

R.E.A. Holdings plc (RE.)

R.E.A. Holdings plc: Proposals re 7.5 per cent dollar notes 2022

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R.E.A. Holdings plc (the "company")

Proposal to extend the redemption date for the 7.5 per cent dollar notes 2022 issued by the company from 30 June 2022 to 30 June 2026

Introduction

The company announced in its trading update published on 25 January 2022 that, with the group's finances now on a firmer footing, the company expected shortly to seek the approval of the holders of its 7.5 per cent dollar notes 2022 (the "**dollar notes**") to extend the redemption date for the dollar notes by four years (the "**proposal**").

The company now announces that it is today despatching a circular (the "**circular**") to the holders of the dollar notes ("**noteholders**") giving details of the proposal, and seeking the approval of noteholders (to be given by way of an extraordinary resolution to be proposed at a general meeting of noteholders convened for 3 March 2022) as regards such proposal.

Background to and reasons for the proposed extension of the redemption date for the dollar notes

2021 saw a considerable improvement in the group's trading performance with revenues benefitting from significantly higher CPO prices. This facilitated completion of longstanding negotiations with the group's Indonesian bankers, PT Bank Mandiri (Persero) Tbk ("**Mandiri**"), for the repayment of three existing loans made by Mandiri to subsidiaries of the company and their replacement with three new loans of longer tenor providing the group with increased funding at a reduced interest rate. In addition, the group has reached understandings with its principal customers on the continued availability of pre-sale advances at levels that the group regards as satisfactory.

The group now wishes to address two other funding issues, namely the current obligation to redeem the dollar notes on 30 June 2022 and the accumulated arrears of dividend on the preference shares which stand at 17p per share following the payment of 1p per share of arrears on 31 December 2021.

Whilst the improvements to the group's liquidity that have resulted from the 2021 trading performance and the successful reorganisation of the banking arrangements with Mandiri should permit the group to meet its liability to redeem the dollar notes on the due date, doing so would limit the group's ability to continue its development programme at the rate that it regards as desirable and would decrease the cash available for reduction of the arrears of preference dividend.

Consent fee

In consideration of and subject to noteholders sanctioning the proposed extension of the redemption date for the dollar notes, the company will pay each noteholder on the register of noteholders at 6.00 p.m. on 2 March 2022 (whether or not such noteholder votes in favour of the extraordinary resolution sanctioning the proposal but only if the proposed extension of the redemption date for the dollar notes becomes effective) a consent fee in cash in an amount equal to 0.25 per cent of the nominal amount of dollar notes held by such holder.

It is intended that, provided that the proposed extension of the redemption date for the dollar notes has become effective, the consent fee will be paid on 17 March 2022. The consent fee will be paid in dollars unless the relevant noteholder has already elected, in accordance with the terms and conditions attaching to the dollar notes, to receive interest in respect of the dollar notes in sterling, in which event the consent fee will be paid to that noteholder in sterling.

Sale facility

The directors are aware that the market in the dollar notes can be limited, and that not all noteholders may be willing to have the monies represented by their holdings of dollar notes tied up beyond 30 June 2022. Accordingly, in conjunction with the proposal to extend the redemption date for the dollar notes, the company has put in place arrangements whereunder, conditional upon the proposed extension of the redemption date for the dollar notes becoming effective, any noteholder who wishes to realise their holding of dollar notes by the current redemption date of 30 June 2022 is offered the opportunity so to do (the "**sale facility**").

Any noteholder who wishes to take advantage of the sale facility (or any such noteholder's duly authorised representative) is invited to contact Guy Butler Limited ("**Guy Butler**") at any time on or after the date on which the proposed extension to the redemption date for the dollar notes becomes effective but by no later than 5.00 p.m. on 31 May 2022. To the extent that Guy Butler is or becomes aware of potential purchasers of dollar notes, Guy Butler will endeavour to arrange to purchase and resell the applicable

dollar notes on terms acceptable to the divesting noteholder. Any such sale will be subject to the provisions as regards the transfer of dollar notes included at Condition 3 attaching to the dollar notes (that is, (i) any election to sell must be in respect of a minimum amount of \$120,000 nominal of dollar notes and (ii) where the election is in respect of part only of a holding of dollar notes, the transfer of the same must not result in the transferor retaining a minimum holding of less than \$120,000 nominal of dollar notes represented, in the case of dollar notes held in certificated form, by one certificate).

To the extent that all relevant notes are not so sold by 21 June 2022, the company will procure that its wholly owned subsidiary R.E.A. Services Limited ("**REA Services**") offers to purchase the unsold balance of the relevant notes for cash at par for settlement on 30 June 2022 (that is, the current due date for redemption of the dollar notes), again subject always to the provisions as regards the transfer of dollar notes included at Condition 3 attaching to the dollar notes. All dollar notes sold to REA Services pursuant to the sale facility will be sold with full title guarantee free from any encumbrance and together with all accrued benefits and rights attached thereto, save for the right to the interest payable in respect of the dollar notes on 30 June 2022 (which interest will be paid to all holders of dollar notes on the register of noteholders at the close of business on the record date for the payment of such interest in the usual manner).

Intentions of REA Services

REA Services intends to seek to re-sell, over time, any dollar notes acquired by it pursuant to the sale facility. To the extent not so sold, REA Services intends to retain the dollar notes pending redemption of the same in accordance with their terms. There is no current intention that any dollar notes acquired by REA Services pursuant to the sale facility be surrendered for cancellation.

Proposed updates to the trust deed

In addition to sanctioning the proposed extension of the redemption date for the dollar notes, the extraordinary resolution to be proposed at the meeting of the note holders convened for 3 March 2022 includes provisions sanctioning amendments being made to the trust deed as follows:

- to allow for such further and/or alternative regulations regarding the requisitioning and/or the holding of meetings of noteholders and attendance and voting thereat, including the holding of "virtual" meetings by way of conference call or videoconference, as, in the case of meetings convened by the Trustee (including on the requisition of noteholders), the Trustee may in its sole discretion think fit or, in the case of meetings convened by the Company, the Company and the Trustee may together think fit; and
- to bring the record date for the payment of interest in respect of the dollar notes forward, from thirty days prior to the relevant interest payment date to ten business days prior to the relevant interest payment date.

The first such amendment is to allow flexibility for the future, particularly given difficulties encountered in many companies over the last two years as a result of the Covid-19 pandemic. The full text of the proposed new provision is set out in the extraordinary resolution to be proposed at the meeting of noteholders convened for 3 March 2022.

The second amendment is simply because it is felt that the current gap between the record date for the payment of interest and the interest payment date is unnecessarily long.

Conditions

The proposed extension of the redemption date for the dollar notes and other amendments to the trust deed as noted under "Proposed updates to the trust deed" above are conditional upon:

- i. the passing of the extraordinary resolution sanctioning such proposal set out in the notice of meeting of the holders of the dollar notes included at the end of this document; and
- ii. the execution of the supplemental trust deed referred to in such resolution

in each case by 29 April 2022.

The sale facility is conditional upon the proposed extension of the redemption date for the dollar notes becoming effective.

Preference shares

As at the date of this document, the issued share capital of the company comprises 43,950,529 ordinary shares (of which 132,500 are held as treasury shares) and 72,000,000 preference shares. As the dividend in respect of the preference shares is more than six months in arrears, each preference share currently confers upon the holder the right to vote at general meetings of the company. The voting rights attaching to shares of the company generally exercisable at general meetings of the company thus total 115,818,029 as at the date of this document, with a total of 43,818,029 votes exercisable in respect of the ordinary shares and 72,000,000 exercisable in respect of the preference shares. Holders of preference shares will retain their enhanced voting rights until the arrears of preference dividend are cleared.

The company paid the preference dividend accruing in respect of the year ended 31 December 2022 (9p per preference share) together with 1p per share of arrears of dividend, thus reducing the aggregate arrears from £12,960,000 to £12,240,000. As previously announced, the directors intend that, in addition to paying the preference dividend accruing in respect of the current year ending 31

December 2022, the company will also pay not less than 10p per share (£7,200,000 in aggregate) of arrears of dividend during the course of the current year.

Also as previously announced, the directors plan to increase this amount of 10p per preference share if (i) expectations regarding recovery of group loans to ATP are, as remains hoped, confirmed, (ii) the group's oil palm operations continue to perform satisfactorily, (iii) the proposed extension of the redemption date for the dollar notes becomes effective and (iv) sufficient of the outstanding dollar notes remain in (or, in the case of dollar notes purchased by REA Services pursuant to the sale facility, can be re-sold by REA Services into) public hands.

Guy Butler

In consideration of its services in relation to the proposed extension of the redemption date for the dollar notes and the sale facility, conditional upon the proposed extension of the redemption date for the dollar notes becoming effective, the company has agreed to pay to Guy Butler fees equal to (i) 0.5 per cent of the nominal amount of dollar notes held by each holder of dollar notes who (a) votes in favour of the extraordinary resolution to be proposed at the meeting of the holders of the dollar notes convened for 3 March 2022 and (b) does not elect to sell any dollar notes pursuant to the sale facility; (ii) 0.5 per cent of the nominal amount of dollar notes purchased by REA Services pursuant to the sale facility and subsequently re-sold to a person who is already, as at the close of business on 21 June 2022, a holder of dollar notes; and (iii) 1.0 per cent of the nominal amount of dollar notes purchased by REA Services pursuant to the sale facility and subsequently re-sold by REA Services to a person who is not already, as at the close of business on 21 June 2022, a holder of dollar notes where such person is introduced to REA Services by Guy Butler. The fee referred to at (i) above will be payable in June 2022; the fees referred to at (ii) and (iii) above will be payable following the relevant sale(s) by REA Services.

Recommendation

Each of the directors of the company is of the opinion that the proposed extension of the redemption date for the dollar notes, with the attendant sale facility, and the proposed updates to the trust deed are all in the best interests of the company, its shareholders and the holders of the group's debt securities (including the dollar notes) as a whole.

However, none of the directors considers it appropriate to make a recommendation to noteholders as to whether or not noteholders should vote in favour of the resolution set out in the notice of meeting of the holders of the dollar notes convened for 3 March 2022 and/or as to whether or not noteholders should elect to sell dollar notes pursuant to the sale facility. A decision as to whether or not to vote in favour of the resolution and/or as to whether or not to elect to sell pursuant to the sale facility will depend on the personal circumstances of each noteholder. As stated on the cover of this document, holders of dollar notes who are in any doubt as to what action they should take are recommended to consult their appropriate independent financial adviser duly authorised, if the holder is resident in the United Kingdom, under the Financial Services and Markets Act 2000 or, if the holder is not so resident, under the relevant applicable local law.

Expected timetable

A meeting of the holders of dollar notes has been convened for 3 March 2022 to consider a resolution to sanction the proposed extension of the redemption date for the dollar notes and the updates to the trust deed constituting the dollar notes (the "**trust deed**") as noted above, and to authorise and request the trustee for the noteholders to enter into a supplemental trust deed for the purposes of effecting the necessary amendments to the trust deed.

It is expected that the results of the meeting will be announced on 3 March 2022 and that the proposals will become effective the same day.

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