



RH BOPHELO 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 NETCARE BELL STREET HOSPITAL (“BELL”) FROM THE NETCARE GROUP (“NETCARE”) AND THE ACQUISITION OF THE PROPERTY (BEING THE PROPERTY ON WHICH BELL OPERATES) (“BELL PROPERTY”) FROM NETCARE PROPERTY HOLDINGS PROPRIETARY LIMITED (“NETCARE PROPERTY”)

1. INTRODUCTION

RH Bophelo is pleased to announce that on 15 March 2019 it entered into a Sale of Business Agreement (“**SOB Agreement**”) and a Sale of Property Agreement (“**SOP Agreement**”) (“**Collectively, the Agreements**”, through its wholly owned subsidiaries, Demo Medical Proprietary Limited (“**Demo**”) and Notamed Proprietary Limited (“**Notamed**”) (being entities 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 Agreements -

- Demo will acquire 100% of Bell’s assets (being the business) from the existing vendor, Netcare Hospitals; and
- Notamed will acquire 100% of the Bell Property from the existing vendor, Netcare Property Holdings.

(collectively the “**Acquisitions**”).

2. INFORMATION ON BELL

Bell

Bell is a 31 bed private psychiatric hospital situated in Krugersdorp, Johannesburg. Bell was founded in 1994 as a fully acute care facility and was acquired by Netcare in 2004. Since its acquisition by Netcare, the hospital was converted to a specialist psychiatric hospital while also offering the following services:

- Independent radiology services;
- General practitioner services;
- Dental services;
- Dermatology;
- Ear, nose and throat services (ENT); and
- Orthopaedic services.

Furthermore, an additional 20 bed licence is to be transferred from the Netcare Krugersdorp Hospital, to enable the facility to provide a total of 51 beds. This will however require renovations to the facility to accommodate the extra beds and RH Bophelo’s plan to expand the facility in the near future.

Bell Property

The Bell Property includes:

- The property on which Bell operates; and
- The rights and obligations of Netcare Property as lessor in terms of the existing lease agreement.

The transaction, however, excludes all of the liabilities of Netcare Property as it relates to the Bell Property.

The Acquisitions

RH Bophelo's investment into Bell (through Demo and Notamed) (*collectively* the "**Purchasers**") will be made for a total purchase price of R55.2 million, which is split as follows:

- R1.6 million for the Bell's assets; and
- R53.6 million for the Bell Property.

Following the Acquisitions, Bell and Bell Property will be 100% held by RH Bophelo.

3. RATIONALE FOR THE ACQUISITION

The Acquisitions represent a strategic opportunity for RH Bophelo to acquire a 100% stake in a psychiatric facility servicing Johannesburg and enables RH Bophelo to further expand the reach of its network of hospitals. Furthermore, the Acquisitions provide RH Bophelo with, *inter alia*, the following:

- Quick access into an established facility which has a solid foundation and has referring psychiatric doctors already associated with the hospital;
- 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;
- An opportunity to invest alongside doctors who have a strong patient base in the Krugersdorp 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

Bell:

RH Bophelo (through Demo) will, *inter alia*, acquire 100% of the assets of Bell for a total consideration of R1.6 million which will be paid in cash.

Bell Property:

RH Bophelo (through Notamed) will, *inter alia*, acquire 100% of the Bell Property for a total consideration of R53.6 million which will be paid in cash.

5. SUBSIDIARY

The Acquisitions will be made through Demo and Notamed. The terms of Demo and Notamed's respective memorandums of incorporation 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 or on such later date as the parties may agree to in writing), are as follows:

- Within 30 (thirty) days of the Signature Date, the purchasers being registered as a VAT vendor in terms of the VAT Act, and providing the Netcare Property Holdings and Netcare Hospitals with a copy of its VAT registration certificate (VAT 103);

- By no later than 23:59 on the thirtieth Business Day following the signature date, the Board of Directors of Netcare Property Holdings and Netcare Hospitals having resolved, in writing, to conclude this Agreement, proof of which shall be an extract of a meeting of the Board of Directors, certified as a true excerpt, by the Chairman of the meeting at which the Directors resolved to conclude this Agreement;
- Within 20 (twenty) days from the date on which the Purchasers provide Netcare Property Holdings and Netcare Hospitals with a copy of the VAT registration certificate, the requisite approval of the Department of Health & Social Development, Gauteng Province (“**Department**”) for the issue and/or transfer of the License and the delivery to the Purchasers of the relevant certificate is obtained; and
- Within 20 (twenty) days from Signature Date, the requisite approval from the Department for the implementation of the transaction is obtained.

7. FINANCIAL INFORMATION

Bell

The latest unaudited management accounts (prepared in accordance with IFRS), for the 6 month period ending 31 August 2018, of which RH Bophelo is satisfied, showed that Bell had assets (subject matter of the transaction) of R0.8 million and a net profit after tax of R0.7 million.

Bell Property

Details of the Bell Property are as follows:

Location:	ERF 1690 and ERF 3288, Noordheuwel Extension 3, Krugersdorp, Mogale City, Gauteng
Rentable area:	2,618m ²
Valuation: (Note 1)	R43.2 million (March 2018)

Note 1 – This is per an independent external valuation which valuation has been derived based on the “continuation of existing use” method.

8. EFFECTIVE DATE

The effective date of the transaction is expected to be on or about 31 May 2019 (subject to the Conditions Precedent noted above).

9. CATEGORISATION

The Acquisitions qualify as 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 R8.4 million.

Johannesburg
18 March 2019

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

Legal Advisor to RH Bophelo: Motsoeneng Bill Attorneys Incorporated