

METTLE INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2008/002061/06)
JSE share code: MLE
ISIN: ZAE000257622
("Mettle" or "the Company")



ACQUISITION OF A 49% INTEREST IN CHRISTOPHER FINANCE PROPRIETARY LIMITED

1. INTRODUCTION

The board of directors of Mettle ("the Board") is pleased to announce that it has concluded agreements with, amongst others, the trustees for the time being of the Andia Trust and the Viola Trust ("the CF Sellers"), being the shareholders of Imali Medical Claims Proprietary Limited ("Imali"). Once fully implemented, Mettle will indirectly own a 49% shareholding in Christopher Finance Proprietary Limited ("CF") and loan claims against CF. This is conditional upon the management of CF, which is currently being outsourced to Christopher Consulting Proprietary Limited ("CC"), being internalised ("collectively the Transactions").

2. OVERVIEW OF CF

CF is a *niche* financial services company providing working capital finance to selected firms of attorneys. The finance provided by CF is secured by claims for costs the attorneys have against reputable third parties.

Mettle has been instrumental in raising senior funding for CF over the last 2 years. As such Mettle has an intimate knowledge of the business model to which it believes it can add significant value. CF's lending book is currently R120 million and there is strong demand for CF's services.

The operations of CF are currently managed by CC in terms of a written service agreement.

CF's existing management team will continue to be employed in the business post the Transactions.

3. RATIONALE FOR THE ACQUISITION

The Board believes that the acquisition of a shareholding in CF complements Mettle's strategy to expand its niche lending businesses. The Transactions will allow Mettle to assist CF with additional access to funding to enable sustainable growth of CF.

4. TRANSACTIONS AND PURCHASE CONSIDERATIONS

The first transaction entails Mettle acquiring an effective 49% shareholding in CF for R17.7 million through the acquisition by it of all the shares in Imali ("the First Transaction"). Imali owns 50% of the issued share capital of CF. In addition, Mettle will as part of the First Transaction, also purchase the loan claims against Imali from the CF Sellers for their face value, being R9.9 million. The purchase price of these shares and loans will be settled in cash. Mettle will obtain warranties and representations from the CF Sellers as well as Christopher Holdings Proprietary Limited ("CH"), the other shareholder in CF, that are usual for transactions of this nature. As part of the First Transaction, Imali will sell 1% of the issued share capital of CF to CH for R404,538 payable in cash, thereby decreasing its interest from 50% to 49%.

The second transaction entails CF acquiring the business of CC from CC as a going concern for a maximum amount of R15 million. This purchase price will remain owing on an interest-bearing loan account. CF will obtain warranties that are normal for a transaction of this nature as well as certain profit warranties from CC in respect of the business of CC (“the Second Transaction”).

Other terms and conditions applicable to the First and Second Transactions are normal for a transaction of this nature.

5. FINANCIAL INFORMATION

Imali is an investment holding company which owns a 50% shareholding in CF and a loan claim of R7.4 million against CF. In terms of the unaudited management accounts of Imali for the 6 months ended 31 August 2018, Imali had a net liability value of R17 052 and incurred a loss after tax of R6 201. These management accounts exclude Imali’s share of profits from CF.

In terms of the unaudited management accounts of CF for the 6 months ended 31 August 2018, CF had a net asset value of R19.6 million and generated a profit after tax of R4.9 million.

The above unaudited historical financial information of Imali and CF is calculated in accordance with International Financial Reporting Standards for SMEs.

6. SUSPENSIVE CONDITIONS AND EFFECTIVE DATE

The First Transaction will be effective from the first business day following the fulfilment of certain suspensive conditions, which are expected to be fulfilled by 15 November 2018. The remaining outstanding suspensive conditions are:

- applicable corporate approvals being obtained by the various parties to the First Transaction;
- adoption of a new memorandum of incorporation in respect of CF containing terms agreed to by Mettle; and
- approval of the First Transaction by a specified debt funding provider to CF.

The Second Transaction will be effective from the first business day of the calendar month commencing immediately after the First Transaction becomes unconditional. The remaining outstanding suspensive conditions are:

- applicable corporate approvals being obtained by the various parties to the Second Transaction, including financial assistance and shareholder approvals by CC;
- the entering into of a management agreement between CF and Christopher Commercial Properties Proprietary Limited for the provision of certain executive services to CF; and
- the First Transaction becoming unconditional in accordance with its terms.

7. CATEGORISATION

The Transactions are classified as a Category 2 transaction in terms of the Listings Requirements of the JSE.

Company Secretary

Mettle Corporate Finance (Pty) Ltd

Cape Town

5 November 2018

Designated Advisor: Questco Corporate Advisory (Pty) Ltd

Legal Advisor: Cliffe Dekker Hofmeyr Inc.