

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

Acquisition of A-Link Freight, Inc. (USA)

Introduction

The Board of Santova is pleased to announce that subject to the terms set out below, Santova has concluded a purchase and sale agreement to acquire 100% of the share capital or assets of A-Link Freight, Inc. (“A-Link”) from Universal Shipping, Inc. for an amount of USD 2 350 000 with effect 21 September 2022 (“effective date”).

Description of the business

A-Link is based in Los Angeles (“L.A.”), California, and has been operating for over 20 years providing air freight services to and from the United States of America (“USA”) with specific focus on exports from Los Angeles airport (“LAX”). Their agreements with major international carriers allow A-Link to provide competitive rates with a reliable service.

A-Link focuses on daily consolidations from L.A. to the Far East and other key hubs across the globe as well as door-to-door services. They operate in a niche market supporting ecommerce which has resulted in A-Link becoming a reputable service provider to the industry. A-Link also offers warehousing near LAX with many customers taking advantage of their cross-dock services.

Rationale for the acquisition

The USA has been a focus area for Santova for numerous years with a number of existing clients importing from and exporting to the region. Due to the premium the market attributes to logistics businesses in the USA, Santova has been cautious in its entry into the region and patient in pursuing opportunities.

A-Link is strategically located in Inglewood, California, which is in close proximity to LAX. In 2021, LAX ranked as the fifth busiest airport globally having recorded 506,769 aircraft movements to service over 48 million passengers and 3 million tons of freight.

Los Angeles also offers a complex multimodal transportation infrastructure, which serves as a regional, national and international hub for the movement of freight by air, sea, road and rail. It further hosts the United States' largest port complex, an extensive freight and passenger rail infrastructure, including light rail lines and an extensive freeway and road system.

The ports of Los Angeles and Long Beach, account for approximately 40% of all shipping containers entering the USA.

Purchase Price

The purchase price payable for the acquisition of A-Link is as follows:

- A first installment of USD 645 000 payable on the effective date;
- A second installment of USD 705 000 payable within 180 days of the effective date;
- A third installment of USD 1 000 000 payable within 2 years of the effective date, subject to the warranty provisions set out below;

The warranty conditions require A-Link to produce cumulative earnings before interest, taxes, and amortization (“EBITDA”) of USD 1 200 000 for the 2 years after the effective date.

The third installment will be proportionality reduced on a dollar for dollar basis should there be any shortfall in the warranted EBITDA.

The acquisition will be funded through Santova’s cash reserves and the R75 million medium term acquisition loan facility, which was approved in 2018 by the Group’s primary transactional bankers for general acquisition purposes.

Key Conditions

The purchase and sale agreement allows Santova to either acquire and transfer the assets from A-Link into a newly formed company, or to acquire 100% of the shares in A-Link.

Santova assumes full control as of the effective date and has up to one year from the effective date to decide between closing the purchase as a purchase of assets or shares.

Categorisation

The total maximum purchase consideration for A- Link is less than 5% of the company’s market capitalisation and is thus neither a category 1 nor a category 2 transaction in terms of the JSE Listings Requirements. The board, however, considers it prudent to inform shareholders of this strategic acquisition for Santova.

Value of net assets and profit attributable to the net assets

The NAV of A-Link, estimated at USD 750 000 as of the effective date, is currently being calculated by the seller and will be finalised prior to completion. Upon completion of the effective date accounts and approval of the calculation by Santova, A-Link will distribute the NAV to the seller and an equal amount will be remitted to A-Link by Santova.

All profits generated by A-Link accrue to Santova as of the effective date.

Articles of Association

Santova has confirmed that the Articles of Incorporation of A-Link contain no provisions that would frustrate Santova in any way from compliance with its obligations in terms of the JSE Listings Requirements and furthermore do not contain any provisions that will relieve Santova from compliance with those Listings Requirements.

22 September 2022

Durban

Sponsor and Corporate Advisor

River Group