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## **MEDIA STATEMENT**

**ISSUED BY: TAKATSO AVIATION**

**DATE: 13 MARCH 2024**

**EMBARGO: NONE**

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### **CLOSING THE DOOR: SOUTH AFRICAN AIRWAYS GROUP STRATEGIC EQUITY PARTNERSHIP DISCUSSIONS**

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#### **KEY HIGHLIGHTS**

- **Takatso Aviation and Department of Public Enterprises mutually agree to terminate the SAA Transaction.**
  - **Takatso believes the transaction is no longer in the interests of its stakeholders.**
  - **Protracted negotiations for a revised transaction structure introduced unacceptable levels of risk and uncertainty.**
  - **Aviation sector opportunities Takatso sought to exploit through the transaction were greatly diminished in the two-years since SPA signing.**
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Three years ago, Takatso Aviation (“**Takatso**”) set off on a journey that held great promise to alter the course of the South African Airways Group (“**SAA**”) and the entire aviation industry, and set SAA on a higher, sustainable and transformative growth path.

**Directors:** Tshepo Mahloele, Lizeka Matshekga and Alwyn Wessels  
**Company Registration Number:** 2021/781475/07



Takatso's successful proposal for the acquisition of a 51-percent stake in SAA was born out of its stakeholders' deep commitment to South Africa and the economic development of the continent, coupled with a conviction that the business acumen and expertise Takatso had marshalled, as well as the investment we were committed to make into the airline, offered a commercially viable solution that was value accretive to the stakeholders of SAA and Takatso's investors. We were also confident that the investment also embodied a vision to jointly redefine the future of the airline and the aviation sector.

The transaction was underpinned by a recognition of SAA's contribution to South Africa's economic growth, regional integration and the aspirational goals of the Africa Continental Free Trade Area. Through this transaction, Takatso was determined to build a robust African airline that could compete well on the global stage, be financially sustainable, commercially viable, and agile in a very competitive market. Takatso aimed to build an airline that could be a centre of aviation excellence that contributed to the country's goals of economic growth and transformation, and that also yields financial returns for the South African fiscus, instead of taking from state coffers through continued bailouts.

In 2021, when Takatso expressed its interest in acquiring the controlling stake in SAA, it was at a time when market conditions were conducive, and the aviation sector was poised for rebound opportunities, post-pandemic. Takatso was however always clear in its analysis even then, that the opportunities presented by market conditions prevailing at the time were limited in such a competitive market, and time was of the essence in seizing them. At that time, SAA, which was in business rescue and had been grounded, had ambitions to restart operations.

Two years has lapsed since Takatso and the Department of Public Enterprises ("DPE") signed the Share Purchase Agreement ("**SPA**") in February 2022, and continuing volatile market conditions and aviation market dynamics, both locally and regionally, have greatly impacted and diminished this window of opportunity.



## **UNACCEPTABLE LEVELS OF RISK AND UNCERTAINTY**

About six months ago, and in recognition of the restart of operations and very different dynamics that were then at play, including the reality that SAA was no longer in business rescue as it was when the transaction was first discussed and negotiated, the parties agreed to re-evaluate and re-open negotiations on the transaction structure and the current value of SAA.

Despite the fact that the parties had already signed a valid, binding and enforceable Share Purchase Agreement in February 2022, Takatso agreed in good faith to this re-negotiation, because it was committed to trying to find solutions, and was determined to ensure that the transaction would continue to be founded on fairness and recognition of the strategic value of SAA.

These negotiations have been protracted, and the resultant revised transaction structure has introduced unacceptable levels of risk and uncertainty.

Given the magnitude and materiality of the of the proposed changes, it had also become clear that the transaction would possibly need to be re-submitted for competition regulatory processes, which would have further compounded the complexity and drawn out the process even further.

## **NO LONGER IN TAKATSO STAKEHOLDERS' BEST INTERESTS**

Takatso has therefore concluded that the revised transaction terms are no longer in the best interests of its stakeholders, especially in light of further, as-yet-unfulfilled transaction closing conditions. These include the cumbersome divestiture condition imposed by the Competition Tribunal, the need to receive further necessary legal and regulatory approvals, as well as the repeal of the SAA Act, which bill was withdrawn from parliament last month.



These conditions were unlikely to be advanced significantly or met by the date of 31 March 2024, the latest in a series of long stop dates that have been extended multiple times over the past two years in order to try and achieve satisfaction of conditions precedent to the deal.

The terms of the proposed revised transaction are simply not workable for Takatso, and we could not, under those circumstances, allow this process to continue to drag on.

Takatso Aviation therefore hereby confirms that on Friday 08 March 2024, following numerous engagements with the Department's team, we wrote to the Department of Public Enterprises, signalling our intention to trigger the termination by mutual consent provisions of the parties' Share Purchase Agreement.

Takatso can confirm that the Department has since reverted to it, consenting to that termination. The parties have thus mutually agreed to terminate the Share Purchase Agreement, previously announced on 22 February 2022, in terms of which Takatso was to acquire a 51% interest in SAA.

Consequently, all work and negotiations on the proposed transaction have ceased. Neither party will be required to pay the other a termination fee or other consideration as a result of the mutual decision to terminate the agreement.

## **MOVING FORWARD**

Harith, a party to Takatso, approached the proposed transaction from a position of financial strength and viewed the potential acquisition as an accelerator of its strategies to grow its already strong, existing transport platform, which includes significant assets in the aviation sector. Harith remains determined to continue to find opportunities to grow its aviation portfolio.

Takatso recognises the work of the interim management of SAA and DPE, who have continued to steer SAA's operations under a period of uncertainty, and sincerely hopes that this mutual decision begins to pave a path to greater certainty for SAA.



Throughout the process, Takatso and other stakeholders were humbled to see what our teams could have built together, and are deeply grateful to everyone who worked tirelessly to advance negotiations against tremendous pressure from some sectors of society, as well as significant political headwinds.

This is all understandable in an open and democratic society such as ours, considering the strategic importance of this asset.

Both parties continue to believe in the merits and pro-competitive benefits of the proposed SAA transaction, however they also believe it is in our respective best interests to move forward independently.

**ENDS**

**FOR MORE INFORMATION AND INTERVIEWS CONTACT**

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