

## TRANSITION OF RMI TO OUTSURANCE GROUP LIMITED

### 1. Introduction

The RMI board of directors (RMI Board) took the decision in 2014 to re-activate the portfolio management and investment focus of the business. Most recently this has resulted in RMI unlocking significant value for the shareholders of RMI (Shareholders) in the form of:

- the distribution *in specie* of its listed shares in each of Discovery Limited and Momentum Metropolitan Holdings Limited (Momentum Metropolitan) to Shareholders (the Unbundling);
- the sale of RMI's indirectly held interest of 30% of the issued shares in Hastings Group (Consolidated) Limited to its co-shareholder in the business, Sampo plc (the Hastings Sale). The Hastings Sale resulted in a profit of R8.6 billion (including dividends) over the four years of the investment; and
- the payment of a special dividend, as declared on 16 March 2022 (the Special Dividend).

Collectively, the Unbundling, Hastings Sale, and Special Dividend represent c.R36 billion of value distribution to the Shareholders.

The period from 1 April 2014 to the last practicable date of this announcement being Tuesday, 20 September 2022 has resulted in total returns to Shareholders (in the form of capital appreciation and dividends and adjusted for the Unbundling) of c.R47.9 billion or 118.7% (assuming reinvestment of dividends), in comparison to the return of the JSE Financial 15 Index of 5.6% over the same period.

This announcement marks the end of an era for RMI as an active investor in a portfolio of financial services businesses, with the final step being the process of transitioning and rebranding from RMI to "OUTsurance Group Limited" (the OUTsurance Listing).

### 2. Rationale

The OUTsurance Listing gives Shareholders access to an efficient and appropriately capitalised corporate structure almost solely representing OUTsurance Holdings Limited (OUTsurance) (approximately 95.4% of the assets of RMI as at 30 June 2022), which in its own right, is a growing, short-term insurance group operating across multiple geographies. Specifically, the OUTsurance Listing is intended to result in the following key benefits for Shareholders: (i) a simpler operational structure offering a single access point to OUTsurance; (ii) a more focused OUTsurance management team with direct accountability to Shareholders; (iii) a higher dividend pay-out ratio; and (iv) a phased reduction of the holding company and personnel costs at RMI.

RMI will retain its shareholder register including its trading history and will remain listed in the Diversified Financial Services sector of the JSE but will, subject to Shareholder approval for the OUTsurance Listing being obtained, be renamed "OUTsurance Group Limited". The structure and mechanism of the OUTsurance Listing is an expedient, cost-efficient, non-disruptive mechanism to achieve a structural alignment of RMI whilst retaining and leveraging the operational, empowerment, governance and regulatory compliance capabilities embedded within the RMI group.

Further details of the OUTsurance Listing will be set out in a circular to be distributed to Shareholders on or about Tuesday, 11 October 2022 (Circular).

### 3. RMI Internal Restructure (prior to the OUTsurance Listing)

Shareholders are advised that to further simplify its group structure, RMI has implemented an internal restructure comprising primarily the following:

- As RMI's interest in OUTsurance was held by Firmess International Proprietary Limited (Firmess) (a wholly owned subsidiary of RMI), Firmess has distributed 100% of the shares that it held in OUTsurance to RMI in terms of an "unbundling transaction" pursuant to section 46 of the Income Tax Act 58 of 1962, as amended (ITA), such that RMI holds its interest in OUTsurance directly; and
- RMI has transferred its shares in Firmess, RMI Investment Holdings Proprietary Limited (comprising the "AlphaCode" business) and RMI Investment Managers Group Proprietary Limited (comprising the "RMI Investment Managers" business) to RMI Treasury Holding Company Proprietary Limited, a wholly-owned subsidiary of RMI (RMI TreasuryCo), in exchange for which RMI TreasuryCo issued additional ordinary shares to RMI pursuant to section 42 of the ITA, where applicable. (collectively, the RMI Internal Restructure).

The RMI Internal Restructure was approved by the RMI Board and subsequently implemented by 7 September 2022.

Pursuant to the RMI Internal Restructure and OUTsurance Listing, OUTsurance Group Limited will hold the following two subsidiaries:

- OUTsurance, held 89.3% by "OUTsurance Group Limited" and 10.7% by OUTsurance management trusts and management minority shareholders. It is intended that the minority interest held in OUTsurance Holdings will be exchanged for shares in OUTsurance Group Limited once the monetisation of assets held in RMI Treasury Co is substantially completed. OUTsurance will hold the various existing underlying operational businesses of OUTsurance (the OUTsurance Group); and
- RMI TreasuryCo, including the assets and liabilities remaining on the balance sheet of RMI (prior to the OUTsurance Listing) as well as its interests in each of AlphaCode and RMI Investment Managers Group Proprietary Limited (RMI Investment Managers) (collectively, the RMI Unlisted Assets).

Detailed group structure diagrams of RMI currently and post the RMI Internal Restructure and the OUTsurance Listing will be depicted in the Circular.

### 4. Overview of OUTsurance

The OUTsurance Group underwrites short-term insurance products in South Africa, Australia and Namibia. OUTsurance Group offers car, home, business and pet insurance products to the South African market. OUTsurance Life Insurance Company Limited and OUTvest Proprietary Limited offer life, funeral and investment products to the South African market respectively. Youi Holdings Proprietary Limited (Youi) offers car, home, business and compulsory third-party insurance (CTP) products to the Australian market.

The OUTsurance Group's investment in new business initiatives comprise OUTsurance Brokers (tied agency channel), Youi's underwriting partnership with BlueZebra Insurance (Youi BZI), OUTsurance Life Funeral (Direct and

Shoprite Partnership), OUTsurance Life and OUTvest's collective Financial Advisor expansion (tied agency channel) and Youi's CTP product.

In its most recent financial results, OUTsurance Group achieved gross written premium of c. R23.5 billion, operating profit and normalised earnings of R2.9 billion and R2.3 billion, respectively. The reduction in profitability relative to the prior year is driven by significantly larger natural weather losses incurred in Australia and South Africa, coupled with the large investments made in growth initiatives. The OUTsurance Group reported a combined ratio of 86.7% and an insurance cost-to-income ratio of 30.4%.

The OUTsurance Group's core purpose is to offer its customers value-for-money products backed by leading and trusted customer service. This purpose is enabled by a focus on operational excellence, technology and a unique entrepreneurial business culture.

The business of the OUTsurance Group will not change pursuant to the OUTsurance Listing. Rather, the OUTsurance Listing will see the existing strategy of OUTsurance becoming the strategy of "OUTsurance Group Limited". The core strategic objective of the OUTsurance Group is to unlock additional runway for growth and improve diversification via the activation of a wider set of insurance products sold across a wider set of distribution channels.

Further detail on the business segments of the OUTsurance Group, as well as the outlook and prospects for the business will be contained in the Circular.

### 5. Reconfigured board of directors of OUTsurance Group

As part of effecting the OUTsurance Listing, the intention is for the current RMI and OUTsurance board of directors to be reconfigured and combined to ensure that the combined board of directors of "OUTsurance Group Limited" will post-implementation of the OUTsurance Listing (i) retain the expertise it has as the board of a listed entity; and (ii) be augmented by the additional expertise the OUTsurance board has as a specialist insurer board.

Shareholders will be provided with further information regarding the proposed members to be elected to the reconfigured board of directors of "OUTsurance Group Limited", subject to Shareholder approval being obtained, at RMI's annual general meeting to be held on Tuesday, 8 November 2022 (2022 AGM).

Further details on the proposed board of directors of "OUTsurance Group Limited", including the background and expertise of the proposed directors, and each of their curriculum vitae, will be contained in the Circular and the notice convening the 2022 AGM, which notice is expected to be distributed by RMI to Shareholders on or about Tuesday, 11 October 2022 (2022 AGM Notice).

### 6. Information on the RMI Unlisted Assets

RMI has a portfolio with a net asset value of R1.9 billion (representing c.4.6% of the assets of RMI as at 30 June 2022) comprising the RMI Unlisted Assets.

The RMI Unlisted Assets have been transferred to RMI TreasuryCo to allow these businesses to continue their current growth trajectories and strategies.

#### 6.1 AlphaCode (fintech portfolio)

The investments underlying the AlphaCode portfolio companies will be retained within RMI TreasuryCo. RMI TreasuryCo remains committed to these businesses and its co-shareholders and management partners and will continue to support, drive scale, profitability, and liquidity of these businesses.

RMI TreasuryCo will enter into an arms-length services agreement with certain current employees (excluding the CEO) of RMI in relation to the future management of the AlphaCode portfolio companies.

#### 6.2 RMI Investment Managers (affiliate investment management business)

RMI is currently in advanced stage confidential discussions with its co-shareholders, Momentum Metropolitan and Royal Bafokeng Investment Holding Company Proprietary Limited (RBIH), about Momentum Metropolitan's interest to acquire RMI's interest in RMI Investment Managers (excluding RMI Investment Managers Affiliates 1 (Pty) Limited, being Polar Star Management Proprietary Limited and Polar Star Management SEZC Limited, which will be retained within RMI TreasuryCo).

This proposed transaction would solidify the existing empowerment, distribution and financial ambitions of RMI Investment Managers whilst retaining the independence and unique boutique characteristics of the affiliate model. RBIH has given its in principle support to the proposed transaction and remains a committed and aligned partner. This proposed transaction is subject to requisite governance and regulatory approvals, agreement of the final terms, confirmation of the structure, and other conditions typical of a transaction of this nature.

### 7. Regulatory approval

The Prudential Authority has provided a letter of no objection to OUTsurance remaining the licensed controlling company of the OUTsurance Group and has not raised any concerns regarding the scoping of the insurance group at an OUTsurance level thereby confirming that RMI TreasuryCo and the RMI Unlisted Assets will not be scoped into the OUTsurance Group, subject to ongoing supervision of the OUTsurance risk profile in the ordinary course.

### 8. Approvals required and OUTsurance Listing timeline

Implementation of the OUTsurance Listing will be subject to obtaining the necessary regulatory approvals (including from the Prudential Authority and the Companies and Intellectual Property Commission) and the resolutions required to be adopted by Shareholders in connection with the OUTsurance Listing (as will be set out in the 2022 AGM Notice) being adopted by the requisite majority of Shareholders at the 2022 AGM (the OUTsurance Listing Resolutions).

The Circular is expected to accompany the 2022 AGM Notice and will include information intended to enable Shareholders to make an informed decision in relation to the approval of the OUTsurance Listing Resolutions.

Subject to the approval of the OUTsurance Listing Resolutions and the necessary regulatory approvals being obtained, it is expected that RMI will commence trading under the new name "OUTsurance Group Limited" on or about Wednesday, 7 December 2022. Shareholders will be advised of any changes to the effective date, subject to the requisite regulatory approvals being obtained at an earlier date to that indicated.

A finalisation announcement in respect of the OUTsurance Listing is expected to be released on SENS on Monday, 28 November 2022 which will confirm the date of the termination of trading under the name of "Rand Merchant Investment Holdings Limited" and commencement of trading under the new name and the JSE share code OUT, abbreviated name "OUTsure" and new ISIN ZAE000314084.

### 9. Investor presentation and results for the financial year ended 30 June 2022

RMI's results presentation is expected to take place virtually at 10:00 SAST on Thursday, 22 September 2022 and can be accessed by qualified investors via the following link: <https://register.gotowebinar.com/register/6560467449452069389> or via an invitation on RMI's website at: [www.rmi.co.za](http://www.rmi.co.za).

An investor presentation on the OUTsurance Listing, the results for the financial year ended 30 June 2022 and a recording of the presentation will also be made available on RMI's website at [www.rmi.co.za](http://www.rmi.co.za). The results of OUTsurance for the financial year ended 30 June 2022 will be made available on the OUTsurance website at [www.outsurance.co.za/group](http://www.outsurance.co.za/group) on Thursday, 22 September 2022.

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

22 September 2022

#### 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)

Sponsor:



Legal adviser:

**WEBBER WENTZEL**  
in alliance with > Linklaters

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#### 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 the RMI Internal Restructure, its implementation and the benefits of the RMI Internal Restructure. 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 by the use of 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.

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