



RH BOPHELO LIMITED
(Previously Newshelf 1388 Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number: 2016/533398/06)
(JSE Share Code: RHB, ISIN: ZAE000244737)
("RH Bophelo" or "the Company")

CATEGORY 2 ANNOUNCEMENT REGARDING THE ACQUISITION OF 30% OF THE EQUITY IN RONDEBOSCH MEDICAL CENTRE PROPRIETARY LIMITED AND THE ASSOCIATED CALL OPTION (TO ACQUIRE AN ADDITIONAL 21% OF THE EQUITY IN RONDEBOSCH MEDICAL CENTRE PROPRIETARY LIMITED) AND LOAN AGREEMENT

1. INTRODUCTION

RH Bophelo is pleased to announce that on 14 May 2018 it entered into transaction agreements ("**Agreements**"), through its wholly owned subsidiary, RH Bophelo Operating Company Proprietary Limited ("**RH Bophelo Opco**"), in terms of which, upon the fulfilment or waiver (as the case may be) of the conditions precedent in these Agreements, RH Bophelo Opco, will, *inter alia* -

- acquire 30% of the entire issued share capital in Rondebosch Medical Centre Proprietary Limited ("**RMC**") by way of a subscription of RMC shares;
- provide funding to RMC by way of a shareholder loan; and
- acquire a call option ("**Option**"), which Option entitles RH Bophelo Opco to acquire an additional 21% of the issued shares in RMC (at the time of the additional acquisition) from the existing majority shareholder at a fair market value to be determined at the time of exercise of the Option upon (i) the 4th anniversary of RH Bophelo Opco's initial share subscription in RMC ("**4th Anniversary**"); or (ii) a defined trigger event prior to the occurrence of the 4th Anniversary, as further detailed below. The Option provides RH Bophelo with a path to acquire further shares in RMC in order to hold and exercise a controlling interest in RMC.

(collectively the "**Acquisition**").

2. INFORMATION ON RMC

RMC is an acute 123 bed (with the capacity and potential to reach above 200 beds) independent private hospital conveniently located on Klipfontein Road, opposite the Red Cross Children's Hospital, in Rondebosch, Cape Town. RMC was officially established in 2011 after converting an existing 27 bed and 4 theatre day hospital license into an acute license and moving the longstanding practice, which was originally established and has been operating since the late 1980s, to Rondebosch. RMC has grown incrementally with limited capital and the founders have successfully applied to the Department of Health for an increase in beds over the years.

90% of the entire issued share capital of RMC is currently owned by Perthpark Properties Proprietary Limited ("**Perthpark**"). The remaining 10% of issued shares in RMC is held by the founding partners of RMC and persons related to them.

Perthpark wholly owns the company which owns the property and premises at which RMC is situated ("**Propco**") and RMC leases the premises at which it is situated from Propco. The lease agreement will be amended (as contemplated under *Conditions Precedent* below) and the parties have agreed that RMC will be granted a long term lease arrangement, which will be registered as such, to afford RMC security of tenure in its current location.

RMC has an operating agreement with Rondebosch Heart Company Proprietary Limited ("**RHC**") in terms of which RMC grants RHC the exclusive right to operate a cardiac medical facility

separately. RHC pays a portion of the service and associated costs of RMC which portion is attributable to that used for the cardiac facilities.

A pharmacy business, which is wholly owned by Perthpark, operates at the premises at which RMC is situated ("**RMC Pharmacy**") and currently provides pharmaceutical and stock supply services to RMC through a pharmacy agreement. It is the intention for either RMC or RH Bophelo Opco to acquire at least 50% of the share capital of RMC Pharmacy, which is currently wholly owned by Perthpark. RH Bophelo Opco and the existing shareholders have undertaken to agree and finalise the terms of such transaction by no later than the 3rd month following the expiry of the 3 year period following the subscription by RH Bophelo Opco, and on the basis that they shall fully and finally implement such transaction by no later than the 4th Anniversary. See further details below under *Salient Terms of the Acquisition*.

RMC currently offers the following services:

- Major theatres: 4
- Delivery rooms: 3
- Endoscopy suite: 1
- General medical and surgical unit: 62 beds
- Paediatric Unit: 16 beds
- Paediatric ICU Unit: 3 beds
- Maternity unit: 10 beds
- Intensive care unit: 8 beds
- Neonatal intensive care unit: 5 beds
- High care unit: 4 beds
- Sub-acute unit: 10 beds
- Emergency unit: 5 beds

3. RATIONALE FOR THE ACQUISITION

The Acquisition represents a strategic opportunity for RH Bophelo to invest in a 123 bed acute urban hospital, servicing a strategic region in Cape Town's metropolis. Whilst RH Bophelo Opco's initial ownership position will be that of a minority stake, RH Bophelo Opco has entered into the Option and as a result will be entitled to acquire an additional 21% and hence own a controlling stake in RMC. Furthermore, the Acquisition provides RH Bophelo with, *inter alia*, the following:

- Quick access into the Cape Town metropolis, which is generally prohibitive due to its cost of entry;
- Entry into a growing market at an attractive price per bed;
- RMC is well positioned to cater for a wide array of income groups, including those from previously disadvantaged population;
- RMC represents a facility and has doctors who are trusted in the community ensuring a loyal patient base;
- RMC will serve as RH Bophelo's launch pad into the greater Cape Town community;
- The ability to move from a minority shareholding to a majority shareholding position in 4 years; and
- The capacity and potential to establish new units and increase from 123 beds to above 200 beds

4. SALIENT TERMS OF THE ACQUISITION

Subscription by RH Bophelo Opco

RH Bophelo (through RH Bophelo Opco) will, *inter alia*, acquire 30% of the entire issued share capital in RMC for a total consideration of R50.0 million as follows:

- The subscription of new ordinary shares in RMC for a subscription price of R0.2 million, which shall rank *pari passu* in all respects with the ordinary shares held by the existing shareholders in RMC; and

- An amount of R49.8 million, which will be contributed to RMC as a shareholder loan (“**RHB Loan**”).

Advance of the RHB Loan

- The RHB Loan shall only be used for the operations of the business of RMC, as further detailed below (see *Use of Funds*)
- The RHB Loan will rank *pari passu* in all respects with all other shareholder loans;
- Any future interest calculated on the respective shareholder loans, as may be determined by the board of directors of RMC from time to time, will accrue from the date of subscription by RH Bophelo Opco.
- All shareholder loans, including the RHB Loan, will be subordinated in favour of the other creditors of RMC, provided that in the event of an insolvency of RMC, all shareholders shall be entitled to accelerate repayment of their respective loans, notwithstanding the subordination; and
- Repayments by RMC of shareholder loans shall be made in the *pro rata* proportions which the respective shareholders’ loans bear out of the aggregate amount of shareholder loans payable by RMC at such time.

Call Option

RH Bophelo Opco will have the Option to buy an additional 21% equity stake in RMC from Perthpark on, *inter alia*, the following salient terms:

- the Option shall be capable of exercise by RH Bophelo Opco within a period of 6 months following (i) the occurrence of the 4th Anniversary; or (ii) Perthpark and/or any of its shareholders concluding an offer with any third party/ies pursuant to which the third party/ies acquires at least 26% of the entire issued share capital of Perthpark, at any time prior to the occurrence of the 4th Anniversary; or (iii) an act of insolvency in respect of Perthpark; and
- the price at which the Option shall be exercised shall be determined at the time of exercise and shall be the fair market value of the call option shares as agreed by Perthpark and RH Bophelo Opco, and failing agreement within a prescribed time, a price determined as the fair market value by an agreed independent expert.

Exercise of the Option will result in RH Bophelo Opco acquiring a controlling stake in RMC.

Undertaking to acquire RMC Pharmacy

It is the intention for either RMC or RH Bophelo Opco to acquire at least 50% of the share capital of RMC Pharmacy, which is currently wholly owned by Perthpark. RH Bophelo Opco and the existing shareholders have undertaken to agree and finalise the terms of such transaction by no later than the 3rd month following the 3rd Anniversary (failing which, an independent expert shall determine same) and on the basis that they shall fully and finally implement such transaction by no later than the 4th Anniversary.

Warranties and indemnities typical of a transaction of this nature have been provided for. An amount shall be retained by RMC in a ring-fenced account for a period of 2 years as security for any warranty or indemnity claims instituted by RH Bophelo Opco.

5. USE OF FUNDS

RMC is currently in an expansion/growth phase, whereby R50 million will be used to support this growth as follows:

- Recruiting and fitting additional specialists
- Expanding the emergency unit
- Refurbishment of the reception / admin
- Expansion of wards
- Establishment of new units and services
- Additional equipment as new doctors are recruited

- Working capital
- Increasing marketing / awareness

6. CONDITIONS PRECEDENT

The remaining conditions precedent in terms of the Acquisition to be fulfilled or waived (as the case may be) by no later than 30 June 2018 (or such later date as the parties may agree to in writing), are as follows:

- the various Agreements (subscription agreement, loan agreement and call option agreement) are signed and become unconditional in accordance with their respective terms;
- an agreed form shareholders agreement is entered into between the existing shareholders of RMC and RH Bophelo Opco and becomes unconditional in accordance with its terms;
- the memorandum of incorporation of RMC is amended (in the form agreed), adopted and filed with the Companies and Intellectual Property Commission;
- RMC's shareholders pass the required statutory resolutions in terms of section 41(3) for the issue of shares to RH Bophelo Opco;
- RH Bophelo's investment committee approves the transaction;
- to the extent required, any entity within RH Bophelo's group which is required in terms of the JSE Listing Requirements, passes and delivers the board resolution (and if required, the shareholder resolution) of such entity approving the transaction, as required by (and in terms of) the JSE Listing Requirements as a Category 2 transaction;
- required transaction agreements relevant to the operations of RMC are entered into (on terms acceptable to RH Bophelo Opco) and become unconditional in accordance with their respective terms;
- service or restraint agreements are entered into between RMC and key individuals identified by RH Bophelo as instrumental to the operations of RMC;
- RH Bophelo Opco confirms that it is satisfied with the steps and all necessary actions taken by RMC to procure written exemption, condonation or dispensation from the Health Professions Council of South Africa in respect of any non-compliance with rule 23A of the Ethical Rules of Conduct for Practitioners registered under the Health Professions Act, 1974;
- the board of directors of RMC Pharmacy is re-constituted such that no board member thereof is an "authorised prescriber" as contemplated in regulation 4(b) of the Regulations relating to the Ownership and Licensing of Pharmacies;
- RMC opens a ring fenced interest bearing investment account, with signatories thereto being persons having been nominated by RH Bophelo Opco to be directors of RMC;
- RMC amends the terms of its company bank account to include that payments over an agreed monetary threshold will require the written approval of at least 2 directors of RMC, one of which will have been nominated for election by RH Bophelo Opco;
- the board of directors of RMC resolves to redeem all debentures held by existing shareholders of RMC on the basis that the redemption amount shall remain outstanding on loan account against RMC (i.e. form part of the existing shareholders' loan accounts);
- RMC and the existing shareholders evidence to the satisfaction of RH Bophelo Opco that the all existing debentures have been cancelled such that RMC no longer has any debentures in issue; and
- the lessors from which RMC leases the premises at which it is situated provide written undertakings in favour of RMC in terms of which they each agree that they will not terminate any lease agreements concluded between each of them and any person providing services to RMC (including, for example, any medical practitioners) without notifying RMC and RH Bophelo Opco of such intention, providing them a reasonable opportunity to intervene and mediate any dispute between the parties and without prior consultation with RMC and RH Bophelo Opco.

7. FINANCIAL INFORMATION

The latest unaudited management accounts, as at 28 February 2018, which have been prepared in terms of IFRS and which RH Bopheo is satisfied with the quality, showed that RMC had a net asset value of R28.5 million and a net profit after tax of R1.4 million for the year ended 28 February 2018. The directors of RH Bophelo have performed a valuation of the projected future cash flows

of RMC and believes that the equity value of RMC (100%) will be between R34.6 million and R51.7 million with the value of the Option being R120,000. This forecast has not been reviewed or reported on by the company's auditors.

8. CATEGORISATION

The Acquisition qualify as Category 2 transaction in terms of the JSE Listings Requirements and does not require shareholder approval.

9. INITIAL THRESHOLD

As noted in RH Bophelo's investment policy, in order to provide shareholders with additional protection, shareholders are afforded the opportunity to vote on specific transactions up to a threshold of R300 million, however, subject to the categorisation requirements of Section 9 of the JSE Listings Requirements. As a result, following the Acquisition and previous acquisitions made since listing, RH Bophelo requires approval from shareholders (subject to section 9 of the JSE Listings Requirements) for further transactions of R163.2 million.

Johannesburg
15 May 2018

Corporate Advisors: Third Way Investment Partners Proprietary Limited and Birkett Stewart McHendrie Proprietary Limited

Sponsor: Deloitte & Touche Sponsor Services Proprietary Limited

Legal Advisor: ENSafrica (Edward Nathan Sonnenbergs Inc.)