

ACQUISITION OF ASSETS

1. INTRODUCTION

RH Bophelo is pleased to announce that on 20 November 2017, it entered into acquisition agreements (including addendums) (“**Agreements**”), whereby on the fulfilment or waiver of the conditions precedent in these Agreements, will see RH Bophelo acquire:

- a 76% equity holding in a newly formed holding company (“**VPH HoldCo**”). VPH HoldCo will then use these proceeds to capitalise three Intermediary holding companies (by way of shareholder loans), such that the intermediary holding companies can acquire the businesses of three operating entities, being Vryburg Private Hospital Equipment Trust (“**VPHET**”), Vryburg Private Hospital Property Trust (“**VPHPT**”) and Vryburg Private Hospital Trust (“**VPHT**”) (the “**VPH Acquisition**”); and
- a 60% equity holding in Africa Healthcare Proprietary Limited (“**AHC**”) (the “**AHC Acquisition**”).

The effective date of: (i) the VPH Acquisition will be the date on which the conditions precedent to the VPH agreements have been fulfilled or waived (as the case may be); and (ii) the AHC Acquisition will be either the last business day of the calendar month in which the conditions precedent are fulfilled or waived (as the case may be) or the last business day of the immediately succeeding calendar month in which the conditions precedent are fulfilled or waived (as the case may be) (as determined in accordance with the relevant AHC agreements).

2. INFORMATION ON VPHET, VPHPT AND VPHT

VPHET, VPHPT and VPHT (collectively “**VPH**”) have been operational since 1992, serving a catchment area of 250 kilometres around Vryburg (North West Province) and is an independently owned private hospital. VPHET owns the hospital equipment, VPHPT owns the hospital property and VPHT carries out the hospital operations, rents the hospital complex from VPHPT and rents the hospital equipment from VPHET.

VPH currently has 18 doctors and is licensed for 44 beds, two operating theatres, one baby delivery room and is designed around one central nursing station with the following bed configuration:

- Obstetrics: six beds;
- Paediatrics: four beds;
- ICU/ High care: two beds; and
- Adult beds: 32 beds (Surgical beds: eight, General: 24 beds).

The sole beneficiary of each of VPHET, VPHPT and VPHT is the Vryburg Privaat Hospitaal Eiendoms Beperk, a private company majority owned by JJDW van der Merwe (“**VDM**”) (86%), with the remaining shareholding held by AJ Smit, R Khan, GL Strydom, S Ghoor, Y Ghoor, J Penny, the Molopo Trust and Histochem Lab Proprietary Limited, the resident medical practitioners in VPH who will be remaining as such post the transaction (the “**Remaining Doctors**”). The trustees of VPHET, VPHPT and VPHT are VDM, AJ Smit, R Khan, and GL Strydom.

3. INFORMATION ON AHC

AHC was established in 2014 as a medical facilities operating, management and services entity. AHC is a majority Black Woman-owned company (equity held by Dr. MJG Maholwana and SP van Huyssteen) that competes in the private and public healthcare sectors on a cost leadership and geographical coverage basis. AHC is a new entrant in the hospital management sector, however, it is strategically underpinned by management with extensive hospital operating expertise. The following is relevant to AHC:

- Owns and operates the St Helena Private Hospital, a 131 bed licenced hospital in Welkom and the Fountain Private Hospital, a 163 bed licenced hospital in Carletonville;
- Manages a 115 bed private hospital in Nelspruit as well as a managed care facility in Welkom;
- Medical facilities and services are provided from the St Helena Private Hospital and the Fountain Private Hospital in Welkom and Carletonville respectively;
- AHC Pharmacy provides pharmaceutical services to patients and corporate clients from the aforementioned hospitals;
- AHC Emergency services is a private ambulance service that provides services in Welkom and Carletonville; and
- AHC Complete Facilities Management provides facility management services to all other divisions of AHC.

Furthermore, AHC Nursing College, is a wholly-owned subsidiary of AHC and provides a comprehensive programme of nurse training and education that ranges from basic qualification to highly qualified nurses. The facility is located in Carletonville and is an accredited Institution of Higher Learning by the Department of Higher Education and Training and registered with the South African Nursing Council. AHC Nursing College boasts a heritage of over 60 years training high calibre students.

4. RATIONALE FOR THE VPH ACQUISITION AND AHC ACQUISITION

RH Bophelo’s rationale for the VPH Acquisition:

- Aligned with RH Bophelo’s investment mandate and presents an attractive opportunity to both RH Bophelo and its shareholders;
- Opportunity to acquire a 76% equity interest in an operation where RH Bophelo will be able to leverage its experience to gain operating efficiencies in a 44 bed hospital;
- The hospital is located in a small town area of South Africa where the next closest hospital is 150 kilometres away;
- The investment will improve the hospitals quality, capacity and service offering, and in so doing the residents’ ability to access quality healthcare as set out in RH Bophelo’s mandate;
- Combined with the AHC Acquisition, RH Bophelo will be able to extract efficiencies from the operation, leading to additional cost savings and earnings growth; and
- RH Bophelo has intimate knowledge of the asset and has completed a detailed and thorough due diligence.

RH Bophelo’s rationale for the AHC Acquisition:

- Aligned with RH Bophelo’s investment mandate and presents an attractive opportunity to both RH Bophelo and its shareholders;
- AHC is one of RH Bophelo’s cross-cutting platform and anchor investments that RH Bophelo will use to address:
 - Administration;
 - Commissioning; and
 - Management of hospital infrastructure assets.
- AHC will also manage, administer and commission hospitals for other non-RH Bophelo affiliated parties;
- Will leverage its position in AHC to extract efficiencies and synergies across RH Bophelo’s portfolio; and
- RH Bophelo has intimate knowledge of the asset and has completed a detailed and thorough due diligence.

5. SALIENT TERMS OF THE AGREEMENTS

VPH Acquisition

RH Bophelo will acquire 76% of the equity in VPH HoldCo, for a total consideration of R24.3 million, which will be paid from existing cash resources raised on RH Bophelo’s listing. VDM will acquire 10% and the

Remaining Doctors 14% of the equity in VPH HoldCo for a consideration of R3.2 million and R4.5 million respectively. RH Bophelo will advance a loan to the Remaining Doctors to enable them to subscribe for equity in VPH HoldCo, which loan will be advanced to the Remaining Doctors at the South African Prime Rate of Interest plus 4% with a term of 12 months. VPH HoldCo will then use these proceeds to capitalise three intermediary holding companies (by way of shareholder loans), such that they can acquire the businesses of:

- VPHET for R6.0 million in terms of the VPHET Sale of Business Agreement;
- VPHPT for R25.0 million in terms of the VPHPT Sale of Business Agreement; and
- VPHT for R1.0 million in terms of the VPHT Sale of Business Agreement.

The hospital operating licence is to be held in a special purpose vehicle company currently owned by VDM (“**Licence Holdco**”). VPH HoldCo has entered into a sale of shares agreement whereby VPH HoldCo will acquire 100% of the shares in Licence Holdco from VDM for R100.

Warranties and indemnities typical of a transaction of this nature have been provided for.

AHC Acquisition

RH Bophelo will acquire 60% of the equity in AHC for a total purchase consideration of R62.5 million as follows:

- R50.0 million in cash, which will be paid from existing cash resources raised on RH Bophelo’s listing and which will be treated as a capital injection to be used to fund future growth of the business (i.e. not being paid to existing shareholders); and
- R12.5 million will be paid to the shareholders of AHC and will be paid in new RH Bophelo listed shares, which shares will be issued at RH Bophelo’s 30-day volume weighted average price (“**VWAP**”).

In addition, the shareholders of AHC will be paid an “agterskot” payment after 31 March 2019 based on the performance of AHC Nursing College. The “agterskot” payment will: (i) be paid in new RH Bophelo listed shares, which shares will be issued at RH Bophelo’s 30-day VWAP; and (ii) be equal to an amount in Rands equal to 60% (sixty percent) of a multiple of 8 times the earnings before interest, tax, depreciation and amortisation (calculated in accordance with IFRS) of AHC Nursing College for the financial year ended 31 March 2019.

Warranties and indemnities typical of a transaction of this nature have been provided for.

6. CONDITIONS PRECEDENT

The remaining conditions precedent in terms of the VPH Acquisition (including the Licence Holdco Sale of Shares Agreement), as at the date of this announcement, to be fulfilled by 28 February 2018, are as follows:

- RH Bophelo shareholder approval;
- Director and Trustee resolutions authorising the VPH Acquisition from all the entities party to the VPH Acquisition;
- Filing of an amended Memorandum of Incorporation of VPH HoldCo and Licence Holdco with the Companies and Intellectual Property Commission;
- To the extent required, any and all regulatory consents, approvals and/or exemptions which are necessary or required for the conclusion and implementation of the VPH Acquisition being obtained; and
- Each agreement necessary for the implementation of the VPH Acquisition having been concluded and rendered unconditional on the terms and conditions to which it is subject.

The remaining conditions precedent in terms of the AHC Acquisition, as at the date of this announcement, to be fulfilled by 28 February 2018, are as follows:

- The filing of a new MOI of AHC;
- To the extent required, AHC delivering to RH Bophelo a copy of all the authorisations, consents, approvals, resolutions and the like required to be obtained from third parties (whether in terms of any contractual arrangement to which AHC may be a party to, applicable law or otherwise) in order to implement the AHC Acquisition;
- To the extent required, RH Bophelo delivers to AHC a copy of all board and/or shareholders’ resolutions approving the subscription by RH Bophelo for shares in AHC in terms of the JSE Listings Requirements, including as a Category I transaction;
- To the extent required, RH Bophelo delivers to AHC a copy of all authorisations, consents, approvals, resolutions and the like required to be obtained from the directors and/or shareholders of RH Bophelo in connection with the AHC Acquisition; and
- The shareholders of AHC pass resolutions in accordance with section 41(3) of the Companies Act authorising the issue and allotment of the subscription shares.

7. FINANCIAL INFORMATION

Per the audited and IFRS compliant financial statements, as at 30 June 2017:

- VPHET, in terms of the Sale of Business Agreement, has assets less liabilities of R0.8 million and a net profit after tax of R4.3 million;
- VPHPT, in terms of the Sale of Business Agreement, has assets less liabilities of R23.7 million and a net profit after tax of R1.8 million; and
- VPHT, in terms of the Sale of Business Agreement, has assets less liabilities of R4.9 million and a net profit after tax of R2.4 million.

On an aggregated basis, VPHET, VPHPT and VPHT have assets less liabilities, in terms of the Sale of Business Agreements, of R29.4 million and a profit after tax of R3.7 million. The directors of RH Bophelo have performed a valuation of the projected future cash flows of the combined entities and believes that the value of RH Bophelo’s 76% shareholding is between R29.0 million and R31.2 million.

Per the audited and IFRS compliant financial statements, as at 31 March 2017, AHC had a net asset value of R3.1 million and a net profit after tax of R1.3 million. The directors of RH Bophelo have performed a valuation of the projected future cash flows of AHC, before the R50.0 million capital injection, and believes that the value of RH Bophelo’s 60% shareholding is R65.3 million.

8. ADHERENCE TO THE JSE LISTINGS REQUIREMENTS

The memorandum of incorporation of VPH HoldCo, AHC and any group subsidiaries will not frustrate RH Bophelo in terms of its compliance with its obligations under the JSE Listings Requirements and the provisions of paragraph 10.21 of Schedule 10 will be complied with.

9. CATEGORISATION

The VPH Acquisition and AHC Acquisition qualify as Category I acquisitions in terms of the JSE Listings Requirements per a JSE Limited ruling and requires shareholder approval. A circular, setting out full details of the VPH Acquisition and AHC Acquisition, will be distributed to RH Bophelo shareholders in due course, which will include the notice of general meeting.

Post the successful conclusion of the VPH Acquisition and AHC Acquisition, the JSE will no longer classify RH Bophelo as a SPAC and subject to the approval of the JSE and the Company’s shareholders, the Company will be re-classified on the Main Board as an investment entity.

Johannesburg
22 November 2017

Corporate Advisors



Legal Advisor to the AHC Acquisition



Legal Advisor to the VPH Acquisition



Sponsor



Reporting Accountants

