

**VALUE-ADDED MEAT PRODUCTS (VAMP)  
DISPOSAL TRANSACTION**



We nourish and nurture more lives every day

**TIGER BRANDS**



TIGER BRANDS LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1944/017881/06)  
Share code: TBS  
ISIN: ZAE000071080  
("Tiger Brands" or the "Company")

## **VOLUNTARY ANNOUNCEMENT: TIGER BRANDS PROGRESSES DISPOSAL OF ITS VALUE-ADDED MEAT PRODUCTS BUSINESS**

### **1. INTRODUCTION**

Further to the announcements released on the Stock Exchange News Service ("**SENS**") on 8 November 2019, 12 February 2020, 8 April 2020 and 25 May 2020, shareholders are advised that the Company, through its wholly-owned subsidiary, Tiger Consumer Brands Limited ("**Tiger Consumer Brands**"), has entered into two separate sale of business agreements ("**SBAs**") for the disposal of its value added meat products business units ("**VAMP**"), as going concerns. The two SBAs comprise (i) an agreement with Molare Proprietary Limited ("**Molare**") (the "**Molare SBA**"), in respect of the abattoir business at Olifantsfontein (the "**Abattoir Business**") (the "**Molare Transaction**") and (ii) an agreement with Silver Blade Abattoir Proprietary Limited ("**Silver Blade**"), the sole shareholder of which is Country Bird Holdings Proprietary Limited ("**Country Bird**") (together the "**Country Bird Group**"), in respect of the meat processing businesses at Germiston, Polokwane and Pretoria (the "**Meat Processing Businesses**") (the "**Country Bird Transaction**"). Molare and Country Bird are separate and unrelated purchasers. The Molare Transaction and the Country Bird Transaction are collectively referred to hereunder as "**the Transactions**".

### **2. THE TRANSACTIONS**

#### **a. Rationale for the Transactions**

As part of the strategic review conducted by the board of directors of the Company ("**Board**") in 2017, the role of VAMP within the Company's portfolio had been earmarked for further evaluation, given this business's unique value chain and the perishable nature of its underlying products.

The tragic events of the nationwide listeriosis outbreak which took place during the course of 2017 and 2018 and are now the subject of the Class Action referred to in paragraph 4 below, led to the temporary closure of these manufacturing facilities and this delayed the evaluation. With the VAMP business having re-opened at the beginning of the 2019 financial year, the Board considered it appropriate to initiate the further evaluation of VAMP, which confirmed that the VAMP business was not an ideal fit within the Tiger Brands portfolio.

Following the receipt of several indicative offers, the Board approved the commencement of a formal due diligence process in November 2019. This process has culminated in the execution of the SBAs on the terms as set out in this announcement.

#### **b. Salient Terms of the Transactions**

##### **i. Molare Transaction**

Molare will acquire the Abattoir Business, as a going concern, for a total cash consideration of R100,000,000 (one hundred million Rand), which will be payable against delivery of the Abattoir Business on the effective date of the Molare Transaction (which is expected to be 28 September 2020) ("**Molare Effective Date**"). In addition, Molare will acquire all inventories (including consumable stores) located at the Abattoir Business on the Molare Effective Date. The aggregate consideration

for the inventories (excluding consumable stores) is expected to be approximately R13,000,000 (thirteen million Rand), which will be paid in 6 (six) monthly instalments after the Molare Effective Date. Molare will also purchase the consumable stores inventory for approximately R4,000,000 (four million Rand), to be settled within 5 (five) days of the Molare Effective Date.

As part of the Molare Transaction, if both the Molare Transaction and the Country Bird Transaction fail to become unconditional and do not proceed, Tiger Consumer Brands has granted Molare an option (until 31 December 2021) to acquire the Abattoir Business on substantially the same terms and conditions as contemplated in the current Molare SBA, if Tiger Brands subsequently receives an offer from a third party for the acquisition of the Meat Processing Businesses ("**Option**").

In addition, where the Molare Transaction fails to become unconditional and does not proceed (regardless of whether the Country Bird Transaction fails to become unconditional), and Tiger Consumer Brands receives an offer for the Abattoir Business which it wishes to accept, Tiger Consumer Brands has granted Molare a right (until 31 December 2021) to acquire the Abattoir Business, by matching or bettering such offer ("**Matching Right**").

If a transaction is concluded based on the above Option or Matching Right, the transaction would be categorised in terms of the JSE Limited ("**JSE**") Listings Requirements, and subject to Tiger Brands shareholder approval to the extent required, at that time.

Tiger Consumer Brands has provided warranties and indemnities to Molare, as purchaser, which are customary for transactions of this nature and Tiger Brands has provided a limited guarantee for the obligations of Tiger Consumer Brands to Molare as purchaser.

## ii. **Country Bird Transaction**

Silver Blade will acquire the Meat Processing Businesses as going concerns, for a total cash consideration of R153,000,000 (one hundred and fifty-three million Rand) ("**Silver Blade Purchase Price**") of which R40,000,000 (forty million rand) will be payable on the effective date of the Country Bird Transaction (which is expected to be 1 November 2020) ("**Silver Blade Effective Date**") with the balance to be paid by 1 April 2021. The portion of the Silver Blade Purchase Price not paid on the Silver Blade Effective Date will carry interest at the prime interest rate plus 1% to the date of final payment.

In addition, Silver Blade will acquire all the inventories located at the Meat Processing Businesses on the Silver Blade Effective Date, on payment terms over a period of not more than 15 (fifteen) months. The aggregate consideration for the inventories is expected to be approximately R158,000,000 (one hundred and fifty-eight million Rand).

Tiger Consumer Brands has provided warranties and indemnities to Silver Blade as purchaser, which are customary for transactions of this nature. In addition, Tiger Consumer Brands indemnifies Silver Blade for such exposure that it may have as a potential consequence of the Class Action referred to in paragraph 4 below ("**the Class Action Indemnity**"). Tiger Brands has provided a guarantee in terms of which it is jointly and severally liable with Tiger Consumer Brands in respect of Tiger Consumer Brands' potential obligations under the Class Action Indemnity. The potential exposure of Tiger Consumer Brands as a result of the Class Action Indemnity given by Tiger Consumer Brands and the guarantee given by Tiger Brands does not,

in the opinion of the Board, increase the overall potential exposure of the Tiger Brands group in relation to the Class Action.

iii. **Financial Assistance**

The guarantees provided by Tiger Brands as set out in 2.b(i) and (ii) above constitute financial assistance given by Tiger Brands to Tiger Consumer Brands as contemplated under section 45 of the Companies Act, No. 71 of 2008, as amended (the “**Companies Act**”) (the “**Financial Assistance**”). Tiger Brands therefore requires the approval of shareholders in terms of section 45 of the Companies Act in order to provide this Financial Assistance and accordingly a notice of meeting as further set out in paragraph 7 below will be distributed to shareholders shortly after this announcement.

**c. Conditions precedent**

Each of the SBAs are subject to suspensive conditions that are customary for a transaction of this nature, including, without limitation, the fulfillment of the following suspensive conditions:

- Tiger Brands shareholder approval in terms of section 45 of the Companies Act for the granting of the Financial Assistance to Tiger Consumer Brands;
- All regulatory approvals, including the approval of the Competition Authorities in South Africa and Namibia in relation to the Country Bird Transaction, which approval shall be unconditional or subject to such conditions as Tiger Consumer Brands and Silver Blade may reasonably accept; and
- Conclusion of transitional services agreements between Tiger Consumer Brands and each of Molare and Silver Blade.

**3. FINANCIAL EFFECTS OF THE TRANSACTIONS**

Based on Tiger Brands’ unaudited consolidated financial results for the six months ended March 2020, the unaudited *pro forma* financial effects of the Transactions are as set out in the table below. These *pro forma* financial effects are prepared for illustrative purposes only in order to enable Tiger Brands shareholders to assess the impact of the Transactions and, because of their nature, may not give a fair presentation of Tiger Brands’ financial position, changes in equity, results of operations or cashflows after the Transactions. The *pro forma* financial effects are the responsibility of the Board and have not been reviewed or reported on by the auditors of the Company.

<b>(Unaudited) Pro forma Financial Information</b>	<b>6 months ended Mar 2020 (Unaudited)</b>	<b>Pro forma – the Transactions</b>	<b>Pro forma 6 months ended Mar 2020 (effect after the Transactions) (Unaudited)</b>	<b>Change (%)</b>
<b>Earnings per share (cents)</b>	<b>209.7</b>	<b>66.9</b>	<b>276.6</b>	<b>32%</b>
<i>Continuing operations - EPS (Cents) (Note 4)</i>	221.2	66.9	288.1	30%
<i>Discontinued operation - EPS (Cents)</i>	(11.5)	-	(11.5)	-
<b>Diluted earnings per share (cents)</b>	<b>208.4</b>	<b>66.5</b>	<b>274.9</b>	<b>32%</b>
<i>Continuing operations - Diluted EPS (cents) (Note 4)</i>	219.9	66.5	286.4	30%
<i>Discontinued operation - Diluted EPS (cents)</i>	(11.5)	-	(11.5)	-

(Unaudited) Pro forma Financial Information	6 months ended Mar 2020 (Unaudited)	Pro forma – the Transactions	Pro forma 6 months ended Mar 2020 (effect after the Transactions) (Unaudited)	Change (%)
<b>Headline earnings per share (cents)</b>	<b>489.1</b>	<b>85.4</b>	<b>574.5</b>	<b>17%</b>
<i>Continuing operations - HEPS (cents)</i>	500.6	85.4	586.0	17%
<i>Discontinued operation - HEPS (cents)</i>	(11.5)	-	(11.5)	-
<b>Diluted headline earnings per share (cents)</b>	<b>486.1</b>	<b>84.9</b>	<b>571.0</b>	<b>17%</b>
<i>Continuing operations - Diluted HEPS (cents)</i>	497.6	84.9	582.5	17%
<i>Discontinued operation - Diluted HEPS (cents)</i>	(11.5)	-	(11.5)	-
Net asset value per share (cents)	8,984.2	(25.2)	8,959.0	(0%)
Tangible net asset value per share (cents)	7,204.5	(25.2)	7,179.3	(0%)
Weighted average shares in issue for basic	165,677,405		165,677,405	-
Weighted average shares in issue for diluted	166,679,410		166,679,410	-

#### Notes and Assumptions

1) For the purposes of calculating the pro forma financial effects of the Transactions on the earnings per share ("EPS") and headline earnings per share ("HEPS") of the Company for the six months ended 31 March 2020, it has been assumed that the Transactions took effect on 1 October 2019.

2) For the purposes of calculating the pro forma financial effects of the Transactions on the net asset value per share and tangible net asset per share of the Company as at 31 March 2020, it has been assumed that the Transactions took effect on 31 March 2020.

3) The "6 months ended March 2020 (Unaudited)" column has been extracted from the published unaudited consolidated results of the Company for the six months ended 31 March 2020.

4) "Pro forma – the Transactions" column – The loss on the sale of the properties, plant and equipment and inventories of R30.7 million (after tax) has been calculated from the respective asset values as reflected in the published unaudited interim results of the Company for the six month period ended 31 March 2020. This loss has been excluded for headline earnings purposes. It is noted that the proceeds of the properties, plant and equipment and inventories used in the calculation of the loss on sale is based on the values in terms of the SBAs. The purchase consideration of inventory has been included based on the values assumed above with an 83% recovery assumption on the stock on hand value at 31 March 2020. Interest on the net cash flow arising on the Transactions has been factored into the calculation at the prevailing average interest rates at 31 March 2020, as well as the contracted advisory and legal costs arising on the Transactions.

The *pro forma* financial effects have been prepared in a manner consistent in all respects with International Financial Reporting Standards, the accounting policies adopted by Tiger Brands as at 31 March 2020, the revised South African Institute of Chartered Accountants guide on *pro forma* financial information and the JSE Listings Requirements.

#### 4. CLASS ACTION

The Transactions do not impact the Class Action, which was first advised to shareholders on SENS on 29 March 2018 ("the Class Action"), nor do they in any way affect Tiger Brands' commitment to resolve the Class Action legal process which is currently underway. A status update related to the Class Action was released on SENS on 25 June 2020.

#### 5. OVERVIEW OF VAMP, MOLARE AND THE COUNTRY BIRD GROUP

##### a. VAMP

VAMP is a South African value-added meat products business that is wholly owned by Tiger Brands, through Tiger Consumer Brands. VAMP operates from an abattoir facility and three meat processing facilities in South Africa, where it produces and packages *inter alia* products such as polony, viennas, bacon and sausages. VAMP owns leading brands within the value-added meat industry and primarily supplies top end retailers in South Africa.

**b. Molare**

Molare is one of South Africa’s major piggery businesses, with 3.3% of South Africa’s breeding sows, representing in the region of 3.4% of the national pork production. Molare is located in Middelburg, Mpumalanga and is one of the main suppliers of pigs to the Abattoir Business.

**c. Country Bird Group**

Silver Blade is a wholly-owned subsidiary of Country Bird.

Country Bird is a dynamic agricultural business in Africa, comprised of operations that stretch across all major areas within the sector. Country Bird operates the Supreme Chicken brand, which provides nutritious and healthy frozen chickens for households, Nutri Feeds brand, which provides the latest innovations in animal nutrition, Opti Agri brand which supplies quality day old chicks into the poultry market, Country Bird Logistics brand which provides a wholesale branch to Country Bird’s operations and further poultry related operations in 8 other African countries.

**6. CATEGORISATION OF THE TRANSACTIONS**

The Transactions fall below the Category 2 threshold for categorised transactions in terms of the JSE Listings Requirements and the release of this announcement is therefore voluntary.

**7. NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

Shareholders are advised that an extraordinary general meeting (“**EGM**”) of shareholders of Tiger Brands for the purpose of approving the Financial Assistance referred to above will be held at 12:00 on Tuesday, 15 September 2020. A separate notice of the EGM will be distributed to shareholders on Monday, 17 August 2020 and published on the Company’s website (<https://www.tigerbrands.com/investor>) after the publication of this announcement.

**8. SALIENT DATES**

Shareholders are advised to note the following salient dates and activities leading up to the EGM date:

	<b>2020</b>
Record date to determine which shareholders are entitled to receive the notice of EGM	Friday, 7 August
Posting of notice of EGM	Monday, 17 August
Last day to trade in order to be eligible to attend and vote at the EGM	Tuesday, 1 September
Record date in order to be eligible to participate in and vote at the EGM	Friday, 4 September
Forms of proxy to be lodged with Computershare, for administrative purposes, by no later than 12:00, on	Friday, 11 September
EGM to be held in electronic format at 12:00 (CAT) on	Tuesday, 15 September

Bryanston  
17 August 2020

Sponsor  
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Financial adviser and transaction sponsor  
Rand Merchant Bank, a division of FirstRand Bank Limited

Legal adviser  
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