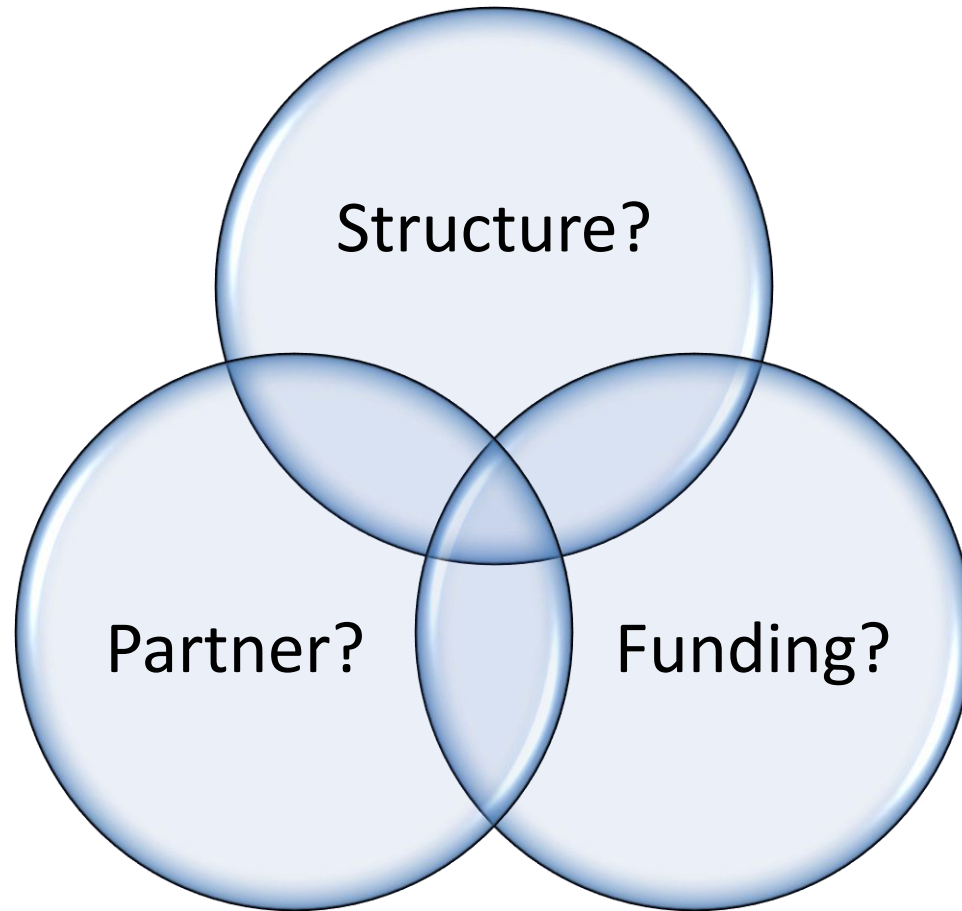


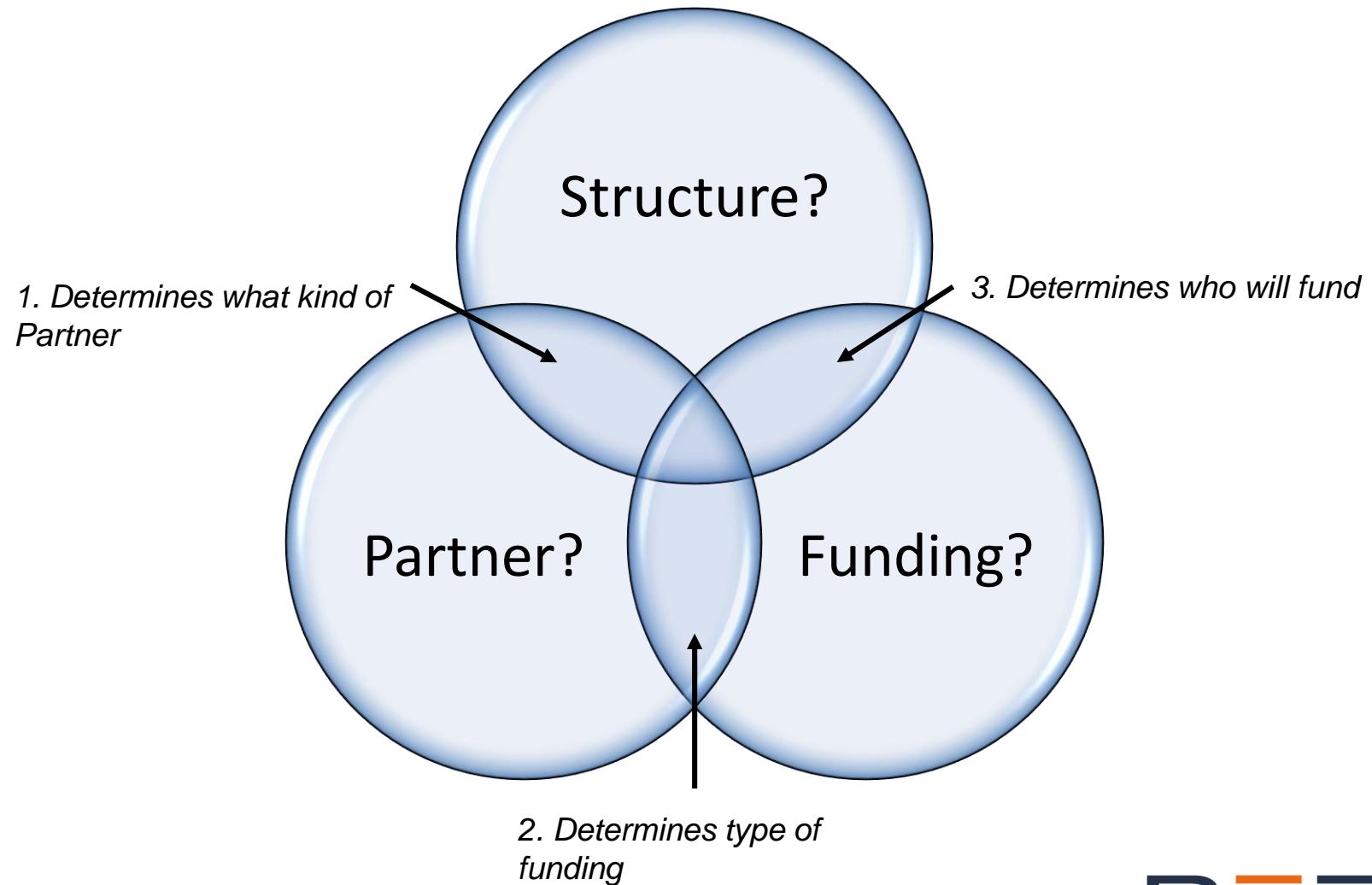


# **B-BBEE Equity Ownership Process and Communication**

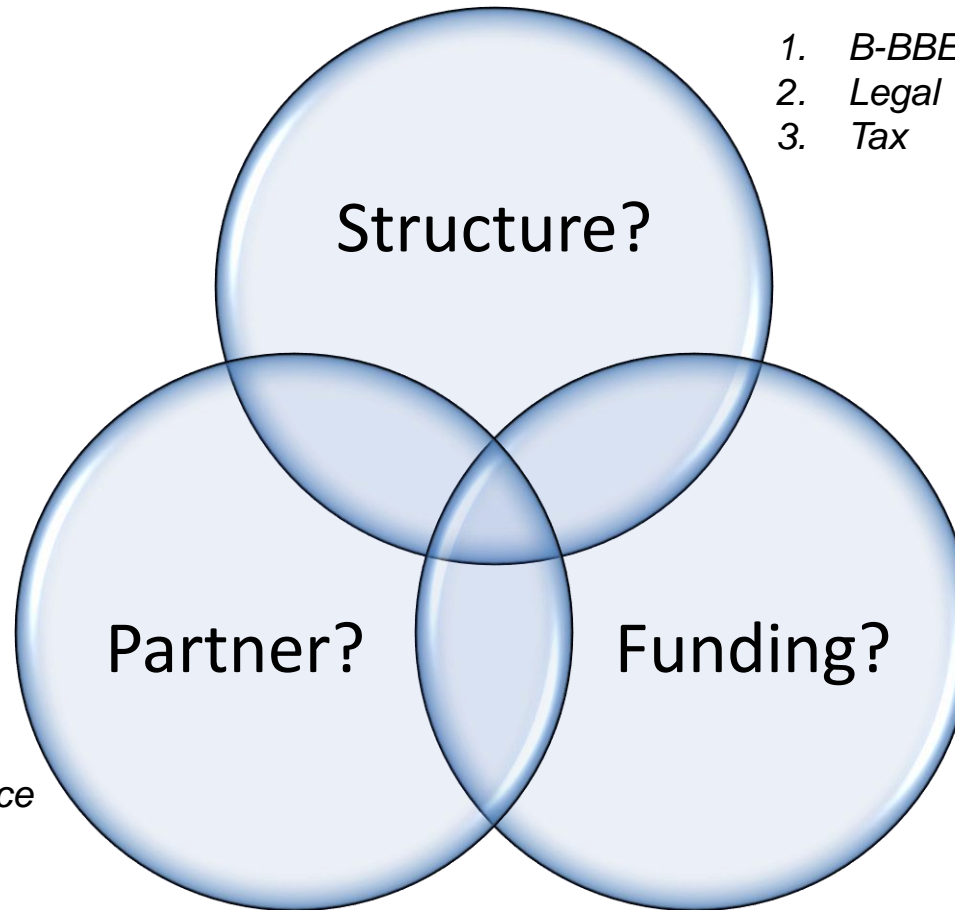
# Ownership Questions?



# 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

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  - Structure
  - Investor
  - Funding

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- Approval to Proceed
  - Approval Path
  - Lobbying
  - Presentations

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  - Database
  - Research
  - Advertising

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

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  - Stakeholder Engagement

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    - Legal
    - 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           |
|-------------------------------|--------------------------|--------------------------|-------------|-------------|-------------|
| <b>BEE Transaction Detail</b> | <b>Local Transaction</b> | <b>Local Transaction</b> | <b>EEIP</b> | <b>EEIP</b> | <b>EEIP</b> |
| <b>51% BO Status</b>          | No                       | No                       | No          | No          | No          |
| <b>30% BWO Status</b>         | Yes                      | Yes                      | No          | No          | No          |
| <b>BEE Level</b>              | 3                        | 1                        | 3           | 2           | 1           |
| <b>Customer Benefit</b>       | 0.87 point               | 1.07 points              | 0.13 point  | 0.15 point  | 0.16 point  |

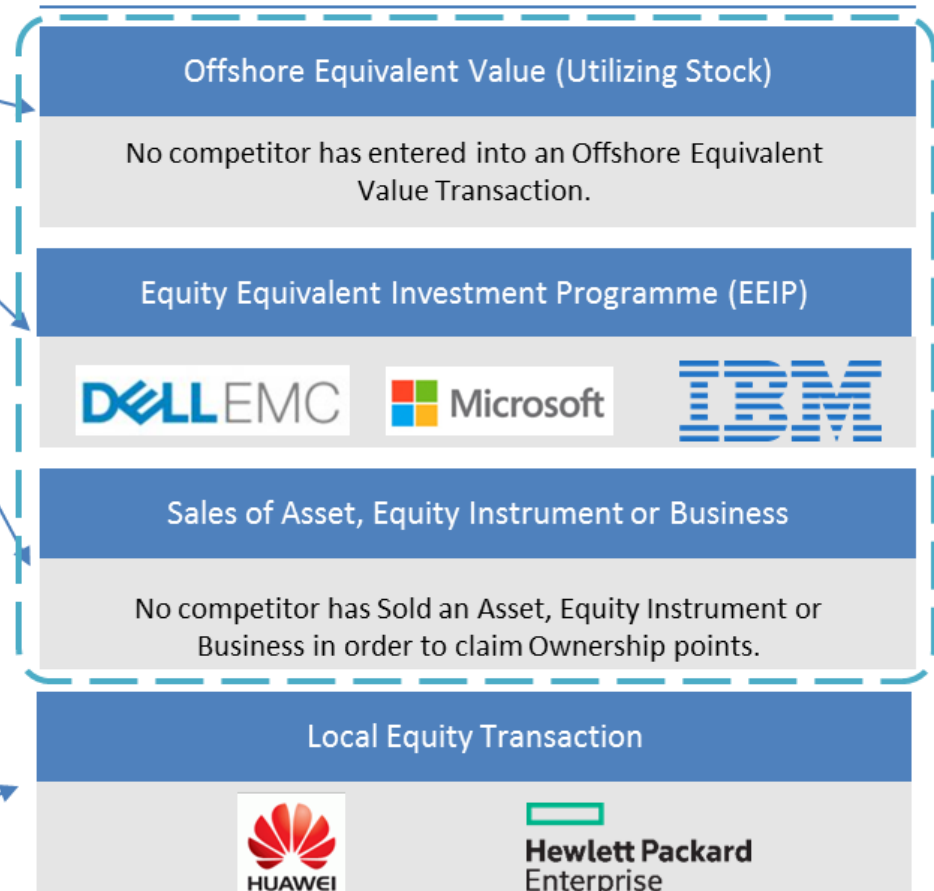
Major threats in SA

# Competitor Analysis

## 7 initial options analysed...



## ...3 options shortlisted for deep-dive



# Customer Forecast

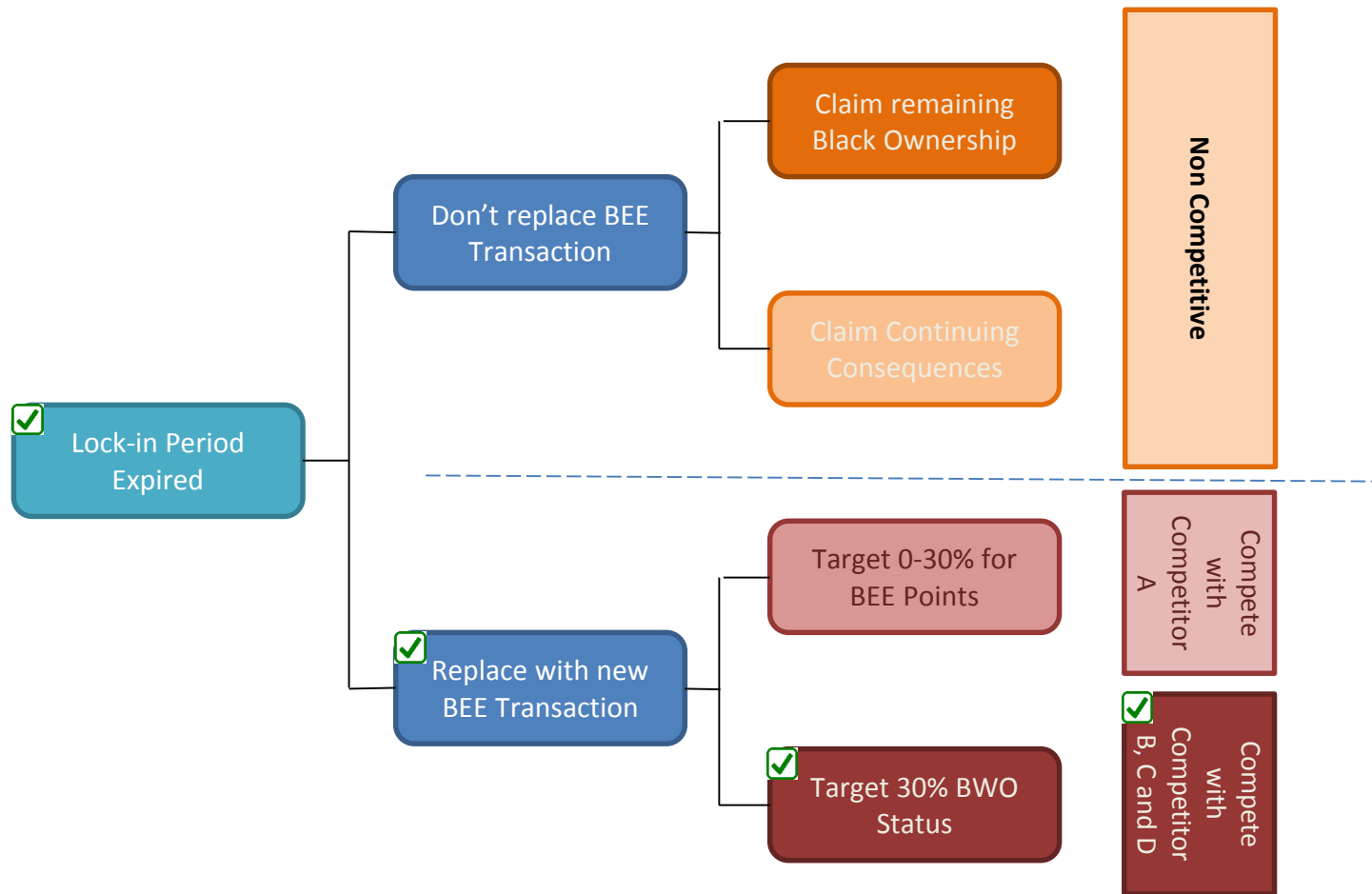
| Customer       | Prioritising<br>Black Owned<br>Suppliers | Prioritising<br>Black Women<br>Owned<br>Suppliers | BEE Level<br>(Past and Forecast) |      |      |      |      |
|----------------|--|---|----------------------------------|------|------|------|------|
|                |  |   | 2016                             | 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