

MOMENTUM METROPOLITAN HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 2000/031756/06

ISIN Code: ZAE000269890

JSE Share Code: MTM

A2X Share Code: MTM

NSX Share Code: MMT

("MMH" or the "Group")

MOMENTUM METROPOLITAN LIFE LIMITED

Incorporated in the Republic of South Africa

Registration No. 1904/002186/06

Company code: MMIG

Announcement Relating To The Proposed Establishment Of A Broad-Based Employee Share Ownership Plan (The "Empowerment Transaction")

Capitalised words and terms contained in this announcement, and any subsequent announcements relating to the Empowerment Transaction, shall bear the same meanings ascribed thereto in the circular to Shareholders which is expected to be distributed to Shareholders on, or around, Friday, 23 October 2020 ("**Circular**").

1. INTRODUCTION

On 9 September 2020, alongside the Group's financial results for the year ended 30 June 2020, MMH announced its intention to proceed with the establishment of a broad-based employee share ownership plan incorporating all the Group's current, and certain future, permanent employees of the Group in South Africa ("**Eligible Employees**"). Today, the board of directors of MMH ("**MMH Board**") is pleased to announce the salient terms of the Empowerment Transaction which will result in 44 924 261 MMH ordinary shares ("**MMH Shares**"), being 3% of the entire issued ordinary share capital of MMH, being acquired for the benefit of Eligible Employees. The Empowerment Transaction will result in the acquisition of 26 936 688 MMH Shares currently held in treasury ("**MMH Treasury Shares**") as well as the acquisition of 17 987 573 MMH Shares from the open market ("**MMH Open Market Shares**").

The Empowerment Transaction is being implemented by way of the establishment of a broad-based employee share ownership plan (the "**Scheme**") to support the Group in further enhancing its B-BBEE objectives, including the introduction of stable broad-based employee ownership in the Group, whilst also incentivising Eligible Employees. Accordingly, the Empowerment Transaction is being established as an employee share ownership scheme in terms of Annexure 100(C) of Statement 100 of the B-BBEE Codes. At all times, the majority of the Trust's Unit holders and trustees will be Black people and Black women as defined by the BEE codes.

2. STRATEGIC RATIONALE

By implementing the Empowerment Transaction, the Group will:

- Further enhance broad-based and sustainable Black ownership of MMH Shares;
- Instil an entrepreneurial culture of ownership amongst employees. Employees play a critical role in strengthening market share and making MMH a great place to work. A motivated and skilled workforce, together with efficient and value-creating solutions, services, and operations, offer value to clients and Shareholders; and
- Strengthen MMH's competitive position and enhance the long-term sustainability of the Group's operations.

MMH embraces the authentic advancement of economic transformation and the economic participation of Black people. Broad-based employee ownership allows MMH to represent the demographics of the clients it serves and also develops an ethos in employees that is aligned to Shareholder and client expectations.

The focus on broad-based empowerment through employees aligns with MMH's growth strategy.

3. OVERVIEW OF THE EMPOWERMENT TRANSACTION

The Momentum Metropolitan iSabelo Trust (the "**Trust**") is being established to acquire and hold 44 924 261 MMH Shares, being 3% of the MMH issued ordinary share capital. The Trust will acquire 26 936 688 MMH Treasury Shares (representing approximately 1.8% of the MMH issued ordinary share capital) from Momentum Metropolitan Strategic Investments and 17 987 573 MMH Open Market Shares (representing approximately 1.2% of the MMH issued ordinary share capital) (together the "**Trust Shares**").

The Trust will acquire the MMH Open Market Shares at the prevailing market price within 60 business days upon all conditions precedent to the relevant documents which regulate the transaction (the "**Transaction Documents**") being satisfied. The MMH Treasury Shares will be acquired thereafter based on the trailing 30-day VWAP less the discount. The discount will be determined as 10% of the aggregate consideration paid for the MMH Open Market Shares and the 30-day VWAP value of the MMH Treasury Shares.

The acquisition of the Trust Shares will be funded by the Capital Contribution made by a newly incorporated special purpose vehicle ("**ESOP SPV**") using the proceeds from Preference Shares issued to ABSA Bank Limited ("**Absa**") and MMH.

The Trust Shares will rank *pari passu* with the existing issued ordinary shares of MMH, in all respects, including with regards to voting rights and all future distributions declared and paid by MMH.

Allocation of Units

Allocation of Units in terms of the Scheme will be structured such that at least 85% of the economic benefits from the Scheme will accrue to Black employees and at least 55% to Black women employees. At all times, the majority of the Trust's Units will be Allocated to Black employees and Black women employees.

The Trust will allocate Units to Eligible Employees in accordance with the instructions of MMH but subject to the Allocations Criteria. Allocated Units will be subject to a maximum vesting period of seven years and will become redeemable for Trust Shares upon expiry of the Restricted Period, being the period commencing on the date on which Units are first Allocated to the relevant Employee Beneficiary and terminating on the tenth anniversary of that date (subject to the provisions of the Transaction Documents). After expiry of the Restricted Period, the Units will become redeemable for Trust Shares. The Scheme is intended to have a maximum duration of 15 years.

The trustees will allocate 80% of the Units to Eligible Employees as an initial tranche as soon as is reasonably possible after the Operative Date, being the date upon which the Trust first acquires MMH Shares ("**Initial Allocation**") with 20% of Units reserved for subsequent new Eligible Employees ("**Reserve Allocation**"). The Reserve Allocation is intended to be allocated within a period of five years from the Operative Date. Units which remain or become unallocated Units after the fifth anniversary of the Operative Date shall be available for Allocation to existing Employee Beneficiaries.

Dividends and other distributions

Subject to the provisions of the Transaction Documents, up to 20% of all Distributable Income of the Trust (save for Special Distributions) is payable to Employee Beneficiaries until the ESOP SPV ceases to be a beneficiary of the Trust, after which Employee Beneficiaries become entitled to 100% of Distributable Income.

Appointment of Trust Trustees

MMH shall be entitled, from time to time, to appoint and remove up to three trustees (one of whom will be a non-executive director serving on the MMH Board) ("**Founder Trustees**"). At least two of the Founder Trustees must be Independent.

The Employee Beneficiaries shall be entitled to appoint and remove four trustees (the "**Beneficiary Trustees**"). At least two of the Beneficiary Trustees must be Independent.

Following the appointment of the first Beneficiary Trustees, there shall at all times be not less than seven trustees, at least three of whom shall be Founder Trustees and four of whom shall be Beneficiary Trustees. At all times, not less than 75% of all trustees shall be Black People; 55% of the trustees shall be Black women; and more than 50% of the trustees shall be Independent.

The trustees shall elect a Chairperson from among their number who shall hold office until otherwise determined by a majority of the trustees (provided that the Chairperson shall be Independent) and who shall have a casting vote.

Voting

The trustees will exercise the votes attaching to the Trust Shares during the life of the Trust. The trustees are obliged to convene a meeting of the Employee Beneficiaries in advance of any Shareholders meeting in order to determine how Employee Beneficiaries wish the votes attaching to Trust Shares to be exercised. The trustees must, to the extent that they are lawfully able to, exercise the votes attaching to the Trust Shares in accordance with the decisions of the Employee Beneficiaries.

4. FUNDING OF THE EMPOWERMENT TRANSACTION

The Empowerment Transaction will be funded by the issuance of Preference Shares by ESOP SPV to MMH and ABSA as follows:

- a) The issue of "A" Preference Shares to Absa for a total consideration of not more than R350 million. The "A" Preference Shares will only be redeemable on the fifth anniversary of the subscription date with dividends payable on a semi-annual basis. The "A" Preference Shares will rank ahead of the "B" Preference Shares, any Additional Preference Shares issued by ESOP SPV, ESOP SPV ordinary shares and any loans advanced by MMH or its nominee to the Trust. The Trust will provide a guarantee in respect of ESOP SPV's obligations in relation to the "A" Preference Shares, which will be secured by a pledge and cession over the Trust Shares, the shares the Trust holds in ESOP SPV and the Trust's bank accounts, as well as a security cession over ESOP SPV's bank accounts and rights as beneficiary of the Trust (the **"A" Preference Share Security**).
- b) The issue of "B" Preference Shares to MMH, for a total consideration of not more than R700 million. The "B" Preference Shares will only be redeemable on the seventh anniversary of the subscription date with dividends capitalised up to an agreed amount until the "A" Preference Shares have been redeemed and the "A" Preference Share Security has been released and thereafter, payable on a semi-annual basis. The Trust will provide a second ranking guarantee in respect of ESOP SPV's obligations in relation to the "B" Preference Shares, which will in turn be secured by a reversionary right to all the "A" Preference Share Security (the **"B" Preference Share Security**).

5. PRO FORMA FINANCIAL EFFECTS

The table below is an extract of the pro forma financial information of the Empowerment Transaction, based on the published audited financial results of MMH for the year ended 30 June 2020.

This pro forma financial information is prepared for illustrative purposes only, to provide information about how the Empowerment Transaction may have affected the financial information presented by MMH for the year ended 30 June 2020.

The pro forma financial information is calculated on the assumption that the Empowerment Transaction occurred on 1 July 2019 for the purposes of the pro forma consolidated statement of comprehensive income and 30 June 2020 for the purposes of the pro forma consolidated statement of financial position.

The directors of MMH are responsible for the compilation, contents and preparation of the pro forma financial information included in the Circular.

The pro forma financial information has been prepared using IFRS accounting policies that are consistent with those applied in the published audited financial results of MMH for the year ended 30 June 2020. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the revised SAICA Guide on Pro forma Financial Information.

The pro forma financial information has been prepared based on the assumptions indicated in Annexure 1 to the Circular. The actual MMH share price and other observable market information at the Allocation Date will affect the actual impact of the Empowerment Transaction on the financial information.

The pro forma financial information of MMH is presented in Annexure 1 to the Circular. The pro forma financial information included in Annexure 1 to the Circular should be read in conjunction with the Independent Reporting Accountant's assurance report thereon included as Annexure 2 to the Circular.

	Before the Empowerment Transaction ¹	ESOP SPV funding ²	Acquisition of Trust Shares ³	IFRS 2 costs ⁴	Other transaction costs ⁵	After the Empowerment Transaction ⁶
	Actual	Pro forma	Pro forma	Pro forma	Pro forma	Pro forma
Basic earnings per share (cents)	12.3	-0.8	0.1	-5.5	-0.9	5.2
Diluted earnings per share	12.3	-0.8	0.1	-5.5	-0.9	5.2
Basic headline earnings per share (cents)	71.3	-0.8	0.9	-5.5	-0.9	65.0
Net asset value per share (Rand)	15.56	15.56	15.57	15.57	15.56	15.56

Notes:

1. Extracted, without adjustment, from the published audited financial results of MMH for the year ended 30 June 2020 as released on SENS on 9 September 2020.
2. Represents the adjustment for dividends on R229 million of "A" Preference Shares issued by ESOP SPV to Absa, calculated at an all-in blended rate of 5.0%. Fees linked to the "A" Preference Share issue will be amortised over the term of the "A" Preference Shares in line with IFRS 9 Financial Instruments, which is included in the all-in blended rate. The issue of R389 million of "B" Preference Shares by ESOP SPV to MMH are eliminated on consolidation.
3. Represents the adjustment for the acquisition by the Trust of 17 987 573 MMH Open Market Shares. On consolidation of the Trust, these MMH Open Market Shares will be treated as treasury shares in the financial results of MMH (and hence the increase in per share metrics). The Trust will also acquire 26 936 688 MMH Treasury Shares which are currently treated as treasury shares in the audited financial results of MMH for the year ended 30 June 2020. Accordingly, the acquisition of the MMH Treasury Shares will have no impact on the pro forma financial information. No tax effects relating to the Disposal are accounted for based on the current acquisition price assumption. The Trust Shares will all be fully issued and will rank in full for all dividends or other distributions declared, made or paid, however, these are excluded from the calculation of basic earnings and basic headline earnings.
4. The share-based payment benefit provided to the Trust is recognised as an equity-settled share-based payment transaction in terms of IFRS 2 – Share-based Payments. The estimated total share-based payment recognised over the lifetime of the scheme can vary significantly based on staff attrition rates, MMH Share price growth and the ultimate percentage of Units in the Trust Allocated. The total expected cost for the planned Initial Allocation in the 2021 financial year (80% of Units) is R196 million. These costs are recognised in accordance with the graded vesting principles which result in a higher proportion of the charge being recognised in the earlier years. The share-based expense recognised in the first year is R79 million (40% of the Initial Allocation). No tax benefit is recognised against these share-based payment expenses. The actual share-based payment charge will be calculated with reference to the market information on the Allocation Date.
5. The estimated transaction costs of R13 million are non-recurring and are expensed as incurred.
6. This represents the pro forma financial information subsequent to the Empowerment Transaction.

6. CONDITIONS PRECEDENT

The implementation of the Empowerment Transaction is subject to the fulfilment (or waiver) of the following conditions:

- all the relevant Shareholder approvals as set out in the Circular being duly obtained; and
- the Transaction Documents being entered into and becoming unconditional.

7. CIRCULAR TO SHAREHOLDERS AND NOTICE OF GENERAL MEETING

Shareholders are advised that the Circular, including a notice to convene the General Meeting for the purpose of considering and, if deemed fit, passing with or without modification, the relevant resolutions required, will be distributed to Shareholders on or around Friday, 23 October 2020. The Circular will also be made available on the Group's website at www.momentummetropolitan.co.za and Shareholders will be notified via SENS once the Circular is available on the website.

8. SALIENT DATES AND TIMES

The salient dates and times in relation to the General Meeting are as follows:

	2020
Record Date to be eligible to receive the Circular	Friday, 9 October
Date of issue of the Circular	Friday, 23 October
Last Day to Trade to participate in and vote at the General Meeting	Tuesday, 17 November
Voting Record Date to participate in and vote at the General Meeting	Friday, 20 November
Proxy Forms to be lodged with the Transfer Secretaries as soon as possible for administrative purposes only, (preferably by 09:00), but in any event before the proxy exercises any rights of the Shareholder appointing the proxy at the General Meeting	Tuesday, 24 November
Written notice to participate electronically in the General Meeting to be delivered to MMH's Investor Relations, cobus.rothman@mmltd.co.za by 09:00	Tuesday, 24 November
General Meeting to be held at The MARC, 129 Rivonia Rd, Sandown, Sandton, 2196 at 09:00	Thursday, 26 November
Results of General Meeting released on SENS	Thursday, 26 November
Results of General Meeting published in the South African press	Friday, 27 November

Notes:

1. The above dates and times are subject to amendment. Any such material amendment will be released on SENS and published in the South African press.
2. No orders to dematerialise or rematerialise Shares will be processed from the Business Day following the Last Day to Trade up to and including the Voting Record Date, but such orders will again be processed from the first Business Day after the Voting Record Date.
3. The certificated register will be closed between the Last Day to Trade and the Voting Record Date.
4. If the General Meeting is adjourned or postponed, forms of proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such form of proxy.

Centurion
16 October 2020

Financial Advisor and Transaction Sponsor
The Standard Bank of South Africa Limited

Transaction Attorneys and Tax Advisors
Webber Wentzel

Reporting Accountants and Auditors
Ernst & Young Inc.

Sponsor in Namibia
Simonis Storm Securities (Pty) Limited