

Atlantic Leaf Properties Limited
(Incorporated in Jersey)
(Registration Number: 128426)
SEM share code: ALPL.N0000
JSE share code: ALP
ISIN: MU0422N00009
www.atlanticleaf.mu
(“**Atlantic Leaf**” or the “**Company**”)



PROFITABLE DISPOSAL OF AN INDUSTRIAL PROPERTY IN THE UNITED KINGDOM AND BUSINESS UPDATE

INTRODUCTION

Shareholders are advised that, on 21 February 2020, Atlantic Leaf concluded an agreement (the “**Transaction Agreement**”) to dispose of its wholly-owned subsidiary Hyder Limited (“**Hyder**”) which holds an industrial property in Runcorn, United Kingdom (“**UK**”) leased to DHL Supply Chain Limited (the “**Property**”) to Elite Logistics Properties (the “**Buyer**”) (the “**Transaction**”).

RATIONALE FOR THE TRANSACTION AND USE OF PROCEEDS

The Property is the sole property asset held by Hyder. The board of directors of Atlantic Leaf (the “**Board**”) considered that it was an opportune time to dispose of the Property based on its position within the valuation cycle, and the value to be gained from the Property’s pending rent review.

Based on the Property’s implied sale price of GBP 34.0 million, the Transaction will realise a profit on sale of GBP 4.2 million. This demonstrates a common theme in the current market where quality assets are achieving selling prices in excess of independent valuations. The Transaction is also consistent with Atlantic Leaf’s track record of being able to sell investments at prices exceeding book values. The Property has delivered an overall IRR of over 16% after tax since it was acquired in November 2016.

Atlantic Leaf intends to redeploy the majority of the net sale proceeds into other industrial property investment opportunities, and to use a portion to reduce debt in line with the Company’s strategy of gradually reducing its loan-to-value ratio.

SALIENT TERMS OF THE TRANSACTION

The Company will dispose of the entire issued share capital of Hyder for a net consideration of approximately GBP 20.2 million (the “**Estimated Purchase Consideration**”) at the date of completion of the Transaction (the “**Completion Date**”), which will be received in cash. The Estimated Purchase Consideration will be adjusted upwards or downwards based on the actual net asset value of Hyder as at the Completion Date, and is based on an underlying property valuation of GBP 34.0 million less the outstanding debt owed by Hyder to Aviva Commercial Finance Limited of approximately GBP 13.9 million (the “**Outstanding Debt**”) and other ancillary adjustments.

The Transaction agreement contains undertakings, warranties and indemnities provided by the Company which are normal for a disposal of this nature. The effective date of the Transaction correlates with the Completion Date, which is expected to be 28 February 2020.

DETAILS OF THE PROPERTY

The Board's allocated pricing for the Transaction uses the key property information set out below:

Location	Tenant	Sector	GLA (sq. ft)	Weighted average rental per sq. ft (GBP)	Valuation as at 21 February 2020 (GBP)
Runcorn, UK	DHL Supply Chain Limited	Logistics warehouse	635,656	3.20	34,000,000

The aggregate transaction costs payable is approximately GBP 495,000. The Estimated Purchase Consideration receivable for Hyder is considered to be the fair market value based on the value of the underlying Property, as determined by the Board. The Board is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

The profit attributable to Hyder for the 6 months ended 31 August 2019 was GBP 594,865. Hyder's net asset value as at 31 August 2019 was GBP 18,103,555 based on a Property valuation of GBP 31,980,000. This information has not been audited and was extracted from the Company's interim results for the six months ended 31 August 2019 as announced on SENS and on the website of the Stock Exchange of Mauritius Ltd ("**SEM**") on 15 October 2019 (the "**October 2019 Announcement**").

CATEGORISATION OF THE TRANSACTION

The Transaction is classified as a category 2 transaction in terms of paragraph 9.5(a) of the JSE Listings Requirements and accordingly does not require approval by Atlantic Leaf's shareholders.

BUSINESS UPDATE

A key focus for the 2021 financial year is re-letting the space at the Peterborough property, previously tenanted by Thomas Cook Group UK Limited ("**Thomas Cook**"). Thomas Cook occupied approximately 65% of the floor space, with the remainder let to Bauer Consumer Media Limited which has an unexpired lease term of over three years. Thomas Cook's liquidators occupied the premises and paid rent until 31 January 2020, therefore the vacancy will have a small impact on earnings for the 2020 financial year.

Marketing of the space began in December 2019, and it was determined that the occupier market is strongest for mid-sized lettings. To meet this demand, the space of roughly 110,000 ft² will be converted into a multi-let format, designed to take 6 - 8 occupiers. We have confidence in the quality of the building and its re-letting prospects, and interest from potential occupiers has been encouraging to date.

The planning phase is in progress and the space is expected to be ready by the middle of the next financial year. Fairly significant capital expenditure will be required for the refurbishment project however the Board is confident that this approach will generate the greatest value. The Company will have sufficient cash reserves to fund this, especially given the proceeds from the profitable disposal of Hyder.

DISTRIBUTION FORECAST FOR THE 2020 FINANCIAL YEAR

As outlined in the October 2019 Announcement, the Company has been targeting a distribution for the 2020 financial year of 10 GBP pence per share. However, it was also noted that this could be affected

by the result of some key asset management initiatives, including the outcome of the Thomas Cook liquidation.

Shareholders are advised that the full year distribution is likely to be slightly lower, at approximately 9.5 GBP pence per share (ahead of the 9.3 GBP pence per share distribution in the prior year) as a result of the decision to retain some reserves for capital expenditure and debt reduction as noted earlier. The final distribution for the 2020 financial year will be included as part of the annual results announcement in April 2020.

There have been no other material changes to the key assumptions to the distribution forecast as contained in the October 2019 Announcement.

The distribution forecast contained in this announcement has not been reviewed or reported on by the Company's auditors.

While the distribution forecast is lower, the Board is naturally pleased with the significant profit realised on the sale of the Runcorn property.

Atlantic Leaf has a primary listing on the Main Board of the JSE Limited ("JSE") and a secondary listing on the Official Market of the SEM.

By order of the Board

24 February 2020

For further information please contact:

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This notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 15.24 and Rule 5(1) and Rule 9(2) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. The Board accepts full responsibility for the accuracy of the information contained in this announcement.