



Novus Holdings Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 2008/011165/06  
JSE share code: NVS  
ISIN: ZAE000202149  
("Novus Holdings", "the Company" or "the Group")

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## DISPOSAL OF NOVUS TISSUE

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### 1. Background

Shareholders of Novus Holdings are advised that the Group has through its wholly owned subsidiary Novus Packaging (Pty) Ltd ("**Novus Packaging**"), entered into (1) a sale of business agreement with Novus Ventures (Pty) Ltd ("**Novus Ventures**"), in terms of which Novus Packaging will sell Correll Tissue ("**Correll Tissue Business**") as a going concern to Novus Ventures; and, thereafter, (2) a share sale agreement between Mthembu Tissue Converting (Pty) Ltd ("**Mthembu**") and Novus Ventures, in terms of which Novus Packaging will (1) sell 51% of the ordinary shares it holds in Novus Ventures ("**Sale Shares**"), constituting 51% of all the issued ordinary shares in Novus Ventures to Mthembu; and (2) grant Mthembu an option to purchase the remaining 49% of the ordinary shares it holds in Novus Ventures (collectively, "**Transaction**").

### 2. Rationale

In September 2018, Novus Holdings announced the results of its strategic review. One of the outcomes was management's focus on minimising trading losses by exiting the Correll Tissue Business with an optimum capital recovery. The Transaction has been entered into by the Group in furtherance of this stated intention by (i) effectively disposing of 51% of the Group's interest in the Correll Tissue Business and (ii) aligning with a joint venture partner, Mthembu, that boasts B-BBEE credentials that strengthen the Group's empowerment strategy and represent an opportunity to unlock value in the Correll Tissue Business.

### 3. Description of the Correll Tissue Business

Novus Packaging, trading as Correll Tissue, is in the business of producing and distributing jumbo tissue wadding which is used by the conversion industry to produce a complete range of household and consumer products such as toilet paper, facial tissue, kitchen towels and serviettes.

### 4. Salient terms of the Transaction

As an initial step in the Transaction, Novus Packaging will sell the Correll Tissue Business to Novus Ventures on and subject to, *inter alia*, the following salient terms:

- The purchase consideration is an amount of R60m (zero-rated for VAT), plus an additional amount not exceeding R5m for any stock or current assets acquired by Novus Ventures.

- In settlement of the purchase consideration, Novus Ventures will allot and issue to Novus Packaging, 100 fully paid up ordinary shares in Novus Ventures, which shares shall constitute 100% of all of the issued shares of Novus Ventures.

Novus Packaging and Novus Ventures will enter into a lease agreement in respect of the premises from which the Correll Tissue Business is operated ("**Property**"), and Novus Ventures will have an option to acquire the Property, subject to certain terms and conditions.

As a further step in the Transaction, Novus Packaging will dispose of the Sale Shares to Mthembu on and subject to, *inter alia*, the following salient terms and conditions:

- The purchase consideration for the Sale Shares will be R20m, due and payable in cash against delivery of the Sale Shares.
- Mthembu will be granted an option to purchase the remaining ordinary shares in Novus Ventures for an aggregate purchase consideration of R40m (escalating at 5% from 1 June 2022), subject to certain terms and conditions including that the option lapses 5 years after the effective date of the Transaction.

Novus Packaging and Mthembu will enter into a shareholders' agreement to regulate their relationship as shareholders of Novus Ventures.

#### **5. The value of the net assets and the profits attributable to the net assets**

As at the financial year ended 31 March 2019 (the last set of audited results), the book value of the assets that are the subject of the Transaction was R135m, generated turnover of R233m and an attributable loss of R15m. An impairment of R70m was accounted for in the 2020 financial year in order to impair these assets to the expected fair value of the Transaction.

#### **6. Application of the sale proceeds**

In line with the immediate focus on preserving cash, the Group will reserve the cash proceeds until more certainty exists regarding the long term impact of Covid-19.

#### **7. Conditions Precedent**

The Transaction is subject to conditions precedent normal for transactions of this nature.

#### **8. Effective Date**

The effective date of the Transaction is 1 June 2020, or such other date as may be agreed in writing among the parties.

#### **9. Categorisation**

The Transaction is categorised as a category 2 transaction as contemplated in the JSE Listings Requirements and, accordingly, no shareholder approval is required.

Cape Town

04 May 2020

Sponsor: Investec Bank Limited

Legal Advisors: Cliffe Dekker Hofmeyr