

ECSPONENT LIMITED

Incorporated in the Republic of South Africa
Registration number: 1998/013215/06
JSE Code: ECS - ISIN: ZAE000179594
Debt Issuer Code: ECSD
("the Company" or "Ecsponent")

MARKET UPDATE ON PREFERENCE SHARE DEFAULT SITUATION, PROPOSED MOI AMENDMENTS, RECAPITALISATION OF THE COMPANY AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

MARKET UPDATE ON PREFERENCE SHARE DEFAULT SITUATION

Shareholders are referred to the announcements released on SENS dated 10, 12 and 21 February 2020 in which shareholders were advised of the Company's default on the redemption and dividends due on the Class A, B, C, D, E and G preference shares ("**Preference Shares**"), as applicable.

Shareholders are herein further advised of, *inter alia*, the impact of the default on the holders of the Preference Shares, with reference to the terms of the Preference Shares.

The Preference Shares are redeemable after five years from the initial issue date of a particular series of Preference Shares and, other than the Class B preference shares, are entitled to monthly dividend payments.

The Company's Memorandum of Incorporation ("**MOI**") and the Preference Share Programme Memorandum ("**Preference Share Programme**") provide for a mandatory conversion of the Preference Shares into ordinary shares ("**the Default Conversion**") if the Company fails to rectify a default event in respect of any class of preference shares immediately after:

- a. default by the Company on repayment of the redemption price on the redemption date; or
- b. non-payment of three consecutive dividends on Class A, C, D, E and G preference shares ("**Default Period**").

At this point in time, the Company has indicated that it will default on the redemption of Series 2, Class A, B and C preference shares, which are due for redemption on 6 March 2020 and has also indicated that it will default on payment of the monthly dividend due on the Class A, C, D E and G preference shares, due on 5 March 2020. No monthly dividend is payable on the Class B preference shares.

Accordingly, the Company has until:

- 6 June 2020 to rectify the situation regarding the redemption of the Series 2, Class A, B and C preference shares; and
- 5 June 2020 to rectify the situation regarding the payment of outstanding monthly dividends on the Class A, C, D, E and G preference shares (assuming that dividends due for payment on 5 March 2020, 14 April 2020 and 11 May 2020 are not paid),

before the abovementioned preference shares convert into ordinary shares. In terms of the Default Conversion, all stated capital, premium and any dividends still outstanding to the preference shareholders would convert into ordinary shares, at an ordinary share price based on the historical 20-day volume weighted average share price prior to first day of default.

A copy of the Preference Share Programme can be accessed at the following link:

<https://www.ecsponentlimited.com/listed-instruments/>

Proposal for MOI Amendments

The Company has explored various options relating to the capital restructure of the Preference Shares and the Board has resolved to propose an amendment to the terms of the Preference Shares, through an amendment to the Company's MOI ("**MOI Amendments**"). The indicative amended preference share terms are set out below:

- redeemable or partially redeemable at a) the discretion of the Board, having regard to the funds available to the Company, or b) on the exit by the Company of any investments within the group;
- convertible into ordinary shares at a fixed ratio at the option of the holder ("**Conversion Option**"); and
- zero coupon, but with dividends to be paid at the discretion of the Board, guided by a committed dividend policy.

The intention is to implement the MOI Amendments prior to the expiry of the Default Period, thereby avoiding the Default Conversion.

The Board believes that the MOI Amendments offer the best alternative for Preference Shares, as compared to the conversion thereof, as they:

- protect the Preference Shareholders' rights to preferential capital redemptions;
- provide preference shareholders with a set right to redemptions on certain trigger events, including, *inter alia*, the sale of investments, thereby cementing a commitment by the Company to settle the Company's obligations towards Preference Shareholders as and when the Company realises value from its underlying investments; and
- provide preference shareholders with the Conversion Option, thereby allowing preference shareholders to convert into ordinary shares at any time prior to a redemption of those preference shares and providing Preference Shareholders with similar rights to the current Default Conversion.

Further details of the proposed MOI Amendments will be announced on SENS and included in a circular to shareholders, which will be distributed in due course.

NOTES UNDER THE COMPANY'S DOMESTIC MEDIUM-TERM NOTE PROGRAMME

The first redemption date applicable to the Domestic Medium Notes ("**Notes**") is November 2021 and therefore no default by the Company in regard thereto has occurred at this stage. All interest payments are up to date as at the date of this announcement.

Accordingly, no event of default therefore currently exists in relation to the Notes as contained in clause 16 of the Notes Programme. A copy of the Notes Programme can be accessed at the following link:

<https://www.ecsponentlimited.com/listed-instruments/>

RECAPITALISATION OF THE COMPANY

The Company is currently in negotiation with its major shareholder, MHMK Group Proprietary Limited ("**MHMK**"), being an associate of George Manyere, the group's current acting CEO, to partially recapitalise the group's balance sheet, through a subscription for additional ordinary shares in the Company in exchange for the delegation by the Company of debt owing to Tailored Investments Limited, a third party, unrelated creditor, amounting to approximately R200 million ("**the Share Issue**").

MHMK remains committed to supporting the group in reaching its full potential and delivering value from its underlying assets in the medium to long term.

Further details of the Share Issue, including the pro-forma financial effects thereof, will be announced in due course. The Share Issue will constitute the issue of shares to a related party for cash in terms of the JSE's Listings Requirements and will accordingly require the approval, by way of an ordinary resolution, of at least 75% of the shareholders present and voting at a general meeting, excluding MHMK and its associates.

RENEWAL OF THE CAUTIONARY ANNOUNCEMENT

Given that the outcome of the various capital restructuring initiatives is still unknown, the outcome of which may have a material impact on the Company's share price, shareholders are advised to continue to exercise caution when dealing in the Company's securities until a further announcement is made.

For more information about this announcement or the Ecsponent group, email investor.relations@ecsponent.com or visit www.ecsponentlimited.com/investor-relations

2 March 2020
Pretoria

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