

Co-investment by Letlole La Rona limited into Orbit Africa warehousing and manufacturing facility, Nairobi, Kenya



Further to the Cautionary Announcement dated 4 May 2022 (Cautionary Announcement Update - Potential Transactions) and in line with Section 7.5 (a) of the Equity Listings Requirements ("the Listings Requirements") of the Botswana Stock Exchange Limited ("the BSE"), the Board of Directors ("the Board") of Letlole La Rona Limited ("LLR"), a premier variable rate loan stock company whose existing property portfolio comprises of industrial, retail, residential and commercial office space, today announces a co-investment opportunity alongside Grit Services Limited ("GSL") in the acquisition of an industrial property in Nairobi, Kenya through Orbit Africa Logistics ("OAL"), a special purpose vehicle incorporated in Mauritius, which is wholly owned by GSL. GSL is a wholly owned subsidiary of London Stock Exchange listed Grit Real Estate Income Group ("Grit").

The co-investment will be through the subscription of new shares in OAL by the Company ("the Transaction").

Introduction

The Board recently defined a "Go-to-Africa" growth strategy and described its intentions to form strategic partnerships with credible and experienced African investment entities.

The Transaction is the Company's first, in pursuit of the said strategy in partnership with a significant shareholder who has vast experience in the African region.

The Transaction will grow and diversify the Company's portfolio and balance sheet by affording the Company's portfolio a 6% (six percent) exposure to the African region ex-Botswana. The acquisition by OAL will be value accretive in terms of capital appreciation (Net Asset Value growth) and is also expected to offer an attractive USD initial net yield of 7% (seven percent).

The Company sees significant opportunities across Africa in this structurally undersupplied asset class, and expects to make further investments over the

short to medium term alongside its partners and African focused development finance institutions.

Consideration

The acquisition of shareholding by the Company will initially be through the injection of equity in the form of a shareholder loan amounting to approximately USD7,200,000 (Seven Million, Two Hundred Thousand US Dollars) to acquire 30% (thirty percent) shareholding in OAL. The Company will have the option to increase its shareholding to 50% (Fifty Percent) in OAL by injecting a further approximate USD7,600,000 (Seven Million, Six Hundred Thousand US Dollars) to be paid to OAL, including a fee of 8.5% (Eight-point Five Percent) per annum of the option price, calculated from the date of payment of the subscription price by LLR.

LLR has negotiated to participate in this transaction at a discount of 8% to the value (Net Asset Value (NAV)) of OAL and therefore LLR will enjoy the benefit of a valuation upside from day one.

The initial injection of equity through the shareholder loan will be funded through a loan facility obtained from First National Bank of Botswana Limited, acting through its Rand Merchant Bank division, while the second tranche under the LLR Loan Agreement shall be raised by the Company prior to 31st December 2022.

To date, the Company and GSL have executed transaction agreements that are conditional upon certain conditions precedents being fulfilled, the primary one being the approval of the Transaction by the Unitholders of the Company at an Extraordinary General Meeting.

The Asset

The total investment in the Asset is expected to be US\$53.6 million (incl. VAT), comprising the initial sale and leaseback on a new 25-year US dollar denominated triple net lease to Orbit at a net acquisition yield of 9.60%, alongside the redevelopment and the expansion of the facility

at an attractive contractual development yield of 16.0%.

The Asset upgrades are additionally expected to create long lasting positive social, economic and environmental benefits for local communities, whilst the property will also benefit from being significantly improved to modern FMCG industry standards and achieving an IFC EDGE green building certification. The redevelopment and expansion is expected to be completed in the fourth quarter of 2023 when it will be let on a new 20-year triple net lease to Orbit.

The premises is located on Mombasa Road, the principal route south of Nairobi center, serving the main industrial node, the port of Mombasa and the industrial town of Athi river. It is strategically located 11 kilometers south of the international airport and 9.6 kilometers from the Inland Container Depot.

Orbit has been operating in Kenya for the past 40 years and is one of the leading and well established manufacturers of personal care and home care products in East Africa, employing over 600 people. Orbit's primary clients include multi-nationals such as Colgate, Henkel, Reckitt Benckiser and Ecolab among others.

Related party transaction

The Transaction envisaged is categorised as a related party transaction as GSL is a material shareholder of LLR by virtue of its 30% shareholding in the Company.

Director Service Contracts

The Company advises Unitholders that Mr Donald Borthwick serves as an independent non-executive director on the board of LLR and is also the owner and Director of Hodari Africa (Pty) Limited ("Hodari") a property company that conducted the technical due diligence on behalf of GSL for phase 1 of the transaction.

Hodari will also be the development and project managers for phase 2 of the transaction.

Notwithstanding this, Mr Donald Borthwick has recused himself from voting on the transaction in line with the Company's Conflict of Interest Policy.

In accordance with Section 7.4 of the Listings Requirements, the Company confirms that its Audit Risk and Compliance Committee has reviewed the Transaction and determined that the terms of the proposed transaction with the related party are fair insofar as the Company's Unitholders are concerned. Furthermore, in terms of Section 7.4 (b) (ii) of the Listings Requirements, Unitholders of the Company will be required to vote on and approve the related party transaction at the Extraordinary General Meeting (EGM) to be held on 15 June 2022.

Unitholders are advised that the EGM circular with the full details of the Transaction will follow. Ms Kamogelo Mowaneng, CEO of Letlole La Rona Limited commented:

"This co-investment is our first regional transaction and delivers on our Go-to-Africa growth strategy. It further provides a solid platform for future similar investments, considering the structural undersupply of quality industrial sector assets across the African continent

"The Transaction is strongly value accretive in terms of NAV growth and will see LLR earn US dollar revenue from one of the leading and oldest manufacturers in Kenya, a country widely regarded as the gateway to East Africa.

"The Board expects to make further accretive investments over the short and medium term that will deliver further value to our shareholders."

By order of the Board

20 May 2022



Legal Advisors



Sponsoring Broker