

# tiso blackstar group.

## TISO BLACKSTAR GROUP SE

(Incorporated in England and Wales)

(Registration number SE000110)

(Registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)

JSE share code: TBG ISIN: GB00BF37LF46

("Tiso Blackstar" or "the Company"))

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## DISPOSAL OF CERTAIN MEDIA, BROADCAST & CONTENT BUSINESSES AND CAUTIONARY ANNOUNCEMENT

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### 1 INTRODUCTION

- 1.1 Tiso Blackstar is pleased to announce that on 27 June 2019 it signed an agreement for the disposal of its South African media, broadcasting and content businesses (excluding Gallo and its South African radio assets) ("**SA Assets**") to Lebashe Investment Group (Pty) Ltd ("**Lebashe**") for a purchase consideration of ZAR 800,000,000 ("**SA Sale**"), subject to certain adjustments. The Company has also reached agreement on the terms upon which it will dispose of its media, broadcasting and content businesses in Ghana, Nigeria and Kenya and its South African radio assets ("**Africa and Radio Sales**") to Lebashe for an additional consideration of ZAR 250,000,000. Tiso Blackstar is in the process of finalising the formal agreements recording the Africa and Radio Sales, which are expected to be signed shortly. The SA Sale and the Africa and Radio Sales are collectively referred to hereafter as the "**Transaction**". The total purchase consideration in respect the Transaction will be ZAR 1,050,000,000, subject to certain adjustments.
- 1.2 The SA Assets comprise –
- 1.2.1 the media segment, which owns and operates various premier national, regional and community newspapers, magazines and digital publications in consumer, business and specialist fields; and
- 1.2.2 the broadcasting and content segment, which comprise certain business divisions which operate in the creation of media content and the sale of content for broadcasting thereof through the means of television and film.
- 1.3 The Transaction will require an internal restructuring ("**Restructuring**") of the group of companies of which Tiso Blackstar is the ultimate holding company ("**Tiso Blackstar Group**"), in order to constitute Tiso Blackstar Group's existing interests in its broadcasting, content and media businesses in South Africa, Ghana, Nigeria and Kenya in separate legal entities which are capable of being disposed of to Lebashe.
- 1.4 The purchase consideration in terms of the SA Sale ("**SA Sale Purchase Consideration**") will be adjusted for, debt, cash and normalised working capital, and for any movement in tangible net asset value.
- 1.5 It is anticipated that the Africa and Radio Sales will be implemented as follows –
- 1.5.1 a sale ("**Africa Sale**") by Tiso Blackstar Holdings SE ("**TBH UK**") of 100% of its shares in and claims against Africa Investment Holdings Ltd to Lebashe, which, in turn, enables Lebashe to acquire TBH UK's interests in each of Tiso Blackstar Group's African radio assets in Nigeria, Ghana and Kenya, comprising 24.5% of the shares in Coopers

Communications Ltd, 32.2% of the shares in Multimedia Group Limited and 49% of the shares Radio Africa Limited for a purchase consideration of ZAR 200,000,000; and

- 1.5.2 a sale ("**SA Radio Sale**") by BHG of 100% of its shares in and claims against each the Tiso Blackstar Group's South African radio assets, being Rise Broadcast (Pty) Ltd and Vuma 103 FM (Pty) Ltd, to Lebashe for an aggregate purchase consideration of ZAR 50,000,000.

## 2 RATIONALE FOR TRANSACTION

- 2.1 The board of directors of the Company ("**Board**") is of the view that the Transaction is in line with Tiso Blackstar's strategy and believes the sale will unlock significant value for its shareholders while also ensuring that the media business has a strong and committed shareholder in Lebashe to take it forward.
- 2.2 Tiso Blackstar has helped to stabilize and grow the media, broadcasting and content assets since the acquisition of an initial stake in the then Times Media Group in 2012 and the subsequent outright purchase in 2015. It has successfully integrated BDFM following the acquisition of the 50% of the business it did not own, cleared out a significant number of underperforming and non-core businesses, significantly grown its audience, especially in digital, and worked hard to ensure it has the right talent in place to take the titles and the business forward. Tiso Blackstar has put the films and television businesses on a strong footing to grow in their market segments and established strong positions in the Ghanaian and Kenyan broadcasting markets. The Company has worked hard to ensure the media business has modernized from its legacy structures into an agile and forward looking company with a sustainable future.
- 2.3 The Transaction will allow Tiso Blackstar to focus on its remaining businesses and investments, specifically the Hirt & Carter ("**H&C**") operation which has grown significantly in recent years and operates in a unique market segment. It will retain the Gallo Music Group business and develop it further as the music industry continues to evolve. The Company remains committed to ensuring it unlocks value in its Kagiso Tiso Holdings (Pty) Ltd stake in the short to medium term.
- 2.4 Lebashe will ensure continuity of the business with the retention of key management and has confidence that the current business strategy is sound and viable. Lebashe believes there will be further opportunities to grow the assets through both acquisition and by growing market share. The business offers a diverse reach unmatched in the South African and broader African market spanning print, digital, TV, radio and films. It holds leading market positions in the sectors in which it operates and is home to SA's most iconic news brands such as Sunday Times, Sowetan and Business Day.

## 3 TERMS OF THE SA SALE AND EFFECTIVE DATE

- 3.1 Tiso Blackstar expects the SA Sale to become commercially effective by 30 November 2019, depending on the timing of the fulfilment or waiver of the relevant conditions precedent referred to in paragraph 5.
- 3.2 The SA Sale Agreement provides for representations, warranties, indemnities and liability limitations that are normal for a transaction of this nature.

## 4 PURCHASE CONSIDERATION AND APPLICATION

- 4.1 On the closing date of the SA Sale, Lebashe shall pay 95% of the SA Sale Purchase Consideration to Blackstar Holdings Group (Pty) Ltd ("**BHG**") in cash. The balance will be paid once the tangible net asset value adjustment (if any) has been finalised.
- 4.2 The majority of the SA Sale Purchase Consideration will be utilised to reduce the Tiso Blackstar Group debt to appropriate levels which will allow further growth of H&C as the core operation.

## 5 CONDITIONS PRECEDENT TO THE SA SALE

- 5.1 The SA Sale is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent –
- 5.1.1 the board of directors of Lebashe and Tiso Blackstar Group (Pty) Ltd ("**TBG SA**") having passed the necessary resolutions as may be required to approve and implement the SA Sale;
  - 5.1.2 the shareholders of the Company having approved the Transaction in accordance with the JSE Listings Requirements;
  - 5.1.3 Lebashe having furnished BHG will a letter of comfort confirming that Lebashe has sufficient funds available to pay R1,050,000,000 towards the purchase consideration payable under the Transaction;
  - 5.1.4 certain key management, including Andrew Bonamour, having concluded a consultancy agreement with TBG SA in terms of which they will provide consulting services to the TBG SA group of companies ("**TBG SA Group**") and such agreements become unconditional;
  - 5.1.5 the counterparties to certain material contracts to which the TBG SA Group are party having consented in writing to the change in control of the relevant TBG SA Group companies;
  - 5.1.6 the counterparties to the existing third party debt facilities and any other third party lenders to BHG or the Tiso Blackstar Group having consented in writing to the release of –
    - 5.1.6.1 the shares and claims being disposed of as part of the SA Sale and all other assets of the Tiso Blackstar Group from any encumbrances in favour of such counterparties and third party lenders;
    - 5.1.6.2 BHG and the Tiso Blackstar Group from all liabilities, obligations, guarantees, suretyships, indemnities and undertakings (including letters of comfort and the like) furnished by BHG or the Tiso Blackstar Group in favour of such counterparties and third party lenders in respect of the obligations of entities within the TBG SA Group;
    - 5.1.6.3 entities within the TBG SA Group (amongst others) from all liabilities, obligations, guarantees, suretyships, indemnities and undertakings (including letters of comfort and the like) furnished by entities within the TBG SA Group (amongst others) in favour of such counterparties and third party lenders in respect of the obligations of the Tiso Blackstar Group; and
    - 5.1.6.4 those entities within the Tiso Blackstar Group that have given guarantees and other security in respect of the obligations of Hirt and Carter (South Africa) (Pty) Ltd;
  - 5.1.7 the Restructuring having been implemented;
  - 5.1.8 the Africa and Radio Sales having been entered into;
  - 5.1.9 the SA Sale having been unconditionally approved by the South African competition authorities and such approval no longer being capable of appeal or review within the statutory timelines, or being subject to appeal or review; and
  - 5.1.10 BHG and Lebashe having jointly appointed independent auditors to perform certain agreed upon procedures in relation to the calculation of the adjustments to the SA Sale Purchase Consideration.

## 6 FINANCIAL INFORMATION RELATING TO THE SA SALE

The financial effects of the SA Sale will be published in due course.

## 7 CATEGORISATION OF THE SA SALE

In terms of the JSE Listings Requirements, the SA Sale constitutes a Category 1 transaction and therefore Tiso Blackstar shareholder approval is required. A circular convening a general meeting of the shareholders of Tiso Blackstar and providing further information on the Transaction will be sent to the shareholders of Tiso Blackstar in due course, in accordance with section 9.20(b) of the JSE Listings Requirements.

## 8 CAUTIONARY

Given that the financial information relating to the SA Sale has not been published in this announcement and that the formal agreements in respect of the Africa and Radio Sales have not yet been executed, shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement is made regarding the financial information in respect of the SA Sale and information on the Africa and Radio Sales.

## 9 IMPACT ON TISO BLACKSTAR FORFEITABLE SHARE PLAN

As a result of the Transaction, the Tiso Blackstar Remuneration Committee ("**Remcom**") intend to cancel the existing long term incentive scheme ("**Forfeitable Share Plan**") as the majority of participants are employed by the businesses being disposed of in the Transaction, thereby making it inefficient to continue a complex long term incentive scheme. Furthermore, the Tiso Blackstar Group will have been restructured and changed considerably post implementation of the Transaction. The proposed manner in which the Forfeitable Share Plan is cancelled and the Company's commitments in respect of Forfeitable Share Plan awards made to date will be determined by Remcom and communicated within the circular to shareholders of Tiso Blackstar in respect of the Transaction. Remcom will also consider alternative options to incentivise the remaining employees who participated in the Forfeitable Share Plan including reassessing the short term incentive rules currently in place.

London  
27 June 2019

Corporate Advisor and Sponsor  
to Tiso Blackstar

PSG Capital



South African Legal Advisor to  
Tiso Blackstar

Cliffe Dekker Hofmeyr



Legal Advisor to Lebashe

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Delta Partners

DELTA PARTNERS