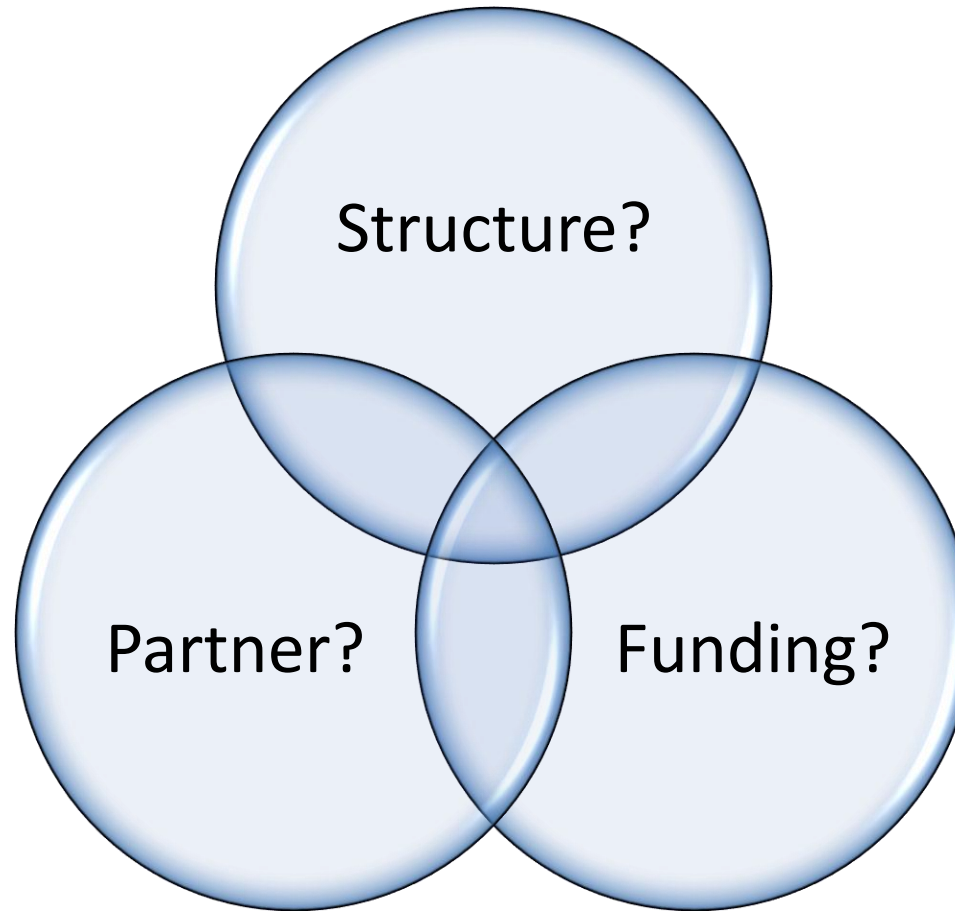


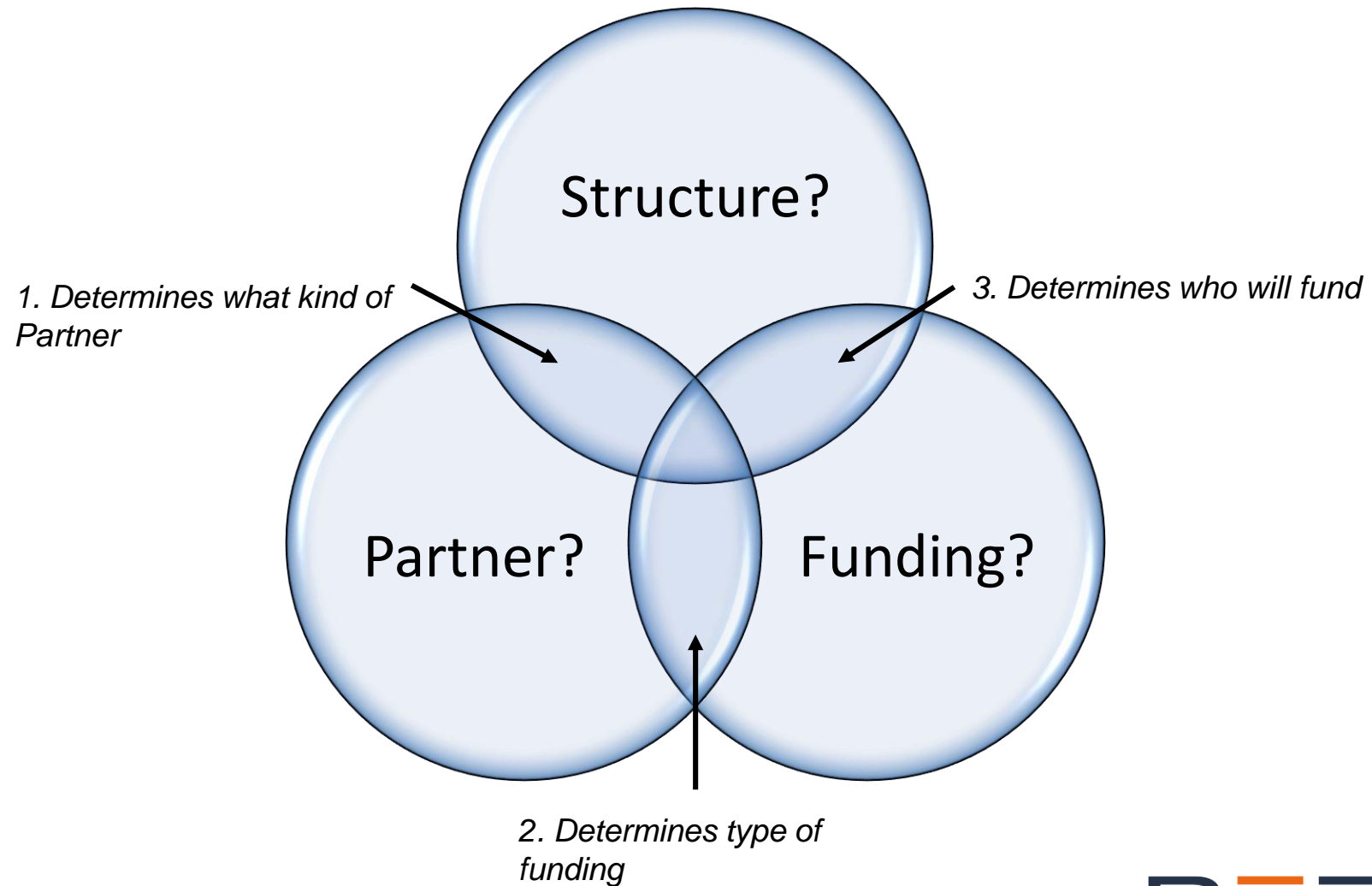


B-BBEE Equity Ownership Process and Communication

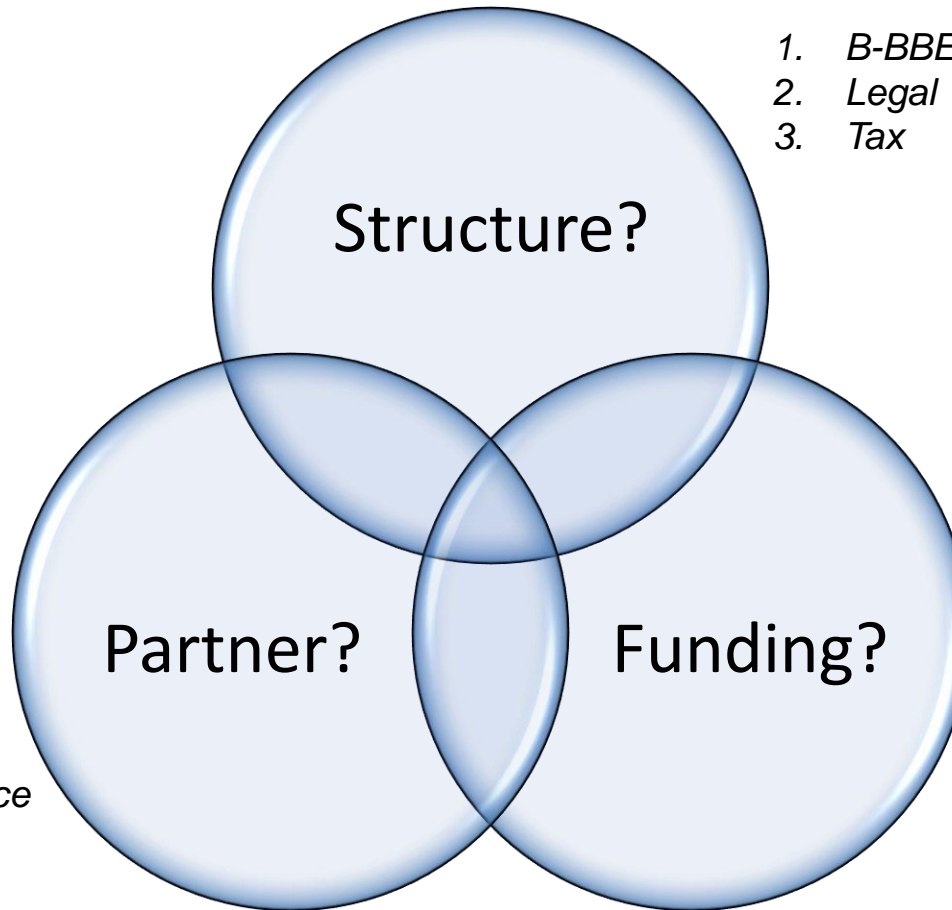
Ownership Questions?



Ownership Questions?



Ownership Questions?



1. *B-BBEE/ Corporate Finance*
2. *Legal*
3. *Tax*

1. *B-BBEE/Corporate Finance*

1. *B-BBEE/Corporate Finance*
2. *Accountant/Auditor*
3. *Tax*

Equity Ownership Process

- Market Analysis
 - Competitor Analysis
 - Customer Forecast
 - Commercial Case

Equity Ownership Process

- Market Analysis
 - Competitor Analysis
 - Customer Forecast
 - Commercial Case
- Transaction Options and Structuring
 - Structure
 - Investor
 - Funding

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 - Approval Path
 - Lobbying
 - Presentations

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- Investor Sourcing*
 - Database
 - Research
 - Advertising

Equity Ownership Process

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 - Database
 - Research
 - Advertising
- Transaction Implementation
 - Project Management (Control Document)
 - B-BBEE (Project Manager)
 - Legal
 - Tax
 - Accounting

Equity Ownership Process

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 - Stakeholder Engagement

Equity Ownership Process

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 - Tax
 - Accounting
 - Stakeholder Engagement
 - Public Relations

B-BBEE Ownership Transaction Options

Offshore Equivalent Value

Equity Equivalent Investment Programme (EEIP)

Sales of Asset, Equity Instrument or Business

Options and Share Warrants

Sale/Subscription of Shares

Share Swap with 100% Black Owned Strategic Partner

Joint Venture Partnerships

Local Equity Transaction

Competitor Analysis

	Huawei	HPE	C	D	E
BEE Transaction Detail	Local Transaction	Local Transaction	EEIP	EEIP	EEIP
51% BO Status	No	No	No	No	No
30% BWO Status	Yes	Yes	No	No	No
BEE Level	3	1	3	2	1
Customer Benefit	0.87 point	1.07 points	0.13 point	0.15 point	0.16 point

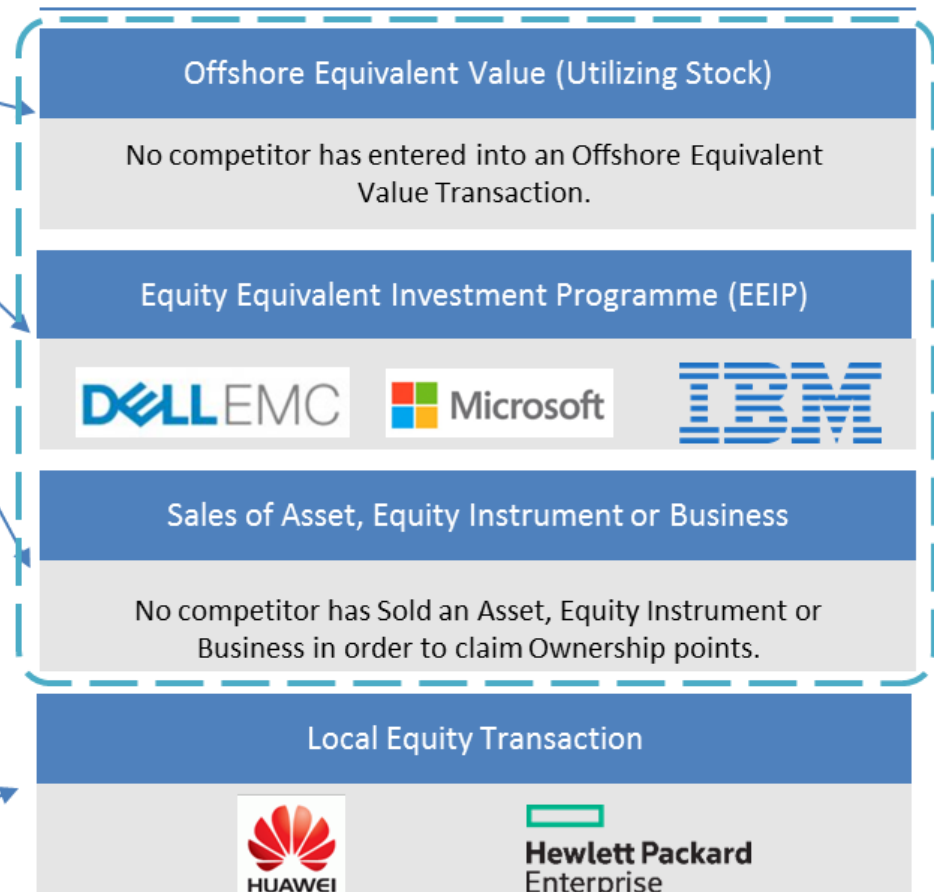
Major threats in SA

Competitor Analysis

7 initial options analysed...



...3 options shortlisted for deep-dive



Customer Forecast

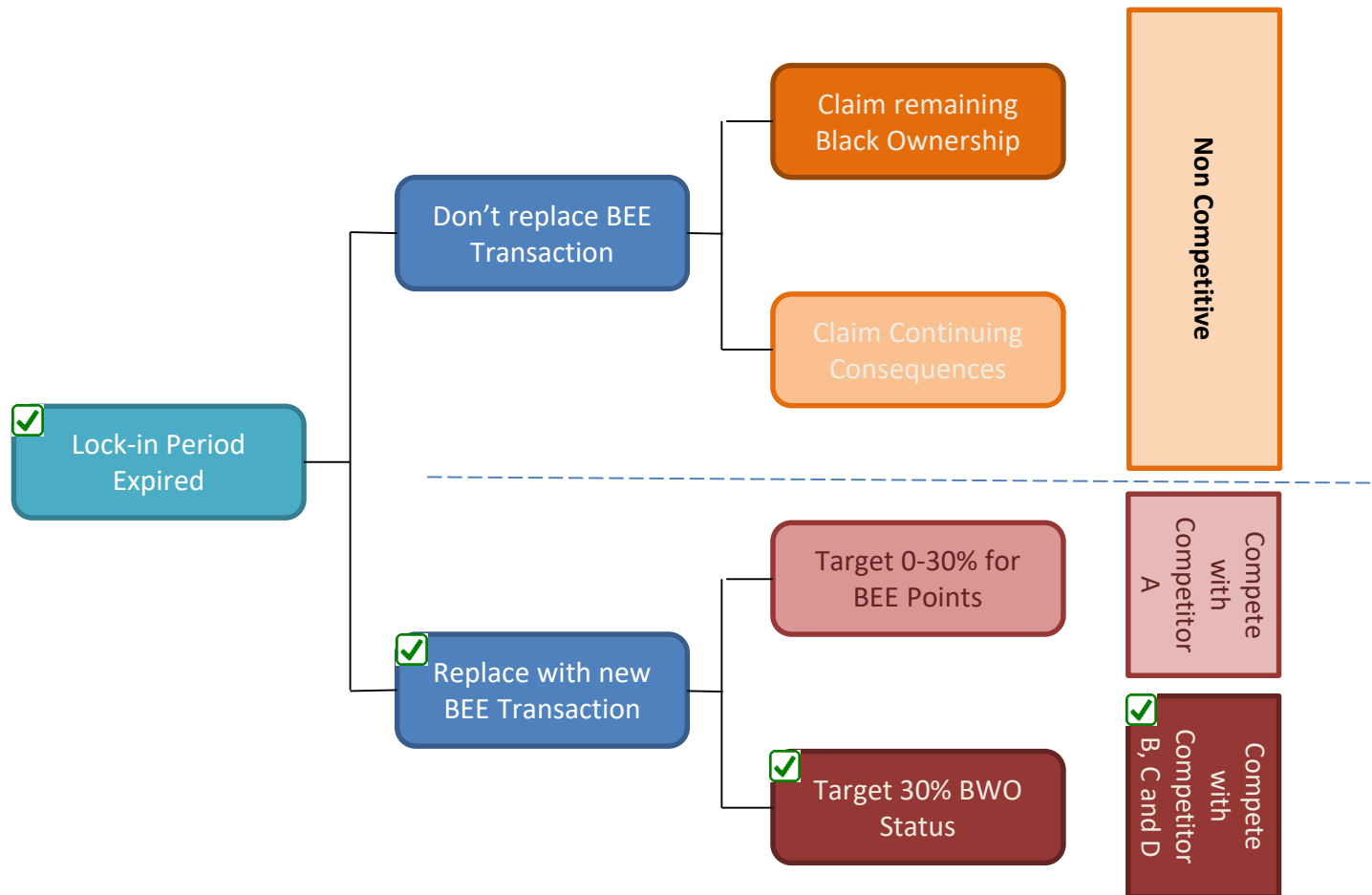
Customer	Prioritising Black Owned Suppliers	Prioritising Black Women Owned Suppliers	BEE Level (Past and Forecast)				
			2016	2017	2018	2019	2020
VODACOM	Yes	Yes	2	2	4	2	2
MTN	Yes	Yes	3	2	4	2	2
ESKOM	No	Yes	4	2	8	6	5
TELKOM	No	Yes	3	3	6	3	2
TRANSNET	Yes	Yes	2	6	4	3	2
FNB	Yes	Yes	2	2	2	2	2
STANDARD BANK	No	Yes	2	2	2	2	2
ABSA	No	Yes	3	3	2	2	2
LIQUID TELECOM	No	Yes	4	4	4	2	2

Cost Benefit Analysis

	Huawei	HPE	C	D	E	Member				Recommended
BEE Transaction Detail	Local Transaction	Local Transaction	EEIP	EEIP	EEIP	No Transaction	Claiming Continued Consequences and target Level 1	Equity Equivalent Investment Programme	BEE Transaction (30% Black People but no Status)	BEE Transaction (30% BWO Status)
51% BO Status	No	No	No	No	No	No	No	No	No	No
30% BWO Status	Yes	Yes	No	No	No	No	No	No	No	Yes
BEE Level	3	1	3	2	1	8	1	5	5	5
Customer Benefit	0.87 point	1.07 points	0.13 point	0.15 point	0.16 point	0.01 point	0.16 point	0.1 point	0.1 point	0.63 point
Major threats in SA			Cost of BEE Transaction			US\$0M	US\$0M	US\$3.5M	US\$3.5M	US\$3.5M
			Margin Off-set			0%	0%	1.2%	1.2%	1.2%
			Funding Mechanism			-	-	OPEX	EQUITY	EQUITY
			Implementation Period			-	-	>14 month	>3 months	>3 months
			Recognition Period			-	-	5 Years	Indefinitely*	10 Years +
			30% BWO Status Claimable			-	-	No	No	Yes
			Partner			-	-	Program	Buyer	Trust

*conditional on continued recognition in the BEE Codes

BEE Ownership - Decision Tree



Investor and Funding



Foundation Trust

Good to involve a broad-based ownership structure as it benefits more people.

ESOP

Good to include employees but not if excluding male employees

Entrepreneur

Possibility to create sweat equity contribution but hard to secure performance.



Notional Finance

Sell stock at a nominal value and attach a Sweat Equity equation



Debt Finance*

Provide a loan to the Investors which they then use to purchase Stock

**verify with Stock Exchange*

Grant/Donation*

Provide a grant to the investors which they will then use to purchase Stock

**verify with Stock Exchange*

Preference Share?
Dividend payment risk

Funding Source Options

- **Personal Finance**

- The Black Investor has their own funds.
- Confirmation must be secured as to whether the funds are borrowed for Net Value claims.

- **Commercial Finance**

- Finance can be secured from a commercial lender.
- The cost of Commercial Finance will negatively impact the Net Value claims.

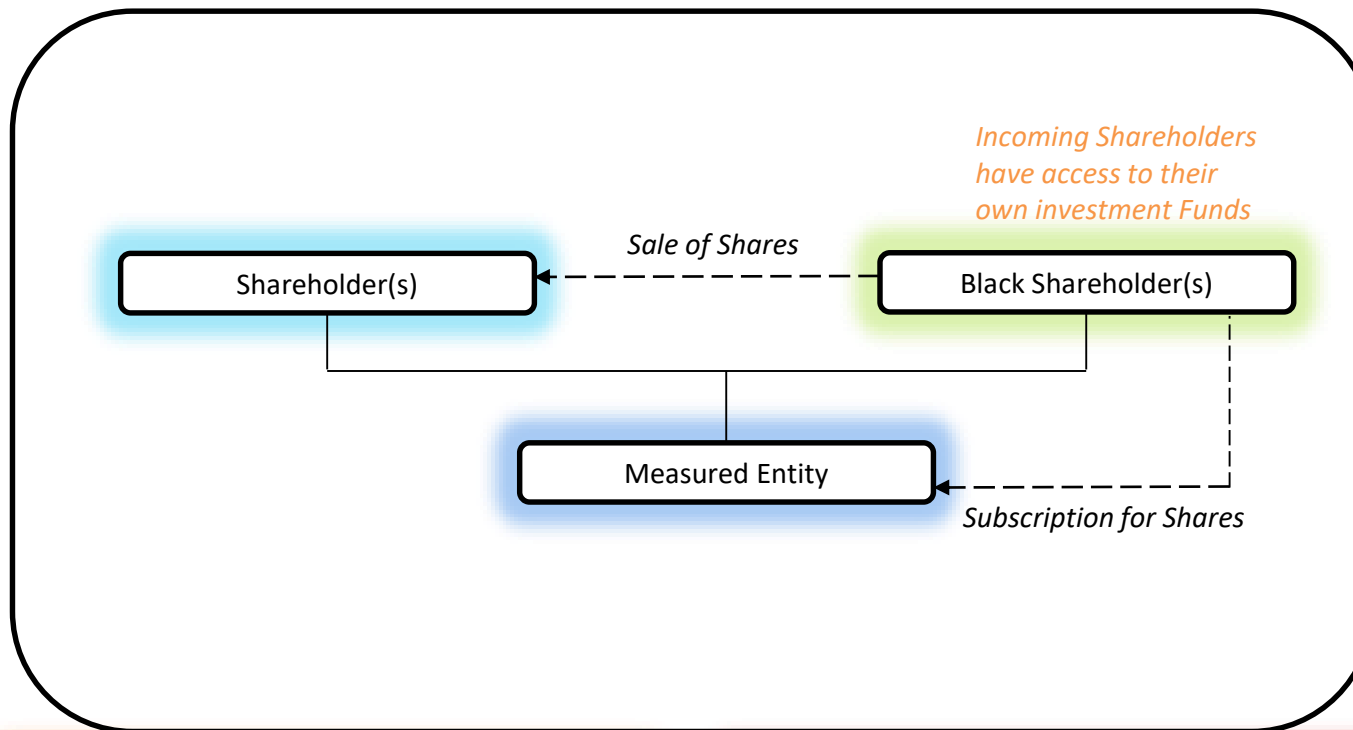
- **Shareholder Finance**

- The existing Shareholder finances the Black Investor.
- Allows for structured finance to enable Net Value claims.

- **Vendor Finance**

- The company (Vendor of shares) finances the transaction.
- Allows for structured finance to enable Net Value claims.

Funding Sources: Personal Finance



Transaction Descriptive

1. Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
2. There are no loans required to facilitate the transaction.

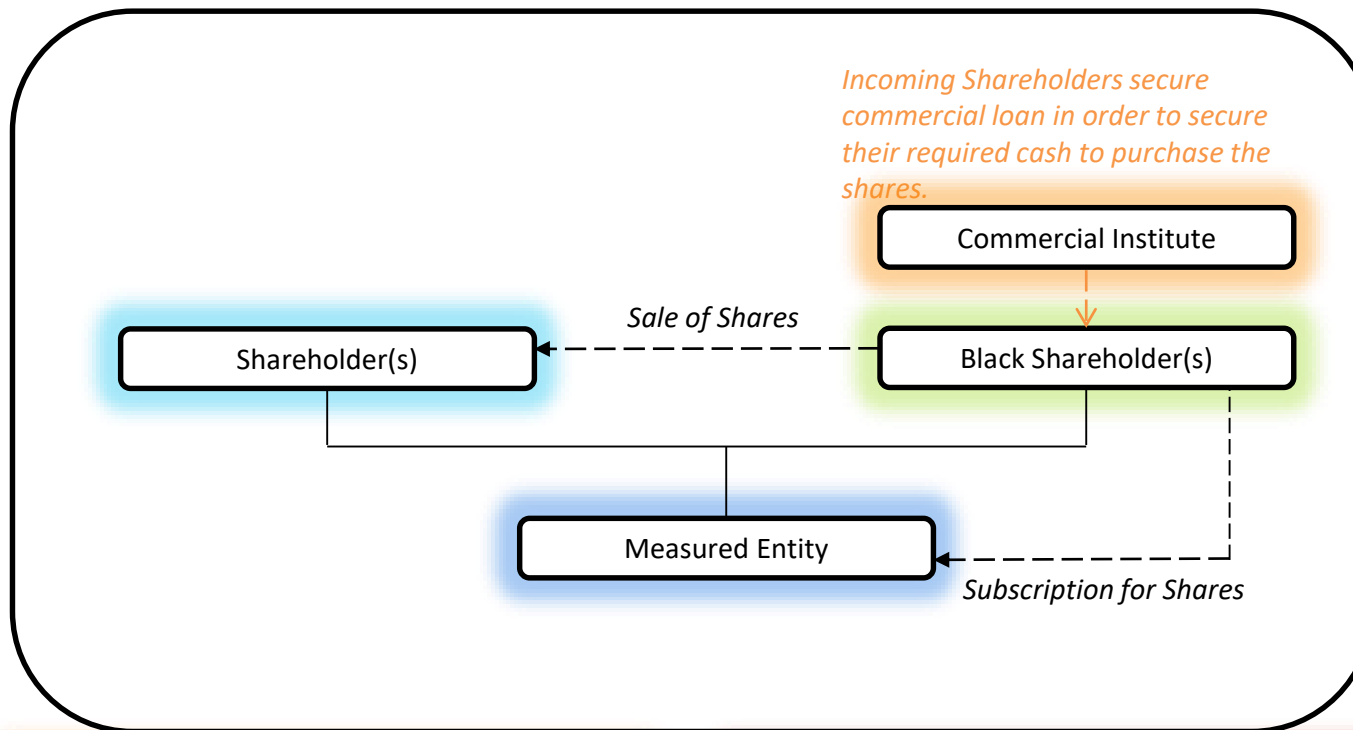
Seller Pro's

1. Full Net Value points.

Seller Con's

1. Buying back the shares will require full market value.

Funding Sources: Commercial Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from a commercial institute in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.

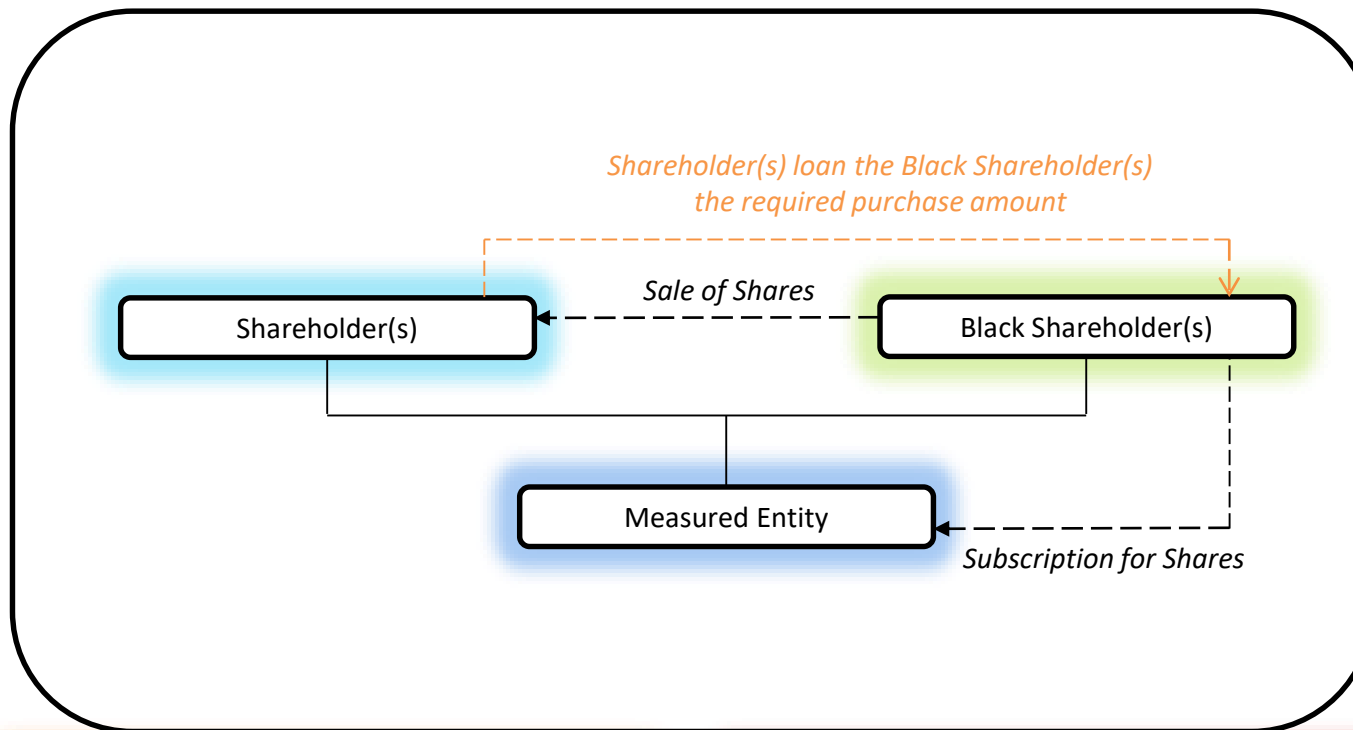
Seller Pro's

1. Capital injection

Seller Con's

1. Interest from Commercial lenders reduces chances of securing Net Value points.

Funding Sources: Shareholder Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from the original Shareholder(s) in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
3. Share Capital ends up with the original Shareholder(s).

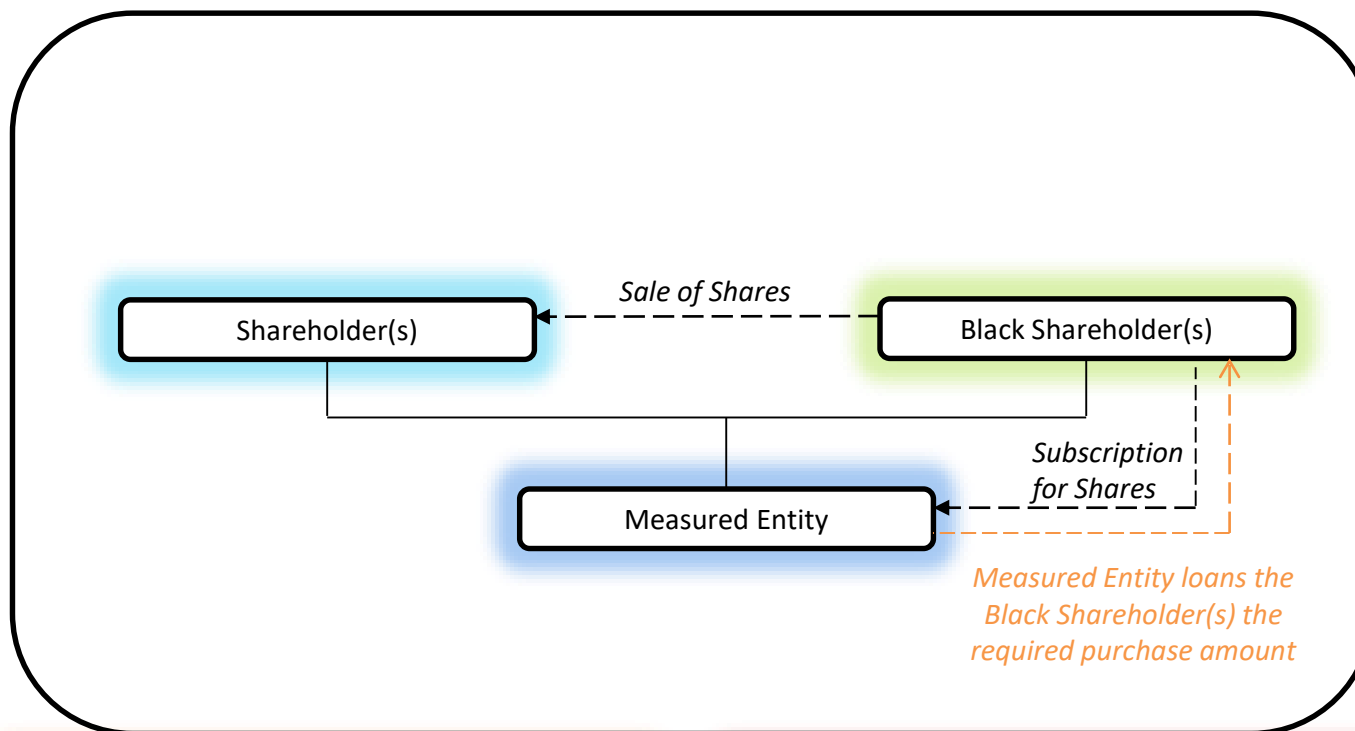
Seller Pro's

1. Can control Net Value.
2. Less required for buy-back of shares.

Seller Con's

1. No real cash injection from third party source.
2. Effectively giving shares away over time.

Funding Sources: Vendor Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from Measured Entity in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
3. Share Capital ends up in the Measured Entity.

Seller Pro's

1. Can control Net Value.
2. Less required for buy-back of shares.

Seller Con's

1. No real cash injection from third party source.
2. Effectively giving shares away over time.

Funding Mechanisms

- **Grant Finance**

- Not common
- Usually only when a Foundation Trust is the Black Investor.

- **Debt Finance**

- The required finance is provided via a loan.
- The loan is usually repaid using Dividends.

- **Notional Finance**

- The shares are sold at a nominal amount (e.g. R1)
- The discounted price is conditional on the parties agreeing to a sweat equity accrual equation.
- Applying the equation at any point in time results in
 - the number of shares which the Black Investor has accrued and can keep or sell at market value; and
 - the number of shares which have not accrued and can be bought back at the nominal amount.

Notional Formula

$$N = (NO / FM) \times A$$

- N – The number of shares which have accrued to the Black Shareholder(s) and can be retained or sold at market rate.
- NO – The Notional Outstandings at the date of the Buy Back.
- FM – Fair Value of the Shares
- A – The Number of shares held by the Black Shareholders