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Brait SE

(Registered in Malta as a European Company)

(Registration No. SE1)

Share code: BAT ISIN: LU0011857645

Bond code: WKN: A1Z6XC ISIN: XS1292954812

LEI: 549300VB8GBX4UO7WG59

("Brait" or the "Company")

RECAPITALISATION OF BRAIT, INTRODUCTION OF NEW ADVISOR, NEW STRATEGY AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

ANNOUNCEMENT RELATING TO THE PROPOSED RECAPITALISATION OF BRAIT, THE INTRODUCTION OF A NEW STRATEGIC EQUITY PARTNER AND ADVISOR, THE ADOPTION OF A NEW STRATEGY AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Shareholders are referred to the announcements released on the Stock Exchange News Service ("**SENS**") of the Johannesburg Stock Exchange ("**JSE**") and published on the website of the Luxembourg Stock Exchange ("**LuxSE**") on 23 September 2019, 21 November 2019 and 27 November 2019, in terms of which the Company announced that the board of Brait (the "**Board**"), together with Brait South Africa Proprietary Limited and Brait Advisory Services UK Limited (collectively, its "**Corporate Advisors**") were evaluating options to materially reduce the current leverage, extend the remaining debt maturities on Brait's balance sheet and had resolved to adopt a new strategy that would focus on maximising value through the realisation of its existing assets in the portfolio over the next five years and returning capital to shareholders.

The Board has approved a recapitalisation plan that will result in Brait reducing its net debt by up to c. ZAR5,300m via the following initiatives:

- a proposed partial repurchase of the existing GBP350m convertible bonds due on 18 September 2020 ("**Outstanding Bonds**") to be funded by the issuance of approximately GBP150m convertible bonds due in December 2024 ("**Bonds**") and cash;
- an equity capital raise of at least ZAR5,250m and up to ZAR5,600m comprising a fully committed and underwritten, renounceable rights offering of ZAR5,250m to existing shareholders on a pre-emptive basis (the "**Rights Offer**") and a potential non-pre-emptive specific issue of fully paid ordinary shares of EUR0.22 each in the share capital of Brait of up to ZAR350m issued at the Rights Offer price (the "**Equity Capital Raise**"); and
- a partial repayment and extension of the maturity of the existing Brait Mauritius Limited ("**BML**") committed revolving credit facility ("**BML RCF**"),

(collectively the “**Recapitalisation**”).

Pursuant to the Recapitalisation, EPE Capital Partners Limited, an entity listed on the JSE that invests in, and alongside, Ethos private equity funds, and Ethos Private Equity Proprietary Limited (“**EPE**”), a well-established private equity business that manages various alternative asset fund strategies and investing through Ethos Fund VII GP (SA) Proprietary Limited (collectively, “**Ethos**”) will be introduced as a new strategic equity partner and investment advisor to Brait through its participation in the Equity Capital Raise. The Board will terminate the advisory agreement with its Corporate Advisors and enter into an advisory agreement with EPE. The advisory costs and other operating costs of the Company will be substantially reduced.

2. Rationale for the Recapitalisation

Brait has a core portfolio of distinctive, financially strong and cash generative investments that are undervalued due to the current high levels of debt on Brait’s balance sheet and concerns over Brait’s ability to meet its debt obligations. The Recapitalisation addresses this by providing Brait with a significant quantum of new equity which will be used to reduce debt to a sustainable level. In addition, Brait’s RCF will be restructured with an extended maturity.

The Rights Offer provides all Brait shareholders the opportunity to participate in any future upside in the Brait share price as a result of a strengthened Brait balance sheet.

3. Details of the Recapitalisation

Brait’s net debt as at 30 September 2019 of ZAR11,965m includes two large debt maturities in 2020 comprised of:

- the GBP350m, 2.75% senior, unsecured Outstanding Bonds maturing on 18 September 2020; and
- the BML RCF maturing on 6 December 2020 which, as at 30 September 2019, is drawn at ZAR6,402m.

The Board and its Corporate Advisors have engaged in an extensive process to materially reduce the debt on Brait’s balance sheet which is part of the strategy of maximising shareholder value. These processes have led to the Board approving the Recapitalisation plan comprising of:

3.1 The Outstanding Bonds and the Bonds

Today Brait will launch an offering of the Bonds and an invitation to bondholders to concurrently repurchase up to GBP185m of the Outstanding Bonds. The net proceeds received (after deduction of costs, fees and expenses related to the Bonds) from the Bonds together with cash on hand will be used to fund the partial repurchase of the Outstanding Bonds. The partial repurchase reduces the refinancing risk associated with the maturity of the Outstanding Bonds and extends the maturity profile for the portion that is rolled into the Bonds. The balance of the Outstanding Bonds will be redeemed at, or repurchased prior to, their maturity on 18 September 2020 with net proceeds from the Rights Offer.

For further details, shareholders are referred to the announcement relating to the Outstanding Bonds and the Bonds released on SENS on Wednesday, 27 November 2019. A further announcement will be made once the final terms of the Bonds have been agreed.

3.2 The refinancing of the BML RCF

Rand Merchant Bank, a division of FirstRand Bank Limited (“**RMB**”) and The Standard Bank of South Africa Limited (“**Standard Bank**”) as existing lenders under the BML RCF have agreed and signed a credit approved termsheet to amend the terms of the BML RCF and extend its maturity by three years

from the date the binding, legal agreements are signed. The agreements will be conditional upon the completion of the Rights Offer. The amendment and extension of the BML RCF is intended to achieve the stabilisation of Brait's balance sheet and provide time for the execution of Brait's revised strategy. Brait's RCF lenders are supportive of the Recapitalisation.

3.3 The Fully Underwritten Equity Capital Raise

Brait intends to launch an equity capital raise of at least ZAR5,250m and up to ZAR5,600m comprised of a fully committed and underwritten, renounceable Rights Offer of ZAR5,250m to existing shareholders and a potential non-pre-emptive specific issue of shares of up to ZAR350m.

The Rights Offer will be implemented by way of the issue of renounceable (nil paid) rights to existing shareholders (excluding shareholders in certain jurisdictions who are unable to satisfy Brait that their participation would not result in a contravention of any registration or other legal requirement in any jurisdiction), which will entitle such shareholders (or their renounees) to subscribe for their pro rata portion of new Brait ordinary shares ("**Rights Offer Shares**"). Arrangements will be made to the extent practicable for the sale of entitlements on behalf of shareholders in certain restricted territories who are not able to take up their rights. In addition, shareholders who subscribe for their full allocation of Rights Offer Shares will be afforded the opportunity to subscribe for any Rights Offer Shares not taken up by other shareholders. Brait ordinary shares held by Brait Investment Trust and BML which are currently classified as treasury shares ("**Brait Treasury Shares**"), will not be entitled to participate in the Rights Offer. As part of the Recapitalisation, the Board has proposed that the Brait Treasury Shares be cancelled. Subject to shareholder approval this is expected to take place after the completion of the Rights Offer.

The Equity Capital Raise will see the introduction of Ethos as a new strategic equity partner through its investment of ZAR1,350m in Brait.

Ethos has entered into an agreement with Titan Financial Services Proprietary Limited and its affiliates ("**Titan**") whereby Titan will undertake in favour of Ethos to irrevocably and unconditionally, renounce part of Titan's entitlements to Rights Offer Shares with an aggregate subscription price of ZAR1,000m in favour of Ethos and Ethos has irrevocably and unconditionally undertaken to subscribe for these shares. Additionally, Ethos has entered into the Underwriting Agreement (defined below) with Brait in terms of which Ethos will underwrite Rights Offer Shares not taken up under the Rights Offer having a subscription price of up to ZAR350m. To the extent that Ethos does not subscribe for ZAR350m Rights Offer Shares through its underwriting commitment in the Rights Offer, Brait will undertake a non-pre-emptive specific issue of Brait ordinary shares of up to ZAR350m to Ethos ("**Top-Up Subscription**"). Any Brait ordinary shares acquired by Ethos and Titan will be subject to a customary lock up for 90 days post the Rights Offer and may not be disposed of, whether directly or indirectly, without the prior written consent of Brait.

Titan owns 188,730,749 Brait ordinary shares, equating to a 40.0% shareholding (excluding Brait Treasury Shares), and is committed to investing up to ZAR1,000m in the Rights Offer via a combination of following its rights (ZAR750m) and underwriting Rights Offer Shares not taken up under the Rights Offer having a subscription price of up to ZAR250m. This demonstrates Titan's commitment to Brait, the Recapitalisation, the revised strategy and the appointment of EPE as the new corporate advisor to Brait.

The net proceeds of the Equity Capital Raise (after costs, fees and expenses related to the Equity Capital Raise) are intended to be used by the Company for the repayment of the remaining portion of the Outstanding Bonds at or before their maturity on 18 September 2020 and to partially repay the BML RCF and thereafter for general corporate and financing purposes.

The Rights Offer will be priced at a price per Rights Offer Share to be agreed between Brait and its Underwriters (defined below), which in the absence of such agreement will be a 27% discount to the

theoretical ex-rights price of a Brait ordinary share, subject to a maximum price of ZAR9.40 and a minimum price of EUR0.22, being the nominal value of the new shares.

Brait has secured irrevocable commitments from shareholders holding 67.1% of the Brait ordinary shares outstanding (excluding the Brait Treasury Shares), subject to certain exceptions for compliance with investment mandates, to vote in favour of the resolutions to be proposed at an Extraordinary General Meeting of shareholders of the Company to be held on 14 January 2020 (the “**EGM**”) to secure all the necessary approvals required to implement the Equity Capital Raise and issue shares to satisfy conversion rights in relation to the Bonds. In addition, Brait has received non-binding indications of support from shareholders representing a further 3% of Brait ordinary shares outstanding (excluding the Brait Treasury Shares). Approval from at least 75% of the Brait shareholders represented at the EGM and 51% of Brait’s ordinary shares entitled to vote at the EGM will be required to pass the extraordinary resolutions required to implement the Equity Capital Raise.

In addition to undertakings from Titan (ZAR750m) and Ethos (ZAR1,000m) to take up rights mentioned above, Brait has secured irrevocable undertakings from major institutional shareholders (ZAR1,378m) to follow their rights pursuant to the Rights Offer, subject to certain exceptions for compliance with investment mandates. Brait has also secured underwriting commitments of ZAR2,122m under an agreement (the “**Underwriting Agreement**”) from a combination of Titan (ZAR250m), Ethos (ZAR350m) and RMB (ZAR1,522m) (together the “**Underwriters**”) resulting in a fully committed and underwritten Rights Offer.

The Rights Offer is conditional upon:

- the Board having validly approved all matters necessary or required for the completion of the Rights Offer;
- Brait convening and holding the EGM to secure all the necessary approvals to pass all shareholder resolutions required to implement the Equity Capital Raise and issue of shares to satisfy conversion rights in relation to the Bonds;
- the preparation and submission of an offering document and/or such other documents (including but not limited to public notices) in each case as may be required by the LuxSE and/or JSE; and
- receipt of any required regulatory approvals, including, but not limited to, the approvals of the LuxSE and the JSE; and the Underwriting Agreement becoming unconditional in accordance with its terms.

The Underwriting Agreement is conditional on, inter alia:

- the conclusion of definitive financing arrangements with RMB and Standard Bank as BML RCF funders to Brait, on terms and conditions consistent with an agreed term sheet; and
- since the date of the Underwriting Agreement and on or prior to 4.30 p.m. on the day prior to the finalisation date, there shall not have occurred or been disclosed any force majeure or material market disruption events that, in the good faith judgement of the Underwriters (acting together), and after notification to and, to the extent practicable, consultation with the Company, would make the Rights Offer and/or the underwriting envisaged in terms of the underwriting agreement impracticable or inadvisable, or would materially prejudice trading of Brait ordinary shares in the secondary market.

The conditions in the Underwriting Agreement may be waived in the absolute discretion of the Underwriters.

4 Details of the new Brait strategy

The existing strategy of Brait has been that of a strategic, long-term investment holding company seeking to drive growth and value creation via its portfolio of sizeable, unlisted businesses in the broad consumer sector while targeting growth in net asset value and the realisation of its assets at the appropriate time.

The Board has resolved to adopt a new strategy that will focus on maximising value through the realisation of its existing assets in the portfolio over the next five years and returning capital to shareholders. The Board, Titan and Ethos have committed to implement the new strategy and believe that the Recapitalisation will provide the Company with sufficient flexibility to manage its portfolio of investments and execute the new strategy in an optimal manner.

Post the Recapitalisation, a new Board is intended to be constituted and proposed to shareholders for approval. Brait will additionally re-evaluate the costs and efficiencies of the overall group structure.

5 The new advisor contract

The Board has selected Ethos as a new strategic equity partner and EPE as the investment advisor to Brait. EPE has a 35-year history of generating realised returns for investors and will bring a different perspective to the Brait portfolio, leveraging its value-add expertise, execution capability and exit track record to execute the Company's new strategy.

The Board will enter into a new advisory agreement with EPE, which will incorporate the following key principles:

- The agreement is envisaged to have an initial three-year tenor (effective from the completion of the Rights Offer), with an annual renewal thereafter;
- The advisory team responsible for advising the Board will consist of Ethos executives and certain members of the current Corporate Advisors to ensure continuity;
- EPE will be responsible and accountable for the duties currently performed by the Corporate Advisors;
- The new investment advisory agreement entered into with EPE will be at an initial reduced cost of ZAR100m p.a. with annual inflationary linked increases. In addition, the Board and EPE have undertaken to, each year, assess the appropriateness of the annual cost in the context of the resources required to implement the strategic business plans for that year; and
- A new incentive structure will be developed to align the interests of EPE and Brait shareholders in terms of value creation. This will be proposed to Brait shareholders for their consideration and approval.

Brait and its Corporate Advisors have agreed to terminate the existing investment advisory agreement by mutual agreement, with effect from the completion of the Rights Offer. The Corporate Advisors will continue in their role of providing the investment advisory services to Brait until that date.

The Board, with the assistance of EPE, will focus on strategies for the portfolio companies to realise value from the portfolio over the next five years and return capital to shareholders.

6 Cancellation of the Brait Treasury Shares

The Brait Treasury Shares comprise 54,091,259 Brait ordinary shares, of which 36,616,189 are held by BML and 17,475,070 are held by Maitland Malta Limited as trustee of the Brait Investment Trust. The Brait Treasury Shares will not be entitled to participate in the Rights Offer. The Company proposes to reduce the issued share capital of Brait by cancelling the Brait Treasury Shares for no consideration in

accordance with Maltese law. As such, the Company will seek shareholder approval at the EGM to cancel the Brait Treasury Shares. If approved, the relevant resolution will be published and three months following publication, the Brait Treasury Shares will be cancelled.

7 High level indicative timetable

The Equity Capital Raise is expected to commence in late January 2020 and be concluded in February 2020. A detailed timetable will be included in the circular to shareholders and notice of EGM.

8 Withdrawal of cautionary announcement

The cautionary announcement released by Brait on SENS and published on the website of the LuxSE on 23 September 2019, and updated on 21 November 2019, is hereby withdrawn.

The information contained within this announcement is inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 and the South African Financial Markets Act, 2012. Upon the publication of this announcement this inside information is now considered to be in the public domain. The person responsible for this announcement on behalf of Brait is PJ Moleketi, Non-Executive Chairman of the Board.

San Gwann, Malta

27 November 2019

For further information please contact:

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Brait's primary listing is on the Euro MTF market of the Luxembourg Stock Exchange and its secondary listing is on the exchange operated by the JSE Limited.

Financial advisor and Sponsor to Brait:

Rand Merchant Bank, a division of FirstRand Bank Limited

International Legal advisor to Brait:

Linklaters LLP

South African Legal advisor to Brait:

DLA Piper Advisory Services Proprietary Limited

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