



## **TRUSTCO GROUP HOLDINGS LIMITED**

**Incorporated in the Republic of Namibia**

**(Registration number 2003/058)**

**Registered as an external company in South Africa**

**(External registration number 2009/002634/10)**

**NSX share code: TUC**

**JSE share code: TTO**

**OTCQX share code: TSCHY**

**ISIN Number: NA000A0RF067**

**("Trustco" or "Company")**

## **TRUSTCO GROUP HOLDINGS LIMITED ("TRUSTCO") DISPOSING OF A MINORITY INTEREST IN AN INVESTMENT TRUSTCO FINANCE (PTY) LTD**

### **1. Introduction**

Trustco shareholders are advised that Trustco has undertaken a strategic decision to divest a portion of its investment in its banking and finance portfolio. TBN Holdings Limited ("TBN"), Trustco's main investment vehicle in the abovementioned portfolio, has entered into an agreement with Finbond Group Limited ("Finbond") in terms whereof Finbond would acquire 49% of Trustco Finance (Pty) Ltd ("Trustco Finance") (the "Finbond Transaction"). Trustco Finance is a wholly owned subsidiary of TBN, and TBN is a wholly owned subsidiary of Trustco.

Trustco is a Namibian public company listed on the Namibian stock exchange, the Johannesburg stock exchange, and OTCQX stock exchange in New York.

### **2. Nature of the Business and Rationale for the Transaction**

#### **Nature of the business of Trustco Finance**

Trustco Finance provides educational loans to students enrolled *inter alia* at the Institute for Open Learning (Pty) Ltd ("IOL"), the largest private distance learning tertiary education institution in Namibia.

Trustco Finance provides student loans for up to 60 months. Trustco initially invested in Trustco Finance in 2005 with an initial loan portfolio of NAD 5 million that has grown during the past 18 years to become a preferred student loan lender in Namibia. Currently, Trustco Finance has a gross loan portfolio exceeding NAD 650 million and the loan book peaked at over NAD 771 million. Since 2005, Trustco Finance has disbursed loans of approximately NAD 1.3 billion (loan amount) to more than 62 000 students, and collected more than NAD 2.5 billion in instalments. The proposed divestment represents 2.47% of the total Trustco investment portfolio as at 31 August 2022.

Trustco Finance's key strengths *inter alia* include:

- A skilled senior management team with extensive experience in student loans;
- A proven and scalable online student loan offering;
- Focused cash-generative student loan products; and
- Robust collection technologies and state of the art analytical tools.

With the assistance of a supportive European and local long-term funding group, Trustco Finance provides tailor-made educational lending to students that add value to their livelihoods and financial wellbeing.

### **Nature of the business of Finbond**

Finbond is a leading South African and North American financial services institution that specialises in designing and delivering 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 589 stores (397 in South Africa, 192 in North America) with online offerings in both South Africa and 6 states in the United States of America.

The rationale for the Finbond Transaction includes:

- As Trustco has transitioned from managing fully owned and operated businesses to an investment entity focused on a diversified portfolio of assets in emerging markets, this transaction represents an opportunity to recycle capital on a long-held investment in line with Trustco's overall investment strategy. By actively managing and optimizing its investment portfolio, Trustco aims to drive long-term growth and create value for investors.
- Trustco's business model revolves around investing, partnering, and realizing investments within its investment portfolio. This approach allows Trustco's investments to leverage expertise from different stakeholders and to ensure the continued growth and success of its portfolio companies.
- The Transaction presents an additional avenue for growth in Trustco's banking and finance portfolio by strategically enhancing its valuation through enabling its investment to expand its lending operations, capture new opportunities, enhance its market presence, and further diversify its revenue streams.

**The use of the proceeds of the purchase price:**

- The purchase price proceeds will be applied in the normal course of Trustco's business.

**3. Salient terms**

The salient terms of the Finbond Transaction are as follows:

- The purchase consideration payable by Finbond will be R60 million for 49% of the shares in Trustco Finance, to be settled in cash.
- 50% of the purchase consideration set out above will be payable in cash on the signature of the definitive agreement on or before 31 July 2023.
- The remaining 50% of the purchase consideration will be payable when the Balance Sheet of Trustco Finance as at 31 August 2023 has been restructured to reflect the intention of the Parties, and has been audited without any qualification or modification.
- The anticipated effective date of the Transaction will be 1 August 2023.
- Finbond intends to fund the purchase price from cash reserves.

#### **4. Conditions precedent**

The Finbond Transaction remains subject to *inter alia* the following conditions precedent, to be fulfilled by no later than 31 July 2023 or as soon as practical:

- Finbond's Board and Investment Committee Approval;
- Trustco's Board and Investment Committee approval;
- All regulatory approvals as required; and
- Finalisation of a satisfactory due diligence investigation.

#### **5. Financial Information**

The net asset value and net loss before tax of Trustco Finance amounted to NAD 34 million and NAD 179 million respectively, based on audited results for the year ended 31 August 2022. The audited results of Trustco Finance for the year ended 31 August 2022 were prepared in accordance with IFRS.

The Trustco Finance portfolio company was valued at NAD 183 million in Trustco's Audited Annual Financial Statements as at 31 August 2022.

#### **6. Categorisation of the Trustco Transaction**

The Finbond Transaction is categorised as a Category 2 transaction in terms of the JSE Limited Listings Requirements, and Finbond is not related to Trustco or Trustco's subsidiaries and thus no related party, section 10 of the Listings Requirements, consideration would apply. In this regard, this transaction is not subject to shareholder approval.

Windhoek, Namibia,

2 June 2023

Komada Holdings (Pty) Ltd

**Company Secretary and Investor Relations Services to Trustco Group Holdings Limited**



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