



# MATUSON

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## ASSOCIATES

MEETING TO DETERMINE THE FUTURE OF THE COMPANY IN  
TERMS OF S151 OF THE COMPANIES ACT 71 OF 2008:  
TYRE CORPORATION INTERNATIONAL  
SALES AND SERVICES (PTY) LTD

DATE: 05 April 2017

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## DISCLAIMER

The information in this presentation is based on, inter alia:

- Time spent with creditors;
- Discussions with staff and management; and
- Financial information prepared by management (unaudited).

The BRP has attempted to ensure that the facts presented in this document are accurate. However, the information provided by management has not been verified by the BRP. Any party that chooses to take any action with regard to the Company, should take adequate precaution to verify the information on which it acts.

Note: All financial information is sourced from management including monthly management accounts.

## AGENDA

1. Background to Business Rescue Proceedings of the Company
2. Timing of Business Rescue Proceedings
3. Introduction of the Plan
4. Opinion of the BRP in terms of the Companies Act, 71 of 2008 as amended (“the Companies Act”): Reasonable Prospect of the Company being Rescued
5. Comparison of Business Rescue to Liquidation
6. Salient terms of the Plan
7. Risks, Benefits and Challenges
8. Discussion and vote on:
  - Amendments to the Proposed Plan
  - Adjournment of the meeting
  - Approval of the Plan
9. Results of the voting
10. Report on whether the Plan has or has not been finally adopted

## BACKGROUND TO BUSINESS RESCUE PROCEEDINGS

On 27 February 2017, the Company was placed under Business Rescue pursuant to the filing of a resolution in terms of Section 129(1) of the Companies Act.

On 2 March 2017, John Dymoke Lightfoot was appointed as the BRP in accordance with Section 129(4) of the Companies Act.

## TIMING OF BUSINESS RESCUE PROCEEDINGS

The following summary sets out the salient dates on which certain events have taken and will take place during Business Rescue:

EVENT	DATE
Commencement Date	27 February 2017
Appointment of BRP	02 March 2017
First Creditors' Meeting	10 March 2017
Publication of Business Rescue Plan	28 March 2017
Meeting to Consider the Business Rescue Plan	05 April 2017

## INTRODUCTION OF THE PLAN

The definition and primary objective of Business Rescue is to develop and implement a plan, if approved, to rescue the company by:

a) Restructuring its affairs, business, property, debt, other liabilities and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis,

OR, if not possible,

b) Results in a better return for the Company's creditors or shareholders than would result from the immediate liquidation of the Company.

The Plan has been prepared and drafted in terms of the above part (b) (i.e. better return than liquidation).

The Plan details actions, events and steps taken by the BRP in respect of the Company from 02 March 2017 to 28 March 2017, being the date of publication of the Plan.

The Plan envisages a higher return for the Company's creditors than would result from the immediate liquidation of the Company.



## BRP'S OPINION IN TERMS OF THE ACT

**The BRP remains of the view that that there is a reasonable prospect of the Company being rescued in terms of part (b).**

# BUSINESS RESCUE VS LIQUIDATION

	Business Rescue	Liquidation
Employees	<p>While employees continue to be employed by the Company they receive <b>FULL SALARIES AND BENEFITS</b>.</p> <p>Employees will receive <b>FULL SALARIES AND BENEFITS</b> from the commencement of the Business Rescue to the date of implementation of the Plan or termination of the Business Rescue Proceedings or termination of employment.</p>	<p>Employment contracts suspended on liquidation.</p> <p>Employees receive capped severance in terms of the Insolvency Act. Maximum of R28 000 per employee.</p>
Realisation of Assets	Maximum value is preserved and realised.	Assets are usually sold at distressed prices.
Timing	<p><b>8 – 12 MONTHS</b></p> <p>Payment made to creditors in terms of the waterfall as and when funds permit.</p>	<p><b>18 – 24 MONTHS</b></p> <p>Payment of dividend could take between 18 – 24 months after L&amp;D account confirmed by Master.</p>
Fees	In Business Rescue the fees are significantly less and are based on a set tariff or by agreement.	In a liquidation, fees are based on fixed percentages of the gross value of assets realised, irrespective of the third party costs incurred in achieving such realisations.

## COMPARISON OF BUSINESS RESCUE TO LIQUIDATION

CLASS OF CREDITOR	LIQUIDATION	BUSINESS RESCUE
<b>Secured</b>	R8.7 million	R10.6 million
<b>Business Rescue Costs / PCF Creditors</b>	<b>N/A</b>	<b>100c</b>
<b>Employees</b>	<b>N/A</b>	<b>N/A</b>
<b>Concurrent Creditors</b>	<b>0c</b>	<b>15c</b>

# BUSINESS RESCUE PLAN



## KALTIRE OFFER

### Proposed Transaction

The Company forms part of a larger group of companies commonly referred to as the Tyre Corporation group (“the Group”).

The businesses and affairs of the companies within the Group are inter-twined and largely depend on each other for, *inter alia*, funding, procurement, human resources, marketing, finance and administration.

Due to the aforesaid, as well as the commonality of the creditors within the Group, a group transaction in terms of which:

- the businesses of the companies comprising the Group are sold to a single purchaser; and
  - the respective classes of creditors within the Group are dealt with simultaneously,
- will result in a better return for the Creditors, particularly Concurrent Creditors.

During February 2017, Kaltire made an offer to purchase the businesses of companies forming part of the Group, including the business of the Company (“**Proposed Transaction**”).

## ILLUSTRATIVE EXAMPLE - ALLOCATION OF PURCHASE CONSIDERATION

### Purchase Consideration as per Kaltire Offer (Excluding Goodwill)

Tangible Asset Class	Proceeds per Asset Class	Debtors' Hold Back	Total	% of Total Assets	Cost Allocation	Net Realisation
	R'million	R'million	R'million	R'million	R'million	R'million
Debtors	136	-20	116	58%	-19	97
Inventory	28	-	28	14%	-4	24
PPE	55	-	55	28%	-9	46
<b>Total</b>	<b>219</b>	<b>-20</b>	<b>199</b>	<b>100%</b>	<b>-32</b>	<b>167</b>

Total Net Realisation

### Net Realisation of Assets:

- Proceeds per Asset Class: Determined in accordance with the Valuation Methodology per the Kaltire Offer
- Debtors' Hold Back: This takes into account various factors such as doubtful debts
- Cost Allocation: Allocated pro-rata to Tangible Asset Classes

## BUSINESS RESCUE WATERFALL

### Order of Distribution – Payment Waterfall

In terms of the Companies Act, the following order of priority (to the extent that there are funds available to pay all categories of Creditors) is provided for:

- the Business Rescue Costs, including but not limited to legal costs, the costs of the Advisors, operating costs and other costs associated with the Business Rescue;
- Employees for their employment during Business Rescue (to the extent that they have not been paid for their services during Business Rescue);
- Secured Post-Commencement Finance (“PCF”) Creditors;
- Unsecured PCF Creditors; and
- Concurrent Creditors.

In respect of pre-commencement Secured Creditors, their Claims will rank in respect of such secured asset in priority to all other claims, other than the BRP’s remuneration and expenses, as contemplated in section 143 of the Companies Act.

# ILLUSTRATIVE EXAMPLE - ORDER OF DISTRIBUTION

## Allocation of Net Realisation to Creditors according to Security Held

Security	Net Realisation	Secured Realisation*	Secured Realisation*	Concurrent Realisation	Total Realisation
	R'million	R'million		R'million	R'million
Cession of Debtors	97	97	Net Realisation	-	97
GNB over Inventory	24	13	Net Realisation	11	24
GNB over PPE	46	17	Determined Value	29	46
<b>Total</b>	<b>167</b>	<b>127</b>		<b>40</b>	<b>167</b>

\*Secured Realisation is limited to value of claim. If value of claim exceeds realisation, the remaining portion of the claim forms part of the concurrent creditors balance.

•**Net Realisation:** Proceeds per Tangible Asset Class less cost allocation (as per Kaltire Offer).

•**Determined Value:** A value will be calculated for the Plant and Machinery of each Seller based on the independent professional valuation (based on liquidation values) for each asset, unless no such value is available, in which case, the book value is used.

### Illustrative Example for Determined Value:

Assuming there is a GNB over a certain plant within the PPE Asset Class:

- Plant is valued at R1 million book value in the company's ledger
- The liquidation value per the valuation performed is R10 million (Determined Value)
- The R10 million is a fairer reflection of the plant's value
- Thus, the secured creditor will receive a realisation in accordance with the following:  
$$(\text{Plant Determined Value} / \text{Total PPE Determined Value}) * \text{Total PPE Realisation}$$
  
Example:  $(\text{R10 million} / \text{R100 million}) * \text{R46 million} = \text{R4,6 million Secured Realisation}$



## ILLUSTRATIVE EXAMPLE - ORDER OF DISTRIBUTION

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➡ **Secured Pre-Commencement Creditors:** Subsequent to the Business Rescue Costs and Employees being paid, the Secured Pre-Commencement Creditors will receive distribution in accordance with their security held, per asset class and per entity, as per the illustrative example.

- ➡ **Concurrent Creditors:**
- Concurrent creditors not part of the Standstill Agreement or Business Rescue: These creditors will be settled from the free residue as a result of claims arising subsequent to the publication of the notices in terms of section 34 of the Insolvency Act.
  - Subsequently, Concurrent Creditors who are part of the Standstill Agreement or Business Rescue will receive a dividend from the free residue.**

## BUSINESS RESCUE PLAN

### Other Possible Enhancements to Dividends

- Collection of Intercompany debtors – Africa Businesses
- Realisation of assets not included in the Kaltire Deal

## **RISKS, BENEFITS & CHALLENGES**



## RISKS OF THE BUSINESS RESCUE

- The suspensive conditions in terms of the Proposed Transaction not being fulfilled, taking longer than expected and/or the Proposed Transaction failing for any reason;
- unforeseen claims and/or litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;
- unforeseen damages claims and contra claims arising from, *inter alia*, the cancellation of any contracts or agreements of any nature whatsoever, howsoever arising;
- any changes in legislation that impact Business Rescue;
- any challenges to the Plan, the rejection thereof or any amendments thereto;
- any regulatory challenges of any nature whatsoever, howsoever arising;
- any unforeseen circumstances, outside of the control of the BRP of any nature whatsoever howsoever arising that impact on Business Rescue;
- material discrepancies in the information made available to the BRP by Management;
- the final verification and agreement of the quantum of the Claims take longer than expected or if the records of the Company are irreconcilable to the Claims received;
- the Company's assets not being realised for the amounts provided for in the BRP's calculations, or a variation in such realisations based on the valuation methodologies applicable to the Proposed Transaction, or the assets not being realised at all;

## BENEFITS OF BUSINESS RESCUE

### **Benefits:**

- Continuation of the Business – Customer retention going forward
- Increased dividend distribution
- Saving jobs – directly at the Company and indirectly at suppliers

# VOTING



## AMENDMENTS TO THE PROPOSED PLAN

In terms of s152(1)(d) of the Act, the BRP must invite discussion, and entertain and conduct a vote, on any motions to-

- i. Amend the proposed Plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the BRP; or
- ii. Direct the BRP to adjourn the meeting in order to revise the Plan for further consideration.

## VOTING ON THE PROPOSED PLAN - PROCESS

In terms of s152 of the Act:

- The BRP must call for a vote of preliminary approval of the proposed Plan, as amended if applicable.
- The Plan will be approved on a preliminary basis if:
  - it was supported by the holders of more than **75% of the creditors' voting interests** that were voted; and
  - the votes in support of the proposed plan **included** at least **50% of the independent creditors' voting interests**, if any, that were voted.
- The preliminary approval of the Plan will constitute the **final adoption of the Plan** if it does not alter the rights of the holders of any class of the Company's securities.



## DETERMINATION OF VOTING INTERESTS

- A secured or unsecured creditor has a voting interest equal to the value of the amount owed to that creditor.
- PCF creditors, including employees with claims in terms of section 135(1) of the Act, will have a voting interest equal to the value of the amount owed to that PCF creditor.
- A creditor who has a disputed claim, contingent claim, prospective claim, damages or unliquidated claim will only be allowed to vote in the sole discretion of the BRP.
- A creditor whose claim amount does not reconcile with the Company's records will only be allowed to vote on the amount determined in the sole discretion of the BRP.

## CONDUCTING OF A VOTE

## RESULTS OF THE VOTING AND REPORT ON WHETHER THE PLAN HAS BEEN ADOPTED

In terms of s152(4) of the Act, a Plan that has been adopted is **binding** on the Company, its creditors and shareholders, **irrespective** of whether such person –

- a) was present at the meeting;
- b) voted in favour of the adoption of the Plan; or
- c) in the case of creditors, had proven their claims against the Company.



**MATUSON**  
ASSOCIATES