

TASTE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2000/002239/06)

Share code: TAS

ISIN: ZAE000081162

("Taste" or "the Company")



DISPOSAL OF THE STARBUCKS FRANCHISE BUSINESS AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1. Shareholders are referred to the Company's SENS announcement earlier today regarding the change of strategic direction of the Company and are advised that on 31 October 2019, the Company, through its wholly-owned subsidiary Taste Food Franchising Proprietary Limited ("**Taste Food**"), entered into an agreement ("**Agreement**") with K2019548958 (South Africa) Proprietary Limited ("**Purchaser**"), in terms of which the Company will dispose of its Starbucks franchise business in South Africa ("**Starbucks Business**") as a going concern to the Purchaser, for an aggregate disposal consideration of R7 000 000 ("**Disposal Consideration**") ("**Disposal**").
- 1.2. The Starbucks Business comprises 13 corporate-owned Starbucks stores situated in Johannesburg, Pretoria and Durban.

2. RATIONALE FOR THE DISPOSAL

As stated in the abovementioned SENS announcement, the Company has, following detailed operational reviews and canvassing potential partners and capital providers, reached the conclusion that Taste should change its strategic direction and exit the food business given that it has become evident that capital investment required for the previous expansion strategy cannot be secured, given the current structure of the business and existing market conditions. In line with the Company's change in strategic direction, Taste Food has entered into the Agreement to dispose of the Starbucks Business.

3. DISPOSAL CONSIDERATION

The Disposal Consideration includes VAT at the rate of zero percent, and shall be paid by the Purchaser to Taste Food on the closing date, being the third business day following the date on which the last of the Conditions Precedent (as defined below) to the Disposal is fulfilled or waived, as the case may be ("**Closing Date**").

4. APPLICATION OF THE DISPOSAL CONSIDERATION

The Disposal Consideration will be used towards meeting the Taste group's working capital requirements and its liabilities (as they fall due).

5. CONDITIONS PRECEDENT

- 5.1. The Disposal is subject to the fulfilment of the following outstanding conditions precedent ("**Conditions Precedent**"):

- 5.1.1. the conclusion of a schedule detailing disclosures made by Taste Food against the warranties provided by Taste Food in terms of the Agreement, in a form acceptable to the Purchaser, by 7 November 2019;
- 5.1.2. approval by the boards of directors of Taste Food and the Company, respectively, of the Agreement, the Disposal and all other agreements and transactions set out therein, by 7 November 2019;
- 5.1.3. the Purchaser completing a due diligence investigation of the Starbucks Business to its satisfaction, by 21 November 2019;
- 5.1.4. the Purchaser or its relevant affiliate entering into a funding agreement, pursuant to which the Purchaser or its affiliate, as the case may be, makes a loan facility available to the Company in an amount of up to R9 000 000, of which R7 000 000 shall be repayable on the Closing Date with the remaining amount being repayable on or before 24 months after the Closing Date;
- 5.1.5. the novation of the existing master franchise agreement with Starbucks EMEA Ltd (a British corporation with its principal office in the United Kingdom), by the conclusion of a new franchise agreement between Starbucks EMEA Ltd and the relevant Purchaser group company, together with accompanying guarantees, support undertakings and release of undertakings;
- 5.1.6. the novation of certain of the lease agreements relating to the Starbucks Business to and in favour of the Purchaser and the amendment of such lease agreements, including the replacement of the existing security provided or procured by Taste Food in respect of such leases with security provided or procured by the Purchaser, on terms acceptable to the Purchaser.
- 5.1.7. exchange control approval being obtained, to the extent required, for the implementation of the transactions contemplated in the Agreement on such conditions and terms (if any) as are acceptable to the Purchaser;
- 5.1.8. the Purchaser being registered for VAT;
- 5.1.9. no suit, action or proceeding having been commenced by any person seeking to restrict, restrain, prohibit or otherwise challenge the sale and purchase of the Starbucks Business as contemplated in the Agreement;
- 5.1.10. Taste Food and the Purchaser determining and agreeing the value of the leave pay, potential severance pay and any other payments in each case accrued to the transferred employees as at the Closing Date, by not later than 10 November 2019;
- 5.1.11. all third-party consents being obtained to the assignment of the benefit of the contracts applicable to the Starbucks Business;
- 5.1.12. Taste Food and the Purchaser determining and agreeing the value of the leave pay, potential severance pay and any other payments in each case accrued to the employees transferred to the Purchaser in accordance with the Disposal as at the Closing Date, by not later than 10 November 2019;
- 5.1.13. Taste Food and the Purchaser agreeing a schedule of fixed assets, movable assets, stock, cash-in-hand, details of staff and employees, and fixtures held, located at

and/or rendering services in relation to the Starbucks Business and at each relevant Starbucks store location, by not later than 14 November 2019;

- 5.1.14. the Company obtaining a fairness opinion by an independent expert, acceptable to the JSE, confirming that the terms of the Disposal are fair as far as the shareholders of the Company are concerned ("**Fairness Opinion**"), by 21 November 2019; and
- 5.1.15. the parties agreeing each of the following –
 - 5.1.15.1. the relevant trade creditors to be transferred to the Purchaser together with the Starbucks Business;
 - 5.1.15.2. a list of certain existing agreements relating to the Starbucks Business;
 - 5.1.15.3. a list of the employees transferring as part of the sale of the Starbucks Business (identifying certain employees in respect of whom a separation agreement will be entered into with Taste Food pursuant to which (i) the services of such employees are to be terminated on an amicable basis at the cost of Taste Food, or (ii) such employees will be redeployed within the Taste group).
- 5.2. Save where indicated otherwise in paragraph 5.1 above, the Conditions Precedent must be fulfilled by not later than 13 December 2019. If the Conditions Precedent are not fulfilled and/or waived, as the case may be, by the relevant date for fulfilment and/or waiver, as the case may be, the Agreement shall lapse and be of no further force or effect.

6. EFFECTIVE DATE OF THE DISPOSAL

Delivery of the Starbucks Business and payment of the Initial Amount will take place on the Closing Date, being the effective date of the Disposal. It is currently anticipated that the Closing Date will occur on or about 2 December 2019.

7. FINANCIAL INFORMATION

The financial effects of the Disposal will be published in due course.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

- 8.1. The Agreement contains representations, warranties and indemnities by the Company in favour of the Purchaser which are standard for a transaction of this nature.
- 8.2. The Purchaser shall be entitled to terminate the Agreement by delivering written notice to such effect to Taste Food if, in the opinion of the Purchaser, a change occurs, prior to the Closing Date, which will or is likely to have a material adverse effect on the condition (financial or otherwise) of the Starbucks Business or on the rights or remedies of the Purchaser under the Agreement. If the Purchaser terminates the Agreement as aforesaid, Taste Food will not have any claim against the Purchaser under the Agreement, save for any claim arising from a breach prior to such expiry.

9. CLASSIFICATION OF THE DISPOSAL

- 9.1. Rand Group Limited, which is a member of the consortium of shareholders of the Purchaser, is owned and controlled by Adrian Maizey, a non-executive director of Taste, and is accordingly a related party to Taste.

- 9.2. The value of the Disposal is greater than 0.25% but less than 5% of the Company's current market capitalisation (excluding treasury shares). Accordingly, the Disposal will constitute a small related party transaction, which requires the appointment of an independent expert to compile the Fairness Opinion on the Disposal in terms of paragraph 10.7(b) of the JSE Limited Listings Requirements, to confirm that the Disposal is fair as far as the shareholders of the Company are concerned.
- 9.3. The directors of the Company will appoint an independent expert to compile the abovementioned Fairness Opinion. The independent expert will consider the terms and conditions of the Disposal and confirm whether it is of the opinion that they are fair to the shareholders of the Company.
- 9.4. A further announcement will be released on SENS once the Fairness Opinion has been finalised.

10. CAUTIONARY ANNOUNCEMENT

Shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement regarding the Fairness Opinion and the financial effects of the Disposal has been made.

Johannesburg
1 November 2019

Corporate Advisor and Sponsor
PSG Capital



Legal Advisor
Cliffe Dekker Hofmeyr

