The Directors
Dis-Chem Pharmacies Limited
23 Stag Road
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South Africa

11 July 2024

Dear Directors

Fairness opinion in connection with the proposed related party transaction between Dis-Chem Pharmacies Limited and the shareholders of OneSpark Proprietary Limited

1. Introduction

On 28 November 2023 Dis-Chem Pharmacies Limited ("Dis-Chem") made a non-binding indicative offer ("NBIO") to OneSpark Holdings Incorporated ("HoldCo"), the sole shareholder of OneSpark Proprietary Limited ("OneSpark" or "the Company") to acquire a 50% interest in the ordinary shares of OneSpark ("the Proposed Transaction"). We understand that certain Dis-Chem directors are shareholders of HoldCo and therefore HoldCo is considered a related party to Dis-Chem as defined in section 10.1 (b) (ii) of the JSE Limited ("JSE") Listings Requirements.

In terms of the JSE Listings Requirements section 10.7, *"in the case of a transaction with a related party where the transaction value as a percentage of market capitalisation is less than or equal to 5% but exceeds 0.25%, the transaction is classified as a small, related party transaction."*

Since the ratio of the Proposed Transaction consideration divided by the aggregate market value of all the listed equity securities, excluding treasury shares of Dis-Chem, is less than 5% but exceeds 0.25%, the provisions of section 10.7 of the JSE Listings Requirements apply.

Therefore, in accordance with paragraph 10.7 (b) of the JSE Listings Requirements the issuer is to "*provide the JSE with written confirmation from an independent professional expert acceptable to the JSE that the terms of the proposed transaction with the related party are fair as far as the shareholders of the issuer are concerned*".

The board of directors of Dis-Chem ("the Board") has therefore requested PricewaterhouseCoopers Corporate Finance Proprietary Limited ("PwC") to act as independent professional expert in terms of the JSE Listings Requirements.

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2. Description of the Proposed Transaction

Management of Dis-Chem ("Management") indicated that the Proposed Transaction will allow Dis-Chem access to the life insurance sector, while leveraging Dis-Chem's wide customer base.

Subject to the fulfilment of the conditions precedent ("CPs") of the Proposed Transaction as set out in the Share Subscription Agreement ("SSA"), it is envisaged that Dis-Chem will subscribe for 1,000,000 OneSpark A ordinary shares, which will result in Dis-Chem being a holder of 50% of OneSpark's issued share capital ("the Subscription Shares"). According to clause 1.1.63 of the SSA, the subscription consideration payable by Dis-Chem to HoldCo is estimated to be R155,940,228 ("the Subscription Consideration").

According to the New Memorandum of Incorporation ("the New MOI") section 31.1, the business and affairs of the Company will be managed by or under the direction of the OneSpark board, which shall have the authority to exercise all of the powers and perform all of the functions of the Company, except to the extent that the Companies Act or the MOI provides otherwise. Dis-Chem shall be entitled, by giving written notice to that effect to the Company from time to time, to: (i) nominate candidates for the appointment of 3 directors; and (ii) appoint one alternate director to each of the 3 directors elected as such pursuant to Dis-Chem's nomination. In addition, OneSpark US shall be entitled, by giving written notice to that effect to the Company from time to time, to: (i) nominate candidates for the appointment of 9 directors; and (ii) appoint one alternate director to each of the 9 directors elected as such pursuant to OneSpark US's nomination.

In terms of section 37.6 of the New MOI, at any meeting of the OneSpark board, each director shall have one vote for every A ordinary share held by the A ordinary shareholder/s that nominated such director; provided that, if any A ordinary shareholder nominated more than one director and more than one such director is present at such meeting, then each such director present at the meeting is entitled to cast such number of votes as is equal to the number that could have been cast if only one such director was present, divided by the number of such directors (as nominated by the relevant A ordinary shareholder) who are present.

Dis-Chem's rights and economic interest in OneSpark pursuant to the Proposed Transaction are summarised as follows:

- After the Closing Date, Dis-Chem will hold 50% of the shares issued by OneSpark;
- Each ordinary share will be entitled to exercise 1 vote on any matter to be decided by the shareholders and to participate equally with every other ordinary share in any distribution;
- Dis-Chem will be entitled to nominate 3 of the 12 Directors to the Board;
- In accordance with the New MOI, the business and affairs of OneSpark shall be managed by or under the direction of the Board, which shall have the authority to exercise all of the powers and perform all of the functions of OneSpark;
- Based on the terms of section 37.6 of the New MOI, as set out above, the voting rights of the directors are such that Dis-Chem and Holdco jointly control the Company's board;
- In the case of a deadlock between the directors, the vote is put to an ordinary resolution of the Shareholders, of which Dis-Chem has 50%; and
- OneSpark will not be consolidated by Dis-Chem post the Proposed Transaction.

Therefore, based on the terms of the SSA, the SHA and the New MOI, we concluded that Dis-Chem would be acquiring a joint controlling interest in OneSpark and have performed the valuation on a non-marketable, joint controlling basis.

3. Definition of Fairness

The JSE requires an opinion on fairness which, in the case of the Proposed Transaction where the issuer is the purchaser, would be considered Fair should the Market Value of the interest in OneSpark be greater than or equal to the consideration paid by Dis-Chem.

The Proposed Transaction would therefore be Fair if the purchase consideration payable is less than or equal to the Market Value of a 50% interest in OneSpark, on a non-marketable, joint controlling basis. Therefore, as part of the process in determining whether the Proposed Transaction will be Fair, we estimated the Market Value, as defined below, of a 50% joint controlling interest in OneSpark and compared this value to the total consideration to be paid. Our valuation analysis was performed as at 31 December 2023 ("the Valuation Date").

Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Fairness is primarily based on quantitative issues but certain qualitative issues surrounding the particular transaction may also need to be considered in arriving at our conclusion on the reasonability of the Proposed Transaction.

This Fairness opinion does not purport to cater for individual shareholders' positions but rather the general body of shareholders. Should a shareholder be in doubt, they should consult an independent adviser as to the merits of the Proposed Transaction.

4. Sources of Information

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from Dis-Chem and OneSpark management ("Management"), and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our valuation include:

- OneSpark – Dis-Chem Share Subscription Agreement dated 28 May 2024;
- OneSpark South Africa amended Memorandum of Incorporation dated 28 May 2024;
- OneSpark South Africa Shareholders Agreement dated 28 May 2024;
- NBIO relating to the acquisition of the 50% interest in the OneSpark business by Dis-Chem;
- Audited annual financial statements for OneSpark for the years ended 31 December 2020 to 31 December 2022;
- OneSpark's management accounts for the years ended 31 December 2021, 31 December 2022 and 31 December 2023;

- OneSpark's income forecast for a five-year period as well as a 10 year forecast of premium income contained in the forecast plan;
- Board presentations and other presentations relating to the transaction and forecast assumptions obtained from Management;
- Deferred tax calculation for OneSpark as at 31 December 2022 and the assessment of the assessed loss balances from Management as at 31 December 2022;
- Discussions with Management;
- For our macroeconomic research we used the following sources:
  - International Monetary Fund, South African Reserve Bank, ABN AMRO, Investec, Bureau for Economic Research, Focus Economics, Oxford Economics, FNB, Standard Bank, S&P Global, Fitch Solutions, IDC, Absa Bank, Nedbank, National Treasury, OECD, Investec, Barclays, Standard Charter, UBS, Fitch Ratings, Citigroup, BNP Paribas, Capital Economics, DekaBank Deutsche Girozentrale, Morgan Stanley, Deutsche Bank, HSBC Holdings, FrontierView, Goldman Sachs Group, Julius Bare, Bank of America Merrill Lynch and Bloomberg; and
- Analysis of first and second stage new business hurdle rates obtained from various sources, including:
  - London Business School, Venture Capital in the United Kingdom, 1994;
  - Harvard Business School Study, Insights from American Venture Capital Organisation, 1991;
  - Article by William Bygrave of the Centre for Entrepreneurial Studies, Babson College, Massachusetts published in the 20 October 1997 edition of Business Review Weekly;
  - Stern School of Business, New York University, Valuing Young, Start-up and Growth Companies: Estimation Issues and Valuation Challenges, 2009;
  - Plummer, QED Report on Venture Capital Financial Analysis, 1989;
  - Scherlis and Sahlman, A method for Valuing High-Risk, Long Term, Investments: The Venture Capital Method, 1998;
  - Sahlman, Stevenson, and Bhide, Financing Entrepreneurial Ventures, 1998;
  - Manigart and Witmeur, Venture Capital guide for Belgium, 2009; and
  - PwC Valuation Methodology Survey, 5th Edition.
- PwC Valuation Methodology Survey, 10th Edition; and
- Representations made by Management.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with Management.

Our procedures and enquiries did not constitute an audit in terms of the International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

5. Valuation Approach

For the purposes of our valuation, we used the Income Approach (discounted cash flow valuation) as our primary approach to value OneSpark. This analysis included considering the financial forecasts for each of the three product types offered by OneSpark.

This was followed by a consolidation of the income streams from the three products, resulting in the dividends forecast to accrue to OneSpark from the cell captive. We also considered the income, operating costs, capital expenditure and taxes to be generated by or incurred by OneSpark outside of the cell captive to determine the Market Value of a 50% interest in OneSpark on a non-marketable, joint controlling basis.

Due to the stage of the business, considering it is currently loss-making and in its high growth phase, we have not performed a Market Approach. However, we considered the Net Assets Approach (based on the concept of replacement or reproduction cost as an indicator of Market Value) as an alternative valuation approach to support the results of our Income Approach analysis.

The starting point of our analysis was OneSpark management’s current budgets and business plans available at the time of our analysis. The key valuation assumptions considered in our Income Approach analysis included forecast assumptions in respect of revenue growth, cost growth and profit margins, taxation, capital expenditure, working capital requirements, the terminal growth rate and a risk adjusted discount rate calculated for OneSpark. The discounted cash flow valuation was performed taking cognisance of risk and other market and industry factors affecting OneSpark’s operations. The risk analysis included, but was not limited to, the operating environment in which OneSpark operates, the current economic climate and the overall expected returns on similar shares in the market. Prevailing market and industry conditions were also considered in assessing the risk profile of OneSpark. The financial forecasts were discounted at a risk adjusted discount rate of 35% to arrive at the present value of future cash flows of the business, and we applied a terminal growth rate of 4.7%, in line with our consensus view on the long-term Consumer Price Index (“CPI”) in South Africa.

The valuation of OneSpark is driven by the following key internal factors:

- Forecast policy growth per product type based in the cell captive;
- Premium growth per product type based in the cell captive;
- Lapse ratios per product type;
- Retention rates (percentage of risk retained and not re-insured);
- Fixed and variable cost assumptions for the cell captive;
- Fixed and variable cost assumptions for OneSpark;
- Profit before tax margins;
- Taxation assumptions at the South African income tax rate; and

- Forecast capital expenditure.

The valuation of OneSpark is driven by the following key external factors:

- OneSpark's forecast market share assumptions,
- Assumptions on forecast CPI inflation in South Africa, with long term consensus forecast inflation of 4.7%; and
- A risk adjusted discount rate.

The Net Assets Approach is based on the premise that the equity contributions to date are an indicator of the cost that an investor would be willing to incur for the creation of a similar asset to OneSpark.

We tested the sensitivity of the valuation to changes in the hurdle rate and the terminal growth rate applied. In respect of the valuation of OneSpark, we found that a variance of 1% in the hurdle rate resulted in a variation of 7.1% in the Market Value of the equity of OneSpark, and a variation of 1% in the terminal growth rate resulted in a variation of 1.2% in the Market Value of the equity of OneSpark.

In respect of the valuation of OneSpark, we considered scenarios in respect of the above key internal and external economic factors. These scenarios were used to determine the concluded value ranges in respect of OneSpark that formed the basis of our Fairness opinion.

6. Procedures

The procedures we performed comprised the following:

- Analysis of the terms and conditions of the Proposed Transaction as contained in the NBIO, the final MOI, the signed Shareholders Agreement and the signed Share Subscription Agreement;
- Consideration of conditions in, and the economic outlook for, the industry in which OneSpark operates;
- Consideration of general market data including economic, governmental and environmental forces that may affect the value of OneSpark;
- Discussions concerning the historical and future operations of OneSpark with Management;
- Discussions with OneSpark's management to obtain an explanation and clarification of data provided;
- Consideration of the operating and financial results of OneSpark and its operating banners (including audited financial statements covering three years up to the date of valuation);
- Analysis of financial and operating projections including number of policies, premiums, operating margins (e.g., profit before taxes), working capital investments and capital expenditures based on the historical operating results of OneSpark, industry results and expectations and management representations. Such projections will form the basis for a discounted cash flow analysis;
- Estimation of appropriate valuation discounts or premiums (e.g., marketability and controlling or minority interest) to apply to the results of our valuation analysis;

- Analysis of the historical equity contributions in respect of OneSpark. This formed the basis of our Net Assets Approach; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of value.

7. Assumptions

Our opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions in South Africa will not change materially;
- OneSpark is not involved in any other material legal proceedings other than those conducted in the ordinary course of business;
- OneSpark has no material outstanding disputes with the South African Revenue Service;
- There are no undisclosed contingencies that could affect the value of OneSpark;
- The Proposed Transaction will not give rise to any undisclosed tax liabilities that OneSpark will be required to settle;
- For the purposes of this engagement, we assumed OneSpark's existing businesses to be ongoing under current business plans and management; and
- Representations made by Management during the course of forming this opinion.

8. Opinion

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by Management up to 12 June 2024. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Based upon our analysis, subject to the foregoing and after taking into account all financial and non-financial considerations, we are of the opinion that the terms and conditions in respect of the Proposed Transaction are Fair to the ordinary shareholders of Dis-Chem.

9. Independence

We confirm that PwC holds no shares in Dis-Chem or OneSpark, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in Dis-Chem or in the outcome of the Proposed Transaction.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent on the outcome of the Proposed Transaction.

We also confirm that we have the necessary qualifications and competence to provide the Fairness opinion.

10. Material interests of directors and trustees

In accordance with sections 114(3)(e) and (f) of the Companies Act, we confirm that directors' interests in OneSpark are as follows:

Name of director	Direct Beneficial Interest	Indirect Beneficial Interest
Saul Eytan Saltzman and Ivan Leon Saltzman (Executive Directors)	-	11.9988%
Joe Mthimunye (Non-executive Director)	-	1.5%
Lawrence Michael Nestadt (Chairman)	-	0.00007%

The Proposed Transaction has the same effect on the OneSpark ordinary shares held by such directors that it has on the OneSpark ordinary shares held by other shareholders.

11. Limiting conditions

This letter and opinion have been prepared solely for the Board in connection with, and for the purposes of, the Transaction in terms of Section 10.7 (b). Therefore, it shall not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used for anything other than their intended purpose.

While our work has involved an analysis of financial information and the preparation of financial models, our engagement does not include an audit in accordance with International Standards on Auditing of the business records and financial data of OneSpark. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement. Further, whilst we consider our opinion to be defensible based on the information available to us others may have a different view and arrive at a different conclusion.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of OneSpark.

12. Consent

We hereby consent to the inclusion of our independent expert's report in any required regulatory announcement or documentation.

Yours sincerely

Matthew Human

Matthew Human
Director