

REMGRO LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1968/006415/06)
JSE Share code: REM
ISIN: ZAE000026480
(**“Remgro”** or **“the Company”**)

RIGHTS OFFER IN RESPECT OF A SUBSIDIARY

1. INTRODUCTION

Shareholders of Remgro (**“Shareholders”**) are advised that Remgro’s wholly owned subsidiary Industrial Electronic Investments Proprietary Limited (**“IEI”**) is participating in a rights offer being undertaken by Community Investment Ventures Holdings Proprietary Limited (**“CIVH”**), a company in which IEI held 55.2% of its issued shares as at 30 June 2021, as detailed more fully in this announcement.

2. BUSINESS CONDUCTED BY IEI AND CIVH

- 2.1. Remgro holds 100% of the shares of IEI. IEI carries on business as an investment holding company in respect of Remgro’s interests in CIVH.
- 2.2. CIVH’s subsidiaries deliver a variety of products to a differentiated customer base in the telecommunications and information technology sectors and is the holding company of a group of companies, of which Dark Fibre Africa Proprietary Limited (**“DFA”**) and Vumatel Proprietary Limited (**“Vumatel”**) are its largest operating subsidiaries.
- 2.3. DFA is the premier open-access fibre infrastructure and connectivity provider in South Africa. It builds, installs, manages and maintains a world class fibre network to transmit metro and long-haul telecommunications traffic, which is leased to its customers (Telecommunication Companies and Internet Service Providers (**“ISPs”**)) using an open access wholesale commercial model. DFA has in excess of 13 000 km of fibre assets and owns fibre networks in Johannesburg, Cape Town, Durban, Midrand, Centurion and Pretoria, as well as in twenty-five smaller metros including East London, Polokwane, Tlokwe, Emalahleni and George.
- 2.4. Vumatel is an open access fibre provider at the last mile level and provides Fibre-to-the-Home (**“FTTH”**) products and services to ISPs. Vumatel installs FTTH in residential suburbs and has in excess of 19 000 km of fibre assets. Vumatel in turn, leases its infrastructure to ISPs, who then provide broadband retail internet services to end customers.

3. THE SECOND TRANCHE RIGHTS OFFER

- 3.1. CIVH issued a notice, dated 20 May 2021 (the **“Second Tranche Rights Offer Formal Notice”**), in terms of the memorandum of incorporation (**“MOI”**) of CIVH, inviting all shareholders of CIVH (**“CIVH Shareholders”**) to participate in a rights offer to be undertaken by CIVH in order to raise an aggregate amount of R3,720,000,000 (three billion seven hundred and twenty million rand) (the **“Second Tranche Rights Offer”**).

3.2. In terms of the Second Tranche Rights Offer Formal Notice:

- 3.2.1. a valuation of approximately R23.2 billion (twenty three billion and two hundred million rand) was ascribed to CIVH ("**Valuation Price**");
 - 3.2.2. the Second Tranche Rights Offer was made at a 20% (twenty percent) discount to the Valuation Price, with the result that the CIVH shares to be issued pursuant to the Second Tranche Rights Offer ("**STRO Shares**") will be issued at an issue price of R31,534.31 (thirty one thousand five hundred and thirty four rand thirty one cents) per STRO Share;
 - 3.2.3. IEI's proportionate share of the STRO Shares will be issued for an aggregate subscription price of R2,052,126,758 (two billion fifty two million one hundred and twenty six thousand seven hundred and fifty eight rand);
 - 3.2.4. CIVH Shareholders who wish to do so, may over-subscribe for their proportionate share of the STRO Shares offered in terms of the Second Tranche Rights Offer, if there are any CIVH Shareholders who do not take up their proportionate share of the STRO Shares; and
 - 3.2.5. the aggregate subscription amount due by each CIVH Shareholder who elects to participate in the Second Tranche Rights Offer must be paid to CIVH by 19 July 2021 or, at an increased subscription price, by 31 August 2021.
- 3.3. Remgro has resolved to take up all its rights in terms of the Second Tranche Rights Offer, namely to (i) subscribe for its proportionate share of the STRO Shares and (ii) over-subscribe for 10 104 further STRO Shares up to a maximum amount of R319,000,000 (three hundred and nineteen million rand), through IEI. Remgro will effect payment of the aggregate subscription amount due on 19 July 2021.

4. **IMPLEMENTATION**

- 4.1. Following closing of acceptances for the Second Tranche Rights Offer, Remgro has been allocated a further 2 288 STRO Shares at an aggregate subscription price of R72,150,501 (seventy two million one hundred and fifty thousand five hundred and one rand) as a result of its over-subscription. The Second Tranche Rights Offer will be implemented by CIVH on 19 July 2021, upon which date IEI will pay an aggregate amount of R2,124,277,259 (two billion one hundred and twenty four million two hundred and seventy seven thousand two hundred and fifty nine rand) to CIVH and CIVH will issue the relevant STRO Shares to IEI.
- 4.2. Following implementation of the Second Tranche Rights Offer, IEI's shareholding in CIVH will increase to 55.5%.

5. **THE FIRST TRANCHE RIGHTS OFFER**

- 5.1. During November 2020, CIVH undertook a rights offer in order to raise an aggregate amount of R3,000,000,000 (three billion rand) (the "**First Tranche Rights Offer**") in terms of the MOI of CIVH.
- 5.2. In terms of the First Tranche Rights Offer:
 - 5.2.1. a valuation of R18.5 billion (eighteen billion and five hundred million rand) was ascribed to CIVH ("**FT Valuation Price**");

- 5.2.2. the First Tranche Rights Offer was made at a 20% (twenty percent) discount to the FT Valuation Price, with the result that the CIVH shares issued pursuant to the First Tranche Rights Offer ("**FTRO Shares**") were issued for an issue price of R29,974.02 (twenty nine thousand nine hundred and seventy four rand two cents) per FTRO Share;
- 5.2.3. IEI subscribed for its proportionate share of the FTRO Shares for an aggregate subscription price of R1,635,676,537 (one billion six hundred and thirty five million six hundred and seventy six thousand five hundred and thirty seven rand); and
- 5.2.4. the First Tranche Rights Offer was implemented on 29 January 2021, being the date upon which the CIVH Shareholders who participated in the First Tranche Rights Offer paid their respective aggregate subscription amounts to CIVH and CIVH issued to each such CIVH Shareholder its proportionate share of the FTRO Shares.

6. **RATIONALE FOR THE FIRST AND SECOND TRANCHE RIGHTS OFFERS**

- 6.1. CIVH has evolved since its inception from a small dark fibre operator in 2009 with only Vodacom as a customer, into a large telecommunications company delivering a vast variety of products to a more differentiated customer base.
- 6.2. During 2021, various funding instruments used to fund CIVH's operations and expansion will reach maturity, and will be required to be refinanced or for which CIVH will require capital injections. The board of directors of CIVH and its shareholders considered equity capital injections to be more appropriate for its capital structure and to retain flexibility to capitalise on any available or future expansion opportunities.
- 6.3. The proceeds from the First Tranche Rights Offer were used to reduce CIVH's debt and unlock debt facilities available to CIVH for further capital expenditure.
- 6.4. The proceeds from the Second Tranche Rights Offer will be used to settle further debt owed by CIVH to Rand Merchant Bank, a division of FirstRand Bank Limited, and in respect of which Remgro has issued a guarantee.

7. **NET ASSET VALUE AND PROFITS**

- 7.1. As at 31 December 2020 (Remgro's last reported results), the intrinsic net asset value and accounting net asset value of Remgro's (through its wholly owned subsidiary IEI) holding in CIVH amounted to R10 326 million and R3 780 million, respectively. The earnings and headline earnings of Remgro (through its wholly owned subsidiary IEI), for the six months ended 31 December 2020, attributable to CIVH and its operations were losses of R210 million and R209 million, respectively. In terms of International Financial Reporting Standards ("**IFRS**"), Remgro accounts for its 55.2% interest in CIVH as an equity accounted investment.
- 7.2. As at 31 March 2021 (CIVH's last audited results, which were prepared in accordance with IFRS), the net asset value of CIVH amounted to R8 636 million. The earnings and headline earnings of CIVH and its operations, for the year ended 31 March 2021, were losses of R1 056 million and R797 million, respectively.

8. CATEGORISATION

- 8.1. When the subscription amounts payable by Remgro (through IEI) for its proportionate share of the FTRO Shares in the First Tranche Rights Offer and its proportionate share of and maximum over-subscription for the STRO Shares in the Second Tranche Rights Offer, respectively, are aggregated and categorised in accordance with section 9 and 3.36 of the JSE Listings Requirements, they constitute a category 2 transaction for Remgro.
- 8.2. This announcement is accordingly issued in compliance with paragraphs 9.15 and 3.36 of the JSE Listings Requirements in respect of the First Tranche Rights Offer and Second Tranche Rights Offer contemplated in this announcement.

Johannesburg

Monday, 19 July 2021

JSE Sponsor – RAND MERCHANT BANK (a division of FirstRand Bank Limited)
Remgro and IEI legal advisor – ENSafrica