

Deneb Investments Limited  
Registration number: 2013/091290/06  
(Incorporated in the Republic of South Africa)  
JSE share code: DNB ISIN: ZAE000197398  
("Deneb" or the "Company")

---

## **ACQUISITION OF FORMEX INDUSTRIES BY DENEb**

---

### **1. THE ACQUISITION**

Shareholders are hereby advised that Deneb has entered into a Sale of Shares and Claims agreement with Hosken Consolidated Investments Limited ("HCI"), HCI Treasury Proprietary Limited ("HCI-Treasury") (collectively, "the Sellers") and Formex Industries Proprietary Limited ("Formex") dated 7 July 2017 ("the Agreement") in terms of which Deneb has agreed to purchase 100% of the shares in Formex, the HCI shareholder claims in Formex ("the shareholders loan") and a portion of the HCI-Treasury loan claim ("the treasury loan") (collectively, "the Sale Equity") against Formex ("the Acquisition").

### **2. DETAILS OF THE BUSINESS OF FORMEX**

Formex consists of the following distinctive manufacturing businesses:

- 2.1 Formex Pressings, which is a technologically competitive entity focusing on the development, manufacturing and supply of pressed components for the automotive catalytic converter and original equipment manufacturer markets; and
- 2.2 Formex Tubing, which is an operation specializing in the manufacture of tubular and exhaust-related components. Technology includes laser welding, tungsten inert gas welding, computer numerical control bending and forming and robotic welding.

### **3. RATIONALE FOR THE ACQUISITION**

Deneb has been providing management services to Formex since 1 October 2012. During this time, Deneb has played an active role in assisting Formex return to profitability. The management arrangement has provided Deneb with the opportunity to gain a full understanding of the Formex operations as well as its financial sustainability.

The Acquisition will enable Deneb to better integrate the operations of Formex into its own management structures thereby allowing it to exploit the synergies inherent in an expanded manufacturing skills base.

### **4. SMALL RELATED PARTY TRANSACTION**

- 4.1 HCI is the majority shareholder of Deneb, and accordingly the Acquisition is a "related party transaction" in terms of section 10 of the Listings Requirements of the JSE Limited ("JSE").
- 4.2 BDO Corporate Finance Proprietary Limited ("BDO") as the independent expert, has opined that the Acquisition is fair to Deneb shareholders. The fairness opinion will lie open for inspection at the registered address of Deneb for a period of 28 days from the date of publication of this announcement.

- 4.3 This announcement is made for information purposes only and no action is required by Deneb shareholders with regard to the Acquisition.

5. PURCHASE CONSIDERATION

The purchase consideration payable by Deneb to the Sellers for the Sale Equity is R25,058,000.

6. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfillment of the following outstanding conditions precedent on or before 31 August 2017:

- 6.1 All regulatory approvals which may be required in order to implement the Acquisition are obtained.

7. OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement provides for warranties and indemnities that are normal for a transaction of this nature.

8. FORMEX FINANCIAL INFORMATION

- 8.1 Formex's Statement of Financial Position as at 31 March 2017 reflects:

Total Assets:	R210,861,000
Total Liabilities (excluding shareholders / treasury loan):	(R185,803,000)
Net asset value:	R25,058,000

- 8.2 Formex's turnover for the year ended 31 March 2017 was R336 million.

- 8.3 Formex's earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year ended 31 March 2017 was R16,780,000.

- 8.4 Profit after taxation for the year ended 31 March 2017 was R8,725,000. However, the profit to March 2017 includes certain non-recurring items and on an adjusted basis, the profit would be R3 645 000.

9. EFFECTIVE DATE OF THE ACQUISITION

The effective date of the Acquisition will be the 7th (seventh) business day following the date of fulfilment or written waiver of the last of the conditions precedent set out in paragraph 6 above, which is expected to be 31 July 2017.

Cape Town  
10 July 2017

Sponsor and corporate advisor:  
PSG Capital

Independent expert:  
BDO Corporate Finance Proprietary Limited