

MASSMART HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1940/014066/06)
JSE Ordinary Share code: MSM
ISIN: ZAE000029534
("Massmart")

WALMART INC.
(Incorporated in the State of Delaware, United States of America)
Traded on the New York Stock Exchange under the symbol "WMT"
(acting through its indirect wholly-owned subsidiary
Main Street 830 Proprietary Limited)
(Registration number 2010/016839/07)
("Walmart")

DETAILED CAUTIONARY ANNOUNCEMENT REGARDING A POTENTIAL OFFER BY WALMART TO ACQUIRE ALL THE OUTSTANDING SHARES IN MASSMART THAT IT DOES NOT ALREADY OWN, EXCLUDING TREASURY SHARES

Holders of Massmart ordinary shares ("**Massmart Shareholders**") are hereby advised that the Massmart board of directors ("**Massmart Board**") and Walmart have reached in principle agreement regarding the terms and conditions of a potential offer by Walmart to acquire all of the issued ordinary shares in Massmart ("**Ordinary Shares**"), other than those Ordinary Shares already indirectly held by Walmart, or any treasury shareholding subsidiary of Massmart, pursuant to a scheme of arrangement ("**Scheme**") or a standby general offer ("**Potential Offer**"). If the Potential Offer is made and implemented, it would result in the delisting of all the Ordinary Shares from the main board of the securities exchange operated by the JSE Limited ("**JSE**").

The Massmart Board has constituted an independent board ("**Massmart Independent Board**") comprising Mr Kuseni Dlamini, Ms Olufunke Ighodaro and Ms Lindiwe Mthimunya to review the terms and conditions of the Potential Offer. The Massmart Independent Board has appointed PricewaterhouseCoopers Corporate Finance Proprietary Limited as the independent expert ("**Independent Expert**") to consider whether the Potential Offer is fair and reasonable to the Massmart Shareholders.

Massmart Shareholders are advised that this announcement does not constitute a firm intention to make an offer in terms of the Companies Regulations, 2011 and Companies Act No. 71 of 2008 ("**Firm Offer**").

Salient terms and preliminary recommendation

The salient terms of the Potential Offer include:

- a consideration of ZAR62 in cash for each Ordinary Share held by eligible Massmart Shareholders. This represents a premium of 53% to the closing share price, a 68.7% premium to the 30-day volume weighted average price and a 62.4% premium to the 90-day volume weighted average price as at 26 August 2022, the day prior to this announcement;
- a Scheme to be proposed by the Massmart Board between Massmart and the Massmart Shareholders in terms of which Walmart will acquire all of the remaining Ordinary Shares. In the event that the Scheme does not become operative for whatever reason, a standby conditional general offer (which would run concurrently with the Scheme) would be implemented for the same consideration;
- a restructure of the 2013 Massmart employee share plan;
- the delisting of Massmart pursuant to the implementation of the Scheme or the standby general offer;
- the receipt of requisite regulatory approvals from amongst others the Takeover Regulation Panel ("**TRP**"), the South African Reserve Bank and the JSE; and
- other conditions precedent typical of a potential transaction of this nature.

The Independent Expert has considered the Potential Offer and issued a preliminary report that the terms and conditions of the Potential Offer are fair and reasonable. The Massmart Independent Board, taking into account the preliminary report of the Independent Expert, is unanimously of the preliminary view that the terms and conditions of the Potential Offer are fair and reasonable and intends to recommend to the Massmart Board to propose the Scheme and support the standby general offer.

Rationale for the Potential Offer

Massmart released its interim results for the period ended 26 June 2022 today. The results reflect ongoing underperformance and the significant headwinds faced by each of the group's operating businesses.

Walmart acquired control of Massmart in 2010, in what was then a landmark transaction in the South African consumer landscape. Over the past decade, however, Walmart has had to provide increasing levels of support across Massmart's businesses. This support has deepened substantially in the period since the outbreak of Covid-19 in 2020. During the mandatory national lockdowns in 2020, Walmart injected a ZAR4 billion facility into Massmart to shore up the group's liquidity. Walmart subsequently agreed to restructure half of this facility as equity in terms of International Financial Reporting Standards to shore up the solvency of the Massmart group.

The management led turnaround strategy launched in 2019 has faced many headwinds, primarily Covid-19 but also the civil unrest in 2021 which resulted in a loss of operations and disruptions to supply chain on certain key inventory lines, flooding experienced in parts of the country, weak consumer demand for general merchandise and an increasingly competitive operating environment. Despite the difficult trading environment, Massmart management has continued to drive the turnaround plan. The ongoing divestiture of non-core assets, although crucial to the long-term strategy of Massmart, will have a negative impact on the profit and loss of Massmart in the short term and will require additional capital investment into the business. In addition, the implementation of the Massmart's business plan includes, *inter alia*, the ongoing development of its e-commerce strategy, which will require further intervention operationally and significant additional financial investment.

The Potential Offer will enable Walmart to continue its overweight support as a long term shareholder and allow eligible Massmart Shareholders the opportunity to realise value now.

Cautionary announcement

Walmart and Massmart have begun engaging Massmart Shareholders regarding the Potential Offer. To date, support has been received with respect to approximately 11.3% of the Ordinary Shares representing approximately 24.6% of the outstanding Ordinary Shares. In addition, given the significant churn in Massmart's shareholder register, Massmart Shareholders with whom Walmart and Massmart have been unable to engage with to date, will now have the opportunity to consider the Potential Offer.

The making of a Firm Offer is subject to the execution of the transaction documentation, final approvals by the Massmart Board and Walmart and the approval of the Firm Offer by the TRP.

Massmart Shareholders are advised that whilst the discussions between Walmart and Massmart are at an advanced stage there is no certainty that a Firm Offer will ultimately be made. Accordingly, Massmart Shareholders are advised to exercise caution when dealing in the Massmart's securities until a further announcement in this regard is made.

Responsibility statements

The Massmart Board and Massmart Independent Board collectively and individually accept responsibility for the information contained in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement relating to Massmart is true and this announcement does not omit anything that is likely to affect the importance of such information.

Walmart accepts responsibility for the information contained in this announcement and certifies that, to the best of its knowledge and belief, the information contained in this announcement relating to Walmart is true and this announcement does not omit anything that is likely to affect the importance of such information.

Johannesburg
29 August 2022

**Financial Advisor and
Transaction Sponsor to Massmart**



**Legal and Tax Advisors
to Massmart**



**Financial Advisor to
Walmart**



**Legal and Tax Advisors
to Walmart**



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**Independent Expert to
Massmart**



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