



**The Trusted Home of Agriculture**  
**Die Betroubare Tuiste van Landbou**

**BKB Limited**  
**Registration number: 1998/012435/06**  
**("BKB")**



for the  
**LOVE**  
of the  
**LAND**

**VKB Beleggings Proprietary Limited**  
**Registration number: 2011/007000/07**  
**("VKB")**

**2 July 2019**

## **JOINT ANNOUNCEMENT: INTRODUCTION OF VKB AS A STRATEGIC SHAREHOLDER OF BKB AND RELATED MATTERS**

BKB shareholders are referred to the announcement on 9 January 2019 in which shareholders were informed of certain important shareholder matters. Through today's announcement, the Board of Directors of BKB ("**BKB Board**") wishes to update the shareholders of BKB of the latest developments relating to BKB which are of importance to BKB and its stakeholders.

### **Background**

1. As announced to the shareholders of BKB on 9 January 2019, Maruwa Investments Proprietary Limited ("**Maruwa**") and BKB entered into a nomination agreement ("**Nomination Agreement**") in terms of which Maruwa was nominated as BKB's nominee to acquire 18,612,016 issued shares in BKB from the ARC Fund, which nomination Maruwa accepted and acquired the BKB shares held by the ARC Fund on 21 December 2018 ("**ARC Buy-Out**").
2. The acquisition price relating to the ARC Buy-Out was funded in terms of a financing facility obtained by Maruwa from VKB at the time ("**VKB Finance Loan**").
3. The Nomination Agreement contained certain entrenched rights for both BKB and Maruwa, which included, among others:
  - 3.1. an irrevocable first right of refusal afforded to BKB to act as re-financier of the VKB Finance Loan up to no later than 15 March 2019 ("**Refinancing Right**"); and
  - 3.2. to the extent that BKB exercises the Refinancing Right and Maruwa fails to settle same on or before 14 June 2019, BKB would have the right to repurchase the BKB shares held by Maruwa (or nominate one or more third parties for such purpose) ("**BKB Call Option**").



4. BKB subsequently exercised its Refinancing Right on or about 20 February 2019.
5. On or about 22 May 2019, BKB entered into an “Option Grant and Share Purchase Agreement” with Acorn Agri And Food Limited (“**Acorn Agri**”) in terms of which BKB was granted an irrevocable option to acquire (or nominate a third party for such purpose) at least 10,361,297 shares in BKB from Acorn Agri (“**AAF Shares**”) and which option was to be exercised on or before 14 June 2019 (“**Share Purchase Option**”).

### **BKB Shareholder Update**

6. Further to the above, on 13 June 2019 BKB and VKB entered into a “*Nomination, Share Purchase and Shareholder Agreement*” (“**BKB/VKB NSS Agreement**”) in terms of which BKB nominated VKB as its nominee to execute the Share Purchase Option, which nomination was accepted by VKB.
7. On or about 14 June 2019:
  - 7.1. VKB exercised the Share Purchase Option and acquired the AAF Shares in BKB; and
  - 7.2. BKB issued a notice to Maruwa whereby BKB exercised the BKB Call Option right in terms the Nomination Agreement (“**BKB Call Option Notice**”).
8. In terms of the BKB Call Option Notice, BKB exercised its rights as follows with regards to the BKB shares held by Maruwa:
  - 8.1. BKB repurchased 4,653,003 of its own shares (equal to 5% of the issued share capital of BKB at the time);
  - 8.2. BKB nominated the BKB Beperk Personeel Aandeletrust (“**PAT**”) to acquire 5,708,294 shares in BKB held by Maruwa, the main objective of which is to utilise the shares for purposes of the employee share incentive scheme operated by the PAT; and
  - 8.3. BKB nominated VKB to acquire 8,250,719 shares in BKB held by Maruwa.
9. Post implementation of the above, BKB’s total ordinary shares in issue are 88,407,075 of which:
  - 9.1. VKB now holds 18,612,016 ordinary shares, representing approximately 21,05% of the total issued shares in BKB; and
  - 9.2. the PAT now holds 9,530,440 ordinary shares, representing approximately 10,78% of the total issued shares in BKB.
10. Accordingly, as required in terms of section 122(3)(b) of the Companies Act, No 71 of 2008 (“**Act**”), BKB shareholders are hereby advised that BKB has received formal notification in the prescribed form of the abovementioned movements in securities of BKB and the requisite



notices in terms of Section 122(3(a) of the Act have been filed with the Takeover Regulation Panel.

### **BKB/VKB NSS Agreement and Mutual Undertakings**

11. As part of the BKB/VKB NSS Agreement, BKB and VKB will enter into discussions regarding a potential opportunity to investigate the synergies between their respective businesses and/or certain of their business operations ("**Potential Combination Transaction**").
12. In pursuance thereof, BKB and VKB have committed themselves for a period up to 29 February 2020 ("**Discussion Period**") during which they will hold discussions in good faith and as a collective effort between BKB and VKB towards possibly achieving a suitable transaction structure for purposes of the Potential Combination Transaction, subject to mutual agreement between BKB and VKB ("**Proposed Transaction Structure**"). For the avoidance of doubt, no terms regarding the Potential Combination Transaction have been agreed between BKB and VKB as discussions in relation thereto are yet to commence.
13. Ancillary to the above, the BKB/VKB NSS Agreement includes *inter alia* the following salient terms:
  - 13.1. should BKB and VKB not come to an agreement on the Proposed Transaction Structure on or before the expiry of the Discussion Period, BKB has a right to repurchase the BKB shares held by VKB (or nominate one or more third parties for such purpose), and similarly VKB has a right to sell the shares held in BKB back to BKB (or its nominees);
  - 13.2. VKB undertook that during the Discussion Period it will not acquire further shares in BKB which will cause its shareholding in BKB to exceed 30% of the issued shares in BKB, without the consent of the majority of the directors of the BKB Board ("**VKB Agreed Shareholding Limitation**");
  - 13.3. VKB granted specific pre-emptive rights in favour of BKB (and/or its nominee/s) for the duration of VKB's shareholding in BKB, should VKB wish to dispose of any of its shares in BKB;
  - 13.4. subject to compliance with the VKB Agreed Shareholding Limitation, VKB has indicated its willingness to acquire further shares from minority BKB shareholders who wish to dispose of their shares in BKB ("**BKB Shares On Offer**") and, if so elected by VKB, to purchase such BKB Shares On Offer. VKB has further undertaken that any purchase of BKB Shares On Offer from time to time shall be acquired by VKB at a minimum purchase price of at least R16 per BKB Share On Offer for the duration of the Discussion Period. For the avoidance of doubt, BKB shareholders should note that VKB is under no obligation to purchase any such BKB Shares On Offer that may be available. However, to the extent that any BKB Shares On Offer do become available and VKB elects to purchase such BKB Shares On Offer, VKB shall then be obliged to purchase the available BKB Shares On Offer at not less than R16 per share; and



- 13.5. for as long as VKB holds at least 20% of the entire issued share capital of BKB, an undertaking by the BKB Board to appoint two suitably qualified and experienced nominees of VKB to the BKB Board, which appointments (i) shall be effective from such date upon which the appointments are made by the BKB Board, and (ii) shall be confirmed by BKB shareholders at the next annual general meeting of BKB.
14. For the avoidance of doubt, specifically in relation to the potential acquisition of any BKB Shares On Offer as referred to in paragraph 13.4 above, this announcement is not intended to constitute a firm intention to make an offer in respect of either BKB or VKB shares and accordingly should not be construed as such.

### **Conclusion**

15. After the significant challenges faced over the last 12 months at a shareholder level, the BKB Board is looking forward to exploring the possibilities that a potential transaction with VKB may present.
16. Further announcements will follow regarding matters related to the above as well as the proposed listing of BKB on the licensed securities exchange operated by 4 Africa Exchange Proprietary Limited.
17. All of the above remains subject to compliance with all relevant legislation, including competition legislation.

### **Mr. Chris Louw, Chairman of BKB commented as follows on the transaction:**

*“This announcement comes at an important time in the life of BKB. This is a time where we reflect over BKB’s past 100 years, but also a time where we look forward to BKB’s next 100 years with the clear understanding that the decisions we make today, must position BKB for generations to come.*

*In doing so, we must always remember our rich history – BKB’s nimble beginnings, our successes, the challenges that we encountered but overcame, our clients, shareholders and people who have contributed to the BKB that it is today.*

*Against this backdrop, BKB has for some time been exploring the possibility to take hands with another like-minded agri business. We believe a potential association with VKB could strengthen our foothold in the agri-space and also result in synergistic benefits for BKB and VKB. In this regard, we prefer to be pro-active and choose our partner rather than be subject to hostile corporate action which may result in us having to be forced to take hands with someone less suited to our needs. We believe VKB has a similar vision as BKB, which we look forward to explore. BKB’s long-term future remains in agriculture and we need to conduct our business in such a way that we remain financially sound whilst providing a reasonable return to our shareholders. BKB and VKB have a number of complementary businesses and a very diverse footprint. The diverse geographic spread will no doubt be beneficial to both businesses enabling them to spread their respective penetration into new areas.*

*We look forward to exploring a long-lasting and beneficial relationship with VKB.”*



**Mr. Paul Carshagen, Chairman of VKB commented as follows on the transaction:**

*“VKB is a proud agri-business with a rich history of 100 years and its shareholders being commercial agri-producers. One of VKB’s strategic goals is aimed at becoming involved in the livestock industry especially considering that the majority of VKB’s commercial agri-producers’ farming operations also include largescale livestock farming components.*

*The opportunity presented to VKB to invest in BKB is a major step towards achieving this strategic goal of VKB which we believe will also contribute to BKB’s business through our collective efforts. However, our investment in BKB offers substantially more than a mere financial investment as we believe it serves as a solid foundation to unlock the synergies that exist between BKB and VKB for the benefit of both the commercial agri-producers in South Africa as well as the shareholders of BKB and VKB.*

*Considering the vast geographical areas within which BKB and VKB respectively operate, it also presents the ideal opportunity to jointly focus on VKB and BKB’s strengths by learning from one another’s bespoke competencies aimed at ultimately complementing our respective businesses. In addition, the industries of BKB and VKB also provide the potential for greater marketing opportunities for the variety of products which VKB and BKB each offer.*

*Through this investment in BKB, VKB is thankful for the opportunity to pursue the realisation of our strategic ambitions and could not have asked for a better “partner” being also a 100-year-old business such as BKB to jointly lay the foundation for the next 100 years.*

*We look forward to an excellent relationship.”*

**JOINT RELEASE ON BEHALF OF THE BOARDS OF DIRECTORS OF BKB AND VKB.**

**2 JULY 2019**



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