

TRELLIDOR HOLDINGS LIMITED
(Previously Trellidor Holdings Proprietary Limited)
Incorporated in the Republic of South Africa
Registration number: 1970/015401/06
Share Code: TRL
ISIN Code: ZAE000209342
("Trellidor")

ACQUISITION OF TAYLOR BLINDS AND NMC

1 THE ACQUISITION

- 1.1 Trellidor is pleased to announce that on 3 June 2016 it concluded a sale of business agreement ("**Agreement**") with Odyssey House Proprietary Limited ("**Seller**"), in terms of which it will, through a subsidiary ("**Subco**"), purchase an effective 92.5% interest in the Seller's business ("**Business**"), comprising Taylor Blinds and Shutters ("**Taylor Blinds**") and NMC Decorative Mouldings ("**NMC**") ("**the Acquisition**").
- 1.2 Taylor Blinds specialises in designing, manufacturing, marketing, distributing and servicing blinds, shutters and security doors in the South African market, while NMC distributes imported decorative mouldings.

2 RATIONALE FOR THE ACQUISITION

- 2.1 The Acquisition advances Trellidor's strategic objectives of diversifying and expanding its product range and distribution network.
- 2.2 The Taylor Blinds product range, including its Shutterguard range, enjoys strong market share, particularly in Gauteng and the Western Cape.
- 2.3 The acquisition of the Business provides Trellidor with strong brands, management team and distribution network for the development of the home improvements market, distinct from the Trellidor business. The Business's distribution network will be expanded using the skills and based on tried and tested processes inherent in Trellidor.
- 2.4 The existing management of the Business will continue unchanged for an initial two-year period to ensure that the current growth momentum in the Business is retained and core competencies are transferred and to ensure minimum disruption.
- 2.5 The Business's product offering is complementary to that of Trellidor with substantial value to be realised through the Acquisition, including potential distribution through

Trellidor's African network, which continues to grow in line with its stated strategy.

3 **EFFECTIVE DATE**

- 3.1 The Acquisition will be implemented on the last business day of the calendar month in which the final Condition Precedent (as defined in paragraph 6.1 below) is fulfilled or waived ("**Closing Date**"), it being anticipated that the Closing Date will occur on 30 June 2016.
- 3.2 Subject to the fulfilment or waiver of the Conditions Precedent, ownership of and risk in and benefit attaching to the Business shall be deemed to have passed to Trellidor on 30 April 2016 ("**Effective Date**").

4 **PURCHASE CONSIDERATION**

- 4.1 The purchase consideration for the Acquisition of Trellidor's effective 92.5% interest in the Business ("**Purchase Consideration**") will be settled in two tranches, as set out below:

- 4.1.1 the first tranche, involving an effective cash payment of R120 992 122, as well as the assumption by Subco of certain liabilities, will occur on the Closing Date ("**First Tranche**"); and
- 4.1.2 the second tranche, involving an effective cash payment of up to R27 750 000, will be settled on the Second Tranche Payment Date, as defined below ("**Second Tranche**"),

with the Purchase Consideration being subject to possible reduction, as set out in paragraphs 4.3 and 4.4 below.

- 4.2 The Second Tranche will be paid in cash by no later than the 10th business day following the finalisation or audit of Subco's financial statements for the 12 months ending 30 April 2017 ("**Second Tranche Payment Date**"), with this 12 month period being referred to as the "**2017 Profit Period**". Alternatively, the Seller may require the Second Tranche to be settled through the issue of Trellidor shares at an issue price of R6 per share.
- 4.3 Payment of the Second Tranche will be subject to the Business achieving a profit after tax of at least R33 000 000 for the 2017 Profit Period ("**2017 Target PAT**"). Should the actual sustainable profit after tax (before cost of debt) achieved for the 2017 Profit Period be less than the 2017 Target PAT, the Second Tranche will effectively be reduced, in proportion to Trellidor's shareholding in Subco, by R5.50 for each Rand of such shortfall.

- 4.4 In addition, if, after the Closing Date, it transpires that the net working capital remaining in the Business is insufficient to meet the Business's cash and working capital requirements and to cover any provisions, in the ordinary course of business, for the 2017 Profit Period, the Purchase Consideration will be reduced by R1 for each Rand of such shortfall.
- 4.5 The First Tranche will be financed by cash and bank debt. The Second Tranche will be financed by the issue of new shares as indicated above or a combination of cash and bank debt.

5 **MINORITY SHAREHOLDER**

The Family Trust of Taylor Blinds' chief executive officer, Mr Anthony Mederer, ("**Minority Shareholder**") will, pursuant to the conclusion and implementation of a series of further agreements ("**Further Agreements**") hold the remaining 7.5% shareholding in Subco.

6 **CONDITIONS PRECEDENT**

- 6.1 The Acquisition is subject to the fulfilment or, where applicable, waiver, of various conditions precedent ("**Conditions Precedent**"), as summarised below:
- 6.1.1 that the Further Agreements be concluded and, where applicable, become unconditional and be fulfilled;
- 6.1.2 that Subco notifies the Seller that it is satisfied with the results of its due diligence investigation into the Business;
- 6.1.3 that the boards of directors of Trellidor and Subco approve or, to the extent applicable, ratify the Acquisition;
- 6.1.4 that the board of directors of the Seller approves or, to the extent applicable, ratifies the Acquisition;
- 6.1.5 that the shareholders of the Seller approve the Acquisition in terms of section 112 of the Companies Act, No. 71 of 2008;
- 6.1.6 that Subco confirms that it is satisfied that the cash remaining in the Business will exceed the Business's working capital requirements for the 2017 Profit Period;
- 6.1.7 that each Warranty Provider (as defined in paragraph 8 below) has agreed to be bound by the Agreement's warranty and indemnity provisions in favour of Subco;
- 6.1.8 that the key employees of the Business have entered into new (or suitably amended) employment contracts with Subco;

- 6.1.9 that, to the extent required or advisable, all regulatory and statutory approvals and/or waivers be obtained;
- 6.1.10 that the landlord of the Business's main premises consents to assignment of such lease to Subco; and
- 6.1.11 that the main supplier to NMC consents to the assignment of the existing distribution agreement to Subco or that such agreement be replaced, in either case on such terms and subject to such conditions as may be acceptable to Subco.
- 6.2 All Conditions Precedent are to be fulfilled or, where applicable, waived by no later than 21 June 2016, save that the deadlines for the Conditions Precedent in paragraphs 6.1.2 and 6.1.9 are 10 June 2016 and 29 July 2016, respectively. Subco is entitled to extend the above dates by written notice, provided that any extension of more than 20 business days will require the consent of the Seller.
- 6.3 Subco is entitled to waive fulfilment, wholly or in part, of the Conditions Precedent referred to in paragraphs 6.1.1 to 6.1.3, 6.1.6 to 6.1.8, 6.1.10 and 6.1.11 above.

7 **FINANCIAL EFFECTS**

- 7.1 The value of the net assets attributable to the Business amounts to R90.2 million, while the attributable profit after tax amounts to R26.1 million for the Business's most recent financial year ended 29 February 2016. Based on historical performance, the Acquisition will be earnings enhancing to Trellidor.
- 7.2 The financial information contained in this announcement has not been reviewed or reported on by Trellidor's auditors.

8 **WARRANTIES AND INDEMNITIES**

The Seller, its shareholders and their trustees, as well as the Minority Shareholder (collectively, "**Warranty Providers**") are providing detailed warranties and indemnities to Subco that are standard for a transaction of this nature.

9 **PUT AND CALL OPTIONS**

- 9.1 In terms of the Further Agreements, Trellidor and the Minority Shareholder have granted each other reciprocal put and call options, in terms of which the Minority Shareholder will have the option to sell to Trellidor, and in terms of which Trellidor will have the option to purchase from the Minority Shareholder, all shares held by the Minority Shareholder in Subco ("**Option Shares**"), as well as all shareholder loan claims of the Minority

Shareholder against Subco ("**Option Claims**"), such option to be exercised during the 30 day period following the approval of Subco's audited financial statements for its 2019 financial year.

- 9.2 Should such an option be exercised, the consideration due in respect of the Option Shares and Option Claims will be calculated on a 6 times multiple of Subco's headline profit after tax for its 2019 financial year, adjusted for interest on shareholder loans ("**Option Consideration**").
- 9.3 Notwithstanding anything to the contrary, the Option Consideration, when aggregated with the Purchase Consideration, will be limited so as to not result in any of the percentage ratios in paragraph 9.6, read with paragraph 9.1(b) of the JSE Listings Requirements, exceeding 29.99%, provided that such ratio may be exceeded with the approval of Trellidor shareholders (if required under the JSE Listings Requirements).

10 **CATEGORISATION**

The Acquisition qualifies as a category 2 acquisition for Trellidor in terms of the JSE Listings Requirements.

6 June 2016

Durban

Sponsor and Transaction Advisor to Trellidor

PSG Capital Proprietary Limited

Attorneys of the Seller

Werksmans Attorneys