

The Board  
Mettle Investments Ltd  
1st Floor, Fedgroup Place  
Willie van Schoor Avenue  
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7530  
Cape Town

Dear Sirs

15 September 2020

## **INDEPENDENT EXPERT OPINION ON A SMALL RELATED PARTY TRANSACTION ITO THE JSE LISTINGS REQUIREMENTS (the “Listings Requirements”)**

### **Introduction**

Reward Investments Limited (“RIL” or the “Company”) is a 90% subsidiary of Mettle, with the balance of 10% held by Tradegro S.a.r.l. (“Tradegro”). Tradegro, in turn, is a subsidiary of Tradehold Limited (“Tradehold”). RIL’s material asset is its 82.5% shareholding in Reward Finance Group Ltd (“RFG”). RIL has agreed to repurchase the shares owned by Tradegro, following which RIL will be owned 100% by Mettle. Consequently, RIL and Tradegro entered into a non-binding term sheet (the “Term Sheet”) whereby RIL agreed to purchase all 1 111 212 shares owned by Tradegro in RIL (the “Tradegro Shareholding”) for £2.6 million (the “Purchase Price”). The parties subsequently entered into a share purchase agreement, on or about 14 September 2020 (the “Agreement”), formalising the Term Sheet (the “Transaction”).

Granadino Investments (Pty) Ltd (“Granadino”) and Titan Global Investments (Pty) Ltd (“Titan”) are material shareholders of both Mettle and Tradehold and are thus related parties per the Listings Requirements. As a result of this related party status and due to the quantum of the Purchase Price, the Transaction constitutes a small related party transaction in terms of Section 10(b)(i) and 10.7 of the Listings Requirements.

### **Scope**


In terms of the Listings Requirements the Company must retain an independent expert for purposes of the compilation of a report to the Board of Directors (the “Board”) and shareholders of Mettle (the “Mettle Shareholders”) confirming that the terms and conditions of the Transaction are fair to Mettle Shareholders (the “Opinion” or “Fairness Opinion”).

Nodus Capital TS Proprietary Limited (“Nodus”) has been appointed by the Board as the Independent Expert to advise on whether the terms and conditions of the Transaction are fair to the Mettle Shareholders.

### **Responsibility**

The compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Transaction in compliance with the related provisions of the Listings Requirements.

We confirm that our Fairness Opinion has been provided to the Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Mettle Shareholders in relation to the Transaction.



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**Definition of the term “fair”**

The “fairness” of a transaction is based on quantitative issues. A transaction may be said to be fair if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value ceded by the shareholders.

The Transaction may be said to be fair if the Purchase Price is less than or equal to the value of the Tradegro Shareholding or unfair if the Purchase Price exceeds the value of the Tradegro Shareholding.

**Our approach in considering the Transaction**

In considering the Transaction, we have independently calculated the fair value of the Tradegro Shareholding and compared our fair value of the Tradegro Shareholding to the Purchase Price.

**Details and sources of information**

The principal sources of information used in performing our work include:

- The Term Sheet;
- The Agreement;
- The terms and conditions of the Transaction, as set out in the Term Sheet;
- Representations and assumptions made available by, and discussions held with, the management of Mettle and RFG;
- Publicly available information relating to the industry in which RFG operates;
- Publicly available information relating to RFG that we deemed to be relevant, including company announcements, media articles and analyst presentations, where applicable;
- Audited annual financial statements of RFG for the four years ended 28 February 2019;
- Unaudited management accounts of RFG for the period ended 29 February 2020;
- Unaudited management accounts of RIL for the period ended 31 May 2020;
- Unaudited management accounts of RFG for the period ended 31 May 2020; and
- Forecast information for RFG for the four years ending 29 February 2024;

The information above was obtained from:

- Directors and management of Mettle and RFG; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing RFG.

**Procedures performed**

In arriving at our Opinion we have undertaken the following procedures in evaluating the fairness of the Purchase Price:

- Considered the rationale for the Transaction, as represented by Mettle and RFG management;
- Reviewed the terms and conditions of the Transaction;
- Supplemented our knowledge and understanding RFG as well as the industry in which it operates;
- Held discussions with RFG and Mettle management on the prospects of RFG;
- Reviewed the Term Sheet;
- Reviewed the Agreement;



- Reviewed and analysed the historical financial information of RFG;
- Considered the value of RFG by taking cognisance of the market multiples of comparable companies and comparable/recent transactions, as applicable, and the discounted cash flow valuation performed on RFG;
- Assessed the forecast of RFG as prepared by management and challenged certain assumptions;
- Reviewed certain publicly available information relating to RFG and the industry in which it operates that we deemed to be relevant, including company announcements and media articles;
- Performed an analysis of other information considered pertinent to our valuation and Opinion; and
- Obtained from the management of Mettle a letter of representation in respect of amongst other things the information shared and/or statements made to us and upon which we have relied.

We have not interviewed any of the Mettle Shareholders to obtain their views on the Transaction.

Based on the results of the procedures mentioned above, we determined the fairness of the Transaction to Mettle Shareholders. We believe that the above considerations justify the opinion outlined below.

### **Limiting conditions**

This Opinion of the Independent Expert is provided to the Board in connection with and for the purposes of the Transaction. The Opinion of the Independent Expert does not purport to cater for each individual Mettle Shareholder's perspective, but rather that of the general body of Mettle Shareholders.

We have relied upon and assumed the accuracy of the information provided to and obtained by us in deriving our Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our Opinion, whether in writing or obtained in discussion with Mettle and/or RFG management, by reference to publicly available or independently obtained information.

While our work has involved an analysis of, inter alia, the annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards

This Opinion of the Independent Expert is provided in terms of the Listings Requirements. It does not constitute a recommendation to any Mettle Shareholder as to how to vote at any Shareholders' meeting relating to the Transaction, if applicable, or on any matter relating to it. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this Opinion of the Independent Expert is used or relied upon for anything other than its intended purpose. Should an individual Mettle Shareholder have any doubts as to what action to take, such Shareholder should consult an independent advisor.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Accordingly, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods.

We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of Mettle and/or RFG. We have compared the projected/forecast financial information to past trends as well as discussed the assumptions inherent therein with management.

Our Opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals, if any, will be properly fulfilled/obtained.

The valuation of companies and businesses is not a precise science and conclusions arrived at, will, in many cases, be subjective and dependent on the exercise of individual judgment.



## Valuation

### Overview

Nodus performed an independent valuation of RIL to determine whether the Purchase Price represents fair value to the Mettle Shareholders.

For the purposes of our valuation of RFG, we utilised both a market approach (based on financial data for comparable publicly traded companies and/or comparable/recent transactions) and an income approach (discounted cash flow) valuation methodology.

The valuation was performed taking cognisance of risk and other market and industry factors affecting RFG. Additionally, sensitivity analyses were performed considering key assumptions. Prevailing market and industry conditions were also considered in assessing the risk profile of RFG.

### Valuation

Prior to the Transaction Mettle owns an effective ~74% of RFG. Post the Transaction, Mettle will own an effective ~82% of RFG, held via RIL.

RFG provides asset-secured short and medium-term loans and invoice discounting to the UK's small and medium-sized enterprises ("SME") market. Loan sizes are between £50,000 and £2 million. RFG's strategy is to target SMEs that are not adequately serviced by traditional banks. RFG is the largest contributor to the profits and net asset value of Mettle.

Key internal value drivers included the discount rate, revenue growth and operating margins.

Key external value drivers including interest rates, headline inflation rates and prevailing market and industry conditions in respect of the industry in which RFG operates were also considered in assessing the forecast cash flows and risk profile of RFG.

The respective inflation and interest rate on UK government bonds utilised in the income approach valuation approximated 0.7% and 0.2%. Company-specific risks have been included in the discount rate which has the impact of increasing the discount rate and decreasing the value of the Tradegro Shares. A change of 0.5% in the discount rate would result in a ~8% change in the value of the Tradegro Shares.

To determine the value of RIL, we considered the valuation results of RFG and the assets and liabilities of RIL as at 31 May 2020.

## Assumptions

Our Opinion is based on the following key assumptions:

- The agreements that have been entered into in terms of the Transaction will be legally enforceable;
- The Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives of Mettle;
- Reliance can be placed on the financial information of RFG and RIL;
- For the purposes of this Opinion of the Independent Expert, we assumed RFG's existing businesses to be ongoing under current business plans and management; and
- Representations made by Mettle and RFG management during the course of forming this Opinion of the Independent Expert.

## Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our Opinion by:

- Placing reliance on audit reports in the financial statements of RFG;



- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of RFG and the economic environment in which it operates.

### **Valuation results**

In undertaking the valuation exercise of RIL above, we determined a valuation range of the Tradeagro Shareholding of £2.2 million to £2.6 million.

The Purchase Price falls within our concluded valuation range for the Tradeagro Shareholding.

The valuation above is provided solely in respect of this Opinion and should not be used for any other purposes.

### **Opinion**

Nodus has considered the terms and conditions of the Transaction and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Transaction, based on quantitative considerations, are fair to the Mettle Shareholders.

Our Opinion is necessarily based upon the information available to us up to 14 September 2020, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us.

### **Independence, competence and fees**

We confirm that we have no direct or indirect interest in Mettle or the Transaction nor do we have any relationship with Mettle or any person related to Mettle such as would lead a reasonable and informed third party to conclude that our integrity, impartiality or objectivity has been compromised by such relationship. We also confirm that we have the necessary competence and experience to provide the Independent Expert Report.

Furthermore, we confirm that our professional fee is not contingent upon the success of the Transaction.

### **Consent**

We consent to the inclusion of the Opinion section of this letter in an announcement to be published on the Stock Exchange News Service of the JSE Ltd (the "SENS Announcement") by Mettle, as well as to the Opinion being made available to Mettle Shareholders for a period of 28 days from the SENS Announcement.

Yours faithfully



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