

Alexander Forbes Group Holdings Limited
(Incorporated in the Republic of South Africa)
Registration Number: 2006/025226/06
JSE Share Code: AFH and ISIN: ZAE000191516
(Alexander Forbes or the Company or the Group)



SMALL RELATED PARTY TRANSACTION – PROPOSED ACQUISITION OF EBS INTERNATIONAL PROPRIETARY LIMITED

1. Introduction

Shareholders are advised that Alexander Forbes, through its wholly owned subsidiary Alexander Forbes Limited (AFL), has entered into a sale and purchase agreement with the shareholders of EBS International Proprietary Limited (EBS) in terms of which it will acquire 100% of the issued share capital in EBS (Proposed Transaction).

Twenty five per cent of the issued share capital of EBS will be acquired from ARC Financial Services Investments Proprietary Limited (ARC), a related party to Alexander Forbes. ARC is a material shareholder of the Group, holding 39.9% of the issued share capital of Alexander Forbes and therefore the Proposed Transaction is deemed a small related party transaction in terms of the JSE Limited Listings Requirements (Listings Requirements). The remaining 75% shareholding in EBS will be acquired from each of the remaining EBS shareholders.

2. Rationale

The implementation of the Proposed Transaction will enable Alexander Forbes to accelerate growth as well as expand its service offering into core and adjacent segments of the South Africa and Africa retirement funding markets, thereby resulting in it being uniquely positioned to serve the breadth of retirement fund administration needs.

The EBS employee benefits capability is primarily geared to enable retirement funds to perform self-administration functions and therefore diversifies Alexander Forbes' administration offering into a previously unserved segment of the retirement funding market, which now covers the full spectrum of capabilities from:

- Information technology enablement for self-administration
- Back office section 13B of the Pensions Fund Act 24 of 1956, as amended, (13B) administration
- Front office 13B administration
- Full 13B administration
- Umbrella fund administration
- Investment unitisation
- Investment attribution, compliance and risk reporting
- Analytics

The Proposed Transaction will enable Alexander Forbes to unlock previously inaccessible opportunities to serve the self-administration needs of very large retirement funds based in South Africa and selected African countries efficiently. As such, Alexander Forbes will be uniquely positioned to scale technological development, member engagement and regulatory implementation to deliver efficiencies, innovation and enhanced customer experiences across its expanded base of clients.

EBS will be able to access a broad range of specialist skills from Alexander Forbes to augment its offering to clients and improve efficiencies in technological development, regulatory implementation and customer experiences and ensure its sustainability and continuity. Clients of EBS can take confidence in the continuation of the high levels of service delivery that they have enjoyed to date and can look forward to greater efficiencies, innovation and improved customer experiences as the respective entities unlock the available synergies.

Dawie de Villiers, CEO of Alexander Forbes commented: *'The acquisition of EBS will enhance the administration capabilities of Alexander Forbes significantly, providing us with an offering to self-administered retirement funds and the ability to extract more synergies across our administration platforms.'*

Tim Rutherford, Chief Executive Officer of EBS, said: *'The acquisition of EBS by Alexander Forbes will serve to enrich and broaden the market to which EBS has access but also the depth and scope of services and support EBS can offer. These synergies will benefit existing clients of EBS and Alexander Forbes and potentially open the market to new customers who seek a more comprehensive solution.'*

3. Particulars of the Proposed Transaction

3.1 Overview of EBS

EBS, through its various subsidiaries, provides a multi-service financial services offering including hosted administration platforms, 13B administration services, information technology services, consulting services, disaster recover/business continuity services and business analytics. EBS subsidiaries include:

- Global ASP Limited: established in 1998 and provides hosted member administration and asset management solution platforms, including technology, consulting, disaster recovery and business continuity services.
- Megatech Systems Proprietary Limited: has been supplying systems and services to the retirement fund industry for more than 20 years and is an inhouse software development provider.
- Employee Benefit Solutions Africa Proprietary Limited: an experienced and independent 13B administrator.
- Disaster Recovery South Africa Proprietary Limited (DRSA): founded in 2006 and provides a number of large financial services clients with disaster recovery and business continuity services. Its infrastructure, methodology and pro-active involvement with its clients in times of crisis have been a strong catalyst to DRSA's success in the local market.

The EBS technology solutions are deployed in 9 countries in Africa hosting over four million records on its platform comprising contributing, pensioner and insurance member records. EBS, through one of its wholly owned subsidiaries also operates as a 13B administrator, with an additional 4 800 members under administration.

As per the EBS consolidated audited annual financial statements for the year ended 31 August 2020, prepared in accordance with International Financial Reporting Standards, the total net asset value of EBS on 31 August 2020 was R79 million and the profit after tax for the year ended 31 August 2020 was R8 million.

The EBS business will be run independently of Alexander Forbes but will benefit from the support structures and intellectual capability available within the Group to sustainably serve the needs of its clients now and into the future. Employees are assured of their job security and the management of EBS will continue to perform their duties given their understanding of the business, its people and clients.

3.2 Terms of the Proposed Transaction

AFL has entered into a sale and purchase agreement for 100% of the issued share capital in EBS for a total cash purchase consideration of R142 million. The purchase consideration includes a retained portion of R14.2 million (payable after 12 months assuming no warranty or indemnity claims) and a deferred portion of R20 million (payable on meeting certain pre-agreed commitments).

The Proposed Transaction is subject to customary terms and conditions for transactions of this nature, including certain conditions being fulfilled, including approval from the Competition Authorities in terms of the Competition Act 89 of 1998 and approval of the independent fairness opinion by the JSE Limited (JSE). The acquisition will be effective on the date on which all conditions precedent have been fulfilled and is expected to occur in the first quarter of the 2023 financial year.

EBS and its subsidiaries will become indirect subsidiaries of the Company. Following completion of the Proposed Transaction, the Company will ensure that the provisions of the memoranda of incorporation of EBS and its subsidiaries (Memoranda) will not frustrate the Company in any way from compliance from its obligations in terms of the Listings Requirements and nothing in the Memoranda shall relieve the Company from compliance with the Listings Requirements.

4. Small related party transaction considerations and independent fairness opinion

In terms of paragraph 10.7 of the Listings Requirements, the Proposed Transaction constitutes a small related party transaction. The Board of Directors of the Company (the Board) is therefore required, pursuant to section 10.7 (a) and (b) of the Listings Requirements to provide the JSE with written confirmation, from an independent professional expert, that the terms of the Proposed Transaction are fair insofar as Alexander Forbes' shareholders are concerned.

In this regard, Moore Advisory Jhb Proprietary Limited (Moore) was duly appointed as the independent professional expert and has provided the Board with a fairness opinion regarding the Proposed Transaction (Fairness Opinion) in which Moore has advised the Board that they believe that the terms thereof are fair to shareholders. The Fairness Opinion has been provided to the JSE.

Once approved by the JSE, a further announcement will be made and the Fairness Opinion will be available for inspection at the registered office of Alexander Forbes located at 115 West Street, Sandown, Sandton for a period of 28 days from the date of such announcement. It will also be made available during this period on request by email to the Executive: Governance, Legal and Compliance at wesselsc@forbes.com.

Carina Wessels
Executive: Governance, Legal and Compliance (Company Secretary)

30 November 2021
Sandton

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Legal advisor
Bowmans

Independent professional expert
Moore Advisory Jhb Proprietary Limited