIONALE FOR THE SALE OF PROPERTIES IN STOKE-ON-TRENT

The Equites board continuously evaluates its portfolio and applies a range of investment criteria against every property in the portfolio to determine a specific strategy in respect of each property. Factors considered include, *inter alia*, length of lease, prospect of rental growth, desirability of location, prospect of tenant renewing their lease, potential selling price, and the potential of recycling proceeds from a sale into superior product and/or at superior returns.

The board decided to dispose of the sale properties for the following reasons:

- the remaining lease lengths in respect of the properties (c. 5 and 6 years respectively) are significantly below the average weighted expiry profile of our UK portfolio of 13.7 years; and

- the strategic partnership with UK-based development company, Newlands Developments LLP (“**Newlands**”), has gained significant momentum and the proceeds of these sale transactions will be invested into UK logistics products that will be developed by the Equites/Newlands JV. As is evident from the below mentioned Amazon Peterborough and Hermes Hoyland transactions, the logistics facilities which Equites will ultimately own through its strategic partnership with Newlands are premium brand-new logistics facilities, built to institutional standards and let to high-quality tenant on long-term leases.

4 RECYCLING OF CAPITAL INTO THE NEWLANDS JV

Since entering the United Kingdom (“**UK**”) logistics market in June 2016, Equites has assembled a portfolio of 11 prime logistics facilities and several strategic development sites valued at c. £320 million. In November 2018 Equites concluded the Newlands joint venture which provides Equites with access to sought-after land parcels earmarked for logistics warehouses and tenanted development opportunities in key logistics nodes in targeted areas of the UK.

This Newlands joint venture provides Equites with opportunities to achieve scale in the sought-after UK logistics market. Equites has recently concluded its first two development transactions through the Equites/Newlands JV, *viz:*

Amazon Peterborough

The Equites/Newlands JV has concluded legal agreements to develop a modern distribution warehouse facility and ancillary accommodation that will total approximately 13,629 square meters for Amazon UK Services Limited at Peterborough Gateway in Peterborough, England on a 15-year FRI lease. Upon completion the facility will be owned by Equites and the total development cost is £41,283,310.

Hermes Hoyland

The Equites/Newlands JV has concluded legal agreements to develop a modern distribution warehouse facility and ancillary accommodation that will total approximately 31,570 square meters for Hermes Parcelnet Limited at Hoyland Common, Barnsley, England on a 20-year FRI lease. Upon completion the facility will be owned by Equites and the total development cost is £72,326,428.

5 TERMS OF THE TRANSACTION

- 5.1 Equites International will be selling the entire issued share capital of each of the target companies to real estate funds managed by Blackstone.
- 5.2 The purchase price under the share purchase agreement is the net asset value of the target companies as at the effective date of the share purchase agreement (“**completion**”), including an agreed amount attributable to the properties owned by the target companies of £43,400,000 in aggregate, £22,300,000 in respect of the property owned by Equites SPV 2 and £21,100,000 in respect of the property owned by Equites SPV 3.
- 5.3 A deposit of £4,340,000 is payable by the purchaser on the conclusion of the share purchase agreement. The amount payable on completion is the estimated net asset value of £13,063,779 less the deposit. In addition, £10,616,000 of intercompany loans will be settled as well as £18,606,675 of third-party debt. The remainder of the purchase price is attributable to working capital adjustments. The final consideration amount will be determined in accordance with a completion accounts mechanism following completion.

- 5.4 Completion is scheduled for Friday, 26 February 2021. The share purchase agreement allows for the purchaser to seek external financing, but completion is not conditional on external finance being received by the purchaser.
- 5.5 The purchaser has a right to terminate the share purchase agreement between the conclusion of the share purchase agreement and completion in limited circumstances, including in the event of a breach of certain fundamental warranties and covenants set out in the share purchase agreement or there being a breach by Equites International of the interim period protections that result in a diminution in the market value of the properties of 5% or more in aggregate or either individual property of 5% or more, as determined by an independent expert.
- 5.6 Under the share purchase agreement Equites International has given a suite of warranties and a tax covenant which are considered standard in transactions of this nature, subject to a schedule of limitations. The liability of Equites International for a breach of warranty or the tax covenant is limited to £1.00, with the purchaser having obtained warranty and indemnity insurance for the transaction at its cost.

6 VALUATION

The independent valuations of the sale properties were recently undertaken by Cushman Wakefield, an independent external valuer, in accordance with the “RICS Valuation – Professional Standards, the 2012 Edition (the “Red Book”). This is an internationally accepted basis of valuation. The independent valuations were in line with book values as set out in section 7 below.

7 FINANCIAL INFORMATION

At 31 August 2020, the fair value of the property assets less the liabilities in the target companies amounted to £12,088,480, based on property values of £20,549,637 for the Amazon property and £20,513,723 for the DSV property. The weighted average rental per square metre for the total rentable area of the sale properties amounts to £52.1 per annum. The contribution to profit after tax for the six months ended 31 August 2020 amounted to £640,149. This information has not been audited and was extracted from the Company’s interim results for the six months ended 31 August 2020 prepared in terms of IFRS and as announced on SENS.

8 CATEGORISATION

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

2 February 2021

Corporate advisor and sponsor to Equites

JAVACAPITAL