

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The “Definitions and Interpretations” section commencing on page 7 of this Circular apply, *mutatis mutandis*, throughout this document including this cover page. Please take note of the following actions required by you as an Adcorp Shareholder:

1. This Circular is important and should be read carefully, with particular attention paid to the section entitled “Action required by Adcorp Shareholders”, which commences on page 2 of this Circular.
2. If you are in any doubt as to what action to take, please consult your Broker, CSDP, banker, attorney or other professional advisor immediately.
3. If you are in any doubt as to how to exercise your Shareholder rights, please contact the Company Secretary or the Transfer Secretary, the details of whom are set out in the “Corporate Information and Professional Advisors” section of this Circular. (Please note that the Company Secretary and the Transfer Secretary cannot extend financial advice and can only assist with administration - should you seek financial advice please see #2 above).
4. If you have disposed of all your Adcorp Shares, then this Circular should be forwarded to the purchaser to whom, or Broker, CSDP or other agent through whom you disposed of your Adcorp Shares.
5. Adcorp does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such Adcorp Shareholder of this Circular and/or the Special General Meeting

# adcorp

Connecting Potential

## ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

(“Adcorp” or “the Company”)

## CIRCULAR TO SHAREHOLDERS

relating to:

- the proposed Subscription by the New BEE Partners for 3 542 (three thousand five hundred and forty two) SA HoldCo Ordinary Shares (comprising 35.42% (thirty five point four two percent) of SA HoldCo’s total shares in issue post-subscription), for a total consideration of R3 542 (three thousand five hundred and forty two Rand);

and incorporating:

- a Notice of Special General Meeting of Adcorp Shareholders; and
- a Form of Proxy (blue) to attend and vote at the Special General Meeting of Adcorp Shareholders for use by Certificated Shareholders and Dematerialised Shareholders who have elected own-name registrations only.

The Special General Meeting will be held at 09:00 on Monday, 14 December 2020

Corporate Advisor and  
Transaction Sponsor to Adcorp

**Pallidus**  
CAPITAL

Legal Advisors to Adcorp

**Baker  
McKenzie.**

Independent Expert

**BDO**

This Circular is only available in English. Copies may be obtained from 16 November 2020 until 14 December 2020, (both dates inclusive) during normal business hours on Business Days from Adcorp’s registered office address as set out in the “Corporate Information and Professional Advisors” section of this Circular.

A copy of this Circular will also be made available for download from the Company’s Website ([www.adcorpgroup.com](http://www.adcorpgroup.com)) from Monday, 16 November 2020.

**DATE OF ISSUE: MONDAY, 16 NOVEMBER 2020**

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## CORPORATE INFORMATION AND PROFESSIONAL ADVISORS

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### ADCORP DIRECTORS

#### Executive Directors

P Roux (*Chief Executive Officer*)

N Prendergast (*Chief Financial Officer*)

#### Non-executive

G Serobe (*Chairperson*)

M Spicer (*Lead Independent*) #

T Mokgabudi #

C Maswanganyi #

S Mabaso-Koyana #

S Sithole

Dr P Mnganga #

H Singh #

M Nkosi

R van Dijk #

C Smith

M Lubega #

# *Independent*

### CORPORATE ADVISOR AND TRANSACTION SPONSOR TO ADCORP

Pallidus Capital Proprietary Limited

(Registration number: 2015/030782/07)

Die Groenhuis

38 Garsfontein Road

Waterkloof

South Africa

0145

(PostNet Suite 65, Private Bag X4, Menlo Park, 0102)

### INDEPENDENT EXPERT TO ADCORP

BDO Corporate Finance Proprietary Limited

(Registration Number: 1983/002903/07)

Wanderers Office Park

52 Corlett Drive, Illovo

Johannesburg

South Africa

2196

(Private Bag X14, Sandton, 2146, South Africa)

### TRANSFER SECRETARY

4 Africa Exchange Registry Proprietary Limited

(Registration number: 2016/396777/07)

Hill on Empire

4th Floor Building A

16 Empire Road

Parktown, Johannesburg

2193

(PostNet Suite 239, Private Bag X30500, Houghton, 2041)

**Email:** [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za)

**Tel:** 011 100 8352

### COMPANY SECRETARY AND REGISTERED OFFICE OF ADCORP

Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6

Johannesburg

2191

(PO Box 70635, Bryanston, Johannesburg, South Africa, 2021)

**Tel:** +27 (0)10 800 0000

**Email:** [info@adcorp.co.za](mailto:info@adcorp.co.za)

### Company Secretary

Lisa Laporte

**Direct Tel:** +27 (0)10 800 0786

**Email:** [lisa.laporte@adcorpgroup.com](mailto:lisa.laporte@adcorpgroup.com)

### Date of incorporation

16/07/1974

### Place of incorporation

South Africa

### LEGAL ADVISOR TO ADCORP

Baker & McKenzie Incorporated

(Registration number: 2012/047447/21)

1 Commerce Square

39 Rivonia Road

Sandhurst,

Sandton

Johannesburg

South Africa

(PO Box 781033, Sandton, 2146)

### SPONSOR

PSG Capital Proprietary Limited

(Registration number: 2006/015817/07)

Second Floor, 11 Alice Lane

Sandton

South Africa

2196

(PO Box 650957, Benmore, 2010)

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## IMPORTANT LEGAL NOTES

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The “*Definitions and Interpretations*” section commencing on page 7 of this Circular apply, *mutatis mutandis*, to this section.

### **DISCLAIMER**

This Circular has been prepared for the purposes of complying with the JSE Listings Requirements and the Companies Act and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Circular are released, published, made available or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction.

### **FORWARD-LOOKING STATEMENTS**

This Circular includes forward-looking information and statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect Adcorp’s 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.

Similarly, statements that describe Adcorp’s objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Adcorp’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements.

Although Adcorp believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

The risk factors described herein could affect Adcorp’s future results, causing these results to differ materially from those expressed in any forward-looking statements. These factors are not necessarily all of the important factors that could cause Adcorp’s actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on the future results.

The forward-looking statements included in this Circular are made only as at the Last Practicable Date. Adcorp undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of unanticipated events.

All subsequent written and oral forward-looking statements attributable to Adcorp or any person acting on its behalf are qualified by the cautionary statement in this section.

**ADCORP SHAREHOLDERS ARE ADVISED TO READ THIS CIRCULAR WITH CARE.**

**ANY DECISION TO APPROVE THE ADCORP RESOLUTIONS OR OTHER RESPONSE TO THE PROPOSALS SHOULD BE MADE ONLY ON THE BASIS OF THE INFORMATION CONTAINED IN THIS CIRCULAR.**

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# ACTION REQUIRED BY ADCORP SHAREHOLDERS

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## 1 GENERAL

- 1.1 The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this section.
- 1.2 If you are in any doubt as to what action you should take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
- 1.3 If you have disposed of all your Adcorp Shares subsequent to the Notice Record Date (**Friday, 06 November 2020**), please forward this Circular to the purchaser of such Adcorp Shares or to the Broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
- 1.4 The Special General Meeting, (Notice of which is attached to and forms part of this Circular), will be held at the registered offices of the Company in Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6, Johannesburg, 2191 on **Monday, 14 December 2020 at 09:00** (or any adjourned or postponed date in accordance with the provisions of section 64(11) of the Companies Act and the Memorandum of Incorporation of Adcorp, read with the Listings Requirements) for the purposes of considering and, if deemed fit, passing, the resolutions contained in the Notice of Special General Meeting.
- 1.5 Adcorp Shareholders are strongly encouraged to submit their votes by proxy before the Special General Meeting at their earliest convenience. Certificated Shareholders and Dematerialised Shareholders with “own name” registration can submit their votes before the Special General Meeting by completing a proxy form or submitting proxy instructions in accordance with the instructions set out below. Dematerialised Shareholders without “own name” registration can submit their voting instructions before the Special General Meeting to their CSDP or Broker by the cut-off time and date advised by their CSDP or Broker for instructions of this nature in the manner stipulated in their respective custody agreements.
- 1.6 **Adcorp does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such Adcorp Shareholder of this Circular and/or the Special General Meeting.**
- 1.7 Adcorp Shareholders that wish to participate in the Special General Meeting are referred to the instructions below.

## 2 SPECIAL GENERAL MEETING

- 2.1 **Attendance and representation at the Special General Meeting**
  - 2.1.1 As an Adcorp Shareholder you may attend, participate in and vote at the Special General Meeting, in person.
  - 2.1.2 Should you not be able to attend the Special General Meeting in person, but wish to be represented thereat, you may appoint a proxy(ies) by completing the attached Form of Proxy (*blue*) in accordance with the instructions contained therein and lodging the completed form with the:
    - (i) Transfer Secretary at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za), so as to be received by the Transfer Secretary by no later than **09:00** on **Thursday, 10 December 2020**; or
    - (ii) chairperson of the Special General Meeting at any time prior to the Adcorp Resolutions being voted on.
  - 2.1.3 In accordance with the Memorandum of Incorporation of Adcorp, the quorum requirement that has to be satisfied for the Special General Meeting to begin or for a matter to be considered at the Special General Meeting, shall be at least 3 (three) Shareholders entitled to vote and who are present in person (being physically present at the Special General Meeting) or represented by a proxy who is present in person. In addition:
    - 2.1.3.1 the Special General Meeting may not begin until sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the Special General Meeting; and
    - 2.1.3.2 a matter to be decided at the Special General Meeting may not begin to be considered unless sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

- 2.1.4 The Memorandum of Incorporation of Adcorp will be made available for inspection as contemplated in paragraph 21 of the Adcorp Circular.
- 2.1.5 Every Adcorp Shareholder present in person or represented by proxy and entitled to exercise voting rights at the Special General Meeting shall be entitled to one vote in the event of the voting being conducted by a show of hands (irrespective of the number of voting rights that Shareholder would otherwise be entitled to exercise). To the extent that the voting is conducted by way of a poll, a Shareholder who is present in person or represented by proxy shall be entitled to one vote in respect of each Share he/she holds.
- 2.1.6 No objection shall be raised to the admissibility of any vote except at the Special General Meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairperson of the Special General Meeting, whose decision shall be final and conclusive.

### **3 DEMATERIALIZED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALIZED SHAREHOLDERS**

#### **3.1 Voting at the Special General Meeting**

- 3.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the Special General Meeting and should thereafter cast your vote in accordance with your instructions.
- 3.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.
- 3.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.
- 3.1.4 **You must not complete the attached Form of Proxy (blue).**

#### **3.2 Attendance and representation at the Special General Meeting**

- 3.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
- 3.2.1.1 attend, speak and vote at the Special General Meeting; or
- 3.2.1.2 send a proxy to represent you at the Special General Meeting.
- 3.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you or your proxy to attend, speak and vote at the Special General Meeting.

### **4 CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED SHAREHOLDERS WHO ARE OWN NAME DEMATERIALIZED SHAREHOLDERS**

#### **4.1 Voting and attendance at the Special General Meeting**

- 4.1.1 You may attend the Special General Meeting in person and may vote at the Special General Meeting.
- 4.1.2 Alternatively, you may appoint a proxy to represent you at the Special General Meeting by completing the attached Form of Proxy (blue) in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretary ([adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za)) to be received by them preferably by no later than **09:00 on Thursday, 10 December 2020** provided that any Form of Proxy (blue) not delivered to the Transfer Secretaries by this time may be handed to the chairperson of the Special General Meeting at any time before the appointed proxy exercises any Shareholder rights at the Special General Meeting.

**Hand deliveries to:**

4 Africa Exchange Registry Proprietary Limited  
Hill on Empire  
4th Floor Building A  
16 Empire Road  
Parktown, Johannesburg  
2193

**Postal deliveries to:**

4 Africa Exchange Registry Proprietary Limited  
PostNet Suite 239  
Private Bag X30500  
Houghton  
2041

## 5 RECORD DATES

### 5.1 Notice Record Date

The date on which Adcorp Shareholders must be recorded as such in the Register of Adcorp to be entitled to receive this Circular, incorporating the Notice of Special General Meeting, is **Friday, 06 November 2020**.

### 5.2 Voting Record Date

The date on which Adcorp Shareholders must be recorded as such in the Register of Adcorp to be entitled to attend, participate in and vote at the Special General Meeting is **Friday, 04 December 2020**, with the Last Day to Trade being **Tuesday, 01 December 2020**.

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 7 of this Circular shall apply, *mutatis mutandis*, to the following salient dates and times:

<b>ACTION / EVENT</b>	<b>2020</b>
Record Date to be eligible to receive the Circular	Friday, 06 November
Date of issue of Circular incorporating the Notice of Special General Meeting and Form of Proxy ( <i>blue</i> )	Monday, 16 November
Last Day to Trade Shares in order to be recorded in the Register to vote at the Special General Meeting on	Tuesday, 01 December
Voting Record Date in order to be eligible to attend, participate in and vote at the Special General Meeting by close of trade on	Friday, 04 December
Forms of Proxy ( <i>blue</i> ) to be lodged with the Transfer Secretaries as soon as possible for administrative purposes only, preferably by <b>09:00</b> on	Thursday, 10 December
Forms of Proxy ( <i>blue</i> ) not lodged with the Transfer Secretaries to be handed to the chairperson of the Special General Meeting before the proxy exercises the rights of the Shareholder at the Special General Meeting on	Monday, 14 December
<b>Special General Meeting to be held at 09:00 on</b>	<b>Monday, 14 December</b>
Results of Special General Meeting released on SENS on or about	Monday, 14 December

### Notes:

1. Adcorp Shareholders should note that the above salient dates and times are subject to change. Any changes to the above salient dates and times will be communicated to Adcorp Shareholders on SENS.
2. All times quoted in the Circular are local times in South Africa on a 24-hour basis, unless specified otherwise.
3. No orders to dematerialise or rematerialise Adcorp Shares will be processed from the Business Day following the Last Day to Trade up to and including the Voting Record Date, but such orders will again be processed from the first Business Day after the Voting Record Date.
4. All Dematerialised Shareholders (other than those with "own name" registration) must provide their CSDP or Broker with their instructions for voting at the Special General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective custody agreements.
5. A Form of Proxy (*blue*) may be lodged with the Transfer Secretary, so as to be received by the Transfer Secretary on or before **09:00 on Thursday, 10 December 2020** or, the Form of Proxy (*blue*) may be handed to the chairperson of the Special General Meeting at any time prior to the Adcorp Resolutions being voted upon.
6. If the Special General Meeting is adjourned or postponed to a later time and/or date, the above dates and times will change, but the applicable Form of Proxy (*blue*) submitted for the relevant Special General Meeting will remain valid in respect of any postponement prior to convening, adjournment or postponement of that Special General Meeting.
7. A Form of Proxy (*blue*) submitted for the relevant Special General Meeting will be suspended at any time and to the extent that a Shareholder chooses to act directly and in person at the relevant Special General Meeting.
8. A Form of Proxy (*blue*) submitted for the relevant Special General Meeting, unless where a proxy expressly provides that it is irrevocable, may be revoked by a shareholder by cancelling it in writing, and delivering a copy of the revocation instrument to the proxy and to the Company, or making a later inconsistent appointment of a proxy.



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## DEFINITIONS AND INTERPRETATIONS

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Throughout this Circular, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column shall have the meanings stated opposite them in the second column and words and expressions in the singular shall include the plural and *vice versa*. Words importing natural persons shall include corporations and associations of persons and vice versa and any reference to one gender shall include the other gender.

<b>“2007 BEE Partners”</b>	means each of WIP Human Capital Proprietary Limited, Simeka SPV and Moody Blue Trade and Invest 93 Proprietary Limited;
<b>“2007 B-BBEE Transaction”</b>	means the B-BBEE transaction entered into between Adcorp and its 2007 BEE Partners in 2007, in terms of which the class A ordinary shares (as defined in the Adcorp circular dated 18 April 2013) were allotted and issued to the 2007 BEE Partners;
<b>“2013 BEE Partners”</b>	means each of AEBT 2, Simeka SPV and WIP SPV;
<b>“2013 B-BBEE Transaction”</b>	means Adcorp’s B-BBEE transaction entered into between Adcorp and its 2013 BEE Partners in 2013, in terms of which the B Shares were allotted and issued to the 2013 BEE Partners. Further details of the 2013 B-BBEE Transaction can be found in the Adcorp circular dated 18 April 2013;
<b>“A Preference Shares”</b>	means the cumulative, redeemable, non-participating, no par value preference shares in the share capital of SA HoldCo, with a redemption value of R1 600 000 000 (one point six billion Rand) and a coupon rate equal to the prime interest rate plus 3.00% (three percent), compounded annually in arrears, issued to Adcorp as part of the Proposed B-BBEE Transaction. For the avoidance of doubt, no A Preference Shares were issued as at the Last Practicable Date;
<b>“Adcorp” or “the Company”</b>	means Adcorp Holdings Limited (registration number: 1974/001804/06), a limited liability public company duly registered and incorporated in accordance with the company laws of South Africa and of which all the issued Shares are listed on the JSE;
<b>“Adcorp Fulfilment Services”</b>	means Adcorp Fulfilment Services Proprietary Limited (registration number: 1977/002576/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of Adcorp Workforce Solutions;
<b>“Adcorp Resolutions”</b>	means the resolutions proposed by the Adcorp Board for consideration and, if deemed fit, approval by the Adcorp Shareholders at the Special General Meeting, being, among others, those Ordinary Resolutions required in terms of the JSE Listings Requirements and/or the Companies Act;
<b>“Adcorp Shareholders” or “Shareholders”</b>	means the registered Beneficial Owners of Adcorp Shares;
<b>“Adcorp Shares” or “Shares”</b>	means ordinary shares with a par value of 2,5 cents (two comma five South African cents) each in the share capital of Adcorp, all of which are listed on the JSE, as at the Last Practicable Date;
<b>“Adcorp Staffing Solutions”</b>	means Adcorp Staffing Solutions Proprietary Limited (registration number: 1997/019094/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of Adcorp Workforce Solutions;
<b>“Adcorp Workforce Solutions”</b>	means Adcorp Workforce Solutions Proprietary Limited (registration number: 1999/026249/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of AWMS;
<b>“AEBT 2”</b>	means the Adcorp Employee Benefit Trust 2, a trust with the Master’s reference number IT 1079/2013, formed for the benefit of existing and future employees of Adcorp for the purpose of subscribing for 6 729 120 (six million seven hundred twenty nine thousand one hundred and twenty) B Shares as part of the 2013 B-BBEE Transaction;

<b>“AEBT 3”</b>	means the Adcorp Employee Benefit Trust 3, a trust in the process of being formed for the benefit of existing and future employees of Adcorp for the purpose of subscribing for 2 395 (two thousand three hundred and ninety five) SA HoldCo Ordinary Shares, being 23.95% (twenty three point nine five percent) of the issued ordinary share capital of SA HoldCo, terms of the Proposed B-BBEE Transaction;
<b>“AMS”</b>	means Adcorp Management Services Proprietary Limited (registration number: 1973/010551/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of Adcorp;
<b>“Asset for Share Agreement”</b>	means the asset for share agreement to be entered into between Adcorp and SA HoldCo in terms of which, <i>inter alia</i> , SA HoldCo will acquire 100% (one hundred percent) of the shares held by Adcorp in each of AMS and AWMS in exchange for the issue of SA HoldCo Ordinary Shares in accordance with section 42 of the Income Tax Act and the terms and conditions set out therein, and subsequent to which SA HoldCo will issue A Preference Shares to Adcorp, as set out in paragraph 5 of this Circular;
<b>“AUD”</b>	Australian dollars;
<b>“AWMS”</b>	means Adcorp Workforce Management Solutions Proprietary Limited (registration number: 1997/008181/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of Adcorp;
<b>“B-BBEE”</b>	means Broad-Based BEE as defined in the B-BBEE Act;
<b>“B-BBEE Act”</b>	means the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended from time to time;
<b>“B Shares”</b>	means the no par value class B ordinary shares in the authorised share capital of Adcorp, having the preferences, rights, limitations and other terms contemplated in schedule 1 of Adcorp’s MOI. For the avoidance of doubt, 16 822 849 (sixteen million eight hundred twenty two thousand eight hundred and forty nine) B ordinary shares were created in the authorised share capital of Adcorp and issued to the 2013 BEE Partners as detailed in paragraph 14 below;
<b>“BEE”</b>	means black economic empowerment as contemplated in the BEE Legislation;
<b>“BEE Codes”</b>	means the Broad-Based Black Economic Empowerment Codes of Good Practice gazetted under section 9 of the B-BBEE Act, as amended from time to time;
<b>“BEE Funding”</b>	means the notional loan funding inherent in the B Shares which were issued to the 2013 BEE Partners, further details of which are set out in the Adcorp circular dated 18 April 2013;
<b>“BEE Legislation”</b>	means the B-BBEE Act and the BEE Codes as at the date of this Circular;
<b>“Beneficial Owner”</b>	means a person, having a registered beneficial interest in Shares;
<b>“Black” or “Black People”</b>	means in relation to a person, has the meaning contemplated in the BEE Legislation;
<b>“Black Employees”</b>	means employees of Adcorp and its associated companies who are Black;
<b>“Black Women”</b>	means female Black People as contemplated in the BEE Legislation;
<b>“Board” or “Board of Directors” or “Directors”</b>	means, as at the Last Practicable Date, the board of directors of Adcorp comprising the directors named on page 13 of this Circular;
<b>“Broker”</b>	means any person registered as a broking member in equities in terms of the rules of the JSE in accordance with the provisions of the Financial Markets Act;
<b>“Business Day”</b>	means any day, other than a Saturday, Sunday or gazetted public holiday in South Africa;
<b>“Certificated Shareholders”</b>	means Adcorp Shareholders who hold Certificated Shares;
<b>“Certificated Shares”</b>	means Adcorp Shares which are not dematerialised in terms of the requirements of Strate, title to which is represented by a share certificate or other Documents of Title;

<b>“CIPC”</b>	means the Companies and Intellectual Property Commission established in accordance with section 185 of the Companies Act;
<b>“the/this Circular”</b>	means this bound document to Adcorp Shareholders dated, <b>Monday, 16 November 2020</b> , including the annexures attached hereto, incorporating the Notice of Special General Meeting and the Form of Proxy ( <i>blue</i> );
<b>“Companies Act”</b>	means the Companies Act, 2008 (71 of 2008), as amended from time to time;
<b>“Company Secretary”</b>	means the company secretary of Adcorp, the details of whom are set out in the “ <i>Corporate Information and Professional Advisors</i> ” section of this Circular;
<b>“Conditions Precedent”</b>	means the conditions precedent to which the Proposed B-BBEE Transaction is subject to, further detail of which appears in paragraph 6.4 of this Circular;
<b>“Corporate Advisor and Transaction Sponsor” or “Pallidus Capital”</b>	means Pallidus Capital Proprietary Limited (registration number: 2015/030782/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, being the corporate advisor and transaction sponsor to Adcorp;
<b>“CSDP”</b>	means the Central Securities Depository Participant, a participant as defined in section 1 of the Financial Markets Act;
<b>“Dematerialised Shareholders”</b>	means Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	means Adcorp Shares which have been dematerialised and ownership of which is recorded electronically in a sub-register of Adcorp Shareholders administered by a CSDP, which sub-register forms part of Adcorp’s Register;
<b>“Documents of Title”</b>	means share certificates or any other documents of title to Certificated Shares acceptable to Adcorp;
<b>“EBIT”</b>	means earnings before interest and tax;
<b>“EBITDA”</b>	means earnings before interest, tax, depreciation and amortisation;
<b>“Effective Date”</b>	means the date of fulfilment of the last Conditions Precedent;
<b>“Financial Markets Act” or “FMA”</b>	means the Financial Markets Act, No. 19 of 2012, including its regulations, as amended from time to time;
<b>“Form of Proxy”</b>	means the form of proxy ( <i>blue</i> ) attached to this Circular for use by Adcorp Shareholders for the appointment of proxies to represent such Adcorp Shareholders at the Special General Meeting, to the extent that they cannot attend the Special General Meeting in person, but wish to be represented thereat;
<b>“Fortress”</b>	means Fortress Administration Proprietary Limited (registration number: 2011/010048/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and majority (55%) owned by Adcorp Staffing Solutions with the remaining issued (45%) shareholding held by WIP Three;
<b>“Fortress Acquisition Agreement”</b>	means the sale of shares agreement dated on or about 30 October 2020, entered into between Adcorp Staffing Solutions and WIP Three in terms of which Adcorp Staffing Solutions will acquire 450 (four hundred and fifty) class A ordinary shares in Fortress held by WIP Three for a total consideration of R229 500 (two hundred and twenty nine thousand five hundred Rand), resulting in Fortress becoming a wholly owned subsidiary of Adcorp Staffing Solutions;
<b>“Group”</b>	means Adcorp and its subsidiaries;
<b>“IFRS”</b>	means International Financial Reporting Standards, from time to time;
<b>“Income Tax Act”</b>	means the Income Tax Act, No. 58 of 1962, as amended from time to time;

<b>“Independent Expert” or “BDO”</b>	means BDO Corporate Finance Proprietary Limited (registration number: 1983/002903/07), a private company registered and incorporated in terms of the laws of South Africa and the independent professional expert that the Board has appointed to advise and report on whether the Proposed B-BBEE Transaction is fair in so far as Shareholders are concerned;
<b>“Internal Restructuring” or “Internal Restructure”</b>	means the internal restructure to be undertaken by the Group in anticipation of the implementation of the Proposed B-BBEE Transaction, in terms of which: <ul style="list-style-type: none"> <li>(i) Adcorp Staffing Solutions will acquire the entire issued class A shares in the share capital of Fortress in terms of the Fortress Acquisition Agreement;</li> <li>(ii) Adcorp Fulfilment Services will acquire the entire issued class A shares in the share capital of Quest in terms of the Quest Acquisition Agreement;</li> <li>(iii) the shareholding of AWMS and AMS, owned by Adcorp, will be exchanged for the entire issued share capital of SA HoldCo in terms of the Asset for Share Agreement; and</li> <li>(iiii) issue the A Preference Shares to Adcorp as the sole SA HoldCo Ordinary Shareholder at that time;</li> </ul>
<b>“JSE”</b>	means the JSE Limited (registration number: 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
<b>“JSE Listings Requirements” or “Listings Requirements”</b>	means the listings requirements of the JSE as at the Last Practicable Date;
<b>“Last Day to Trade”</b>	means the last Business Day to trade Adcorp Shares in order to settle same and reflect in Adcorp’s Register so as to be eligible to vote on the resolutions set out in the Notice of Special General Meeting, being <b>Tuesday, 01 December 2020</b> ;
<b>“Last Practicable Date”</b>	means the last practicable date prior to the finalisation of this Circular, being <b>Friday, 06 November 2020</b> ;
<b>“Legal Advisor” or “Baker &amp; McKenzie”</b>	means Baker & McKenzie Incorporated (registration number: 2012/047447/21), a personal liability company duly registered and incorporated in accordance with the company laws of South Africa, being the attorneys to Adcorp;
<b>“Master”</b>	means the Master of the High Court of South Africa;
<b>“Memorandum of Incorporation” or “MOI”</b>	means the memorandum of incorporation of Adcorp in force as at the Last Practicable Date;
<b>“New BEE Partners”</b>	means each of AEBT 3, Simeka SPV and Quest Partners;
<b>“Notice of Special General Meeting”</b>	means the notice convening the Special General Meeting of Adcorp Shareholders incorporated in this Circular, incorporating the Form of Proxy ( <i>blue</i> ), which notice contains, among other things, the Adcorp Resolutions which will be tabled for consideration and, if deemed fit, approval by Adcorp Shareholders at the Special General Meeting;
<b>“Notice Record Date”</b>	means <b>Friday, 06 November 2020</b> , being the date to determine which Adcorp Shareholders are entitled to receive this Circular, incorporating the Notice of Special General Meeting and Form of Proxy ( <i>blue</i> );
<b>“Ordinary Resolution”</b>	means an ordinary resolution as defined in section 1 of the Companies Act;
<b>“Own-name Dematerialised Shareholders”</b>	means the Dematerialised Shareholders who have instructed their CSDP to hold their Dematerialised Shares in their own name on the sub-registers maintained by the CSDP;
<b>“Proposed B-BBEE Transaction”</b>	means the Repurchase and Subscription, as more fully described in paragraph 6 of this Circular;
<b>“Quest”</b>	means Quest Staffing Solutions Proprietary Limited (registration number: 2011/010513/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and majority (60%) owned by Adcorp Fulfilment Services with the remaining issued (40%) shareholding held by Quest Partners;

<b>“Quest Acquisition Agreement”</b>	means the sale of shares agreement dated on or about 10 November 2020, entered into between Adcorp Fulfilment Services and Quest Partners in terms of which Adcorp Fulfilment Services will acquire 400 (four hundred) class A ordinary shares in Quest held by Quest Partners for a total consideration of R400 (four hundred Rand), resulting in Quest becoming a wholly owned subsidiary of Adcorp Fulfilment Services;
<b>“Quest Partners”</b>	means Quest Strategic Partners Proprietary Limited (registration number: 2015/367502/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, being the company used to acquire 40% (forty percent) shareholding in Quest. Quest Partners is owned by numerous Black Women executives of WIPHOLD, whereby Ms. Gloria Serobe is a 20% shareholder;
<b>“Rand” or “R”</b>	means South African Rand, the official currency of South Africa;
<b>“Register”</b>	means the register of Certificated Shareholders of Adcorp maintained by Adcorp and each of the sub registers of Dematerialised Shareholders maintained by the relevant CSDPs in terms of the Financial Markets Act;
<b>“Repurchase”</b>	means the partial unwinding of the 2013 B-BBEE Transaction whereby Adcorp repurchases 10 093 709 (ten million ninety three thousand seven hundred and nine) of the B Shares, constituting approximately 60% (sixty percent) of the B Shares, from Simeka SPV and WIP SPV in accordance with the Repurchase Agreements, as more fully described in paragraph 6.1 of this Circular. For the avoidance of doubt, the repurchase will be approved by the shareholders of the B Shares in a separate general meeting;
<b>“Repurchase Agreements”</b>	means, collectively the Simeka Repurchase Agreement and WIP Repurchase Agreement;
<b>“SA HoldCo”</b>	means Adcorp Group SA Proprietary Limited (registration number: 20202/860995/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa, and a wholly owned subsidiary of Adcorp for the purpose of implementing the Proposed B-BBEE Transaction, and which will, immediately prior to the implementation of the Proposed B-BBEE Transaction, become the holder of all of Adcorp’s South African operations;
<b>“SA HoldCo MOI”</b>	means the memorandum of incorporation of SA HoldCo;
<b>“SA HoldCo Ordinary Shares”</b>	means ordinary no par value shares in the share capital of SA HoldCo;
<b>“SA HoldCo Ordinary Shareholder”</b>	means the holder of SA HoldCo Ordinary Shares;
<b>“Securities”</b>	means “securities” as contemplated in terms of the Financial Markets Act;
<b>“SENS”</b>	means the Stock Exchange News Service of the JSE;
<b>“Simeka”</b>	means Simeka Group Proprietary Limited (registration number: 2006/013330/07), a private company incorporated according to the company laws of South Africa;
<b>“Simeka Repurchase Agreement”</b>	means the repurchase agreement dated on or about 11 November 2020, entered into between Adcorp and Simeka SPV in terms of which Adcorp will repurchase 4 205 712 (four million two hundred and five thousand seven hundred and twelve) B Shares, constituting 25% (twenty five percent) of the issued B Shares, for a total consideration of R42 057.12 (forty two thousand and fifty seven Rand and twelve South African cents);
<b>“Simeka SPV”</b>	means Thornbird Trade and Invest 33 Proprietary Limited (registration number: 2007/005509/07), a private company incorporated according to the company laws of South Africa, and wholly owned by Simeka;
<b>“South Africa”</b>	means the Republic of South Africa;
<b>“Special General Meeting”</b>	means the Special meeting of Adcorp Shareholders to be held at <b>09:00 on Monday, 14 December 2020</b> , or any adjournment or postponement thereof, to consider and, if deemed appropriate, approve the resolutions set out in the Notice of Special General Meeting;

<b>“Strate”</b>	means Strate Proprietary Limited (registration number: 1998/022242/07), a private company incorporated in accordance with the laws of the Republic of South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
<b>“Subscription”</b>	means the subscription by, and issue to, the New BEE Partners of Subscription Shares (which is classified as a disposal by SA HoldCo in accordance with the JSE Listings Requirements) in accordance with the terms and subject to the conditions set out in the Subscription Agreement;
<b>“Subscription Agreement”</b>	means the subscription agreement entered into between: <ul style="list-style-type: none"> <li>(i) Adcorp and Simeka SPV signed on 12 November 2020 and effective on the Effective Date as defined above;</li> <li>(ii) Adcorp and Quest Partners signed on 12 November 2020 and effective on the Effective Date as defined above;</li> <li>(iii) Adcorp and AEBT 3 to be signed as soon as the Master has issued letters of authority and effective on the Effective Date as defined above;</li> </ul>
<b>“Subscription Shares”</b>	means an aggregate of 3 542 (three thousand five hundred and forty two) SA HoldCo Ordinary Shares, which will constitute 35.42% (thirty five point four two percent) of the total issued SA HoldCo Ordinary Shares immediately after the implementation of the Proposed B-BBEE Transaction. Details of the proportions for each New BEE Partner can be found in paragraph 1.4.2 of this Circular;
<b>“Subsidiary/ies”</b>	means a “ <i>subsidiary</i> ” as defined in terms of the Companies Act;
<b>“Takeover Panel”</b>	means the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
<b>“Transfer Secretary” or “4AX Registry”</b>	means 4 Africa Exchange Registry Proprietary Limited (registration number: 2016/396777/07), a limited liability private company duly registered and incorporated in accordance with the company laws of South Africa and who are the transfer secretaries of Adcorp;
<b>“Units”</b>	means vested rights in AEBT 2 and/or AEBT 3, as the context may determine;
<b>“Voting Record Date”</b>	means the date on which Adcorp Shareholders must be entered in the Register in order to be eligible to attend, participate in and vote at the Special General Meeting, expected to be <b>Friday, 04 December 2020</b> ;
<b>“WACC”</b>	means weighted average cost of capital;
<b>“Website”</b>	means the Company’s website, being <a href="http://www.adcorpgroup.com">www.adcorpgroup.com</a> ;
<b>“WIPHOLD”</b>	means Women Investments Portfolio Holdings Limited, (registration number: 1996/001291/06) a public company incorporated according to the company laws of South Africa;
<b>“WIP Three”</b>	means WIP Three Investments Proprietary Limited (registration number: 1996/001321/07), a private company incorporated according to the company laws of South Africa, being an intermediary holdings company used to acquire 45% (forty five percent) shareholding in Fortress. WIP Three is wholly owned by WIPHOLD;
<b>“WIP Repurchase Agreement”</b>	means the repurchase agreement dated on or about 11 November 2020, entered into between Adcorp and WIP SPV in terms of which Adcorp will repurchase 5 887 997 (five million eight hundred and eighty seven thousand nine hundred and ninety seven) B Shares, constituting 35% (thirty five percent) of the issued B Shares, for a total consideration of R58 879.97 (fifty eight thousand eight hundred seventy nine Rand and ninety seven South African cents); and
<b>“WIP SPV”</b>	means WIPHOLD Financial Services Number Two Proprietary Limited (registration number: 2005/006441/07), a private company incorporated according to the company laws of South Africa and wholly owned by WIPHOLD.



Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

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**ADCORP BOARD OF DIRECTORS**

**Executive Directors**

P Roux (*Chief Executive Officer*)

N Prendergast (*Chief Financial Officer*)

**Non-executive**

G Serobe (*Chairperson*)

M Spicer (*Lead Independent*) #

T Mokgabudi #

C Maswanganyi #

S Mabaso-Koyana #

S Sithole

Dr P Mnganga #

H Singh #

M Nkosi

R van Dijk #

C Smith

M Lubega #

# *Independent*

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**CIRCULAR TO ADCORP SHAREHOLDERS**

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**1. INTRODUCTION AND PURPOSE OF THE CIRCULAR**

- 1.1. Adcorp Shareholders are referred to the announcement released on SENS on 12 November 2020 wherein Shareholders were advised that the Adcorp Board has resolved to implement the Proposed B-BBEE Transaction in order to improve the level of BEE ownership in the Group, to ensure competitiveness in the South African operating environment and to ensure that there will be sustainable value creation for Adcorp's various stakeholders.
- 1.2. During 2007, Adcorp implemented one of its first B-BBEE transactions, however due to unfavourable market events and variable factors, during 2013 it was determined that the 2007 B-BEE Transaction was unlikely to materialise any value to the BEE partners upon unwinding during 2017. As a result, Adcorp had to unwind the 2007 B-BBEE Transaction and enter into a new 10-year B-BBEE transaction during 2013.
- 1.3. Subsequent to the implementation of the 2013 B-BBEE Transaction, Adcorp's share price has significantly decreased in value resulting in the 2013 B-BEE Transaction being materially underwater.
- 1.4. As a result, Adcorp intends to conclude the Proposed B-BBEE Transaction which encompasses, *inter alia*:
  - 1.4.1. the Repurchase of B Shares from Simeka SPV and WIP SPV;
  - 1.4.2. the proposed Subscription by the New BEE Partners for 3 542 (three thousand five hundred and forty two) SA HoldCo Ordinary Shares, representing approximately 35.42% (thirty five point four two percent) of the issued ordinary share capital of SA HoldCo, in the following proportions:
    - 1.4.2.1. 731 (seven hundred and thirty-one) SA HoldCo Ordinary Shares, representing 7.31% (seven point three one percent) of the issued ordinary share capital of SA HoldCo, to Quest Partners;

- 1.4.2.2. 416 (four hundred and sixteen) SA HoldCo Ordinary Shares, representing 4.16% (four point one six percent) of the issued ordinary share capital of SA HoldCo, to Simeka SPV; and
  - 1.4.2.3. 2 395 (two thousand three hundred and ninety five) SA HoldCo Shares, representing 23.95% (twenty three point nine five percent) of the issued ordinary share capital of SA HoldCo, to the AEBT 3, which is a new share incentive trust to be established for the benefit of the employees of Adcorp.
- 1.5. The purpose of this Circular is to provide Adcorp Shareholders with all the relevant information relating to the Proposed B-BBEE Transaction, in accordance with the JSE Listings Requirements and the Companies Act and to:
- 1.5.1. obtain the authority required for the New BEE Partners to subscribe for SA HoldCo Ordinary Shares as detailed in paragraph 6 below of this Circular to implement the Proposed B-BBEE Transaction; and
  - 1.5.2. convene a Special General Meeting of Shareholders, in terms of the Notice of Special General Meeting forming part of this Circular, at which meeting the ordinary resolutions required to approve and implement the Proposed B-BBEE Transaction will be considered and, if deemed fit, passed, with or without modifications.

## **2. RATIONALE FOR THE PROPOSED B-BBEE TRANSACTION**

- 2.1. Implementing the Proposed B-BBEE Transaction will improve the level of BEE ownership in the Group's South African subsidiaries which will ultimately also lead to an improved BEE status for all of these entities. Improving the BEE ownership and status of the Group's South African subsidiaries is critical for the future prospects of the Group given the Group's exposure to the South African market. As such, the Proposed B-BBEE Transaction is seen as a vital step in repositioning the Group to remain competitive in the South African market in order to both sustain current earnings and achieve future growth.
- 2.2. The Proposed B-BBEE Transaction will reiterate the Group's commitment to sustainable BEE ownership and transformation. It is intended that the Proposed B-BBEE Transaction will not only increase the BEE ownership of the Group's South African subsidiaries to at least 51% and its Black Women ownership to at least 30%, but also increase its broad-based and new entrant ownership via AEBT 3. The Proposed B-BBEE Transaction has been structured to meet the following key objectives for Adcorp:
- 2.2.1. create a sustainable funding structure which is not reliant on external bank funding, share price appreciation or dividend payments;
  - 2.2.2. materially improve SA HoldCo and its subsidiaries' B-BBEE ownership credentials;
  - 2.2.3. complement existing B-BBEE initiatives implemented by the Adcorp Group; and
  - 2.2.4. preserve existing value for all Shareholders.

## **3. CURRENT AND NEW BEE PARTNERS**

- 3.1. Since the inception of the first B-BBEE transaction in 2007, WIPHOLD and Simeka have played an instrumental role, as both shareholders and through their participation on the Board, in the transformation of the Adcorp Group to become BEE compliant. Furthermore, WIPHOLD and Simeka have contributed to the sustainability of the business by promoting and attracting new clients and via their Board participation they have been extremely active at all levels of governance within Adcorp.
- 3.2. The establishment of AEBT 2 has allowed Adcorp to incentivise and reward people who are permanently employed in the Adcorp Group. The majority of the AEBT 2's Units were allocated to beneficiaries who were Black Employees. AEBT 2 allocated Units to Adcorp employees based on amongst other things, seniority and length of service with the intention of attracting and retaining exceptional candidates into the Group.
- 3.3. **An overview of Adcorp's current BEE partners is set out below:**

### **3.3.1. WIPHOLD**

WIPHOLD is an investment and operating company owned and managed by Black Women. WIPHOLD was established 26 years ago as a company dedicated to the empowerment of women.

WIPHOLD's business is primarily focused on financial services, infrastructure, mining and strategic value investments whose investment portfolio has grown significantly from the initial R500 000 seed capital invested by its pioneering black women founders. WIPHOLD has investments in Sasfin, Old Mutual, Sasol and Mambo Cement to name but a few.



WIPHOLD is more than 50% (fifty percent) black women owned and has a permanent broad-based shareholding that includes 1 200 (one thousand two hundred) direct and 18 000 (eighteen thousand) indirect beneficiaries through the WIPHOLD Investment Trust, and over 200 000 (two hundred thousand) indirect beneficiaries through the WIPHOLD NGO Trust.

Ms. Gloria Serobe is the founder and an executive director of WIPHOLD, Gloria is an honorary member of the Actuarial Society of South Africa and serves on the South African Institute of Chartered Accountants (SAICA) Advisory Council. She is the current chairperson of the Adcorp Board and also serves as the chairperson to the nominations committee.

Over the years, the company has pioneered an innovative business model which integrates development and empowerment into robust business operations. WIP Two is a wholly owned subsidiary of WIPHOLD and is the entity which holds WIPHOLD's B Shares. It is also the entity which will hold WIPHOLD's SA HoldCo Ordinary Shares.

### 3.3.2. **Simeka**

Simeka has had a long association with Adcorp that dates back to 1996 and is an active investment holding company which mobilises capital and skills to invest in high growth areas to create winning partnerships with management teams.

Simeka has investments in call centre operations through Verge Management Services, business process outsourcing through EuropAssistance and professional services through Gobodo Forensic and Investigative Accounting. Simeka has also expanded into other areas in the South African economy including property through a partnership with Sanlam Properties and has invested in financial services through a 25% interest in Fintech.

Mr. Cecil Maswanganyi is the chief executive officer and shareholder of Simeka who, is also the representative of Simeka on the Board. He also serves as the chairperson of the investment committee and serves on the nominations, transformation, social and ethics and remuneration committees.

Simeka's shareholding includes an Education Trust and a Staff Trust for the benefit of employees. Simeka SPV is a wholly owned subsidiary of Simeka and is the entity which holds Simeka's B Shares. It is also the entity which will hold Simeka's SA HoldCo Ordinary Shares.

### 3.3.3. **AEBT 2**

AEBT 2 is a trust that was formed to participate in the 2013 B-BBEE transaction to incentivise and reward people who were permanently employed in the Adcorp Group in terms of seniority and length of service with the majority of units being allocated to black employees. A strategic decision was made by Adcorp to form a new employee incentive vehicle (AEBT 3) to participate in the Proposed B-BBEE Transaction with a larger focus on empowering women ownership and more specifically Black Women ownership within the Adcorp Group. As some beneficiaries of AEBT 2 may potentially not participate in AEBT 3, it was decided that AEBT 2 would retain its B Shares until the unwinding of the structure during 2023.

## 3.4. **An overview of Adcorp's New BEE Partners**

Save for WIPHOLD and AEBT 2, Simeka (as explained in paragraph 3.3.2 above), through its subsidiary Simeka SPV, will be participating in the Proposed B-BBEE Transaction, together with the BEE partners below:

### 3.4.1. **QUEST PARTNERS**

Quest Partners is an investment holding company owned and controlled by Black Women executives of WIPHOLD. The details of WIPHOLD can be found in paragraph 3.3.1 above.

For the avoidance of doubt, Ms. Gloria Serobe, who is a non-executive director of Adcorp, is only a 20% shareholder of Quest Partners. As such, Ms. Serobe is not defined as a related party in accordance with section 10 of the JSE Listings Requirements.

### 3.4.2. **AEBT 3**

AEBT 3 is a trust in the process of being formed for the primary benefit of women in the permanent employment of the Adcorp Group's South African subsidiaries. The greater majority of the AEBT 3 Units will be allocated to beneficiaries who are Black Women Employees. Adcorp employees will be allocated AEBT 3 Units based on amongst other things, seniority and length of service with the intention of attracting and retaining exceptional candidates into the Group.

The trust deed has been finalised and has been submitted to the Master in order for the Master to issue letters of authority for AEBT 3. There will be no changes to the trust deed from the date of the Circular to the date of the Special General Meeting and will be made available for inspection as contemplated in paragraph 21 of this Circular.

#### **4. SALIENT FEATURES OF AEBT 3**

##### **4.1. Objectives of the Trust**

The main objective of AEBT 3 is to:

- 4.1.1. Subscribe for 2 395 (two thousand three hundred and ninety five) SA HoldCo Ordinary Shares in terms of the Proposed B-BBEE Transaction and hold such shares for the benefit of the beneficiaries of AEBT 3; and
- 4.1.2. Attracting exceptional talent and to recognise, reward and retain more women Adcorp employees, whilst attracting exceptional talent.

##### **4.2. Beneficiaries of the Trust**

- 4.2.1. The beneficiaries of AEBT 3 will be women employees of the Group's South African subsidiaries, the greater majority of which will be Black Women. The beneficiaries will occupy the occupational levels of:
  - skilled, technical and academically qualified worker;
  - senior management;
  - supervisor; and
  - semi-skilled and skilled.
- 4.2.2. 80% (eighty percent) of all Units allocated, will be allocated to beneficiaries who will be Black Women Employees. The trustees shall have no discretion as to the allocation of such Units entitling the beneficiaries to share in the economic interests flowing from the AEBT 3, which will be determined from time to time by the Board.
- 4.2.3. The Units allocated to beneficiaries will entitle them to obtain vested rights to a number of SA HoldCo Ordinary Shares proportionate to the number of Units rights held by each beneficiary.

##### **4.3. Trustees**

- 4.3.1. AEBT 3 will have 6 (six) trustees in total. Adcorp will be entitled to appoint 3 (three) trustees; and
- 4.3.2. the beneficiaries will be entitled to appoint 3 (three) trustees of AEBT 3; and
- 4.3.3. The initial trustees of AEBT 3 will be Ms. Nomonde Xulu and Mr. Heinrich Weyers who are nominees of Adcorp. Once the trust deed has been approved by the Master, Adcorp the beneficiaries undertake to appoint the remaining 4 (four) trustees within 60 (sixty) days (per the trust deed) from date of approval such that they will be represented at future general meetings;

##### **4.4. Meeting and Voting Rights**

- 4.4.1. Each beneficiary will be entitled to exercise one vote at meetings of beneficiaries, which will be held at least once annually.

#### **5. ADCORP INTERNAL RESTRUCTURE**

- 5.1. The Adcorp Group's South African assets are currently owned by AWMS and AMS, both wholly owned subsidiaries of Adcorp. Prior to the implementation of the Subscription in terms of the Proposed B-BBEE Transaction, Adcorp will:
  - 5.1.1. through its wholly owned subsidiary, being Adcorp Staffing Solutions, acquire all of the issued class A shares in the share capital of Fortress pursuant to the Fortress Acquisition Agreement;
  - 5.1.2. through its wholly owned subsidiary, being Adcorp Fulfilment Services, acquire all of the issued class A shares in the share capital of Quest pursuant to the Quest Acquisition Agreement;
  - 5.1.3. dispose of its shareholding held in AWMS and AMS to SA HoldCo, in exchange for the entire issued SA HoldCo Ordinary Share capital in terms of the Asset for Share Agreement; and
  - 5.1.4. SA HoldCo will issue A Preference Shares to Adcorp. The redemption value of the A Preference Shares will be equal to the current fair market value of SA HoldCo. Refer to paragraph 7.1 for more detail regarding how the fair value was determined.
- 5.2. The Internal Restructuring does not require Adcorp ordinary shareholder approval. The terms of the Internal Restructure will be set out in the Fortress Acquisition Agreement, Quest Acquisition Agreement, and the Asset for Share Agreement.

- 5.3. The Internal Restructuring is intended to ultimately facilitate the implementation of the Proposed B-BBEE Transaction. For the avoidance of doubt, the acquisition of the class A shares in Fortress and Quest in accordance with the terms of the Fortress Acquisition Agreement and Quest Acquisition Agreement, respectively, will not require Shareholder approval pursuant to section 9 of the JSE Listings Requirements as a result of the consideration being paid is below the categorisation percentage ratios as envisaged in section 9 of the Listings Requirements. Furthermore, the shareholding of AWMS and AMS, owned by Adcorp, to be exchanged for the SA HoldCo Ordinary Shares pursuant to the Asset for Share Agreement is between wholly owned subsidiaries of Adcorp and thus will not constitute a “transaction” in terms of the Listings Requirements.
- 5.4. The Fortress Acquisition Agreement and the Quest Acquisition Agreement are not conditional on the implementation of the Proposed BEE Transaction. Shareholders are referred to **Annexure 1** which highlights the Adcorp Group structure before and after the Internal Restructure and Proposed BEE Transaction, respectively.

## **6. THE SALIENT TERMS OF THE PROPOSED B-BBEE TRANSACTION**

### **6.1. The Repurchase**

- 6.1.1. Prior to the implementation of the Subscription, the B Shares held by WIP SPV and Simeka SPV will be Repurchased by Adcorp pursuant to the terms of the Repurchase Agreements. Post the Repurchase, AEBT 2 will be the sole shareholder of the B Shares in issue.
- 6.1.2. A meeting between the 2013 BEE Partners who are the shareholders of the B Shares will be convened in order to approve the Repurchase of the B Shares in accordance with section 48 and section 112, as read with section 115, of the Companies Act. For the avoidance of doubt, the Repurchase will be implemented between the shareholders of the B Shares and not the Shareholders of Adcorp.

### **6.2. Subscription mechanism and consideration**

- 6.2.1. Subsequent to the Repurchase, Adcorp will issue 3 542 (three thousand five hundred and forty two), representing 35.42% (thirty five point four two percent), of SA HoldCo Ordinary Shares to the New BEE Partners at fair value for a total consideration of R3 542 (three thousand five hundred and forty two Rand).

### **6.3. Other salient items**

- 6.3.1. The Subscription Agreement will, amongst others, include warranties from the New BEE Partners which are standard for transactions of this nature and will include such warranty that the New BEE Partners will at least retain their B-BBEE ownership credentials as at the subscription date for as long as they retain their SA HoldCo Ordinary Shareholding

### **6.4. Conditions Precedent**

- 6.4.1. The Proposed B-BBEE Transaction will be subject to the fulfilment and/or waiver (to the extent that any of such conditions are capable of being waived) of the following Conditions Precedent:
- 6.4.1.1. the approval of the Repurchase by the shareholders of the B Shares;
  - 6.4.1.2. the Takeover Panel has granted an exemption to Adcorp in terms of section 119(6) of the Companies Act in respect of the Repurchase;
  - 6.4.1.3. the passing of the Adcorp Resolutions by the requisite majority of Shareholders at the Special General Meeting;
  - 6.4.1.4. Adcorp, being the sole shareholder of SA HoldCo, approving the issue of the Subscription Shares to the New BEE Partners in accordance with sections 41(1) and 41(3) of the Companies Act;
  - 6.4.1.5. Adcorp having waived its pre-emptive rights, anti-dilution rights and similar rights which it may hold in respect of the issue of the Subscription Shares to the New BEE Partners;
  - 6.4.1.6. the Adcorp Resolutions being accepted and placed on file by the CIPC, to the extent required; and
  - 6.4.1.7. the Master having issued letters of authority to the initial trustees of AEBT 3.
- 6.4.2. The trust deed of AEBT 3 has been submitted to the Master and the Subscription Agreement, to which AEBT 3 is a party shall be signed once the Master issues the relevant letters of authority.

## 7. SA HOLDCO VALUATION AND PROPOSED B-BBEE TRANSACTION MECHANISM

### 7.1. Fair market value of SA HoldCo

7.1.1. The valuation of SA HoldCo was performed by BDO in order to determine the value of the A Preference Shares and to assess whether the Proposed B-BBEE Transaction is fair from an Adcorp Shareholder perspective. SA HoldCo, which will act as the Group's South African holding company, has been valued at R1 600 000 000 (one point six billion Rand) as at 31 August 2020.

7.1.2. The valuation was performed using an explicit forecast period until the end of the 2025 financial year and is based on the following inherent assumptions for each of the South African operating pillars:

Operating Pillar	Operating Segment	WACC	Terminal Growth Rate
Temporary Employee Services	Industrial	22.50%	3.00%
Functional Outsourcing	Industrial	23.40%	3.00%
Professional and Human Resource Outsourcing	Professional and Support Services	22.50%	3.00%
Training	Training	24.30%	3.00%
Group Central Charges	Central	22.90%	3.00%

7.1.3. The implied forward enterprise value/EBITDA and enterprise value/EBIT multiples were compared to a basket of comparable industry peers to assess the reasonability of the SA HoldCo valuation. The range was adjusted for differences between Adcorp and the basket of peers to account for the risk profile of Adcorp relative to the basket of peers.

7.1.4. In accordance with the cautionary announcement and renewal of cautionary announcements as disclosed in paragraph 16 below, the Group has entered into negotiations regarding the potential disposal of the financial services division. Due to the potential disposal of the financial services division, the value for the financial services division was separately taken into account when the valuation of SA HoldCo was determined.

7.1.5. The historical performance of SA HoldCo is in line with the historical South African segmental performance disclosed in the various annual reports, a summary of which has been provided below:

#### Historical Performance

	FY2018		FY2019		FY2020	
	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Industrial (R'000)	6 278 103	189 232	5 980 971	344 005	5 541 907	301 861
Support Services (R'000)	1 471 207	46 474	1 371 072	49 387	939 910	14 001
Professional Services (R'000)	1 802 508	160,624	1 935 706	188 552	1 766 491	125 201
Training (R'000)	178 454	(51 824)	166 005	5 806	142 963	22 413
Financial Services (R'000)	192 281	58 218	149 336	65 189	136 021	69 296
Central (R'000)	16 034	(403 264)	315	(329 762)	–	(264 712)
<b>Total (R'000)</b>	<b>9 938 587</b>	<b>(540)</b>	<b>9 603 405</b>	<b>323 177</b>	<b>8 527 292</b>	<b>268 060</b>

#### Historical Assets and Liabilities

	FY2018		FY2019		FY2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Industrial (R'000)	1 394 421	535 976	1 305 993	529 172	1 272 923	398 522
Support Services (R'000)	271 762	153 232	243 865	74 402	130 073	55 910
Professional Services (R'000)	747 752	271 081	704 299	320 427	648 962	283 084
Training (R'000)	94 961	149 030	60 177	130 760	58 687	133 969
Financial Services (R'000)	202 951	24 650	184 585	17 470	29 809	17 041
Central (R'000)	517 608	1 065 596	558 052	789 835	600 733	1 288 129
<b>Total (R'000)</b>	<b>3 229 455</b>	<b>2,199,565</b>	<b>3 056 971</b>	<b>1 862 066</b>	<b>2 741 187</b>	<b>2 176 655</b>

7.1.6. Shareholders are referred to the valuation approach paragraph in **Annexure 2** for further details on the valuation performed by the Independent Expert.

## 7.2. Scenario Analysis

**CAUTION:** Shareholders are advised that the following information, presented in this paragraph 7.2, pertaining to the different scenarios of the Proposed B-BBEE Transaction, should not be deemed as a forecast for the Adcorp Group. The scenario analysis has been presented for illustration purposes only, and because of the nature of the transaction, other unknown or unpredictable factors could also have material adverse effects on the outcome of the scenarios.

7.2.1. SA HoldCo Ordinary Shareholders will only share in value created over-and-above the A Preference Shares' accrued value (i.e. growth created above the A Preference Shares' coupon rate);

7.2.2. to the extent that SA HoldCo grows at a rate equal to- or lower than the A Preference Shares' coupon rate no value will accrue to the SA HoldCo Ordinary Shareholders – **refer to Scenarios 1 and 2 below**; and

7.2.3. to the extent that SA HoldCo grows at a rate higher than the A Preference Shares' coupon rate (partially as a result of SA HoldCo's enhanced BEE credentials), additional value would be created in the SA HoldCo Ordinary Shares i.e. value over-and-above the value that have been ringfenced in the A Preference Shares. Accordingly, such additional value will then accrue to all the SA HoldCo Ordinary Shareholders resulting economic participation by the New BEE Partners i.e. both Adcorp (64.58%) and the New BEE Partners (35.42%) – **refer to Scenario 3 and 4 below**. To the extent that value accrues to the New BEE Partners, the value attributable to Quest Partners and Simeka SPV will increase the non-controlling interest in the consolidated Adcorp annual financial statements. Adcorp will consolidate the 23.95% (twenty three point nine five percent) SA HoldCo Ordinary Shareholding held by AEBT 3 in its consolidated annual financial statements.

7.2.4. The aforementioned is illustrated as follows assuming a 10% (ten percent) A Preference Share coupon rate:

<b>Scenario 1 – 10 Years Later (8% Growth Rate)</b>	<b>R</b>
SA HoldCo market value	3 454 279 996
Value attributable to Adcorp via A Preference Shares	4 149 987 936
Value attributable to Adcorp via SA HoldCo Ordinary Shares	–
Value attributable to Adcorp – total	4 149 987 936
Value attributable to New BEE Partners via SA HoldCo Ordinary Shares	–

<b>Scenario 2 – 10 Years Later (10% Growth Rate)</b>	<b>R</b>
SA HoldCo market value	4 149 987 936
Value attributable to Adcorp via A Preference Shares	4 149 987 936
Value attributable to Adcorp via SA HoldCo Ordinary Shares	–
Value attributable to Adcorp – total	4 149 987 936
Value attributable to New BEE Partners via SA HoldCo Ordinary Shares	–

<b>Scenario 3 – 10 Years Later (12% Growth Rate)</b>	<b>R</b>
SA HoldCo market value	4 969 357 133
Value attributable to Adcorp via A Preference Shares	4 149 987 936
Value attributable to Adcorp via SA HoldCo Ordinary Shares	529 148 628
Value attributable to Adcorp – total	4 679 136 564
Value attributable to New BEE Partners via SA HoldCo Ordinary Shares	290 220 570

<b>Scenario 4 – 10 Years Later (14% Growth Rate)</b>	<b>R</b>
SA HoldCo market value	5 931 554 103
Value attributable to Adcorp via A Preference Shares	4 149 987 936
Value attributable to Adcorp via SA HoldCo Ordinary Shares	1 150 535 430
Value attributable to Adcorp – total	5 300 523 366
Value attributable to New BEE Partners via SA HoldCo Ordinary Shares	631 030 736

## 8. RELATED PARTY IMPLICATIONS

8.1. In terms of the Listings Requirements, where a listed company enters into a transaction with a related party, as defined, certain requirements are required to be fulfilled before completing the transaction, including but not limited to, obtaining Shareholder approval and an opinion from an independent professional expert acceptable to the JSE that the terms of the Proposed B-BBEE Transaction are fair as far as Shareholders are concerned.

- 8.2. Mr. Cecil Maswanganyi, who is an independent non-executive director of Adcorp, is also a shareholder and executive director of Simeka. Consequently, Simeka is an associate as defined in the Listings Requirements and is therefore regarded as a related party.
- 8.3. Accordingly, the entering into the Proposed B-BBEE Transaction is deemed a related party transaction and requires a fairness opinion. The opinion of the Board and of BDO, who has been appointed as the Independent Expert, is that the Proposed B-BBEE Transaction is fair and the recommendation by the Board to vote in favour of the Proposed Transaction as set out in paragraph 19 of this Circular.
- 8.4. In accordance with the rights attaching to the B Shares, although being unlisted Securities, the B Shares will be taken into account for determining a quorum or in determining if any resolution has been approved. Accordingly, the B Shares will be taken into account in determining a quorum for the Special General Meeting, however Simeka will be precluded from voting of the Proposed B-BBEE Transaction resolution.

## 9. ADCORP SHAREHOLDER APPROVAL

- 9.1. The Board recognises that while the Proposed B-BBEE Transaction would not ordinarily require Shareholder approval in terms of the JSE Listings Requirements, in the interest of transparency and good corporate governance, the Company is seeking approval from Shareholders for the Subscription of SA HoldCo Ordinary Shares in accordance with the terms of the Proposed B-BBEE Transaction.

## 10. FINANCIAL INFORMATION REGARDING THE PROPOSED B-BBEE TRANSACTION

### 10.1. Financial effects

- 10.1.1. Save for the transaction costs as disclosed in paragraph 15 and an IFRS 2 charge of R2 766 672 (two million seven hundred sixty six thousand six hundred and seventy two), at the date of implementation, the Proposed B-BBEE Transaction will have no financial effects on the statement of financial position and statement of comprehensive income.

### 10.2. Share capital

- 10.2.1. Adcorp will not issue any new Shares and/or B Shares within the share capital of the Company in respect of the Proposed B-BBEE Transaction.

## 11. DIRECTORS' INTEREST IN ADCORP SHARES

- 11.1. The direct and indirect interests of the Directors, and their associates (including directors who resigned in the last 18 months), in the ordinary share capital of Adcorp as at 29 February 2020, being the most recent financial year-end, were as follows:

<b>Director</b>	<b>Direct beneficial interest</b>	<b>Indirect beneficial interest</b>	<b>Total number of shares</b>
<b>Directors</b>			
I Dutiro (resigned 8 October 2020)	6 330	–	6 330
CJ Kujenga (resigned 31 May 2020)	–	2 554 620	2 554 620
TP Moeketsi (resigned 6 June 2019)	–	28 443 256	28 443 256
S Sithole	–	28 443 256	28 443 256
MW Spicer	–	48 000	48 000
<b>Alternate directors</b>			
MM Nkosi	–	28 443 256	28 443 256
<b>Total</b>	<b>6 330</b>	<b>87 932 388</b>	<b>87 938 718</b>

- 11.2. Future transactions with Directors (relating to a long-term incentive share plan) are detailed in note 16.2 of the annual financial statements for the year ended 29 February 2020 which are available on Adcorp's Website.
- 11.3. No change in the interests of any Directors has occurred between the end of the preceding financial year and the Last Practicable Date.

## 12. DIRECTORS INTERESTS IN THE PROPOSED B-BBEE TRANSACTION

12.1. The Directors of Adcorp have not had any material beneficial interest, whether direct or indirect, in transactions that were effected by Adcorp during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed other than as stated below:

12.1.1. Ms. Gloria Serobe is a director of Adcorp and shareholder of Quest Partners, as described in paragraph 3.4.1 above, and accordingly have an interest in the Proposed BBBEE Transaction.

12.1.2. Mr. Cecil Maswanganyi is a director of Adcorp and shareholder of Simeka and accordingly has an interest in the Proposed BBBEE Transaction.

12.2. The Directors referred to above recused themselves from the relevant discussions regarding the Repurchase and the Proposed B-BBEE Transaction at the meetings of the Board and will not be entitled to vote their B Shares on the resolutions relating to the implementation of the Proposed B-BBEE Transaction.

## 13. SHARE CAPITAL OF THE COMPANY

13.1. As at the Last Practicable Date, Adcorp's authorised and issued share capital was as follows:

	<b>R'000</b>
<b>AUTHORISED SHARE CAPITAL</b>	
183 177 151 ordinary Shares of 2,5 cents each	4 579
16 822 849 B Shares of 2,5 cents each	421
<b>ISSUED SHARE CAPITAL</b>	
109 954 675 ordinary shares of 2,5 cents each	2 749
16 822 849 B Shares of 2,5 cents each	–
2 555 000 Adcorp Shares held in treasury	

13.2. Should the Proposed B-BBEE Transaction be implemented, Adcorp's authorised and issued share capital shall be as follows:

	<b>R'000</b>
<b>AUTHORISED SHARE CAPITAL</b>	
183 177 151 ordinary Shares of 2,5 cents each	4 579
16 822 849 B ordinary shares of 2,5 cents each	421
<b>ISSUED SHARE CAPITAL</b>	
109 954 675 ordinary shares of 2,5 cents each	2 749
6 729 140 B Shares of 2,5 cents each <sup>1</sup>	–
2 555 000 Adcorp Shares held in treasury	

**Note:**

<sup>1</sup>. Class B Shares held by AEBT 2.

## 14. MAJOR SHAREHOLDERS AND CONTROLLING SHAREHOLDERS

Shareholders, other than Directors, who beneficially held a 5% (five percent) or greater shareholding in the issued ordinary share capital of Adcorp as at the 30 October 2020 are as follows:

<b>Name of shareholder</b>	<b>Share class</b>	<b>Number of Shares held</b>	<b>Number of Shares as a % of total*</b>
H4 Collective Investments	Ordinary Share	16 233 143	14.76%
Eskom Pension and Provident	Ordinary Share	9 628 236	8.76%
Allan Gray	Ordinary Share	9 613 897	8.74%
PSG Asset Management	Ordinary Share	8 960 949	8.15%
Kagiso Asset Management	Ordinary Share	5 975 076	5.43%
<b>Total</b>		<b>50 411 301</b>	<b>45.85%</b>

\* excluding treasury shares of 2 555 000

Shareholders, other than Directors, who beneficially held B Class Shares in the issued ordinary share capital of Adcorp, other than Adcorp ordinary shares, as at the Last Practicable Date are as follows:

<b>Name of shareholder</b>	<b>Share class</b>	<b>Number of Shares held</b>	<b>Number of Shares as a % of total B Shares</b>
AEBT 2	B Class Share	6 729 140	40%
WIP Two	B Class Share	5 887 997	35%
Simeka	B Class Share	4 205 712	25%
<b>Total</b>		<b>16 822 849</b>	<b>100%</b>

There is no controlling shareholder as at the Last Practicable Date.

## 15. ESTIMATED EXPENSES

The estimated expenses relating to the Proposed B-BBEE Transaction, including the costs of the professional advisors, all of which are exclusive of any applicable value added tax payable in terms of the Value Added Tax Act, 89 of 1991 and disbursements, comprised as follows:

<b>Description</b>	<b>Payable to</b>	<b>Estimated Fee R'000</b>
Corporate Advisor and Transaction Sponsor	Pallidus Capital	3 500
Legal Advisor	Baker & McKenzie	600
Tax Advisor	Edward Nathan Sonnenbergs	130
Independent Expert	BDO	420
Reporting Accountant	Deloitte & Touche	300
JSE documentation fee	JSE	30
TRP documentation	TRP	15
BEE Verification Agency	BEE Online	35
Printing and publishing	Bastion	28
<b>Total</b>		<b>5 023</b>

## 16. MATERIAL CHANGES

- 16.1. On the 1 July 2020, 13 August 2020 and 04 November 2020, Shareholders were advised that the Board had entered into negotiations regarding the potential disposal of the financial services division of the Group. As at the Last Practicable Date these negotiations are still ongoing and any developments to the will be communicated to Shareholders on SENS.
- 16.2. On the 22 September 2020, Shareholders are hereby advised that Adcorp, via its wholly owned subsidiary, Adcorp Holdings Australia Proprietary Limited ("**Adcorp Australia**"), entered into a binding agreement with Competentia Proprietary Limited ("**Competentia**") in terms of which Competentia has agreed to acquire 100% (one hundred percent) of the issued shares of Dare Holdings Proprietary Limited ("**Dare**") and Adcorp Holdings Singapore Private Limited incorporating Dare Energy Proprietary Limited ("**Adcorp Singapore**") from Adcorp Australia, for an estimated cash consideration of AUD 3.44 million (R 41.42 million). Shareholders are referred to the announcement as published on SENS for more detailed information in respect of this disposal.
- 16.3. In addition, Adcorp published a voluntary trading update on 26 August 2020 and 15 October 2020 providing Shareholders with an insight into the Groups performance detailing, *inter alia*, the Group's South African and Australian operations.
- 16.4. Other than the above there have been no material changes in the financial or trading position of the Adcorp Group since the end of its last financial period being 29 February 2020.

## 17. NOTICE OF SPECIAL GENERAL MEETING

- 17.1. The Special General Meeting of Adcorp Shareholders will be held at the registered offices of the Company at Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6, Johannesburg, 2191 on **Monday, 14 December 2020 at 09:00** to consider, and if deemed fit, to pass, with or without modification, the resolutions required to implement the Proposed B-BBEE Transaction.



- 17.2. Adcorp Shareholders are referred to the Notice of Special General Meeting (attached to and forming part of this Circular) for details on the resolutions to be proposed at the Special General Meeting and to the section “*Action Required by Shareholders*” section of this Circular stipulating the action required by Adcorp Shareholders and for information on the procedure to be followed by Adcorp Shareholders in order to participate and to exercise their votes at the Special General Meeting.
- 17.3. Every Shareholder present or represented by proxy at the Special General Meeting shall have all votes determined in accordance with the voting rights associated with the Adcorp Shares held by that Shareholder.
- 17.4. The quorum requirement for the Special General Meeting to begin or for a matter to be considered at the Special General Meeting is at least 3 (three) shareholders present in person. In addition:
- 17.4.1. the Special General Meeting may not begin until sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the Special General Meeting; and
- 17.4.2. a matter to be decided at the Special General Meeting may not begin to be considered unless sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.
- 17.5. Every Shareholder present or represented by proxy and entitled to exercise voting rights at the Special General Meeting shall be entitled to vote on a show of hands, irrespective of the number of the voting rights that Shareholder would otherwise be entitled to exercise. On a poll, any person who is present at the Special General Meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Shares held by that Shareholder.
- 17.6. All of the resolutions proposed in the Notice of Special General Meeting are inter-conditional.

## **18. PROFESSIONAL ADVISORS' CONSENTS**

- 18.1. Each of the:
- 18.1.1. Corporate Advisor and Transaction Sponsor, being Pallidus Capital;
- 18.1.2. Legal Advisor, being Baker & McKenzie; and
- 18.1.3. Independent Expert, being BDO;
- have consented in writing to act in each capacity stated and to its name being included in this Circular and have not withdrawn its consent prior to the publication of this Circular.

## **19. OPINION AND RECOMMENDATION OF THE ADCORP BOARD OF DIRECTORS**

The Board recommends that Adcorp Shareholders vote in favour of all the resolutions tabled in accordance with the Notice of Special General Meeting, which forms a part of this Circular.

### **19.1. Report of the Independent Expert**

- 19.1.1. BDO was appointed by Adcorp to furnish a fairness opinion and an independent expert's report on the Repurchase and the Proposed B-BBEE Transaction and their opinion that the transaction is fair is disclosed in **Annexure 2** of this Circular.

### **19.2. View and recommendation of the Board**

- 19.2.1. The Board has considered the terms and conditions of the Proposed B-BBEE Transaction and the opinion of the Independent Expert and is of the opinion that the Proposed B-BBEE Transaction is fair and in the best interests of all of Adcorp's key stakeholders, including customers, suppliers, staff, debt funders and shareholders and, accordingly, recommends that the Shareholders vote in favour of the resolutions required to implement the Proposed B-BBEE Transaction.
- 19.2.2. The Directors with direct and/or indirect beneficial shareholdings in Adcorp intend to vote such Adcorp Shares in favour of the resolutions to be proposed at the Special General Meeting.

## 20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names and details are provided on page 13 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

## 21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at any time during normal business hours from the issue date of this Circular at the registered offices of the Company (refer to the "Corporate Information and Professional Advisors" section of the Circular), until the date of the Special General Meeting, from which date until the close of the Special General Meeting of the Company and electronic copies will be available for inspection on Adcorp's Website, being [www.adcorpgroup.com](http://www.adcorpgroup.com):

- 21.1.1. the Circular and all annexures hereto;
- 21.1.2. the Adcorp MOI;
- 21.1.3. the SA HoldCo MOI;
- 21.1.4. the AEBT 3 trust deed;
- 21.1.5. the Subscription Agreement and Repurchase Agreements;
- 21.1.6. the audited annual financial statements of Adcorp for the three financial years ended 29 February 2020, 28 February 2019 and 28 February 2018;
- 21.1.7. the Independent Expert's fairness opinion in respect of the Proposed B-BBEE Transaction, as reproduced in **Annexure 2** of this Circular;
- 21.1.8. the Independent Expert's report in respect of the Proposed B-BBEE Transaction, as reproduced in **Annexure 3** of this Circular
- 21.1.9. copies of service agreements with Directors, managers and Company Secretary entered into during the last 3 (three) years;
- 21.1.10. written consent letters by the advisors, as referred to in paragraph 18 of this Circular.

**SIGNED AT JOHANNESBURG ON BEHALF OF THE BOARD OF DIRECTORS OF ADCORP ON 16 NOVEMBER 2020**

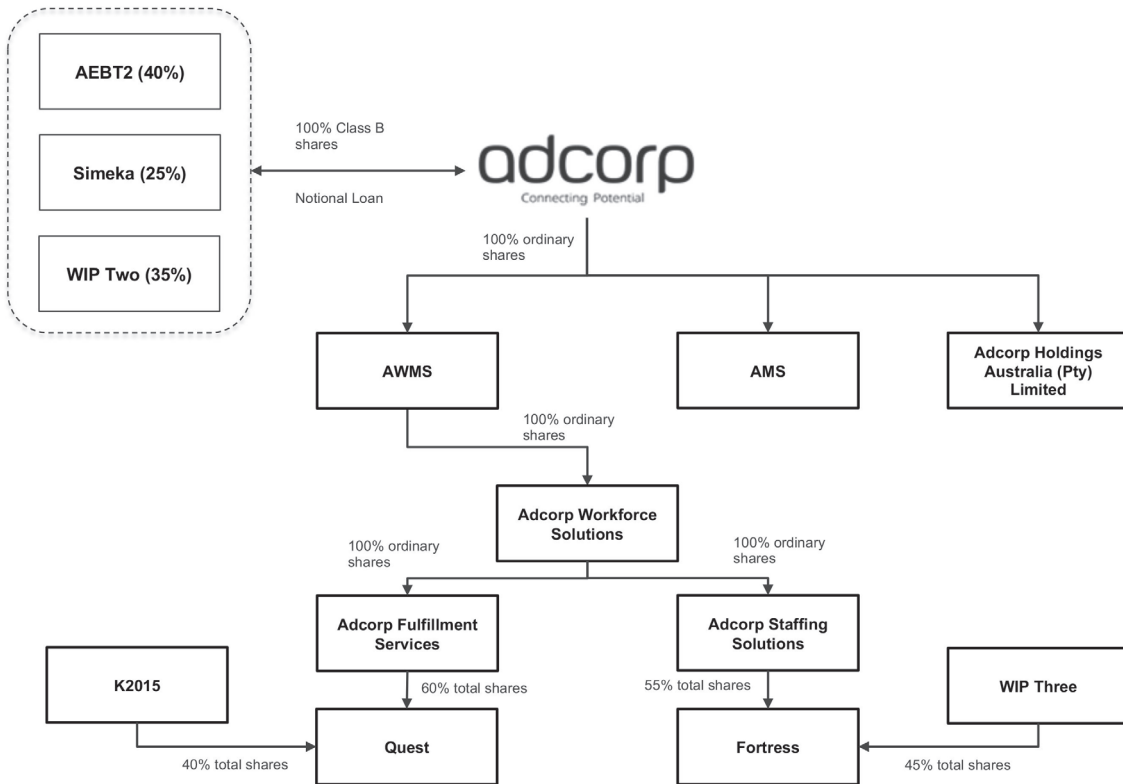
By order of the Adcorp Board



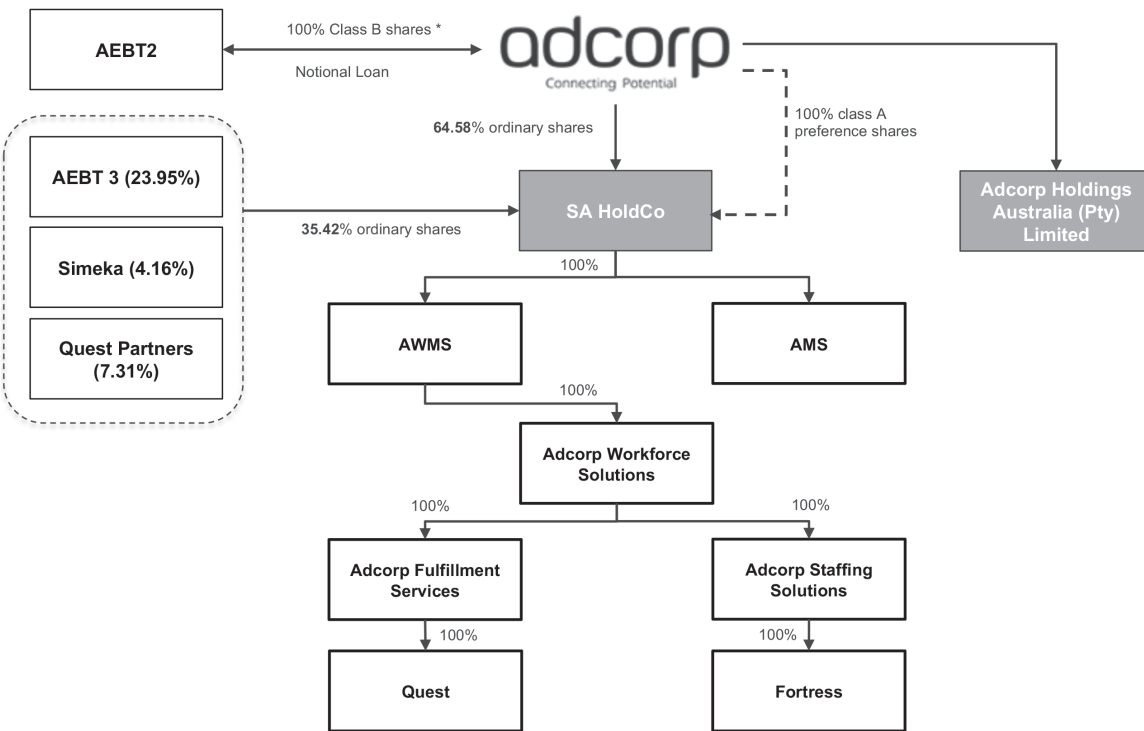
**Mr P Roux**  
Chief Executive Officer

**ORGANOGRAM OF THE PROPOSED B-BEE TRANSACTION**

**BEFORE**



**AFTER**



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## INDEPENDENT EXPERT'S FAIRNESS OPINION

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The Directors  
 Adcorp Holdings Limited  
 Adcorp Place  
 102 Western Service Road  
 Gallo Manor Ext 6  
 Johannesburg  
 2191



13 November 2020

Dear Sirs

**REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO THE DIRECTORS OF ADCORP HOLDINGS LIMITED REGARDING THE SUBSCRIPTION BY THE NEW BEE PARTNERS FOR 35.42% OF SA HOLDCO'S TOTAL SHARES IN ISSUE POST SUBSCRIPTION WHICH CONSTITUTES A RELATED PARTY TRANSACTION**

### Introduction

In terms of the announcement published by Adcorp Holdings Limited ("Adcorp" or the "Company") on the Stock Exchange News Service ("SENS"), operated by the JSE Limited ("JSE") on Thursday, 12 November 2020, holders of ordinary shares with a par value of 2,5 cents each in the issued share capital of Adcorp ("Adcorp Shares" or "Shares") and holders of no par value class B ordinary shares in the issued share capital of Adcorp ("B Shares") ("Adcorp Shareholders" or "Shareholders") were advised that Adcorp intends to conclude a new Broad-Based Black Economic Empowerment ("B-BBEE") transaction.

In 2013 Adcorp entered into a B-BBEE transaction with Adcorp Employee Benefit Trust 2 ("AEBT 2"), Thornbird Trade and Invest 33 Proprietary Limited ("Simeka SPV"), a wholly owned subsidiary of Simeka Group Proprietary Limited ("Simeka") and WIPHOLD Financial Services Number Two Proprietary Limited ("WIP SPV"), a wholly owned subsidiary of Women Investments Portfolio Holdings Limited ("WIPHOLD") ("2013 BEE Partners") in terms of which B Shares, representing approximately 13.27% of Adcorp's total issued shares and voting rights were allotted and issued to the 2013 BEE Partners ("2013 B-BBEE Transaction").

Subsequent to the implementation of the 2013 B-BBEE Transaction, Adcorp's share price had significantly decreased in value resulting in the 2013 BEE Transaction being materially underwater. In the context of the current market environment and operating conditions, it is extremely unlikely that value will be created in the 2013 B-BBEE Transaction by its maturity date of August 2023.

As a result, Adcorp intends to conclude a new B-BBEE transaction which encompasses, inter alia:

- The partial unwinding of the 2013 B-BBEE Transaction whereby Adcorp repurchases 10 093 709 B Shares, constituting approximately 60% of the B Shares, and equating to approximately 7.96% of Adcorp's total issued shares, from Simeka SPV and WIP SPV ("Repurchase"). Post the Repurchase, AEBT 2 will be the sole holder of B Shares; and
- The issue of an aggregate of 3 542 no par value ordinary shares in the issued share capital of a new company to be formed to house Adcorp's South African assets ("SA HoldCo") ("SA HoldCo Ordinary Shares") ("Subscription Shares") to Adcorp Employee Benefit Trust 3 ("AEBT 3"), Simeka SPV and WIP SPV (the "New BEE Partners") for a total consideration of R3 542 ("Subscription Price") ("Subscription"), which will constitute 35.42% of the total issued share capital of SA HoldCo immediately after the implementation of the new B-BBEE transaction.

The Repurchase and Subscription are collectively referred to herein as the "Proposed B-BBEE Transaction".

Adcorp's South African assets are currently owned by Adcorp Workforce Management Solutions Proprietary Limited ("AWMS) and Adcorp Management Services Proprietary Limited ("AMS"), both wholly owned subsidiaries of Adcorp. Pursuant to and prior to the implementation of the Proposed B-BBEE Transaction, Adcorp will:

- Dispose of its shareholding held in AWMS and AMS to SA HoldCo, in exchange for the entire issued SA HoldCo ordinary share capital; and
- SA HoldCo will issue cumulative, redeemable, non-participating, no par value preference shares in the share capital of SA HoldCo, with a redemption value of R1 600 000 000 and a coupon rate equal to the prime interest rate plus 3%, compounded annually in arrears ("A Preference Shares") to Adcorp. The issue price of the A Preference Shares is equal to the fair market value of SA HoldCo

collectively referred to as the "Internal Restructuring".

The Internal Restructuring is intended to simplify Adcorp's group structure in order to ultimately facilitate the implementation of the Proposed B-BBEE Transaction.

Full details of the Proposed B-BBEE Transaction are set out in the circular to Shareholders to be dated on or about 13 November 2020 (the "Circular").

### **Fairness Opinion Required in terms of the JSE Listings Requirements**

Cecil Maswanganyi is a non-executive director of Adcorp and consequently a related party to Adcorp (as defined in section 10.1(b)(ii) of the JSE Listings Requirements ("Listings Requirements")).

Simeka is an associate of Cecil Maswanganyi and a related party to Adcorp (as defined in section 10.1(b)(vii) of the Listings Requirements read together with the definition of associate).

The Subscription constitutes a related party transaction and in terms of Section 10.4 of the JSE Listings Requirements, Adcorp is required to, prior to completing the Subscription, provide the JSE with written confirmation from an independent professional expert acceptable to the JSE that the terms of the Subscription are fair as far as Adcorp Shareholders are concerned (the "Fairness Opinion").

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance") has been appointed by the board of directors of Adcorp (the "Board" or the "Directors") to provide the Fairness Opinion.

### **Responsibility**

Compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report to the Board on whether the terms and conditions of the Subscription are fair to Shareholders.

### **Explanation as to how the term "fair" applies in the context of the Subscription**

Schedule 5.7 of the Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company's shareholders if the benefits received, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The Subscription would be considered fair to Adcorp Shareholders if the Subscription Price is greater than or equal to the fair value of the Subscription Shares, or unfair if the Subscription Price is less than the fair value of the Subscription Shares.

### **Details and sources of information**

In arriving at our findings, we have relied upon the following principal sources of information:

- The terms and conditions of the Proposed B-BBEE Transaction, as set out in the Circular;
- Transaction documents provided by Adcorp's transaction advisers setting out, inter alia, transaction steps and the rationale of the Proposed B-BBEE Transaction;
- Annual Integrated Report of Adcorp for the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020;
- Unaudited management accounts of Adcorp, on a consolidated basis and by underlying operating segment, for the financial years ended 28 February 2019 and 29 February 2020;
- Unaudited management accounts of Adcorp, on a consolidated basis and by underlying operating segment, for the year-to-date period ended 31 August 2020;
- Forecast financial information of Adcorp, on a consolidated basis and by underlying operating segment, for the financial years ending 28 February 2021 to 2025;
- Discussions with executive Directors, management and/or advisors of Adcorp regarding the rationale for the Proposed B-BBEE Transaction;
- Discussions with executive Directors, management and/or advisors of Adcorp regarding historical and forecast financial information of Adcorp, on a consolidated basis and by underlying operating segment;
- Discussions with executive Directors, management and/or advisors of Adcorp on prevailing market, economic, legal and other conditions which may affect underlying values;
- Analyst reports, trading history and traded price information per Thomson Reuters in respect of Adcorp and comparable publicly traded companies; and
- Publicly available information relating to Adcorp, comparable publicly traded companies and the markets in which Adcorp and its peers operate we deemed to be relevant, including company announcements and media articles.

The information above was secured from:

- Executive Directors and management of Adcorp and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Adcorp.

## **Procedures**

In arriving at our findings, we have undertaken the following procedures and taken into account the following factors:

- Reviewed the terms and conditions of the Proposed B-BBEE Transaction as contained in the Circular;
- Reviewed the historical financial information, as detailed above;
- Reviewed and obtained an understanding from management of Adcorp as to the forecast financial information, on a consolidated basis and by underlying operating segment and the basis of the assumptions therein including the prospects of the business and its underlying segments. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management of Adcorp and assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- Compiled forecast free cash flows for each of Adcorp's South African segments by using the historical and forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("DCF") valuation for each South African segment;
- For assets held for sale, considered the expected disposal proceeds less costs to sell;
- Aggregated the valuations for each of Adcorp's South African segments to determine a "sum of the parts" ("SOTP") valuation of SA HoldCo;
- Deducted the fair value of the A Preference Shares from the fair value of SA HoldCo prior to the issue of the A Preference Shares to determine the fair value of the Subscription Share being the fair value of SA HoldCo ordinary share capital after the issue of the A Preference Shares;
- Performed a sensitivity analysis on key assumptions included in the valuation;
- Assessed the long-term potential of Adcorp and its underlying segments;
- Evaluated the relative risks associated with Adcorp and the staffing and contracting industry;
- Held discussions with Directors, management and/or advisors of Adcorp regarding the rationale for the Proposed B-BBEE Transaction;
- Held discussions with Directors, management and/or advisors of Adcorp regarding the past and current business operations, regulatory requirements, financial condition and future prospects of Adcorp and such other matters as we have deemed relevant to our inquiry;
- Reviewed certain publicly available information relating to Adcorp and the staffing and contracting industry that we deemed to be relevant, including Company announcements, media articles and available analyst coverage; and
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the staffing and contracting industry generally.

## **Assumptions**

We arrived at our findings based on the following assumptions:

- That all agreements that are to be entered into in terms of the Proposed B-BBEE Transaction will be legally enforceable as against the relevant parties thereto;
- That the Proposed B-BBEE Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of the Company; and
- That reliance can be placed on the financial information of Adcorp.

## **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our findings by:

- Placing reliance on audit reports in the financial statements of Adcorp;
- Conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which information in respect of Adcorp was confirmed by documentary evidence as well as our understanding of Adcorp and the economic environment in which the Company operates.

### **Limiting conditions**

This Fairness Opinion is provided in connection with and for the purposes of the Subscription. This Fairness Opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders.

Individual Shareholders' decisions regarding the Subscription may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Subscription.

We have relied upon and assumed the accuracy of the information provided to us in deriving our conclusions. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of this Fairness Opinion, whether in writing or obtained in discussion with Adcorp management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results will correspond to those projected. We have, however, compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with Adcorp management.

We have also assumed that the Subscription will have the legal consequences described in discussions with and materials furnished to us by representatives and advisors of the Company and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

We have been neither a party to the negotiations entered into in relation to the Subscription nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Subscription.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Subscription. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

It is also not within our terms of reference to compare the merits of the Subscription to any alternative arrangements that were or may have been available to Adcorp. Such comparison and consideration remain the responsibility of the Board and their advisors.

### **Independence, competence and fees**

We confirm that neither BDO Corporate Finance nor any person related to us (as contemplated in the Listings Requirements), have any existing or continuing relationship with Adcorp or with any party involved in the Subscription as contemplated in paragraph 5.12 of Schedule 5 to the Listings Requirements and have not had such relationship within the immediately preceding two years. We also confirm that we have the necessary qualifications and competence to provide the Fairness Opinion on the Subscription.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Subscription. Our fees are not payable in Adcorp Shares.

### **Valuation approach**

In considering the terms and conditions of the Subscription, we performed an independent valuation of the ordinary share capital in SA HoldCo on a SOTP basis by using the DCF methodology.

*SA HoldCo prior to the issue of the A Preference Shares*

BDO Corporate Finance compiled forecast free cash flows for each of SA HoldCo's segments by using the historical and forecast financial information as detailed above. We applied our assumptions of cost of capital to the forecast cash flows to produce a DCF valuation for each of SA HoldCo's segments.

Key external value drivers include key macro-economic parameters such as; GDP growth, interest rates, headline inflation rates and prevailing market and industry conditions in the staffing and contracting industry were considered in assessing the forecast cash flows and risk profile of SA HoldCo's segments. Key macro-economic assumptions include, inter alia:

<b>Assumption</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP Growth	0.9%	1.8%	2.3%	2.7%	3%
Prime Overdraft Rate	9.00%	9.75%	9.75%	9.75%	9.75%
Consumer Inflation (Av: %)	4.7%	5.3%	5.4%	5.3%	5.3%

\* Source: Investec Bank Ltd Q2.20 Macro-economic outlook 2020–2025

Key internal value drivers and assumptions to the DCF valuations of each underlying South African segment included the discount rate, revenue growth, EBIT margins and the terminal growth rate. Key value drivers and assumptions include, *inter alia*:

<b>South African segment</b>	<b>WACC</b>	<b>Terminal Growth Rate</b>
Industrial	22.5%	3.0%
Support Services	23.4%	3.0%
Professional Services	22.5%	3.0%
Training	24.3%	3.0%

\* the CAGR for the financial year-ends from 2019 to 2025

As noted in the Company's trading statement and operational update announcement for the period ended 31 August 2020, as anticipated, Adcorp's financial results for the six months ended 31 August 2020 have been impacted by the economic slowdown and continued trading limitations related to COVID-19. Adcorp responded appropriately under these circumstances by curtailing costs, significantly increasing cash collections and extending credit terms. These factors were taken into account in determining the forecasts for SA HoldCo's segments from 2019 to 2025.

We selected a basket of comparable companies with similar operations to Adcorp. Historical and forward multiples were calculated for these comparable companies. Outliers were excluded and a range of market multiples was determined. This range was adjusted for differences between Adcorp and the basket of peers to account for the risk profile of Adcorp relative to the basket of peers.

In addition, we performed a sensitivity analysis on key assumptions included in the DCF valuation specifically related to cost of capital and terminal growth rates.

The sensitivity analysis did not indicate a sufficient effect on the valuation of SA HoldCo's segments to alter our opinion in respect of the fairness of the Subscription.

The Internal Restructuring is intended to simplify Adcorp's group structure and will result in SA HoldCo owning Adcorp's South African assets. The valuation of Adcorp's underlying South African segments, as detailed above, effectively represents the valuation of SA HoldCo.

#### *A Preference Share*

The present value of the A Preference Shares has been determined by applying an appropriate market-related borrowing rate to discount forecast cash flows.

Key value drivers of the valuation include:

- The prevailing and forecast prime interest rate. Forecasts as per Investec Bank Limited ("Investec") as at 31 August 2020 was used to determine the forecast prime interest rate;
- Prior to the advent of C-19, a credit spread for Senior Mezzanine Debt equated to 3 month JIBAR plus 650 to 750 basis points and a credit spread for Junior Mezzanine Debt was 3 month JIBAR plus 850 to 950 basis points based on observed market data. We note that comparable lending products offered in the market that were priced at prime less 100 basis points prior to the advent of C-19 are now priced at prime plus 25 basis points. The coupon rate equal to the prime interest rate plus 3% falls within this range for Junior Mezzanine Debt.

The key value driver of the A Preference Shares is the market-related borrowing rate.

Additionally, sensitivity analyses were performed by applying the range above in respect of the credit spread for an unsecured loan for SA HoldCo.

#### **Conclusion**

BDO Corporate Finance has considered the terms and conditions of the Subscription and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Subscription are fair to Adcorp Shareholders.



Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us up to Tuesday, 10 November 2020 (the “Last Practicable Date”). We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Last Practicable Date that may affect our opinion or factors, or assumptions contained herein.

We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Subscription have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

#### **Consent**

We hereby consent to the inclusion of this Fairness Opinion, in whole or in part, and references thereto in the Circular, in the form and context in which it appears.

Yours faithfully



**N Lazanakis CA(SA)**

*Director*

**BDO Corporate Finance Proprietary Limited**

52 Corlett Drive

Illovo

2196

## INDEPENDENT PROFESSIONAL EXPERT REPORT

The Board of Directors  
Adcorp Holdings Limited  
Adcorp Place  
102 Western Service Road  
Gallo Manor Ext 6  
Johannesburg  
2191



13 November 2020

Dear Sirs

### **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO ADCORP HOLDINGS LIMITED REGARDING THE REPURCHASE OF 10 093 709 NO PAR VALUE CLASS B ORDINARY SHARES IN ITS ISSUED SHARE CAPITAL**

#### **Introduction**

In terms of the announcement published by Adcorp Holdings Limited (“Adcorp” or the “Company”) on the Stock Exchange News Service (“SENS”), operated by the JSE Limited (“JSE”) on Thursday, 12 November 2020, holders of ordinary shares with a par value of 2,5 cents each in the issued share capital of Adcorp (“Adcorp Shares” or “Shares”) and holders of no par value class B ordinary shares in the issued share capital of Adcorp (“B Shares”) (“Adcorp Shareholders” or “Shareholders”) were advised that Adcorp intends to conclude a new Broad-Based Black Economic Empowerment (“B-BBEE”) transaction.

In 2013 Adcorp entered into a B-BBEE transaction with Adcorp Employee Benefit Trust 2 (“AEBT 2”), Thornbird Trade and Invest 33 Proprietary Limited (“Simeka SPV”), a wholly owned subsidiary of Simeka Group Proprietary Limited (“Simeka”) and WIPHOLD Financial Services Number Two Proprietary Limited (“WIP SPV”), a wholly owned subsidiary of Women Investments Portfolio Holdings Limited (“WIPHOLD”) (“2013 BEE Partners”) in terms of which B Shares, representing approximately 13.27% of Adcorp’s total issued shares and voting rights were allotted and issued to the 2013 BEE Partners (“2013 B-BBEE Transaction”).

Subsequent to the implementation of the 2013 B-BBEE Transaction, Adcorp’s share price had significantly decreased in value resulting in the 2013 BEE Transaction being materially underwater. In the context of the current market environment and operating conditions, it is extremely unlikely that value will be created in the 2013 B-BBEE Transaction by its maturity date of August 2023.

As a result, Adcorp intends to conclude a new B-BBEE transaction which encompasses, inter alia:

- The partial unwinding of the 2013 B-BBEE Transaction whereby Adcorp will repurchase 10 093 709 B Shares, constituting approximately 60% of the B Shares, and equating to approximately 7.96% of Adcorp’s total issued shares, from Simeka SPV and WIP SPV (“Repurchase”). Post the Repurchase, AEBT 2 will be the sole holder of B Shares; and
- The issue of an aggregate of 3 542 no par value ordinary shares in the issued share capital of a new company to be formed to house Adcorp’s South African assets (“SA HoldCo”) (“SA HoldCo Ordinary Shares”), which will constitute 35.42% of the total issued share capital of SA HoldCo immediately after the implementation of the new B-BBEE transaction (“Subscription Shares”) to Adcorp Employee Benefit Trust 3 (“AEBT 3”), Simeka SPV and WIP SPV (the “New BEE Partners”) (“Subscription”).

The Repurchase and Subscription are collectively referred to herein as the “Proposed B-BBEE Transaction”.

Adcorp’s South African assets are currently owned by Adcorp Workforce Management Solutions Proprietary Limited (“AWMS”) and Adcorp Management Services Proprietary Limited (“AMS”), both wholly owned subsidiaries of Adcorp. Pursuant to and prior to the implementation of the Proposed B-BBEE Transaction, Adcorp will:

- Dispose of its shareholding held in AWMS and AMS to SA HoldCo, in exchange for the entire issued ordinary share capital in SA HoldCo; and
- SA HoldCo will issue cumulative, redeemable, non-participating, no par value preference shares, with a redemption value of R1 600 000 000 and a coupon rate equal to the prime interest rate plus 3%, compounded annually in arrears (“A Preference Shares”) to Adcorp. The issue price of the A Preference Shares is equal to the fair market value of SA HoldCo

collectively referred to as the “Internal Restructuring”.

The Internal Restructuring is intended to ultimately facilitate the implementation of the Proposed B-BBEE Transaction.

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed by the Board to provide independent expert advice to Adcorp with regards to the Repurchase.

As at the last practicable date prior to the finalisation of this report, being, 10, November 2020 (the “Last Practicable Date”), the authorised and issued ordinary share capital of the Company is as follows:

<b>Share Capital</b>	<b>R'000</b>
<b>Authorised share capital</b>	
183 177 151 Adcorp Shares	4 579
16 822 849 B Shares	421
<b>Issued share capital</b>	
109 954 675 Adcorp Shares	2 749
16 822 849 B Shares	–

As at 29 February 2020, being the most recent financial year-end, the Directors (including directors who resigned during the last 18 months) directly and indirectly held the following beneficial interests in Adcorp Shares:

<b>Director</b>	<b>Direct beneficial interest</b>	<b>Indirect beneficial interest</b>	<b>Total number of shares</b>
<b>Executive Directors</b>			
I Dutiro (resigned 8 October 2019)	6 330	–	6 330
CJ Kujenga (resigned 31 May 2020)	–	2 554 620	2 554 620
TP Moeketsi (resigned 6 June 2019)	–	28 443 256	28 443 256
S Sithole	–	28 443 256	28 443 256
MW Spicer	–	48 000	48 000
<b>Alternate Directors</b>			
MM Nkosi	–	28 443 256	28 443 256
<b>Total</b>	<b>6 330</b>	<b>87 932 388</b>	<b>87 938 718</b>

Extracts of sections 115 and 164 of the Companies Act are set out as Annexure I to this report.

### **Opinion required in terms of the Companies Act, No.71 of 2008**

As the Repurchase involves the acquisition by the Company of more than 5% of the B Shares in issue, section 48(8)(b) of the Companies Act, No.71 of 2008 (“Companies Act”) specifies that the Repurchase is subject to the requirements of section 114 and 115 of the Companies Act. In terms of section 114(2) of the Companies Act as read together with Regulation 90 of the Companies Regulations, 2011 (to the extent applicable) (the “Takeover Regulations”), the Board must retain an independent expert to compile a report on the Repurchase in compliance with section 114(3) of the Companies Act and Regulation 90 of the Takeover Regulations (the “Independent Expert Report”), to the extent applicable.

### **Responsibility**

Compliance with the Companies Act is the responsibility of the Directors. Our responsibility is to report on the Repurchase as required in terms of section 114(3) of the Companies Act and Regulation 90 of the Takeover Regulations, to the extent applicable.

### **Details and sources of information**

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the Repurchase, as set out are set out in the circular to Shareholders to be dated on or about 10 November 2020 (the “Circular”);
- Transaction documents provided by Adcorp’s transaction advisers setting out, inter alia, transaction steps and the rationale of the Proposed B-BBEE Transaction and the Repurchase;
- Historical and forecast financial information of Adcorp, comprising:
  - Annual Integrated Report of Adcorp for the year ended 28 February 2018, 28 February 2019 and 29 February 2020;
  - Unaudited management accounts of Adcorp, on a consolidated basis and by underlying operating segment, for the years ended 28 February 2019 and 29 February 2020 and for the year-to-date period ended 31 August 2020; and
  - Forecast financial information of Adcorp, on a consolidated basis and by underlying operating segment, for the years ending 28 February 2021 to 2025.

- Precedent transactions of a similar nature;
- Discussions with executive Directors management and/or advisors of Adcorp regarding the rationale for the Repurchase;
- Discussions with executive Directors, management and/or advisors of Adcorp on prevailing market, economic, legal and other conditions which may affect underlying value;
- Analyst reports, trading history and traded price information per Thomson Reuters in respect of Adcorp and comparable publicly traded companies; and
- Publicly available information relating to Adcorp, comparable publicly traded companies and the markets in which Adcorp and its peers operate we deemed to be relevant, including company announcements and media articles.

The information above was secured from:

- Executive Directors and management of Adcorp and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing, Adcorp.

### **Procedures and consideration**

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors:

- Reviewed the terms and conditions of the Repurchase;
- Reviewed the audited and unaudited historical financial information related to Adcorp as detailed above;
- Reviewed and obtained an understanding from Directors, management and/or advisors of Adcorp as to the historical financial information of Adcorp and outlook for the business;
- Assessed the long-term potential of Adcorp;
- Evaluated the relative risks associated with Adcorp and the industry in which it operates;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industries in which Adcorp operates generally;
- Reviewed certain publicly available information relating to Adcorp and comparable publicly traded companies that we deemed to be relevant; including Company announcements and media articles, including available analyst coverage;
- Where relevant, representations made by Adcorp management and/or Directors and/or their advisers were corroborated to source documents or independent analytical procedures were performed by us to examine and understand the industries in which Adcorp operates and to analyse external factors that could influence the business; and
- Held discussions with the executive Directors and management of Adcorp and their advisors as to their strategy and the rationale for the Repurchase and assessed prevailing economic and market conditions and trends.

### **Assumptions**

We arrived at our opinions based on the following assumptions:

- That all agreements that are to be entered into in terms of the Repurchase will be legally enforceable as against the relevant parties thereto;
- That the Repurchase will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Adcorp; and
- That reliance can be placed on the financial information of Adcorp.

## **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Placing reliance on audit reports in the financial statements of Adcorp;
- Conducting analytical reviews on the historical financial results, such as key ratio and trend analyses; and
- Determining the extent to which representations from management of Adcorp were confirmed by documentary evidence as well as our understanding of Adcorp and the economic environment in which the Company operates.

## **Limiting conditions**

This opinion is provided in connection with and for the purposes of the Repurchase. The opinion does not purport to cater for each individual Shareholder's perspective but rather that of the general body of Shareholders.

Individual Shareholders' decisions regarding the Repurchase may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Repurchase.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with Adcorp management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Adcorp relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Adcorp will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management of the Company.

We have also assumed that the Repurchase will have the legal consequences described in discussions with, and materials furnished to us by, representatives and advisors of Adcorp and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion and we are under no obligation to update, review or re-affirm our opinion based on such developments.

We have been neither a party to the negotiations entered into in relation to the Repurchase nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Repurchase.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Repurchase. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

It is also not within our terms of reference to compare the merits of the Repurchase to any alternative arrangements that were or may have been available to Adcorp. Such comparison and consideration remain the responsibility of the Board and their advisors.

## **Independence**

We confirm that we have no direct or indirect interest in Adcorp Shares or the Repurchase. We also confirm that we have the necessary qualifications, experience and competence to provide the opinion on the Repurchase, which includes understanding the Repurchase, evaluating the consequences of the Repurchase and assessing the effect of the Repurchase on the value of the securities of Adcorp and on the rights and interests of a holder of any securities of Adcorp, or a creditor of Adcorp. We confirm that we are able to express opinions, exercise judgment and make decisions impartially.

We confirm that we (i) do not have any relationship with Adcorp, or any other proponent of the Repurchase, such as would lead a reasonable and informed third party to conclude that the integrity, impartiality or objectivity of us is compromised by that relationship, (ii) have not had such a relationship with Adcorp for the two years prior to the date of this report or (iii) are not related (as that term is defined in the Companies Act) to any person contemplated in items (i) and (ii) of this paragraph.

Furthermore, we confirm, in terms of Regulation 90(6)(h) of the Companies Regulations, that our professional fees of R35 000 (excluding VAT), payable in cash, are not contingent upon the success of the Repurchase.

### **Section 114(3) requirements**

As required in terms of section 114(3) of the Companies Act (read together with section 48 of the Companies Act), this report deals with the following:

**a. state all prescribed information relevant to the value of the securities affected by the proposed arrangement;**

The Repurchase will result in the Company acquiring 10 093 709 of the B Shares, constituting approximately 60% of the B Shares, and equating to approximately 7.96% of Adcorp's total issued ordinary shares for an effective consideration of 1 cents per B Share.

The face value of the national loan significantly exceeds the market value of the shareholding represented by the total number of B Shares in issue, expressed as a percentage of the total issued share capital of Adcorp (where the market value of Adcorp is based on the 90-day VWAP of Adcorp multiplied by the total number of Adcorp Shares in issue) being 13.27% of Adcorp's market capitalisation using the 90-day VWAP. Hence the fair value of the B Shares is zero.

The Repurchase will be implemented at a consideration of 1 cents per B Share, which was the initial subscription price of the B Shares being an aggregate amount of R100 937 ("Repurchase Consideration").

**b. identify every type and class of holders of the Company's securities affected by the proposed arrangement;**

Adcorp Shareholders hold Adcorp Shares and/ or B Shares. The Repurchase will have an effect on the economic interest and voting power of remaining holders of Adcorp Shares and B Shares.

**c. describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);**

Subsequent to the Repurchase, the 2013 BEE Partners' shareholding in Adcorp's total issued ordinary shares will decrease by approximately 7.96%.

The Repurchase will have no material negative effect on the rights and interests of the remaining Adcorp Shareholders.

**d. evaluate any material adverse effects of the proposed arrangement against-**

- (i) the compensation that any of those persons will receive in terms of that arrangement; and

Management stated that the parties to the Repurchase will receive nominal compensation for the Repurchase. We are not aware of any other persons to be entitled to compensation as a result of the Repurchase, apart from the Repurchase costs that are normally incurred in repurchases of this nature, namely advisors' fees, legal fees, secretarial fees, securities transfer tax, brokers' fees, JSE Limited inspection fees, STRATE settlement fees and independent experts' fees. We are not aware of any material adverse effects on Adcorp.

- (ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

The Repurchase has no material impact on value attributable to Adcorp Shareholders or the value per Adcorp Share.

**e. state any material interest of any Director of the Company or Trustee for security holders;**

Material direct and indirect interests of Directors are disclosed above.

**f. state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e);**

The number of direct and indirect Adcorp Shares held by Directors will not change as a result of the Repurchase and therefore their shareholding percentage will increase in proportion to the reduction in ordinary share capital as a result of the Repurchase.

The number of direct and indirect B Shares held by Directors will change as a result of the Repurchase:

- Mr. Cecil Maswanganyi is a director of Adcorp and Simeka. He currently holds 4 205 712 B Shares indirectly via his shareholding in Simeka. His indirect shareholding percentage will decrease to 0% as a result of the Repurchase; and
- Ms. Gloria Serobe is a director of Adcorp and WIP SPV. She currently holds 5 887 997 B Shares indirectly via her shareholding in WIP SPV. Her indirect shareholding percentage will decrease to 0% as a result of the Repurchase.

**g. include a copy of sections 115 and 164**

Copies of sections 115 and 164 of the Companies Act are included as Annexure I to the Independent Expert Report.

**Opinion**

BDO Corporate Finance has considered the terms and conditions of the Repurchase and note that the 2013 B-BBEE Transaction was structured in a manner that the value of the B Shares was dependant on the price of the Adcorp Shares. In order for the value of the B Shares to exceed the notional loan value regular dividend payments were required to be made as well as growth in the Adcorp Share price. Due to the decrease in the Adcorp Share price since the implementation of the 2013 B-BBEE Transaction, the face value of the national loan significantly exceeds the market value of the shareholding represented by the total number of B Shares in issue, expressed as a percentage of the total issued share capital of Adcorp (where the market value of Adcorp is based on the 90-day VWAP of Adcorp multiplied by the total number of Adcorp Shares in issue) being 13.27% of Adcorp's market capitalisation using the 90-day VWAP.

The Repurchase will be implemented at the Repurchase Consideration.

As previously noted, we are not aware of any material adverse effects of the Repurchase on Adcorp. We further note that there is no negative impact on Adcorp's solvency and liquidity as the Repurchase will be implemented at the Repurchase Consideration.

Our opinion is necessarily based upon the information available to us up to the Last Practicable Date, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Repurchase, have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

**Consent**

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular, in the form and context in which it appears.

Yours faithfully



**N Lazanakis CA (SA)**

*Director*

BDO Corporate Finance Proprietary Limited  
Wanderers Office Park  
52 Corlett Drive  
Illovo  
2196

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## SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

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### “115: Required approval for transactions contemplated in Part A

1. Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
  - (a) the disposal, amalgamation or merger, or scheme of arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
2. A proposed transaction contemplated in subsection (1) must be approved:
  - (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company, if any, if:
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
  - (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
  - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
  - (a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- 4A. In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).



- . If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
  - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- 6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- 7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
  - (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- 8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
- 9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

**“164: Dissenting shareholders appraisal rights**

- 1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- 2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,
 that notice must include a statement informing shareholders of their rights under this section.
- 3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
  - (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
  - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b); the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (b) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
  - (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

12. Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
13. If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
15. On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment; may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (iv) must make an order requiring:
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- 15A. At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
  - (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
  - (b) the court may make an order that:
    - (i) is just and equitable, having regard to the financial circumstances of the company; and
    - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
  - (a) the provisions of that section; or
  - (b) the application by the company of the solvency and liquidity test set out in section 4.
20. Except to the extent:
  - (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

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## SALIENT TERMS OF THE SA HOLDCO MOI

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### 1. Voting Threshold

- 1.1. Ordinary resolution: more than 50% (fifty percent)
- 1.2. Special resolution: at least 75% (seventy five percent)

### 2. Board Nominations

- 2.1. Adcorp Holdings: 3 (three)
- 2.2. AEBT 3: 1 (one)
- 2.3. Simeka: 1 (one)
- 2.4. Quest Partners: 1 (one)

### 3. Board Member Voting Power

- 3.1. At each meeting of the Board, each director present and voting thereat shall have as many votes as are equal in number to the number of shares held by the nominating shareholder(s) who nominated such director for election to the board, divided by the number of directors nominated for election to the board by such nominating shareholder(s) in terms of this memorandum of incorporation and in fact elected to the board and in attendance at the meeting. Fractions of votes shall be counted and not be ignored.

### 4. Tag and Drag Provisions

- 4.1. Adcorp as the majority shareholder will have a drag right to the extent that Adcorp disposes of its shareholding.
- 4.2. AEBT 3, Simeka and Quest Partners will have a tag right to the extent that Adcorp disposes of its shareholding

### 5. Pre-emptive rights

- 5.1. Current shareholders will have pre-emptive rights with regards to the issue and disposal of any shares within a specific class.

### 6. Forced Sale Provisions

- 6.1. The consideration payable for the forced sale equity shall be in the case of any trigger event, the fair market value of each share as determined in accordance with provisions of the SA HoldCo MOI and as at the date of occurrence of such trigger event, plus the face value of the shareholder loan claims, comprising the forced sale equity.
- 6.2. To the extent that Simeka or Quest Partners are no longer 100% owned by "black people" (as the term "black people" is defined in the Broad-Based Black Economic Empowerment Act, 2003) it will trigger a forced sale event.
- 6.3. To the extent that AEBT 3 are no longer at least 80% owned by "black people" (as the term "black people" is defined in the Broad-Based Black Economic Empowerment Act, 2003) it will trigger a forced sale event.
- 6.4. In the event that a forced sale is triggered the forced sale will occur at fair market value.



Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

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## NOTICE OF SPECIAL GENERAL MEETING OF ADCORP SHAREHOLDERS

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The definitions and interpretations commencing on page 7 of the Circular to which this Notice of Special General Meeting is attached, apply, *mutatis mutandis*, to this Notice of Special General Meeting and to the Adcorp Resolutions set out below.

**NOTICE IS HEREBY GIVEN** that the Special General Meeting of Adcorp Shareholders will be held on **Monday, 14 December 2020** at **09:00**, which meeting will be held at the registered offices of the Company at Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6, Johannesburg, 2191, for the purpose of considering and, if deemed fit, passing with or without modification, the special and ordinary resolutions set out below in the manner required by the Companies Act and the Listings Requirements.

Having regard to the possibility of there being a legally imposed lockdown in place on or around the scheduled date of the meeting, as a result of the Covid-19 virus pandemic, the Board may reasonably in advance of the Special General Meeting determine, in its discretion, that the Special General Meeting shall be a fully electronic meeting in terms of section 63(2)(a) of the Companies Act. In such a case, Adcorp shall announce on SENS that the Special General Meeting shall be held in such a manner, as well as the measures that have been put in place to allow Shareholders to participate in and vote at such Special General Meeting. Such announcement shall be deemed to be a valid and effective change of the venue of the Special General Meeting. Shareholders are accordingly advised to regularly monitor any announcements on SENS in this regard.

### PURPOSE OF THE SPECIAL GENERAL MEETING

The purpose of the Special General Meeting is for Adcorp Shareholders to consider and, if deemed fit, to approve, with or without modification, the Ordinary Resolutions set out in this Notice of Special General Meeting.

### RECORD DATE

In terms of section 59(1)(a) and (b) of the Companies Act (and to the extent relevant the Listings Requirements), the following are the record dates for the purposes of determining which Shareholders are entitled to:

- receive this Notice of the Special General Meeting (being the date on which an Adcorp Shareholder must be registered in the Register in order to receive this Notice of the Special General Meeting), which date is **Friday, 06 November 2020**; and
- participate in and vote at the Special General Meeting (being the date on which an Adcorp Shareholder must be registered in the Register in order to participate in and vote at the Special General Meeting), which date is **Friday, 04 December 2020**.

Therefore the Last Day to Trade in order to be able to participate in and vote at the Special General Meeting is **Tuesday, 01 December 2020**.

### IDENTIFICATION

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the Special General Meeting, that person must present reasonably satisfactory identification and the person presiding at the Special General Meeting must be reasonably satisfied that the right of the person to participate in and vote at the Special General Meeting, either as an Adcorp Shareholder, or as a proxy for an Adcorp Shareholder, has been reasonably verified.

## Ordinary Resolutions

For Adcorp Shareholders to consider and if deemed fit, approve with or without modification, the following Ordinary Resolutions authorising the Proposed B-BBEE Transaction:

### 1. ORDINARY RESOLUTION NUMBER 1: Proposed B-BBEE Transaction

**“RESOLVED THAT**, the Subscription by the New BEE Partners of the Subscription Shares pursuant to the Proposed B-BBEE Transaction, on the terms and subject to the conditions set out in this Circular to which this Notice of Special General Meeting is attached, as read with the Subscription Agreements, be and is hereby approved.”

#### **Reason for and effect of Ordinary Resolution Number 1**

*In order for Ordinary Resolution Number 1 to be validly passed, a total of more than 50% of all of the voting rights, excluding Simeka SPV and their associates, exercised on Ordinary Resolution Number 1 must be voted in favour.*

*The reason for this Ordinary Resolution is for Shareholders to approve the Proposed B-BBEE Transaction in terms of paragraph 9.7 of the JSE Listings Requirements.*

### 2. ORDINARY RESOLUTION NUMBER 2: Adcorp’s Board authority

**“RESOLVED THAT**, any Director of Adcorp, acting individually or jointly, be and is hereby authorised to sign all documents and notices to be sent by Adcorp in connection with the Proposed B-BBEE Transaction and take any other action which they consider necessary or desirable in connection with the Proposed B-BBEE Transaction, including any action required to give effect to the Adcorp Resolutions.”

#### **Reason for and effect of Ordinary Resolution Number 2**

*In order for Ordinary Resolution Number 2 to be validly passed, a total of more than 50% of the voting rights exercised on Ordinary Resolution Number 2 must be voted in favour.*

## VOTING REQUIREMENTS AND PROXIES

The date on which Shareholders must be recorded as such in the Register maintained by the Transfer Secretary of the Company for purposes of being entitled to receive this Notice of Special General Meeting is **Friday, 06 November 2020**.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the Special General Meeting is **Friday, 04 December 2020**, with the Last Day to Trade being **Tuesday, 01 December 2020**.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the Special General Meeting before being entitled to participate in the Special General Meeting and must accordingly submit a copy of their identity document, passport or driver’s licence to the Transfer Secretary at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za). If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretary for guidance.

On a show of hands, every Shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every Shareholder, present in person or by proxy, shall have one vote for every Share held or represented.

Certified Shareholders and Dematerialised Shareholders with “own name” registration are entitled to appoint a proxy or proxies (for which purpose a Form of Proxy (*blue*) is included) to vote in their stead. The person so appointed need not be a Shareholder.

Forms of proxy (*blue*) must be completed only by Certified Shareholders and Dematerialised Shareholders with “own name” registration.

Shareholders who have dematerialised their Shares, other than those Shareholders who have dematerialised their shares with “own name” registration, must contact their CSDP or Broker to furnish their CSDP or Broker with their voting instructions by the cut-off time and date advised by their CSDP or Broker for instructions of this nature in the manner stipulated in their respective custody agreements.

Adcorp does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such Shareholder of this Circular and/or the Special General Meeting.

Forms of proxy (*blue*) must be lodged with Adcorp's Transfer Secretary, 4AX Registry Proprietary Limited, PostNet Suite 239, Private Bag X30500, Houghton, 2041, or email to [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) (Tel +27 (0)11 100 8352) by no later than **09:00** on **Thursday, 10 December 2020** for administrative purposes only.

The completion of a Form of Proxy (*blue*) does not preclude any Shareholder registered by the Voting Record Date from participating in the Special General Meeting.

A proxy form is attached to this Notice and is also available at the registered office of the Company.

**SIGNED AT JOHANNESBURG ON BEHALF OF THE BOARD OF DIRECTORS OF ADCORP ON 16 NOVEMBER 2020**

By order of the Adcorp Board

A handwritten signature in black ink, appearing to read 'P Roux', is written over a faint circular stamp or watermark.

**Mr P Roux**

*Chief Executive Officer*

**Registered Office**

Adcorp Limited  
Adcorp Place  
102 Western Service Road,  
Gallo Manor Ext 6  
Johannesburg  
South Africa  
2191  
Email: [info@adcorp.co.za](mailto:info@adcorp.co.za)





Connecting Potential

**ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1974/001804/06)

ISIN: ZAE000000139

Share Code: ADR

("Adcorp" or "the Company")

**FORM OF PROXY – FOR USE BY SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE SPECIAL GENERAL MEETING BUT WISH TO BE REPRESENTED THEREAT**

The definitions and interpretations commencing on page 7 of the Circular to which this Form of Proxy (blue) is attached, apply to this Form of Proxy (blue).

**FOR USE ONLY BY:**

- holders of Certificated Shares in the Company; and
- holders of Dematerialised Shares in the Company held through a Central Securities Depository Participant (CSDP) or Broker and who have selected "own name" registration,

at the Special General Meeting of Adcorp Shareholders to be held at **09:00** on **Monday, 14 December 2020** and at any adjournment thereof.

If you are an Adcorp Shareholder referred to above, and are entitled to vote at the Special General Meeting, you can appoint a proxy or proxies to vote and speak in your stead at the Special General Meeting. A proxy need not be a Shareholder of the Company. If you are an Adcorp Shareholder and have Dematerialised Shares through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this Form of Proxy (blue) but provide your CSDP with your voting instructions in terms of your custody agreement entered into with it. Generally, a Shareholder will not be an own name dematerialised Adcorp Shareholder unless the Adcorp Shareholder has specifically requested the CSDP to record the Adcorp Shareholder as the holder of shares in the Adcorp Shareholder's own name in the Company's sub-register.

I/We (Full name in BLOCK LETTERS please)

of (address)

Telephone: ( )

Cell phone number ( )

being a Shareholder of the Company and the registered holder(s) of Adcorp Shares, do hereby appoint:

1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ or failing him/her
3. the chairperson of the Special General Meeting,

as my/our proxy to attend, speak and vote for me/us at the Special General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Adcorp Shares registered in my/our name(s), in accordance with the following instruction (see notes):

RESOLUTIONS	*In favour of	*Against	*Abstain
ORDINARY RESOLUTION NUMBER 1: Proposed B-BBEE Transaction			
ORDINARY RESOLUTION NUMBER 2: Adcorp's Board authority			

\* one vote per Share held by Shareholders, recorded in the Register on the Voting Record Date

**Please indicate your voting instruction by inserting an "X" in the appropriate space provided above. However, if you wish to cast your votes in respect of a lesser number of Shares than you own in the Company, insert the number of Shares which you desire to vote (see note 2). This proxy shall be valid only for the Special General Meeting of Shareholders of the Company to be held on Monday, 14 December 2020 and any adjournment thereof.**

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature(s)

Assisted by (where applicable) (state capacity and full name)

A shareholder entitled to attend and vote at the Special General Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a Shareholder of Adcorp. Each Shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll or otherwise, vote in place of that shareholder at the Special General Meeting.

**Please read the notes on the reverse side hereof.**

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## NOTES TO THE FORM OF PROXY

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1. An Adcorp Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided, with or without deleting '*the chairperson of the Special General Meeting*'. The person whose name appears first on the Form of Proxy (*blue*) and who is participating in the Special General Meeting will be entitled to act as proxy, to the exclusion of those whose names follow.
2. An Adcorp Shareholder's instruction to the proxy must be indicated by inserting in the appropriate box provided the relevant number of Shares to be voted on behalf of that Shareholder. Failure to comply with the above will be deemed to authorise the chairperson of the Special General Meeting, if they are the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as they deem fit, in respect of all the Shares concerned. A Shareholder or their proxy is not obliged to use all the votes exercisable by the Shareholder or their proxy, but the total of the votes cast and in respect of which abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or their proxy.
3. When there are joint registered holders of any Shares, any one of such persons may vote at the meeting in respect of such Shares as if they were solely entitled thereto, but, if more than one of such joint holders are present or represented at any meeting, only that one of the said persons whose name stands first in the register in respect of such shares, or their proxy, as the case may be, will be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stand will be deemed joint holders thereof.
4. Forms of proxy (*blue*) must be completed and lodged at or posted to the Transfer Secretary, 4AX Registry Proprietary Limited, PostNet Suite 239, Private Bag X30500, Houghton, 2041, or email to [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) (Tel +27 (0)11 100 8352) by no later than **09:00 on Thursday, 10 December 2020**, provided that any Form of Proxy (*blue*) not delivered to the Transfer Secretaries by this time may be submitted to the Transfer Secretaries via email at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) at any time before the appointed proxy exercises any Shareholder rights at the Special General Meeting.
5. Any alteration or correction made to this Form of Proxy (*blue*) must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this Form of Proxy (*blue*) in a representative capacity must be attached to this Form of Proxy (*blue*), unless previously recorded by the Company's Transfer Secretary or waived by the chairperson of the Special General Meeting.
7. The completion and lodging of this Form of Proxy (*blue*) will not preclude the relevant Shareholder from participating in the Special General Meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.



**adcorp**  
Connecting Potential