

## GRIT REAL ESTATE INCOME GROUP LIMITED

(Registered in Guernsey)

(Registration number: 68739)

LSE share code: GR1T

SEM share code: DEL.N0000

ISIN: GG00BMDHST63

LEI: 21380084LCGHJRS8CN05

("Grit" or the "Company" and, together with its subsidiaries, the "Group")



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### ACCRETIVE RESOLUTION TO THE GUARANTEE AGREEMENT WITH THE GOVERNMENT EMPLOYEES PENSION FUND OF SOUTH AFRICA, ALLOWING FOR GRIT'S OBLIGATIONS TO BE FULLY DISCHARGED IN RELATION TO THE DRIVE IN TRADING STRUCTURE

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The board of Directors (the "**Board**") of Grit Real Estate Income Group Limited announces the signing of a variation to the Guarantee Agreement between the Company and the Government Employees Pension Fund of South Africa ("**GEPF**"), represented by Public Investment Corporation SOC Limited ("**PIC**"), allowing for the Drive in Trading (Pty) Ltd ("**DiT**") structure to be wound up and the Company's obligations under the Guarantee Agreement (described below) to be fully discharged.

The existing Guarantee Agreement only provides *inter alia* for the sale of 23.25 million Grit Ordinary Shares owned by the DiT ("**DiT Security Shares**") on the open market. The addendum to the Guarantee Agreement (the "**Addendum**") enables the Company to take direct ownership of their proportionate number of DiT Security Shares in exchange for making the US\$17.5 million Guarantee Agreement payment to GEPF/PIC, and for PIC to similarly add its DiT Security Shares to its existing shareholding in the Company.

Following these steps, the Company's obligations under the Guarantee Agreement will be fully discharged and the potential market overhang in the Ordinary Shares of Grit on either the London Stock Exchange or the Stock Exchange of Mauritius will be removed.

#### **Bronwyn Knight, CEO of Grit Real Estate Income Group Limited, commented:**

"We are pleased to have agreed an accretive resolution to the winding up of the Drive in Trading structure, whilst fully discharging Grit of its obligations under the Guarantee Agreement and removing a market overhang. On a 30 June 2022 pro forma basis, the combined impact of this transaction would have delivered an increase in the Company's EPRA NRV from the last reported US\$79.4 cps to US\$80.5 cps.

Final implementation of the transaction is expected upon South African regulatory approvals in early 2023 and the LTV impact of the transaction is expected to be offset by proceeds received by Grit from deferred rental collections and asset sales already concluded in 2022."

#### **Further Background:**

South African legislation on Black Economic Empowerment ("**BEE**") was applicable to the Company whilst still listed on the Johannesburg Stock Exchange. DiT, the Group's BEE consortium, obtained cost-effective third-party debt financing for Grit Ordinary Shares in 2017 by pledging its 23.25 million Grit Ordinary Shares subscribed for at that date, and on the strength of an additional US\$35.0 million credit guarantee directly from PIC. Separately, PIC and Grit agreed that Grit would make PIC/GEPF whole for 50 per cent. Of any potential losses suffered by the PIC/GEPF under their credit guarantee, up to a maximum of US\$17.5 million (the "**Guarantee Agreement**"). The transaction was approved by Grit shareholders at that time.

In August 2020, the GEPF became the lender to DiT as a result of their credit guarantee being called. In anticipation of the DiT structure being unwound, the parties concluded that the Guarantee Agreement only provided *inter alia* for the sale of DiT Security Shares through the open market, in a process that would be under the control of PIC, and which would be expected to introduce volatility to the Grit share price. Accordingly, the Company and PIC have signed an Addendum that enables the Company to take ownership of DiT's proportionate number of DiT Security Shares in exchange for Grit paying US\$17.5 million to GEPF/PIC under the Guarantee Agreement. The formula to determine proportionate entitlements to DiT Security Shares is defined as 23,250,000 Ordinary Shares x US\$17.5 million/DiT outstanding loan balance at implementation date, capped at 11,625,000 Ordinary Shares. This payment by Grit and the subsequent transfer to Grit of its share of the DiT Security Shares will occur once PIC enforces its rights under the amended Guarantee Agreement.

Following delivery of the DiT Security Shares to Grit, Grit intends to repurchase the DiT Security Shares for a nominal value of US\$0.01 per share, utilising the Company's existing share buyback programme. The repurchased DiT Security Shares will be held in treasury, not cancelled.

Following these steps, the Company's obligations under the Guarantee Agreement will be fully discharged.

Further, PIC has indicated its preference to add its entitlement to DiT Security Shares to its existing holdings in the Company (currently representing approximately 17.09% of Grit's issued share capital), resulting in the removal of a market overhang in the Ordinary Shares of Grit on either the London Stock Exchange or the Stock Exchange of Mauritius.

As reported in the Company's annual report for the year to 30 June 2022, Grit has already provided US\$14.51 million in respect of the Guarantee Agreement, being the Group's Guarantee exposure net of the expected value of its DiT Security Shares. On a 30 June 2022 pro forma basis, the transaction would have had an immaterial effect on Grit's income statement, while the combined impact of the provision reversal and share buyback would have resulted in an increase in the Company's EPRA NRV from the last reported US\$79.4 cps to US\$80.5 cps.

The cash funding of the US\$17.5 million Guarantee payment would have resulted in 30 June 2022 pro forma Group LTV increasing, however the collection of prior year rent deferrals and asset sale proceeds already received post 30 June 2022 are expected to result in Grit's LTV remaining substantially unchanged on implementation date.

The variation to the Guarantee Agreement is subject to South African regulatory approval, which is expected to be obtained, and final closing achieved during the first quarter of 2023. A further update will be provided once all conditions precedent relating to this transaction are cleared.

By Order of the Board

30 November 2022

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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**NOTES:**

Grit Real Estate Income Group Limited is the leading and award-winning pan-African impact real estate company focused on investing in, developing and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high-quality assets are underpinned by predominantly US\$ and Euro denominated long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth.

The Company holds its primary listing on the Main Market of the London Stock Exchange (LSE: GR1T) and a secondary listing on the Stock Exchange of Mauritius (SEM: DEL.N0000).

Further information on the Company is available at <http://grit.group/>

**Directors:** Peter Todd+ (Chairman), Bronwyn Knight (Chief Executive Officer)\*, Leon van de Moortele (Chief Financial Officer)\*, David Love+, Sir Samuel Esson Jonah+, Nomzamo Radebe, Catherine McIlraith+, Jonathan Crichton+, Cross Kgosidiile and Bright Laaka (Permanent Alternate Director to Nomzamo Radebe).

(\* Executive Director) (+ independent Non-Executive Director)

**Company secretary:** Intercontinental Fund Services Limited

**Registered address:** PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP

**Registrar and transfer agent (Mauritius):** Intercontinental Secretarial Services Limited

**UK Transfer secretary:** Link Asset Services Limited

**SEM authorised representative and sponsor:** Perigeum Capital Ltd

**Mauritian sponsoring broker:** Capital Markets Brokers Ltd

This notice is issued pursuant to the FCA Listing Rules and SEM Listing Rule 15.24 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.