

# African Phoenix Investments Limited

Investor presentation: Circular to shareholders

18 February 2019



# Disclaimer (1 of 2)

IMPORTANT: Please read the following before continuing. For the purposes of shareholder engagement, the presentation (the "**Presentation**") shall mean and include the slides prepared by African Phoenix Investments Limited (the "**Company**" or "**African Phoenix**") that follow, any oral presentation of the slides by the Company or any person on behalf of the Company (including on conference calls), any question-and-answer session that follows any oral presentation and/or any materials distributed at, or in connection with, any oral presentation. This Presentation has been prepared only for purposes in relation to the proposed capital restructure through the repurchase of African Phoenix's preference shares as contemplated herein ("**Capital Restructure**") and the establishment of a black fund manager ("**BFM**") structure (collectively the "**Proposed Transaction**").

The Proposed Transaction is subject to obtaining all necessary approvals from the Company's shareholders and regulatory authorities.

By attending the meeting or conference call at which the Presentation is made, or by reading the Presentation slides, you will be deemed to have (i) agreed to all of the following restrictions and made the following undertakings; and (ii) acknowledged that you understand the legal and regulatory sanctions attached to the misuse or improper circulation of the Presentation.

The Presentation and all related information has been prepared by the Company for background purposes only and does not purport to be accurate, fair or complete, nor does it comprise all the information which shareholders may require in order to make an informed decision in relation to the Company or the Proposed Transaction. No reliance may be placed for any purpose on the Presentation or its accuracy, fairness or completeness. The Presentation and opinions contained herein are provided as at the date of the Presentation and are subject to change without notice. The Company and its advisors are under no obligation to update the Presentation or keep it current. The Presentation is not, and should not be construed as, a prospectus or JSE-approved circular or pre-listing statement. No person has independently verified the data contained herein. For additional information, please see the circular issued today, 18 February 2019 ("**Circular**").

The Presentation does not purport to be comprehensive. To the fullest extent permitted by law, neither the Company, nor any advisor to African Phoenix, nor any of its subsidiaries or affiliates, or their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for (whether in contract, delict/tort or otherwise) or makes any representation, warranty or undertaking, express or implied, as to the truth, fullness, fairness, accuracy or completeness of the Presentation (or whether any information has been omitted from it) or any other information or opinion relating to the Company, its subsidiaries or affiliates, or the Proposed Transaction, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of the Presentation or otherwise arising in connection therewith. By making this Presentation available, none of the Company, any advisor of African Phoenix, nor any of its subsidiaries or affiliates, or their respective directors, officers, employees, advisers or agents undertakes to provide the recipient with access to any additional information or to update the Presentation, or to correct any inaccuracies in the Presentation or to revise the Presentation after the date of the Presentation.

This Presentation is not intended to and must not be used to form the basis of any decision in relation to the Company or the Proposed Transaction and should not be considered as a recommendation by the Company, its subsidiaries or affiliates, or any of their respective directors, officers, partners, employees, agents, representatives and advisers in relation to the Company, the Proposed Transaction and/or the giving of any advice in connection therewith. This Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any action (including registration or licensing) within such jurisdiction for such purpose. This Presentation does not, in any jurisdiction, constitute or form part of any offer or invitation to sell or issue, any offer or inducement or invitation or commitment to purchase or subscribe for, or any solicitation of any offer to purchase or subscribe for, any securities in the Company, and/or any other entity nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or decision (including an investment decision) in relation thereto. There will be no public offer of any securities in any jurisdiction.

The information contained herein is only indicative and does not purport to contain the information that would be required to evaluate the Proposed Transaction. Any decisions should be made on the basis of independent investigation and evaluation of the Circular issued by African Phoenix, as well as appropriate advice. The Information is not intended to provide, and should not be relied upon for, accounting, legal or tax advice nor does it constitute a recommendation. By reading this document, you represent that you are able to receive this document without contravention of any legal or regulatory restrictions applicable to you and will not use this information in relation to any decisions (including investment decisions).

# Disclaimer *(2 of 2)*

The information contained in this Presentation does not constitute or form a part of any offer or an invitation or solicitation or advertisement to purchase and/or subscribe for securities in South Africa, including an offer to the public for the sale of, or subscription for, or an invitation or the solicitation of an offer to buy and/or subscribe for, securities as defined in the South African Companies Act, No. 71 of 2008 (as amended) (the "**South African Companies Act**") or otherwise and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public as contemplated in the South African Companies Act. Accordingly, this Presentation does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the South African Companies Act and no prospectus has been, or will be, filed with the South African Companies and Intellectual Property Commission in relation to the Proposed Transaction.

Information made available in this Presentation constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002 as amended ("**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of any securities or in relation to the business or future investments of African Phoenix is appropriate to the particular investment objectives, financial situations or needs of a shareholder, and nothing in this Presentation should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. African Phoenix is not a financial services provider licensed as such under the FAIS Act.

The Presentation may include forward-looking statements about African Phoenix, its prospects and/or the Proposed Transaction and the shareholder approvals required to implement the Proposed Transaction, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company, its subsidiaries or affiliates and the Proposed Transaction, including, among other things, the development of African Phoenix's strategy. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. No representation or warranty is made that any forward-looking statement will come to pass. No one undertakes to publicly update or revise any such forward-looking statement. The Presentation and the opinions contained herein are provided as at the date of the Presentation and are subject to change without notice. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based.

Any person who may act as financial advisor to African Phoenix, and any of its subsidiaries or affiliates, and their respective directors, officers, employees, advisers or agents is acting for the Company and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice. Certain figures contained in this Presentation, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this Presentation may not conform exactly to the total figure given.

# Contents

1 Objectives of the proposed transactions

2 Current structure

3 Repurchase of preference shares

4 The Black Fund Manager structure

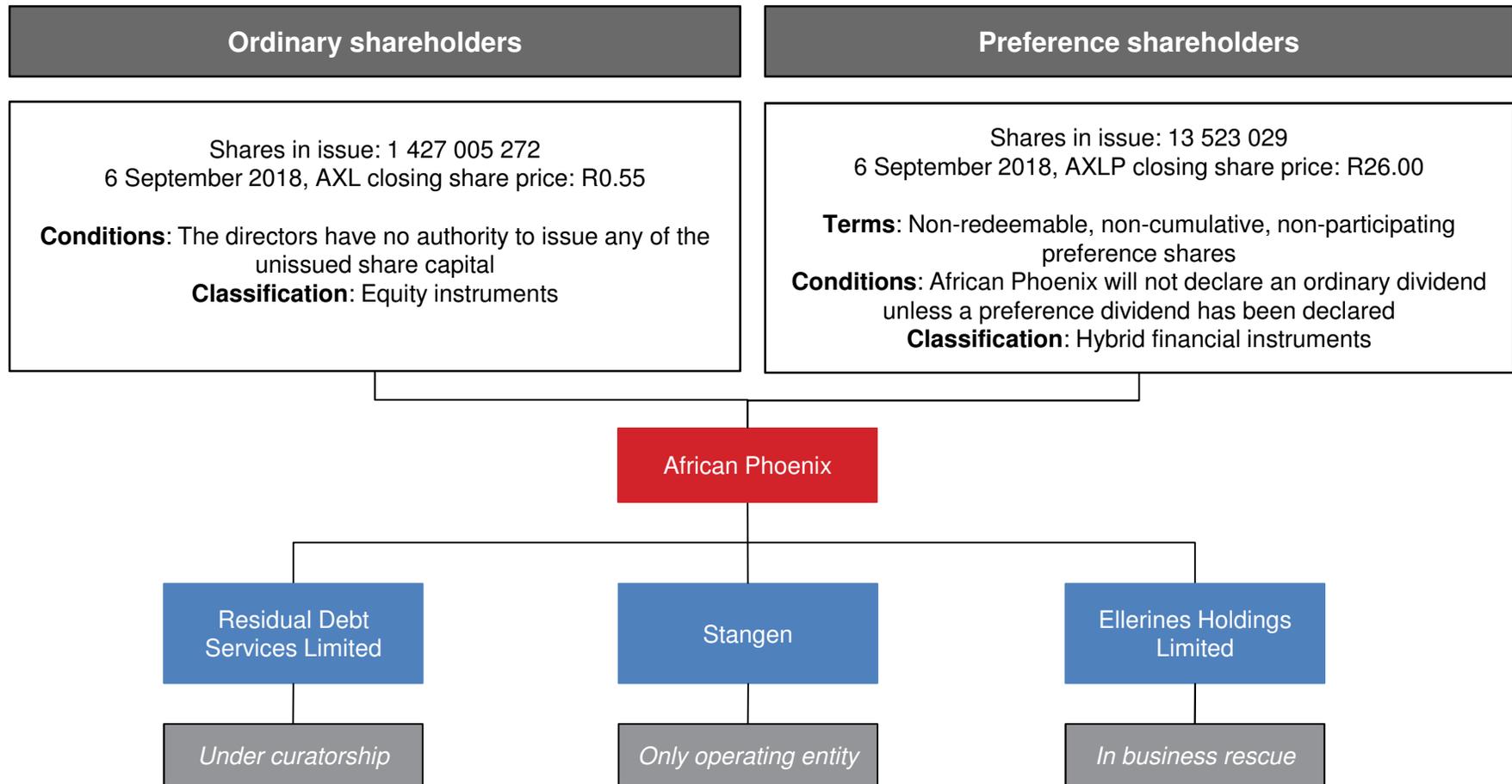
5 Proposed Transaction timeline

6 Conclusion

# Objectives of proposed transactions

- ✔ Simplify the current capital structure through a single class of shares
- ✔ Capital preservation for investments in line with the investment holding company classification
- ✔ Reinvigorate the current listed, permanent capital structure to provide access to additional sources of capital
- ✔ Establish a black economic empowerment (“BEE”) investment platform that gives African Phoenix shareholders access to unique investment opportunities not typically available to public market investors
- ✔ Fund a growing pipeline of investments with no dilution in value to African Phoenix shareholders while enhancing the BEE status of African Phoenix and its investee companies
- ✔ Establish the long-term alignment of interests between the API fund, the BFM and African Phoenix shareholders
- ✔ Efficiently align the capital structure of African Phoenix for the impact of updated insurance regulations applicable due to African Phoenix’s holding of Stangen

# Current structure



The current legacy preference shareholder structure that was inherited from the old ABIL is not appropriate for an investment holding company which does not hold any banking interests

# Repurchase of preference shares

**Scheme of arrangement** – The African Phoenix Board proposes to repurchase all of the Preference Shares, at a repurchase price of R37.50 per Preference Share. Amongst other conditions, 75% Preference Shareholder support will be required for the Scheme to become effective. If the Scheme of arrangement does not pass, the Voluntary Repurchase will be voted on by shareholders

OR

**Voluntary repurchase** – If the Scheme of arrangement does not become effective for any reason, African Phoenix will repurchase the Preference Shares from the Preference Shareholders that elect to participate in the Voluntary Repurchase at R37.50 per Preference Share. Preference shareholders may also elect to retain their preference shares

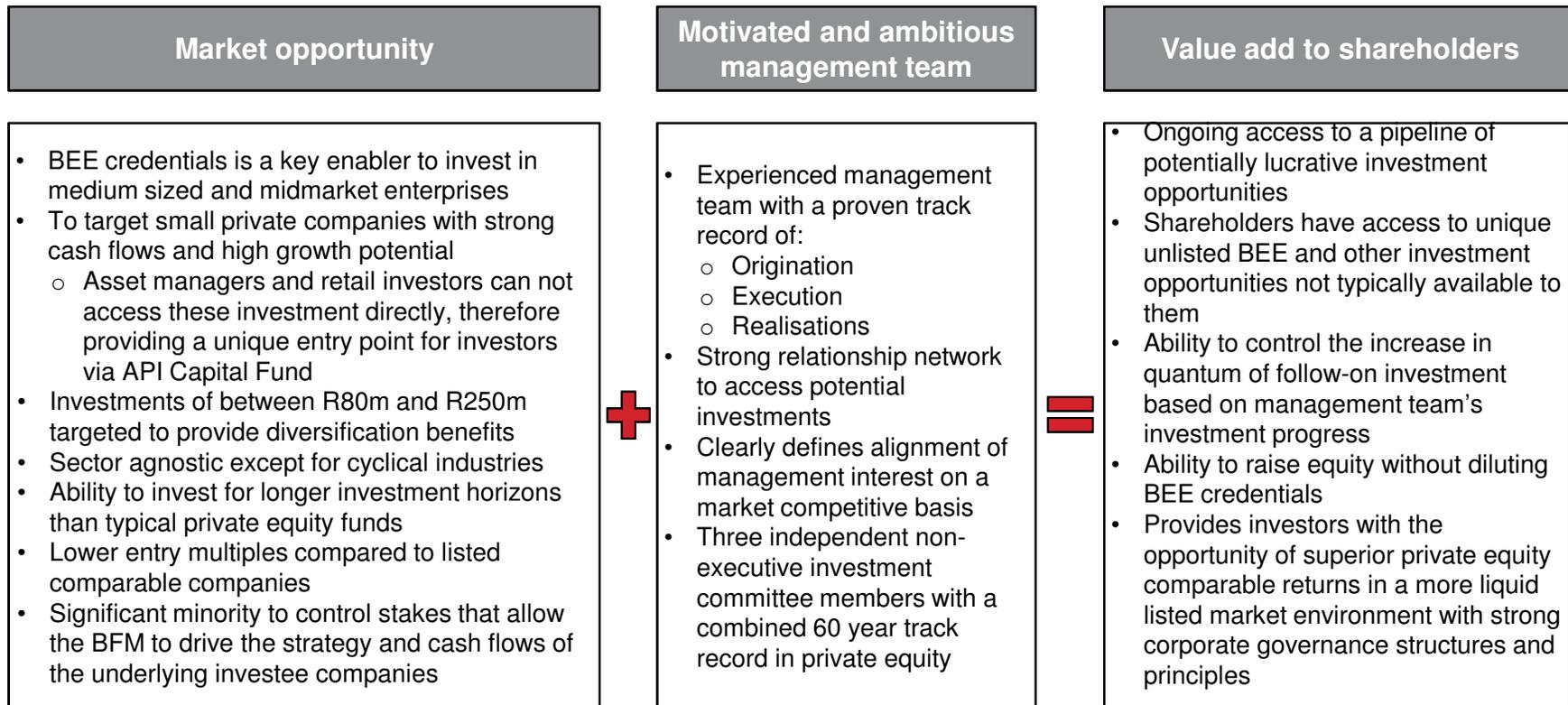
## Repurchase metrics

Repurchase premium to 6 September 2018	44%
Repurchase premium to 30-day VWAP (R26.70)	40%
Repurchase premium to 60-day VWAP (R27.09)	38%
Repurchase consideration will comprise a return of capital	



**The successful repurchase of all preference shares will align shareholders interests and simplify the capital structure through a single class of shares**

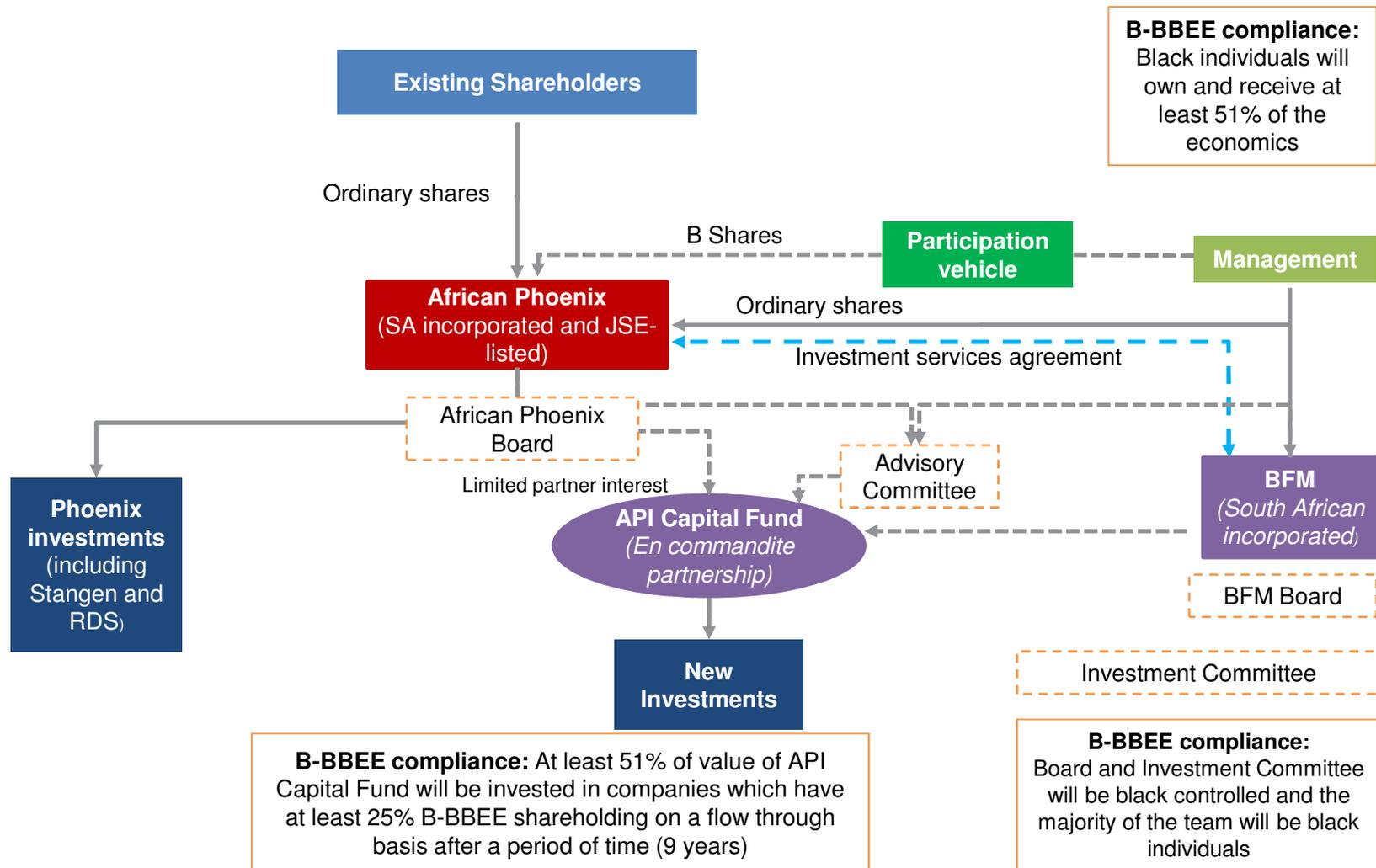
# The BFM structure is a key enabler



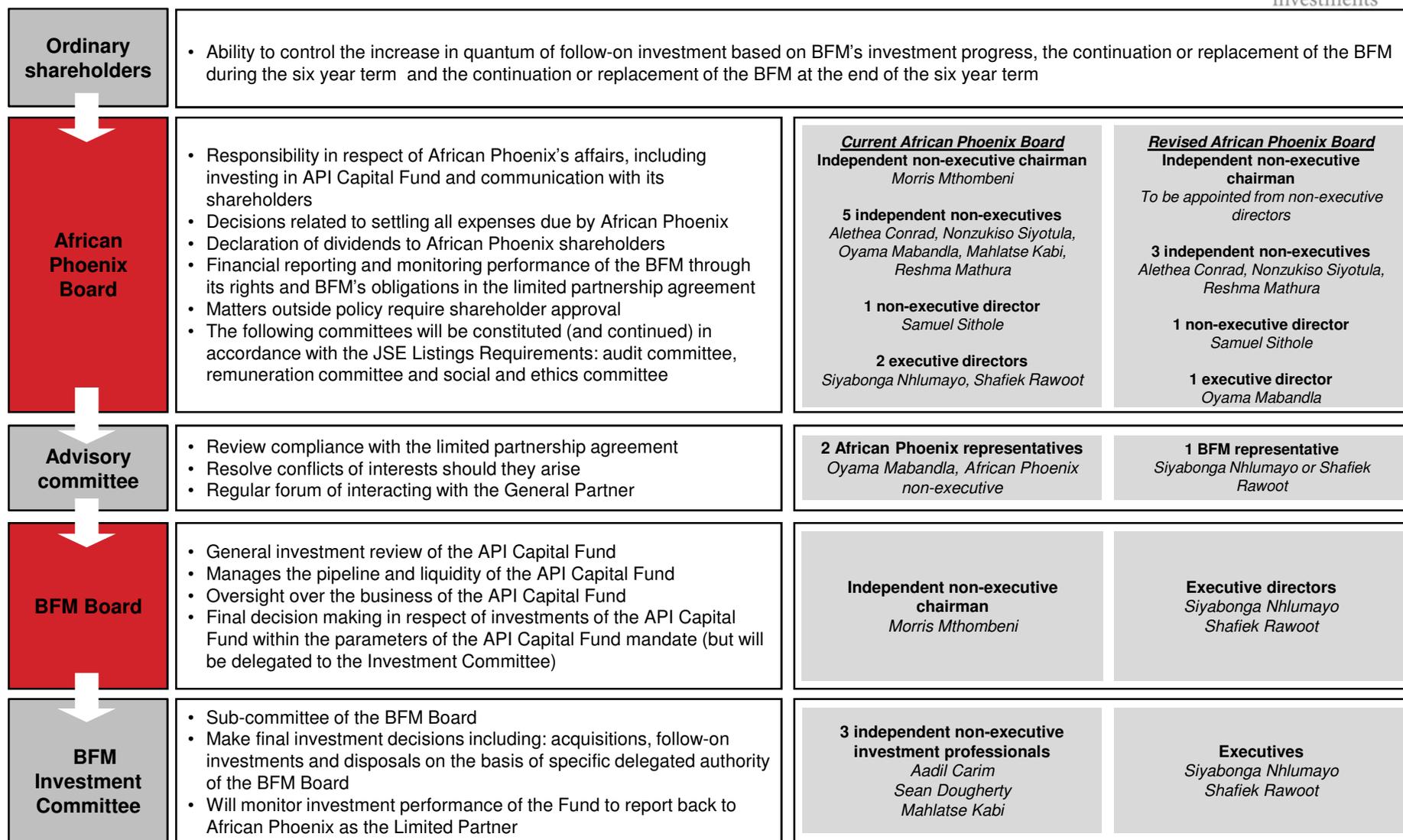
 **There are many untapped investment opportunities to be unlocked through an experienced and empowered investment vehicle**

 **The strategy is to create long-term growth in net asset value (“NAV”) to be achieved through the redeployment of excess capital to create incremental NAV**

# Proposed investment structure



# Strong Corporate Governance



# BFM management arrangements

## Operating costs

- An annual management fee of 1.0% p.a. of invested NAV with a minimum fixed fee of R19 million for the financial year ended 30 September 2019, increasing by inflation thereafter
- 0% management fee on cash held, subject to any realised proceeds from investees being treated as Invested NAV for a period of one year after receipt

## Long-term alignment

16% participation in the growth above the hurdle rate

- Performance measured over a six year period
- Performance hurdle rate of 10% p.a. CAGR measured over six years
- Growth measured with reference to growth in invested NAV (75%) and share price appreciation (25%)
- Settled through unlisted convertible shares which automatically convert into ordinary shares at NAV (75%) and share price (30-day VWAP) (25%) per share

## Share ownership by management team

- Management team required to own 1% of African Phoenix shares in issue (dispensation received from the JSE to hold 1%)
- The management team (through the GP vehicle) will purchase 1% of African Phoenix ordinary shares:
  - c. 33.3%: Will be facilitated by African Phoenix (guaranteeing a loan from a third party lender) which is to be approved by shareholders
  - Remaining portion: Funded by the management team



**Key terms of the arrangements with the BFM management team has been opined on by EY as the independent expert. Their detailed report is available in the circular**

# Peer analysis of management arrangements

		Market listed peer 1	Market listed peer 2	API Capital Fund
Management fee	Basis	1.5% on the average of opening invested NAV and closing invested NAV	<b>Tiered</b> 1.75% p.a. where invested NAV is below R10 billion 1.50% where invested NAV is between R10-15 billion 1.25% where invested NAV is above R15 billion	1.0% p.a. of invested NAV with a minimum fixed fee of R19 million for the financial year ended 30 September 2019, increasing by inflation thereafter
	Cash	0.25% p.a	0.25% p.a	0.00% p.a.
Performance participation	Type	Absolute	Absolute	Above hurdle
	Percentage share	20.0%	16.0%	16.0%
	Hurdle rate	10.0%	10.0%	10.0%
	Basis	Invested NAV (100%)	Invested NAV (100%)	Invested NAV (75%) and share price appreciation (25%)
	Settlement	Share price (100%)	Invested NAV (100%)	Invested NAV (75%) and share price appreciation (25%)

# Proposed transaction timeline

The proposed transaction timeline is set out in detail in the Circular. A summary is shown below.

<b>18 February 2019</b>	Circular and notice of the General Meeting distributed to shareholders
<b>12 March 2019</b> <b>15 March 2019</b> <b>18 March 2019</b>	Last date to trade in order to be recorded on the register to vote at the General Meeting Record date to be recorded on the register to be eligible to vote at the General Meeting Last day to lodge proxy forms for the vote at the General Meeting (for administrative purposes only)
<b>20 March 2019</b>	General Meeting at 13:00 at Webber Wentzel, 90 Rivonia Road, Sandton Commencement date of the BFM, subject to shareholder approval
<b>8 April 2019</b>	Finalisation date in respect of either the Scheme or Voluntary Repurchase
<b>15 April 2019</b> <b>18 April 2019</b> <b>18 April 2019</b>	Last date to trade in order to be eligible to participate in the Repurchase Record date to be recorded on the register to participate in the Repurchase Last day to receive forms of election and/or forms of surrender from shareholders
<b>23 April 2019</b>	Payment of either Scheme or Voluntary Repurchase consideration to shareholders

# Conclusion

- ✔ Strong investment proposition as the strategic and empowerment partner of choice
- ✔ Capitalised to deploy capital into investment opportunities
- ✔ Entry point into unique, unlisted investments
- ✔ Independent Investment Committee which have track records in originating, executing deals and allocating capital
- ✔ Efficient capital and regulatory structure with appropriate incentivization, alignment with strong governance principles and oversight

# Annexure - BFM management team



**Siyabonga Nhlumayo**  
CEO

- Siya graduated from the University of Cape Town with a post-graduate diploma in accounting in 2001, where after he commenced his articles at PwC and qualified as a chartered accountant
- He spent two and a half years at PwC Transaction Services, where he advised on a wide range of transactions. Siya joined African Phoenix from Medu Capital, a black-owned private equity firm, where he was a partner and responsible for strategic development, investment execution and management
- Was appointed on various Medu Capital portfolio company boards and sub-committees and was a board member and treasurer of the Southern African Venture Capital & Private Equity Association



**Shafiek Rawoot**  
FD

- Shafiek graduated from the University of Cape Town with a Bachelor of Business Science (Finance Honours) in 2001 and from the University of Kwazulu-Natal with a Bachelor of Commerce (Accounting Honours) in 2002
- He commenced with his articles at KPMG (Cape Town) in 2003 and qualified as a Chartered Accountant in 2006.
- After working for Old Mutual (Cape Town) in 2006, Shafiek joined Goldman Sachs International (London) as a Senior Analyst in 2007
- Shafiek joined African Phoenix from Brait South Africa (Johannesburg), where he has been part of the finance team since 2008, starting in the private equity division and leaving as the Financial Director



**Kamo Mudimbu**  
Principal

- Kamo graduated from the University of Johannesburg with a Bachelor of Commerce Accounting Honours in 2007
- She completed her articles with Deloitte in 2010 upon which she qualified as a Chartered Accountant, and was subsequently seconded to the Houston (Texas, USA) office for four months as an audit senior
- She returned from her secondment in May 2011 to join the Transaction Services division at Deloitte and 2 years later she was seconded to the Restructuring Services division in London for 18 months
- On her return, Kamo joined RMB Corvest as an investment executive where she spent 4 years gaining experience across the full private equity spectrum including deal origination, execution, investment monitoring and concluding on exits



**Alu Sithebe**  
Principal

- Alu graduated from the Rand Afrikaans University (UJ) with a Bachelor of Commerce (Accounting) in 2004 and from the University of South Africa with a Bachelor of Commerce (Accounting Honours) in 2006
- She commenced articles at EY in 2006 and qualified as a Chartered Accountant in 2008
- After working for EY in 2009, Alu co-founded a consulting firm focused on financial advisory services. This was followed by an investment career at the IDC from 2011 investing in unlisted assets in the industrials sector. Alu also represented IDC on investee company boards. During this time, Alu furthered her studies with an MBA from GIBS in 2013/14
- Alu joins African Phoenix from Senatla Capital, a private equity fund manager where she was a Senior Associate since 2017



**It is the intention of the BFM to appoint additional investment professionals as required**

# Annexure – Investment committee

## Aadil Carim

- Aadil has over 20 years of private equity and investment management experience, which includes the full spectrum of activities covering fundraising, investor relations and reporting, investing, serving as a non-executive director on investee boards and investment exits
- His private equity career started at Ethos Private Equity Limited and formerly AMB Private Equity where he worked as a transactor. Most recently, Aadil served as an executive director at Sphere Holdings, a private equity and principal investments firm, which he started with his fellow executives 13 years ago
- Aadil also holds exposure to project finance and empowerment investing from his career whilst under the employ of the Industrial Development Corporation
- Aadil is currently an independent non-executive director at Vodacom Insurance Company and Vodacom Life Assurance Company and also serves on the Strategy and Operations Board of Senatla Capital, a Black private equity fund manager

## Sean Dougherty

- Sean served at Brait for 21 years as an investment professional since 1997. He served in his capacity as director of Brait Private Equity from 2003 and principal of Brait Fund 4 (the largest private equity fund in Africa at the time) from 2007. Sean was involved in the full private equity deal cycle, from sourcing to exit, as well as in raising various private equity funds and being involved in investor relations
- Key sector experience includes the consumer and technology sectors. He held 15 board directorships in Brait investee companies over his tenure including 11 years as a director of Premier Foods, five years of which he served as the chairperson of Premier Foods

## Mahlatse Kabi

- Mahlatse has over 22 years' experience in management of which 14 years were in finance and the remainder in investments and structuring of B-BBEE transactions. She is the chief financial officer of the Gordon Institute of Business Science (GIBS). Her career started at KPMG serving her articles of clerkship
- She held senior finance positions at Standard Bank, SAB Breweries and Multichoice SA before joining Mineworkers Investment Company (MIC) in 2005 to set up the finance function. She later joined the investment transaction team as a senior investment manager involved in investment execution including deal origination, transaction structuring, due diligence, valuations, strategic oversight, divestitures, performance monitoring and reporting. She is currently serving on the board of Verimark Limited, Stangen Insurance Company, JM Busha Asset Management Company and Rand Water Foundation
- She previously served on the boards and sub-committees of various portfolio companies of MIC such as Tracker Connect, Westcon SA, Mine Safety Appliances, General Electric SA (Transportation), Masana Petroleum Solutions, IZAZI Solutions and Wesbank, a division of FirstRand Bank
- Mahlatse has been appointed as an independent non-executive director and as a member of the audit and risk committee of African Phoenix
- Following the Proposed Transactions, Mahlatse will resign from the African Phoenix Board