



30 August 2016

Redefine Properties agrees to acquire JSE listed The Pivotal Fund in an all share deal

JSE-listed diversified real estate investment trust Redefine Properties (JSE: RDF) has announced its intention to acquire the entire issued share capital of The Pivotal Fund (JSE: PIV). Pivotal, a development focused investment fund, has an A-grade portfolio of completed income producing properties and developments.

Under the terms of the transaction, valued at R6 billion, shareholders in Pivotal will receive from Redefine 460 million new Redefine Properties shares plus 31 million shares in Echo Polska Properties (EPP), effectively placing Pivotal shareholders in the commercial position they would have been in had Pivotal unbundled its EPP shares to its shareholders.

The Redefine shares will be issued ex-dividend, anticipated to be at the end of November 2016 and the EPP share will be delivered during January 2017. Redefine Properties' strategic investment in EPP will remain intact.

The deal, which is subject to the usual regulatory processes for a transaction of this nature, will be implemented through a scheme of arrangement which requires 75% approval at a general meeting of Pivotal shareholders.

Redefine Properties will delist Pivotal once the deal has been concluded which is expected before the end of the year.

Andrew Konig, CEO, Redefine Properties says, "An irrevocable buy-in from a significant number of Pivotal shareholders has been received. Our intention is not to be a shareholder as we can only achieve the full potential for synergies with complete ownership."

"Development funds like Pivotal are seeing twin challenges of increasing cost of capital as well as the macro environment putting pressure on development returns," adds Konig.

The acquisition of the Pivotal portfolio enables Redefine to continue with its investment philosophy to recycle its capital through disposing assets no

longer aligned to its long term investment strategy and replacing them with prime (Pivotal) assets.

"We believe we bring compelling value to shareholders of both companies with Pivotal shareholders receiving a long-term upside potential of an investment in Redefine, increasingly recognised for its performance in a difficult and competitive market."

The deal will see Redefine Properties which already co-owns S&J Industrial Estate in Germiston and Rosebank Galleria with Pivotal, gain significant reach in Sandton and consolidate its position in Rosebank.

"The acquisition demonstrates Redefine's strategic intent to become the landlord of choice in A-grade office space in sought after areas in South Africa. Redefine has shifted its strategy in recent years to become a more urban focused landlord by acquiring modern properties in better performing nodes," says Konig.

Pivotal's property portfolio is valued at R12.9 billion and its income producing assets comprise 8 retail properties, 10 offices and 3 industrial sites, a number of development properties with 4 active developments. Pivotal's African assets in markets like Mauritius, Mozambique, Nigeria, Morocco, Kenya and Zambia will be sold post implementation.

Once the deal has been finalised, Redefine will operate approximately 350 properties totalling nearly 5.7 million square metres across the country.

According to Konig, the deal provides Redefine with "a unique opportunity" in the current environment to acquire a portfolio of well leased modern properties in a single transaction. The acquisition further cements our position as one of the top landlords in Sandton, a node where we have grown to almost 30% of our office portfolio from almost no exposure five years or so back and allows us to make meaningful expansion into Bryanston and Centurion.

In Sandton, Redefine will add crown jewels like Alice Lane with tenants like Sanlam, Santam, Standard Bank, and Virgin Active South Africa. Part of the development at Alice Lane also includes an office building likely for completion during April 2017 to house legal heavy weight Bowman Gilfillan.

Besides this acquisition, Redefine Properties significantly broadened its offshore footprint earlier in the year via a 260 million Euro equity investment into EPP which has a 1.2 billion Euro high-yielding commercial platform comprising 18 properties in the rapidly-expanding and exciting Polish market. To continue on its growth trajectory, EPP plans to broaden its shareholder base by listing on the JSE during the first half of September this year.