

WELKOM YIZANI INVESTMENTS (RF) LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/021434/06)

Ordinary Short Code: WY

("Welkom")



FIRM INTENTION ANNOUNCEMENT IN RESPECT OF AN OFFER TO ORDINARY SHAREHOLDERS TO PURCHASE THEIR SHARES AND DELIST WELKOM FROM EESE (AS DEFINED BELOW)

1. Introduction

- 1.1 The board of directors of Welkom (the "**Welkom Board**") has received a binding offer ("**Binding Offer**") from Media24 Holdings Proprietary Limited ("**Media Holdings**") to, amongst others, acquire all of the Welkom ordinary shares ("**Welkom Shares**") from Welkom ordinary shareholders ("**Welkom Shareholders**") for a cash consideration of R15.70 per Welkom Share.
- 1.2 After due consideration and independent advice, the Welkom Board has accepted the Binding Offer and accordingly resolved to propose a transaction to Welkom Shareholders comprising:
- 1.2.1 an offer from Media Holdings to all Welkom Shareholders to acquire all of their Welkom Shares for a cash consideration of R15.70 per Welkom Share ("**Scheme Consideration**"), in accordance with the provisions of section 114(1)(c) of the Companies Act, No. 71 of 2008, as amended ("**Companies Act**") and section 3.5(b) of the Listings Requirements of the Equity Express Securities Exchange Proprietary Limited ("**EESE**") ("**Listings Requirements**"), to be effected by way of a scheme of arrangement ("**Scheme**"); and
- 1.2.2 the subsequent delisting of all of the issued ordinary shares in Welkom from the securities exchange operated by EESE, in terms of section 3.5(b) of the Listings Requirements ("**Delisting**"), pursuant to the implementation of the Scheme.
- 1.3 In terms of the Binding Offer, the implementation of the Scheme will be preceded by a repurchase by Media Holdings of 5 839 999 of its ordinary shares held by Welkom (constituting 6% of Media Holdings' issued share capital) for a repurchase consideration of R15.70 per Media Holdings ordinary share ("**Repurchase**"). The Repurchase is required given that Welkom holds 15% of the entire issued share capital of Media Holdings and upon implementation of the Scheme (absent the Repurchase), Media Holdings would indirectly hold 15% of its own shares via a subsidiary (being Welkom after implementation of the Scheme), which is not permissible in terms of section 48(2)(b)(i) of the Companies Act. The effect of the Repurchase is to reduce Media Holdings' indirect shareholding in itself to below the 10% threshold permitted under the Companies Act. Accordingly, Welkom and Media Holdings have entered into a repurchase agreement to document the terms and conditions of the Repurchase ("**Repurchase Agreement**"). The Repurchase and the Scheme are inter-conditional.
- 1.4 The contents of this announcement ("**Firm Intention Announcement**") constitute a firm intention by Media Holdings to make the Binding Offer to Welkom Shareholders pursuant to the Scheme, as contemplated in Chapter 5 of the Companies Act and Chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act (which includes the "**Takeover Regulations**" issued pursuant to sections 120 and 223 of the Companies Act) ("**Companies Regulations**").
- 1.5 Welkom has constituted an independent board of directors ("**Welkom Independent Board**") for purposes of the Scheme, including, evaluating the terms and conditions of the Scheme and advising Welkom Shareholders thereon as required by the Takeover Regulations. The Welkom Independent Board comprises Mr Ashoek Hoosain Adhikari,

Mrs Kgomotso Ditsebe Moroka and Mr Mooketsi Motsisi, each of which has been appointed by the Welkom Board as required in terms of regulation 108(9) of the Takeover Regulations, pursuant to the provisions of section 68(3) of the Companies Act and the Welkom memorandum of incorporation (“**MOI**”).

- 1.6 The Welkom Independent Board and the Welkom Board are in unanimous support of the Scheme and recommend that Welkom Shareholders vote in favour of all necessary resolutions (including the Scheme Resolution (as defined below)).
- 1.7 The purpose of this Firm Intention Announcement is to advise Welkom Shareholders of the Binding Offer and in particular the terms and conditions of the Scheme.

2. **Rationale for the Scheme**

- 2.1 Although since the inception of the Welkom empowerment structure in 2006, Welkom Shareholders have realised a gross internal rate of return of about 7% (or almost 2x their initial investment) before any final exit value, the Welkom Board has noted the difficulty to otherwise realise value by Welkom Shareholders which is compounded by the illiquidity of the Welkom Shares on EESE, with less than 0.01% of the Welkom Shares traded daily and the restrictions applicable to the trading of Welkom Shares pursuant to the MOI.
- 2.2 Media Holdings, the Welkom Board and the Welkom Independent Board believe that the Scheme provides an opportunity for Media Holdings to transfer further value to Welkom Shareholders and therefore, provides Welkom Shareholders with a valuable liquidity event (by converting their shareholding into cash), noting that some Welkom Shareholders have been invested in Welkom for nearly 14 years.
- 2.3 The Scheme also presents, amongst others, the following key benefits for Welkom Shareholders:
 - 2.3.1 it provides an opportunity to Welkom Shareholders to sell their Welkom Shares in a single transaction to a single buyer;
 - 2.3.2 it provides an opportunity for Welkom Shareholders to sell their Welkom Shares at a price which would likely be higher than that of an open market sale; and
 - 2.3.3 the Scheme Consideration:
 - (i) constitutes a buy-out premium of 74.4% based on Welkom’s closing share price of R9.00 on 2 November 2020, being the day preceding the cautionary announcement issued on EESE-News (“**Cautionary Announcement**”); and
 - (ii) constitutes a realisable cash premium of 76.6% to Welkom’s 30-day volume weighted average price on the day preceding the Cautionary Announcement; and
 - (iii) constitutes a 80.6% premium to Welkom’s 60-day volume weighted average price on the day preceding the Cautionary Announcement; and
 - (iv) exceeds the highest price at which the Welkom Shares traded over a 52 week period preceding the Cautionary Announcement by 30.9%.
- 2.4 Welkom Shareholders, that have been invested since Welkom’s inception, will realise a gross internal rate of return of 11.3% (or 3.6x their initial investment) over the life of the Welkom Yizani empowerment scheme.
- 2.5 Further, and as a key outcome for both Welkom and Media Holdings, the Scheme (and the subsequent Delisting) will reduce administration and regulatory reporting requirements and associated costs incurred due to Welkom being a publicly listed entity.

3. Terms and Conditions of the Scheme

The Scheme constitutes an “*affected transaction*” as defined in section 117(1)(c)(iii) of the Companies Act, and as such the Scheme is regulated by the Companies Act and the Companies Regulations. The salient terms of and other information pertaining to the Scheme are set out below:

3.1 Terms of the Scheme

3.1.1 The Scheme will be proposed by the Welkom Board between Welkom and Welkom Shareholders, and involves Media Holdings as the offeror.

3.1.2 The Scheme will be subject to the fulfilment of the Scheme Conditions Precedent (as defined below) set out in paragraph 3.3 below.

3.1.3 In the event that the Scheme becomes operative and is implemented in accordance with its terms, Welkom Shareholders, excluding those Welkom Shareholders who validly exercise their appraisal rights in accordance with section 164 of the Companies Act as a consequence of the approval of the Scheme and whose shareholder rights have not been reinstated as envisaged in sections 164(9) and 164(10) of the Companies Act or who have not been ordered by any South African court of competent jurisdiction (“**Court**”) to withdraw their demands in terms of section 164(15)(c)(v)(aa) of the Companies Act (“**Scheme Participants**”), will be deemed to have disposed of all of their Welkom Shares to Media Holdings at the Scheme Consideration, such that Media Holdings will acquire all of the Welkom Shares previously held by the Welkom Shareholders.

3.1.4 Following implementation of the Scheme, the listing of all Welkom Shares on EESE will be terminated in accordance with section 3.5(b) of the Listings Requirements.

3.2 Scheme Consideration

Welkom Shareholders will receive the Scheme Consideration, in the amount of R15.70 per Welkom Share held by such Welkom Shareholders on the Scheme record date.

3.3 Scheme Conditions Precedent

3.3.1 The implementation of the Scheme is subject to the fulfilment or waiver, as the case may be, of the following conditions (“**Scheme Conditions Precedent**”) by no later than Wednesday, 30 June 2021 (“**Longstop Date**”):

3.3.1.1 all approvals, consents or waivers from those South African regulatory authorities as may be necessary for Welkom to implement the Scheme, including the Takeover Regulation Panel (“**TRP**”) (by means of the issue of a compliance certificate in terms of section 121(b)(i) of the Companies Act), are obtained on an unconditional basis or, to the extent that any such regulatory approvals, consents or waivers are obtained subject to any condition or qualification, Media Holdings (to the extent that it is adversely affected by the condition or qualification) confirms in writing that the condition or qualification is acceptable to it, which confirmation shall not be unreasonably withheld or delayed;

3.3.1.2 all necessary Welkom Shareholder approvals and/or resolutions as may be necessary to give effect to the Scheme have been obtained, including, but not limited to, the special resolution at the general meeting of Shareholders (“**Welkom General Meeting**”) in order to consider and, if deemed fit, pass, the special resolution in accordance with section 115(2) of the Companies Act (the “**Scheme Resolution**”);

- 3.3.1.3 Welkom has not elected to treat the Scheme Resolution as a nullity pursuant to section 115(5)(b) of the Companies Act;
- 3.3.1.4 in the circumstances where Welkom has not elected to treat the Scheme Resolution as a nullity pursuant to section 115(5)(b) of the Companies Act, a Court has granted its approval of the Scheme pursuant to section 115(3) of the Companies Act in circumstances where:
- 3.3.1.4.1 the Scheme Resolution is opposed by 15% or more of the voting rights that were exercised in respect of the Scheme Resolution; and
- 3.3.1.4.2 a Welkom Shareholder who voted against the Scheme Resolution requires Welkom, within five business days after the vote, to seek Court approval pursuant to section 115(3)(a) of the Companies Act;
- 3.3.1.5 no Welkom Shareholder who voted against the Scheme Resolution applies to Court within 10 business days after the vote for leave to apply for a review of the Scheme in accordance with the requirements of section 115(3)(b) of the Companies Act and section 115(6) of the Companies Act;
- 3.3.1.6 Welkom and Media Holdings (acting jointly) waive the Scheme Condition Precedent in paragraph 3.3.1.5 and the Court does not grant leave to any Welkom Shareholder to apply to Court for a review of the Scheme, as contemplated in sections 115(3)(b), 115(6) and 115(7) of the Companies Act;
- 3.3.1.7 Welkom and Media Holdings (acting jointly) waive the Scheme Condition Precedent in paragraph 3.3.1.6 and the Court approves the Scheme Resolution pursuant to section 115(7) of the Companies Act;
- 3.3.1.8 in relation to any objection to the Scheme by Welkom Shareholders:
- 3.3.1.8.1 no Welkom Shareholders give notice objecting to the Scheme, as contemplated in section 164(3) of the Companies Act and vote against the Scheme at the Welkom General Meeting; or
- 3.3.1.8.2 if Welkom Shareholders give notice objecting to the Scheme as contemplated in section 164(3) of the Companies Act and vote against the Scheme at the Welkom General Meeting, the relevant Welkom Shareholders do not hold more than 10% of all of the Welkom Shares; or
- 3.3.1.8.3 if Welkom Shareholders holding more than 10% of all the Welkom Shares give notice objecting to the Scheme, as contemplated in section 164(3) of the Companies Act, and vote against the Scheme at the Welkom General Meeting, the relevant Welkom Shareholders do not exercise their appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act within 30 business days following the Welkom General Meeting, in respect of more than 10% of all the Welkom Shares;
- 3.3.1.9 the Repurchase Agreement is entered into between Media Holdings and Welkom and such agreement has become unconditional in accordance with its terms (save for any suspensive condition therein requiring the Scheme to become unconditional), and which shall require the approval of Media Holdings shareholders (including Welkom Shareholders by virtue of the proxy mechanism contained in the Media Holdings shareholders agreement and memorandum of incorporation ("**Proxy Mechanism**")) by way of special resolution.

3.3.2 Unless stated otherwise, any one or more of the conditions stipulated in paragraphs 3.3.1.3, 3.3.1.4, 3.3.1.5, 3.3.1.6, 3.3.1.7, 3.3.1.8 and 3.3.1.9 may be waived (in whole or in part) by Welkom and Media Holdings (acting jointly). The remaining Scheme Conditions Precedent stipulated above are not capable of waiver. The Longstop Date may be extended by agreement between Welkom and Media Holdings, subject to any approval as may be required from the TRP. Any extension of the Longstop Date will be announced on EESE-News and Welkom's website.

4. **Concert Parties**

Media Holdings is the offeror in terms of the Scheme and it is not acting in concert with any other party.

5. **Irrevocable Undertakings**

As at the date of this Firm Intention Announcement, no Welkom Shareholder has provided an irrevocable undertaking to vote their Welkom Shares, which are either held as principal or on behalf of clients, in favour of the Scheme Resolution and such additional number of Welkom Shares as they may hold at the time of the Welkom General Meeting.

6. **Funding Confirmation**

In accordance with regulation 111(4) and 111(5) of the Takeover Regulations, Media Holdings has procured from The Standard Bank of South Africa Limited and has delivered to the TRP, an irrevocable, unconditional cash confirmation in respect of the maximum possible Scheme Consideration.

7. **Independent Expert and Fair and Reasonable Opinion**

In accordance with section 114(2) of the Companies Act and regulation 90 of the Companies Regulations, the Welkom Independent Board has appointed Questco Corporate Advisory Proprietary Limited as the independent expert ("**Independent Expert**") to provide the Welkom Board and the Welkom Independent Board with external advice in relation to the Scheme, in the form of an independent expert report as required in terms of section 114(3) of the Companies Act and a fair and reasonable opinion as required by and in compliance with the Takeover Regulations, and will be made available to Welkom Shareholders in due course as part of the Welkom Shareholder circular to be issued by Welkom.

8. **Welkom Board Support**

All members of the Welkom Board have indicated that they will vote in favour of the Scheme in respect of all of the Welkom Shares that they may own and/or control.

9. **Responsibility Statement**

9.1 The Welkom Independent Board and the Welkom Board, individually and collectively, accept full responsibility for the accuracy of the information contained in this Firm Intention Announcement which relates to Welkom, the Scheme and the Delisting, and certify that, to the best of their knowledge and belief, such information is true and this Firm Intention Announcement does not omit any facts that would make any of the information materially false or misleading or would be likely to affect the importance of any information contained in this Firm Intention Announcement.

9.2 The Welkom Independent Board and the Welkom Board have made all reasonable enquiries to ascertain that no facts have been omitted and this Firm Intention Announcement contains all information required by law, the Companies Act and the Listings Requirements.

10. Scheme Circular to Welkom Shareholders

- 10.1 A circular providing full details of the Scheme and the Delisting and containing a notice of the Welkom General Meeting, the report by the Independent Expert, the recommendations of the Welkom Independent Board and the Welkom Board, the salient dates and times relating to the Scheme and the Delisting, and the necessary forms in order to effect the Scheme ("**Welkom Circular**"), will be distributed to Welkom Shareholders on or about Monday, 14 December 2020.
- 10.2 The Welkom Circular will also include, or be attached to, a separate circular issued by Media Holdings ("**Media Holdings Circular**") in respect of the Repurchase and which will contain a notice of Media Holdings general meeting to convene a meeting of Media Holdings shareholders to consider and, if thought fit, approve the Repurchase as a pre-condition to the Scheme ("**Media Holdings General Meeting**"). Welkom Shareholders will also be entitled to vote on the Repurchase by virtue of the Proxy Mechanism, details of which will be contained in the Media Holdings Circular.
- 10.3 The Media Holdings General Meeting and the Welkom General Meeting will be held entirely via electronic facility/communication in terms of section 63(2)(a) of the Companies Act given the impact of COVID-19 on in-person meetings and is expected to be held on the same day, on a back-to-back basis on or about Friday, 22 January 2021. A further announcement setting out details to enable Welkom Shareholders or their proxies to access the electronic Media Holdings General Meeting and the Welkom General Meeting will be published in due course.

11. Salient Dates and Times

At the date of this Firm Intention Announcement, the salient dates and times in relation to the Scheme and Delisting are anticipated to be as follows:

	2020/2021
Record date to determine which Welkom Shareholders and Media Holdings shareholders are eligible to receive the Welkom Circular and the Media Holdings Circular	Friday, 4 December
Welkom Circular and notice of Welkom General Meeting and Media Holdings Circular and notice of Media Holdings General Meeting posted to Welkom Shareholders and Media Holdings shareholders and published on EESE-News and Media Holdings website and Welkom's website on	Monday, 14 December
Last day to trade Welkom Shares in order to be recorded in the register to attend, participate in and vote at the Welkom General Meeting on	Friday, 15 January
Record date for Welkom Shareholders and Media Holdings shareholders to be recorded in the register in order to be eligible to attend, participate in and vote at the Media Holdings General Meeting and the Welkom General Meeting, by close of trade on	Friday, 15 January
Last day and time to lodge Forms of Proxy (<i>yellow</i>) with Singular Systems Proprietary Limited (" Transfer Secretaries ") by 10:00 on (<i>refer to note 3 below</i>)	Wednesday, 20 January
Last day for Welkom Shareholders to give notice to Welkom of their objections to the Scheme Resolution in terms of section 164(3) of the Companies Act by no later than 10:00 on	Friday, 22 January
Media Holdings General Meeting to be held at 09:30 on	Friday, 22 January

Welkom General Meeting to be held at 10:00 on	Friday, 22 January
Results of the Media Holdings General Meeting and the Welkom General Meeting released on EESE-News and Media Holdings website and Welkom's website on or about	Friday, 22 January
<i>If the Repurchase is approved by Media Holdings shareholders at the Media Holdings General Meeting and the Scheme is approved by Welkom Shareholders at the Welkom General Meeting:</i>	
Last day for Media Holdings Shareholders who voted against the Repurchase and Welkom Shareholders who voted against the Scheme to require Media Holdings and Welkom to seek Court approval for the Repurchase and the Scheme in terms of section 115(3)(a) of the Companies Act, if at least 15% of the total votes of Media Holdings shareholders and Welkom Shareholders at the Media Holdings General Meeting and the Welkom General Meeting were exercised against the Repurchase resolution and the Scheme Resolution on	Friday, 29 January
Last day for Media Holdings Shareholders (who voted against the Repurchase) and Welkom Shareholders (who voted against the Scheme) to be granted leave by a Court for a review of the Repurchase and the Scheme in terms of section 115(3)(b) of the Companies Act if the Repurchase resolution and the Scheme Resolution is approved by Media Holdings shareholders and Welkom Shareholders at the Media Holdings General Meeting and the Welkom General Meeting respectively (where applicable) on	Friday, 5 February
Last day for Welkom to give notice of adoption of the Scheme Resolution approving the Scheme to dissenting Welkom Shareholders in accordance with section 164(4) of the Companies Act on	Friday, 5 February
<i>The following dates assume that no Court approval or review of the Repurchase and the Scheme is required and all other Repurchase conditions precedent and Scheme Conditions Precedent are fulfilled or waived (to the extent applicable):</i>	
Finalisation announcement with regard to the Repurchase and the Scheme and the Delisting published on EESE-News and on Media Holdings website and Welkom's website before 10:00 (assuming no Media Holdings shareholder and Welkom Shareholder exercises their right in terms of section 115(3)(a) or section 115(3)(b) of the Companies Act) expected to be on or about	Friday, 12 February
Expected last day to trade, being the last day to trade Welkom Shares on EESE in order to participate in the Scheme	Friday, 26 February
Expected Scheme Consideration Record Date, being the date on which Scheme Participants must be recorded in the Register to receive the Scheme Consideration, by close of trade on	Friday, 26 February
Expected <i>Implementation Date</i> of the Repurchase on or about	Monday, 1 March
Expected <i>Operative Date</i> of the Scheme on or about	Monday, 1 March
Scheme Participants expected to have their accounts credited with the Scheme Consideration on or about (<i>refer to note 6 below</i>)	Monday, 1 March
Expected date for termination of listing of the Welkom Shares in terms of the Scheme from the commencement of trade on EESE on	Tuesday, 2 March

Notes:

1. All of the above dates and times are subject to change, with the approval of EESE and the TRP, if required. The dates have been determined based on certain assumptions regarding the dates by which certain regulatory approvals including, but not limited to, that of EESE and the TRP, will be obtained and that no Court approval or review of the Scheme will be required. Any change will be released on EESE-News, Media Holdings website and Welkom's website.
2. All times given in this Circular are local times in South Africa.

By order of the Welkom Board

Cape Town
Friday, 27 November 2020

Financial/Corporate Advisor to Media Holdings
Investec Bank Limited

Legal and Tax Advisor to Media Holdings and Welkom
Webber Wentzel Inc.

Independent Expert to Media Holdings
Deloitte & Touche

Independent Expert to Welkom
Questco Corporate Advisory Proprietary Limited

Transfer Secretaries to Media Holdings and Welkom
Singular Systems Proprietary Limited