

RAUBEX GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2006/023666/06)
Share code: RBX
Share ISIN: ZAE000093183
("Raubex" or "the Company")

DISPOSAL OF RAUBEX PROPERTY INVESTMENTS PROPRIETARY LIMITED TO ACORN BLACK INVESTMENTS PROPRIETARY LIMITED

1. INTRODUCTION

Shareholders are advised that Raubex, acting through its wholly owned subsidiary Raubex Roads and Earthworks Holdings Proprietary Limited (the "Seller"), has entered into an agreement of sale on 27 February 2020 (the "Agreement"), with Acorn Black Investments Proprietary Limited, acting through its wholly owned subsidiary, ABI 2 Proprietary Limited (the "Purchaser" or "ABI"), for the sale of 100% of the shares and loan claims the Seller holds in Raubex Property Investments Proprietary Limited ("RPI") (the "Proposed Transaction").

The Proposed Transaction constitutes a Qualifying Transaction as contemplated under Statement 102: Recognition of the Sale of Assets, Equity Instruments, and Other Businesses published in Government Gazette No. 38766 dated 6 May 2015, Code Series 100: The Measurement of the Ownership Element of Broad-Based Black Economic Empowerment.

2. RATIONALE FOR THE TRANSACTION

RPI owns a property portfolio which includes both commercial properties and residential units which have been independently valued at R383 million (the "Properties"). RPI leases the Properties to various Raubex subsidiaries as well as certain third parties on a market related triple net lease basis (the "RPI Business").

The Properties are considered to be non-core assets of the Company and on closing, Raubex will enter into a 12-year, triple net lease with ABI based on an 8,75% yield. ABI is a South African based Black Women Owned Private Equity Investment company.

Raubex is currently a level 1 B-BBEE contributor with 52,5% Black Economic Interest measured in terms of the Amended Construction Sector Codes Gazetted on 1 December 2017 (the "Codes"). In terms of the Codes, Raubex stands to lose the continued consequences rollover from previous B-BBEE transactions that have subsequently unwound. Based on the Company's latest scorecard information the loss of continued consequences shareholding will reduce the Black Economic Interest in Raubex by 15,0% on 28 February 2021.

The Proposed Transaction will ensure that the Company's Roads and Earthworks division secures greater than 51% Black Ownership based on the Company's current scorecard assumptions until 28 February 2028 and will ensure a minimum of 35% Black Ownership thereafter, which is in compliance with the target shareholding stipulated in the Codes.

3. DISPOSAL CONSIDERATION AND SALIENT TERMS

The Proposed Transaction will be effected through the sale of 100% of the issued shares ("Sale Shares") and loan claims ("Loan Claims") in RPI, by the Seller, which owns and operates the RPI Business, to the Purchaser.

The Purchase Price payable for the Sale Shares and Loan Claims will be R383 million which will be fully settled in cash.

Of the Purchase Price, R187 million will be payable on the closing date and the balance of R196 million, will consist of a vendor loan of R81,4 million repayable over 5 years, bearing interest at 9,82% per annum, and an equity preference share investment in ABI of R114,6 million at zero coupon.

The Proposed Transaction will be subject to standard warranties as are customary for a transaction of this nature.

4. VALUE OF NET ASSETS AND PROFITS ATTRIBUTABLE TO RPI

The value of the assets of RPI is R383 million which is off-set by a loan liability of the same value. There are no profits attributable to RPI as rental income of R32,5 million per annum is totally utilized to service the finance costs attributable to the loan.

The fair value adjustment of the financing structure will result in an initial fair value charge of R53 million after tax.

The sale of the Properties, independently valued, will result in a profit on disposal of R56,7 million after tax.

The Proposed Transaction will be subject to IFRS 16 Leases, resulting in a right of use asset of R358 million, which will be depreciated and a corresponding lease liability which will be amortized over 12 years.

On the closing date the initial recognition of the Proposed Transaction will result in an increase in the profit after tax of the Company of R3,7 million. Subsequent to the closing date, the Proposed Transaction will result in a decrease in the profit after tax of the Company of R24 million for the year ended 28 February 2021. The effect of the Proposed Transaction on the profit after tax of the Company will decrease annually over the 12-year lease period, with the total cumulative effect over the 12 year lease period anticipated to be a decrease of R87,1 million accounted for in terms of IFRS.

5. CONSENTS AND CONDITIONS PRECEDENT

The Agreement is subject to the following conditions precedent:

- Approval being granted by the financiers who are funding the R187 million to the Purchaser;
- Lodgement of the Proposed Transaction with the B-BBEE Commissioner in terms of Statement 102 of the B-BBEE Codes;
- To the extent necessary, consent from relevant third parties to cancel or transfer any mortgage bonds registered over the Properties, performance guarantees and indemnities from the Seller to the Purchaser;
- The Purchaser having entered into the necessary funding agreements to fund the Proposed Transaction;
- Notification to tenants of the existing lease agreements over the Properties as to the new ownership of the RPI Business; and
- Obtaining of all necessary statutory and regulatory approvals.

6. APPLICATION OF THE DISPOSAL PROCEEDS

The proceeds from the Proposed Transaction will be used to further strengthen the cash reserves of the Company.

7. CLOSING DATE

The Proposed Transaction is expected to become unconditional no later than 29 February 2020, after all conditions precedent have either been fulfilled or waived.

8. CATEGORISATION

The Proposed Transaction is categorised as a Category 2 transaction in terms of the JSE Listings Requirements and accordingly no shareholder approval is required.

Johannesburg
28 February 2020

Sponsor
Investec Bank Limited