

# MONTAUK HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2010/17811/06)

(Previously HCI International Holdings Limited and Elgabrite Proprietary Limited)

Share code: MNK

ISIN: ZAE000197455

("Montauk")

## ANNOUNCEMENT OF A MANDATORY OFFER

### 1. INTRODUCTION

Montauk hereby advises shareholders that a consortium comprising certain directors and senior managers of Hosken Consolidated Investments Limited ("**HCI**") and/or their associates, which are set out in paragraph 5 below ("**the Consortium**"), has increased its shareholding in Montauk such that its aggregate direct and indirect shareholding has increased to 44.1% (net of treasury shares).

As previously disclosed in the Montauk Pre-listing Statement, dated 19 November 2014, the Southern African Clothing and Textile Workers' Union ("**SACTWU**") and the Consortium, who became shareholders of Montauk Holdings following the unbundling of Montauk by HCI, by virtue of their shareholdings in HCI, have entered into an agreement to regulate the manner in which they will conduct themselves in relation to their Montauk shareholdings. The agreement established a voting pool amongst the parties to the agreement and the parties furthermore granted one another pre-emptive rights in respect of the parties' Montauk ordinary shares ("**Montauk Shares**").

The Consortium has acquired 41,372,115 Montauk Shares from SACTWU at a price of 320 cents per share which has increased its combined shareholding to 44.1%. Consequently, in terms of Section 123 of the Companies Act, No. 71 of 2008, as amended, (the "**Companies Act**") read with the Takeover Regulations promulgated in terms of sections 120 and 223 of the Companies Act (the "**Takeover Regulations**") the Consortium, through its nominated entity, HCI Invest17 Holdco Proprietary Limited (the "**Offeror**"), is obligated to make an offer to all Montauk shareholders to acquire all of the ordinary shares of Montauk, other than those that it already owns (the "**Offer Shares**"), on the terms set out in paragraph 3.1 below (the "**Offer**").

The Offeror has notified the board of directors of Montauk of its obligation to proceed with the proposed acquisition of the Offer Shares. The Offer is an affected transaction as defined in section

117(1)(c) of the Companies Act and, accordingly, will be regulated by the Companies Act, the Takeover Regulations and the Takeover Regulation Panel ("**TRP**").

## **2. RATIONALE FOR THE OFFER**

On 1 December 2014, it was announced that the Consortium had entered into an option agreement ("**Option Agreement**"), comprising a put and call option, with SACTWU in respect of SACTWU's shares in Montauk. SACTWU had previously indicated that it may divest from its investment in Montauk as the investment does not fit its investment mandate of supporting businesses that operate in South Africa and, as such, the option agreement provided SACTWU with the opportunity to exit its 30.6% shareholding in Montauk in an orderly manner which doesn't adversely impact Montauk or its shareholders.

The call option provided that the Montauk Shares held by SACTWU can be acquired by the Consortium for an aggregate consideration of R142 645 000 (plus an amount of R3.44 per additional Montauk Share acquired by SACTWU prior to the exercise of the call option) during the call option period of 180 days commencing on the date of listing of the Montauk Shares on the Main Board of the JSE ("**Listing**")

The put option ("**Put Option**") allowed SACTWU to sell the Montauk Shares to the Consortium at the lesser of the 20 business-day volume weighted average price ("**VWAP**") prior to the date on which the put option is exercised and the aggregate amount of R142 645 000 (plus R3.44 per additional Montauk Share acquired by SACTWU prior to exercise of the put option). The Put Option could be exercised during the Put Option period which commences when the call option period ends and lasts for 20 business days thereafter ("**Put Option Period**").

Following the conclusion of the Option Agreement, there have been dramatic changes to the global energy sector including declines in natural gas prices in the United States. Furthermore, SACTWU indicated to the Consortium that it wished to exercise the Put Option prior to the Put Option Period. Following negotiations with SACTWU the Consortium has agreed to SACTWU's request in terms of an addendum to the Option Agreement ("**Option Agreement Addendum**") on the proviso that the consideration per Montauk Share is agreed at 320 cents.

Following the conclusion of the Option Agreement Addendum, the Consortium has acquired SACTWU's Montauk Shares. As a result, the Consortium's aggregate, direct and indirect, shareholding in Montauk has increased to more than 35%, and the Consortium is therefore required, in terms of the Takeover Regulations, to make a mandatory offer to Montauk

shareholders for the Offer Shares at the highest price paid by the Offeror or concert parties in the past six months.

There is limited liquidity in Montauk shares and the Offer provides Montauk shareholders with an opportunity to realise their investment at a premium to the volume weighted average price of Montauk since the Listing of 293 cents.

### **3. THE OFFER**

#### **3.1. Terms of the Offer**

The Consortium, via the Offeror, shall offer to acquire all of the Offer Shares in exchange for the Offer consideration of 320 cents per Offer Share ("**Offer Consideration**") in cash. Montauk shareholders may elect to accept the Offer in whole or in part.

In the event that the Montauk shareholders holding at least 90% of the Offer Shares accept the Offer within 4 months after the date of the Offer, the Offeror reserves the right to invoke the provisions of Section 124 of the Companies Act to compulsorily acquire all of the Offer Shares in respect of which the Offer was not accepted.

#### **3.2. The Offer period**

The Offer is expected to be open for acceptance on Thursday, 26 March 2015 with the initial closing date being on Friday, 15 May 2015 ("**Closing Date**"). The Consortium reserves the right to change the Closing Date to a later date.

#### **3.3. Payment of the Offer Consideration and cash confirmation**

Nedbank Limited, acting through the Nedbank Corporate division, has furnished the TRP with a cash confirmation that the Offeror has sufficient cash resources and/or facilities to conclude the Offer.

The payment of the Offer Consideration will be made to Montauk shareholders on the basis set out in paragraph 7 below.

### 3.4. No set-off of Offer consideration

Settlement of the Offer Consideration pursuant to the Offer will be implemented in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim, deduction, withholding or other analogous right to which the Consortium may otherwise be, or claim to be, entitled against any shareholder.

### 3.5. Offer not made where unlawful

The Offer shall not constitute an offer to purchase or the solicitation of an offer to sell any Montauk Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the laws of such jurisdiction.

## 4. CONDITIONS PRECEDENT

The Consortium has obtained Competition Commission approval for the acquisition of control of Montauk during 2014 and, accordingly the Offer is not subject to any conditions precedent, other than the receipt of the required approval of the TRP, including the issuance by the TRP of the requisite compliance certificate.

## 5. OFFEROR AND CONCERT PARTIES' SHAREHOLDINGS IN MONTAUK

Subsequent to the acquisition of SACTWU's 41,372,115 Montauk Shares in terms of the Option Agreement Addendum on 2 March 2015, the Consortium owns a direct and indirect beneficial interest of 44.1% in Montauk Shares (net of treasury shares), as indicated below:

	Before <sup>1</sup>	%	After <sup>2</sup>	%
JA Copelyn and his nominated entities	6,705,348	4.96	6,705,348	4.96
A van der Veen and his nominated entities	813,272	0.60	6,366,510	4.71
JR Nicolella and his nominated entities	85,363	0.06	665,433	0.49
MA Jacobson and his nominated entities	65,299	0.05	3,255,689	2.41
Y Shaik and his nominated entities	-	-	580,070	0.43
The Corjo Trust	1,356,577	1.00	1,356,577	1.00
Majorshelf 183 Pty Ltd	1,625,555	1.20	12,731,899	9.41
Rivetprops 47 Pty Ltd	4,900,372	3.62	25,262,375	18.68
Chearsley Investments Pty Ltd	1,197,275	0.89	1,197,275	0.89
Circumference Investments Pty Ltd	1,484,968	1.10	1,484,968	1.10
	18,234,029	13.48	59,606,144	44.07

<sup>1</sup> Before the acquisition of SACTWU's Montauk Shares.

<sup>2</sup> After the acquisition of SACTWU's Montauk Shares.

## 6. RECOMMENDATION AND FAIR AND REASONABLE OPINION

A sub-committee of the Montauk board of directors comprising 3 independent directors of Montauk (the “**Independent Board**”) was formed for the purposes of considering the Offer in accordance with the requirements of the Takeover Regulations. The Independent Board is comprised of the following directors:

- M H Ahmed
- N B Jappie
- B S Raynor

The Independent Board has appointed BDO Corporate Finance Proprietary Limited, an independent advisor acceptable to the TRP, to provide it with external advice in relation to the Offer and to make appropriate recommendations to the Independent Board for the benefit of Montauk shareholders. The substance of the external advice and the views of the Independent Board will be detailed in the joint Offer circular to be sent to Montauk shareholders in relation to the Offer.

## 7. SALIENT DATES AND TIMES

The salient dates and times of the Offer are set out below:

	<b>2015</b>
Posting date for the combined Offeror and offeree circular to Montauk shareholders	Wednesday, 25 March
Opening date of Offer	Thursday, 26 March
Last date to trade in order to participate in the Offer	Friday, 8 May
Record date on which Montauk shareholders must be recorded in the register in order to participate in the Offer	Friday, 15 May
Closing date of the Offer	Friday, 15 May
Results of the Offer released on SENS	Monday, 18 May
Offer Consideration posted to Offer participants (once documents of title have been received)	Offer Consideration settlement dates, being within six business days after acceptance of the Offer until the sixth business day after the closing date of the Offer

**Notes:**

- 1) The above dates and times are subject to amendment by the Offeror. Any such change will be released on SENS and/or published in the press.
- 2) All times indicated above are South African times.

**8. CIRCULAR**

A circular containing full detail of the Offer, and including, *inter alia*, a form of acceptance, surrender and transfer, will be posted to Montauk shareholders on or about Tuesday, 31 March 2015.

**9. RESPONSIBILITY STATEMENT**

The Consortium accepts responsibility for the information contained in this announcement. To the best of their respective knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the import of the information.

Cape Town  
4 March 2015

Investment Bank:  
Investec Bank Limited

Sponsor:  
Investec Bank Limited

Legal Advisers:  
Edward Nathan Sonnenbergs Inc.

Independent Expert:  
BDO Corporate Finance Proprietary Limited