

The Directors  
Dis-Chem Pharmacies Limited  
2005/009766/06  
23 Stag Road  
Glen Austin  
Midrand, 1685

25 January 2024

Dear Sirs / Mesdames

## REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO THE DIRECTORS OF DIS-CHEM PHARMACIES LIMITED REGARDING SMALL RELATED PARTY TRANSACTIONS

### Introduction

Dis-Chem Distribution Proprietary Limited (“Dis-Chem Distribution” or “Purchaser”), a wholly owned subsidiary of Dis-Chem Pharmacies Limited (“Dis-Chem”) proposes to conclude an agreement of sale and purchase of shares to be entered between Dis-Chem Distribution and the trustees for the time being of the Directors Adventures Trust (“Directors Adventures Trust”) (“Columbia Falls Agreement”), in terms of which Dis-Chem Distribution will acquire 100% of the issued share capital and claims in Columbia Falls Properties 7 Proprietary Limited (“Columbia Falls”) (“Columbia Falls Shares”), which company’s main assets are Dis-Chem Midrand, corner Stag Road and Le Roux Road, Midrand, Gauteng (“Dis-Chem Midrand Building”) and Erf 592 and 593 situated at Halfway House Ext. 81, Gauteng (“Columbia Falls Land”, together with the Dis-Chem Midrand Building are the “Properties”), from Directors Adventures Trust, for a consideration of R478,592,342 (“Purchase Consideration”) (“Columbia Falls Acquisition”).

### Fairness opinion required in terms of the Listings Requirements

Directors Adventures Trust is an associate of certain directors and prescribed officers of Dis-Chem, who collectively are also material shareholders of Dis-Chem (as defined in section 10.1(b)(vii) of the JSE Limited (“JSE”) Listings Requirements (“Listings Requirements”) read together with the definition of associate). The directors and prescribed officers of Dis-Chem who are vesting beneficiaries of Directors Adventures Trust are noted in the table below together with their beneficial interest in the issued share capital of Dis-Chem (“Dis-Chem Shares”).

Director	Indirect interest	Percentage of share capital
IL Saltzman and LF Saltzman	302,066,319	35.12%
SE Saltzman	5,435,116	0.63%
SRN Goetsch	39,908,075	4.64%
BI Epstein	10,125,063	1.18%
KS Sterling	9,624,023	1.12%
<b>Total</b>	<b>367,158,596</b>	<b>42.69%</b>

The beneficial shareholding held by these directors and prescribed officers in Directors Adventures Trust is detailed in the table below:

Director	Percentage of share capital in Directors Adventures Trust
IL Saltzman, LF Saltzman and SE Saltzman	78.0%
SRN Goetsch	12.0%
BI Epstein	2.0%
KS Sterling	2.0%
<b>Total</b>	<b>94.0%</b>

The Columbia Falls Acquisition is a small related party transaction in terms of the Listing Requirements. In terms of Section 10.7 of the Listings Requirements, the board of directors of Dis-Chem (“Board” or “Directors”) is required to provide the JSE with written confirmations from an independent professional expert confirming that the Columbia Falls Acquisition is fair insofar as the shareholders of Dis-Chem are concerned (“Shareholders”) (“Fairness Opinion”).

### Responsibility

Compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report on the fairness of the Columbia Falls Acquisition.

### Explanation as to how the term “fair” applies in the context of the Columbia Falls Acquisition

Schedule 5.7 of the Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. A transaction will typically be considered fair to a company’s shareholders if the value received by a company, as a result of a corporate action, is equal to or greater than the value ceded.

The Columbia Falls Acquisition would be considered fair to Shareholders if the Purchase Consideration is less than or equal to the fair value of the Columbia Falls Shares, or unfair if the Purchase Consideration is more than the fair value of the Columbia Falls Shares.

### Details of information and sources of information

In arriving at our opinion we have considered the following principal sources of information:

- Columbia Falls Agreement;
- Management accounts of Columbia Falls for the 4 months to 30 June 2023 and annual financial statements for the year ended 28 February 2023;
- Independent property valuation report on the fair market value of the Properties as at 01 July 2023 prepared by Jones Lang LaSalle (Pty) Ltd (“JLL”), dated 14 July 2023 and performed on behalf of Dis-Chem, per Peper Sandri, MRICS, whom we have satisfied ourselves is an independent external registered valuer in terms of the Property Valuers Professional Act, No. 47 of 2000 (“Independent Property Valuer”) (“Independent Property Valuation Report”);
- Discussions with directors (who are not party to the Columbia Falls Acquisition) and management of Dis-Chem regarding the historical and forecast financial information of the Properties;
- Discussions with certain directors and management of Dis-Chem on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to Dis-Chem and the South African property market.
- Dis-Chem audited annual financial statements for the year ended 28 February 2023, which contains details regarding the related party transactions in respect of the Columbia Falls and the Properties, detailed below:

Related party	Lease liability R'000	Interest expense R'000
Columbia Falls Property 7 (Pty) Ltd*	(561 461)	(53 287)
*Relates to retail and warehouse space that is owned/partially owned by the directors of Dis-Chem		

The information above was secured from:

- Certain directors and management of Dis-Chem and/or their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Dis-Chem and the Properties

### Procedures and consideration

In arriving at our opinion, we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Columbia Falls Acquisition:

- Reviewed the terms and conditions of the Columbia Falls Acquisition;
- Reviewed the unaudited financial information related to the Properties and Columbia Falls, as detailed above;
- Reviewed and obtained an understanding from certain directors and management of Dis-Chem as to the financial information of Columbia Falls;
- Held discussions with certain directors and management of Dis-Chem as to the long-term strategy and the rationale for the Columbia Falls Acquisition and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the South African Property market;
- Reviewed the Independent Property Valuation Report and considered the methodology and assumptions applied in determining the fair market value of the Properties, being a discounted cash flow (“DCF”) approach over a 5 year period. Based on our review of the Property Valuation Report we are satisfied that the approach adopted is consistent with standard market practice and the assumptions are consistent with market parameters. Consequently, we are satisfied with the Property Valuation Report and are placing reliance thereon;
- Reviewed certain publicly available information relating to Dis-Chem, including company announcements and media articles;
- Performed a valuation of the Columbia Falls Shares using the Net Asset Value (“NAV”) approach;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the South African property market generally; and
- Where relevant, representations received were corroborated to source documents, or independent analytical procedures were performed by us, to examine and understand the South African property market, and to analyse external factors that could influence the fair value of the Properties.

### Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the Columbia Falls Acquisition will be legally enforceable; and
- That the Columbia Falls Acquisition will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Dis-Chem.

### Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by determining the extent to which representations from management were confirmed

by documentary evidence as well as our understanding of the Properties and the economic environment in which Columbia Falls operates.

### Limiting conditions

This Fairness Opinion is provided in connection with and for the purposes of the Columbia Falls Acquisition. The Fairness Opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Shareholder's decisions regarding the Columbia Falls Acquisition may be influenced by such Shareholder's particular circumstances and accordingly, individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the entering into of the Columbia Falls Acquisition.

We have also assumed that the Columbia Falls Acquisition will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Dis-Chem and we express no opinion on such consequences.

The Fairness Opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such development.

We have been neither a party to the negotiations entered into in relation to the Columbia Falls Acquisition nor have we been involved in the deliberations leading up to the decision on the part of Dis-Chem to enter into the Columbia Falls Acquisition.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Columbia Falls Acquisition. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of Dis-Chem Shares. We do not express any view as to the price at which Shares may trade nor on the future value, financial performance or condition of Dis-Chem.

It is also not within our terms of reference to compare the merits of the Columbia Falls Acquisition to any alternative arrangements that were or may have been available to Dis-Chem. Such comparison and consideration remain the responsibility of the Board and their advisors.

### Independence

We confirm that we have no direct or indirect interest in Dis-Chem Shares or in the Columbia Falls Acquisition and are meet the independent requirements as contemplated in the Listings Requirements. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion on the Columbia Falls Acquisition.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the successful implementation of the Columbia Falls Acquisition.

### Valuation Approach

In considering the terms and conditions of the Columbia Falls Acquisition, we performed an independent valuation of the Columbia Falls Shares based on a NAV approach, based on the fair market value of the Properties determined by the Independent Property Valuer and the carrying value of financial assets and financial liabilities which, in our opinion, equates to the fair value of the financial assets and financial liabilities.

The fair market value of the Properties was determined as follows in terms of the Independent Property Valuation:

Property	Fair Value as at 01 July 2023 per JLL (ZAR)
Dis-Chem Midrand Building	601,920,000
Columbia Falls Land	48,300,000
<b>Total</b>	<b>650,220,000</b>

The below table represents the NAV and adjusted NAV of Columbia Falls, which includes the fair value of the Properties as above:

ZAR	Fair Value
Properties	650,220,000
Fixed assets	117,498
Accounts receivable	4,889,898
Cash and cash equivalents	86,402,582
<b>Total assets</b>	<b>741,629,978</b>
Bond	257,722,394
Trade and other payables	5,315,242
Deferred tax liability	115,166,192
<b>Total Liabilities</b>	<b>378,203,828</b>
<b>NAV</b>	<b>363,426,150</b>
<b>Adjustments to NAV</b>	
Add back: Deferred tax liability	115,166,192
<b>Adjusted NAV</b>	<b>478,592,342</b>

Adjustments to NAV are in respect of the reversal of the deferred tax liability which consists of a capital gains tax and a S13 Quin allowance. The liability will only be realised and become payable in the event of a disposal of the Properties and not the shares in Columbia Falls. However, based on our assessment and discussions with executive management, the likelihood of disposing of the Properties and not the shares in Columbia Falls is not considered probable.

Whilst the Purchase Consideration is based on the adjusted NAV as at 30 June 2023, we note an adjustment mechanism in the Columbia Falls Agreement, to adjust the Purchase Consideration for any movements in the adjusted NAV from 30 June 2023 to the date of fulfilment.

Key internal value drivers in the valuation of the Dis-Chem Midrand Building comprise gross lettable area, rental revenue, escalation and operating costs.

External value drivers are the discount rates and exit capitalisation rate.

The below table details the internal and external value drivers in respect of the Dis-Chem Midrand Building:

<b>Internal Value Drivers:</b>	
GLA breakdown	52,332 m <sup>2</sup>
Office	4,337 m <sup>2</sup>
Warehouse	45,642 m <sup>2</sup>
Call centre	2,174 m <sup>2</sup>
Outbuilding	179 m <sup>2</sup>
Parking Type	
Shade-net	51 bays
Open	269 bays
Current gross rent	R80.81/m <sup>2</sup> /month
Market gross rental value	R80.81/m <sup>2</sup> /month
Non-recoverable costs deduction to income	1.5% management fee
Lease Escalation	6%

<b>External Value Drivers:</b>	
IRR/Discount Rate	12.0%
Exit capitalisation rate	8.5%

Source: JLL Valuation dated 14 July 2023

The below table details the internal and external value drivers in respect of the Columbia Falls Land:

<b>Internal Value Drivers:</b>	
Extent	
Erf 592	33,188 m <sup>2</sup>
Erf 593	19,569 m <sup>2</sup>
Available bulk	
Erf 592	16,594
Erf 593	9,785
<b>External Value Drivers:</b>	
Bulk sale rate	
Erf 592	R2,300
Erf 593	R2,070

Source: JLL Valuation dated 14 July 2023

As we have relied on the Independent Property Valuation Report a sensitivity analysis has not performed. We have however satisfied ourselves as to the appropriateness and reasonableness of the underlying information and assumptions in the Independent Property Valuation Report with reference to the survey of South African valuers conducted regularly by South African Property Owners Association and Rode's Report.

## Opinion

BDO Corporate Finance has considered the terms and conditions of the Columbia Falls Acquisition and based on and subject to the conditions set out herein, is of the opinion that the Columbia Falls Acquisition is fair to Shareholders.

Our view is based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us up to Thursday, 25 January 2024 (the "Last Practicable Date"). We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Last Practicable Date that may affect our opinion or factors or assumptions contained herein.

We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Columbia Falls Acquisition, have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully



N Lazanakis

Director

BDO Corporate Finance Proprietary Limited