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

REA Finance B.V. ("REA Finance")

Proposals to extend the date for repayment of the 8.75 per cent guaranteed sterling notes 2020

Introduction

The company announced in its trading update published on 7 February 2020 that it was working on arrangements regarding refinancing of the £30.9 million nominal of 8.75 per cent sterling notes 2020 issued by REA Finance and guaranteed by the company (the "**sterling notes**") that fall due for repayment in August 2020.

The company now announces that it is today despatching a circular (the "**circular**") to holders of the sterling notes containing proposals to extend the date for repayment of the sterling notes from 31 August 2020 to 31 August 2025 in consideration of the issue by REA Holdings to holders of the sterling notes of warrants to subscribe new ordinary shares of 25p each in the capital of REA Holdings (the "**proposals**").

Background

The outstanding balance of the sterling notes is £30,852,000. The outstanding balance is due to be redeemed in full on 31 August 2020.

In accordance with the structure set out in the trust deed, REA Finance has lent substantially all of the subscription monies received by it for the sterling notes, and for the now historic 9.5 per cent guaranteed sterling notes 2015/2017 of REA Finance (in exchange for which most of the existing sterling notes were issued), to REA Holdings for on-lending to qualifying subsidiaries. REA Finance is thus dependent upon repayment of the loans made by it to enable it to meet its redemption obligations in respect of the sterling notes.

When the sterling notes were issued in 2015, the directors of REA Holdings were confident that the internal cash flows of the group from its operations in Indonesia would, by August 2020, be sufficient to fund the repayment of the borrowings by REA Holdings from REA Finance and thus to fund the redemption of the sterling notes. That has unfortunately proved not to be the case for

reasons detailed in the reports and trading statements published by REA Holdings over the last few years. Such reasons include, in particular, the inability of REA Kaltim and its subsidiaries to achieve expected levels of crops over the period 2015 to 2017 and the dramatic decline in CPO prices over the period from May 2017 to November 2019 with the CPO price (CIF Rotterdam) falling from a high of \$770 per tonne in May 2017 to a low of \$439 in November 2018 and then remaining below \$550 per tonne for most of 2019, only reaching \$600 per tonne again at the end of October 2019 and rising to \$870 per tonne in January 2020.

The rally in CPO prices of recent months has reflected continuing growth in demand for vegetable oils with a fall-off in the rate of growth in supply. Since January 2020, the CPO price has weakened to an extent in the wake of the coronavirus but the fundamentals of supply and demand should, over time, outweigh the negative impact of the virus (should this continue). CPO stock levels are expected to fall to a four year low in 2019/20. The impact of reduced fertiliser applications by some producers in response to the CPO price weakness has yet to be felt. Also, many oil palm producers are reporting rainfall deficits in the second half of 2019 which may impact 2020 and 2021 production. Furthermore, much tighter restrictions worldwide on clearing new land for oil palm plantings are likely to result in palm oil production growing for the foreseeable future at a much slower rate than in the last decade.

Reasons for the proposed extension of the date for repayment of the sterling notes

The group is now achieving crops at levels that accord with standard age related crop profiles and CPO prices remain at remunerative levels. As at 5 March 2020 (being the latest practicable date prior to the issue of the circular), the CPO price was \$668 per tonne.

Moreover, the group has reduced costs and the directors of REA Holdings believe that the group can achieve yet further efficiencies. Future cash flows will also benefit from lower levels of capital expenditure going forward because most of the group's developable land has now been planted with oil palms which are mature or close to maturity and the group will, on completion of current mill upgrading work, have the milling capacity that it needs for the foreseeable future.

Against this background, the directors of REA Holdings remain confident that the group can, over time, meet all of its obligations in full. REA Holdings is seeking the assistance of the holders of the sterling notes in allowing the group to do this in an orderly and constructive fashion.

The proposed extension to the repayment date for the sterling notes, from 31 August this year to 31 August 2025, with the issue of the warrants in consideration thereof, has been formulated to that end.

Proposed amendment to the prescribed loan agreement between R.E.A. Services Limited and PT Cipta Davia Mandiri

In accordance with the structure set out in the trust deed, REA Finance has lent substantially all of the subscription monies received by it for the sterling notes, and for the now historic 9.5 per cent guaranteed sterling notes 2015/2017 of REA Finance (in exchange for which most of the existing sterling notes were issued), to REA Holdings for on-lending to qualifying subsidiaries. Such on-lending is effected through R.E.A. Services Limited ("**REA Services**"), the co-guarantor of the sterling notes, pursuant to loan agreements which are "prescribed" pursuant to the terms of the sterling notes and the rights of REA Services in respect of such loans have been charged by REA Services as security for its guarantee obligations in respect of the sterling notes. Each of REA Holdings and REA Services have covenanted not to make any amendments to the terms of the prescribed loan agreements.

REA Services currently has outstanding loans to just one qualifying subsidiary, namely PT Cipta Davia Mandiri, pursuant to a loan agreement dated 20 August 2018. Previous loans by REA Services to PT Sasana Yudha Bhakti and PT Kutai Mitra Sejahtera have now been repaid in full.

The repayment date specified in the prescribed loan agreement between REA Services and PT Cipta Davia Mandiri were agreed in anticipation of the sterling notes being repaid on 31 August 2020 and thus currently provide that the loans made pursuant to the prescribed loan agreement are repayable on 15 August 2020 (or earlier in the event of default). Accordingly, it is proposed that, conditional upon the date for repayment of the sterling notes being extended to 31 August 2025 and subject to the sanction of noteholders being obtained, the repayment date specified in the prescribed loan agreement between REA Services and PT Cipta Davia Mandiri also be extended by five years, to 15 August 2025 (or earlier in the event of default).

The extraordinary resolution to be proposed at the meeting of the holders of the sterling notes on 31 March 2020 includes provisions sanctioning such extension.

The terms of any future prescribed loan agreements between REA Services and qualifying subsidiaries (as set out in the trust deed) permit the repayment date for any such loans to be agreed at the time that the relevant new prescribed loan agreement is made, subject always to the covenant on the part of REA Services that it will not agree repayment amounts as regards the loans due to it by qualifying subsidiaries which would result in the aggregate amount being due to it by qualifying subsidiaries on any repayment date, when aggregated by the cash amounts then held by REA Services and/or REA Finance in a bank account charged in favour of Apex Corporate Trustees (UK) Limited as trustee for the holders of the sterling notes, being less than the aggregate amount then due to holders of sterling notes by REA Finance on the redemption date for the sterling notes.

Proposed amendments to the trust deed

In addition to sanctioning the proposed extension to the repayment date for the sterling notes and the amendment to the repayment date set out in the prescribed loan agreement made between REA Services and PT Cipta Davia Mandiri, the extraordinary resolution to be proposed at the meeting of the holders of the sterling notes on 31 March 2020 includes provisions sanctioning amendments to the trust deed being made as follows:

- to reflect both (x) the extension of the repayment date for the sterling notes and (y) the sanctioning of the proposed amendment to the repayment date set out in the prescribed loan agreement between REA Services and PT Cipta Davia Mandiri;
- to permit the early redemption of sterling notes in satisfaction of the subscription price payable by a holder of sterling notes and warrants on exercise of those warrants where the holder of the sterling notes validly elects to satisfy that subscription price, in whole or in part, by the surrender of sterling notes;
- to delete references to the historic 9.5 per cent guaranteed sterling notes 2015/2017 of REA Finance, all of which have now been cancelled and/or redeemed in full;
- to effect further changes consequential to the extension of the repayment date for the sterling notes and otherwise;

- i. to update various provisions and details and delete certain now historic definitions and provisions;
- ii. to ensure consistencies as regards language and correct certain typographical errors; and
- iii. at the request of the trustee, (x) to clarify what would be included within the scope of "exceptional" duties to be performed by the trustee for the noteholders, for which the trustee should be entitled to additional remuneration from REA Finance and (y) to require notices to the trustee to be copied to the trustee by email.

and the re-statement of the trust deed as so amended.

The extraordinary resolution to be proposed at the meeting of the holders of the sterling notes on 31 March 2020 includes an authority and request to the trustee for the holders of the sterling notes to enter into a supplemental trust deed for the purposes of effecting such amendments and re-stating the trust deed as so amended.

Conditions to the proposals

The proposals are conditional upon:

- i. the passing of the extraordinary resolution sanctioning the proposals set out in the notice of meeting of the holders of the sterling notes set out in the circular, which sanction is itself conditional upon the issue by REA Holdings of the warrants as described under "Warrants" below; and
- ii. the execution of the supplemental trust deed referred to in such resolution

in each case by 31 May 2020.

Warrants

In consideration of and subject to noteholders sanctioning the proposals, REA Holdings will issue all noteholders on the register of noteholders at 6.00 p.m. (London time) on 24 March 2020 (whether or not such noteholders vote in favour of the extraordinary resolution sanctioning the proposals but only if the extraordinary resolution is duly passed) with warrants to subscribe new ordinary shares in the capital of REA Holdings on the following basis:

for each £1,000 nominal of sterling notes held at 6.00 p.m. (London time) on 24 March 2020	130 warrants
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and so in proportion for any greater amount of sterling notes held. Fractional entitlements to a warrant would be rounded down and would not be issued.

It is proposed that each warrant would be exercisable quarterly on 15 January, 15 April, 15 July and 15 October in each year up to 15 July 2025 on not less than 14 days' notice of the exercise. The first exercise date would be 15 January 2021. Each warrant would entitle the holder to subscribe one new ordinary share at a price equal to 20 per cent above the average of the middle market quotations for the ordinary shares on each of the dealing days between 26 February 2020 and 26 March 2020 (inclusive) (as derived from the Daily Official List), payable in full on subscription. Holders of the warrants would be entitled to satisfy the subscription price in cash or by the surrender of sterling notes at their nominal value, or by a mixture of cash and the surrender of

sterling notes at their nominal value provided always that any such surrender of sterling notes must be in integral multiples of £1,000 nominal of sterling notes and must not result in a noteholder retaining a balance of less than £100,000 nominal of sterling notes (unless that balance is nil). On surrender of any sterling notes in satisfaction of all or any part of the subscription price, the sterling notes surrendered would be redeemed by REA Finance at their principal amount, with the redemption monies thus due to the noteholder being paid by REA Finance, on behalf of the noteholder, to REA Holdings (rather than to the noteholder) save that, rather than being paid in cash, the redemption monies would be set-off against the loan due by REA Holdings to REA Finance.

It is intended that the new ordinary shares issued on exercise of the warrants would rank *pari passu* in all respects with the then existing issued ordinary shares, and would be admitted to the Official List and to trading on the regulated market of the London Stock Exchange. Ordinary shares rank behind the preference shares on a return of capital by REA Holdings and as regards dividends.

The warrants would be transferable but would not be listed on the Official List or admitted to trading on the London Stock Exchange or any other stock exchange.

Any sale of warrants would be by private treaty negotiated by the holder. Guy Butler Limited has agreed with REA Holdings that Guy Butler Limited will, until 31 May 2025, endeavour to match buyers and sellers of the warrants. Notwithstanding the foregoing, no warrant may be transferred to any person who does not have a registered address in the United Kingdom or within the European Economic Area.

The warrants will be able to be held in certificated or in uncertificated form. However, where a warrant holder wishes to elect to satisfy all or part of the subscription price payable on exercise of its warrants by way of the surrender of sterling notes, both the warrants being exercised and the sterling notes being surrendered must be in certificated form; the surrender of sterling notes on exercise of the warrant rights cannot be effected through CREST.

The warrants would be created pursuant to a resolution of the board of directors of REA Holdings and would be constituted pursuant to a warrant instrument executed by REA Holdings.

The full terms and conditions to be attached to the warrants are set out in Part II of the circular.

No consent fee

None of REA Finance, REA Holdings or REA Services is paying any consent fee in cash to any noteholder in connection with the proposals. The sole consideration payable by REA Finance, REA Holdings and REA Services in connection with the proposals is the issue by REA Holdings of the warrants as detailed under "Warrants" above.

Possible cash placing of further sterling notes and issue of further warrants

If, subject to and following the proposals becoming unconditional, it is established that there are potential subscribers for additional 8.75 per cent guaranteed sterling notes 2025 of REA Finance (that is, the sterling notes as they will then be following the extension of the repayment date), REA Finance may seek to place a limited further nominal amount of such sterling notes at their nominal value, payable in cash in full on allotment. In consideration of placees subscribing such new sterling notes at their nominal value, contemporaneously with the issue of those new sterling notes, REA Holdings may issue the placees with warrants on the basis of not more than 130 warrants for every £1,000 nominal of new sterling notes subscribed.

Recommendation

The board of directors of REA Holdings is of the opinion that the proposals are in the best interests of REA Holdings, its shareholders and the holders of the group's debt securities (including the sterling notes) as a whole.

However, none of the directors of REA Holdings nor the sole director of REA Finance consider it appropriate to make a recommendation to noteholders as to whether or not they should vote in favour of the resolution set out in the notice of meeting of the holders of the sterling notes convened for 31 March 2020. A decision as to whether or not to vote in favour of the resolution will depend on the personal circumstances of each holder of sterling notes. Holders of sterling 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.

It is further recommended that, before making any decision as to whether or not to vote in favour of the resolution, holders of sterling notes take into consideration all information made available by REA Holdings via the Regulatory News Service of the London Stock Exchange.

Informal indication as regards intentions

The directors of REA Holdings have received informal and non-binding indications that holders of in excess of £25,732,000 nominal of the sterling notes (representing some 83.4 per cent of the outstanding sterling notes) are likely to vote in favour of the extraordinary resolution set out in the notice of meeting of the holders of the sterling notes set out in the circular.

The directors of REA Holdings have also been informed by one holder of sterling notes, holding £1,600,000 nominal of the sterling notes (representing some 5.2 per cent of the outstanding sterling notes) that such holder is likely to vote against the extraordinary resolution.

Further information

Copies of the circular will shortly be submitted to the Financial Conduct Authority (the "FCA") and will be available for inspection at FCA's Electronic Submission System (ESS). Copies of the circular may also be obtained free of charge from the company at its registered office: First Floor, 32-36 Great Portland Street, London W1W 8QX and are also available to download from the company's website at www.rea.co.uk.

Expected timetable

A meeting of the holders of sterling notes has been convened for 31 March 2020 to consider a resolution to sanction the proposed extension to the repayment date for the sterling notes from 31 August 2020 to 31 August 2025 and other matters as detailed in the notice of meeting and to authorise and request the trustee for the holders of the sterling notes to enter into a supplemental trust deed for the purposes of effecting the proposed amendments to and re-statement of the trust deed constituting the sterling notes, all as set out in the circular.

It is expected that the results of the meeting will be announced on 31 March 2020 and that the proposals will become effective on 1 April 2020.

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