

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

DETAILS OF A TRANSACTION CONCLUDED WITH VODACOM PROPRIETARY LIMITED

1. INTRODUCTION

- 1.1. Shareholders of Remgro ("**Shareholders**") are advised that Community Investment Ventures Holdings Proprietary Limited ("**CIVH**") and Vodacom Proprietary Limited ("**Vodacom**") have concluded transaction agreements ("**Transaction Agreements**") in respect of the transaction detailed in this announcement ("**Transaction**"). Remgro's wholly owned subsidiary, Industrial Electronic Investments Proprietary Limited ("**IEI**"), holds 57% of the ordinary shares in CIVH.
- 1.2. The Transaction Agreements were concluded on 9 November 2021 ("**Signature Date**").

2. CURRENT STRUCTURE OF AND 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. IEI holds 57% of the ordinary shares in CIVH.
- 2.3. 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.
- 2.4. 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 13 200 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.
- 2.5. 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 27 500 km of fibre assets. After the fibre has been installed, Vumatel leases its infrastructure to ISPs, who then provide broadband retail internet services to the end customers.

3. THE TRANSACTION

- 3.1. Broadly summarised, in terms of the Transaction:
 - 3.1.1. Vodacom will, through a combination of assets and cash, acquire up to 40% of the ordinary shares of a newly created wholly owned subsidiary of CIVH ("**Infraco**"), which will hold *inter alia* CIVH's current interests in Vumatel and DFA;
 - 3.1.2. Vumatel will acquire Vodacom's FTTH assets ("**FTTH Assets**") and, as consideration, Infraco will issue ordinary shares ("**Infraco Ordinary Shares**") to Vodacom as set out more fully in paragraph 3.2.2.2 below; and
 - 3.1.3. DFA will acquire certain additional identified assets from Vodacom, including Vodacom's fibre-to-the-business assets and metropolitan backhaul fibre, access and core and transmission assets

(“**Transfer Assets**”) and, as consideration, Infraco will issue Infraco Ordinary Shares to Vodacom as set out more fully in paragraph 3.2.2.3 below.

- 3.2. Subject to the fulfilment or, if applicable, waiver of various conditions precedent (referred to in paragraph 4.1 below), the Transaction will be implemented through a number of inter-conditional transaction steps, including the following:
- 3.2.1. CIVH will implement an internal reorganisation, in terms of which CIVH will *inter alia* establish **Infraco** and transfer to Infraco all its interests in DFA and Vumatel, respectively, in exchange for the issue of further shares in Infraco (“**CIVH Internal Reorganisation**”);
- 3.2.2. Vodacom:
- 3.2.2.1. will subscribe for ordinary shares in Infraco (“**Infraco Ordinary Shares**”), at a price per Infraco Ordinary Share determined in accordance with paragraph 3.4 below (“**Transaction Share Price**”), for an aggregate subscription consideration of R6,0 billion, subject to adjustment as contemplated in paragraph 3.4.4 below and to the maximum transaction value cap of R 30,431,034,863 (“**Transaction Value Cap**”) as detailed in paragraph 3.6 below (“**VC Subscription**”);
- 3.2.2.2. will dispose of its FTTH Assets to Vumatel for a purchase consideration calculated with reference to an agreed formula, as set out in paragraph 3.5 below, subject to the Transaction Value Cap (“**FTTH Asset Sale**”). The purchase consideration for the FTTH Assets (“**FTTH Purchase Price**”) will be calculated at the time and in the manner set out in paragraphs 3.4 and 3.5 below. Applying the agreed formula, it is estimated that the FTTH Purchase Price will be approximately R2,6 billion. Upon implementation, the FTTH Purchase Price due by Vumatel to Vodacom will remain outstanding as a claim by Vodacom against Vumatel (“**VC Vumatel Claim**”). Vumatel will, with Vodacom’s consent, immediately delegate its obligation to settle the VC Vumatel Claim to Infraco, and Infraco will settle the VC Vumatel Claim by issuing additional Infraco Ordinary Shares to Vodacom (“**FTTH Asset Sale & Cession**”). The number of Infraco Ordinary Shares to be issued to Vodacom in exchange for the VC Vumatel Claim will be calculated with reference to the Transaction Share Price;
- 3.2.2.3. will dispose of its Transfer Assets to DFA for a purchase consideration of R1,6 billion (“**Transfer Asset Sale**”) subject to the Transaction Value Cap. The purchase price due by DFA to Vodacom in terms of the Transfer Assets Sale will remain outstanding as a claim by Vodacom against DFA (“**VC DFA Claim**”). DFA will, with Vodacom’s consent, delegate its obligation to settle the VC DFA claim to Infraco, and Infraco will settle the VC DFA Claim by issuing additional Infraco Ordinary Shares to Vodacom (“**Transfer Asset Sale & Cession**”). The number of Infraco Ordinary Shares to be issued to Vodacom in exchange for the VC DFA Claim will be calculated with reference to the Transaction Share Price; and
- 3.2.2.4. will, to the extent necessary, subscribe, in cash, for such further number of Infraco Ordinary Shares as is required to increase Vodacom’s shareholding in Infraco to 30% of the Infraco Ordinary Shares, following implementation of the VC Subscription, the FTTH Asset Sale & Cession and the Transfer Asset Sale & Cession subject to the Transaction Value Cap (“**VC Compulsory Top Up**”). The aggregate subscription consideration payable by Vodacom in terms of the VC Compulsory Top Up will be calculated with reference to the Transaction Share Price and will be utilised by Infraco to effect a repurchase from CIVH of the same number of Infraco Ordinary Shares as was subscribed for by Vodacom in terms of the VC Compulsory Top Up; and
- 3.2.3. Vodacom has the option, exercisable within 180 days of the date upon which the Transaction is implemented (“**Implementation Date**”), to acquire such number of shares in Infraco as will result in Vodacom holding up to 40% of the issued Infraco Ordinary Shares, following implementation of the VC Subscription, the FTTH Asset Sale & Cession, the Transfer Asset Sale & Cession and the VC Compulsory Top Up subject to the Transaction Value Cap (“**VC Call Option**”), provided that the exercise by Vodacom of the VC Call Option may not result in CIVH holding less than 50.01% of the Infraco Ordinary Shares. The VC Call Option will be implemented either by the purchase by Vodacom of the relevant number of Infraco Ordinary Shares from CIVH or as a

subscription for further Infraco Ordinary Shares by Vodacom followed by a repurchase by Infraco of Infraco Ordinary Shares from CIVH.

- 3.3. The Implementation Date will be the first day of the month following the month in which all conditions precedent to the Transaction have been fulfilled or, if applicable, waived (such date referred to as the “**Fulfilment Date**”) unless the Fulfilment Date occurs within 10 business days of the end of a month, in which event the Transaction will be implemented on the first day of the second month following the Fulfilment Date;
- 3.4. With regard to the Transaction Share Price, the following provisions apply:
- 3.4.1. Within 3 business days after the **Fulfilment Date**, CIVH is obliged to deliver to Vodacom its *pro forma* valuation (“**Infraco Valuation**”) of Infraco, Vumatel and DFA (“**Infraco Group**”) as at a specified date which is no more than two months before the Fulfilment Date (“**Valuation Date**”). The Infraco Valuation is required to include completion accounts for the Infraco Group and CIVH’s calculation of the transaction equity value of the Infraco Group (“**Transaction Equity Value**”), as detailed in paragraph 3.4.2 below, and consequent calculation of the Transaction Share Price which will apply in respect of the Transaction.
- 3.4.2. The Transaction Equity Value is (a) the earnings before interest, tax, depreciation and amortisation, calculated in accordance with an agreed terms of reference (“**EBITDA**”), of the Infraco Group for the 12 month period ending on the Valuation Date, multiplied by the transaction multiple (as detailed in paragraph 3.4.3 below) (b) minus the net debt attributable to the Infraco Group on the Valuation Date (c) plus any equity contributed to Infraco by any of its shareholders in the period commencing on the Valuation Date and ending on the Implementation Date.
- 3.4.3. The transaction multiple to be applied is 12.88x, reduced by 1.25x per year (pro-rated for a portion of a year), with the reduction being applied from 1 June 2021 and up to and including the Valuation Date.
- 3.4.4. The Transaction will be implemented on the Implementation Date on the basis of the Transaction Equity Value and Transaction Share Price determined in the Infraco Valuation. However, Infraco’s auditors will be appointed to review the correctness of the Infraco Valuation, including the calculation of the Transaction Share Price. If the auditor’s review of the Infraco Valuation results in a Transaction Share Price that is (a) lower than that determined in the Infraco Valuation, then Infraco is obliged to refund the excess to Vodacom in cash; or (b) higher than that determined in the Infraco Valuation, then Vodacom is obliged to pay the shortfall to Infraco in cash.
- 3.5. The FTTH Purchase Price will be determined by applying the formula set out in the agreement applicable to the FTTH Asset Sale. In this regard and by way of high-level summary:
- 3.5.1. there are a number of residences and business (each referred to herein as a “unit”) falling within the ambit of the Vodacom FTTH Assets, which are at varying states and/or of differing earnings quality of connection to the Vodacom fibre network. The ‘state/earnings quality of connection’ of each unit is categorised to fall into certain buckets, and the value of the connection to each unit within each bucket, as at the Signature Date, has been agreed;
- 3.5.2. as time passes between the Signature Date and the Implementation Date (anticipated to be no more than 18 months), Vodacom will continue to conduct its business, completing partially completed connections and connecting more and more units to its fibre network, which will be at varying states of connection on the Implementation Date. Thus, although the price per unit within each bucket has been agreed and is known as at the Signature Date, the number of units falling within each bucket will change over time and up to the Implementation Date; and
- 3.5.3. the aggregate FTTH Purchase Price is the sum of the value ascribed to each unit, according to the bucket (or ‘state/earnings quality of connection’), sold by Vodacom to Vumatel on the Implementation Date (i.e. includes additional units connected up until Implementation Date), subject to the Transaction Value Cap.

3.6 Aggregate value of the Transaction:

The parties have agreed that the maximum aggregate value of the Transaction shall be the Transaction Value Cap. If, upon implementation, the aggregate value of the VC Subscription, the FTTH Asset Sale & Cession, the Transfer Asset Sale & Cession, the VC Compulsory Top Up and the VC Call Option exceeds the Transaction Value Cap, then the subscription price payable to CIVH by Vodacom and the number of shares to be issued to Vodacom in terms of the VC Subscription, the VC Compulsory Top Up and the VC Call Option will be reduced accordingly.

4. CONDITIONS PRECEDENT AND IMPLEMENTATION

4.1. The Transaction is subject *inter alia* to the fulfilment or, if applicable, waiver of *inter alia* the following conditions precedent ("**Conditions**"):

- 4.1.1. the Transaction Agreements being concluded and becoming unconditional;
- 4.1.2. the CIVH Internal Reorganisation having been implemented;
- 4.1.3. the memoranda of incorporation ("**MOI**") being in agreed form in respect of Infraco, Vumatel and DFA, respectively and approved by the lenders in terms of existing funding facilities of these companies;
- 4.1.4. all resolutions required for the adoption of a new MOI in respect of CIVH being filed with the Companies and Intellectual Property Commission;
- 4.1.5. Vodacom procuring warranty and indemnity insurance ("**W&I Insurance**") in relation to the shares it acquires in Infraco in terms of the Transaction, on terms acceptable to it;
- 4.1.6. the approval of the Independent Communications Authority of South Africa;
- 4.1.7. the approval of the South African competition authorities;
- 4.1.8. all lender consents required by any member of the Infraco group in terms of the existing funding facilities having been obtained in respect of the execution and implementation of the Transaction Agreements;
- 4.1.9. DFA having transferred its shareholding in DFA Zimbabwe (Private) Limited to CIVH;
- 4.1.10. CIVH and Vodacom having reached written agreement with regard to the identity of the first 3 independent non-executive directors to be supported for appointment to the board of Infraco in terms of Infraco's MOI, and such persons having accepted such appointment, which appointments will only be effective from the Implementation Date;
- 4.1.11. Vodacom and CIVH having confirmed in writing that, to the best of their knowledge and belief, there is no reasonable likelihood that the implementation of the Transaction would result in CIVH holding less than 50.10% of the Infraco Ordinary Shares; and

no material adverse change having occurred in respect of Infraco, Vumatel and DFA, on the one hand, or Vodacom's FTTH Assets or Transfer Assets, on the other hand.

4.2. The Conditions are required to be fulfilled or, if applicable, waived by no later than the first anniversary of the Signature Date or such other date as the parties may agree in writing ("**Longstop Date**"), failing which the Transaction Agreements will lapse and will be of no further force or effect. If, when the Longstop Date occurs, a hearing before the Competition Tribunal has commenced but no decision has been issued, the Longstop Date will be extended until a decision is issued by the Competition Tribunal, provided that such extension may not endure for more than 180 days unless CIVH and Vodacom agree in writing thereto.

- 4.3. The Conditions relating to regulatory approvals cannot be waived. All other Conditions, except the condition relating to Vodacom procuring W&I Insurance, can be waived by agreement between CIVH and Vodacom.

5. RATIONALE FOR THE TRANSACTION

- 5.1. CIVH has evolved since its inception from a small dark fibre operator in 2009, with only Vodacom as customer, into a large telecommunications company delivering a vast variety of products to a more differentiated customer base on an open access basis.
- 5.2. The CIVH group has numerous opportunities for organic expansion, as well as growth through consolidation of fibre assets in the industry, especially in the high growth FTTH market.
- 5.3. CIVH intends to become South Africa's premier open access wholesale transmission network, comprising of many carrier-grade fibre assets.
- 5.4. Combining the operations of Vuma, DFA and Vodacom's FTTH and select wholesale transmission assets will ensure greater market efficiencies, enabling wider access and, as a result, create more compelling fibre propositions at more affordable price points to consumers and enterprises alike, adding to CIVH's current asset pool of open access fibre.
- 5.5. A strategic investor such as Vodacom, with a large balance sheet, increases the ability of CIVH to capitalise on the many available opportunities in the market and will further aid the CIVH group's growth aspirations, accelerating the deployment of infrastructure products and services to a wider audience, specifically in underserved areas and lower LSM market segments
- 5.6. The assets acquired are all income generating and the incremental cash flows generated from contributed assets and from Vodacom leases in respect of these assets are expected to effectively reduce CIVH's leverage, creating additional headroom to fund future initiatives. Furthermore, having Vodacom as a major shareholder will potentially facilitate access for CIVH to additional funding and/or the support and assurances necessary to renegotiate and right-size its existing debt facilities.

6. NET ASSET VALUE AND PROFITS

Remgro accounts for its 57% interest in CIVH as a joint venture. As at 30 June 2021, Remgro held 55.2% of the ordinary shares in CIVH, which increased to 57% subsequent to a repurchase of shares by CIVH from a shareholder of CIVH.

As at 30 June 2021 (Remgro's last audited IFRS results), the attributable intrinsic net asset value and net asset value of Remgro's (through its wholly owned subsidiary IEI) 55.2% holding in CIVH amounted to R12,054 million and R4,981 million, respectively. The earnings and headline earnings of Remgro (through its wholly owned subsidiary IEI), for the year ended 30 June 2021, attributable to CIVH and its operations were losses of R579 million and R435 million, respectively.

As at 31 March 2021 (CIVH's last audited IFRS results), the net asset value of CIVH amounted to R8,636 million. The earnings of CIVH and its operations, for the year ended 31 March 2021, was a loss of R1,056 million.

7. CATEGORISATION

The Transaction constitutes a Category 2 transaction for Remgro and this announcement is accordingly issued in compliance with paragraph 9.15 of the JSE Listings Requirements.

Stellenbosch

10 November 2021

JSE Sponsor – RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Remgro and IEI legal advisor – ENSafrica