

Metropolitan and Kagiso Trust Investments in strategic business partnership

Metropolitan, currently ranked - in empowerment terms - 1st in the financial services sector amongst SA's top 200 listed companies (Financial Mail/Empowerdex, April 2004), today announced that it is entering into a strategic partnership with another prominent empowerment group in the sector, Kagiso Trust Investments (KTI).

Metropolitan will issue five-year convertible preference shares worth R540 million to KTI, an amount slightly in excess of 10% of Metropolitan's total issued share capital subsequent to the issue, as a first step in what both parties see as a long-term business relationship.

The issue price of R7.12 is based on a weighted average of the price paid for the shares bought back by Metropolitan earlier in the year, and a thirty-day volume weighted average trading price of Metropolitan shares on the JSE.

KTI is funding the transaction via a capital investment of R30 million plus financing of R510 million, provided by a consortium of banks on commercial terms.

KTI will enjoy full economic and voting rights in respect of the preference shares, which will be convertible into ordinary shares in Metropolitan on a one-for-one basis in years four and five.

The preferential half-yearly dividend payable to KTI can increase based on pre-determined quantitative performance measures for Metropolitan, as well as KTI's contribution as partners with reference to qualitative deliverables, agreed mutually in advance.

In other words, the deal is structured in such a way that KTI will, provided it helps Metropolitan exceed the specified growth rate, own a substantial stake in the group, debt free, in the foreseeable future.

This new alliance should see Metropolitan, which is already growing at a faster rate than its competitors, surge even further ahead.

Group chief executive Peter Doyle says that Metropolitan selected KTI as its partner because the two groups share a similar business culture centered around people, trust and performance. Profit is of prime importance to both businesses, but so is the development of people. Trust and integrity are the cornerstones on which they are built.

KTI's strong focus on and extensive experience in financial services was also key, as was its proven track record. Over the past decade (KTI was established in 1993) the group has achieved high annual growth in net asset value thanks to the business acumen, leadership abilities and extensive networks of its co-founders, executive chairman Eric Molobi and managing director Johnson (JJ) Njeke.

"The fact that our two groups think alike in regard to empowerment is equally vital. For example, having the Kagiso Trust as its main shareholder means that KTI's beneficial ownership is widely spread. Our existing empowerment ownership, directly via staff and indirectly via policyholders and retirement fund members, is broad based, and for us it is crucial that the economic benefits of the transaction be distributed as universally as possible."

Both Molobi and Njeke are to be appointed to the main board of Metropolitan, with group executive Andile Sangqu as an alternate director.

"We are committed to actively assisting the management of Metropolitan to promote the business interests of the group, and we will also be getting involved at a subsidiary level over time," says Molobi.

"From our perspective, the proposed transaction creates the opportunity for us, as a significant empowerment group focused on financial services, to become the largest shareholder in Metropolitan. It provides us with an excellent way of extending our existing investment banking activities, gives us a significant entry point into the life insurance market and is entirely consistent with our investment strategy."

