

## **ECSPONENT LIMITED**

Incorporated in the Republic of South Africa

Registration number: 1998/013215/06

JSE Code: ECS - ISIN: ZAE000179594

Debt Issuer Code: ECSD

Hybrid Issuer Code: ECSH

("the Company" or "Ecsponent")

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### **Terms announcement in respect of a divestment in Capitis Equities Proprietary Limited and withdrawal of the cautionary announcement**

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The board of directors of Ecsponent ("the Board") advises shareholders that it has concluded an agreement ("the Agreement") with Capitis Equities Proprietary Limited ("Capitis") and Poloko Holdings Proprietary Limited ("Poloko") to:

- sell its interest in Capitis' Class E1 shares ("Class E Shares"), subscribed for and acquired by the Company during the course of 2018, back to Capitis; and
- sell its interest in Capitis' Class A shares ("Class A Shares"), also subscribed for and acquired by the Company during the course of 2018, to Poloko, an entity owned by Mokotudi Jennifer Bokwa,

(collectively, "the Divestment").

#### **1. Description of the business of Capitis**

Capitis is a South African domiciled Section 12 J investment holding company, incorporated in 2017. Its principal activity is to invest, on behalf of individual and corporate investors, in a range of companies that are considered to be 'qualifying investments' in accordance with its investment mandate. The investments are typically held for a minimum of 5 years and are 100% tax deductible for the benefit of the investors.

Capitis has, to date, invested ZAR12.2million into qualifying investments on behalf of Ecsponent. The investments relate mainly to a media and marketing group which specialises in the electronic and social media space.

#### **2. Rationale for the Divestment**

The purpose of the original investment in Capitis was to enable Capitis to invest, on behalf of Ecsponent, into a pipeline of potential investments identified by Capitis, as detailed in a circular to Ecsponent shareholders dated 2 August 2018. The lack of qualifying investments identified and

executed, together with the current financial position of Ecsponent, has necessitated the exit by Ecsponent from its investment in Capitis. In addition, the investment in Capitis does not meet the Company's minimum return thresholds.

The Board further believes that the Divestment will assist with a recovery of the Company's financial position and overall solvency levels.

### **3. Financial information in relation to Capitis**

As at 28 February 2020, being Capitis' last financial year end, Capitis had a net asset value of ZAR276,376 and ZAR156,118,802 which was attributable to the Class A Shares and Class E Shares, respectively. Capitis reported a net profit after tax of ZAR59,118 and ZAR44,690,186 for the financial year ended 28 February 2020, attributable to the Class A Shares and Class E Shares, respectively.

The above financial information is based on unaudited management accounts for the year ended 28 February 2020, prepared in accordance with International Financial Reporting Standards. Ecsponent is satisfied with the quality of the unaudited management accounts.

### **4. Terms of the Agreement**

#### **4.1. Divestment structure and consideration**

##### ***Sale of Class E Shares***

The Class E Shares in Capitis will be disposed of by Ecsponent to Capitis for a purchase consideration equal to the Loan Account ("**Consideration**") (as described below) due by Ecsponent to Capitis, effective on the Effective Date (as defined below).

The Consideration shall be settled by way of Capitis offsetting the Loan Account payable by the Company to Capitis (including any related interest incurred) on the Effective Date, such that no further amounts shall be payable by Ecsponent under Loan Account.

A loan account between Ecsponent and Capitis arose following Ecsponent's original investment in the Class A and Class E Shares in Capitis, which funding was returned to Ecsponent on loan account ("**the Loan Account**"), following failure to deploy the funding into qualifying investments. The funding received by Ecsponent through the Loan Account was used for working capital purposes. The Loan Account carried interest at a rate of 8% per annum, which interest income was capitalised by Capitis to the Class E Shares. As at the date of this announcement, the balance on the Loan Account was ZAR146,752,802 (including accrued interest).

In addition to the above, Ecsponent will settle, by payment to Capitis, all outstanding taxes in relation to interest accruing on the Loan Account amounting to ZAR171,931.93.

### ***Sale of Class A Shares***

Ecsponent shall sell all of the Class A shares to Poloko for a purchase consideration of ZAR100.00.

#### **4.2. Conditions precedent and Effective Date**

The Divestment is not subject to any conditions precedent. The effective date is the date of signature of the Agreement by both parties, being 9 June 2020 (“**Effective Date**”).

#### **4.3. Other material terms of the Agreement**

Ecsponent shall indemnify Capitis against all taxation liabilities due to the South African Revenue Service arising from either:

- the initial agreement entered into between the Company and Capitis;
- the agreement entered into between the Company and Capitis giving effect to the Loan Account; and
- the agreement entered into between the Company and Capitis giving effect to the Divestment.

The Agreement provides for warranties, terms and conditions that are normal for a transaction of this nature.

#### **5. Application of the Consideration proceeds**

As noted in paragraph 4.1 above, the Consideration will be off-set against the Loan Account, thereby enabling a cashless transaction.

#### **6. Categorisation and approvals required for the Divestment**

In terms of the JSE Listings Requirements, the Divestment is categorised as a Category 2 transaction and involves no related parties (as defined by the JSE Listings Requirements) and is accordingly not subject to approval by shareholders.

#### **7. Withdrawal of cautionary announcement**

Shareholders are referred to the announcement containing the results of the general meetings of ordinary and preference shareholders issued on 27 May 2020, which advised, inter alia, of the outcome of the proposed amendments to the Company’s memorandum of incorporation, and of the conversion of certain classes of preference shares into ordinary shares.

Having regard to the above information, the cautionary announcement is withdrawn.

For more information about this announcement or the Ecspontent group, email [investor.relations@ecspontent.com](mailto:investor.relations@ecspontent.com) or visit [www.ecspontentlimited.com/investor-relations](http://www.ecspontentlimited.com/investor-relations).

11 June 2020  
Pretoria

Sponsor to Ecspontent



Questco Corporate Advisory (Pty) Ltd