RMH INVESTOR CALL - SCRIPT

BRIAN SPEAKS:

Thank you for attending the RMH investor call.

A few housekeeping arrangements. Participants' microphones and cameras have been turned off.

When we get to the Q&A section please raise your hands, the participants microphone will be switch on and the participant can then proceed with the question.

The last call we had was at the beginning of December last year. The main topic on that call, and I suspect it will be the main topic on today's call, was the repayment of the APH Loan. I can imagine that the silence over the last 7 months must have been quite deafening, we undertook to update the market in any significant changes in the status of the loan repayment. I would like to assure shareholders that we, as RMH management, have done everything we think possible to amicably resolve the issue of whether Atterbury is entitled to repay the loan by issuing shares to RMH; or whether the loan must be repaid in cash. A lot transpired in the two weeks prior to yesterday's loan repayment date, and I will give you a full update after Ellen has presented the results.

On the agenda today we will discuss the following:

- Ellen will present the provisional reviewed results of RMH for the year ended 31 March 2023, I will present this section.
- I will an update on the APH guarantee.
- We will then cover Q&A.

BRIAN HANDS OVER TO ELLEN

Financial results:

The slide on the screen presents the evolution of RMH since its listing in 1992.

From 1977 to 2011 RMH was focussed on building financial services businesses. This resulted in the establishment of FirstRand, Discovery, OUTsurance and Momentum Metropolitan.

In 2011 RMH started its unbundling process by unbundling its insurance interest in separately listed RMI, now OUTsurance.

From 2011 to 2016 RMH had one investment, its 34% interest in FirstRand. From 2016 to 2019, along with its interest in FirstRand, RMH invested in property businesses.

RMH unbundled its interest in FirstRand in 2020 and concurrently announced that it would be monetising its interest in RMH Property in an orderly manner over time and returning maximum value to its shareholders. Any change in this strategy would be done in consultation with its shareholders.

It is important to recognise that RMH had a distinctive change in its shareholder base at this juncture – a change which resulted inter alia in the confirmation of an expedited monetisation strategy and a change in the design of management incentives.

It is also noteworthy to consider the shareholder returns which emanated from RMH's strategy of being a long-term shareholder in various financial services businesses:

An RMH shareholder who subscribed for 100 shares at listing in 1992 for the value of a R155, would, in addition to the 100 RMH shares, own the following at the closing price of 7 July 2023:

- 131 FirstRand shares with a total value of R 8 950 (Eight Thousand Nine Hundred and Fifty)
- 11 Discovery shares with a value of R1 600 (Thousand Six Hundred)
- 26 Momentum Metropolitan shares with a value of R 470 (Four Hundred and Seventy) and
- 100 OUTsurance Group Limited shares with a value of R3 480 (Three Thousand Four Hundred and Eighty).

Giving a total value of R14 550, translating into an internal rate of return of 16% per annum This excludes all ordinary and special cash dividends paid which probably adds another 70-80% to the returns [average 2% for 30 years].

Over the last 3 years, from a post-FirstRand unbundling share price of R1,15, RMH shareholders have received R2,21 in dividends and the share price currently around 50 cents per share.

In line with this strategy the decrease of 64% in net asset value is as result of the Atterbury Europe disposal supported by 97% of shareholder and the board's decision to increase the special dividend paid in October 2022 by R250 million.

Although profitability of the remaining assets decreased by R26 million, RMH benefitted from the higher interest rate environment.

Even with the ongoing litigation and additional legal costs, operating expenses decreased by R8 million. Core costs remained within the R25 million benchmark communicated.

RMH Property's carrying value had a net increase not necessarily driven by the operating performance by the underlying investees. Atterbury had a slight increase in its net asset value mostly driven by a normalised increase in the underlying value of investment properties, but the biggest contributor was the Ascencia-linked preference shares declared as dividend in specie.

The net increase in the carrying value of Integer was driven by further drawdowns on the disproportionate shareholders' loan, interest accruing on this loan off-set by the recognition of a expected credit loss on the proportionate shareholders' loan and the equity interest.

The carrying value of Divercity saw a further decline due to the large exposure to the JHB inner city.

RMH Property remains Atterbury focussed. Atterbury is currently busy with development of Barlow Park in Sandton and the Takealot distribution centre at King Air as well as the lifestyle centre at Castle Gate. 70% of the net asset value of Atterbury is made up of five investments. Atterbury's investment in Castle Gate, Mall of Africa, Newtown, The Grove Mall in Namibia and The Club development in Pretoria.

The following two slides are for information purposes and extracted from the financial results announcement.

I will now hand over to Brian.

ELLEN HANDS OVER TO BRIAN

RMH RESULTS CALL – APH LOAN SECTION

Morning Everyone.

Since November last year, RMH and APH have explored a number of possible solutions to ensure the timeous repayment of the R487 million loan extended by RMB to APH in July 2016.

As announced in the results that were released on the 30th of June 2023, RMH had reached an in-principal agreement with APH to enter into an arbitration process. The only matter which was outstanding in the arbitration agreement was the description of the dispute.

RMH had proposed to APH that the parties arbitrate over the interpretation of a specific clause in the loan agreement. The whole clause was subject to interpretation, but more specifically the phrase "…… *the Borrower does not have sufficient cash resources to pay the entire Facility Outstandings.*"

RMH was of the view that it was appropriate for an arbiter to deliberate on whether "*APH, **its subsidiaries, affiliates and related parties***" should be considered when assessing whether the Borrower has sufficient cash resources to repay the loan outstanding. Conversely, APH was of the view that ***"…..its subsidiaries, affiliates and related parties***" should be excluded in determining whether the Borrower has "sufficient cash resources" to repay the loan.

At the time of the initial investment in July 2016, including the facilitation of the loan with RMB, APH was the operating and holding company in the Atterbury Group. All the properties that were housed in special purpose vehicles were owned by APH. The two primary operational divisions, property management and property development, were 100% owned subsidiaries of APH. In the last seven years the Atterbury Group has undergone a number of restructures with the result being that APH is now an investment holding company that's only material asset is a 76% share in Atterbury Property (Pty) Ltd, the two operational subsidiaries are now divisions in Atterbury Property (Pty) Ltd.

RMH cannot accept that APH, if considered in isolation, cannot repay the R487 million loan because of the unintended consequence of a restructure of the Atterbury Group which has resulted in the original Borrower, as defined in the loan agreement, being an investment holding company with no operational cash flow. RMH invested in the Atterbury Group as a whole, not a specific entity within that group.

As a result of the impasse on the description of the dispute, no resolution was reached prior to the repayment date.

On the repayment date, as expected, APH issued a conversion notice to RMB. On receipt of that conversion notice, RMB claimed the R487 million from RMH by calling on both the RMBH guarantee and the RMHAH guarantee.

RMH's response was, firstly to decline to pay under the RMBH guarantee, and secondly, to pay RMB under the RMHAH guarantee.

As a consequence of having paid under the RMHAH guarantee, RMHAH stepped-in to the agreement as the lender. As of the close of business on Friday the 7th of July 2023, RMHAH is the Lender as defined in the loan agreement.

As a consequence of having declined to pay under the RMBH guarantee, on the 10th of July 2023, that was yesterday, RMHAH exercised its rights to decline the offer from APH to repay the loan by the issuing of shares.

We are waiting for APH's response to RMHAH's notification that the conversion shares have not been accepted but in our view, as things stand, APH owes RMHAH R487 million.

ANSWERS

<u>Questions received via e-mail</u>

- Am I reading the recent Sens announcements correctly in that Atterbury and RMH and/or RMHAH did not even get to arbitration in that they couldn't agree with the terms of the proposed arbitration?
  - Correct
- Is this a stalemate now? Heading to court?
  - I wouldn't call it a stalemate; we have followed our rights in terms of the agreements and per our interpretation of the agreements APH owes RMHAH R487 million.
  - I cannot comment on where this is heading until we get a response from APH to RMHAH's notice that the conversion shares will not be accepted as repayment of the facility and RMHAH's demand for the R487 million to be repaid.
- To clarify, this is the same Atterbury entity that RMH owns 27.5% of and the biggest asset?
  - Correct
- Why not take shares?
  - There are a couple of reasons why RMH will not accept shares. Firstly, we believe that APH has a legal obligation to repay the loan; secondly, based on June 2022 numbers, converting at the embedded value translates to paying a premium over the IFRS NAV of R36 million; and thirdly, given RMH has a strategy of monetisation, if the loan was repaid the proceeds could be distributed to shareholders whereas if we took shares we would have to sell those shares to realise funds to be able to make a distribution.
- What is the embedded value? Is there disagreement on this?
  - It is a formula in the original Facility Agreement that includes a value for the development and property management businesses that gets added to the IFRS NAV. There is no disagreement on this.
- What percentage of Atterbury would the R487 million translate to if the loan is converted to equity?

    - Based on June 2022 numbers the stake would increase to 43%. The final percentage would be based on June 2023 audited numbers.
- Other than the loan issue, are relations with Atterbury friendly?
    - Correct
- You mention that other solutions were investigated. Can you mention one or two?
    - I would prefer not to comment on this until we have had a response from APH, and we know where this dispute is heading.