

## OMNIA HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 1967/003680/06)

JSE code: OMN

ISIN: ZAE000005153

("Omnia")



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## PROPOSED DISPOSAL OF ORO AGRI AND WITHDRAWAL OF CAUTIONARY

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### THE PROPOSED DISPOSAL OF ORO AGRI

In its SENS announcement dated 22 June 2020, Omnia advised that it had received a non-binding indicative offer for Oro Agri, the international AgriBio business Omnia acquired in 2018. This offer was received from Rovensa, a European-headquartered business controlled by private equity funds, Bridgepoint and Partners Group. Through a combination of organic growth and M&A, Rovensa has established itself as a leading provider of biocontrol, bionutrition and crop protection solutions globally.

Following the completion of a due diligence investigation and transaction negotiations, Omnia and Rovensa have reached agreement on the terms and conditions on which it is proposed that Omnia will dispose of the Oro Agri Group by selling shares in Oro Agri International Ltd, Oro Agri SA (Pty) Ltd, Oro Agri India Pvt Ltd, ORO AGRI Inc. and Oro Agri S. De R.L. to a Rovensa company, European Crops Products 2 S.A. R.L ("ECP"), (the "Disposal").

The base purchase price ("Price") payable by ECP to Omnia for the Disposal is USD146,900,000. In addition to the Price, Omnia is entitled to the repayment from Oro Agri of aggregate amounts of USD3,071,722 and €2,897,348 (together with certain interest accruals thereon) which are owing by Oro Agri. The Price was calculated with reference to an Oro Agri enterprise value of USD165,100,000, which was reduced by the value of a 25% minority interest in Oro Agri Brazil and the net debt in Oro Agri.

### THE BUSINESS OF ORO AGRI

Oro Agri is involved in the research and development, production, distribution, marketing and sales of a differentiated range of AgriBio products, many of which are patented. Its product ranges include biological crop protection products, adjuvants, liquid foliar fertilizers and soil conditioners for all major crop types.

Oro Agri owns and operates in-house production and R&D facilities in South Africa, Brazil, the United States and Europe. Oro Agri has a pipeline of new products and has strategic and operational plans for business development based on new registrations and expanding its sales footprint.

### RATIONALE FOR THE DISPOSAL

In the context of its 2019 rights issue, the initial phase of Omnia's strategy had been to stabilise the group. Having completed the first phase, Omnia has commenced the second phase which is to restructure and renew Omnia's underlying businesses.

Omnia's current core debt is at a level that, while not negatively impacting Omnia's trading, requires careful capital allocation to support growth across its businesses.

Omnia has been a relatively passive investor since acquiring Oro Agri in 2018 and in order to enable its full potential, Omnia would have to invest significant additional capital in Oro Agri and fully integrate it into Omnia's operations.

Based on the above factors, Rovensa's non-binding indicative offer for Oro Agri brought Omnia to an inflection point regarding its investment, requiring an evaluation of the available options of either funding and fully integrating or disposing of Oro Agri.

In Omnia's view, the factors that have impacted the negotiations and the Price include that Rovensa has synergies with Oro Agri that Omnia does not have and has the capacity to fully fund Oro Agri's growth plan. In this context, the Price is aligned with Rovensa's perceived opportunities for Oro Agri and is attractive to Omnia in that it exceeds Omnia's internal valuation of Oro Agri.

Omnia has concluded that the risk profile of the Oro Agri business, the attractive Price offered by Rovensa as well as the benefits to Omnia of a de-risked balance sheet outweigh any potential long-term upside to Omnia from its investment in Oro Agri.

Oro Agri contributed less than 15% of Omnia's EBITDA (excluding impairments) in FY20 and is budgeted to remain at similar levels in FY21 in contrast to the enterprise value placed on Oro Agri by the purchaser which is approximately 40% of Omnia's enterprise value and implies an unlock of value for shareholders.

Oro Agri constitutes only a portion of Omnia's global presence, contributing approximately 30% of the international earnings Omnia reported for FY20. The balance of Omnia's international market and currency diversification is in its Agriculture International ("**Agri International**") and BME International divisions.

Agri International supplies biostimulant, speciality nutrient and fertiliser coating products such as K-humate™, Bacstim™ and FERTICOAT™, for which there is high global demand. This demand is reflected in increasing exports to India, Europe, Brazil and SADC from Omnia's Australian operations. Capital projects under assessment by Agri International include microbial and speciality nutrition product ranges developed in South Africa and Europe.

Omnia's BME international business is growing in Africa, Canada and Australia and is anticipated to play a bigger role in these markets with partnerships in other global mining regions in development. BME's technology advantage positions the company well in the global markets, underpinned by its reputation for outstanding operational safety and customer centricity.

Accordingly, Omnia's board of directors has resolved to conclude the Disposal and intends in the circular referred to below to recommend that shareholders approve the Disposal.

Rovensa's strategy to successfully integrate Oro Agri upon completion of the Disposal is well advanced and the Disposal may be a first step in a collaborative relationship between Omnia and Rovensa who have complementary distribution networks and product suites.

## **APPLICATION OF PROCEEDS**

Omnia's intention is to use the Disposal proceeds to repay existing core term debt which will reduce the group's interest expenses as well as its weighted average cost of debt going forward. When repaying debt, Omnia will also be able to settle existing interest rate hedges where appropriate. After debt repayments, Omnia is likely to be in a net cash position.

From this strong financial base, Omnia can fund selective, organic expansionary capex and working capital. Omnia will continue to ensure that it maintains an efficient capital structure whilst remaining extremely conservative regarding possible inorganic opportunities.

When announcing its results for the financial year ending in March 2021, Omnia will have finalised its evaluation of its capital requirements and will set out its decisions regarding a return of any surplus cash to shareholders, which may include a special dividend and/or share buyback. The circular referred to below will include a shareholder resolution giving Omnia a general authority to repurchase its shares.

## **SALIENT TERMS AND CONDITIONS OF THE DISPOSAL**

The Disposal will have an effective date of 1 April 2020 and is subject to the following conditions precedent:

- Omnia shareholders adopting an ordinary resolution approving the Disposal by simple majority;
- All necessary third-party consents having been received;
- Applicable merger control clearances having been received from the relevant competition authorities in respect of the Disposal; and
- The Financial Surveillance Department of the South African Reserve Bank having granted written approval for the implementation of the Disposal agreement.

The Disposal agreement contains undertakings, warranties and indemnities that are usual for transactions of this nature.

## **FINANCIAL INFORMATION**

The value of the net assets that are the subject of the transaction as at 31 March 2020 is R1 909 million and the profits attributable thereto were approximately R50 million. This information has been extracted from the consolidated accounts of the relevant Omnia subsidiaries.

## **CATEGORISATION OF THE TRANSACTION**

In terms of the JSE Listings Requirements, the Disposal constitutes a category 1 transaction and is subject to shareholder approval by ordinary resolution in a general meeting. A circular, containing a notice of general meeting, is in preparation and is expected to be mailed to Omnia shareholders on or about Friday, 13 November 2020, which will result in the general meeting being held on or about Monday, 14 December 2020.

## **SUPPORT FOR THE DISPOSAL FROM INSTITUTIONAL SHAREHOLDERS**

Omnia has received letters from the following shareholders or asset managers, acting not as principal but on behalf of their clients, confirming their support for the Disposal and intention or undertaking to vote in favour, or recommend to their clients that they vote in favour, of the resolutions required to approve the Disposal.

Shareholder	Number of shares currently under management	Percentage holding (1)
Kagiso Asset Management	22 085 095	13.2%
Foord Asset Management	20 806 852	12.3%
Prudential Investment Managers	18 717 255	11.2%
Allan Gray Proprietary Limited	18 031 830	10.8%
Old Mutual (various funds)	15 811 873	9.4%
Perpetua Investment Managers	4 770 868	2.8%
<b>Total</b>	<b>100 223 773</b>	<b>59.8%</b>

Notes:

(1) Net of shares held in treasury

### **WITHDRAWAL OF CAUTIONARY**

With the release of this announcement, shareholders are no longer advised to exercise caution when trading in Omnia securities and the cautionary announcement of 13 October 2020 is withdrawn.

Johannesburg  
19 October 2020

Corporate Advisor and Sponsor

**JAVACAPITAL**

Legal advisors

**WEBBER WENTZEL**

in alliance with > **Linklaters**