

REX TRUEFORM GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1937/009839/06)

JSE share code: RTO ISIN: ZAE000250387

JSE share code: RTN ISIN: ZAE000250395

JSE share code: RTOP ISIN: ZAE000250403

("Rex Trueform" or the "Company")



REX TRUEFORM
GROUP LIMITED

ACQUISITION OF A 63.71% STAKE IN TELEMEDIA PROPRIETARY LIMITED

1. INTRODUCTION

- 1.1 Shareholders are advised that the Company, together with African & Overseas Enterprises Limited ("AOE") (collectively, the "**purchasers**") have entered into a sale of shares agreement (the "**agreement**") with the Trustees for the time being of the Bretherick Family Trust, Peter Fairbank Bretherick, Ryan David Bretherick, and Stephen Mark Bretherick (the "**sellers**") in terms of which Rex Trueform will acquire a 63.71% stake (the "**sale shares**") in Telemedia Proprietary Limited ("**Telemedia**"), for an aggregate purchase consideration of R 57 543 750.00 (the "**consideration**"), which consideration will be satisfied in both cash and through the issue of 857 212 new Rex Trueform ordinary shares at an issue price of R18 per share.
- 1.2 The effective date ("**effective date**") of the transaction will be the first day of the calendar month following the date on which all conditions precedent have been met or waived, as the case may be ("**unconditional date**").

2. NATURE OF BUSINESS OF TELEMEDIA AND BACKGROUND

- 2.1 Founded in 1981, Telemedia is a broad-based media broadcast facility manufacturer and supplier. Telemedia's services include: the installation of satellite transmission and radio and television signal distribution. In addition, Telemedia is a supplier of microwave and satellite news gathering services including broadcasting; studio recording and services ancillary thereto.

3. RATIONALE FOR THE TRANSACTION

- 3.1 The board of the Company has been looking for further opportunities to diversify the portfolio of businesses in the group and the acquisition of the Telemedia interest represents a further step in this process of this diversification.

4. SALIENT TERMS OF THE AGREEMENT

4.1 Pre-effective date distribution and working capital

In terms of the agreement, the sellers shall be entitled to procure that on or after the unconditional date, but prior to the effective date and subject to Telemedia passing the necessary resolutions required in respect thereof in terms of the Companies Act, No. 71 of 2008, Telemedia shall declare a distribution in an amount equal to the bank balances of Telemedia as per the management accounts for the month immediately preceding the effective date, less an amount of R10 000 000, to the sellers pro rata to their shareholding in Telemedia immediately prior to the effective date. The R10 000 000 will be retained by Telemedia as working capital.

4.2 Bretherick Trust loan facility

A maximum loan facility of R5 000 000 will be made available to Telemedia by the Bretherick Trust, which loan facility will remain in place until 30 June 2023, unless the profit undertakings for the periods ending 30 June 2021 or 30 June 2022 are met, whereupon the loan facility shall terminate. The Bretherick Trust loan facility is to be used solely to meet the operational and capital expenditure requirements of Telemedia.

5. PAYMENT OF THE CONSIDERATION

5.1 The aggregate purchase consideration payable is R67 500 000, which purchase consideration shall be settled as follows:

5.1.1 an initial purchase consideration of R30 000 000, to be discharged through:

- the issue of 368 750 new AOE ordinary shares at an issue price of R27 per new AOE share (“**AOE consideration shares**”) to the sellers pro rata to their shareholding in Telemedia immediately prior to the effective date;
- the issue of 857 212 new Rex Trueform ordinary shares at an issue price of R18 per new Rex Trueform share (“**Rex Trueform consideration shares**”) to the sellers pro rata to their shareholding in Telemedia immediately prior to the effective date; and
- a cash payment of R4 613 934 by Rex Trueform to the sellers pro rata to their shareholding immediately prior to the effective date;

5.1.2 the balance of the purchase consideration, being R37 500 000, shall be discharged by Rex Trueform in cash should the profit undertakings given by the sellers for the years ending 30 June 2021, 30 June 2022 and 30 June 2023, calculated as net profit after tax, be met, on a 20%, 20% and 60% basis; and

5.1.3 should the cumulative profit undertaking given by the sellers not be achieved by Telemedia by 30 June 2023, the balance of the purchase consideration will be reduced by an amount calculated by dividing the difference between the net profit after tax warranted and the net profit after tax achieved, by the net profit after tax warranted, and multiplying this by the purchase price, provided that the reduction cannot be less than zero.

6. CONDITIONS PRECEDENT

6.1 The transaction is subject to the following conditions precedent:

6.1.1 the completion of a due diligence to the satisfaction of Rex Trueform;

6.1.2 the entering into of lease agreements with regard to Telemedia’s premises;

6.1.3 the entering into of a new shareholders’ agreement and this becoming unconditional;

6.1.4 the adoption of a new memorandum of incorporation for Telemedia;

6.1.5 to the extent necessary, the Independent Communications Authority of South Africa providing its written consent to the transaction;

6.1.6 the sellers and remaining Telemedia shareholders waiving any pre-emptive rights that they might have to the sale shares;

6.1.7 the trustees for the time being of the Bretherick Trust passing a resolution authorising the Bretherick Trust to enter into the agreement; and

6.1.8 any regulatory authority (including Competition Commission approval), if required, being obtained by no later than 29 January 2021.

7. SHARE PRICE UNDERPIN

- 7.1 In terms of the agreement, a lock-up period of 12 months, commencing on the effective date (the “**lock-up period**”), will be applicable to both the AOE consideration shares and the Rex Trueform consideration shares. The sellers have undertaken that they will not, without the prior written consent of the purchasers, enter into any transaction which results, directly or indirectly, in the disposal of any or all of the AOE consideration shares or Rex Trueform consideration shares during the lock-up period.
- 7.2 AOE and Rex Trueform have granted the sellers an option (respectively, the “**AOE option**” and the “**Rex Trueform option**”, and collectively, the “**options**”), which options commence on the first anniversary of the effective date, and terminate 14 business days thereafter.
- 7.3 In terms of the options, should the sellers elect to exercise all or any of their options, they thereby grant AOE and Rex Trueform the right to place the AOE consideration shares and the Rex Trueform consideration shares respectively, with any person or persons of their choice, at a price to be agreed between AOE and the placee or Rex Trueform and the placee, as the case may be, and at a price no greater than R27 per share in the case of an AOE consideration share (“**AOE placee consideration**”) and R18 in the case of a Rex Trueform consideration share (“**Rex Trueform placee consideration**”), within 60 days of the exercise of the AOE option and/or Rex Trueform option.
- 7.4 In the event that the AOE placee consideration is less than R27 per AOE consideration share, then the difference will be paid by AOE to the seller(s) who have exercised the AOE option.
- 7.5 In the event that the Rex Trueform placee consideration is less than R18 per Rex Trueform share, then the difference will be paid by Rex Trueform to the seller(s) who have exercised the Rex Trueform option.
- 7.6 Should AOE or Rex Trueform fail to find suitable parties with which to place their respective shares in terms of the options, then AOE and/or Rex Trueform, as the case may be, will be obliged to buy back their unplaced shares at a share buy-back price of R27 and R18 respectively, in compliance with applicable laws and the JSE Listings Requirements.

8. WARRANTIES

The agreement contains warranties that are normal for a transaction of this nature.

9. FINANCIAL INFORMATION

The value of the net assets that are the subject of the transaction is R93 694 057.00 and the profits attributable to the net assets that are the subject of the transaction are R25 031 213.00. This information has been extracted from the Annual Financial Statements for the year ended 29 February 2020.

10. CATEGORISATION OF THE TRANSACTION

In terms of the JSE Listings Requirements, the transaction constitutes a category 2 transaction for Rex Trueform, and therefore shareholder approval thereof is not required.

13 November 2020

Sponsor

JAVACAPITAL