

SANTOVA LIMITED
(“Santova” or “the Company”)
Registration Number: 1998/018118/06
Share code: SNV
ISIN: ZAE000159711

ACQUISITION OF SAI LOGISTICS LIMITED (UNITED KINGDOM) AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

INTRODUCTION

Further to the cautionary announcement published on SENS on 16 July 2018 and the further renewals published on 2 August 2018 and 14 September 2018, the Board of Santova is pleased to announce that subject to the conditions precedent set out below, Santova has acquired 100% of SAI Logistics Limited (“SAI Logistics”) for an amount of GBP3,195,754 with effect 1 October 2018.

VENDORS OF SAI LOGISTICS

Santova has acquired 100% of the issued share capital of SAI Logistics from Simon Phillips and Andrew Hart. Simon Phillips currently holds a majority stake of 98% in SAI Logistics and is the current managing director and original founder of the business. Simon Phillips will continue to serve as managing director of the company, post the acquisition, for a minimum agreed 3-year period.

DESCRIPTION OF THE BUSINESS

SAI Logistics is a company incorporated and registered in accordance with the laws of England and Wales and was founded in 2007, which operates as an international freight forwarding agent and operator of a bonded warehouse based in Milton Keynes, United Kingdom.

RATIONALE FOR THE ACQUISITION

Santova’s strategy is to continuously expand its international presence through the acquisition of well-established logistics businesses along key international trade routes and in major international trading geographies.

The acquisition of SAI Logistics will further enhance the Group’s current capabilities in the United Kingdom and internationally. This is characterised by the following:

- SAI ‘s strong brand within the United Kingdom specialising in sea and air imports along the niche trade route from India to the United Kingdom;
- India is forecast to be the world’s 3rd largest economy by 2030 which makes the world’s second most populous nation an extremely attractive market for world trade and the sourcing of products;
- SAI’s long established and entrenched relationship with key suppliers and agents in India that can be leveraged to the benefit of shipments from India to the rest of world, particularly in those geographies where Santova has its own offices;
- A 2,800 square meter HMRC approved bonded warehouse facility that provides storage and other value-add services such a pick, pack, labelling and e-commerce;
- This warehouse facility is situated in Milton Keynes, a major logistics centre, strategically located between London and Birmingham, and will be the Group’s first such facility in the

United Kingdom, which can be utilised to the benefit of the Group's existing operations and client base throughout the United Kingdom;

- A long standing stable client base within a niche business that benefits from higher operating margins through the consolidation of cargo and the added value warehousing services;
- Long serving, experienced management and staff with strong client relationships; and
- A history of consistent profitability and a strengthening financial position.

CONSIDERATION PAYABLE

On fulfilment of the conditions precedent, Santova will settle the purchase price payable for SAI Logistics in the form of cash to be paid as follows:

- GBP 1,438,090 payable in cash on the date of completion which takes place 5 business days after the last of the conditions precedent have either been waived or satisfied;
- An amount of GBP 575,235 payable in cash within 90 days of the completion of each of the first and second 12-month anniversaries of the effective date, subject to the fulfilment of the profit warranty; and
- An amount of GBP 607,194 payable in cash within 90 days of the completion of the third 12-month anniversary of the effective date, subject to the fulfilment of the profit warranty.

The profit warranty requires SAI Logistics to achieve a minimum net profit before tax of GBP 595,919 per annum or not less than GBP 1,787,757 in aggregate for the three warranty periods, failing which the purchase price will be proportionately reduced.

The purchase price payable for the acquisition of SAI Logistics will be paid in cash and will be funded by Santova through a combination of internal cash reserves and a new R75 million medium term loan facility, which has been approved by the Group's primary transactional bankers for general acquisition purposes.

CONDITIONS PRECEDENT

The completion of acquisition is subject to the fulfilment of the following remaining conditions precedent:

- The effective date accounts as at 30 September 2018 being prepared and finalised prior to completion which demonstrate a warranted minimum adjusted net profit before tax for the previous 12 months of GBP 595,919.
- The obtaining of any third party, regulatory, tax or other consents or approvals required for completion; and
- There being no breach of warranties or any material adverse events occurring prior to completion.

VALUE OF THE NET ASSETS AND PROFITS ATTRIBUTABLE TO THE NET ASSETS BEING ACQUIRED

The final value of the net assets of SAI Logistics that are being acquired will be determined as per effective date accounts as at 30 September 2018 which are still to be prepared and finalised prior to completion. However, these are expected to be an amount of approximately GBP 701,031.

The value of the profits attributable to net assets of SAI Logistics that are being acquired are warranted to be GBP595,919 before taxation for each of the 3 financial years post effective date.

ARTICLES OF ASSOCIATION OF SAI LOGISTICS LIMITED

Santova has confirmed that the Articles of Association of SAI Logistics Limited contain no provisions that would frustrate Santova in any way from compliance with its obligations in terms of the Listings Requirements and furthermore do not contain any provisions that will relieve Santova from compliance with the Listings Requirements.

CATEGORISATION OF THE ACQUISITION

This transaction is a category 2 transaction as defined by the JSE Listings Requirements and as such does not require specific Shareholder approval

WITHDRAWAL OF CAUTIONARY

Shareholders are advised that the cautionary announcement dated 16 July 2018 and subsequent renewals thereof on 2 August 2018 and 14 September 2018 are hereby withdrawn and shareholders are no longer advised to exercise caution when dealing in Santova shares.

19 October 2018
Durban
Sponsor and Corporate Advisor
River Group