

ENX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

JSE share code: ENX ISIN: ZAE000195723

(“enX” or “the company”)



ACQUISITION OF WEST AFRICAN INTERNATIONAL PROPRIETARY LIMITED AND WITHDRAWAL OF CAUTIONARY

1. INTRODUCTION AND RATIONALE

Shareholders are advised that enX has entered into an agreement (the “**acquisition agreement**”) with African Investment Holdings Limited (“**AIH**”) and Westex International Limited, the John Doherty Family Trust, the Brent Hean Trust, the Esterhuizen Family Trust, the MacNab Trust, the GF Rosettenstein Trust, the Wilson Family Trust, the Conde Family Trust, Tritia du Plessis, Duncan Brown, Robert MacQueen, Robert MacNab, Willem Esterhuizen and Margaret Wilson (the “**management sellers**”) (collectively the “**sellers**”) and West African International Proprietary Limited (“**WAI**”) to acquire all the issued shares and shareholders claims against WAI for a base purchase consideration of R250 000 000 (the “**base consideration**”) (the “**acquisition**”).

Established in 1992, WAI and its subsidiaries (the “**WAI Group**”) are leading resellers and distributors of polymer, rubber, fillers and specialised chemicals. One of WAI’s subsidiaries, African Group Lubricants Proprietary Limited (“**AGL**”), of which WAI owns 62.4%, is the distributor of Caterpillar oil lubricants (produced by ExxonMobil) to all Caterpillar dealerships positioned in South Africa, Sub-Saharan Africa and the Indian Oceans islands.

enX is focused on building an industrial energy company through its Power and Fuel and Chemical clusters. In December 2014 enX established its Fuel and Chemicals cluster through the acquisition of Centlube, a producer and distributor of oil lubricants. Shortly thereafter Centlube began distributing Mobil oil lubricants. The acquisition will bolster the size of enX’s Fuel and Chemical cluster and allow enX to benefit from economies of scale, reduced “per unit” operating costs and revenue synergies available by consolidating the Mobil distributorships of both businesses. Pursuant to the acquisition, enX estimates that it will be a niche empowered producer and distributor of approximately 4% of the oil lubricants market in South Africa, an industry dominated by the integrated oil majors. The acquisition will also increase enX’s exposure to Sub-Saharan Africa as approximately 20% of the combined volume of the lubricants business will be sold into this region, of which approximately 7% is dollar denominated. In addition, WAI has a footprint of Sub-Saharan African operations outside South Africa. This will give enX access to distribution channels and customers through which to sell a range of products currently distributed by the enX group. The chemicals distribution business of the WAI Group brings a stable, defensive and cash generative business into enX in the speciality chemicals sector with strong and profitable market positions in targeted sectors. The business has an experienced management team and well established distribution platform with which to introduce new products at little additional overhead. It will also open up a new channel for acquisitive growth opportunities for enX.

2. TERMS AND CONDITIONS OF THE ACQUISITION

enX has agreed to purchase, with effect from the first day of the month immediately following the month in which the last of the suspensive conditions to the acquisition agreement is fulfilled, or waived, as the case may be (the “**effective date**”), the equity in WAI, through the acquisition by enX of all of the issued shares in WAI, for an aggregate consideration of R190 000 000, subject to adjustment, together with the WAI shareholders claims against WAI for an aggregate consideration of R60 000 000.

2.1. Payment of the base consideration

The base consideration is payable as follows:

- R123 000 000, subject to a possible adjustment with reference to the net asset value of the WAI Group as at the effective date, is payable to AIH in respect of its 49% interest in WAI, as follows:
 - R103 000 000 is payable in cash on the effective date; and

- R20 000 000, plus accrued interest, is payable within 6 months from the effective date, R11 000 000 of which will be secured by way of a bank guarantee and R9 000 000 of which may be settled, at the election of AIH, either in cash or by the issue of enX shares at an issue price of R2.10 per enX share;
- R127 000 000, subject to possible adjustments referred to below, is payable to the management sellers as follows:
 - R76 200 000, subject to a possible adjustment in reference to the net asset value of the WAI Group as at the effective date, is payable on the effective date (the “**first tranche payment**”), of which:
 - R41 625 000 is payable in cash; and
 - R34 575 000 is payable by the issue of 16 308 962 enX shares (the “**first tranche consideration shares**”) at an issue price of R2.12 per enX share (the “**first tranche issue price**”), representing a 10% discount to the volume weighted average traded price per enX share for the 30 business days (“**30 day VWAP**”) prior to 23 November 2015;
 - R31 750 000, as adjusted, (the “**2017 earn-out payment**”) is payable on the 5th business day following the finalisation of the audited annual financial statements of the WAI Group (on a consolidated and stand-alone basis) for the year ended 31 August 2017 (the “**2017 settlement date**”) as follows:
 - 25% is payable in cash;
 - 75% is payable by the issue of enX shares at an issue price per enX share equal to the 30 day VWAP prior to the 2017 settlement date, provided that such price shall be limited to a price which is not more than 15% higher than the first tranche issue price or less than 15% lower than the first tranche issue price, which translates into a cap and floor of R2.44 and R1.80 per enX share;
 - the amount of the 2017 earn-out payment is based on the net operating income of the WAI Group for the year ended 31 August 2017 and will be adjusted up or down depending on the actual net operating income of the WAI Group for the year ended 31 August 2017, subject to a minimum of zero and maximum 2017 earn-out payment of R63 500 000;
 - R19 050 000, as adjusted, (the “**2018 earn-out payment**”) is payable on the 5th business day following the finalisation of the audited annual financial statements of the WAI Group (on a consolidated and stand-alone basis) for the year ended 31 August 2018 (the “**2018 settlement date**”) as follows:
 - 25% is payable in cash; and
 - 75% is payable by the issue of enX shares at an issue price per enX share equal to the 30 day VWAP prior to the 2018 settlement date, provided that such price shall be limited to a price which is not more than 15% higher than the first tranche issue price or less than 15% lower than the first tranche issue price, which translates into a cap and floor of R2.44 and R1.80 per enX share;
 - the amount of the 2018 earn-out payment is based on the net operating income of the WAI Group (excluding AGL) for the year ended 31 August 2018 and, on a cumulative basis, for the two years ended 31 August 2018 and will be adjusted up or down depending on the actual net operating income of the WAI Group for the year ended 31 August 2018 and, on a cumulative basis, for the two years ended 31 August 2018, subject to a minimum of zero and maximum 2018 earn-out payment of R38 100 000.

The base consideration is partly based on the assumption that the consolidated net asset value of the WAI Group as at the effective date (the “**effective date NAV**”) is R70 000 000. In the event that the effective date NAV is less (or more) than R70 000 000, the consideration payable to AIH and the first tranche payment payable to the management sellers will be reduced (or increased) by such deficit (or excess), subject to a maximum adjustment of R10 000 000.

2.2. Conditions precedent

The acquisition agreement remains conditional upon, inter alia, the following:

- enX being satisfied with the outcome of its due diligence investigation in respect of the WAI Group;
- to the extent required, the counterparties of material contracts entered into by the WAI Group consenting to the change of control in the WAI Group pursuant to the acquisition;
- the transfer to WAI or AGL of the sellers' interest in WAI or AGL related operations in Zimbabwe, Namibia, Botswana and the Democratic Republic of the Congo;
- conclusion of either equipment sale, equipment use and/or lubricant supply agreements with certain key customers;
- the delivery by enX of a bank guarantee for an amount of R11 000 000 in respect of enX's obligations to AIH;
- approval of the transaction by the relevant competition authorities in terms of the Competition Act, 1998;
- the exemption of the transaction by the Takeover Regulation Panel in terms of section 119(6) of the Companies Act, 2008;
- the cancellation of any pre-existing shareholders' agreements in respect of WAI;
- the conclusion of service and restraint agreements with key employees, as well as the pledges referred to in paragraph 2.4 below; and
- no material adverse change occurring in relation to the WAI Group, its business or prospects, prior to the fulfilment of the conditions precedent.

2.3. Warranties and representations

The acquisition agreement incorporates warranties and indemnities which are valid for a period of 24 months after the effective date and other undertakings from AIH and the management sellers which are normal for an agreement of the nature contemplated.

2.4. Lock-up and pledge of consideration shares

As security for any amounts that may become owing by the management sellers to enX pursuant to the purchase consideration adjustments or otherwise in terms of the acquisition agreement, the management sellers will pledge and cede the first tranche consideration shares to enX.

In addition, the management sellers will not be entitled to sell or dispose of any of the enX shares received by them pursuant to the acquisition before the following dates:

- the 2018 settlement date, in respect of the first tranche consideration shares;
- the later of (i) 18 months after the 2017 settlement date and (ii) the 2018 settlement date, in respect of the enX shares received as consideration for the 2017 earn-out payment;
- 6 months after the 2018 settlement date, in respect of the enX shares received as consideration for the 2018 earn-out payment.

2.5. Non-compete

Each of AIH and the management sellers have given restraint and other non-compete undertakings to enX in relation to the businesses of the WAI Group (for a period of 36 months from the effective date).

3. FINANCIAL INFORMATION

The unaudited net asset value as at 31 December 2015 and the adjusted consolidated net profit after tax of the WAI Group for the six months ended 31 December 2015 was R68,4 million and R15,1 million respectively. The unaudited net asset value as at 31 December 2015 does not include the WAI shareholder claims.

4. CATEGORISATION AND WITHDRAWAL OF CAUTIONARY

The acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by enX shareholders.

Shareholders are referred to the cautionary announcements released on SENS on 23 November 2015 and 7 January 2016 and are advised that, as the relevant information regarding the acquisition has now been disclosed, that cautionary is hereby withdrawn and caution is no longer required to be exercised by enX shareholders when dealing in their enX shares.

19 February 2016

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Legal advisor

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