

WILSON BAYLY HOLMES - OVCON LIMITED

Building and civil engineering contractors

(Registration no. 1982/011014/06)

ISIN No: ZAE 000009932

Share code: WBO

("WBHO" or "the Company")

ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF RUSSELLS LIMITED AND 31,7% OF THE ISSUED SHARE CAPITAL OF RUSSELL HOMES LIMITED

1. INTRODUCTION:

The shareholders of Wilson Bayly Homes-Ovcon Limited (WBHO) are hereby advised that WBHO UK Limited, a wholly owned subsidiary of WBHO, has entered into an agreement through which it has acquired 60% of the issued share capital of Russells Limited for a consideration of £32,8 million and 31,7% of the issued share capital of Russell Homes Limited for a consideration of £3,25 million, with an effective date of 18 July 2018.

Russells Limited is a main contracting business located in Manchester in the United Kingdom (UK) and provides design, installation and project management capabilities across all main sectors. Russells was founded in 1997 by Andrew and Gareth Russell and has grown from a small regional contractor into one of North West England's largest and most successful construction business with a strong and reputable brand.

Russell Homes Limited specialises in land acquisition and planning applications in respect of in-house and developer-led residential schemes and is experienced in delivering a full spectrum of builds, from cost-effective social housing to executive homes and luxurious bespoke builds.

2. STRATEGIC RATIONALE:

Following stagnant growth within local markets over recent years, WBHO has been seeking growth opportunities in new markets in order to further diversify its earnings platform. The construction market in the United Kingdom was identified as offering the most potential at acceptable levels of risk.

In executing this expansion strategy, WBHO acquired an initial 40% interest in the Byrne Group on 22 June 2017 and in the current financial year acquired an additional 40% interest on 19 June 2018, bringing its total interest in the group to 80%. The Byrne Group operates out of the Greater London area and is predominantly a frame contractor with a smaller main contracting and fit-out business.

The acquisition of the Russells businesses is an excellent strategic fit for the Company's UK operations and will add additional substance to WBHO's presence in the UK market.

Russells Limited has demonstrated strong, yet controlled and sustainable growth over recent years, establishing itself as one of the pre-eminent contractors in the region. The Manchester and North West construction markets currently offer a healthy project pipeline and the business has a strong secured order book for the 2019 financial year.

Russell Homes Limited offers WBHO entry into the UK residential property market. The business has a number of schemes in various stages from planning permission to build-out with good potential for future growth in the region.

Furthermore the culture and values of both the business and the management team, which are based on teamwork, integrity and loyalty, are strongly aligned with those of WBHO.

3. FINANCIAL INFORMATION IN RESPECT OF RUSSELLS LIMITED AND RUSSELL HOMES LIMITED:

- 3.1. Russells Limited achieved an audited profit after tax of £6,2 million for the year ended 30 September 2016 and £4,9 million for the year ended 30 September 2017.
- 3.2. Russells Limited had a tangible net asset value of £16 million at 30 September 2017.
- 3.3. Russell Homes Limited achieved an audited profit after tax of £0,6 million for the year ended 30 September 2016 and £0,4 million for the year ended 30 September 2017.
- 3.4. Russells Homes Limited had a tangible net asset value of £1,6 million at 30 September 2017.
- 3.5. The audited financial statements from which the above information was extracted were prepared under UK GAAP.

4. SALIENT TERMS OF THE TRANSACTION:

4.1. Russells Limited

- 4.1.1. The purchase consideration for 60% of the issued share capital amounts to £32,8 million.
- 4.1.2. An Option agreement has been entered into whereby:-
 - WBHO is able to acquire an additional 20% of the issued share capital.
 - The existing shareholders are able to dispose of their remaining 40% interest in the issued share capital in tranches of 10% with the first option exercisable in January 2019.
- 4.1.3. The Option agreement contains a mechanism which places a cap on the future purchase consideration of the remaining option shares, such that the total consideration payable for 100% of the issued share capital cannot exceed £100 million.

4.2. Russell Homes Limited

- 4.2.1. The purchase consideration for 31,7% of the issued share capital amounts to £3,25 million.
- 4.2.2. There is no Option agreement in place to acquire additional shares.

5. CATEGORISATION:

This transaction is classified as Category 2 transaction under the JSE Listing Requirements.

Full details of the impact of the transaction on the historical earnings per share and tangible net asset value per share will be disclosed once the financial statements of the two businesses have been audited for the year ended 30 June 2018.

This statement has not been reviewed or reported upon by the Company's auditors.

Johannesburg

19 July 2018

Sponsor: Investec Bank Limited