

## **Finbond Group Limited**

(Registration number: 2001/015761/06)

Share code: FGL ISIN: ZAE000138095

("Finbond" or "the Company" or "the Group")

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### **ACQUISITION OF 75% of BLAKE ENTERPRISES LLC**

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#### **1. Introduction**

Finbond shareholders are advised that as part of the Company's strategy to transform Finbond into a focussed multinational alternative financial services business diversified across geographies, market segments and products with the majority of revenue in US\$, Finbond entered into an agreement to acquire 75% of Blake Enterprises LLC ("Blake Enterprises Transaction") in the United States of America with effect 1 July 2017 ("Effective Date").

Blake Enterprises, with a strong market position in 5 states in the United States of America, has been in operation for 51 years and offers short-term unsecured loans and instalment loans through its 52 brick-and-mortar locations in Tennessee, Alabama, Louisiana, Oklahoma and Mississippi.

Following the Blake Enterprises Transaction, approximately 60% to 70% of Finbond's net earnings will be denominated in US\$ and the intention is to grow US\$ earnings to approximately 80% - 90% of net earnings in 3 to 5 years.

#### **2. Rationale for the Blake Enterprises Transaction**

The Blake Enterprises Transaction expands Finbond's North American branch network to 223.

Following this transaction Finbond will have a presence in 16 US states namely California, Illinois, Wisconsin, Missouri, South Carolina, Tennessee, New Mexico, Utah, Nevada, Louisiana, Mississippi, Alabama, Oklahoma, Michigan, Florida and Indiana. In addition to the US States Finbond also has a presence in Ontario, Canada.

Following this strategic acquisition Finbond's North American Short Term Lending Division will be advancing approximately US\$260 million (R3.7 billion) per annum.

The rationale for Finbond's continued expansion in the United States of America ("US") includes:

- Earnings enhancing growth.
- Geographical expansion.
- Growth in Finbond's core "short-term lending" competency.
- Diversification of country and political risk.
- Effective ZAR hedge.
- Economies of scale.
- Teaming up with US owner-managers with 20 - 30 years' experience operating a short-term unsecured lending business in the United States of America

### **3. The Blake Enterprises Transaction**

#### **3.1. Nature of business**

Blake Enterprises is a US based short-term and instalment lender that specialises in the design and delivery of unique value and solution based short-term unsecured consumer instalment loans tailored around borrower requirements rather than institutionalised lending policies.

Blake Enterprises conducts its business through 52 brick and mortar locations in Tennessee, Louisiana, Mississippi, Alabama and Oklahoma. The company has been active in the Alternative Financial Services Industry in the United States since 1966.

The company was founded by Mr Robert E. Blake and was later joined by his son Mr Dwight Blake who is currently Chief Executive Officer of Blake Enterprises (the "vendors"). The Blake family will still own 25% of Blake Enterprises post acquisition.

Blake Enterprises' key strengths *inter alia* include:

- experienced owners and senior management with extensive long term experience in the US Alternative Financial Services Market;
- strong market position in the South with various state licences;
- loyal repeat customer base;
- focussed cash generative short-term instalment loan products;
- efficient collection capabilities; and
- proven ability to steer through regulatory changes.

#### **3.2. Salient features**

The salient features of the Blake Enterprises Transaction are as follows:

- The purchase consideration payable by Finbond to the vendor is US\$9.6 million (R129.6 million) for 75% of the shares in Blake Enterprises LLC.
- The vendors provided a profit warranty to achieve Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US\$3.2 million (R43.2 million) for the year ending 30 June 2018.
- 50% of the purchase consideration set out above will be payable in cash on the Effective Date of the transaction and the remaining 50% will be payable after twelve months from the effective date.
- The final payment will be based on a warranted EBITDA of \$ 3.2 million. For every \$1 that the EBITDA is over/under the warranted profit, the final payment will be adjusted by \$4 up or down capped at a maximum upside of 16.67% or \$1.6 million (R21.6 million).
- The value of the normalised assets of Blake Enterprises at 31 December 2016 was US\$5.9 million (R79.7 million)
- The net profits after tax attributable to the assets of Blake Enterprises for the year ended 31 December 2016 were US\$2.4 million (R32.4 million), translating to a normalized EBITDA of \$ 3.2 million (R43.2 million).

#### **4. Categorisation of the Blake Enterprises Transaction**

The Blake Enterprises Transaction is categorised as a Category 2 transactions in terms of the JSE Limited Listings Requirements. The constitutional documents of Blake Enterprises have been reviewed and does not conflict with Finbond's obligations in terms of compliance with the JSE Listing Requirements.

5 July 2017

Sponsor and Corporate Adviser:  
Grindrod Bank Limited