

African Phoenix Investments Ltd Press release

18 February 2019

**African Phoenix finalises offer to shareholders to support its growth as an investment holding company**

African Phoenix Investments Ltd (African Phoenix), an investment holding company, managed primarily by black South Africans today proposes several transactions, intended to simplify the capital structure and support its investment initiatives primarily into medium sized private South African companies with strong cash flows and high growth potential.

The transactions include a repurchase of up to all of the preference shares at R37.50 per preference share by way of either a scheme of arrangement or voluntary repurchase. If all preference shares are repurchased, a total cash consideration of R507.1 million, funded out of African Phoenix current R1.2 billion cash position, is intended to be returned to preference shareholders.

Should the scheme of arrangement not pass for any reason, such as at least 75% of the preference shareholders voting in favour, the Board proposes a Voluntary Repurchase of up to all of the preference shares at R37.50 only from preference shareholders who elect to participate.

CEO Siya Nhlumayo explains, “African Phoenix’s inherited capital structure is not appropriate to our strategy. A preference shareholding in the old structure of African Bank Investments Ltd (the old ABIL) which included an operating bank (The old African Bank) made sense as the preference shares were akin to traditional bank funding structures. Since the departure from all banking related activities a simplified capital structure through a single class of shares will support and promote African Phoenix’s strategy to grow as an investment holding company”.

African Phoenix further intends to acquire a limited partnership interest in a private equity fund to be established as a South African *en commandite* partnership known as the API Capital Fund. An initial capital commitment of R500 million will be made from African Phoenix for investment by the API Capital Fund. The Fund will be managed by a Black-owned Fund Manager (BFM) and governed by strong corporate governance principles including the rights of African Phoenix as limited partner in the Fund. The BFM will be tasked to identify suitable assets to be invested into the API Capital Fund. After further investigation and due diligences, identified investments will be considered by the Investment Committee, comprised of a majority of independent non-executives with more than 60 years of collective investment experience in private equity. Final consideration of the investments will be vetted by the BFM board in line with the investment guidelines approved by the African Phoenix board and African Phoenix shareholders.

The establishment of the BFM structure will provide access to unique investment opportunities, in particular those that require B-BBEE shareholding that are not typically available to public market investors. Using the BFM structure, African Phoenix can 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. As part of the BFM structure African Phoenix intends to create a second class of non-voting, non-participating convertible B ordinary shares for the long term performance participation and alignment of the BFM with African Phoenix shareholders.

The Group will also adopt a new investment policy once approved by African Phoenix shareholders and similarly expects to be reclassified as an “Investment entity” in accordance with the FTSE review cycles in due course, which will better reflect the strategy of the Company.

Nhlumayo concluded, “we believe the BFM structure ensures long term alignment of African Phoenix, the management team (BFM) and African Phoenix shareholders. The African Phoenix board is of the opinion that a successful outcome of the proposed transactions will equip African Phoenix to realise its strategic objectives to become a successful black managed investment holding company. The Board recommends that shareholders vote in favour of all the resolutions at the general meeting on 20 March such that the Group can enhance shareholder value in the medium to long term.”

ENDS

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On behalf of Siyabonga Nhlumayo, CEO of African Phoenix Investments Ltd

Please refer to the SENS issued by African Phoenix today for salient terms of the proposed transactions. An FAQ and presentation are also available on the website.