

**Finbond Group Limited**

(Registration number: 2001/015761/06)

Share code: FGL ISIN: ZAE000138095

("Finbond" or "the Company" or "the Group")

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**ACQUISITION OF UP TO 25% of FINTECH LENDER C1 HOLDINGS LLC**

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**1. Introduction**

Finbond shareholders are advised that Finbond has entered into an agreement that would provide for the acquisition of 17% of C1 Holdings LLC ("C1"), plus the option to acquire an additional 8% by 31 August 2021 ("C1 Transaction").

C1 is a fintech lender possessing state-of-the-art technology. Through its three main operating subsidiaries, C1 maintains market positions in the United States ("US") in Arizona, Nevada, Utah, Indiana, Iowa, Kansas, Idaho, Tennessee, Louisiana, Mississippi, Pennsylvania and Washington, as well as in Panama.

For the year ended 31 December 2019, C1 achieved a calculated EBITDA of \$17,462,702 (R254,955,449) and for the year ended 31 December 2020, C1 achieved a calculated EBITDA of \$29,449,234 (R429,958,816). Based on current run rates and forecasts, C1's EBITDA is expected to be in excess of \$40,000,000 (R584,000,000) for the year ending 31 December 2021.

**2. Nature of Finbond Business and Rationale for the C1 Transaction**

Finbond is a leading South-African and North American financial services institution that specialises in the design and delivery of unique value and solution-based credit products tailored to borrower requirements rather than institutionalised policies and practices.

Finbond is a credit provider with both brick and mortar and online operations. Finbond conducts its business through a total of 588 stores (352 in South Africa, 236 in North America) with online offerings in both South Africa and 6 states in the US.

The rationale for the C1 Transaction includes:

- Dollar Based Earnings enhancing growth.
- Significantly improving Finbond's Fintech and Data Science exposure.
- Expanding Finbond's digital offering to; Arizona, Indiana, Iowa, Kansas, Louisiana, Pennsylvania, Washington, Idaho, and Tennessee, in addition to the states of; Illinois, Missouri, Wisconsin, New Mexico, Utah and Nevada where Finbond already enjoys an online presence.
- Expanding Finbond's North American store network to 263, including a presence in the states of; Arizona and Nevada, in addition to the states of; California, Louisiana, Illinois, Indiana, Florida, Missouri, Ontario (Canada), Michigan, Mississippi, Alabama, Wisconsin, Tennessee, Oklahoma and South Carolina where Finbond already has a physical presence.
- Expanding Finbond's operations to Central America with seven Locations in Panama.
- Expanding Finbond's diversification with the addition of business-to-business lending.
- Further diversification of country and political risk.

### **3. The C1 Transaction**

#### **3.1. Nature of business**

C1 mainly operates via its three primary brands that include both consumer finance and business lending. C1's well established online and data science capabilities are at the forefront of the latest technology.

C1 managed to see substantial revenue growth over the past 12 months, despite the significantly challenging external environment, mainly characterised by the impact of the Covid-19 pandemic's economic lockdowns and constant regulatory and legislative changes in the US financial services industry. C1's business model is therefore evidently well-suited to not only navigate through challenging market conditions, but to identify opportunities and achieve significant growth during these times.

C1's key strengths *inter alia* include:

- Deeply experienced senior management with extensive experience in the US and Central American Fintech markets;
- Dominant market position with various state and metropolitan licenses;
- A proven and scalable online Fintech offering;
- Focused cash generative installment loan products;
- Omni channel technology for onboarding customers from multiple marketing channels;
- Data science driven marketing and automated loan underwriting;
- Automatic payment processing; supported by a mobile app;
- Robust collection technologies and processes; and
- Well-developed information technology infrastructure and proprietary software with an IT Office in India with 15 engineers and marketing specialists.

C1's management has a long and successful track record within the consumer finance, commercial lending, and fintech sectors in the US and Panama. This, combined with well-developed systems, unique branded product offerings, advanced information technology and a well-trained and motivated staff complement, provide C1 with a competitive advantage for achieving its objectives, with plans for further online expansion into other US states.

#### **3.2. Consumer Finance Business**

C1's consumer finance business includes both brick and mortar and online operations. It offers consumer installment loans and lines of credit between \$100 and \$50,000. It currently operates in Arizona, Idaho, Nevada and Utah. A roll-out plan is underway to expand into Kansas, South Carolina, Missouri, and Tennessee in the coming months. C1 has a customer centric mobile app that brings the ease of account management to the customer's mobile device.

#### **3.3. Commercial Finance Business**

C1's B2B subsidiary is a business-to-business lender, specialising in secured commercial equipment lending. Its loan products include cash flow loans, purchase money loans and lease-to-own arrangements. It provides business loans in eight states (Arizona, Indiana, Iowa, Kansas, Louisiana, Mississippi, Pennsylvania, and Washington) and plans to add four more states in 2021.

### **3.4. Panama Consumer Finance Business**

C1's Panama subsidiary operates the premier brand for small dollar installment loans in Panama. All seven locations are in the Panama City metro area, with loans ranging from \$50 to \$10,000. Loan terms are 6 to 36 months. It uses the same technology as the other businesses, leveraging C1's IT/data 'engineering' offices in the US and India.

### **3.5. Salient terms**

The salient terms of the C1 Transaction are as follows:

- The purchase consideration payable by Finbond will be US\$28 000 888.36 million (R409 000 576.01 million) for 17% of the shares in C1.
- Finbond has an option, exercisable solely at Finbond's discretion, to acquire an additional 8% of C1 by 31 August 2021.
- 100% of the purchase consideration set out above will be payable in cash on the closing date of the transaction, which is 15 May 2021.
- The vendor in respect of the C1 Transaction is C1 represented by Mr. Chad Miraglia.
- The anticipated effective date of the Transaction will be 1 May 2021.
- The net asset value and net before tax profit of C1 amounted to US\$59.6 million (R869.4 million) and US\$27.7 million (R403.7 million) respectively, based on unaudited results for the year ended 31 December 2020. The unaudited results of C1 for the year ended 31 December 2020 was prepared in accordance with US GAAP.

### **3.6. Conditions precedent**

The C1 Transaction remains subject to *inter alia* the following conditions precedent, to be fulfilled by no later than 15 May 2021:

- Negotiation and execution of a Definitive Agreement;
- Finbond's Board and Investment Committee Approval.
- C1's board and investor approval.
- Finalization of a Satisfactory Due Diligence Investigation.

## **4. Funding of the acquisition**

Finbond intends to fund the C1 Transaction from surplus cash on hand.

## **5. Categorisation of the C1 Transaction**

The C1 Transaction is categorised as a Category 2 transaction in terms of the JSE Limited Listings Requirements and is therefore not subject to Finbond shareholder approval.

## **6. Withdrawal of Cautionary Announcement**

Shareholders are referred to the Cautionary Announcement released on SENS on 12 April 2021 and are advised that all the details of the C1 Transaction are published in this announcement. The cautionary is withdrawn and

shareholders are no longer required to exercise caution when dealing in the Company's securities.

Pretoria  
14 April 2021

Sponsor and Corporate Adviser:  
Grindrod Bank Limited