



EQUITY PORTFOLIO VALUATION SERVICES

TERMS OF REFERENCE

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DEFINITION OF TERMS

Equity Investment	Refers to ordinary or preference shares representing ownership of or an interest in an unlisted legal entity.
Investee Company	Means the company/legal entity that Land Bank has made an investment in. The investee company is expected to drive and achieve the development and financial objectives of the Bank as specified in the Subscription Agreement.
Investment Valuation	Refers to an analytical process of determining the current worth of the Investee Company. Absolute valuation models are used to find the intrinsic or "true" value of an investment based only on fundamentals. Looking at fundamentals simply means you would only focus on such things as dividends, cash flow, and the growth rate for a single company, and not worry about any other companies.
Land Bank / The Bank	Refers to Land and Agricultural Development Bank of South Africa, which is a government-owned agri-focused development bank in the Republic of South Africa.
Parties	Refers to Investee Company and Land Bank.
Professional Fee	Means the professional fee charged by the appointed Valuation Firm to perform the Investment Valuation exercise and provide a detailed valuation report.
Subscription Agreement	Refers to a share subscription agreement (together with all Annexures) entered into between the Investee Company and Land Bank.
Valuation Firm	Means such independent and impartial professional firm, with requisite financial skills, appointed by Land Bank for the purpose of conducting a credible point in time valuation of Equity Investments and providing the Land Bank with a Valuation Report.
Valuation Report	Means equity verification, validation and valuation report issued by the appointed Valuation Firm in the form acceptable to the Bank.
Portfolio Report	Means a report prepared by the appointed Valuation Firm to confirm the portfolio performance since inception to 31 March 2027.

1 INTRODUCTION

- The Bank has a critical role to play in contributing towards a robust agricultural sector that supports economic growth, contributes to employment, drives sector transformation, promotes equality and ensures food security.
- Guided by this broader mandate, the Land Bank established a structured investments function aimed at providing innovative and hybrid financial solutions to accelerate the delivery of its mandate.
- Equity Investments is one such mechanism that is expected to facilitate the development of an inclusive agricultural landscape through the cultivation of partnerships between new generation farmers and established farmers.
- Investee Companies are typically required to establish upstream and downstream farmer support programs to bring historically disadvantaged individuals into their value chain.
- To date, the Land Bank has invested equity capital both directly and indirectly in a number of companies operating in the South African agricultural sector. These investments were a result of the following two main processes:
 - a) Strategic equity acquisitions in line with the Bank's corporate plan to advance transformation in the agricultural sector; and
 - b) Workout and Restructuring solutions (i.e. debt to equity swaps) aimed at maximising recoveries for the Bank.

2 BACKGROUND TO REQUEST

- Given the inherent risk level associated to the Equity Investment and structured finance environment, post-investment, Land Bank must closely monitor the performance of each Equity Investment and the overall equity portfolio over the life of the investments through performance of Investment Valuations.
- For Land Bank, Investment Valuations are important to ascertain the worth of each investment as well as measure and track their progress and performance. These valuation assessments must be performed periodically to ascertain preservation or deterioration or growth in value.
- Therefore, an accurate, comprehensive and market-related valuation of Equity Investments by an experienced and qualified professional is an important part of managing and monitoring the Equity Investment portfolio.
- Against this background, Land Bank wishes to appoint a capable, adequately capacitated, qualified/certified and experienced service provider i.e. Valuation Firm who will undertake the Investment Valuation exercise of the Strategic Equity Investments.

3 SCOPE OF WORK

The appointed Valuation Firm is required to:

- Perform a credible point in time Investment Valuation of each of the Investee Companies listed in Table 1 below using the appropriate valuation methodology and industry best practices.
- Compare the performance of Land Bank investments against the performance of similar type of investments in the market.
- Where possible, review the business performance against its strategic short, medium and long-term objectives.
- Provide the Bank with a detailed Valuation Report.
- Present the Valuation Report to the relevant structures of the Bank.

Table 1: List of Equity Investments

STRATEGIC EQUITY INVESTMENTS				
Investment Name	Industry/Sector	% Holding	Initial Investment Cost	Listed / Unlisted
Company A	Pome fruit	19,91%	R83 898 165	Unlisted
Company B	Grain Handling and Storage	19,90%	R94 362 686	Unlisted
Company C	Diversified Agribusiness	5.034%	R125 559 275	Unlisted/Over the counter
Company D	Diversified Agribusiness	19.90%	R718 254 221	Unlisted

VALUATION METHODS:

- The Valuation Firm to determine and justify the appropriate Valuation Method for each investment.
- The Valuation Firm to provide comparative values based on appropriate comparative valuation methods for the individual entities.

4 VALUATION REQUIREMENTS

Each Investment Valuation must;

- Be conducted and prepared by a competent, qualified, experienced and adequately capacitated Valuation Firm;
- Be consistent with the South African Venture Capital Association guidelines and principles, as well as the applicable IFRS guidelines;

5 REPORTING REQUIREMENTS

The appointed Valuation Firm, acting as an expert and not as an arbitrator, is expected to;

- Issue a detailed Valuation Report and portfolio report of factual details and findings relating to the valuation exercise.
- Present the Valuation report to the relevant structures of the Bank.

5.1 Each Valuation Report must clearly confirm/outline the following:

Primary Investment Information

- Investment Name,
- % shareholding,
- Sector,
- Key business drivers and assumptions used,
- Financial Model with 5 years' historic performance and minimum 10 years' projections
- Reference (including supporting documents, where possible) of all key legal, financial, tax and other information reviewed,
- Details of Investee Company managements engaged in preparation of the valuation report,
- Key risks identified,
- Valuation method used,
- Initial investment cost,
- Date acquired,
- Current credible/fair market value using the applicable valuation method (Value as at 31 March 2027),
- Investment returns since acquisition (i.e. Inception to date and current financial year),
- Investee Company achieves the minimum returns (Internal rate of return specific (IRR) specific to the deal);
- Current BEE score/rating,
- Adherence to conditions, undertakings, KPIs and targets,
- Compare the performance of Land Bank investment against the performance of similar type of investments in the market.

Secondary Investment Information

- Confirm that no material adverse change (MAC) in the business (usually prior to subscription) has occurred since inception of the investment and so, what steps have been taken to rectify the MAC;
- Confirm that the application of funds is aligned with what has been agreed in the Subscription Agreement;
- Confirm that trickle dividends (where applicable/deal specific) are aligned;

- Confirm the achievement of targets and Land Bank's Social Development Impact KPIs as outlined in the Subscription Agreement (where applicable/deal specific);
- Confirm that the company's minimum black shareholding (where applicable/deal specific);
- Confirm adherence to warranties and continuing rights and privileges;
- Confirm status of Call and Put option rights (where applicable/deal specific).

5.2 The Portfolio Report must:

- Confirm portfolio performance (inception to 31 March 2027) with clear explanation on reasons for movement in value.

6 QUOTE REQUIREMENTS

The quote from each potential service provider must clearly show professional fees for each individual Equity Investment.

NB: Please refer to Table 1 above for list of investments and portfolio split.

7 PROJECT TIMELINES AND DURATION

Suitable service provider must be able to conclude the exercise and provide Land Bank with Final Valuation Reports by 30 April 2027 or earlier.

8 PROJECT COMMENCEMENT CONDITIONS

The appointed Valuation Firm will only conduct the said valuation exercise upon:

- receipt and acceptance of a valid quote by the Bank, and
- upon signature of the Service Level Agreement by the Bank.

9 MANDATORY DOCUMENTS

Potential services providers (i.e. Valuation Firms) must:

- Provide comprehensive company profile (with references) demonstrating:
 - Capacity, capabilities and competency,
 - Availability of qualified employees/key personnel to be assigned to the project,
 - Extensive experience and knowledge in Investment Valuations (preferably in the agri-sector),
- Have an active professional indemnity insurance,
- Be independent of the Land Bank investment transaction in question (Disclosure will be required prior to appointment of service provider for a specific project/exercise),