

## **BSi Steel Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE share code: BSS ISIN: ZAE000125134

("BSI" or "the Company")

## **ANNOUNCEMENT REGARDING THE DISPOSAL OF PROSTEEL INVESTISSEMENTS LIMITED ("PROSTEEL")**

### **1. INTRODUCTION**

Shareholders are advised that on 7 February 2017, BSI through its wholly owned subsidiary BSi Steel Africa Limited ("**Seller**"), concluded the commercial terms of an agreement with The Willberlies Trust ("**Purchaser**"), in terms of which the Seller will dispose of its 100% interest in the issued share capital of Prosteel ("**Disposal**"), subject to certain conditions precedent. The Disposal excludes the sale of any loan accounts which the Seller has, or may have from time to time in the Prosteel group.

### **2. THE DISPOSAL**

#### **2.1 Nature of Prosteel's business**

Prosteel is the 100% holding company of Pro Steel Sarl ("**Prosteel DRC**") whose business is the stocking and distribution of steel in the Democratic Republic of Congo ("**DRC**") and is Prosteel's only investment.

#### **2.2 Rationale for the Disposal**

BSI has experienced difficulty in reconciling the informal and erratic business norms in the DRC with the framework and practices BSI subscribes to as a listed organisation. The Seller believes it can make good returns by selling the DRC business to the Purchaser, a franchisee in the steel industry, without the complexity and risks attached to ownership. The Seller will continue to use its well-structured distribution framework and marketing expertise to support the Purchaser and retain market share after the Disposal has been effected.

#### **2.3 Consideration for the Disposal**

The purchase consideration shall be payable in cash by the Purchaser to the Seller and shall be the greater of:

2.3.1. the sum of US\$500 000 payable as follows:

2.3.1.1. US\$150 000 on or before the last day of April 2018;

2.3.1.2. US\$150 000 on or before the last day of April 2019; and

2.3.1.3. US\$200 000 on or before the last day of April 2020,

or

2.3.2. 8 times the Profit/Earning ratio calculated on the average net profit after taxation of both Prosteel and Prosteel DRC for the 24 month period preceding March 2020.

The Purchaser shall effect payment to the Seller of such amount by which US\$500 000 is so exceeded up to US\$2 000 000 (being the "**Maximum Consideration**"), over a period of 12 months in equal monthly instalments

(interest free) commencing on 1 April 2020 and all further payments on the first day of each and every month thereafter.

The purchase consideration shall under no circumstances exceed the Maximum Consideration.

The proceeds of the Disposal will be used to reduce the BSI group's borrowings and will also be applied to fund the BSI group's working capital requirements.

The Company's board of directors is of the view that it is unlikely that the purchase consideration will exceed US\$500 000 but the commercial terms provide for the Maximum Consideration to ensure that the BSI group benefits from any unexpected profitability of Prosteel and Prosteel DRC.

## **2.4 Conditions precedent and effective date**

The Disposal is subject to the fulfilment or waiver, as the case may be of the following conditions precedent:

- 2.4.1 the conclusion and execution of definitive transaction agreements including *inter alia*, a share purchase agreement, a consultancy agreement, a loan agreement and a franchise agreement;
- 2.4.2 the board of directors of the Seller approving and ratifying the conclusion of all the agreements and transactions regarding the Disposal;
- 2.4.3 the trustees of the Purchaser approving and ratifying the conclusion of all the agreements and transactions regarding the Disposal;
- 2.4.4 the obtaining of any competition commission, reserve bank and/or other legal and/or statutory approvals insofar as is required, and if conditionally obtained, upon such conditions either being fulfilled or waived; and
- 2.4.5 the obtaining of any management company approval or consent to the extent required.

The effective date of the Disposal shall be the day following the date of fulfilment or waiver, as the case may be, of the conditions precedent detailed above.

## **3. THE NET LIABILITIES AND LOSSES ATTRIBUTABLE TO THE PROSTEEL GROUP**

The value of the net liabilities that are the subject of the Disposal as at 30 September 2016, being BSI's most recent interim period, was R1 458 917. The loss after tax attributable to the net liabilities that are the subject of the Disposal for the six months ended 30 September 2016 was R5 169 247.

## **4. CATEGORISATION OF THE DISPOSAL**

The Disposal is a Category 2 transaction in terms of the JSE Limited's Listings Requirements.

Johannesburg  
7 February 2017

**Designated Adviser and Corporate Advisor**  
Sasfin Capital (a division of Sasfin Bank Limited)