



**ADVANCED HEALTH LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

(“the Company” or “Advanced Health”)

ISIN Code: ZAE000189049      JSE Code: AVL

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**DETAILED TERMS ANNOUNCEMENT REGARDING THE DISPOSAL OF 25.1% OF PRESMED AUSTRALIA PTY LIMITED**

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**1 INTRODUCTION AND BACKGROUND TO THE TRANSACTION**

Shareholders are referred to the detailed cautionary announcement released on SENS on Tuesday, 26 November 2019 and are advised that Advanced Health, Investmed Holdings Pty Limited (“Investmed”) and Presmed Australia Pty Limited (“PMA”) have concluded the Share Sale and Purchase Agreement on 11 December 2019 (“Signature Date”), for Investmed to acquire 25.1% of PMA’s shares from Advanced Health, for a total transaction consideration of AUD5.775 million (approximately ZAR58.324 million) (the “Transaction”). Advanced Health currently owns 86.51% of PMA, following the Transaction, Advanced Health will own 61.41% of PMA. The Parties are in the process of finalising a Shareholders Agreement which will be implemented together with the Share Sale and Purchase Agreement.

**2 BACKGROUND TO PMA**

PMA is the major shareholder of four-day hospitals in New South Wales (“NSW”), having management contracts in place at each one, plus an additional management contract in the only eye laser clinic in the Central Coast area of NSW.

**3 BACKGROUND TO INVESTMED**

Investmed is an investment vehicle that was established with the belief in the strategy and future growth objectives of PMA. It is owned by individuals associated with PMA, including PMA Management and Directors, as well as 27 key Doctor Shareholders at the day hospitals that PMA manages. Of the 27 Doctor Shareholders, 14 are directors of PMA-owned day hospitals and another four have been awarded Associate Professorship at two of Sydney’s leading University Teaching Hospitals.

PMA management includes its Managing Director, Chief Executive Officer and Chief Financial Officer, all of whom have been working for PMA and assisting in the growth of its business, having a combined experience within the Company totalling over 50 years.

In FYE 2019, the 27 Doctor Shareholders in Investmed contributed more than 60% of the total revenue in the PMA Group of Day Hospitals, equating to AUD19.3 million (approximately ZAR194.911 million). These doctors also hold shareholding across four of the PMA day hospitals, with several of them being shareholders since the inception of PMA over 21 years ago. Having invested in Investmed, the doctors have shown that they are motivated and encouraged by this opportunity, demonstrating their commitment, loyalty and support in PMA and its Management team.

#### 4 RATIONALE FOR THE TRANSACTION

The funding received from the transaction will primarily be used by Advanced Health to settle debt and to fund operations.

#### 5 KEY TERMS OF THE TRANSACTION

##### 5.1 Share Sale and Purchase Agreement (“SPA”)

In terms of the SPA, Investmed will acquire and Advanced Health will sell, 210 542 issued ordinary PMA shares (constituting 25.1% of the total 838 813 issued ordinary PMA shares), together with all the rights attached to the PMA shares as at the Effective Date, including but not limited to, the right to receive all distributions declared, made or paid in respect of the PMA shares on or after the Effective Date.

The SPA further contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

##### 5.2 Shareholders Agreement (“SHA”)

The SHA stipulates the terms and conditions applicable between the parties upon implementation of the SPA.

- The parties to the SHA and the Shareholders of PMA post the implementation of the Transaction is set out below:

SHAREHOLDER	NUMBER OF SHARES	% INTEREST
Advanced Health	515 106	61.41
Investmed	210 542	25.10
Marc Resnik (via Kinser Investments Pty Ltd) (director of AVL & PMA)	44 285	5.28
Johan Oelofse (director of AVL)	12 836	1.53
Feng Neal (director of PMA)	10 000	1.19
Feng Neal (via BFN & Associates Pty Ltd) (director of PMA)	10 000	1.19
Roger Cronin (director of PMA)	10 000	1.19
Roger Cronin (via Rogcar Investments Pty Ltd) (director of PMA)	10 000	1.19
Ysbrand Visser (Via Maluti Holding AG) (director of AVL and PMA)	6 418	0.77
Ivan Kassel (via Davilar Pty Ltd) (director of PMA)	5 348	0.64
Alan Flax (via Talocave Pty Ltd) (director of PMA)	4 278	0.51
<b>Total</b>	<b>838 813</b>	<b>100.00%</b>

The SHA is subject to the SPA having been entered into and becoming unconditional.

The SHA further contains standard provisions required for the governance of PMA, including, but not limited to, board of directors’ meetings, shareholder meetings, financing, management of the company and pre-emptive rights.

### 5.3 Transaction consideration

The total transaction consideration is AUD5.775 million (approximately ZAR58.324 million) (equating to AUD27.43 (R277.02 per ordinary PMA share). Investmed paid a deposit of AUD2.5 million (approximately ZAR25.248 million) to Advanced Health on 2 December 2019, which will be held in an account with a financial institution selected by Advanced Health. Advanced Health will not utilise the deposit prior to the Settlement Date, which is the date being 5 business days after all the Suspensive Conditions have been fulfilled, or such earlier or later date as may be agreed by the parties in writing.

The balance amount of AUD3.275 million (approximately ZAR33.076 million) is payable on the Settlement Date and will be adjusted to include:

- a reduction to the balance amount calculated as interest payable on the deposit amount, calculated at the rate of 7% per annum for the period calculated from the date of the deposit, being 2 December 2019, up to, and including, the day immediately preceding to the Settlement Date.
- an addition to the balance amount calculated as interest payable on the balance amount, calculated at the rate of 7% per annum for the period calculated from 1 January 2020 up to, and including, the day immediately preceding to the Settlement Date.

Investmed will fund the Transaction consideration from cash reserves and operational cash flows

### 5.4 Suspensive conditions

As at the date of this announcement, the SPA is subject to the fulfilment of the following suspensive conditions:

- Investmed successfully performing a comprehensive due diligence (“Due Diligence”) by 31 December 2019, in its unfettered discretion, including, amongst other things, the following:
  - Accounting;
  - Legal;
  - Financial;
  - Tax;
  - Human Resourcing;
  - Technical and operational;
  - Information Technology;
  - Insurance; and
  - Commercial.
- PMA shareholders and directors, if deemed necessary, passing such special resolution/s (if any), in form and substance reasonably acceptable to Investmed, as may be necessary to adopt the SHA and such agreement becoming unconditional in accordance with its terms;
- Advanced Health delivering to Investmed –
  - a copy of the resolution of the board of directors of Advanced Health, unconditionally approving the Transaction; and
  - a written shareholders resolution, approved by the requisite majority of Advanced Health shareholders at a properly convened general meeting, unconditionally approving the terms of the Transaction, to the extent required by the JSE Listings Requirements;
- Advanced Health distributing a circular and notice of general meeting, which circular is subject to the JSE Listings Requirements and prior approval by the JSE Limited, to its shareholders, in order to obtain the shareholder approval required above;

- Advanced Health obtaining a fairness opinion regarding the fairness of the Transaction, to Advanced Health shareholders, from an independent expert acceptable to the JSE;
- Investmed providing Advanced Health with a copy of a resolution of the board of directors of Investmed, unconditionally approving the terms of the Transaction;
- No material adverse change in the financial or trading position of PMA as well as no material adverse changes to the management of PMA, have occurred during the period between the signature date of the SPA and the date on which such confirmation is provided;
- Advanced Health providing written confirmation to Investmed that all consents pertaining to change of control provisions contained in all material agreements between PMA and counterparties have been obtained from such counterparties to the extent that the conclusion of the Transaction is approved and that such material contracts will continue in accordance with its existing terms after the Signature Date; and
- The remaining shareholders of PMA prior to the Settlement Date, waive any preemptive rights which they may have in Law, or in terms of the Memorandum and Articles of Association of PMA, to acquire the ordinary PMA shares.

Should the suspensive conditions not be fulfilled or waived, within 90 days from the Signature Date (the “Long Stop Date”), or such later date as agreed by the parties (which extended date may in any event not be later than 31 March 2020), then the SPA, will be regarded as automatically cancelled and of no force or effect.

## **5.5 Effective date**

The effective date is 1 July 2019, notwithstanding the Signature Date.

## **6 RELATED PARTY INTEREST IN TRANSACTION**

Marc Resnik is currently the managing director of PMA, an executive director on the Advanced Health board of directors and will be a 2.13% shareholder in Investmed.

## **7 PROFIT AND NET ASSET VALUES ATTRIBUTABLE TO PMA**

The net assets of the consolidated PMA group, as per the audited annual financial statements for the 12 months ended 30 June 2019, were AUD14.806 million (approximately ZAR149.526 million). The profit after tax attributable to the net assets of the consolidated PMA group for the same period were AUD974 449 (approximately ZAR9.841 million).

The audited annual financial statements for PMA were prepared in accordance with International Financial Reporting Standards (“IFRS”) as appropriate for for-profit-oriented entities.

## **8 CATEGORISATION OF THE TRANSACTION**

The Transaction is categorised as a category 1 disposal and related party transaction for Advanced Health in terms of the Listings Requirements of the JSE Limited and is therefore subject to Advanced Health shareholder approval.

The board of directors will procure and obtain the fairness opinion from an Independent Expert, as required in terms of the Listings Requirements of the JSE Limited and will distribute the category 1 disposal circular to shareholders, including the notice to convene the general meeting, in due course, subject to the relevant regulatory approvals being obtained.

## 9 WITHDRAWEL OF CAUTIONARY ANNOUNCEMENT

Given that the SPA has been finalised and the key terms of the SHA have been provided, all the details relating to the Transaction is contained in this announcement, shareholders are advised that caution is no longer required when dealing in the company's securities.

*Note: a rate of AUD1 : ZAR 10.0990 was applied to all exchange rate conversions in the announcement.*

**Johannesburg**

12 December 2019

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**Designated Advisor**

Grindrod Bank Limited

