

AVENG LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1944/018119/06)
ISIN: ZAE000302618
SHARE CODE: AEG
("Aveng" or "the Company")



Disposal of Trident Steel and withdrawal of cautionary announcement

1. INTRODUCTION

Shareholders are referred to the announcement released on SENS on 13 June 2022 regarding negotiations for the disposal of Trident Steel ("the Business"), a division of Aveng Africa Proprietary Limited and the renewal of cautionary announcements dated 5 July 2022 and 17 August 2022. Shareholders are advised that in terms of section 9 of the JSE Limited ("JSE") Listings Requirements, Aveng has entered into a Sale of Business Agreement ("the Agreement"), dated 3 October 2022, to dispose of the business of Trident Steel as a going concern to Trident Steel Africa Proprietary Limited ("the Purchaser") for an amount of R700 million, excluding cash on hand ("the Transaction" or "the Disposal").

The Purchaser ultimately comprises a consortium of local and USA private capital, including Ambassador Enterprises LLC (a US based private equity firm), Joseph Investments Proprietary Limited, Arbor Capital Investments Proprietary Limited (South African private investors in manufacturing businesses) and Trident Steel management.

Aveng will provide R210 million of funding to a separate company in order to subscribe for 30% of the equity in the Purchaser and will thereby retain a 30% interest in the Business, specifically reserved for BBBEE participation, for a period of no longer than one year post closing ("the Maturity Date"). This 30% holding is subject to a call option in favour of the Purchaser, exercisable at any time post closing, for R210 million plus accrued interest ("the Call Option") and payment to Aveng is secured by a demand guarantee.

2. RATIONALE FOR THE DISPOSAL

The Aveng strategy is to restructure the Group in order to ensure the Group's sustainable future. The Trident Steel business falls outside the ambits of infrastructure development, resources and contract mining which underpins the Group's future long-term strategy.

3. NATURE OF TRIDENT STEEL BUSINESS

Trident Steel is a steel service centre business, conducted in South Africa, primarily focused on the supply of steel products to the automotive, rail and mining industries.

4. SALIENT TERMS OF THE DISPOSAL

The Transaction was concluded as a "locked box" transaction based on the 30 June 2022 ("Locked Box Date") balance sheet, subject to a ticking fee (an amount of R7,45 million per month from Locked Box Date to Closing Date), excluding cash on hand and subject to a working capital adjustment at 30 June 2022.

4.1. Conditions Precedent

The Agreement contains provisions that are customary for transactions of this nature, including the following Conditions Precedent:

- the parties obtaining the necessary approval by the competition authorities in terms of the Competition Act, 89 of 1998;
- Aveng obtaining the necessary approval from its shareholders of (i) the Transaction; and (ii) the indirect participation of the Aveng Group Limited as a 30% shareholder in the Purchaser, pursuant to the necessary circular to be posted to shareholders, as approved by the JSE and the Takeover Regulation Panel;
- the parties obtaining the necessary third-party consents, including in relation to/from (i) the transfer of material contracts (ii) the transfer of relevant lease agreements (ii) relevant financiers; and
- the Purchaser obtaining the requisite banking, trade finance and working capital facilities to continue with the operations of the Business as a going concern.

4.2. Closing

The Transaction shall close on the first day of the calendar month following the date on which the last of the Conditions Precedent are fulfilled or waived, as the case may be ("Closing Date").

4.3. Purchase consideration

The purchase consideration payable by the Purchaser comprises:

- the purchase consideration of R700 million;
- plus an amount of R264 million representing the net cash portion from the business, due on closing;
- plus a ticking fee of R7,45 million per month, due on closing.

Aveng will provide R210 million of funding to a separate company in order to subscribe for 30% of the equity of the Purchaser that is the subject of the Call Option.

In the event that the Call Option has not been exercised by the Maturity Date, Aveng will be entitled to demand repayment of the R210 million plus interest thereon.

4.4. Use of proceeds

The proceeds of the Transaction will be applied to the reduction of Aveng's remaining South African debt and to enhance liquidity.

5. FINANCIAL INFORMATION

5.1. Net value of assets to be disposed

The value of the net assets of Trident Steel (deemed to be the value of the business assets less business liabilities to be disposed of) as at 30 June 2022, being the date of the last consolidated annual financial statements, was R409 million.

5.2. Operating earnings

Operating earnings for the year ended 30 June 2022 attributable to Trident Steel was R220 million.

5.3. Earnings after Tax

Earnings for the year ended 30 June 2022 attributable to Trident Steel was R81 million.

6. CLASSIFICATION OF THE DISPOSAL

The Disposal has been categorised as a Category 1 transaction in terms of the Listings Requirements and as such the Disposal is required to be approved by an ordinary resolution of shareholders.

7. DISTRIBUTION OF CIRCULAR

A circular containing the full details of the Transaction, incorporating a notice convening a shareholders meeting, will be distributed to shareholders in due course as required in terms of the JSE Listing Requirements. The salient dates and times of the Transaction, including the date of the shareholders meeting, will be announced on SENS at the time of distributing the circular.

8. WITHDRAWAL CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement dated 13 June 2022 and the subsequent renewal of cautionary announcements dated 5 July 2022 and 17 August 2022, wherein it was advised that negotiations were in progress for the sale of Trident Steel.

As a result of the disclosure contained in this announcement, caution is no longer required to be exercised when dealing in the Company's securities.

4 October 2022
Melrose Arch

JSE Sponsor: Investec Bank Limited
Legal Advisor to Aveng: Alchemy Law Africa
Transaction Advisor: DG Capital