

Sanlam Private Equity acquires majority stake in Cullinan's largest employer

Cape Town, 24 February 2021: In a win for the private equity sector in South Africa as well as transformation in the agro-processing industry, Sanlam Investments through their private equity business, Sanlam Private Equity ("SPE"), has acquired a majority stake in the Cavalier Group of Companies, a supplier of premium red meat products and the largest employer in the Cullinan region of Gauteng for an undisclosed amount.

Cavalier Group of Companies specializes in creating the shortest and most cost-effective route for red meat products from farm to fork. The Group consists of five entities; Cavalier Foods, Cavalier Livestock, Cavalier Abattoir, Cavalier Feeders and the holding company.

This deal is the first to close from the Investors Legacy Range's Private Equity Fund, one of three impact funds launched in June 2020 with a collective goal of creating or preserving 27 000 South African jobs – while still delivering value for investors.

Cavalier, one of only two Woolworths-approved red meatpackers in South Africa, employs 1 412 staff. SPE has acquired a majority stake in Cavalier Group in a replacement capital transaction, acquiring the stakes from both the Land and Agricultural Development Bank of South Africa ("Land Bank") and Griekwaland-wes Korporatief Bpk ("GWK"). The Land Bank shares were earmarked by the state-owned bank to be sold to an empowered equity partner to bring about much-needed transformation in this largely untransformed sector.

This investment by SPE comes at a time when the Cavalier Group had started embarking on various growth initiatives and when the business needed a strong and empowered equity partner to help it achieve its growth plans. This planned growth by the company will create further employment opportunities – another win for jobs at a time of record-high SA unemployment levels.

SPE managing partner, Paul Moeketsi, says Cavalier is a robust business with strong diversification and growth potential. "As SPE, we partner with strong management teams, and we invest in businesses that have good growth prospects and where we believe our involvement will

unlock additional value in the business. We were attracted to Cavalier Group because we believe that this business meets these requirements. While Cavalier Group holds supply contracts with major retailers in South Africa, new opportunities can include exporting products to the Middle East and supplying quick-service restaurants and hospitality businesses.

As a keen impact investor, SPE was drawn to the Cavalier Group, in part, because of their dedication and commitment to transformation. It is the largest employer in the Cullinan region, and 60% of its employees are women. They are also in the process of rolling out several projects for the benefit of the community and for its employees, most of whom are local, previously disadvantaged individuals.

"Our impact strategy is to create jobs and empower disadvantaged groups, focusing on women empowerment and youth unemployment. We also invest in companies that offer job growth to its employees as well as opportunities to improve their standards of living", Moeketsi added.

Cavalier also boasts a strong ESG track record. They have installed solar panels and a biogas plant using organic animal material. The company has also shown good governance in ensuring compliance with food safety regulations and health and safety protocols.

Cavalier recently built a state-of-the-art meat processing, deboning and packing facility for its AAA-grade red meat business and is poised for growth. With its vertically integrated value chain and as the largest red meat co-packer in the country, Cavalier is strategically positioned to take advantage of several red meat opportunities in future. "We are excited to have a partner such as Sanlam Private Equity in our business. With their strong empowerment credentials and their strategic focus of helping businesses grow, we are confident that our partnership will be a very successful one in the future", said Kabols Le Riche, CEO and founder of Cavalier Group.

Moeketsi says SPE expects to announce another deal from the Investors Legacy Range's Private Equity Fund in the coming weeks as part of their strong pipeline of impact investment opportunities.

"For all private equity deals, we apply the filter of job retention or job creation as well as the potential for above-average returns and growth. We look for quality businesses that need capital and that have the management expertise to move to the next level".

For more information, visit <https://www.sanlamintelligence.co.za/institutional/investor-legacy-range/>