

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" or the "Group")



COMPLETION OF PHASE 2 OF THE ACQUISITION OF A CONTROLLING INTEREST IN GATEWAY REAL ESTATE AFRICA LIMITED, THE LEADING DEVELOPMENT COMPANY FOCUSING ON IMPACT REAL ESTATE TO MULTINATIONAL TENANTS

Grit Real Estate Income Group Limited, a leading pan-African impact real estate company, setting the Global Benchmark in Africa and focused on investing in, developing and actively managing a diversified portfolio of African impact property assets underpinned by predominantly US Dollar and Euro denominated long-term leases with high quality multi-national tenants, today concluded phase 2 of the acquisition of a controlling interest in Gateway Real Estate Africa Limited ("**GREA**") (the "**Acquisition**"), increasing its stake in GREA to 35.01% from 26.29%.

The three phases to Grit acquiring a controlling interest in GREA were set out in the Company announcement on the 11th April 2022, and included the following:

- Phase 1**
(15 April 2022) Grit acquired a 77.95% controlling stake in APDM, the external manager of GREA and lifted its direct interest in GREA from 19.98% to 26.29%.
- Phase 2**
(31 August 2022) Grit today lifts its interest in GREA from 26.29% to 35.01%.
- Phase 3**
(15 Dec 2022) Grit retains an option to acquire the remaining 13.61% interest in GREA and an additional 1% of APDM owned by Gateway Africa Real Estate Limited ("**Gateway Partners**") settled in either cash or issuance of new Grit shares at US\$0.52 per Grit ordinary share (at Gateway Partners election). If exercised, this option would increase Grit's direct shareholding in GREA to 48.62% and APDM to 78.95%. Additionally, upon Gateway Partners exit or through control of APDM, the asset manager, Grit will obtain control over GREA.

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

"We are pleased to announce today that Grit remains on track and is making strong progress on acquiring a controlling interest in GREA by December 2022. GREA is the leading development company in Africa focusing on Impact Real Estate and developing smart business solutions for multinational tenants. The completion of this transaction would provide Grit's shareholders with enhanced income and capital growth from GREA's fully funded pipeline of accretive development assets, which collectively have reached 80% completion, and new fee income streams through APDM's substantial development and asset management fees. Further additional value is also expected to be delivered to Grit's shareholders on completion and the consolidation of GREA into Grit, including an expected material reduction of up to c.3.9% in the consolidated Grit Group LTV.

We recently attended the American Embassy (United States Bureau of Overseas Building Operations) ribbon cutting in Nairobi, Kenya, which is a project delivered by GREA, led by a female development team, constructed during the Covid period and handed over to the client on time and within budget. This is a key example of delivery of Impact Real Estate to multinational global tenants by an experienced GREA development team.

Grit remains well positioned for the significant valuation recovery potential across its existing high-quality property portfolio and will continue to deliver positive sustainable value and impact to stakeholders including the local communities in Africa that we serve."

Background and rationale to the transaction

GREA is a private real estate development company specialising in risk mitigated turnkey construction of real estate solutions for multinational companies operating in Africa. GREA develops assets on the strength of USD-denominated or USD-linked long-term lease contracts signed with these multinational tenants, who are predominantly either current or target clients of Grit.

The Acquisition provides Grit with control of its own accretive development pipeline and further strengthens Grit's ability to fully service its tenants' real estate needs whilst creating positive and sustainable impacts and value to the local people and communities we serve across Africa.

Significant potential value is expected to be created through the risk mitigated development returns and strong fee generation that are now available to the Group as a result of the Acquisition. Key investment highlights include:

- GREA is the only development company covering each key region of Africa, and with its multi asset class focus, can deliver real estate solutions for international global tenants within Grit's existing and target tenant lists;
- GREA's existing pipeline is fully funded through the existing shareholders' equity contributions and secured construction debt facilities already in place. Strong NAV growth is expected as projects are completed over the next 24 months, delivering significant growth in the number and value of income producing properties of the Group upon completion;
- GREA has access to an extensive further pipeline of US diplomatic housing (OBO) and data centre development opportunities, which are expected to be accretive to Grit's NAV, are extremely resilient asset classes and offer exposure to highly rated tenants to underpin and enhance Grit's future income levels;
- the Acquisition further diversifies the Grit Group's geographic exposure and will reduce Grit's current exposure to Mozambique, which is currently at c.38.7%, ahead of the target of 25% of the portfolio in any one country;
- post the Acquisition, Grit will continue to have development exposure substantially lower than the Board's limit of 20% of Group's gross asset value; and
- through Grit acquiring the majority stake in APDM, Grit has the potential to earn new fee income streams, including asset and facilities management and development management, thereby accelerating Grit's strategy of increasing its exposure to the provision of professional services internally, to its clients and to other third parties.

Should Grit gain control of GREA, Grit would have the ability to direct additional activities that would create potential value, including:

- Balance sheet optimisation and disposal of non-core assets to further reduce Grit's exposure to the retail segment. Such asset recycling would be expected to free up capital that can be recycled into new accretive development opportunities within GREA.
- When combined with Grit's balance sheet upon Grit potentially gaining control, and therefore consolidating GREA into Grit, GREA's current low leverage would be expected to result in a material reduction of up to 390 basis points (c.3.9%) in the consolidated Grit Group LTV.
- Whilst GREA is expected to remain relatively lowly geared, its construction debt facilities are amortising and relatively expensive compared to Grit's debt facilities. Upon acquisition, GREA is expected to have access to cheaper debt funding and, crucially, the ability to recycle operational cashflow into new projects rather than debt repayments, thereby securing enhanced levels of NAV and income growth for Grit's shareholders.

Summary of Phase two

Gateway Partners, a Dubai based private equity fund and co-founders of GREA, expressed an intention to sell their stake in GREA in mid 2021, which under the terms of the shareholder agreements, was first offered to existing GREA shareholders. Although Grit originally offered to purchase Gateway Partners' entire stake in December 2021, the Acquisition was latterly restructured into a three phase pathway to Grit acquiring a controlling interest in GREA by 15 December 2022.

Grit today announces the acquisition from Gateway Partners of a further 8.72% in GREA for a cash payment of US\$19.44 million. The funds were sourced from recently announced asset sales, redirecting of excess Ethos / Bluepeak preference note proceeds and from the Group's revolving credit facilities.

The combined effect of Phase 1 and Phase 2 of the GREA and APDM acquisitions would have been an increase in the Group's reported LTV on a pro forma basis as at 31 December 2021 by 3.3% to 44.70%. Should Grit exercise its phase 3 Option and gain control, and therefore consolidation of GREA, the current low leverage in GREA would be expected to subsequently result in a reduction in consolidated Grit Group LTV of c.3.9%

GREA shall, with the completion of phase 2, continue to be an associate of Grit with Grit's shareholding in GREA increasing to 35.01%. The combined Gross and Net Assets the subject of Phase 1 and Phase 2 of the transaction are US\$33.52 million (being the consideration payable for 15.03% being acquired in GREA) and US\$17.2 million for APDM, totalling US\$58.4 million.

By order of the Board

31 August 2022

FOR FURTHER INFORMATION, PLEASE CONTACT:

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NOTES:

Grit Real Estate Income Group Limited is the leading pan-African 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 www.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 office 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

SEM authorised representative and sponsor: Perigeum Capital Ltd

UK Transfer secretary: Link Assets Services Limited

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.

Further details on the pathway to control in GREA and APDM were announced in April 2022 and include:

APDM

In April 2022, Grit acquired a 77.95% controlling interest in APDM, for US\$16.48 million through the issue of shares and cash consideration. Grit has an Option to acquire an additional 1% of APDM owned by Gateway Africa Real Estate Limited, by 15 December 2022.

APDM provides development management, asset management, advisory and administrative services to GREA under the provisions of Asset Management and Advisory Services Agreement (“**AMASA**”), whereby APDM is entitled to charge development management fees to GREA and further real estate management fees payable on fair value of the completed properties owned by GREA.

GREA

In April 2022, Grit also increased its interest in GREA from 19.98% to 26.29% for a consideration of US\$14.08 million. Grit now acquires a further 8.72% shareholding in GREA for a payment of US\$19.44 million, increasing its shareholding to 35.01%.

Grit has an option from Gateway Partners (the “**Option**”) to acquire their remaining 13.61% interest in GREA by 15 December 2022.

Path to control of GREA

Through Grit’s investment in APDM (the asset manager of GREA), Grit currently exercises operational control over the all the material business activities (including development of properties, day to day management of the completed assets, leasing activity and operational cost management), governed by the terms of the AMASA and the GREA Investment Charter.

For Grit to obtain a majority at the GREA Board (and thereby control GREA), any of the following events would need to occur:

- Grit exercises and concludes its option to acquire the remaining shares of Gateway Partners by 15 December 2022 thereby acquiring all the rights of Gateway Partners under the shareholder agreement; or
- Gateway Partners sell their remaining shares to a third party; or
- GREA makes changes to the shareholders agreement to remove certain rights granted to the founding shareholders.

Details of key individuals

- GREA has a strong board and, through APDM, an equally strong executive management team and investment committee comprising individuals with exceptional track records in creating, building and managing property development and investment companies.
- APDM’s management team and staff have become employees of the enlarged Group on essentially the same employment terms as they enjoyed at APDM and the Grit shares now held by the GREA Executive Share Trust, under the long-term incentive plan, will vest on the earlier of achievement of return hurdles of GREA or three years. Certain participants have also been enrolled to the Grit long-term incentive plan and awarded shares which vest upon the fulfilment of specific key performance indicators.
- The APDM team is led by chief executive officer, Greg Pearson, who is also a co-founder of Grit. Greg has successfully completed a series of developments across the office, retail, leisure, education and healthcare sectors and also sits on the Board of GREA as its de facto CEO.
- Greg is supported by the following executive team members:
 - Krishnen Kistnen, Chief Financial Officer
 - Andre Janari, Chief Investment Officer
 - Craig Glutz, Head of Developments
 - Shevira Bissessor, Chief Operating Officer

Except as disclosed, there has been no significant change affecting any matter contained in the earlier notification and no other significant new matter has arisen which would have been required to be mentioned in that earlier notification if it had arisen at the time of the preparation of that notification.