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## CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

("Conduit Capital" or "the Company")

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### FIRM INTENTION ANNOUNCEMENT - ACQUISITION OF LEGAL SHIELD HOLDINGS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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## 1. INTRODUCTION

The Board of directors of Conduit Capital ("**the Conduit Capital Board**") advises shareholders that Conduit Capital has entered into a binding term sheet ("**Agreement**") with Trustco Group Holdings Limited ("**Trustco**"), Riskowitz Value Fund LLP ("**RVF**") (collectively, the "**Sellers**") and Trustco's subsidiary Legal Shield Holdings Limited ("**LSH**"). In terms of the Agreement, and subject to certain suspensive conditions, Conduit Capital has agreed to acquire 100% of the issued ordinary shares ("**Sale Shares**") of LSH in consideration for Conduit Capital issuing shares to the Sellers ("**the Transaction**"). Conduit Capital, Trustco, RVF and LSH are collectively referred to as the "**Parties**".

The Transaction constitutes a related party reverse take-over transaction in terms of section 9.5(c) of the Listings Requirements of JSE Limited ("**JSE Listings Requirements**"), which will require approval of the shareholders of Conduit Capital in a general meeting ("**Conduit Shareholders Approval**"). In addition, the Transaction is an affected transaction in terms of section 117(1)(c)(v) of the Companies Act, 71 of 2008, as such will require the approval of the Takeover Regulation Panel ("**TRP**"). Conduit Capital will issue a circular convening a shareholders meeting and containing full details of the Transaction ("**Conduit Transaction Circular**") on or about 30 April 2020.

Pursuant to the Transaction, Trustco will become the controlling shareholder of Conduit Capital and accordingly, Conduit Capital will become part of the Trustco group of companies.

The effective date per the Agreement is 1 April 2020 and the closing date of the Transaction shall be the 3<sup>rd</sup> business day after the fulfilment of the suspensive conditions to the Transaction, as set out in paragraph 3 below ("**Closing Date**").

The Transaction will replace the proposed disposal by Conduit Capital of Constantia Risk and Insurance Holdings Proprietary Limited ("**Constantia**") and Conduit Ventures Proprietary Limited to LSH as announced on SENS on 9 December 2019 but will not affect the acquisition of Herboth's Property Development Proprietary Limited from Trustco Property Holdings Proprietary Limited, as announced on SENS on 11 February 2020 ("**Herboth's Acquisition**"). The Transaction is not conditional on the successful implementation of the Herboth's Acquisition. The circular in respect of the Herboth's Acquisition is in the process of being compiled and is expected to be distributed to shareholders in due course.

## 2. THE TRANSACTION

### 2.1 Nature of the business of LSH and its subsidiaries ("**LSH Group**")

The LSH Group is a diversified financial services provider incorporated in Namibia with a client base of more than 280 000 members comprising of individuals and small businesses. It currently holds both a short and long-term insurance licence. Before the Herboth's transaction, the LSH Group also owns over 4 000 hectares of real estate assets in Namibia, including without limitation property developments.

LSH is currently a wholly owned subsidiary of Trustco and, pursuant to the completion of the restructuring of the operations of the LSH Group as set out in the Trustco announcement dated 28 October 2019 (“**Trustco Restructuring**”), LSH will also hold a commercial banking licence in Namibia. On completion of the Trustco Restructuring, the LSH Group will be able provide a full spectrum of services across the financial services value chain in Namibia.

The LSH Group, subject to the completion of the Trustco Restructuring and otherwise as set out in LSH’s accounts for the accounting period ending March 2019, will hold assets of NAD5.8 billion, capital and reserves of NAD2.1 billion, revenues of NAD1.5 billion and generated a net profit after tax of NAD900 million.

## 2.2 Rationale for the Transaction

The Transaction enables the shareholders of Conduit Capital to benefit from an investment in a larger and more diversified financial services group with operations in South Africa, Namibia and other international markets. The combination of Constantia with LSH will allow Constantia to benefit from a larger balance sheet which will unlock growth and value creation opportunities in the South Africa, Namibian and other international insurance markets.

Conduit Capital shareholders are referred to a detailed presentation on the Transaction which is available on the Conduit Capital website at <https://www.conduitcapital.co.za/presentations.php> for further details. A conference call with interested shareholders is scheduled for 1 April 2020 at 15h00 South African time to discuss the Transaction. For further details please contact Rene Kok at [Renek@conduitcapital.co.za](mailto:Renek@conduitcapital.co.za).

## 2.3 Purchase Consideration

The purchase consideration payable by Conduit Capital to Trustco in respect of the Sale Shares is an amount of R10 437 484 200 (ten billion four hundred and thirty seven million four hundred and eighty four thousand two hundred Rand) (“**Purchase Consideration**”). The Purchase Consideration will be settled by the issue and allotment of 20 874 968 400 (twenty billion eight hundred and seventy four million nine hundred and sixty eight thousand four hundred) newly issued ordinary shares in Conduit Capital (“**Consideration Shares**”) at a deemed price of R0.50 (fifty cents) per Conduit Capital ordinary share, which represented the Conduit Capital share price as at 5 March 2020. Conduit Capital will amend the Company’s Memorandum of Incorporation to increase the authorised share capital in order to issue the Consideration Shares.

Further, the Sellers will nominate the ordinary shareholders of Conduit Capital as at a record date to be determined (“**Existing Shareholders**”), *pro rata* to the Existing Shareholders’ shareholdings as at that record date, to subscribe, in place of the Sellers (in the Sellers’ LSH shareholding proportions) for 1 974 463 276 (one billion nine hundred and seventy four million four hundred and sixty three thousand two hundred and seventy six) of the Consideration Shares (“**Nomination Shares**”) for zero consideration. This is being done so that, immediately pursuant to implementation of the Transaction and, on the assumption that all Existing Shareholders accept the nomination, the Existing Shareholders hold 12.7% of the issued Conduit Capital ordinary shares, which would be the position were the Consideration Shares to have been issued at a deemed price of R0.87 (eighty seven cents) per Conduit Capital ordinary share, which represents a 10% discount to the 30 day volume weighted average price of a Conduit Capital ordinary share as at 9 December 2019. Any Nomination Shares in relation to which the nomination is not accepted will be retained by the Sellers.

## 2.4 Loan account conversion

Trustco has certain loan accounts in LSH which will not be acquired by Conduit Capital in the Transaction and Trustco will have the right to convert any of its loan accounts (held, in LSH or by any subsidiary of LSH in LSH) to equity in Conduit Capital at a conversion price of R0.50 (fifty cents) per Conduit Capital ordinary share at their discretion. Trustco shall be entitled to exercise this right within 24 (twenty-four) months after fulfilment of the suspensive conditions to the Transaction.

### **3. SUSPENSIVE CONDITIONS TO THE TRANSACTION**

The Transaction is subject to the fulfilment or waiver of the following suspensive conditions:

- 3.1 by 31 August 2020, all regulatory and other approvals which are necessary for the implementation of the Transaction shall have been obtained, either unconditionally or subject to such conditions as may have been approved in writing by the Parties. This includes, *inter alia*, all and any necessary approvals from the JSE, Competition Commission/Tribunal, TRP, Financial Sector Conduct Authority, Financial Surveillance Department of SARB, Prudential Authority, Bank of Namibia and other Namibian Regulatory approvals;
- 3.2 by 30 June 2020, Conduit Capital and Trustco having obtained all requisite shareholder approvals in general meeting to proceed with the Transaction;
- 3.3 by 30 June 2020, the independent beneficial holders of more than 50% of the voting rights attaching to all issued Conduit Capital ordinary shares agree, by way of an ordinary resolution, to waive the benefit of, and entitlement to, a mandatory offer for their Conduit Capital ordinary shares from the Sellers or their respective concert parties;
- 3.4 by 30 April 2020, each of Conduit Capital and Trustco having completed its legal, accounting and operational due diligence of LSH and Conduit Capital respectively and neither of them having given notice to the other of them in writing that the results thereof are unsatisfactory, which notice can only be given if certain material items are uncovered; and
- 3.5 by 30 June 2020, the Trustco Restructuring being fully implemented.

Conduit Capital and the Sellers shall be entitled to agree in writing to extend the date for fulfilment of any of the suspensive conditions, or if and to the extent permissible in law, waive fulfilment of the suspensive conditions above.

Should the suspensive condition in 3.2 above not be fulfilled due to either Party's shareholders not approving the Transaction at a general meeting, that Party shall pay a breakage fee to the other Party of R50 million (fifty million Rand) plus value added tax (or similar applicable tax) within 10 business days of written demand. The Parties will ensure the general meetings of Conduit Capital and Trustco are convened to be held at the same time and date. If both approvals are not obtained no breakage fee shall be payable by any Party.

### **4. WAIVER OF MANDATORY OFFER**

The issue of the Consideration Shares to the Sellers would result in Trustco directly and indirectly being able to exercise at least 35% of all the voting rights attached to the Conduit Capital shares, thereby triggering a mandatory offer as contemplated in section 123(3) of the Companies Act, unless the mandatory offer is waived by independent shareholders by way of an ordinary resolution in the manner provided for in paragraph 86(4) of the Takeover Regulations and approved by the TRP.

Accordingly, independent shareholders will be requested, as set out in the Conduit Transaction Circular, to waive their right to receive the mandatory offer by way of an ordinary resolution to be proposed at the general meeting.

## 5. FINANCIAL INFORMATION

The unaudited net asset value of LSH as at 30 September 2019 was NAD2 billion. The unaudited loss after tax attributable to LSH for the six months ended 30 September 2019 was NAD84.8 million. The exchange rate of NAD to ZAR is 1:1.

The financial statements were prepared in accordance with International Financial Reporting Standards.

The *pro forma* financial effects of the Transaction will be detailed in the Conduit Transaction Circular.

## 6. CLASSIFICATION OF THE TRANSACTION AND FURTHER DOCUMENTATION

As set out in section 1 of this announcement, the Transaction constitutes a related party reverse take-over transaction in terms of the JSE Listings Requirements. The Conduit Transaction Circular will contain full details of the Transaction, including without limitation revised listing particulars, a notice to convene a general meeting of shareholders of Conduit Capital in order to consider and, if deemed fit to pass, with or without modification, the resolutions necessary to approve and implement the Transaction will be issued in due course.

Given that the Transaction is categorised as a reverse take-over, shareholders are advised that the Company will require confirmation from the JSE that it is satisfied that the Company will qualify for a continued listing on the JSE pursuant to the Transaction.

Sean Riskowitz, Chief Executive Officer of Conduit Capital, controls Protea Asset Management (“Protea”). Protea is the Investment Advisor to the Riskowitz Value Fund LLP and other accounts (“RVF”). RVF is a material shareholder of Conduit Capital. RVF, through its material shareholding in both Trustco and LSH indirectly controls in excess of 35% of the votes able to be cast at general meetings of LSH and therefore LSH is considered to be an associate of RVF and a related party to Conduit Capital in terms of paragraph 10.1(b) of the Listings Requirements. Accordingly, Protea, RVF and their associates will be precluded from voting on the Transaction.

## 7. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the “Acquisition of Property Development Company and Cautionary Announcement” released on SENS on 11 February 2020 and are advised that pursuant to the terms disclosed in this announcement, caution is no longer required when dealing in the Company’s securities.

## 8. RESPONSIBILITY STATEMENT

The Conduit Capital Board individually and collectively accepts full responsibility for the accuracy of the information contained in this announcement. In addition, the Conduit Capital Board certifies that to the best of its knowledge and belief, the information contained in this announcement solely pertaining to the Company is true and, where appropriate, does not omit anything that is likely to affect the importance of the information contained herein, and that all reasonable enquiries to ascertain such information has been made.

Johannesburg  
27 March 2020

**Corporate Adviser and Sponsor to Conduit Capital**  
Merchantec Capital