

## NOTICE TO A WRITTEN PROCEDURE

*Denna kallelse till obligationsinnehavarna är endast utformad på engelska.*

Stockholm, 19 July 2024

To the Noteholders in:

ISIN: NO0010813801 – IZABELO NOK B.V. NOK 39,693,852 Secured Participating Notes (the "Notes")

### NOTICE OF SECOND WRITTEN PROCEDURE – OFFER TO SELL THE REFERENCE INSTRUMENTS

This voting request for procedure in writing will be sent via VPS (Norway) to persons registered in the Securities Account with VPS (Norway) as holders of Bonds. This voting request has also been published on the websites of the Issuer and the Agent (as defined below), in accordance with the terms and conditions of the Notes (the "Terms and Conditions"). If you are an authorised nominee under the Norwegian Securities Register Act of 2002 no.64 (Nw. Verdipapirregisterloven) or if you otherwise are holding Notes on behalf of someone else on a Securities Account, please forward this notice to the holder you represent as soon as possible. For further information, please see below under Clause 4.3 (*Voting rights and authorisation*).

#### Key information:

Record Date for being eligible to vote:	19 July 2024
Deadline for voting:	15:00 30 July 2024
Quorum requirement:	No quorum requirement applies to this second Written Procedure.
Majority requirement:	At least 66 2/3 per cent. of the Adjusted Nominal Amount.

Nordic Trustee & Agency AB (publ) in its capacity as agent (the "**Agent**") for the holders of the Notes (the "**Noteholders**") in the above mentioned bond issue ISIN: **NO0010813801** issued by **IZABELO NOK B.V.** (the "**Issuer**"). In its capacity as Agent, and as requested by the Issuer, the Agent hereby initiates a procedure in writing, whereby Noteholders can vote for or against the Issuer's request to sell the Reference Instruments (as defined in the Terms and Conditions as amended and restated pursuant to the May 2024 Written Procedure (as defined below)) held by the Issuer on behalf of

the Noteholders in accordance with a conditional offer to sell the Reference Instruments received by the Issuer from Calibre Investment Holdings Proprietary Limited (Registration No. 2017/177748/07) or their nominee ("**Calibre**") (the "**Offer**").

All capitalised terms used herein and not otherwise defined in this notice (the "**Notice**") shall have the meanings assigned to them in the Terms and Conditions.

On 4 July 2024, a notice of Written Procedure was sent to the Noteholders, regarding the Proposal (as defined below). The voting period expired on 18 July 2024.

The number of votes obtained proved to be insufficient in order to form a quorum. However, pursuant to the Terms and Conditions, the Issuer retains a right in these cases to call for a second Written Procedure where the quorum requirement does not apply.

In its capacity as Agent, and as requested by the Issuer, the Agent hereby initiates a second Written Procedure, whereby Noteholders can vote for or against the Proposal.

Noteholders participate by voting through VPS Investortjenester (only applicable for Norwegian holders with a VPS account in Norway) or completing and sending the voting form, attached hereto as Schedule 1 (the "**Voting Form**"), and, if applicable, the power of attorney/authorisation, attached hereto as Schedule 2 (the "**Power of Attorney**"), if the Notes are held in custody other than by the CSD, to the Agent. Please contact the securities firm you hold your Notes through if you do not know how your Notes are registered or if you need authorisation or other assistance to participate.

The Agent must **receive the votes (through VPS or Voting Form) no later than 15:00 (CEST) on 30 July 2024** either by mail, courier or email to the Agent using the contact details set out in Clause 4.7 (*Address for sending replies*) below. Votes received thereafter may be disregarded.

To be eligible to participate in the Written Procedure, a person must meet the criteria for being a Noteholder on 19 July 2024 (the "**Record Date**"). This means that the person must be registered on a Securities Account with the CSD, as a direct registered owner or authorised nominee with respect to one or several Notes.

**Disclaimer:** *The Proposal (as defined below) is presented to the Noteholders, without any evaluation, advice or recommendations from the Agent or Issuer whatsoever. The Agent and the Issuer have not reviewed or assessed this Notice or the Proposal (and its effects, should it be adopted) from a legal or commercial perspective of the Noteholders and the Agent and the Issuer expressly disclaims any liability whatsoever related to the content of this Notice and the Proposal (and its effects, should it be adopted). The Noteholders are recommended to seek legal advice in order to independently evaluate whether the Proposal (and its effects) is acceptable or not. Each Noteholder is solely responsible for making its own independent evaluation of all matters as such Noteholder deems appropriate (including those relating to the Proposal (as defined herein), and each Noteholder must make its own decision as to whether to participate in the Proposal. Noteholders should consult their own tax, accounting, financial and legal adviser regarding the impact to themselves of voting in favour for or against the Proposal. None of the Issuer or the Agent, nor any director, officer, employee, agent or affiliate of any such person, makes any recommendation as to whether such Noteholder should vote in favour for or against the Proposal.*

## 1. Background

In a written procedure for which a notice was given on 10 May 2024 and a second written procedure for which a notice was given on 24 May 2024 (the "**Notice**") the Noteholders passed certain resolutions approving amendments to the Terms and Conditions and approving certain other actions, including but not limited to, implementing the Scheme (as defined in the Notice) pursuant to which, amongst other things, the E PIK Notes held by the Issuer will be exchanged for ordinary shares in ECL that after the exchange instead will be held for the benefit of the Notes and make certain other amendments to the Terms and Conditions (the "**May 2024 Written Procedure**"). Following the implementation of the Scheme, which is expected to occur on or about 10 July 2024, the Issuer will hold 1,196,049 ordinary shares in ECL under the Terms and Conditions as will be amended and restated pursuant to the May 2024 Written Procedure.

The Issuer has received a conditional offer from Calibre to acquire all Reference Instruments held by the Issuer on behalf of the Noteholders following implementation of the Scheme. Therefore, and in accordance with Clause 7(a) of the Terms and Conditions, the Issuer hereby gives notice of written procedure where the Noteholders can decide on if the Offer shall be accepted or declined.

## 2. Conditional offer

### 2.1 Conditional offer

Pursuant to the Offer, Calibre makes a conditional offer to purchase, on the terms and conditions set out in the Offer, the 1,196,049 ordinary shares in ECL that the Issuer will hold on behalf of the Noteholders in the share capital of ECL (Evolution Credit Limited (previously Real People Investment Holdings Limited)) after the implementation of the Scheme (constituting approximately 9.95 per cent. of the issued shares of ECL post implementation of the Scheme), subject to compliance with the pre-emptive rights regime governing the sale of shares of Evolution in terms of ECL's memorandum of incorporation (the "**Mol**"). If Calibre wishes to nominate another entity as the purchaser (in substitution of Calibre), it may do so upon written notice to the Issuer at any time before the Offer End Date (as defined below).

The price offered to the Issuer per Reference Instrument pursuant to the Offer is R27.78. If none of the Reference Instruments held by the Issuer in ECL after the implementation of the Scheme are acquired by any other ECL shareholder pursuant to compliance with the pre-emptive rights regime governing the sale of shares of ECL in terms of the Mol, the aggregate purchase price of the Reference Instruments held by the Issuer will be R33,226,241.22. The net proceeds received from such sale shall, in accordance with Clause 7(g) of the Terms and Conditions and provided that no Event of Default has occurred and is continuing, be applied towards payments of any principal outstanding under the Notes *pro rata* and *pari passu*, and any remainder thereafter shall be applied to pay Participation *pro rata* and *pari passu*.

The Offer shall be and remain open for acceptance by the Issuer until 17:00 SAST on 31 July 2024 (the "**Offer End Date**"). If the Offer is:

- (a) accepted by the Issuer before or on the Offer End Date, the resultant sale agreement remains subject to the fulfilment or waiver, as the case may be, of the Conditions Precedents (as defined below); and

- (b) not accepted by the Issuer before or on the Offer End Date, the Offer shall be deemed to have lapsed/terminated without any further action by the parties being necessary.

Important notice – please note that the Offer is conditional upon certain conditions precedent, including but not limited to, the implementation of the Scheme, none of the Reference Instruments being acquired by any other ECL shareholder pursuant to compliance with the pre-emptive rights regime in the Mol, no regulatory approvals required and the successful completion of a due diligence investigation by Calibre in respect of ECL and its business. The full details of the conditions precedents are further set out in the Offer Document (as defined below) (the "**Conditions Precedent**"). If the Conditions Precedent are not fulfilled or waived before or on 10 November 2024 (or such later date Calibre notifies of (in its sole discretion)), the sale of the Reference Instruments will not occur.

Calibre has also offered to purchase the ordinary shares in ECL held by Izabelo NOK B.V. under the participating notes with ISIN NO0010813785 (the "**NOK Ords Notes**") and the ordinary shares in ECL held by Izabelo SEK B.V. under the participating notes with ISIN SE0010714220 (the "**SEK Notes**") on corresponding terms as the Offer with a price per ordinary share of R27.78 (i.e. the same purchase price per ordinary share in ECL as in respect of the Reference Instruments pursuant to the Offer). The ordinary shares in ECL held by the Issuer under the Notes and the NOK Ords Notes and by Izabelo SEK B.V. under the SEK Notes account for approximately 22.49 per cent. of the shares in ECL (following implementation of the Scheme). In addition, Calibre has invited the other shareholders of ECL to submit offers to sell their ordinary shares to Calibre, expiring on 15 July 2024 (the "**Invitation**"). Calibre has informed the other shareholders that it made an offer to purchase the ordinary shares held by the Issuer and Izabelo SEK B.V. at a price of R27.78 per ordinary share. Thus, the purchase price for ordinary shares in ECL, pursuant to the Invitation, may be lower or higher than the purchase price, pursuant to the Offer, depending on participation in the Invitation. Pursuant to the offers made by Calibre to purchase ordinary shares in ECL, Calibre wishes to acquire an equity stake of up to 34.99 per cent. (including the 22.49 per cent held by the Issuer and Izabelo SEK B.V.).

## **2.2 Further information about the Offer and financial information**

The offer document from Calibre setting out the terms of the Offer (the "**Offer Document**") is contained in [schedule 3](#). The Board of ECL prepares a financial performance guidance to shareholders on an annual basis upon approval of its annual financial statement (the "**Financial Performance Guidance**"), please see [schedule 4](#) for a copy of the Financial Performance Guidance.

Below is a link to the audited consolidated annual financial statements for Evolution Credit Limited for the year ended 31 March 2024:

<https://evolution.za.com/media/lzknc2a3/evolution-credit-group-annual-financial-statements-2024.pdf>.

### **3. Proposal to approve the Offer**

#### **3.1 Proposal**

By voting to approve the Offer (the "**Proposal**") the Noteholders:

- (a) approve that the Issuer accepts the Offer (including a right to accept the offer after extension of the Offer End Date with up to three months);
- (b) approve that the Agent enters into any such amendment and/or document necessary to implement the Proposal;
- (c) consent to that no payment of net proceeds from the sale of the Reference Instruments will be made to the Noteholders before evidence has been provided that the fees payable to the Issuer pursuant to the Terms and Conditions and to the Agent pursuant to the Agency Agreement (including compensation for their legal counsels) have or will be paid in full in accordance with the ECL Cost Coverage Agreement or otherwise in accordance with the Terms and Conditions; and
- (d) consent to that, after the net proceeds received from the sale pursuant to the Offer of all Reference Instruments have been applied in accordance with Clause 7(g) of the Terms and Conditions as amended and restated pursuant to the May 2024 Written Procedure:
  - (i) all obligations of the Issuer under the Notes are deemed to be discharged in full and any remaining Notes are redeemed without payment of any additional consideration;
  - (ii) any remaining Transaction Security and the Parallel Debt Agreement is released and/or terminated; and
  - (iii) the Notes shall be deregistered from the CSD.

#### **3.2 Authority for the Agent to implement the Proposal**

If the Proposal is approved in the Written Procedure, the Noteholders' give the Agent the power to enter into all agreements and take all actions that the Agent deems necessary in order to implement the Proposal (including to release any Transaction Security in exchange for the payment of the purchase price for the Reference Instruments and instruct the Issuer to take actions).

### **4. Written Procedure**

The following instructions need to be adhered to under the Written Procedure.

#### **4.1 Final date to participate in the Written Procedure**

The Agent must have received the votes by mail, courier or email to the address indicated below no later than 15:00 (CEST), 30 July 2024. Votes received thereafter may be disregarded.

## **4.2 Decision procedure**

The Agent will determine if received replies are eligible to participate under the Written Procedure as valid votes.

When a requisite majority of consents of the total Adjusted Nominal Amount have been received by the Agent, the Proposal shall be deemed to be adopted, even if the time period for replies in the Written Procedure has not yet expired.

Information about the decision taken under the Written Procedure will: (i) be sent by notice to the Noteholders and (ii) be published on the Agent's website.

A matter decided under the Written Procedure will be binding for all Noteholders, irrespective of them responding in the Written Procedure.

## **4.3 Voting rights and authorisation**

Anyone who wishes to participate in the Written Procedure must on the Record Date (19 July 2024) in the debt register:

- (a) be registered as a direct registered owner of a Securities Account; or
- (b) be registered as authorised nominee in a Securities Account, with respect to one or several Notes.

## **4.4 Notes registered with a nominee**

If you are not registered as a direct registered owner, but your Notes are held through a registered authorised nominee or another intermediary, you may have two different options to influence the voting for the Notes.

1. You can ask the authorised nominee or other intermediary that holds the Notes on your behalf to vote in its own name as instructed by you.
2. You can obtain a Power of Attorney (Schedule 2) from the authorised nominee or other intermediary and send in your own Voting Form based on the authorisation. If you hold your Notes through several intermediaries, you need to obtain authorisation directly from the intermediary that is registered in the debt register as noteholder of the Securities Account, or from each intermediary in the chain of noteholders, starting with the intermediary that is registered in the debt register as a Noteholder of the Securities Account as authorised nominee or direct registered owner.

Whether one or both of these options are available to you depends on the agreement between you and the authorised nominee or other intermediary that holds the Notes on your behalf (and the agreement between the intermediaries, if there are more than one).

The Agent recommends that you contact the securities firm that holds the Notes on your behalf for assistance, if you wish to participate in the Written Procedure and do not know how your Notes are registered or need authorisation or other assistance to participate. Notes owned by the Issuer, another Group Company or an Affiliate do not entitle to any voting rights.

**4.5 Quorum**

No quorum requirement applies to this second Written Procedure.

**4.6 Majority**

At least 66 2/3 per cent. of the Adjusted Nominal Amount for which Noteholders reply under the Written Procedure must consent to the Proposal.

**4.7 Address for sending replies**

Return the Voting Form, Schedule 1, and, if applicable, the Power of Attorney/Authorisation in Schedule 2 or other sufficient evidence, if the Notes are held in custody other than the CSD, by regular mail, scanned copy by email, or by courier to:

**By regular mail:**

Nordic Trustee & Agency AB (publ)  
Attn: Written Procedure *IZABELO NOK B.V.*  
P.O. Box 7329  
S-103 90 Stockholm

**By courier:**

Nordic Trustee & Agency AB  
Attn: Written Procedure *IZABELO NOK B.V.*  
Norrandsgatan 23  
111 43 Stockholm

**By email:**

E-mail: [voting.sweden@nordictrustee.com](mailto:voting.sweden@nordictrustee.com)

**5. FURTHER INFORMATION**

For further questions regarding the Proposal, please contact ECL at Carmen Taylor, Company Secretary, [carmen.taylor@evolution.za.com](mailto:carmen.taylor@evolution.za.com) or +27 60 743 7381.

For further questions to the Agent, regarding the administration of the Written Procedure, please contact the Agent at [voting.sweden@nordictrustee.com](mailto:voting.sweden@nordictrustee.com) or +46 8 783 79 00.

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**Stockholm, 19 July 2024**

**NORDIC TRUSTEE & AGENCY AB (PUBL)**

**As Agent**

**Enclosed:**

<b>Schedule 1</b>	Voting Form
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<b>Schedule 2</b>	Power of Attorney/Authorisation
<b>Schedule 3</b>	Offer Document
<b>Schedule 4</b>	Financial Performance Guidance



# VOTING FORM

## Schedule 1

For the Written Procedure in *IZABELO NOK B.V.* of the NOK 39,693,852 Secured Participating Notes with ISIN: NO0010813801.

The undersigned Noteholder or authorised person/entity (the “**Voting Person**”), votes either **For** or **Against** the Proposal by marking the applicable box below.

**NOTE:** *If the Voting Person is not registered as Noteholder (as defined in the Terms and Conditions), the Voting Person must enclose a Power of Attorney/Authorisation, see Schedule 2.*

**For** the Proposal

**Against** the Proposal

Name of the Voting Person: \_\_\_\_\_

Capacity of the Voting Person:                      Notholder:  <sup>1</sup>      authorised person  <sup>2</sup>

Voting Person’s reg.no/id.no  
and country of incorporation/domicile: \_\_\_\_\_

Securities Account number at Verdipapirsentralen ASA:  
(if applicable) \_\_\_\_\_

Name and Securities Account number of custodian(s):  
(if applicable) \_\_\_\_\_

Nominal Amount voted for (in NOK): \_\_\_\_\_

Day time telephone number, e-mail address and contact person:

Enclosed to this form is the complete printout from our custodian/VPS, verifying our bondholding in the bond issue as of 19 July 2024, being the relevant record date, together with a duly executed power of attorney or other proof of authorisation or proof of holding.<sup>3</sup>

<sup>1</sup> When voting in this capacity, no further evidence is required.

<sup>2</sup> When voting in this capacity, the person/entity voting must also enclose Power of Attorney/Authorisation (*Schedule 2*) from the Noteholder or other proof of authorisation showing the number of votes held on the Record Date.

<sup>3</sup> If the Bonds are held in custody other than in the VPS, power of attorney or other proof of authorization or proof of holding from the custodian confirming that (i) you are the owner of the Bonds, (ii) in which account number the Bonds are held, and (iii) the amount of Bonds owned.

We acknowledge that Nordic Trustee & Agency AB (publ) in relation to the Written Procedure for verification purpose may obtain information regarding our holding of Bonds on the above stated account in the securities register VPS.

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Authorised signature and Name <sup>4</sup>

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Place, date:

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<sup>4</sup> If the undersigned is not a Noteholder according the Terms and Condition and has marked the box "authorised person", the undersigned – by signing this document – confirms that the Noteholder has been instructed to refrain from voting for the number of votes cast with this Voting Form.

# POWER OF ATTORNEY/AUTHORISATION

## Schedule 2

For the Written Procedure in *IZABELO NOK B.V.* of the NOK 39,693,852 Secured Participating Notes with ISIN: NO0010813801.

**NOTE:** This Power of Attorney/Authorisation document shall be filled out if the Voting Person is not registered as Noteholder on the Securities Account, held with Verdipapirsentralen ASA. It must always be established a coherent chain of power of attorneys derived from the Noteholder. I.e. if the person/entity filling out this Power of Attorney/Authorisation in its capacity as "other intermediary", the person/entity must enclose its Power of Attorney/Authorisation from the Noteholder.

Name of person/entity that is given authorisation to vote as per the Record Date:

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Nominal Amount (in NOK) the person/entity is authorised to vote for as per the Record Date:

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Name of Noteholder or other intermediary giving the authorisation:

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We hereby confirm that the person/entity specified above has the right to vote for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of: NOK \_\_\_\_\_

We are:

Registered as Noteholder on the Securities Account

Other intermediary and holds the Noteholder through (specify below):

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Place, date: \_\_\_\_\_

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Name:

Authorised signature of Noteholder / other intermediary

# OFFER DOCUMENT

*Schedule 3*

**STRICTLY PRIVATE AND CONFIDENTIAL**

18 June 2024

Izabelo NOK B.V.

C/o

Diederik Hiebendaal

Market Practice manager

TMF Netherlands B.V.

**By E-mail:** [Diederik.Hiebendaal@tmf-group.com](mailto:Diederik.Hiebendaal@tmf-group.com)

and

Merdžana Okić

Senior Transaction Manager

Capital Markets Services

TMF Netherlands B.V.

**By E-mail:** [Merdzana.Okic@tmf-group.com](mailto:Merdzana.Okic@tmf-group.com)

and to

The Board of Directors

Evolution Credit Limited

12 Esplanade Road

Quigney

East London

5201

**By E-mail:** [Carmen.Taylor@evolution.za.com](mailto:Carmen.Taylor@evolution.za.com)

Dear Sir/Madam

**PRIVATE AND CONFIDENTIAL CONDITIONAL OFFER**

1 We, Calibre Investment Holdings Proprietary Limited (Registration Number 2017/177748/07) ("**Calibre**") (or our nominee) - having been provided (under terms of

confidentiality) with some preliminary information regarding Evolution Credit Limited (Registration Number 1999/020093/06) ("**Evolution**") and the scheme of arrangement announced by Evolution on 16 May 2024 (the "**SOA**") - are pleased to submit this conditional offer to Izabelo NOK B.V ("**Izabelo NOK**", "**you**" or "**your**") for the acquisition of your shareholding in Evolution on the terms and conditions set out in this letter, together with its annexures (the "**Offer**").

- 2 The Offer comprises of this letter and incorporates –
  - 2.1 important legal notes, attached as **Annexure 1**; and
  - 2.2 a form of acceptance, attached as **Annexure 2**.
- 3 In considering this Offer, please - in particular - read and consider –
  - 3.1 the legal notes (Annexure 1); and
  - 3.2 the background and corporate information of/relating to the Calibre group of companies, as set out on its website - <https://calibrecapital.co.za>.
- 4 This Offer, if accepted, is/will be fully funded by/within the Calibre group of companies from own resources.

#### **The Offer**

- 5 Calibre hereby offers to purchase, on the terms and conditions set out in this Offer, the 1 205 903 (one million two hundred and five thousand nine hundred and three) ordinary shares that Izabelo NOK will hold in the share capital of Evolution after the implementation of the SOA (constituting 10.033% of the issued shares of Evolution post implementation of the SOA), subject to compliance with the pre-emptive rights regime governing the sale of shares of Evolution in terms of Evolution's Memorandum of Incorporation (the "**MOI**") (the "**subject shares**").
- 6 If Calibre wishes to nominate another entity as the purchaser (in substitution of Calibre), it may do so upon written notice to Izabelo NOK at any time before the offer end date (defined in paragraph 9 below), provided that Calibre shall thereupon be deemed to have irrevocably and unconditionally, as principal obligor and not merely as surety, and on the basis of a severable and distinct obligation enforceable by Izabelo NOK, guaranteed in Izabelo NOK's favour the due performance by the nominee of all of the nominee's obligations under the Offer.

#### **The Offer price**

- 7 The price per share offered in respect of the subject shares is R27.78 (twenty seven rand and seventy eight cents). If none of the ordinary shares held by Izabelo NOK in/to

Evolution after the implementation of the SOA are acquired by any other Evolution shareholder pursuant to compliance with the pre-emptive rights regime governing the sale of shares of Evolution in terms of the MOI, the aggregate purchase price would be R33 499 985 (thirty three million four hundred and ninety nine thousand nine hundred and eighty five rand).

### **The terms of the Offer**

- 8 The effective date of the sale of the subject shares shall be the date of fulfilment or waiver, as the case may be, of the last of the conditions precedent (see paragraph 13 below) to be so fulfilled or waived.
- 9 The Offer shall be and remain open for acceptance by you until 17h00 SAST on 31 July 2024 (the "**offer end date**"). If the Offer is –
- 9.1 accepted by you before or on the offer end date, the resultant sale agreement remains subject to the fulfilment or waiver, as the case may be, of the last of the conditions precedent (see paragraph 13 below); and
- 9.2 not accepted by you before or on the offer end date, the Offer shall be deemed to have *ipso facto* lapsed/terminated without any further action by the parties being necessary.
- 10 The lapsing of the Offer - as between the parties (for any reason whatsoever) - shall not lead to any liability of either party to compensate the other for costs, losses or damages incurred in connection with the Offer and/or actions taken by the parties pursuant thereto.
- 11 In accepting the Offer, Izabelo NOK agrees, represents and warrants that –
- 11.1 the subject shares are sold *cum* dividend (meaning a sale shall include any dividend not yet declared by Evolution as at 18 June 2024);
- 11.2 it is, or will be, the exclusive owner of the subject shares and that the subject shares are sold free of any encumbrance;
- 11.3 it can give effect to its acceptance of the Offer and has secured the necessary approvals to accept the Offer; and
- 11.4 there are no other terms and/or conditions attaching to its acceptance of the Offer other than as set out in this Offer.
- 12 In making the Offer, Calibre agrees, represents and warrants that the purchase price will be paid to Izabelo NOK in South African rand (ZAR) - against delivery of the documents of title of/in relation to the subject shares by Izabelo NOK to the Calibre - within 5 (five) business days following the fulfilment or waiver, as the case may be, of the last of the conditions

precedent (see paragraph 13 below) to be so fulfilled or waived into the bank account nominated for such purpose by Izabelo NOK.

**Conditions precedent of/to the resultant sale agreement**

- 13 If the Offer is accepted by Izabelo NOK, the resultant sale of the subject shares will be subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:
  - 13.1 The implementation of the SOA.
  - 13.2 None of the ordinary shares held by Izabelo NOK in/to Evolution after the implementation of the SOA being acquired by any other Evolution shareholder pursuant to compliance with the pre-emptive rights regime governing the sale of shares of Evolution in terms of the MOI.
  - 13.3 There being no regulatory approvals required pursuant to compliance with the pre-emptive rights regime governing the sale of shares of Evolution in terms of the MOI, or, if there are, such regulatory approvals are acceptable to Calibre acting in its sole discretion.
  - 13.4 The equity stake in Evolution that Calibre would - pursuant (and subject) to the implementation of the SOA, and pursuant to this Offer, the offer contemporaneously made to Izabelo SEK B.V. and the offers of sale submitted and accepted by Calibre pursuant to Calibre's invitation to the securities holders of Evolution to submit conditional offers of sale of their securities dated 12 June 2024 - acquire being not less than 25.1% (twenty five point one per cent).
  - 13.5 The successful completion of a due diligence investigation by Calibre in respect of Evolution and its business (see paragraphs 18 and 19 below), the findings of which are to the satisfaction of Calibre acting in its sole discretion.
  - 13.6 If applicable/as may be required, the South African Reserve Bank granting such approvals as may be required in terms of the Exchange Control Regulations published in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, and Government Notice R.1111 on 1 December 1961, either unconditionally or subject to such conditions as are acceptable to Calibre acting in its sole discretion.
- 14 The conditions precedent referred to in paragraphs 13.2, 13.3, 13.4 and 13.5 above are expressed to be for the benefit of Calibre, which may, on or before the due date for the fulfilment thereof, acting in its sole discretion, in writing (delivered to Izabelo NOK) waive the requirement for the fulfilment of one or more of such conditions precedent.



- 15 Should the conditions precedent set out above not be fulfilled or waived (as the case may be) before or on 10 November 2024 (or such later date of which Calibre, acting in its sole discretion, may notify you in writing), the sale agreement will fall away and be of no further force and effect.

### **Acceptance of the Offer**

- 16 If you wish to accept the Offer, you must complete the form of acceptance (Annexure 2) and submit same to Calibre before or on the offer end date by e-mailing your acceptance to [theunis@calibrecapital.co.za](mailto:theunis@calibrecapital.co.za) and [tbdebruyn@calibrecapital.co.za](mailto:tbdebruyn@calibrecapital.co.za).

### **Pre-emptive rights regime**

- 17 On acceptance of the Offer, Izabelo NOK is obliged to comply with the pre-emptive rights regime governing the sale of shares of Evolution in terms of the MOI (see Article 22 of the MOI).

### **Due diligence**

- 18 Calibre requires an opportunity to conduct a due diligence investigation into the affairs of Evolution and its business (the "**investigation**") before declaring the sale of the subject shares unconditional.
- 19 Evolution will be requested, subject to appropriate confidentiality undertakings to be granted by Calibre in favour of Evolution, to allow Calibre to conduct the investigation once the conditions precedent referred to in paragraphs 13.1, 13.2, 13.3 and 13.4 above have been fulfilled or waived, as the case may be.
- 20 It is expected that the investigation will take approximately 30 (thirty) days to complete after Evolution has provided Calibre with all information reasonably requested.

### **Confidentiality**

- 21 Whilst Calibre will request Evolution to inform the other holders of securities of Evolution of the essentials of this Offer, and except as may be otherwise required by the MOI and laws and regulations, neither party shall issue or make any public announcement or statement, or release or make available any information regarding this Offer and/or actions taken by the parties pursuant thereto. This Offer is made on a private and confidential basis.

### **Costs**

- 22 Each of Calibre, Izabelo NOK and Evolution shall bear its own costs and expenses incurred in relation to this Offer, actions taken by the parties pursuant thereto and the implementation of any resultant sale of the subject shares.

**Miscellaneous**

- 23 This Offer supersedes and replaces all and any previous expressions of interest and/or preliminary discussions.
- 24 Should you have any queries regarding this Offer, please do not hesitate to contact Calibre at [theunis@calibrecapital.co.za](mailto:theunis@calibrecapital.co.za) and/or [tbdebruyn@calibrecapital.co.za](mailto:tbdebruyn@calibrecapital.co.za).
- 25 We look forward to hopefully concluding the sale agreement.

Yours faithfully



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**CALIBRE INVESTMENT HOLDINGS PROPRIETARY LIMITED**

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Director

# **FINANCIAL PERFORMANCE GUIDANCE**

*Schedule 4*

## **Evolution Credit: Financial Performance Guidance to Shareholders**

### **1 Introduction**

- 1.1 With the outstanding balance on the senior facility having been settled, the business is entering a new stage of its existence and the purpose of this paper is to provide the board with some recommendations regarding the overall financial performance parameters that should be provided as guidance to current and prospective shareholders.

### **2 Considerations**

- 2.1 The strategic positioning of the business can be summarized as follows:
- 2.1.1 It is a relatively small business contesting mature and competitive market segments;
  - 2.1.2 Although these market segments do still offer opportunity for growth such growth can only be achieved through the business developing significant new operational capabilities as well as developing the capability to manage and price new types of risk;
  - 2.1.3 The business has arguably achieved competitive advantage in two of the market segments which it contests being the DMC ADP business and the Evolution Finance business and in two of the market segments it has not yet achieved competitive advantage being the DMC Outsourced Collections;
  - 2.1.4 Growth in the DMC ADP business as well as the Evolution Finance business will necessarily be accompanied by increased balance sheet risk due to the fact that both of these businesses are capital intensive by nature;
  - 2.1.5 Growth in the DMC Outsourced business will be dependent on the creation of significant new operational capabilities not yet proven.
- 2.2 The environment within which the business operates is forecast to remain challenging for the foreseeable future with a high likelihood of deteriorating consumer financial health as well as other relevant macroeconomic metrics. The deployment of capital into such an environment should be undertaken with an abundance of caution, especially given the business' dependence on ongoing positive investor sentiment in order to sustain the funding for its asset classes. History has shown that investor confidence evaporates very quickly when asset quality deteriorates unpredictably and the ability to manage asset quality is not convincingly demonstrated.
- 2.3 Apart from any management shareholding that may be acquired, the remaining shareholders in the business are not strategic in nature and are in fact by and large seeking exits from their shareholding positions.

### **3 Target debt: equity (gearing) ratio**

- 3.1 The most recent Target (aggressive) and Forecast (conservative) produce the following outcomes:

<b>Gearing ratio</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Target	2.08	2.04	2.02	2.01
Forecast	2.08	1.98	2.01	2.02

3.2 It is proposed that the medium-term target be set to maintain the Gearing Ratio between 2,1 to 2,3x.

#### **4 Profitability ratios**

4.1 ROA

4.1.1 The most recent forward-looking views are set out below:

<b>ROA</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Target	6.7%	6.0%	5.8%	6.0%
Forecast	6.7%	4.9%	3.9%	3.7%

4.1.2 It is proposed that guidance to shareholders be that that the business can reasonably be expected to deliver a ROA of 5% to 6% in its current form and in the current environment.

4.2 ROE

4.2.1 Depending on the gearing ratio achieved, this translates into the following ROE's

<b>ROA</b>	<b>ROE for Gearing ratio</b>		
	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>
4.50%	13.95%	14.40%	14.85%
5.00%	15.50%	16.00%	16.50%
5.50%	17.05%	17.60%	18.15%
6.00%	18.60%	19.20%	19.80%
6.50%	20.15%	20.80%	21.45%
7.00%	21.70%	22.40%	23.10%

4.2.2 Based on the above the guidance that can be given to shareholders is that the business can reasonably be expected to deliver a ROE of 15-20% in its current form and in the current environment.

#### **5 Asset growth**

5.1 The most recent forward-looking views are:

<b>Productive Asset Growth</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Target	16%	12%	16%	14%
Forecast	16%	4%	9%	10%

5.2 Based on the above the guidance that can be given to shareholders is that the business can reasonably be expected to grow productive assets by 7 to 12% per annum in its current form and in the current environment.

5.3 This could change if efforts to enter the NPL asset class in DMC ADP and or new distribution channels in EF such as Cashbuild or Solar merchants, are successful.

## 6 Use of excess capital

### 6.1 Dividend policy

6.2 The most recent forward-looking views are:

<b>Dividend cover</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Target – Rm:				
PAT	117.8	117.7	127.8	149.2
Dividends paid	39.0	39.2	42.0	49.0
OB cash FYE	72.0	56.5	54.5	60.7
Dividend cover ratio	3.0	3.0	3.0	3.0
Forecast – R'm:				
PAT	117.8	94.2	80.2	83.2
Dividends/Buy-back	39.0	31.0	26.0	26.6
OB cash FYE	72.0	59.8	63.1	51.6
Dividend cover ratio	3.0	3.0	3.0	3.0

6.3 Based on the above it is proposed that a dividend cover ratio of 3 be maintained.

### 6.4 Share buy-backs:

6.4.1 It is proposed that share buybacks be considered as an alternative to dividends where the company is able to generate a return on such share buybacks for shareholders in excess of the targeted return on equity.

6.4.2 The logic would essentially be that where the company can acquire shares by way of share buyback at a discount to market value greater than the targeted return on equity, this would be more valuable for shareholders than declaring a dividend.

6.4.3 It is unknown whether there are any shareholders that would be willing to sell on these terms, but it may be that certain shareholders would accept the discount of this nature in order to achieve preferential liquidity above other shareholders.

6.4.4 As to what market value is equal to, it is suggested that the most recent sustainable level of profitability be used and divided by the required return on equity set by the board. This would effectively result in using a PE ratio of four to five on most recent sustainable earnings in order to determine the market value.