

CLIENTÈLE LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2007/023806/06)

Share code: CLI

ISIN: ZAE000117438

("Clientèle" or "the Company")



TERMS ANNOUNCEMENT REGARDING THE ACQUISITION OF EMERALD LIFE PROPRIETARY LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the cautionary announcement released on the Stock Exchange News Service on 2 October 2024 ("**Cautionary Announcement**") and are hereby advised that the Company has entered into a sale of shares agreement ("**the Agreement**") with André van der Westhuizen ("**Seller**") and Emerald Life Proprietary Limited ("**Emerald Life**"), in terms of which the Company will acquire 100% of the issued share capital of Emerald Life from the Seller for a purchase consideration determined as set out in paragraph 5 below ("**the Acquisition**").

2. THE BUSINESS OF EMERALD LIFE

Emerald Life is a fast-growing licensed life micro-insurer and was established on the premise of supplying affordable funeral insurance products to the lower- to middle income market segments via a national advisor distribution channel. Today, Emerald Life has a well-established footprint with over 18 branches nationwide and a Head Office in Bellville, Western Cape. Emerald Life comprises of an established and experienced management team with 380 permanent employees and circa 3,500 independent sales advisors, nationwide. The Embedded Value of Emerald Life is circa R600 million.

3. RATIONALE FOR THE ACQUISITION

Clientèle is a diversified financial services group and is one of South Africa's leading direct distributors of financial services products. Over the past 30 years it has been successfully offering convenient and easy to understand financial services products to the entry level mass market. Clientèle's recent acquisition of 1Life Insurance (RF) Limited has further extended Clientèle's expertise in the mass market segment with a strong focus on "Treating Clients Well".

The acquisition of Emerald Life will add to Clientèle's expertise in the mass market segment and presents a number of strategic benefits for Clientèle. The acquisition is accretive for the Clientèle Group which improves scale and will enhance future value creation for all customers, employees, shareholders and other stakeholders.

4. EFFECTIVE DATE

- 4.1. The Acquisition shall close when all of the conditions precedent, as set out in paragraph 6 below, have been fulfilled or waived (with the latest of the date on which any condition precedent is fulfilled or waived being the "**Fulfilment Date**"). The effective date of the Acquisition shall be:

- 4.1.1. where the Fulfilment Date falls before the 20th day of a month, the last day of the

month in which the Fulfilment Date occurs; or

- 4.1.2. where the Fulfilment Date falls on or after the 20th day of any given month, the last day of the month immediately following the month in which the Fulfilment Date occurs;

or such other date as may be agreed by the Seller and the Company ("**Closing Date**").

5. CONSIDERATION

5.1 Acquisition Price

- 5.1.1 The aggregate consideration payable by the Company for the Acquisition ("**the Acquisition Price**") shall be calculated as follows:

- 5.1.1.1 R597,500,000 ("**Base Amount**"); *plus*
- 5.1.1.2 an amount calculated by applying a rate of 10.25% per annum, nominal annual compounded monthly in arrears, calculated on the basis of a 365-day year, to the Base Amount from 1 July 2024 until the Closing Date (both days inclusive); *minus*
- 5.1.1.3 any premium(s), fees and/or other charges that are and/or become payable by the Company in terms of the written warranty and indemnity policy to be taken out by the Company ("**W&I Policy**") on or about the date of signature of the Agreement ("**Signature Date**"); *minus*
- 5.1.1.4 any dividends or other distributions declared and/or paid by Emerald Life from 1 July 2024 up until the Closing Date; *plus*
- 5.1.1.5 an amount of up to R50,000,000 ("**Agterskot Amount**"), if applicable; *minus*
- 5.1.1.6 the applicable transaction bonus amounts payable by Emerald Life to two select key employees ("**Transaction Bonus Recipients**") equal to an agreed percentage of the gross Acquisition Price to each Transaction Bonus Recipient ("**Transaction Bonus Amounts**"), the gross Acquisition Price being an amount calculated in the same manner as the Acquisition Price but excluding the deduction of the Transaction Bonus Amounts.
- 5.1.2 The amount of the Acquisition Price which shall be payable on the Closing Date shall be the aggregate amount determined in accordance with paragraph 5.1, but excluding in the calculation thereof, the Agterskot Amount and the applicable Transaction Bonus Amounts payable in respect of the Agterskot Amount ("**Closing Acquisition Price**"), which Closing Acquisition Price will be funded through the Tier II capital preference share funding granted by Investec Bank Limited ("**Preference Share Funding**") referred to in paragraph 6.1.6 below.

5.2 Agterskot Amount

- 5.2.1 In addition to the Closing Acquisition Price, following a period of 24 months following the Closing Date ("**Agterskot Period**"), the Company shall pay the Agterskot Amount to the Seller, less any applicable Transaction Bonus Amounts.
- 5.2.2 An agterskot payment up to a maximum of R50,000,000 will be payable at R312.50 per defined new funeral policy written and premium collected during the Agterskot Period, with a minimum of 40,000 new policies required.
- 5.2.3 Any Agterskot Amount due by the Company to the Seller (less the applicable

Transaction Bonus Amount) shall be paid within 20 business days of finalisation or determination (as the case may be) of the Agterskot Amount, which shall be determined by the financial director of Emerald Life no later than 30 days after expiration of the Agterskot Period.

6. CONDITIONS PRECEDENT

- 6.1 The Acquisition is subject to the fulfilment or waiver, as the case may be, of the following remaining conditions precedent on or before 30 June 2025 ("**Long Stop Date**") or such other earlier date as may be specified below:
- 6.1.1 within 10 business days of the Signature Date, the W&I Policy being issued on terms satisfactory to the Seller and the Company (both acting reasonably) and a copy of such W&I Policy having been delivered to the Seller;
 - 6.1.2 the Company delivering a signed undertaking, in a form reasonably satisfactory to the parties, in terms of which it undertakes to each of the Transaction Bonus Recipients to procure that Emerald Life shall comply with its obligation to pay the Transaction Bonus Amounts (with the Company ensuring that Emerald Life continues to maintain a ratio of eligible own funds to the minimum capital requirement determined by the Prudential Standard FSM1 of at least 1.25) after the Closing Date;
 - 6.1.3 to the extent necessary, the counterparties to the material contracts (as identified in the Agreement) having been notified by Emerald Life in writing or having consented in writing, in a form reasonably satisfactory to the parties, to the change of control of Emerald Life which would arise as a result of the Acquisition;
 - 6.1.4 to the extent necessary, the Acquisition and all matters contemplated in the Agreement having been unconditionally approved by the Prudential Authority in terms of (i) section 51(1) of the Insurance Act, 2017 ("**Insurance Act**") and (ii) section 158(2) of the Financial Sector Regulation Act, 2017 ("**FSRA**"), provided that if any such approval is granted subject to any condition, this condition precedent will only be fulfilled if the parties adversely affected by such condition (if any), acting reasonably and in good faith, agree in writing to accept such condition within five business days of being notified of such conditional approval;
 - 6.1.5 the Prudential Authority approving the Preference Share Funding granted by Investec Bank Limited in favour of the Company for purposes of funding the Closing Acquisition Price;
 - 6.1.6 within 60 days of the Signature Date, the shareholders of the Company resolving to amend the Company's memorandum of incorporation to create the preference shares and their related terms, and approving the issuance thereof to Investec Bank Limited or a related entity, in order to secure the Preference Share Funding granted by Investec Bank Limited in favour of the Company for purposes of funding the Closing Acquisition Price;
 - 6.1.7 the Competition Commission, the Competition Tribunal or the Competition Appeal Court (whichever has jurisdiction for the purposes of the Acquisition) approving the Acquisition in writing (to the extent necessary), either unconditionally or subject to such conditions as the parties may agree in accordance with the provisions of the Agreement;
 - 6.1.8 the amendment of the employment contracts of the Transaction Bonus Recipients to incorporate revised short term, medium term and long term incentive structures

aligned with the Clientèle Group Incentive Scheme with effect from the Closing Date on terms agreed between the Company and the Transaction Bonus Recipients;

- 6.1.9 Emerald Life and both the Transaction Bonus Recipients agreeing, in writing, to the arrangements in relation to the Transaction Bonus Amounts being amended to incorporate certain agreed deductions and to state that should either Transaction Bonus Recipient give notice of voluntary resignation from Emerald Life's employ for any reason whatsoever within 24 calendar months following the Closing Date, the Transaction Bonus Amount paid to the applicable Transaction Bonus Recipient shall, on a pro-rata basis, become immediately due for repayment by such recipient to Emerald Life, subject to certain qualifications.
- 6.2 Fulfilment of the Conditions Precedent may be waived and the time period for the fulfilment of the Conditions Precedent can be extended in the manner set out in the Agreement.

7. SIGNIFICANT TERMS OF THE AGREEMENT

7.1 Warranties

- 7.1.1 In relation to the Condition Precedent contained in paragraph 6.1.4, the Company has warranted and represented to the Seller that it will meet the requirements in section 158(7) of the FSRA and undertaken to the Seller to provide all such information to the Prudential Authority as may be required to evidence the Company's ability to comply with the requirements of the FSRA and the Insurance Act.
- 7.1.2 The Agreement contains further warranties and indemnities appropriate for a transaction of this nature.

7.2 Restraint

In terms of the Agreement the Seller has undertaken that he will not, for a period of 5 calendar years from the Closing Date, directly or indirectly, offer, distribute and/or underwrite any insurance product(s) that competes with Emerald Life's insurance products, underwritten as at the Closing Date, without the prior written consent of the Company.

7.3 Termination rights

The parties to the Agreement have the right to terminate the Agreement in certain instances including the occurrence of a material adverse change in relation to Emerald Life.

8. FINANCIAL INFORMATION

In terms of the latest audited annual financial statements of Emerald Life, for the financial year ended 29 February 2024, the net asset value of Emerald Life amounted to R96,313,468 while the profit after taxation of Emerald Life amounted to R50,231,359 for the year ended 29 February 2024.

9. AMENDMENT OF MEMORANDUM OF INCORPORATION AND ISSUANCE OF PREFERENCE SHARES

In order to facilitate the Preference Share Funding in respect of the Closing Acquisition Price, an amendment of the Company's memorandum of incorporation ("MOI") will be

required to create a new class of preference shares and their related terms, which requires shareholder approval by way of a special resolution in terms of section 16(1)(c) of the Companies Act 71 of 2008. In addition, shareholders will be requested to approve the issuance of the preference shares. Accordingly, a circular to shareholders relating to the amendment of the MOI and the preference share issuance will be distributed in due course.

10. CLASSIFICATION OF THE ACQUISITION

The Acquisition constitutes a category 2 transaction in terms of the JSE Listings Requirements ("**Listings Requirements**") and does not require shareholders' approval.

11. OTHER

For purposes of paragraph 9.16 of the Listings Requirements, the Company shall ensure that after the Closing Date, nothing in the constitutional documents of Emerald Life will, in any way, frustrate or relieve the Company from its compliance with the Listings Requirements.

12. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are advised that, as a result of the publication of this terms announcement, the Cautionary Announcement is hereby withdrawn and shareholders are no longer required to exercise caution when dealing in the Company's securities.

Johannesburg

1 November 2024

Transaction sponsor
Valeo Capital (Pty) Limited

