



RMI

Disposal by RMI of its 30% interest in Hastings Group (Consolidated) Limited to Sampo plc

FOCUS COLLABORATE GROW

Rand Merchant Investment Holdings Limited (Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06) • ISIN: ZAE000210688 • Share code: RMI • (RMI or the Company)

1. Introduction

Shareholders of RMI (Shareholders) are advised that RMI and Sampo plc (**Sampo**) have concluded a sale and purchase agreement in terms of which Sampo will acquire the 199,939,120 shares in Hastings Group (Consolidated) Limited (**Hastings**), constituting 30% of the issued shares in Hastings (**Sale Shares**), held indirectly by RMI (the **Sale**).

RMI holds the Sale Shares through Main Street 1353 Proprietary Limited (**Main Street**), an entity jointly owned by RMI (as to 51%) and OUTsurace Holdings Limited (**OUTsurace**) (as to 49%). Sampo holds the balance of the 70% shareholding in Hastings prior to implementation of the Sale.

The Sale was concluded on terms and conditions customary for transactions of this nature, is not subject to conditions precedent and is expected to become effective on receipt of the purchase consideration by Main Street and completion of the formal transfer processes by the parties, both expected to occur on 8 December 2021 (**Completion Date**).

Per the terms of a shareholders agreement entered between Main Street and Sampo at the time of the privatisation of Hastings in November 2020 (the **Privatisation**) (which agreement will terminate with effect from completion of the Sale), RMI and OUTsurace have an option to increase their ownership in Hastings from 30% to up to 40% (the **Main Street Option**). The Main Street Option is capable of being exercised, in whole or in part, within a period of 18 months from the completion of the Privatisation, being 16 May 2022, at a price equal to the price at which the Privatisation was concluded being, 250 pence per Hastings share (the **Privatisation Price**). The Main Street Option will not be exercised as a consequence of the Sale.

2. Terms of the transaction

Under the terms of the Sale, Main Street will on the Completion Date, receive 342.6 pence in cash for each Sale Share held (**Sale Price**). The Sale Price considers the rights attaching to the Sale Shares as well as the fact that the Main Street Option will not be exercised.

Main Street will sell 199,939,120 Hastings shares, implying gross proceeds of £685.0 million or R14.6 billion (based on a ZAR/GBP exchange rate of R21.28) (**Sale Consideration**).

The Sale Price represents a:

- premium of 37.0% to the Privatisation Price; and
- transaction internal rate of return for RMI's investment in Hastings of 18.4% in ZAR terms and 12.5% in GBP terms (adjusted for dividends received, the further investment at the time of the Privatisation and an allocation of the funding costs in relation to the debt incurred by RMI for its Hastings shares). Both metrics are in excess of RMI's return requirements.

Herman Bosman (Chief Executive Officer of RMI) and Jan Hofmeyr (Group Chief Financial Officer of OUTsurace), the appointed directors for Main Street on the Hastings board, have tendered their resignations from the Hastings board and board committees with effect from the Completion Date.

The requisite notifications to the regulatory authorities in South Africa, the United Kingdom and Gibraltar have been, or will be made and there are no conditions precedent to the Sale, which will become effective on the Completion Date.

3. Rationale for the transaction

The rationale for RMI's original investment in Hastings in March 2017 was consistent with RMI's strategy to diversify its portfolio through partnering with a high quality and entrepreneurial management team to gain exposure to the United Kingdom's property and casualty (**P&C**) market through a dynamic and growing business with an underwriting and pricing system designed for the highly competitive price comparison websites. In line with RMI's strategy to have exposure to unlisted and geographically-diversified P&C businesses, the Privatisation of Hastings was undertaken in 2020 in partnership with Sampo.

Hastings has delivered a sound operational performance and good financial metrics despite an extended soft pricing cycle and changing market and regulatory dynamics.

RMI and OUTsurace have enjoyed a successful partnership with Hastings and Sampo, resulting in strategic and financial collaboration benefits in the form of operational (branding and retention) best practice, intellectual property and market knowledge sharing (eg bodily injury). An ongoing relationship, through the continuation of the existing arms-length outsourcing agreement between Hastings Insurance Services Limited (**HISL**) and OUTsurace Shared Services Proprietary Limited (**OSSP**), in terms of which OSSP provides management of local and offshore call centres to HISL, will see the retention of c.650 permanent jobs in South Africa.

RMI's investment activities are assessed within a framework that balances (i) strategic focus; (ii) attractive financial returns; and (iii) consistency with its capital structure policy. The balance is found in an ethos of being an efficient and disciplined allocator of capital and being committed to maximising value creation for Shareholders should opportunities to do so arise, notwithstanding our position as a long-term shareholder or the strategic significance of any particular investment. With this in mind, RMI has assessed the approach from Sampo to acquire the Sale Shares and considering all relevant qualitative and quantitative factors, concluded that the Sale represented an opportunity to monetise the investment in Hastings at an attractive valuation.

4. Impact of the sale on the announced RMI Restructure

The Shareholders are referred to the announcement (**Restructure Announcement**) released by RMI on the Stock Exchange News Service of the JSE Limited (**SENS**) on 20 September 2021 in which RMI announced:

- the distribution of all the shares held by RMI in its two listed, life insurance focused assets, Discovery Limited (**Discovery**) and Momentum Metropolitan Holdings Limited (**Momentum Metropolitan**), to Shareholders (the **Unbundling**); and
- an indivisible equity capital raise of up to R6.5 billion by way of a *pro rata* rights issue by RMI (**Rights Issue**) to Shareholders, to optimise RMI's capital structure (together the **Restructure**).

4.1 Impact on the Unbundling

Shareholders are advised that the Sale will have no impact on the Unbundling.

As previously advised, the Unbundling is intended to be executed by way of a *pro rata* distribution *in specie* in terms of section 46(1)(a)(ii) of the Companies Act, 2008 (as

amended) and section 46 of the Income Tax Act, 1962 (as amended) (**Income Tax Act**), and it is anticipated that the Unbundling will proceed post receipt of the requisite regulatory approvals, which are well progressed and is expected to occur in Q1 2022.

4.2 Impact on the Rights Issue

Shareholders are advised that the proceeds from the Sale will negate the requirement for the Rights Issue by RMI as originally contemplated.

Further details on the use of proceeds and RMI's capital structure post the Sale and the Unbundling are set out in paragraph 5 below.

5. Use of sale proceeds

Main Street will receive a Sale Consideration of R14.6 billion from Sampo. Based on the operation of the applicable provisions in the Income Tax Act, RMI does not envisage any tax (capital gains tax or otherwise) consequences to arise for Main Street in relation to the Sale.

The Sale Consideration will in the first instance be utilised to settle the funding of R3.1 billion in Main Street in relation to the Hastings interest (**Main Street Funding**), resulting in net proceeds of R11.5 billion (the **Net Consideration**).

The Net Consideration will then be paid out in the form of a dividend to RMI Asset Holdings Proprietary Limited (**RMI AssetCo**) (a wholly owned subsidiary of RMI) and OUTsurace, being the shareholders of Main Street, in proportion to their shareholding of 51% (R5.9 billion) and 49% (R5.7 billion), respectively. This distribution is exempt from dividend tax and income tax in terms of section 10B read with section 64E of the Income Tax Act.

After having considered its own capital requirements, OUTsurace will declare a dividend to RMI AssetCo (as its 89.1% shareholder) of R2.8 billion, resulting in total proceeds to RMI pursuant to the Sale of R8.7 billion (**RMI Proceeds**), after the settlement of the Main Street Funding.

Below is a table summarising the above flow of funds to RMI:

	Flow of funds
Sale Consideration	R14.6 billion
Settlement of Main Street Funding and other debt related items	(R3.1 billion)
Net Consideration	R11.5 billion
RMI AssetCo portion of Net Consideration (51%)	R5.9 billion
OUTsurace portion of Net Consideration (49%)	R5.7 billion
OUTsurace dividend	R3.1 billion
RMI portion of OUTsurace dividend (89.1%)	R2.8 billion
RMI Proceeds	R8.7 billion

The RMI Proceeds will be used to pay down all RMI debt (which includes Main Street Funding) such that RMI will be debt free post implementation of the Sale and the Unbundling.

RMI is focused on optimising its capital structure and dividend policy, seeking to:

- maintain a contingency cash buffer of approximately R1 billion; and
- target a dividend pay-out ratio of 100% of free cash flow generated (net of funding costs). The target pay-out ratio is a dynamic statement of strategic intent and will change to reflect any changes in RMI's capital structure or future investment portfolio.

Below is the *pro forma* capital structure of RMI post the receipt of the RMI Proceeds and the Unbundling:

	As at 30 June 2021	Pro forma post the Sale and the Unbundling
Gross debt	R11.8 billion	–
Cash	(R2.3 billion)	(R3.1 billion)
Net debt/(Net cash)	R9.5 billion	(R3.1 billion)

6. Categorisation in terms of the JSE Listings Requirements

The Sale is categorised as a category 2 transaction for RMI in terms of section 9.5(a) of the JSE Listings Requirements (**Listings Requirements**) and is accordingly not subject to Shareholders' approval.

7. Financial information

The carrying value of RMI's investment in Hastings' net assets as at 30 June 2021 was R9.8 billion. Hastings' normalised earnings attributable to RMI for the year ended 30 June 2021 was R0.6 billion.

The values attributed to the carrying value of RMI's investment in Hastings and the normalised earnings above represent Main Street's 30% shareholding in Hastings and were extracted from Hastings' financial statements for the year ended 30 June 2021, which were prepared in accordance with the International Financial Reporting Standards.

8. Information on Sampo and Hastings pursuant to the Listings Requirements

Sampo is a leading Nordic insurance group listed on Nasdaq Helsinki and which is made up of the parent company Sampo plc and its subsidiaries If P&C, Topdanmark, Hastings and Mandatum. The group companies have insurance operations in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia, and the United Kingdom.

Hastings is a technology-led, multi-award-winning, challenger to traditional insurers in the United Kingdom car, van, bike, and home insurance market. It is an expert in digital and price comparison website distribution and relies on high digitisation of the customer experience to drive client retention.

9. Impact of the transaction on RMI's future focus and strategy

Post the implementation of the Sale, RMI will remain a JSE listed investment holding company. As detailed in the Restructure Announcement as well as in RMI's integrated report for the year ended 30 June 2021 (available on RMI's website at: <https://www.rmi.co.za/investor-relations>), RMI's core strategy remains unchanged which is to provide stakeholders with the opportunity to access unique, predominantly unlisted geographically diversified and non-competing P&C businesses.

10. RMI voluntary trading update

Shareholders are referred to the operating updates provided by Discovery and Momentum Metropolitan for an update on their financial performance for the three months to 30 September 2021, available on their respective websites.

Shareholders are advised that for the five months to 30 November 2021, Australia has experienced various large natural events resulting in material claims for Youi Holdings Proprietary Limited (**Youi**). As guided in the financial results for the year ended 30 June 2021, Youi's catastrophe reinsurance retention increased materially from AU\$10 million for the 2021 financial year to AU\$30 million in the 2022 financial year. The higher catastrophe reinsurance retention is buffered by a natural perils aggregate treaty which provides AU\$70 million of cover once aggregated retained events losses exceed AU\$60 million. As at 30 November 2021, estimated aggregated losses stood at AU\$50 million. These circumstances point to a low earnings result experience by Youi for the first six months of the 2022 financial year, with the expectation of a significantly more profitable second half enabled by the benefit of the aggregate cover to absorb a large component of potential future natural perils event losses.

The financial information contained in this announcement has not been reviewed or reported on by RMI's auditors or reporting accountants.

8 December 2021
Rosebank

Disclaimers

Shareholders should note that the RMI board reserves the right, in its discretion, to decide not to proceed with the Unbundling and, as such, the Unbundling may or may not proceed.

The release, publication or distribution of this announcement in jurisdictions other than South Africa may be restricted by law and therefore persons into whose possession this announcement may come should inform themselves about, and observe, any such applicable restrictions or requirements. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws and regulations of any such jurisdiction. To the fullest extent permitted by applicable law, the Company disclaims any responsibility or liability for the violation of such restrictions or requirements by any person.

This announcement is for information purposes only and is not, and should not be construed as, a constitute, an offer to sell or the solicitation of an offer to buy securities and neither this document nor anything herein nor any copy thereof may be taken into or distributed, directly or indirectly, in or into any jurisdiction in which to do so would be prohibited by applicable law.

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia) Canada, Australia or Japan. These materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for, or otherwise invest in, securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act").

The securities may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of any securities in the United States.

In the United Kingdom, this announcement is being distributed only to, and is directed only at, persons who: (A) (i) are "investment professionals" specified in Article 19(5) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) are other persons to whom it may otherwise lawfully be communicated; and (B) are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 (all such persons together being referred to as "Relevant Persons"). In the European Economic Area (the "EEA"), this announcement is addressed only to and directed only at, persons in member states who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ("Qualified Investors"). This announcement must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which this announcement relates is available only to: (i) in the United Kingdom, Relevant Persons; and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

In South Africa, the information contained in this announcement does not constitute or form a part of any offer to the public for the sale of, or subscription for, or an invitation, advertisement or the solicitation of an offer to purchase and/or subscribe for, securities as defined in and/or contemplated by the Companies Act. Accordingly, this announcement does not, nor does it intend to, constitute a "registered prospectus" or an advertisement relating to an offer to the public, as contemplated by the Companies Act and no prospectus has been, or will be, filed with the South African Companies and Intellectual Property Commission in respect of this announcement.

The information contained in this announcement constitutes factual information as contemplated in Section 1(3)(a) of the Financial Advisory and Intermediary Services Act, 37 of 2002, as amended ("FAIS Act") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the RMI shares or in relation to the business or future investments of RMI, is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing contained in this announcement should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. RMI is not a financial services provider licensed as such under the FAIS Act.

Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities, which is regulated by the Johannesburg Stock Exchange, which exchange is regulated by the Financial Sector Conduct Authority, is providing financial advice and is acting as JSE transaction sponsor to RMI and no one else in connection with the Sale and will not be responsible to anyone other than RMI for providing the protections afforded to its clients, nor for providing advice in relation to the Sale or any other matter or arrangement referred to in this announcement.

No representation or warranty, express or implied, is made or given, and no responsibility is accepted, by or on behalf of the financial adviser or any of its affiliates or any of its directors, officers or employees or any other person, as to the accuracy, completeness, fairness or verification of the information or opinions contained in this announcement and nothing contained in this announcement is, or shall be relied upon as, a promise or representation by the financial adviser or any of its affiliates as to the past or future. Accordingly, the financial adviser and its affiliates and directors, officers and employees disclaim, to the fullest extent permitted by applicable law, all, and any liability, whether arising in tort or contract or that they might otherwise be found to have in respect of this announcement and/or any such statement.

Nothing contained in this announcement constitutes, or is intended to constitute, investment, tax, legal, accounting, or other professional advice.

Forward-looking statements

This announcement contains statements about the RMI and the RMI group of companies (the "Group") that are, or may be, forward-looking statements.

All statements (other than statements of historical fact) are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the industries in which RMI and the Group operates or invests as well as markets generally; production; cash costs and other operating results; growth prospects and outlook for operations and/or investments, individually or in the aggregate; liquidity, capital resources and expenditure, statements in relation to Sale and/or the Unbundling, their respective implementation and benefits. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified using forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Examples of forward-looking statements include statements regarding a future financial position.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, returns and the developments within the industries and markets in which the Company and/or the Group operates and/or invests may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. All these forward-looking statements are based on estimates, predictions and assumptions, as regards the Company and the Group, all of which estimates, predictions and assumptions, although the Company believes them to be reasonable, are inherently uncertain and may not eventuate or eventuate in the manner the Company expects. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include matters not yet known to the Company or not currently considered material by the Company.

Investors should keep in mind that any forward-looking statement made in this announcement or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of the Company and the Group not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results, performance, or achievement to differ materially from those contained in any forward-looking statement is not known. The Company has no duty to, and does not intend to, update, or revise the forward-looking statements contained in this announcement or any other information herein, except as may be required by law. Any forward-looking statement has not been reviewed nor reported on by the Company's external auditor or any other expert.

Financial adviser and JSE transaction sponsor

Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities

BofA SECURITIES

Legal advisers

Webber Wentzel

WEBBER WENTZEL

in alliance with > **Linklaters**

www.rmi.co.za

STUDIO ©