

## AFRISTRAT INVESTMENT HOLDINGS LIMITED

(formerly Ecsponent Limited)

Incorporated in the Republic of South Africa

Registration number: 1998/013215/06

JSE Code: ATI - ISIN: ZAE000287587

Debt Issuer Code: ATID

Hybrid Issuer Code: ATIG

("Afristrat" or "the Company" or "the Group")



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### RELATED PARTY ACQUISITION OF MHMK FINANCIAL SERVICES LIMITED, SHARE CONSOLIDATION, DIRECTORATE CHANGES AND WITHDRAWAL OF CAUTIONARY

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The board of directors of the Company ("**Board**") is pleased to advise Shareholders of the following transactions and actions to be undertaken by Afristrat as detailed below:

- Related party acquisition of MHMK Financial Services Limited ("previously MHMK Group Limited");
- Changes to the Board;
- Share consolidation;
- Employee share scheme; and
- Withdrawal of cautionary.

#### 1. Related party acquisition of MHMK Financial Services Limited

##### 1.1. Introduction

1.1.1. The Board is pleased to advise Shareholders that on 18 May 2021 Afristrat entered into a binding term sheet ("**Term Sheet**") to acquire 100% of MHMK Financial Services Limited ("**MHMK Financial Services**") from the George Manyere Children Investment Trust ("**the GM Trust**") ("**the Proposed Transaction**" or "**the Acquisition**"). The Term Sheet also envisages the implementation of an employee share scheme. The effective date of the Acquisition is the signature date of the term sheet, being 18 May 2021.

##### 1.2. Purchase Consideration

1.2.1. In accordance with of the Term Sheet, the Proposed Transaction will be settled by the issue of 82 816 606 485 new Afristrat ordinary shares, prior to the proposed share consolidation. The Company has sufficient authorised but unissued shares to settle the consideration.

##### 1.3. Conditions Precedent

1.3.1. The Proposed Transaction is subject to the fulfilment of the following conditions precedent on or before 30 September 2021:

- the requisite approvals from shareholders and the regulatory authorities including the JSE Limited ("**JSE**"), the Takeover Regulation Panel, the Competition Commission and the Exchange Control authorities are obtained;
- the debt of Scipion Active Trading Fund ("**SATF**") and Norsad Finance Limited ("**Norsad**") are successfully restructured to the satisfaction of the GM Trust. The ability to implement the current restructuring negotiations of the facilities of SATF and Norsad is substantially linked to the successful conclusion on the Proposed Transaction, and accordingly is considered as a critical condition precedent to the Proposed Transaction; and
- the requisite approval from shareholders to waive the requirement in terms of section 123 of the Companies Act for the GM Trust to make a mandatory offer to the remaining shareholders.

#### 1.4. MHMK Financial Services

1.4.1. MHMK Financial Services is an investment company with significant interests in microfinance and micro banking operations in Africa. MHMK Financial Services acquired a number of former MyBucks S.A. and Afristrat operations during the restructuring process in order to assist both these companies with a smooth restructuring process as well as preserving a base to rebuild value in the long term for its stakeholders.

#### 1.5. Rationale

1.5.1. Afristrat commenced a substantial restructuring process in February 2020 to reduce operating costs to a sustainable level and restructure its debt exposure. The Group has to date, successfully restructured debt in excess of R2.3 billion, entered disposal transactions of certain non-core assets and restructured the Board with the aim of repositioning the Company such that it is poised for sustainable future growth.

1.5.2. However, Afristrat requires a substantial injection of capital, both cash or assets, to further re-align the balance sheet. The Proposed Transaction thus presents a new platform for refocusing of the Group's banking and microfinance divisions and will ensure that the combined balance sheet for the new entity will be sufficiently healthy to meet the current liabilities of the Company.

1.5.3. The Proposed Transaction is expected to benefit the Company by providing it with access to a quality portfolio of income generating and high growth potential companies and funding, as well as providing an opportunity for Afristrat to expand its local and regional footprint.

#### 1.6. Financial Information

1.6.1. The financial information for MHMK Financial Services extracted from the unaudited management accounts for the year-ended 31 December 2020, is set out as follows:

- the value of the net assets that are the subject of the Proposed Transaction as at 31 December 2020 was USD9.6 million; and
- the loss after tax of the net assets that are the subject of the Proposed Transaction for the year ended 31 December 2020 was USD14.4 million.

1.6.2. The unaudited management accounts for MHMK Financial Services for the year ended 31 December 2020 were prepared in accordance with accounting policies in terms of International Financial Reporting Standards.

#### 1.7. Related Party Relationship and Classification of the Proposed Transaction

1.7.1. Mr George Manyere, is the ultimate beneficial owner of the the GM Trust and he is also the current Chief Executive Officer (“**CEO**”) of the Company. The GM Trust is also a material shareholder in the Company. In terms of section 10.1(b)(i) and (ii) of the JSE Listings Requirements, the Proposed Transaction is classified as a related party transaction. Accordingly, in compliance with the JSE Listings Requirements, the Board will retain an independent expert, to opine on the fairness of the Proposed Transaction to shareholders.

1.7.2. The Proposed Transaction is classified as a related party, Category 1 reverse takeover transaction in terms of the JSE Listings Requirements, and as such, a circular will be dispatched to shareholders in due course incorporating revised listings particulars, a fairness opinion and the various resolutions requiring approval for a transaction of this nature.

## 1.8. Employee share scheme

- 1.8.1. MHMK Group, as part of the Term Sheet has requested the Group to implement an employee share scheme in order to retain the current core team to drive the implementation of the rebuilding phase over the medium to long term. Further details of the proposed employee share scheme will be provided in the circular.

## 1.9. Changes to the Board

Shareholders are advised of the following changes to the Board, contingent on the successful completion of the Acquisition:

- 1.9.1. Mr George Manyere, who stepped in as CEO in April 2020, to steer the Group through the restructuring process and develop a strategy for future growth, will resign as CEO upon successful completion of the Acquisition and retain a position as a Non-Executive Director. Mr Manyere, as the major shareholder at the time, assumed an Executive role to guide the Group through a successful restructure. Following completion of the Proposed Transaction, Mr Manyere will have concluded his role to turnaround the Group and will return to a Non-Executive function.
- 1.9.2. Mr Tertius de Kock, the current Financial Director, who has been instrumental in implementation of the turnaround strategy together with the current CEO, will assume the CEO, position upon successful execution of the acquisition transaction, to implement and drive the strategy for future growth. The Company has commenced the process to find a replacement Financial Director prior to the changes taking effect.
- 1.9.3. In terms of good corporate governance, having served in excess of the recommended nine-year period as an independent non executive director, Mr Keith Rayner, Afristrat's Chairman since May 2020, will retire from the Board.
- 1.9.4. Mr Roger Pitt, an existing independent non-executive director, will take over as Chairman of the Board.

Once these changes become effective the Board will consider the composition of the Board and sub-committees.

## 2. Share Consolidation

- 2.1. Shareholders are advised that the Board has decided to undertake a share consolidation to provide Afristrat shareholders with *inter alia*:
  - a share price of a more acceptable value per share; and
  - to enable the shareholders to trade and the Company to issue shares at market-related prices.
- 2.2. The proposed terms of the share consolidation are that the issued share capital be consolidated on a basis of 1 for 200, based on the issued share capital post the Proposed Transaction, meaning that every 200 no par value shares will be consolidated into one no par value share.
- 2.3. The effect of the share consolidation will be that the total issued share capital post the successful completion of the Proposed Transaction amounting to 142 262 487 153, will be consolidated into issued shares of 711 312 435.

## 3. Withdrawal of Cautionary

- 3.1. Shareholders are referred to the cautionary announcement dated 7 April 2021 and are hereby advised that, as the terms of the Proposed Transaction have been disclosed in this announcement, caution is no longer required to be exercised when dealing in the Company's securities.

#### **4. Responsibility Statement**

- 4.1. The independent board of directors of the Company accepts responsibility for the information contained in this announcement and certifies that, to the best of its knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

18 May 2021

Johannesburg

#### **Sponsor**

Merchantec Capital

#### **Corporate Adviser**

YW Capital