CHOBE HOLDINGS LIMITED

CHOBE HOLDINGS LIMITED
(the “Company” or “Group”)

Incorporated in the Republic of Botswana (Registration Number Co. 4543)


1. Introduction
The Company is pleased to announce that it has reached agreement with Air Charter Botswana (Pty) Ltd trading as Kala-hari Air Services (the “vendors”) to acquire – through its wholly-owned subsidiary North West Air (Pty) Ltd (“NWA”) – the aircraft maintenance operation at Maun International Airport (“the AMO”) owned and operated by the vendors with effect from 29 February 2016 (the “transaction”). The necessary regulatory approvals, including approval of the transaction by the Competition Authority and Civil Aviation Authority of Botswana, have been obtained.

2. Background information on NWA
NWA was a dormant subsidiary of the company which has been resuscitated to own and operate the AMO.

3. Background information on the vendors
The vendors have owned and operated an air charter business and aircraft maintenance operations at both Sir Seretse Khama and Maun International Airports for over 15 years.

4. Background information on the AMO
The AMO is one of two such facilities currently operating at Maun International Airport with an estimated market share of about 50%.

5. Consideration
NWA will settle the acquisition price of P19.5 million through the Group’s internal cash resources and the transaction does not require any debt or further equity financing.

6. Rationale for the transaction
Safari Air, an air charter operator wholly owned by the Company, provides air transport services to the Group’s camps and lodges. Due to the nature and remote location of the Group’s core business of camps and lodges it is critically important to keep disruptions in air transport services to an absolute minimum. Owning and operating the AMO will ensure that the Group retains control of its aircraft maintenance and by extension ensure that air transport services are not disrupted. This is in line with the Group’s vision to vertically integrate its operations.

The AMO has a market share of about 50% thereby placing it in a commanding position to provide positive revenue and cash streams to the Group.

The AMO is properly licenced by the Civil Aviation Authority of Botswana thereby providing the Group with access to instant revenue and cash flows through existing customers.

The AMO has been in operation for over 15 years and has a good safety record, a critical component of any aircraft business.

7. Effect of the transaction on the Group’s net assets
The fair value of the AMO’s net assets as at 29 February 2016 is estimated to be P19.5 million, representing 10.4% of the Group’s net asset value as at 31 August 2015. Given the cash outflow in settlement of the transaction, the Group’s net asset value per share is expected to remain unchanged as a result of the transaction.

8. Effect of the transaction on the Group’s profitability
It is estimated that, once the AMO’s operations are fully integrated into the Group, and based on a profit contribution for a full financial year, the transaction will result in an increase in the Group’s earnings per share of between 1.68 thebe and 1.94 thebe.

The Board of Directors, Chobe Holdings Limited
29 February 2016

Sponsoring Broker

Stockbrokers Botswana Ltd.
Member of the Botswana Stock Exchange