

Q&A on Take-Over Offer by Seaboard Corporation for the Acquisition of Shares in Unga Group Plc

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1. What is the take-over offer?

Seaboard Corporation (Seaboard), acting in concert with Victus Limited has offered to buy 34,939,396 ordinary shares in Unga Group Plc (the Company) not already held by Seaboard and Victus Limited at a price of KES 40/- per share, to be paid in cash.

2. What has happened so far?

On 7 February 2018, the Company was served with a Notice of Intention in which Seaboard stated its intention to make an offer to acquire all the issued shares in the Company not already held by it and by Victus. Collectively, Seaboard and Victus hold 53.85% of the issued shares of the Company, and are therefore seeking to acquire the remaining 46.15% of the shares held by the minority Shareholders.

The terms of the Offer are that each Shareholder will be offered KES 40/- (forty Shillings) in cash for each ordinary share held.

In order to allow more time for shareholders to consider the Seaboard Offer and respond accordingly, Seaboard has obtained the approval of the Capital Markets Authority to extend the Closing Date by 10 working days. The Seaboard Offer will now close at **5.00pm on Thursday, 28 June 2018**.

The extended timetable of events is now as follows:

Date	Activity
7 February 2018	The Company was served with the Notice of Intention by Seaboard.
8 February 2018	Seaboard made a Public announcement within 24 hours of its intention to acquire the Company.
9 February 2018	Conflicted Company Board Directors declared their interests and recused themselves from Board discussions concerning the Offer.
14 February 2018	The Company appointed Faida Investment Bank Limited ("Faida") as an Independent Financial Adviser (IFA) and began appointing legal, corporate and PR advisors.
20 February 2018	Seaboard served the Offeror's Statement on the Company.
21 February 2018	The Company made a public announcement of the receipt of the Offeror's Statement.
30 April 2018	Seaboard served the CMA Approved Offer Document on the Company.
3 May 2018	Record Date for purposes of the Offer.

21 May 2018	The Company started sending the Approved Offer Document, Independent Financial Advisor's Circular and Offeree's Circular to shareholders.
30 May 2018	This was the final day for submission of Counter Offers by any other interested parties.
6 June 2018	This was the final day for offer variation by the Offeror (Seaboard).
28 June 2018	Closing date of the Seaboard Offer.
5:00pm on 28 June 2018	Suspension of trading to facilitate reconciliation.
20 July 2018	Public announcement by Seaboard Corporation of the results of the Offer.
26 July 2018	Commencement of transfer of shares to Seaboard Corporation.
2 August 2018	Dispatch of payments to shareholders who have accepted the Offer.

These dates are subject to change and on condition that Seaboard Corporation gets the necessary regulatory consents. Any change in the timetable will be published in two English language daily newspapers with national circulation in Kenya.

3. What does this mean for the shareholder?

5:00pm on Wednesday, 13 June 2018 was the closing date of the Offer. With the extension granted to Seaboard Corporation, shareholders now have until 5:00pm on Thursday, 28 June 2018, to respond to the offer.

4. What is the Board recommending to shareholders?

In line with the requirements of the Take-over Regulations, the Board has carefully considered the Offer from Seaboard and the advice provided by Faida as the Independent Financial Advisor (IFA). The Board has taken account of a number of current and future business factors that they considered to be relevant to their assessment.

The Board is recommending that Shareholders accept the Offer Price as representing a fair return on investment in the current circumstances. Whilst the Board recognises that the KES 40/- Offer is at the lower end of the IFA's valuation range, the Board deems it consistent with valuations of the business as a viable going concern and in line with normal share price performance for the counter.

5. Why is the Board recommending that shareholders accept at the lower end of the IFA's price range?

The IFA has highlighted in its circular that the intrinsic value of a company can never be attained with absolute precision. The process of determining a company's fair value is itself not an exact science and has an element of subjectivity and judgement based on economy, market, industry and business considerations. The Board took cognizance of the following matters in determining whether or not to recommend that shareholders accept the offer:

- (i) The valuation methodologies used by the IFA – based on market multiples and future income and profitability prospects – show the Company's fair value to be at the lower end of the price range. In contrast, the valuation methodologies used by Faida and based on the value of the fixed assets denote values that are at the higher end of the price range. However, in order to realise the estimated values, the Company's assets would have to be liquidated rendering the business no longer viable.
- (ii) It is the Board's duty to promote the success of the Company for the benefit of its members as a whole, as well as the interests of stakeholders such as the Company's employees, suppliers and consumers of its products, along with the long-term well-being of the business as a going

concern.

6. What should shareholders do next?

The Circular from the Board has been sent to all the Company shareholders. The Board recognises that each Shareholder has unique investment objectives and so the decision on whether to accept or reject the Offer should be made individually. If shareholders are in any doubt about what to do, they should consult their stockbroker, custodian, investment bank or other professional adviser.

7. What can I do with my shares now?

A shareholder can exercise one of the following options:

- (i) Accept the Offer
- (ii) Trade / sell shares held in the Company
- (iii) Do nothing

If a shareholder chooses to accept the Offer, then on or before the close of business at 5.00pm on Thursday, 28 June 2018, the shareholder should complete and return the Form of Acceptance to one of the Authorised Accepting Agents.

The Form of Acceptance is one of the documents enclosed along with the Circular and on the website. Instructions on how to fill the Form of Acceptance are provided in Appendix IV of the Offer Document from Seaboard whilst the details of the Authorised Accepting Agents have been provided in Appendix V of the same document.

If a shareholder chooses to sell his/her/their shares in the Company, they should get in touch with their investment bank or broker. A shareholder has time up to the close of trading at 3:00 pm on Wednesday, 27 June 2018 to trade their shares in the Company. If a shareholder does not wish to accept the Offer, they are not required to do anything. If a shareholder does not complete the Form of Acceptance and return it to Seaboard Corporation by 5.00pm on Thursday, 28 June 2018, then they are deemed to have rejected the Offer by Seaboard Corporation.

8. Can I sell my shares now or should I wait until the official offer?

The official offer has been received and circulated to the shareholders of the Company, registered in its books as at the close of business on 3 May 2018. A Shareholder is free to trade their shares up until 3:00pm on Wednesday, 27 June 2018.

On Thursday, 27 June 2018, the shares of the Company will be suspended from trading to facilitate reconciliation of the Forms of Acceptance received by the Authorised Accepting Agents with the Shareholder Register as at 3 May 2018 – and for Seaboard to announce the results of the offer. Seaboard Corporation will announce the results of the Offer on Friday, 20 July 2018. Trading in the shares of the Company will resume at 9:00am on Monday, 23 July 2018.

9. Should I tender my shares now, or is it better to wait, as the price could be revised upwards at the end of the bid phase?

At this time, the offer price of KES 40/- is the only offer price. Should Seaboard revise its offer upwards, they will communicate the new price to the Board, who will in turn communicate the new information to the Shareholders. Seaboard will be obligated to pay the new price to all Shareholders, including those Shareholders who tender their shares prior to the new price being announced. Seaboard had up to 6 June 2018 to revise its offer price.

10. Can I still trade my shares after I have tendered them?

A Shareholder cannot trade their shares after they have accepted the offer. As part of the conditions for accepting to sell your shares to Seaboard, you authorise the agent acting on your behalf in this transaction to immobilise your shares. You do so by ticking the relevant sections in the Form of Acceptance.

11. What happens if the offer is successful?

Assuming the Offer is declared to be unconditional in all respects, Seaboard will settle in cash the Offer price to those shareholders who have accepted the Offer. The process of payment will commence on or around Thursday, 2 August 2018. Further details on the payment process have been provided under Part V of the Offer Document.

12. What happens to the offer if some Shareholders decline?

The success of the Offer is subject to the fulfillment of several conditions. One of these is that Seaboard receives acceptances that when aggregated with the shares held by Seaboard and Victus, represent not less than 90% of the issued ordinary shares of the Company. If the 90% threshold is not achieved but a threshold of 75% or more is achieved in aggregate, Seaboard may, at its discretion, proceed to closing.

13. What happens to shareholders who decide not to sell?

Members have the right not to tender their shares and remain as a shareholder in the Company. Their shares can continue to be traded on the Nairobi Securities Exchange, as before the offer.

Shareholders should also take into consideration that if the offer closes and the Company delists from the Nairobi Securities Exchange, then the process of price discovery and of trading in the shares of the Company will be a much more prolonged process than is currently the case – resulting in significantly lower liquidity of the shares.

14. Which Directors were involved in making the recommendation?

In order to maintain the independence and the impartiality of the Board, upon the service of the Notice of Intention, all the Directors reviewed any conflicts of interest that they had or may have had in relation to the Offer.

Andrew Ndegwa is a director of Victus, which is acting in concert with Seaboard in relation to the Offer. Jinaro Kibet represents Victus, and Alan McKittrick is employed in businesses in which Andrew Ndegwa has interests. Andrew Ndegwa, Alan McKittrick and Jinaro Kibet, therefore declared their interests and recused themselves from the Board in terms of all discussions concerning the Offer.

Andrew Ndegwa, Alan McKittrick and Jinaro Kibet have not attended any discussions or meetings of the Board in relation to the Offer, nor been privy to the management accounts of any of the Company's subsidiaries for the period beginning 1 January 2018 to date. They have not been privy to any communication between the Non-conflicted Directors and between the Board and its advisers.

Isabella Ochola-Wilson (Chairman of the Board), Patrick Obath (Independent, Non-executive Director), Shilpa Haria (Independent, Non-executive Director), Vitalis Ojode (Non-executive Director) and Nicholas Hutchinson (Group Managing Director), collectively the Non-conflicted Directors, and James Nyutu (Group Finance Director) have signed non-disclosure agreements relating to the handling of information relating to the Offer.

15. What are the next steps?

The expected timetable for the Offer is as follows:

Date	Activity
28 June 2018	Closing date of the Seaboard Offer
28 June 2018	Suspension of trading to facilitate reconciliation
20 July 2018	Public announcement by Seaboard Corporation of the results of the Offer
26 July 2018	Commencement of transfer of tendered shares to Seaboard Corporation
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These dates are subject to change and on condition that Seaboard gets the necessary regulatory consents. Any change in the timetable will be published in two English language daily newspapers with national circulation in Kenya.

16. How does the Offer Price Compare to the historical share price of the Company?

The table below shows the volume weighted average price of Shares traded over the 12 months preceding the date of the Notice of Intention, and the 12-month period ending 29 March 2018.

	29 Mar 2017 - 29 Mar 2018	7 Feb 2017 - 7 Feb 2018
Volume Weighted Average Price (KES)	32.19	30.29
Volume of Shares Traded Total	5,556,400	1,982,700
Average Daily Volume	26,586	9,625

17. What exactly did the independent valuation establish?

The IFA undertook a valuation based on standard, widely accepted valuation metrics and has provided its opinion on the suitability of each valuation metric to the valuation of the Company.

The IFA applied the following valuation approaches, which gave a range of values:

- (i) The income approach, which values the Company based on the expected cash flows in future years,
- (ii) The market approach, which values the Company based on a comparison of its earnings capacity with similar companies whose common stock are traded on a stock exchange,

- (iii) The asset approach which values the Company based on its asset values as reflected in the balance sheet and the current market values; resulting in valuation numbers from the different metrics.

Valuation Approach	Value - KES
Income Approach	39.82
Market Approach	39.01
Asset Approach	62.04

Having considered this and other factors, the IFA presented their opinion, which states that the Offer Price is fair and range-bound. The Board carefully reviewed the IFA's advice and considered the different valuation methodologies in light of their practicality considering the Company's operations; its vision and strategic plan. It came to the conclusion that the income and market approaches were most suitable to value the Company. Their recommendation to shareholders is therefore based on these two approaches, in addition to other factors.

18. Did the Board know about this offer before it was received?

With the exception of the Board member representing Victus, nobody on the Board had any knowledge of the Seaboard offer before the Company received it on 7 February 2018.

19. How is Seaboard involved in Unga?

Seaboard has a nearly two-decade history as a long-term shareholder in the Company. Seaboard owns 35% of the shares in Unga Holdings Limited, with the rest being held by the Company, which it acquired in the year 2000. Seaboard had a 10-year management agreement (two terms of five years each) with Unga Holdings Limited, which expired on 17 March 2010. Unga continues to source raw materials, technical and financial support from Seaboard.

20. Who approved the Offeree Circular?

The Circular has been approved by the Board of Directors (excluding those directors who have recused themselves), of the Company whose names appear on page one of the Circular, all of whom, jointly and severally, accept responsibility for the accuracy of the information given and confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no facts the omission of which would make any statement therein misleading.

Approval has also been obtained from the Capital Markets Authority (CMA) in respect of the compliance of the Circular with the Take-over Regulations. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in the Circular. Approval of the Circular by the CMA is not to be taken as an indication of the merits of the Offer or of a recommendation by the CMA to the minority shareholders of Unga Group Plc.