

IMPLATS TAKES STEPS TO STRENGTHEN ITS BALANCE SHEET THROUGH AN EARLY CONVERSION OF ITS USD CONVERTIBLE BONDS

Johannesburg, 17 July 2019 – Impala Platinum Holdings Limited (Implats or the Group) has today announced an invitation to the holders of its USD250 million 3.25% convertible bonds due in 2022 (USD Bonds) to exercise their conversion rights. In terms of this invitation, bond holders will receive by way of consideration a cash payment, and shares in Implats in accordance with the terms of the USD Bonds.

The optimisation of Implats' balance sheet through a reduction and restructuring of existing debt is a key pillar of its strategy to reposition as a profitable, sustainable and competitive business with clear capital allocation priorities and ultimately, a return to a dividend paying position. To this end, the USD Bonds have been identified as a priority given their higher relative risk profile and costs when combined with the Cross Currency Interest Rate Swap (CCIRS).

The 2022 ZAR and USD convertible bond issuance in June 2017 raised proceeds of R3.25 billion and USD250 million respectively, which was utilised to refinance amounts outstanding from the February 2018 convertible bond, with limited residual proceeds. A USD250 million CCIRS was concluded to hedge the foreign exchange risk on the USD Bond and swap the USD 3.25% coupon for a fixed ZAR interest rate of 9.8%.

The increase in rand PGM pricing has been a welcome tailwind to Group profitability and free cash flow generation. In the six months between 30 June 2018 and 31 December 2018, Implats achieved a reduction in net debt of R4.4 billion to R976 million. During this period, gross cash balances increased by R2.7 billion to R6.4 billion, while total debt (excluding finance leases) was reduced by R1.7 billion to R7.3 billion.

Improved operational and financial performance has also resulted in substantial share price appreciation, such that Implats' equity has traded above the USD Bonds conversion price of USD3.89. The Group has therefore decided to launch an invitation to USD bondholders to offer to exercise their conversion rights in relation to the USD Bonds in return for the payment of a cash consideration (the so called 'Invitation Consideration' which will capture the premium to parity inherent in current bond trading levels together with an additional incentive amount) and the issuance of equity, up to a maximum of approximately 64.3 million shares.

The Invitation Consideration will be funded from existing cash resources, with the issue of up to a maximum of 64.3 million shares. The relevant regulatory approvals required for the invitation and equity issuance have been obtained.

The invitation will allow Implats to reduce a material debt liability with a face value of USD250m and in doing so, lower the average borrowing costs of the Group and the value of future coupon payments due in terms of the USD Bonds (by up to R319 million per annum, being the coupon payable in terms of the CCIRS).

The required accounting treatment of the USD bond has also increased the variability of reported earnings at the Group due to the need to account for the impact of fair valuing both the CCIRS and equity component of USD bond, together with the translation impact of changes in the USD foreign exchange rate on the face value of the USD bonds.

It is also expected that a reduction in the quantum of the USD denominated convertible bond debt will result in reduced market volatility through a decrease in existing hedge fund involvement, which may have resulted in implied future equity holdings covered by a proportionate short positioning.

Nico Muller, CEO said: *“Rising rand PGM pricing and the reported improvement in operational delivery at Implats has had the dual benefit of both improving free cash flow generation and substantial share-price appreciation. This has allowed us to contemplate taking bold steps to accelerate our capital allocation priorities by taking advantage of market conditions to reduce a material debt obligation at the Group.”*

The invitation was launched this morning, Wednesday, 17 July 2019 at 8am SA/ 7am UK time and is expected to expire on Friday, 19 July at 6pm SA/5pm UK time. The results of the invitation will be announced on Monday, 22 July 2019 at 8am.

Ends

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