

## CA SALES HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number 2011/143100/06

Registered as an external company in the Republic of Botswana

Botswana registration number: EX2017/18292

Share code: CAS ISIN: ZAE400000036

("CA Sales" or "the Company")



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## CA SALES INCREASES ITS STAKE IN PACK 'N STACK

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### 1. INTRODUCTION

Shareholders are advised that on 24 December 2019, the Company concluded an asset-for-share agreement ("**Transaction Agreement**") with Duncan Lewis ("**Lewis**") and Lewis's family trust, the Dunechanus Family Trust ("**Dunechanus Trust**") (together the "**Sellers**"), in terms of which the Sellers will, between them, sell an aggregate of 203 ordinary shares held by them in the Company's subsidiary, Pack 'n Stack Investment Holdings Proprietary Limited ("**Pack 'n Stack**"), comprising 10.15% of the issued shares in Pack 'n Stack ("**PnS Shares**"), to CA Sales, the aggregate purchase consideration of which will be settled by the Company issuing ordinary shares to the Sellers ("**Transaction**").

### 2. RATIONALE FOR THE TRANSACTION

Lewis was appointed as a director and the chief executive officer of CA Sales on 1 June 2019. Lewis and his associate, the Dunechanus Trust, between them hold 10.15% of the issued shares in Pack 'n Stack. Pack 'n Stack operates a full service retail execution business, and CA Sales currently holds 84% of the issued share capital of Pack 'n Stack.

Pack 'n Stack is an integral part of the CA Sales group and essential to CA Sales's growth path. With Lewis taking up the role of chief executive officer of CA Sales, the board of directors of CA Sales ("**Board**") has considered means of ensuring that Lewis's interests are further aligned to those of the wider CA Sales group and CA Sales's shareholders (and not only to Pack 'n Stack). With this in mind, the Board is proposing the Transaction, in terms of which Lewis and his family trust will be acquiring additional shares in CA Sales in exchange for their shareholding in Pack 'n Stack.

### 3. PARTICULARS OF THE TRANSACTION

In terms of the Transaction, the Sellers will sell the PnS Shares to the Company in two separate tranches, the aggregate purchase consideration of which will be settled through the issuing by CA Sales of new ordinary shares to the Sellers.

#### Tranche 1

The first tranche of the Transaction involves the acquisition by CA Sales of 5.10% of Pack 'n Stack's share capital ("**Tranche 1 PnS Shares**") from the Sellers for an amount of ZAR15 250 809 ("**Tranche 1 Purchase Consideration**").

The Tranche 1 Purchase Consideration is based on the consolidated net profit after tax of Pack 'n Stack for its financial year ended 31 December 2018, adjusted to exclude any income, expense and taxation items that are not recurring or sustainable in nature,

calculated and derived from Pack 'n Stack's and its subsidiaries' audited financial statements for that year. The Tranche 1 Purchase Consideration has been calculated by applying a price earnings multiple of 7 thereto.

The Tranche 1 Purchase Consideration will be settled through the issue by CA Sales of new ordinary shares in CA Sales to the Sellers in proportion to the PnS Shares held between them at the prevailing 60-day volume weighted average price at which CA Sales shares traded on the Botswana Stock Exchange ("**BSE**") ("**VWAP**"), with the number of shares to be issued being calculated by dividing the Tranche 1 Purchase Consideration by such 60-day VWAP ("**Tranche 1 Consideration Shares**").

Following implementation of the first tranche of the Transaction, CA Sales will hold 89.1% of the issued shares in Pack 'n Stack.

## Tranche 2

The second tranche of the Transaction involves the acquisition by CA Sales of 5.05% of Pack 'n Stack's share capital ("**Tranche 2 PnS Shares**") from the Sellers for a purchase consideration based on the consolidated net profit after tax of Pack 'n Stack for its financial year ending 31 December 2020, adjusted to exclude any income, expense and taxation items that are not recurring or sustainable in nature, calculated and derived from Pack 'n Stack's and its subsidiaries' audited financial statements for that year ("**Tranche 2 Purchase Consideration**"). The Tranche 2 Purchase Consideration will be calculated by applying a price earnings multiple of 7 thereto.

Notwithstanding anything to the contrary, the Tranche 2 Purchase Consideration will be capped at and not exceed ZAR29 552 600, with the result that the aggregate of the Tranche 1 Purchase Consideration and the Tranche 2 Purchase Consideration will never exceed a maximum consideration of ZAR44 803 409.

The Tranche 2 Purchase Consideration will be settled through the issue by CA Sales of new ordinary shares to the Sellers in proportion to the PnS Shares held between them at the prevailing 60-day VWAP, with the number of shares to be issued being calculated by dividing the Tranche 2 Purchase Consideration by such 60-day VWAP ("**Tranche 2 Consideration Shares**").

Following implementation of the second tranche of the Transaction, CA Sales will hold 94.15% of the issued shares in Pack 'n Stack, with the remaining 5.85% continuing to be held by a management member of Pack 'n Stack not associated with or related to Lewis.

## **4. PURCHASE CONSIDERATION**

As mentioned above, the Tranche 2 Purchase Consideration will be capped at and not exceed ZAR29 552 600, with the result that the aggregate of the Tranche 1 Purchase Consideration and the Tranche 2 Purchase Consideration will never exceed a maximum consideration of ZAR44 803 409.

## **5. CONDITIONS PRECEDENT**

The Transaction is subject to the fulfilment of the following conditions precedent ("**Conditions Precedent**"), namely that by no later than 31 March 2020 –

- the Board has approved or ratified (as the case may be) the conclusion of the Transaction Agreement and has approved the issue of the Tranche 1 Consideration

Shares and the Tranche 2 Consideration Shares ("**Consideration Shares**") to the Sellers, subject to the shareholder approval referred to below being obtained;

- Shareholders have passed a special resolution in terms of section 41(1) of the Companies Act, 71 of 2008 of South Africa ("**SA Companies Act**") to issue the Consideration Shares to the Sellers; and
- the board of directors of Pack 'n Stack has approved the transfer of the PnS Shares to CA Sales pursuant to the Transaction Agreement;
- the trustees for the time being of the Dunechanus Trust have unanimously approved or ratified (as the case may be) in writing the Transaction and the conclusion of the Transaction Agreement;
- to the extent required, the Company has obtained all regulatory approvals and/or exemptions for the Transaction as may be required, including, if applicable, by the BSE and/or the exchange operated by 4 Africa Exchange Proprietary Limited ("**4AX**");
- an independent expert has provided written confirmation to the Company that the Transaction, on the terms set out in the Transaction Agreement, is fair as contemplated in the Equity Listings Requirements of the BSE ("**BSE Listings Requirements**"); and
- the remaining shareholder of Pack 'n Stack has waived in writing any pre-emptive rights, options or similar rights which it may have in respect of the PnS Shares.

No Condition Precedent is capable of being waived. The Company will, however, be entitled to extend the date for fulfilment of any Condition(s) Precedent on written notice to the Sellers prior to the expiry of the relevant time period, provided that any extension of more than 45 days will require the consent of the Sellers.

## **6. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE TRANSACTION AGREEMENT**

The Transaction Agreement contains representations, warranties and restraints by the Sellers in favour of the Company which are standard for a transaction of this nature.

## **7. EFFECTIVE DATE OF THE TRANSACTION**

The first tranche of the Transaction will be implemented on the third business day after the day on which the last of the Conditions Precedent is fulfilled, on which date CA Sales will take transfer of the Tranche 1 PnS Shares and will issue the Tranche 1 Consideration Shares to the Sellers.

The second tranche of the Transaction will be implemented after the audited financial statements of Pack 'n Stack and its subsidiaries for the financial year ending 31 December 2020 have been finalised, on the third business day following the Tranche 2 Purchase Consideration being agreed or determined in terms of the Transaction Agreement, on which date CA Sales will take transfer of the Tranche 2 PnS Shares and will issue the Tranche 2 Consideration Shares to the Sellers.

## **8. FINANCIAL INFORMATION**

The financial effects of the Transaction will be announced in due course.

## 9. CLASSIFICATION OF THE TRANSACTION

Lewis is a director of CA Sales and therefore a related party to CA Sales as contemplated in paragraph 7.2(c)(i) of the BSE Listings Requirements. The Dunechanus Trust is an associate of Lewis and therefore also a related party to CA Sales as contemplated in paragraph 7.2(c)(vii) of the BSE Listings Requirements.

As mentioned above, the aggregate maximum consideration in respect of the PnS Shares will not exceed ZAR44 803 409 (“**Maximum Consideration**”) equating to P33 602 482 (at an exchange rate ZAR1.33 to the Pula, as at the date of signature of the Transaction Agreement). As at the date of signature of the Transaction Agreement, the market capitalisation of CA Sales was approximately P1.69 billion. As the value of the Maximum Consideration is equal to only 1.99% of CA Sale’s market capitalisation, the Transaction constitutes a small related party transaction in accordance with paragraph 7.6 of the BSE Listings Requirements. The Transaction does not constitute a related party transaction in accordance with the 4AX Listings Requirements.

In terms of the BSE Listings Requirements, a small related party transaction such as the Transaction is not required to be approved by shareholders. As required by paragraph 7.6 of the BSE Listings Requirements, the Company is in the process of obtaining an opinion from an independent expert on whether the terms of the Transaction are fair to CA Sales shareholders. A further announcement will in due course be released by the Company in this regard.

While the Transaction does not require shareholder approval in terms of the BSE Listings Requirements, the SA Companies Act does require shareholder approval to be obtained by way of a special resolution, for the issue by the Company of the Consideration Shares to the Sellers, as Lewis is a director of the Company. The Company is in the process of preparing a circular convening a general meeting for this purpose, which circular will be distributed to shareholders in due course.

## 10. CAUTIONARY ANNOUNCEMENT

While the Company does not consider the Transaction to be price sensitive, it nevertheless advises shareholders to exercise caution when dealing in the securities of the Company until the outstanding details referred to in paragraphs 8 and 9 above are announced.

24 December 2019

Transaction Adviser and 4AX Issuer Agent



BSE Sponsor

