



**Bowler Metcalf Limited**

**BOWLER METCALF LIMITED**

Incorporated in the Republic of South Africa  
(Registration number 1972/005921/06)  
Share code: BCF ISIN: ZAE000030797  
("the Company" or "Bowler Metcalf")

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**DISPOSAL OF A 41.38% INTEREST IN SOFTBEV PROPRIETARY LIMITED ("SOFTBEV") AND  
WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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**INTRODUCTION**

Further to the Cautionary Announcement made on 9 February 2018 and subsequent renewal on 23 March 2018, the Company advises shareholders that a Sale of Shares and Claims Agreement has been signed pertaining to the disposal of its 41.38% interest in its associate investment, SoftBev, to The Beverage Company Bidco Proprietary Limited ("The Beverage Company") effective 30 June 2018 ("Proposed Transaction").

**BACKGROUND TO SOFTBEV**

Commencing business in 2015, SoftBev is an innovative, 100% South African owned company formed after the merger between two well established businesses, Shoreline Sales and Distribution Proprietary Limited and Quality Beverages 2000 Proprietary Limited ("Quality Beverages" previously owned by the Company) which, combined, have over 50 years of industry experience. The company is a national operator involved in the manufacture, bottling, marketing and distribution of soft drinks, energy drinks, juice and water. Their well-established brands include Coo-ee, Jive and Reboost. SoftBev is also the sole licensed bottler for Pepsi and its related brands across South Africa, Lesotho and Swaziland and has distribution rights in Botswana. Further, it also manufactures and distributes Capri-Sun under licence and various house brands of large South African retailers.

**BACKGROUND TO THE BEVERAGE COMPANY**

The company is involved in the manufacture, bottling, marketing and distribution of soft drinks, energy drinks, mixers and water and has a strong regional presence in Gauteng, Eastern Cape, Mpumalanga and Limpopo. It has invested substantially over the past 6 years in new lines, new technologies, significant people capability and platforms for expansion. It's well established brands include Refreshhh, and it supplies private label soft drinks for many of the larger retailers. The shareholders of The Beverage Company are Ethos Private Equity 60.80%, Nedbank Private Equity 23.20% and The Beverage Company Management 16.00%. The Beverage Company is not a related party to the Company or its directors.

**RATIONALE FOR THE DISPOSAL**

The merger in 2015 of Bowler Metcalf's beverage business, Quality Beverages, into SoftBev, was a stepping stone towards exiting the beverage market and following a strategy of focusing on its core business competencies of niche product manufacture, in a business to business environment. This focus requires the Company to commit expertise and resources to skills development, new technologies and supply chain solutions relevant to its target market.

Since the establishment of SoftBev, a number of initiatives have been put in place in the business to harvest the synergistic benefits of having manufacturing and warehousing facilities in Durban, Cape Town and Johannesburg and a national distribution footprint. These initiatives have been managed to fruition but due to the dynamic market in

which SoftBev operates, new initiatives need to be constantly birthed and driven to attain improved economies of scale and deeper market penetration which are both prerequisites for sustained profitability.

The board of directors of Bowler Metcalf is of the opinion that The Beverage Company, through its management team, financial resources and strategy to establish itself as a leading player in the Sub-Sahara African beverages market, is well positioned to realise SoftBev's next phase of growth.

Despite the impairment of the Company's investment in SoftBev in its 2017 financial year, the recent improved trading results of SoftBev as recorded in the Company's 31 December 2017 interim results and its future prospects, have created an opportunity for a fair value disposal.

### **PURCHASE CONSIDERATION**

The final enterprise value of SoftBev will be determined with reference to the actual EBITDA (including certain pre-determined adjustments) achieved by SoftBev for the year ending 30 June 2018 ("FY2018").

The minimum consideration for the Company's share of the equity is expected to be R233 million after the enterprise value has been adjusted for forecast net debt, adjustments to net working capital and sellers' transaction costs (the "Base Consideration"). The Base Consideration will be settled on closing of the Proposed Transaction.

Following the completion of the FY2018 audited financial statements of SoftBev, the final amount of the purchase consideration will be determined based on the actual EBITDA for FY2018 (including certain pre-determined adjustments) and adjusting for the final net debt and working capital position of SoftBev as at 30 June 2018 and final sellers' transaction costs (the "Deferred Consideration"). The Deferred Consideration will be settled shortly after the completion of the FY2018 audited financial statements.

It is envisaged that the Deferred Consideration could potentially reach R126 million resulting in an estimated range for the Company's share of the equity in SoftBev of between R233 million and R359 million. In addition to the sale of its equity stake in SoftBev, the Company's loan claims of approximately R79 million will be repaid.

The Base and Deferred Considerations will both be settled in cash and will be used by the Company for the expansion of its packaging and related property investment business segments and new business ventures that meet its strategic objectives. It is also envisaged that part of the proceeds from the Proposed Transaction will be paid out to shareholders in the form of a cash dividend.

### **SUSPENSIVE CONDITIONS**

The Proposed Transaction is subject to the fulfilment of various suspensive conditions on or before 31 July 2018, including, inter alia, the following:

- The parties to agree in writing the determination of the FY2018 Adjusted EBITDA and the normalised net working capital;
- The parties to confirm, with reference to the May 2018 year-to-date trading results of SoftBev, the value of each of the components of the Base Consideration;
- The Beverage Company is satisfied with the results of its due diligence on SoftBev, including but not limited to aspects of a financial, taxation, human resource, environmental, legal and commercial nature and arrangements relating to certain new business ventures;
- The parties conclude a warranty and indemnity insurance policy;
- The conclusion and unconditional fulfilment of finance facility agreements relating to The Beverage Company's financing of the Proposed Transaction;

- The parties obtaining consent for the change of control and/or assignment of material SoftBev operational agreements;
- The shareholders of the Company approving the Proposed Transaction and passing all related resolutions required by the Company's Memorandum of Incorporation;
- The issuance of clearance certificates of the merger by the relevant competition authorities; and
- Any other regulatory and related approvals.

The Proposed Transaction is also subject to the standard terms and conditions applicable to a transaction of this nature.

## FINANCIAL INFORMATION

SoftBev has been accounted for as an investment in associate in the financial records of the Company.

The net asset value of SoftBev as extracted from the Company's interim results for the six months ended 31 December 2017 (which was classified as "asset held for sale"), was R175.4 million, in addition to a related party loan receivable of R79.8 million. For the same period, the share of profits from SoftBev was R13 million and the Company received net finance income from SoftBev in the amount of R4.8 million.

## CATEGORISATION

In terms of the JSE Listings Requirements, the Proposed Transaction is categorised as a Category 1 transaction and accordingly requires approval from the Company's shareholders by means of an ordinary resolution in a General Meeting.

## DOCUMENTATION AND SALIENT DATES

Further details of the Proposed Transaction will be included in a circular to be sent to shareholders within 60 days of publication of this announcement in accordance with the JSE Listings Requirements, which will contain, *inter alia*, a notice of the General Meeting and a form of proxy.

Due to his financial interest in SoftBev, M Brain (director and shareholder of the Company) will be precluded from voting at the General Meeting.

## WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Pursuant to the above announcement, shareholders are advised that the cautionary announcement is now withdrawn.

Johannesburg  
9 April 2018

Sponsor	Legal Advisors to Bowler Metcalf and SoftBev	Legal Advisors to The Beverage Company	Financial Advisors to The Beverage Company
Arbor Capital Sponsors	Shepstone & Wylie	Webber Wentzel	Standard Bank
			