

Imperial Holdings Limited ("**Imperial**" or "**Group**")
Incorporated in the Republic of South Africa
Registration number: 1946/021048/06
Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076
and
Imperial Group Limited
Incorporated in the Republic of South Africa
Registration number: 1983/009088/06
Company code: IMG

**Unbundling of Imperial's Automotive Business (known as Motus) and
separate listing on the JSE, and cautionary announcement**

1. Introduction

Shareholders of Imperial ("**Shareholders**") are referred to the pre-closed period briefing announcement dated 10 May 2018 and prior communication relating to the restructuring of Imperial's operations into two large independent, self-sufficient businesses, namely the logistics business known as Imperial Logistics ("**Imperial Logistics**") and the automotive business known as Motus ("**Motus**"); and progress with the plans relating to Imperial's potential unbundling of Motus ("**Unbundling**").

Imperial is pleased to advise that at a Board of Directors ("**Board**") meeting on 21 June 2018, the Board resolved to proceed with the steps required to implement the Unbundling. This strategic decision to separate the business operations and management of Imperial will provide shareholders with the opportunity to participate directly in Imperial Logistics and/or Motus.

The Unbundling will be implemented through: the transfer by Imperial of all of its automotive related interests to Motus Holdings Limited ("**Motus Holdings**"), a wholly-owned subsidiary of Imperial, in terms of an asset-for-share transaction; a distribution in specie of the shares in Motus Holdings to Shareholders in terms of Section 46 of the South African Companies Act, 71 of 2008, as amended (the "**Companies Act**") and Section 46 of the Income Tax Act, 58 of 1962; and the simultaneous listing of Motus Holdings (the "**Listing**") on the main board of the JSE Limited ("**JSE**") (collectively, the "**Proposed Transaction**").

The Proposed Transaction is subject to the fulfilment of conditions precedent, including, *inter alia*, approval by Shareholders and the requisite regulatory authorities.

2. Background to and rationale for the Proposed Transaction

The transformation and development of Imperial in recent years has been directed at value creation through strategic clarity, managerial focus and shareholder insight. The first has been achieved through portfolio rationalisation, the second through organisation structure and the third through disclosure. This approach has exposed the absence of operational synergies and resulted in the rapid establishment of Imperial Logistics and Motus as two large independent divisions. Both are now managed and currently reported on separately, with separate Chief Executive Officers ("CEO"), Boards and Executive Committees, and have self-sufficient balance sheets with decreasing functional support from the holding company.

After considering whether the long-term prospects of Imperial Logistics and Motus will be enhanced by them being separately listed, the Board believes that the separation of the two divisions will enable the component parts of Imperial's businesses to operate in a more focused and efficient manner, thereby allowing each of the businesses to achieve their respective strategic goals and unlocking value for Shareholders over the long term. The Proposed Transaction will be underpinned by the following:

a. Strategic focus and independence:

- providing the platform to pursue independent strategic initiatives, with enhanced flexibility and efficiency;
- enhancing the ability to mitigate and manage specific risks and challenges faced by each business unit and proactively react to changes within the specific market segments and economic landscapes in which they operate; and
- enabling management teams to express entrepreneurial flair, including the identification and execution of acquisition opportunities, locally and abroad, with direct responsibility and accountability for performance and growth.

b. Improved operational efficiency mainly through the reduction in complexity and costs over time:

- managing separate operating entities, completely independent of one another, which enhances streamlined activities and operations; and
- in-depth asset focus.

c. Focused capital and funding structures:

- provide respective management teams with direct access and accountability to the equity and debt capital markets, each with the appropriate capital structure to support their strategies on a long term sustainable basis, and the ability to raise funding independently; and

- on implementation of the Proposed Transaction, Imperial Logistics and Motus will have self-sufficient capital structures, with an optimal mix of debt and equity on a standalone basis and within the industries in which they operate (net debt to equity of between 55% and 65% in the short term), to facilitate growth, provide flexibility and maintain sufficient liquidity and headroom.

In this context, Imperial has secured sufficient commitments from funders with respect to the debt restructure required for Imperial Logistics and Motus to operate on a standalone basis, post the Unbundling.

d. Enhanced investor understanding and insight of each business and its sub-divisions:

- Provide greater insight to investors with regard to the nature of the activities and geographies within which Imperial Logistics and Motus operate, and the potential value of each business, and facilitating discretionary investment in independent and dedicated business units with greater comparability to focused peers.

3. Overview of Imperial Logistics

Imperial Logistics is an integrated outsourced logistics service provider with a diversified presence across Africa and Europe. With its strong regional growth platforms, specialist capabilities customised to serve multi-national clients in attractive industry verticals, and "asset-right" business model, Imperial Logistics is expected to deliver sustainable revenue growth, enhanced profitability and a stable dividend. Improvements in asset mix and cash flow, and plans to achieve targeted returns on capital in excess of weighted average cost of capital ("WACC"), will support this expectation.

Ranked in the top 25 global third-party logistics (3PL) providers as published by Armstrong & Associates Inc (#15 for land-based revenue in 2017), with a presence in 33 countries on five continents and over 30 000 employees, Imperial Logistics' key investment highlights include:

- Track record for consistent growth: proven ability to acquire, develop and leverage specialist capabilities to establish growth platforms in emerging and advanced markets;
- Leading positions in regional markets provide platforms for sustainable growth: market leader in South Africa, a leader in selected verticals in the African Regions and in certain specialised capabilities in Europe;
- Competitive differentiation centred on agility and customisation: specialised capabilities across the value chain enable customised and integrated solutions, with service offerings and operating models tailored to client requirements and market maturity;

- Trusted partner to multinational clients: quality contract portfolio in high-growth and defensive verticals, with partnerships demonstrating reach, capabilities, assets, innovation and legitimacy;
- Vision to unlock benefits of 'one Imperial Logistics': strategy focused on sustainable revenue growth, enhanced returns and improved competitiveness, with initiatives to drive substantial organic growth enabled by differentiated approach to digitalisation and innovation, and enhanced financial flexibility supporting selective acquisitive growth;
- "Asset-right" business model underpins financial profile: more optimal asset mix and targeted returns on capital, support prospects for sustainable revenue growth and enhanced profitability; and
- Strong and committed leadership: highly experienced, long-serving management team and a strong independent Board.

4. Overview of Motus

Motus is a diversified (non-manufacturing) service provider to the automotive sector with unrivalled scale and scope in South Africa, and a selected international presence in the United Kingdom and Australia. Motus' unique business model is fully integrated across the motor value chain - Import and Distribution, Retail and Rental, Motor Related Financial Services and Aftermarket Parts. This business model provides diversified service offerings, maximises revenue and income opportunities, and provides returns in excess of WACC, enabling Motus to maintain sustainable free cash flow and pay an attractive dividend.

Supported by over 18 600 employees and as Southern Africa's largest vehicle group, Motus' key investment highlights include:

- Diversified (non-manufacturing) service provider in the automotive sector with a leading position in South Africa and selected international presence (UK and Australia);
- Fully integrated business model across the vehicle value chain: Import and Distribution, Retail and Rental, Motor Related Financial Services and Aftermarket Parts;
- Unrivalled scale in South Africa underpins a differentiated value proposition to Original Equipment Manufacturers (OEM's), customers and business partners, providing multiple customer touch points supporting resilience and customer loyalty through the entire vehicle ownership cycle;
- Exposure to annuity income streams, sustainable free cash flow generation with best-in-class earnings, return on invested capital exceeding WACC, providing a platform for an attractive dividend yield;
- Defined organic growth trajectory through portfolio optimisation, continuous operational enhancements and

innovation, with a selective acquisition strategy outside South Africa leveraging best-in-class expertise; and

- Highly experienced management team with deep industry knowledge of regional and global markets, and a proven track record with years of collective experience.

Motus will be reported as a discontinued operation in the financial year ended 30 June 2018.

5. Salient dates and stakeholder engagement

The Unbundling is presumed to constitute a section 112 disposal in terms of the Companies Act, and as such Imperial is required to consider the provisions of the Companies Act and Takeover Regulations in implementing the Unbundling. The Unbundling will result in Shareholders holding a direct interest in Motus through Motus Holdings rather than holding that interest through Imperial.

It is anticipated that the Proposed Transaction will be implemented during the fourth quarter of calendar 2018. In this regard, a general meeting for Shareholder approval of the Proposed Transaction will be convened on or about 30 October 2018. An Imperial circular and Motus pre-listing statement, setting out the key dates of the Proposed Transaction will be circulated to Shareholders on or about 30 September 2018.

A formal debt syndication process, engagement with Imperial's preference shareholders (noting, however, that holders of the preference shares do not vote on or participate in the Unbundling, and that such shares are not redeemable), and the bond holder engagement process will commence in July 2018.

Post the Unbundling, the existing structure of the Ukhamba broad-based black economic empowerment scheme will be replicated to ensure that all shareholders in Ukhamba Holdings Proprietary Limited ("**Ukhamba Holdings**") retain the same economic rights that they presently enjoy. Approval relating to a scheme of arrangement in this regard will be sought at a general meeting of the "A" shareholders and a combined general meeting of the shareholders of Ukhamba Holdings, which is anticipated to take place on or about the end of October 2018.

6. Cautionary announcement

If successfully concluded, the Proposed Transaction may have an effect on the price of Imperial's securities. Accordingly, Shareholders, preference shareholders and bond holders of Imperial Group Limited are advised to exercise caution when trading in their Imperial securities until a further announcement in this regard is made.

7. Executive management changes

In line with succession planning, on conclusion of the Proposed Transaction:

- Mr Osman Arbee will relinquish his role as CEO of Imperial and will remain the CEO of Motus;
- Mr Marius Swanepoel will undertake the role of CEO of Imperial, which will be renamed Imperial Logistics. Mr Swanepoel will retire as CEO in June 2019 and will remain as director to 31 December 2019. Mr Mohammed Akoojee, currently Chief Financial Officer ("CFO") of Imperial, will succeed Mr Swanepoel as CEO with effect from 1 July 2019;
- Mr Akoojee will be appointed as CEO Designate of Imperial Logistics to facilitate an orderly transition and handover;
- Mr George de Beer will undertake the role of CFO of Imperial Logistics; and
- Mr Ockert Janse van Rensburg will remain as CFO of Motus.

8. CONFERENCE CALL

Imperial management will be hosting a conference call for the investment community on 21 June at 14h00 CAT to further discuss this announcement.

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