



# REDEFINE'S APPROACH TO TRANSFORMATION



Equitable economic opportunities

Ownership and management

Economic development



Black equity participation, investment in under resourced areas and transacting with black owners

The opportunity barrier

Preferential procurement

Enterprise development



Supporting empowered entities and forging business relationships and support

The business barrier

Skills development



Opportunities for black leaders and employees and education initiatives

The skills barrier

Employment equity/job creation

CSI



Empower and uplift disadvantaged communities

The poverty barrier

## **The transaction is structured to embrace the true spirit of broad-based black economic empowerment**

- Developed in accordance with the DTI's Codes of Good Practice and the Property Sector Charter Codes
- BBBEE is a national, business and socio-economic imperative for South Africa
- Creates a sustainable, robust and credible truly broad-based transaction
- Reinforces Redefine's commitment to sustainable and long-term economic and social development
- Is focused on improving education and training at all levels

## **This empowerment transaction achieves**

- Nominal dilution and cost to shareholders while strengthening Redefine's BBBEE credentials
- Long-term mutual value creation for all stakeholders
- A holistic part of our transformation strategy which is part of Redefine's DNA
- A significant stride towards meeting Redefine's BBBEE objectives

- The Trust will operate independently and shall be managed by external independent Trustees
- There will be a maximum of 5 and a minimum of 2 Trustees (50% must be Black Persons)
- The sole objective is to contribute to the empowerment and upliftment of the beneficiaries
- The Trust objectives will be achieved either by
  - the Trust making distributions to BEE Entities carrying on the Public Benefit Activities for the benefit of the beneficiaries; or
  - the Trust directly performing any of the Public Benefit Activities for the benefit of the beneficiaries
- The Public Benefit Activities to be performed by the Trust include:
  - education and training at all levels
  - the provision of scholarships and bursaries for studying and research
  - career guidance and counselling
  - equipment for educational institutions
  - education enrichment and support
  - community development
  - youth leadership development programmes
  - poverty alleviation activities

## Size

- 300 million Redefine shares to be issued to the Trust
- Redefine shares in issues will increase by up to 7.68%

## Funding

- To be funded by a Redefine Loan
- Interest on the Redefine Loan will be payable by way of set-off against the distributions received on the subscriptions shares
- Estimated that the loan will be repaid over a period of 9 years by selling shares as certain thresholds are reached

## Duration

- The Trust is constituted as a capital preserving trust – will not be entitled to dispose of the shares not used to redeem the Redefine Loan
- The Trust will therefore continue in perpetuity

- All the beneficiaries must be black persons
- At least 50% of the annual distributions made by the Trust must be made to black persons that are female
- The beneficiaries will be classified in the following categories
  - Class A beneficiaries: includes school children and pre-school children
  - Class B beneficiaries: includes students at tertiary institutions
  - Class C beneficiaries: includes black entrepreneurs and community upliftment
  - Class D beneficiaries: includes entities whose only purpose is to alleviate poverty amongst black persons
- The Trust income will be allocated in the following proportion to the respective classes of beneficiaries

## Class A

**20% of trust income**

Provision of education by a school including scholarships, bursaries, awards and loans for study

## Class B

**30% of trust income**

Provision of higher education by a higher education institution including scholarships, bursaries, awards and loans for study

## Class C

**30% of trust income**

Community development for poor and needy persons, anti-poverty initiatives in addition to the provision of youth leadership or development programmes

## Class D

**20% of trust income**

Care or counselling of, or the provision of education programmes relating to, abandoned, orphaned or homeless children  
  
Provision of poverty relief

## **Bridgitte Mathews**

A Chartered Accountant and businesswoman who offers consulting, financial management and tax services to leading clients through her company Ca Vie Investments (Pty) Ltd

She also focuses on QMS implementation and acts as a facilitator, providing training across various industries

Bridgitte has gained extensive experience in key positions at various top companies, including Independent Newspapers, Volkswagen SA, Vodacom and Standard Bank



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## **Matshidiso (Tshidi) Madima**

As an investment analyst and deal-maker Tshidi has gained valuable experience in investment management, strategic investments, and deal originating and structuring, as well as human resources, transformation and stakeholder relations

She has a Masters Degree in Accounting and Financial Economics, qualifications in Corporate Governance and vast experience in unlocking value for shareholders

Tshidi is CEO of SACB Fund Manager



- Redefine to issue up to 300 million shares to the Redefine Empowerment Trust
- Issue price will be at a 5% discount to the clean 30 day volume weighted average traded price per Redefine share on the subscription date
- Subscription price will be financed by way of an interest bearing loan from Redefine (“Trust Loan”)
- Loan to be secured by a pledge of the subscription shares (“Loan shares”)
- Interest will be charged at the lower of 16% or the dividend that accrues to the Loan shares
- Provided that the Redefine share price has achieved certain thresholds (and unless Redefine agrees to extend the period of the Trust loan) the Trust loan will be repaid in nine annual tranches out of the proceeds of the sale of Loan shares
- Repayment of the loan:
  - Target price 1 (RDF share price = Issue price + R1) : 15% of original Trust Loan capital
  - Target price 2 (Target price 1 + 6%) : 15% of original Trust Loan capital
  - Target price 3 to 9 (previous target price plus 6%) : 10% of original Trust Loan capital
- At each threshold an equivalent % of the Loan shares will be released from encumbrance by Redefine
- The Trust will only dispose of that number of shares required to meet the capital repayment requirement
- The Trust will not be entitled to dispose of the shares not used to redeem the Trust Loan
- Distributions received on the unencumbered shares (“Trust shares”) will be used to fund the Trust’s activities
- The Trust will apply to SARS to be approved as a PBO
- Other than the Trust Loan the Trust will not require any material funding



# ILLUSTRATIVE FINANCIAL EFFECTS \*



Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Issue price (cents)	1 100										
Loan shares (m)	300	300	255	210	180	150	120	90	60	30	-
Capital outstanding (Rm)	3 300	3 300	2 805	2 310	1 980	1 650	1 320	990	660	330	-
Target price (cents)		1 200	1 272	1 348	1 429	1 515	1 606	1 702	1 804	1 913	
Capital repayment (%)		15	15	10	10	10	10	10	10	10	
Loan shares released (m)		45	45	30	30	30	30	30	30	30	
Cumulative trust shares (m)		4	11	17	25	34	44	55	68	82	
Dilution in DPS (cents)			0.03	0.19	0.45	0.80	1.27	1.86	2.57	3.43	4.44
% Dilution			0.03	0.20	0.43	0.73	1.09	1.49	1.94	2.43	2.96
Dilution in NAV p/s (cents)			0.31	1.13	1.33	1.94	2.58	3.24	3.95	4.69	5.47
% Dilution			0.02	0.08	0.09	0.12	0.15	0.18	0.21	0.23	0.25

- Estimated that the Trust will have 82 million free hold shares once the loan is repaid
- Estimated that the shares will represent R1.6bn worth of equity that could generate sustainable income of R115m per annum
- The illustrative financial effects have been based on the following high level assumptions:
  - An issue price of R11.00 per share
  - Forward yield on Redefine shares of 7%
  - Redefine Share price premium to NAV of 15%
  - Cost of Redefine debt of 8%

- The notice of clarification from the DTI (Notice 396 of 2015) which sought to limit points scored for black ownership held through broad-based ownership schemes to only 3 points has been withdrawn by the revised notice of clarification (Notice 444 of 2015)

- Quote by Minister Davies extracted from Business Day dated 20 May 2015:

*Though Mr Davies stressed that the Department of Trade and Industry continued to regard collective schemes and broad empowerment as important, he said the department had dealt with a number of “dodgy” share ownership schemes that had not provided workers with real access to benefits. “This was the reason for placing a cap on the points that could be earned,” explained Mr Davies. “On reflection we have maybe taken a rather large sledgehammer to hit a fly. We might be sending out the signal that these schemes are not encouraged when, in fact, the opposite is the case. It was never our intention to recycle a bunch of individuals and let them benefit from every deal,” he said. A task team has been established to look into the mischief and how to deal with it in a “smarter way”.*

- Legal view is that any possible changes which could come from the proposed ministerial technical task team will need to be legislated and will not be applied retrospectively
- Compliance with the codes of good practice, the capacity of the proposed Redefine Empowerment Trust to deliver on its objectives and its construct reinforces its establishment

Redefine shareholders' approval required for the issue of up to 300 million shares to the Trust as well as authority for Redefine to advance the loan to the Trust

Timetable for the general meeting as follows:

- Last day to trade in order to be eligible to vote at the general meeting Friday, 22 May
- Record date in order to be eligible to vote at the general meeting Friday, 29 May
- Last day to lodge forms of proxy in respect of the general meeting Wednesday, 3 June
- General meeting Friday, 5 June
- Results of the general meeting released on SENS Friday, 5 June
- Subscription Shares issued to the Trust Monday, 15 June



[www.redefine.co.za](http://www.redefine.co.za)

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