



Presco

RC 174370

EXPLANATORY STATEMENT ON THE PROPOSED ACQUISITION OF A 100% EQUITY STAKE IN GHANA OIL PALM DEVELOPMENT COMPANY LIMITED ("GOPDC") BY PRESCO PLC ("PRESCO" OR THE "COMPANY") (THE "ACQUISITION" OR THE "TRANSACTION")

1. Background

As custodians of the leading integrated agro-industrial company in Nigeria, and in line with its responsibility to seek avenues to consolidate this position and pursue opportunistic inorganic growth to achieve its vision to become the most profitable, sustainable and fully integrated edible oils group in the broader Sub-Saharan Africa region, the Board of Directors (the "Board") and management team of Presco have focused on identifying the right strategies to drive sustained long-term growth and profitability of your Company. In line with this objective, a detailed review of the strategic opportunities available to the Company was explored and the Board reached a decision to propose the acquisition of a 100% equity stake in GOPDC (the "Transaction"). The Acquisition consideration will be settled in phases, with an initial consideration payment of a USD64,961,832 (Sixty-four Million Nine Hundred and Sixty-one Thousand Eight Hundred and Thirty-two United States Dollars), with the balance to be settled at a future time.

2. Information about the business and operations of GOPDC

GOPDC, incorporated in Ghana on 6 December 1995 is an integrated agro-industrial company specialised in the cultivation of oil palm, extraction of crude palm oil and palm kernel oil, production of specialty oils and fats and distribution of refined oil products and a wholly owned subsidiary of Société d'Investissement pour l'Agriculture Tropicale ("Siat SA"). GOPDC is a related party to Presco, being a subsidiary of Siat SA, a key shareholder of Presco.

GOPDC operates from two estates in Eastern Region of Ghana, the Kwae Estate and Okumaning Estate, with about 21,000 hectares of oil palm plantations of which 13,000 hectares have been developed for up to 6,000 outgrowers. GOPDC has processing facilities that comprise a 60 mt/ha fresh fruit palm oil mill, a 60 mt/day palm kernel mill, a 100 mt/day refinery and fractionation plant and a palm kernel cake pellet plant. Currently, GOPDC has capacity to produce over 35,000 tonnes of palm oil and palm kernel oil per annum and has a storage capacity of 21,000 tonnes. GOPDC commenced packaging of olein vegetable oil under the brand "King's" following the commissioning of a jerrycan filling plant in 2012.

GOPDC employs about 30,000 workers in peak harvest season and creates direct and indirect income to over 50,000 people.

SUMMARY FORECASTS OF GOPDC

Year ended 31 December (GH¢'000)	Actual		Forecast			
	2023	2024	2025	2026	2027	2028
Net revenue	456,352	642,102	752,156	879,719	1,034,894	1,205,988
Cost of sales	(133,388)	(316,850)	(374,906)	(430,479)	(499,593)	(578,755)
Gross profit	270,352	325,253	377,250	449,240	535,301	627,233
Administrative and general expenses	(62,927)	(58,235)	(67,201)	(77,281)	(88,873)	(102,204)
Depreciation	(19,241)	(21,107)	(33,969)	(35,014)	(41,881)	(45,885)
Operating profit	188,184	245,911	276,080	336,946	404,547	479,144

3. Rationale for the Acquisition and expected benefits

The Directors of Presco are of the opinion that the Transaction would create significant value for shareholders, relevant stakeholders of the Company for the following reasons amongst others:

- a. **Increased market share and customer base:** The Transaction will position Presco as a large African conglomerate with an expanded customer base and increased market share within Africa. Presco's plantation size is expected to increase by 19% from c.43,547 hectares to c.51,760 hectares, further solidifying its position as a leading oil palm producer in Africa.
- b. **Currency Diversification:** Based on the available financial statements, Presco generated 100% of its revenue in local currency in 2023, while GOPDC generated c.41% of its revenue from export sales primarily in US Dollars and Euro. The currency diversification mitigates the impact of adverse exchange rate movements on the Company's financial performance.
- c. **Economies of Scale:** The Transaction will strengthen Presco's competitive position and drive productivity within the Company through cost savings from streamlining its processes; optimising resource utilisation and positioning more effectively to meet the market demands as a consolidated oil palm business.
- d. **The Acquisition** is expected to increase the market value of the larger entity listed on the Nigerian Exchange Limited ("NGX") post the Acquisition.
- e. **Access to capital:** With the expected increase in market value and increased investor confidence, Presco will have improved access to capital through secondary stock offerings and bond issuances post-Transaction. The synergy between the two entities can potentially increase the overall valuation of Presco, thereby making it more attractive to investors.
- f. **Increased competitiveness** of the larger entity through the leveraging of the individual company strengths and the exploitation of synergetic opportunities across the supply chain.

4. Financial effects of the Acquisition

Presco has made an offer to SIAT SA to acquire 100% (One Hundred percent) of the 70,580,000 (Seventy Million, Five Hundred and Eighty Thousand) ordinary shares of GOPDC which translates to a price of approximately USD1.77 for each ordinary share in GOPDC. The Acquisition consideration will be settled in phases, with an initial consideration payment of USD64,961,832 (Sixty-four Million Nine Hundred and Sixty-one Thousand Eight Hundred and Thirty-two United States Dollars), with the balance to be settled at a future time. Following the conclusion of the Transaction, GOPDC will become a subsidiary of Presco as outlined in the terms of the Acquisition.

5. Summary of Fairness Opinion

To assess the fairness of the terms of the Transaction, KPMG Professional Services ("KPMG") was appointed to provide a fairness opinion on the value of GOPDC to shareholders of Presco, given the related party nature of the Transaction. Their opinion is that the Offer is lower than their estimate of the value of GOPDC and as such, is fair to the shareholders of Presco.

6. Summary of Statutory Audit Committee Opinion

The Statutory Audit Committee (the "Committee") of Presco also met to consider the terms of the Transaction. The Committee agrees with the opinion of KPMG on the fairness and reasonableness of the purchase consideration and supports the Board of Directors' decision to seek approval of the shareholders. The Committee is also in support of the Transaction.

7. Voting by SIAT SA

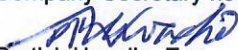
In line with the requirements of the NGX on related party transactions, SIAT SA, the core shareholder of GOPDC and a significant shareholder in Presco, will not vote on the resolutions to approve the Transaction. To this end, the decision to proceed with the Transaction will be made by the minority shareholders of Presco.

8. Conclusion and recommendations

The Board of Presco, having considered the terms and conditions of the Transaction, as well as the benefits thereof, recommend that you vote in favour of the resolutions which will be proposed at the Annual General Meeting.

9. Contact for more information.

For more information on the Transaction, please send all enquiries, questions, and comments to the Company Secretary no later than 48 hours before the AGM to the address below:


Patrick Uwadia, Esq.
Company Secretary
Presco Plc
Obaretin Estate, Km 22, Benin/Sapele Road
Ikpoba-Okha Local Government Area
Edo State.

Email: Patrick.uwadia@siat-group.com