

Distell Group Limited
Incorporated in the Republic of South Africa
(Registration number 1988/005808/06)
Share code: DST
ISIN: ZAE000028668
("Distell" or "the Company")

ACQUISITION OF BEST GLOBAL BRANDS LIMITED

1. Introduction

Distell shareholders are advised that the Company's wholly owned subsidiary, Distell International Holdings Limited ("DIHL"), has completed the acquisition of 26% of the ordinary shares of Best Global Brands Limited ("BGB") for USD54.6 million from Hawksford Trustees Jersey Limited, in its capacity as trustees of the Furlong and Octane Trusts ("Sellers") ("Phase 1"). The Furlong and Octane Trusts, of which the respective beneficiaries are the Kieswetter and Bell families, collectively own the remaining 74% in BGB.

DIHL has also entered into an agreement with the Sellers to acquire the remaining 74% of the ordinary shares of BGB, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived ("Phase 2").

(collectively the "Transaction").

2. Overview of BGB

BGB is the holding company of a group of companies which own, manufacture and distribute the fast growing mainstream "Best" spirit brand in countries throughout Africa. The Best brand achieved volumes in excess of 30 million litres for the twelve months ending 30 June 2017 with Best whisky and Best cream comprising the largest proportion of those volumes. Best is the market leader in the mainstream spirits category in Angola and has a strong and growing presence in Nigeria, Kenya and Zambia.

3. Strategic rationale

The acquisition of the strategic interest in BGB will enable the Distell group to advance its strategy of becoming the leading Spirits, Wine and RTD group across Africa.

- Best is a well-established pan-African brand founded in 1998 and is the leading mainstream spirits brand in both whisky and cream in Angola and is the leading mainstream cream spirits brand in Nigeria. The brand is experiencing strong growth in various other African countries most notably Kenya and Zambia.
- Best's market leading positions in Angola and Nigeria are underpinned by established routes-to-market in these countries.
- BGB operates modern state of the art production facilities in Angola and Nigeria which provide a competitive advantage in both cost of production and speed to market.

- BGB is a profitable and cash generative group and the acquisition will step-change Distell's African division by providing scale and efficiency in the spirits category.

BGB and Distell expect the Transaction to generate significant synergies in the short to medium-term in procurement, route-to-market and production, which will unlock further value for both parties.

4. Key terms of the Transaction

4.1 Phase 1

In terms of the Phase 1 agreement DIHL has acquired 26% of the ordinary shares of BGB for an upfront purchase consideration of USD54.6 million. The payment of the upfront purchase consideration is subject to a clawback or top-up once closing accounts have been finalised and the net debt and working capital of BGB at closing have been confirmed. A further deferred purchase consideration payment of USD15.2 million is due should BGB's Angolan operations obtain an import duty waiver on the importation of raw materials into Angola within a period of 12 months from closing.

As part of the Transaction, DIHL will appoint two directors to the board of BGB, one of which being the finance director.

The Nigerian operations and the Kenya export business will remain separate from BGB until such time as the Nigerian operations are restructured subject to obtaining approval from the Nigerian competition authorities and BGB obtains approval from the Kenyan competition authorities to acquire the Kenya export business. Upon completion, which is expected within the next six months, these businesses will be integrated into BGB.

4.2 Phase 2

In terms of the Phase 2 agreement, DIHL will purchase the remaining 74% of the ordinary shares in BGB once certain operating hurdles are achieved and conditions precedent are met. The purchase consideration of Phase 2 will be determined based on a 9.3x multiple of BGB's last 12 month after tax operating performance. The operating hurdles will be measured every six months from 30 June 2019 to 30 June 2022 against agreed upon criteria in relation to *inter alia* i) volumes delivered by the Angola operations ii) externalisation of cash remittances from the Angola operations to other group companies and iii) minimum group profitability margins being achieved. The hurdles have been put in place for the benefit of both DIHL and the Sellers to ensure that the business is operating sustainably when Phase 2 is implemented.

65% of the Phase 2 purchase consideration will be paid upon closing of Phase 2 with the remaining 35% being deferred subject to certain hurdles being met within the earlier of three years of closing or 30 June 2023.

5. Funding and financial impact

Distell will fund the acquisition consideration from internal cash resources. The Transaction is expected to be accretive to Distell's headline earnings per share from the first year.

6. Net assets and profits of BGB

BGB is a newly established group following a restructuring of the business. BGB's pro forma profit after tax for the period ended 31 March 2016 is estimated at USD33 million. This estimation was derived by applying the relevant income tax rates across the territories BGB operates in to the pro forma operating profit of BGB for the period ended 31 March 2016, which was verified in accordance with IFRS during due diligence. BGB's net asset value at closing is expected to be USD7 million, it being noted that tangible and intangible assets were not fair valued when BGB was constituted.

7. Effective date and Conditions precedent to the Transaction

Phase 1 is not subject to any conditions precedent and the effective date is 28 July 2017.

Phase 2 is subject to inter alia the following conditions precedent:

- Obtaining all regulatory approvals to the extent required;
- Distell concluding a successful equity capital raising or obtaining the necessary funding to settle the Phase 2 purchase consideration; and
- No material adverse change having occurred in Angola or any other territory comprising more than 20% of BGB's turnover.

8. Categorisation

The aggregate consideration payable under Phase 1 and 2 of the Transaction is capped at R8.6 billion and the Transaction is classified as a Category 2 transaction in terms of the Listings Requirements of the JSE.

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