

BLANTYRE HOTELS PLC

Blantyre Hotels Plc, "The Company"
Incorporated in Malawi on 29 October 1965
Company Registration Number 178

REVISED PRESS ANNOUNCEMENT IN RESPECT OF THE PROPOSED K4.2 BILLION SHAREHOLDERS' LOAN¹

1. Brief company profile

Blantyre Hotels Plc ("BHL") is a company incorporated in Malawi under the Malawi Companies Act (Chapter 46:03 of the Laws of Malawi). It operates in the hospitality industry in Malawi with one property, Protea Ryalls Hotel, based in Blantyre, under a management agreement with Marriott International. The shareholder profile for BHL is such that there is no single shareholder with a majority shareholding, but the three significant shareholders own a combined 92.79% of the company.

The shareholding of Blantyre Hotels Plc as at 31 December 2022 is as follows:

Shareholder name	Number of shares	Shareholding proportion
NICO Life Insurance Company Limited	288,370,392	34.34%
Africap LLC	269,979,852	32.15%
Press Trust	220,854,435	26.30%
Other	60,546,026	7.21%
Total	839,750,705	100%

2. Expansion plans

BHL is looking to expand its operations and in line with this strategy, the Company is involved in a hotel construction project in Lilongwe. Prior to BHL's involvement in the new hotel project, a feasibility study was conducted, and it was established that Lilongwe was an ideal location for a new hotel. The hotel property development is being implemented through a special-purpose vehicle, Oasis Hospitality Limited ("Oasis"). BHL has a 28% shareholding in Oasis based on the paid-up capital from capital calls made to date.

3. New hotel project cost and financing

Currently, the total cost for the new hotel project is US\$46.3 million. The project cost is split into: US\$36.79 million for the land acquisition and property development (construction) cost which will be on the balance sheet of Oasis; and US\$9.51 million for the hotel operations' furniture, fittings and working capital which will be on the balance sheet of BHL. The US\$36.79 million cost will be met by Oasis using capital contributed by its shareholders (which include BHL and other institutional investors and pension funds).

BHL subscribed to the equity of Oasis by putting in K4 billion. The funds were used by Oasis for land acquisition, design costs and project preparation costs. For the hotel operations, BHL will fund the full US\$9.51 million cost of furniture, fittings and working capital and this is not part of the property development cost.

Oasis has so far secured K19.2 billion from institutional investors and pension funds. The funds raised by Oasis have been utilized for the purchase of the land and the upfront program, which included detailed designs, project preparation and regulatory approvals. The funds, which include BHL's contribution, are also being used for the first phase of the project currently underway which is for demolitions, bulk earthworks, construction of the concrete structure and blockwork.

4. Funding of project commitments by BHL

BHL planned to raise funding for its commitments on the Lilongwe hotel project through a rights issue. Due to the impact of Covid-19 on the hospitality industry, the rights issue was deferred to allow for the recovery of BHL's hotel operations. The 2023 projections indicate that the hotel operations are recovering and are expected to return to pre-Covid levels.

In order to participate in the equity raise of Oasis, BHL obtained a facility of K4 billion from National Bank of Malawi plc ("NBM"). The facility had a moratorium of two years and the first repayment was due on 28 April 2023. The interest on the facility is on a straight line basis and is not capitalized. The moratorium has since been extended and the first repayment which is for the accrued interest and the first principal repayment is now due on 31 August 2023. The facility is secured with a charge on the Ryalls Hotel property, which is currently valued at K8.8 billion. The postponement of the rights issue and the late commencement of the construction project has impacted BHL's capacity to service the NBM facility.

5. Proposed transaction

To fund BHL's current commitments on the NBM facility and the Lilongwe hotel project, the Board resolved to approach BHL's significant shareholders to provide a shareholders' loan. The shareholders' loan would be on terms, among others, that a shareholder will have an option to convert the loan into equity when BHL conducts a rights issue in 2024.

The Board now proposes to obtain the K4.2 billion shareholders' loan in order to service the K4 billion NBM facility, specifically the accrued interest during the two-year moratorium period and first principal payment, and to fund BHL's further commitments on the Lilongwe hotel project.

The shareholders' loan is, in principle, an advance by the significant shareholders for the expected equity offering in BHL through a rights issue. The Board recommended that the interest rate for the shareholders' loan should be the 364-days Treasury Bill yield.

The benefits of the proposed transaction to the shareholders are the upside returns expected from the Lilongwe hotel operations through dividends.

The shareholders' loan, being a related-party transaction, must comply with the Malawi Stock Exchange Listing Requirements. BHL requires the funding to be in place by the expiry of the moratorium on the NBM facility. In this regard, the Board of Directors propose that the shareholders approve a shareholders' loan of up to K4.2 billion. The shareholders' loan will be advanced by NICO Life Insurance Company Limited and Africap LLC, with the shareholders providing K1.11 billion and K1.0 billion, respectively. BHL will obtain the loan in tranches and the first tranche will amount to K2.11 billion, which will be channeled to the commitments on the NBM facility. The balance of K2.09 billion will be accessed by 30 June 2024, to meet the commitments of the Lilongwe hotel project.

The proposed transaction requires approval by ordinary resolution of the shareholders at a general meeting prior to implementation of the proposed transaction. It should be noted that NICO Life Insurance Company Limited and Africap LLC (and their associates, if any) will not be taken into account in determining a quorum at the general meeting and they will also not be allowed to cast their votes in relation to the proposed transaction.

6. Effects of the transaction

The loss after tax for the company based on audited accounts in 2021 and 2022 was K752 million and K136 million, respectively. Assuming the shareholder's loan was accessed, the adjusted loss after tax would have been K657 million and K40 million in 2021 and 2022, respectively. The effects of this transaction on the pro-forma net asset value and earnings per share have been disclosed below:

	Audited 2021	Pro-forma 2021	Audited 2022	Pro-forma 2022
Loss after tax (K'000)	(751,839)	(657,059)	(135,910)	(40,070)
Earnings per share (K)	(0.90)	(0.78)	(0.16)	(0.05)
Net asset value (K'000)	6,492,878	6,587,658	6,804,235	6,994,855
Net asset value per share (K)	7.73	7.84	8.10	8.33

7. Circular

Please note that BHL will issue a circular for the proposed transaction to its shareholders in compliance with the Malawi Stock Exchange Listing Requirements.

For more information, please do not hesitate to consult the Company Secretary.

Dated 14 August 2023

By Order of the Board
NICO Asset Managers Limited
Company Secretaries

BOARD OF DIRECTORS

Mrs. Emily Makuta (Chairperson)

Address: P. O. Box 501, Blantyre, Malawi.

Mr. Andrew Katimba (Independent and Non-Executive Director)

Address: P. O. Box 430, Blantyre, Malawi.

Ms. Chikondi Ng'ombe (Independent and Non-Executive Director)

Address: Area 29, Kanengo Industrial Site, Lilongwe, Malawi.

Mr. Elias Azele Malion (Non-Executive Director)

Address: P/Bag 359, Capital City, Lilongwe, Malawi.

Mr. Rob Scharar (Non-Executive Director)

Address: 791Town & Country Blvd, Suite 250, Houston, Texas, USA.

DETAILS OF ADVISORS



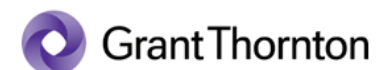
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¹This is a revised version of, and supersedes, the Press Announcement published on 1 August 2023.