



**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 51.0% OF THE EQUITY IN B MCGILLEWIE PROPRIETARY LIMITED TRADING AS MEDICARE PRIVATE HOSPITAL ("MPH") AND THE ACQUISITION OF 50.1% OF THE EQUITY IN MAGNACORP 84 PROPRIETARY LIMITED (BEING THE PROPERTY ON WHICH MPH OPERATES) ("PROPCO")**

**1. INTRODUCTION**

RH Bophelo is pleased to announce that on 5 February 2019 it entered into a Sale of Shares and Claims agreement ("**Agreement**"), through its wholly owned subsidiary, Megafrack Proprietary Limited ("**Megafrack**") (being an entity established specifically for the purpose of the Acquisitions), in terms of which, upon the fulfilment or waiver (as the case may be) of the conditions precedent contained in the Agreement, Megafrack, will, *inter alia* -

- acquire 51.0% of the issued share capital in MPH through the purchase of MPH shares from the existing vendors, being John Robert Charles Beaumont and Belinda McGillewie; and
- acquire 50.1% of the issued share capital in PropCo through the purchase of PropCo shares from the existing vendor, being the JR Beaumont No 1 Trust.

(collectively the "**Acquisitions**").

**2. INFORMATION ON MPH AND PROPCO**

**MPH**

MPH is an acute 110 bed independent private hospital conveniently located in Rustenberg, North West Province. MPH was officially established in 2009 and began as a 36 bed sub-acute hospital and has subsequently grown incrementally, with the founders having successfully applied to the Department of Health for an increase in beds over the years resulting in MPH becoming an established acute facility in the North West Province.

93.4% of the entire issued share capital of MPH is currently owned by John Robert Charles Beaumont and Belinda McGillewie with the remaining 6.6% being held by a special purpose vehicle set up for the purpose of establishing an equity ownership scheme for the doctors of MPH ("**Doctors InvestCo**").

MPH currently offers the following services (including number of beds):

- 24/7 Casualty unit;
- On-site laboratories and pharmacy;
- Chronic and renal dialysis unit;
- Major theatres: 3;
- Delivery rooms: 2;
- Emergency room;
- General medical and surgical unit: 65 beds;
- Paediatric Unit: 7 beds;
- Paediatric Hi-care Unit: 1 bed;
- Paediatric ICU Unit: 3 beds;

- Neonatal intensive care unit: 6 beds;
- Maternity unit: 10 beds;
- Intensive care unit: 11 beds; and
- High care unit: 7 beds.

## **PropCo**

PropCo is a property holding company and is 100% owned by the JR Beaumont No 1 Trust. PropCo owns the property and premises on which MPH is situated and MPH leases the premises from PropCo. Furthermore, PropCo owns the medical equipment used by MPH. A revised lease agreement will be entered into between MPH and PropCo on market related terms and conditions with PropCo agreeing that MPH will be granted a long term lease arrangement to afford MPH security of tenure in its current location.

## **The Acquisitions**

RH Bophelo's investment into MPH and PropCo (through Megafrak) will be made alongside Metamax Proprietary Limited ("**Metamax**") (*collectively the "Purchasers"*). Metamax is a special purpose vehicle set up by a private equity fund managed by RH Managers Proprietary Limited ("**RHM**"). Following the Acquisitions the shareholding will be as follows:

In respect of MPH:

- RH Bophelo: 51.0%
- Metamax: 42.4%
- Doctors InvestCo: 6.6%

In respect of PropCo:

- RH Bophelo: 50.1%
- Metamax: 49.9%

### **3. RATIONALE FOR THE ACQUISITION**

The Acquisitions represent a strategic opportunity for RH Bophelo to acquire a controlling stake in a 110 bed acute urban hospital, servicing a strategic region in the North West Province and further expand the reach of the RH Bophelo network of hospitals. Furthermore, the Acquisitions provide RH Bophelo with, *inter alia*, the following:

- Quick access into an established facility which has doctors who are trusted in the community ensuring a loyal patient base;
- 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;
- Entry into a growing market at an attractive price per bed;
- MPH is well positioned to cater for a wide array of income groups and their main source of revenue comes from medically insured patients;
- MPH will serve as a further reach into the greater North West community;
- Opportunity to invest alongside doctors who have a strong patient base in the Rustenburg area and are incentivised to grow the hospital; and
- Combined with RH Bophelo's previous acquisitions, RH Bophelo believes that it will be able to extract efficiencies from the operation, leading to additional cost savings and earnings growth.

### **4. SALIENT TERMS OF THE ACQUISITION**

#### **Megafrack acquisition of MPH shares**

RH Bophelo (through Megafrack) will, *inter alia*, acquire 51.0% of the entire issued share capital in MPH for a total consideration of R57.0 million as follows:

- Through the issue of 2.5 million RH Bophelo listed shares, which shares will be issued at RH Bophelo's 30 day volume weighted average price ("**VWAP**") calculated as at the date the

conditions precedent to the Agreement having been fulfilled or waived (as the case may be); and

- The remaining amount is to be funded from RH Bophelo's existing cash resources, which at the date of this announcement is expected to be circa. R32.4 million

### **Megafrack acquisition of Propco shares**

RH Bophelo (through Megafrack) will, *inter alia*, acquire 50.1% of the entire issued share capital in PropCo for a total consideration of R92.7 million as follows:

- Cash from RH Bophelo's existing resources of R42.6 million; and
- A total debt facility of R100m for the purpose of the PropCo acquisition, of which RHB's portion is R50.1 million taken out with a commercial funder on the following terms:
  - **Interest:** 3 month JIBAR plus 400 basis points
  - **Guarantor:** MPH
  - **Security:** Guarantee from MPH, pledge and cession over shares, insurance policies, receivables, bank accounts, mortgage bond, general notarial bond over specialised immovable property, full subordination of other loans
  - **Term:** 5 years

## **5. SUBSIDIARY**

The Acquisitions result in MPH and PropCo becoming subsidiaries of Megafrack (and hence RH Bophelo). The terms of MPH and PropCo's respective memorandum of incorporations do not in any way influence or relieve RH Bophelo's compliance with its obligations in terms of the JSE Listings Requirements.

## **6. CONDITIONS PRECEDENT**

The remaining conditions precedent, in terms of the Acquisitions, which are to be fulfilled or waived (as the case may be) by no later than 28 February 2019 or 31 May 2019 where applicable (or such later date as the parties may agree to in writing), are as follows:

- by not later than 28 February 2019, the parties provide the Purchasers with proof that the existing memorandums of incorporation of MPH and Doctors InvestCo have been successfully lodged for filing with the CIPC;
- by no later than 28 February 2019, PropCo provides the Purchasers with copies of the title deeds in respect of the immovable property;
- by not later than 28 February 2019, the board of directors of each party to the Agreement (that is an incorporated entity), has passed a series of resolutions approving the entry into and performance by that party to the Agreement and giving the directors or other specified individuals of that party the power to enter into the Agreement and to perform all acts required of that party;
- by not later than 28 February 2019, Doctors InvestCo has irrevocably and unconditionally consented to the sale by John Robert Charles Beaumont and Belinda McGillewie of the MPH shares and the MPH sale claim to the Purchasers in terms of the Agreement and irrevocably and unconditionally waived -
  - any pre-emptive rights or similar rights Doctors InvestCo may have in respect of the MPH shares or the MPH sale claim (or any part of them) which arise as a result of or in connection with the sale contemplated in the Agreement;
  - any option or other rights it may have to acquire the MPH shares or the MPH sale claim (or any part of them); and
  - any rights it may have to require that any shares held by it in MPH be purchased as a result or condition of that sale,

- whether in terms of the memorandum of incorporation of MPH, any shareholders' or other agreement in respect of MPH, the Companies Act or otherwise;
- by not later than 28 February 2019, Belinda McGillewie signs a written contract of employment with MPH in a form and substance acceptable to the Purchasers (in their absolute discretion);
- by not later than 12h00 on the 10<sup>th</sup> business day following the signature date, the Purchasers pay a refundable deposit of R17.5 million to the sellers into a trust account;
- by not later than 28 February 2019, the sellers have obtained the release of Belinda McGillewie, John Robert Charles Beaumont and the JR Beaumont No 1 Trust from the guarantees and/or suretyships given as security for the sellers' obligations to First National Bank in respect of the banking facilities and/or loans provided to the sellers and/or Wesbank in respect of the hire purchase agreements relating to the equipment;
- by not later than 28 February 2019, the Board of Healthcare Funders, the South African Pharmacy Council and the HPCSA have been notified;
- by no later than 28 February 2019, Belinda McGillewie, John Robert Charles Beaumont provide the Purchasers with documentary proof to the effect that the immovable property is specifically zoned to allow MPH to conduct its business;
- by not later than 28 February 2019, all requisite licences in respect of the hospital business have been renewed in the name of MPH;
- by not later than 28 February 2019, MPH has valid electrical and fire safety certificates in place;
- by not later than 28 February 2019, MPH provides the Purchasers with a monetary computation of its leave liability towards its employees;
- by no later than 28 February 2019, MPH provides the Purchasers with a monetary computation of its pension/provident fund liability towards its employees and proof that all of the contributions to those funds on behalf of those employees are up-to-date; and
- by not later than 31 May 2019 the approvals required by the Competition Act for the implementation of the Acquisitions has been granted, either unconditionally or subject to conditions as have been approved in writing by the Purchasers and (to the extent that any such conditions are imposed on it) by the sellers, it being agreed that any such approval cannot be unreasonably withheld or delayed.

## **7. FINANCIAL INFORMATION**

### **MPH**

The latest unaudited management accounts (prepared in accordance with IFRS), for the 6 month period ending 31 August 2018, of which RHB is satisfied, showed that MPH had a net asset value of R18.3 million and a net profit after tax of R7.2 million.

### **PropCo**

The latest unaudited management accounts (prepared in accordance with IFRS), for the 6 month period ending 31 August 2018, of which RHB is satisfied, showed that PropCo had a net asset value of R37.7 million (the property has not been revalued since acquisition and has been carried at cost) and a net profit after tax of R3.7 million.

## **8. EFFECTIVE DATE**

The effective date of the transaction is expected to be on or about 17 May 2019 (subject to the Conditions Precedent noted above).

## **9. CATEGORISATION**

The Acquisitions qualify as a Category 2 transaction in terms of the JSE Listings Requirements and as a result do not require shareholder approval.

## **10. 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 Acquisitions 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 R63.6 million.

Johannesburg  
5 February 2019

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

Sponsor to RH Bophelo: Deloitte & Touche Sponsor Services Proprietary Limited

Legal Advisor to RH Bophelo: Motsoeneng Bill Attorneys Incorporated

Legal Advisor to the sellers, MPH and Propco: Werksmans Attorneys