

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")



Mantessa Equities Proprietary Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2015/358994/07)
("Mantessa")

Granadino Investments Proprietary Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1984/002514/07)
("Granadino")

The Trustees of the Peridot Trust
Master's Reference Number IT432/2010
("Peridot")

(Mantessa, Granadino and Peridot collectively "the Offerors")

JOINT ANNOUNCEMENT REGARDING

- THE FIRM INTENTION BY THE OFFERORS TO MAKE AN OFFER TO METTLE SHAREHOLDERS TO ACQUIRE THEIR SHARES; AND
 - THE DELISTING OF METTLE
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1. Introduction

- 1.1. Shareholders are referred to various announcements released on the Securities Exchange News Service ("SENS") of the JSE Limited ("JSE") by Mettle relating to a proposed offer (the "Initial Offer") by Mantessa Capital Proprietary Limited (formerly Genfin Holdings Proprietary Limited) ("Mantessa Capital"), dated 6 February 2020, 4 March 2020, 25 March 2020, 31 March 2020 and 2 April 2020, respectively, the resolutions in respect of which were withdrawn at the general meeting of Mettle shareholders held on 2 April 2020 ("Initial General Meeting"). The Initial Offer was to be implemented by way of a scheme of arrangement ("Initial Scheme") in terms of sections 114 and 115 of the Companies Act, No 71 of 2008, as amended ("Companies Act").
- 1.2. As a condition precedent to the Initial Scheme, Mantessa Capital was to provide Mettle with written notice confirming that it was satisfied that no material adverse event had occurred or was expected to occur, which, in its opinion, could have, *inter alia*, had an adverse effect on the business, financial condition, operating results, assets or liabilities of the Company or the value of the Company's shares (the "Written Notice").
- 1.3. Shareholders were advised in the announcement published on SENS on 31 March that Mantessa Capital had confirmed that, given the uncertainty brought about by the COVID-19 pandemic, it would not be issuing such Written Notice. Accordingly, the resolutions in respect of the Initial Scheme were withdrawn at the Initial General Meeting and the Initial Scheme did not become unconditional and was not implemented.
- 1.4. On 17 July 2020 the Takeover Regulation Panel ("TRP") granted exemption to, *inter alia*, Mantessa Capital and Mantessa from the prohibition contained in section 127(3)(a) of the Companies Act from making an offer for Mettle shares (each a "Mettle Share") within the 12

month period after termination of the Initial Scheme and, accordingly, to allow Mantessa to proceed with another offer prior to 1 April 2021.

- 1.5. The board of directors of Mettle ("**Board**") accordingly announces that, following further discussions with the Offerors, the Company has entered into an implementation agreement ("**Implementation Agreement**") in terms of which the Offerors have made an offer ("**Proposed Offer**") to acquire all of the issued shares in the share capital of Mettle that they do not own, other than the shares held by certain shareholders acting in concert with them and holding, in aggregate, 108 910 203 Mettle Shares ("**Excluded Shareholders**"), by way of a scheme of arrangement ("**Scheme**"), for a cash consideration of R2.10 per Mettle Share ("**Scheme Consideration**"). The Scheme will be implemented in accordance with sections 114 and 115 of the Companies Act and will be proposed by the Board to shareholders of the Company ("**Mettle Shareholders**").
- 1.6. Mr Hendrik van der Merwe Scholtz ("**Scholtz**"), the current Chief Executive Officer of Mettle, is the controlling shareholder of Mantessa and Mantessa Capital (collectively, the "**Mantessa Group**"). Granadino and certain other companies were named as concert parties to Mantessa Capital in the Initial Scheme.
- 1.7. The Proposed Offer constitutes a firm intention by the Offerors to make an offer to Mettle Shareholders ("**Scheme Participants**"), other than the Excluded Shareholders, as contemplated in Chapter 5 of the Companies Act and Chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act (which includes the Takeover Regulations issued pursuant to sections 120 and 223 of the Companies Act) ("**Companies Regulations**").
- 1.8. The Scheme, if successful, will result in the delisting ("**Delisting**") of Mettle Shares from the Alternative Exchange ("**AltX**") of the JSE.
- 1.9. The Excluded Shareholders are, or are presumed to be, acting in concert with the Offerors for purposes of the Companies Act and the Companies Regulations.

2. Rationale for the Proposed Offer

- 2.1. The Board remains of the view that the Company and its subsidiaries are more suited to an unlisted environment, and that the current listing provides little benefit to the Company at this stage of its operating cycle. In addition, the Delisting will enable the Company to save on the costs associated with being listed on the AltX.
- 2.2. The Mantessa Group are investment holding companies focused on investing in companies that provide finance to small and medium enterprises. In pursuit of this investment strategy, the Mantessa Group has accumulated a material shareholding in Mettle over the past 18 months and wishes to consolidate its investment in the Company in an unlisted environment and to provide additional capital in order to facilitate and support organic and acquisitive growth.
- 2.3. Scheme Participants will be provided with an opportunity to realise their investment in Mettle at an attractive premium to the Company's share price, being a premium of 35% to the 30-day volume weighted average price ("**VWAP**") of Mettle Shares on the date preceding this announcement.

3. Salient terms of the Scheme

3.1. The Proposed Offer constitutes an “affected transaction”, as defined in section 117(1)(c) of the Companies Act. The Proposed Offer will be implemented by way of the Scheme. In terms of the Scheme, the Offerors will make an offer to all Scheme Participants to purchase their shares for the Scheme Consideration, to be settled in cash.

3.2. The Offerors will acquire 32 936 703 Scheme shares for the Scheme Consideration in the following proportions:

	Number of Scheme shares to be acquired	Portion of aggregate Scheme Consideration	% of Scheme shares acquired
Granadino	6 986 400	R14 671 440	21.21%
Mantessa	24 013 600	R50 428 560	72.91%
Peridot	1 936 703	R4 067 076.30	5.88%
Total	32 936 703	R69 167 076.30	100.00%

3.3. The Scheme is subject to the fulfilment of the following conditions precedent:

3.3.1. the resolutions (“**Scheme Resolutions**”) relating to the Scheme are approved by the requisite majority of independent Mettle Shareholders;

3.3.2. in respect of the appraisal rights of shareholders as contained in section 164 of the Companies Act, no valid appraisal demands are received by Mettle or, if any valid appraisal demands are received, such demands are received from Mettle Shareholders who, in aggregate, hold less than 5% (five percent) of the aggregate number of Mettle Shares;

3.3.3. if the Scheme Resolutions are opposed by 15% (fifteen percent) or more of the voting rights exercised and any person who voted against the Scheme Resolutions requires Mettle to apply to Court for approval of the Scheme in terms of section 115(3)(a):

3.3.3.1. Mettle elects not to treat the Scheme Resolutions as a nullity, subject to the approval of the Offerors; and

3.3.3.2. the Court approves the Scheme Resolutions, following Mettle’s application to Court for such approval;

3.3.4. if any Mettle Shareholder who voted against the Scheme Resolution applies to court for a review of the Scheme in terms of section 115(3)(b) and section 115(6) of the Companies Act, either (i) the court refuses to grant leave to apply for such review, or (ii) if leave to apply for review is granted, the court refuses to set aside the Scheme Resolutions; and

3.3.5. a compliance certificate in respect of the Scheme is issued by the TRP in terms of section 119(4)(b) of the Companies Act.

3.4. The conditions precedent in paragraph 3.3.2 may be waived by the Offerors. All remaining conditions precedent may not be waived.

4. Funding of the Scheme Consideration and Confirmation of Financial Resources

4.1. The Offerors confirm, in accordance with Regulation 106(6)(c) of the Companies Regulations, that their repayment of the financing obtained to fund the aggregate Scheme Consideration will not depend upon the business of Mettle nor anticipated receipts of distributions from Mettle.

- 4.2. In accordance with Regulation 111(4) and Regulation 111(5) of the Companies Regulations, Investec Bank Limited has provided an unconditional and irrevocable bank guarantee to the TRP confirming that the Offerors have sufficient cash resources available to them to satisfy payment of the aggregate Scheme Consideration of R69 167 076.30.

5. Shareholding of the Offerors and Excluded Shareholders in Mettle

As at the date of this announcement, the Offerors and Excluded Shareholders are, directly or indirectly, interested in Mettle Shares as set out in the table below:

Offerors	Beneficial		Total	Total %
	Direct	Indirect		
Mantessa	32 014 035	-	32 014 035	12.95
Granadino	71 713 434	-	71 713 434	29.01
Peridot	1 600 000	-	1 600 000	0.65
Total	105 327 469	-	105 327 469	42.61
Excluded Shareholders				
Mantessa Capital (Pty) Ltd	49 341 201	-	49 341 201	19.96
Titan Global Investments (Pty) Ltd	28 695 605	-	28 695 605	11.61
Cream Magenta 140 (Pty) Ltd	12 951 674	-	12 951 674	5.24
Metcap 14 (Pty) Ltd	12 685 834	-	12 685 834	5.13
CSP Peridot (Pty) Ltd	5 200 000	-	5 200 000	2.10
Wikalox Investments (Pty) Ltd	30 308	-	30 308	0.01
Deuceprops 1015 CC	5 581	-	5 581	0.00
Total	108 910 203	-	108 910 203	44.05

6. Dealings in Securities by the Offerors and the Excluded Shareholders

The dealings in Mettle Shares by the Offerors and the Excluded Shareholders during the period commencing 6 months prior to the Proposed Offer are set out in the table below:

Name	Volume	Order type	Date	Price (cents)
Mantessa and associates	3 427 750	Buy	08/06/2020	210.00
	28 586 285	Buy	08/06/2020	210.00
	15 692 857	Buy	25/06/2020	140.00
Granadino	15 692 857	Sell	25/06/2020	140.00
	20 892 857	Sell	25/06/2020	140.00
Peridot	5 200 000	Buy	25/06/2020	140.00

7. Irrevocable Undertakings

As at the date of this announcement, the Offerors have received irrevocable undertakings to vote in favour of the resolutions to be proposed in relation to the Scheme from the following Mettle Shareholders (such shareholders collectively holding 11 448 241 of the total issued Mettle Shares):

Shareholder	Mettle Shares held	% of Mettle Shares held	% of voting rights*
Hendrik Frederik Prinsloo and associates	9 591 972	3.88	29.18
Peter Judge and associates	1 856 269	0.75	5.65
Total	11 448 241	4.63	34.83

* The percentage of voting rights indicated above is the percentage of voting rights which may be exercised in respect of the Scheme Resolutions and, accordingly, excludes the voting rights of the Offerors, the Excluded Shareholders and Mettle Shareholders acting in concert with the Offerors.

8. No Comparable Offer

The trustees of the Mettle Investments Employee Share Option Program have, over time, issued in aggregate 3 600 000 options to acquire Mettle Shares to certain Mettle employees (the “**ESOP Participants**”). All of the ESOP Participants have waived their right to receive a comparable offer in terms of section 125(2) of the Companies Act as read with regulation 87 of the Companies Regulations, 2011.

9. Independent Board

- 9.1. In accordance with section 114(2) of the Companies Act and Regulation 90 of the Companies Regulations, the independent board of directors of Mettle, being those directors of Mettle who act independently as contemplated in the Companies Regulations, namely Bruce Chelius, Raymond Fenner and Marco Wentzel (the “**Independent Board**”) has appointed Nodus Capital TS Proprietary Limited (the “**Independent Expert**”) to provide the Independent Board with advice in relation to the Scheme Consideration.
- 9.2. The Independent Expert has performed a valuation of Mettle Shares. Taking into consideration the terms of the Scheme, the Independent Expert has issued a report in which it opines that the terms and conditions of the Scheme are unfair but reasonable to the Scheme Participants.
- 9.3. The Independent Board is of the view that, while the Scheme Consideration falls outside of the fair value range determined by the Independent Expert, the Scheme Consideration is at a considerable premium to the 30-day VWAP. Mettle Shares have never traded at the level of the Scheme Consideration, save for a period during the Initial Offer. After the Initial Scheme failed to become unconditional and was terminated, the price at which Mettle Shares traded immediately reverted to levels seen prior to the announcement of the Initial Offer. As a company with a very small market capitalisation and poor liquidity, a consequence of a very small free float, it is expected that Mettle’s growth prospects will be limited by its inability to raise funds from the South African equity capital markets. Furthermore, in the absence of an ability to attract institutional capital, the costs of being listed are prohibitive and the benefits limited. Accordingly, the Independent Board is of the view that the Scheme is an opportunity for Scheme Participants to realise their investment in Mettle Shares at a price that is unlikely to present itself again in the foreseeable future, having regard for the unattractiveness to the broader South African investment community of small, illiquid shares such as those of Mettle. Accordingly, the Independent Board believes that it is appropriate that the Scheme be referred to Mettle Shareholders for their consideration, and if found to be acceptable, approval.
- 9.4. The full report of the Independent Expert will be contained in the Circular (as defined in paragraph 11 below), together with the Independent Board’s recommendations and intentions regarding their own holdings of Mettle Shares.

10. Responsibility Statement

- 10.1. The Independent Board accepts responsibility for the information contained in this announcement as it pertains to Mettle. To the best of the Independent Board's knowledge and belief, the information contained in this announcement as it pertains to Mettle is true and nothing has been omitted which is likely to affect the importance of such information.
- 10.2. The Offerors accept responsibility for the information contained in this announcement as it pertains to the Offerors. To the best of the Offerors' knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of such information.

11. Posting of Circular and Notice of General Meeting

A circular providing full details of the Scheme and containing, *inter alia*, a notice of general meeting, the report by the Independent Expert, the recommendations of the Independent Board and salient dates and times relating to the Scheme will be posted to Mettle Shareholders in due course ("**Circular**"). The salient dates in relation to the Scheme will be published on the SENS prior to the posting of the Circular.

Cape Town
11 September 2020

Joint Corporate Advisor and Transaction Designated Advisor



Questco Proprietary Limited

Joint Corporate Advisor



Mettle Corporate Finance Proprietary Limited

Legal Advisor to the Company



RH Legal

Legal Advisor to the Offerors



Edward Nathan Sonnenbergs Inc t/a ENSafrica

Independent Expert



Nodus Capital TS Proprietary Limited