

Friday, 28 August 2009

Bonanza for Batho Bonke shareholders

- ***Batho Bonke shareholders in the money for R3 billion net and receive R150 million dividend***

Batho Bonke Capital today announced that it has secured R1.7 billion in funding to settle the temporary facility raised to exercise some of its options in Absa Group. Earlier this year, Batho Bonke announced that it had reached agreement to sell 49.9% of the options to Absa and would use the cash proceeds from the sale to help exercise the remaining 50.1% of the options (equating to 11.9 million ordinary shares in Absa). The temporary Absa facility was used to exercise the remaining options, amounting to 24.7 million ordinary shares in Absa. Batho Bonke now holds 36.6 million ordinary shares in Absa, representing 5.1% of the issued ordinary capital of Absa.

At the closing share price of R129 per Absa ordinary shares on the JSE on Thursday, 27 August 2009, the gross value of Batho Bonke's ordinary shares in Absa was approximately R4.7 billion against a R1.7 billion loan.

The providers of funding are Sanlam Group, Public Investment Corporation and the Development Bank of Southern Africa.

Batho Bonke's spokesperson Yolanda Cuba said: *"We are pleased that we have secured funding under what still remain very difficult financial and credit conditions. The loan provides a sustainable, long term, funding solution for the second phase of the consortium's empowerment transaction with Absa."*

Sanlam stated, *“We are proud to have been associated with Batho Bonke from inception in 2004 when we provided the initial preference share funding to the consortium. We are pleased to have been able to continue the relationship with Batho Bonke by providing funding to the consortium in the second phase of this transaction.”*

As announced earlier in the year, Batho Bonke will distribute an interim dividend of approximately R150 million out of the cash proceeds from the repurchase of options by Absa, which will be implemented at the end of September. This will be of significant benefit to the Batho Bonke beneficiaries in these challenging times.

Batho Bonke will also provide an initial grant of R2.5 million for sustainable development projects for the benefit of the Batho Bonke beneficiary base. Going forward this will be an annual grant, subject to Batho Bonke meeting the funders’ covenants. In addition, Batho Bonke will provide its non-governmental organization beneficiaries with loan facilities, in proportion to their shareholding, to implement their own programmes. Again this will be subject to Batho Bonke meeting the funders’ covenants. A Steering committee made up of representatives from Batho Bonke and the funders will be formed to approve all projects and loans.

Cuba concluded, *“This development grant and loan facility will have material and on the ground benefits for Batho Bonke’s broad-based partners. It overcomes one of the major drawbacks of broad-based group’s participation in empowerment transactions – which is that they generally need cash for their projects and cannot wait for these transactions to be unencumbered.”*

Transaction history

In 2004, Absa issued 73.2 million options to Batho Bonke at a variable strike price of between R48 and R69 per option. The final strike price of the Absa call options was determined with reference to the 30-day volume weighted average price (“VWAP”) of Absa ordinary shares. With the 30-day VWAP of ABSA ordinary shares being R99.78 on 1 June 2009, the strike price of the Absa options was R68.30 per share.

As part of a series of transactions to exercise the Absa call options on the last option exercise date, Absa repurchased and cancelled 49.9% or 36.50 million of the option holding redeemable preference shares and Batho Bonke issued a notice to Absa to exercise the remaining 50.1% or 36.65 million Absa call options. From the repurchase of the option holding redeemable preference shares, Batho Bonke received total cash proceeds of R988 million, with an amount of R818 million being used to exercise a portion of the remaining options, resulting in 11.97 million fully paid Absa ordinary shares being issued to Batho Bonke. The rest of the cash proceeds were used to settle transaction costs, with an amount of approximately R150 million being earmarked for distribution to Batho Bonke shareholders by 1 September should certain conditions be met by Batho Bonke.

In order to finance the exercise of the remaining portion of 24.68 million Absa call options, Absa provided Batho Bonke with a three-month back-up funding facility of R1.686 billion by subscribing for preference shares in Batho Bonke (“the temporary facility”). In turn Batho Bonke was going to source funding from third party institutions in order to redeem the temporary facility. In terms of the subscription agreement, the temporary facility needs to be re-deemed by 1 September 2009, using funding raised from third parties.

Ends

Issued by Brunswick on behalf of Batho Bonke

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