

## **Brimstone Investment Corporation Limited**

(Incorporated in the Republic of South Africa)

Registration number 1995/010442/06

ISIN Number: ZAE000015277 Share Code: BRT

ISIN Number: ZAE000015285 Share Code: BRN

("Brimstone" or the "Company")

## **PROPOSED DISPOSAL OF BRIMSTONE'S 3.37% SHAREHOLDING IN LIFE HEALTHCARE GROUP HOLDINGS LIMITED**

### **1. Background**

Brimstone has been invested in Life Healthcare Group Holdings Limited ("**Life Healthcare**") since 2005, when it first acquired an 18% in Life Healthcare. Following the initial investment, the Company increased its shareholding to 21.9% in 2006 and then in 2010 Brimstone unbundled part of its investment in Life Healthcare to its shareholders. Brimstone currently holds 49 497 807 (3.37%) ordinary shares in Life Healthcare ("**Life Healthcare Shares**").

In January 2019, Brimstone entered into various agreements ("**Agreements**") with Nedbank Group Limited ("**Nedbank**") in terms of which the Company utilised its Life Healthcare Shares as security to raise funding in the amount of R1.2 billion ("**Loan Amount**") to pursue growth opportunities ("**Loan Transaction**"). In terms of the security provided by the Company, it concluded a zero cost collar funding structure ("**Zero Cost Collar**") with Nedbank. The Loan Transaction is nearing maturity, requiring Brimstone to commence settling the Loan Amount in six instalments on the various loan repayment dates, commencing in October 2020, with the final repayment scheduled to occur in March 2021. Simultaneously with the repayments of the Loan Amount, the Zero Cost Collar is set to unwind over the same six-month period, with Brimstone having the option to either cash or equity settle the structure. It is currently Brimstone's intention to equity settle the Zero Cost Collar, which will result in the extinguishing of the Loan Amount utilising the Company's Life Healthcare Shares ("**Equity Settle**").

The Zero Cost Collar has provided Brimstone with a unique opportunity to dispose of the Life Healthcare Shares at a significant premium to the current share price, due to the put option strike prices of R26.75 and R27.73. Consequently, the board of directors of Brimstone ("**Board**") has currently resolved to Equity Settle the Zero Cost Collar in six instalments as determined by the Agreements. If the Company makes the required elections to Equity Settle the Zero Cost Collar by the pre-determined dates, this will result in the effective disposal of Brimstone's Life Healthcare Shares in six instalments, at a premium to the current share price, against settlement of the Loan Amount ("**Disposal**").

### **2. Rationale for the Disposal and use of proceeds**

As mentioned in previous announcements published by the Company in May 2020, in light of the general economic uncertainty, currently further impacted by the COVID-19 pandemic, the Board has undertaken a strategic review of its investment portfolio having regard to its long-term strategy. The Board has identified assets that it believes can be disposed of at acceptable valuations without jeopardising this strategy. The proceeds from these disposals will be applied to meet Brimstone's funding obligations in the near to medium term.

The Zero Cost Collar provides Brimstone with the opportunity to dispose of the Life Healthcare Shares at between R26.75 and R27.73 which is between 60% and 66% higher than the current Life Healthcare share price of R16.71, and thereby settle the Loan Amount, and the Board is confident that it is a prudent course of action to take at this time.

### **3. Information on Life Healthcare**

Life Healthcare is one of three major private healthcare providers in South Africa primarily serving the private medically insured market. Life Healthcare provides acute care and high-technology private hospital services, acute rehabilitation, mental health, renal dialysis, radiation and chemotherapy oncology, occupational health, employee wellness services, acute and long-term chronic mental health and frail care services in South Africa. Life Healthcare also has operations in Poland.

### **4. Terms of the Disposal and settlement of the Loan Transaction**

In terms of the Agreements, and as a result of the Board's current decision to Equity Settle the Zero Cost Collar, depending on market conditions at the time the Company is required to notify Nedbank of its decision to Equity

Settle, the Disposal will take place in six instalments between October 2020 and March 2021, which will coincide with the repayment dates for the Loan Transaction and result in the settlement of the Loan Amount including accrued interest, which will be an amount of R1.348 billion. Should the Company decide to fully Equity Settle the Zero Cost Collar, following the Disposal, Brimstone will no longer hold any shares in Life Healthcare and the Loan Amount will be extinguished.

As the Disposal will be categorised as a Category 1 transaction in terms of the JSE Listings Requirements, it is subject to obtaining the requisite Brimstone shareholder approval ("**Condition Precedent**").

The Agreements contain warranties and indemnities that are customary for a transaction of this nature.

The effective dates of the Disposal will be six repayment dates for the Loan Amount and unwind of the Zero Cost Collar, being from October 2020 to March 2021.

## **5. Financial information**

The value of the net assets and pre-tax loss attributable to the net assets that are the subject of the Disposal are R43.7 million (being the net amount of the Life Healthcare Shares, the Loan Amount including accrued interest and the option embedded in the Zero Cost Collar) and R47.2 million, respectively ("**Financial Information**"). The Financial Information has been extracted from the Company's unaudited interim results for the six months ended 30 June 2020 ("**Interim Results**"). The Interim Results were prepared in terms of International Financial Reporting Standards, are the responsibility of the Board and have not been audited or reviewed by the Company's external auditors.

## **6. Categorisation and distribution of a circular**

As the Disposal will be classified as a Category 1 transaction for Brimstone in terms of the JSE Listings Requirements, it requires the preparation of a circular ("**Circular**") and shareholder approval. The Circular will be posted in due course.

Cape Town  
31 August 2020

### **Investment Bank, Corporate Advisor and Sponsor**

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

### **Independent Transaction Sponsor**

Deloitte & Touche Sponsor Services Proprietary Limited