JSE Corporate Actions - Definitions

AS: Additional Shares: Acquisition

Acquisition Issue: An issue of securities in consideration for an acquisition of assets (which shall not include the extinction of a liability, obligation or commitment) or an issue of securities for an acquisition of, or merger with, another company in consideration for the securities of that other company.

The shareholders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

BS: Share Buy-Back: Specific

The Company repurchases shares from specific or defined shareholders. This can be done on a pro-rata basis and can include an election or can be obligatory for all shareholders. Share buy-back schemes must be approved by the shareholders.

There are a number of ways in which a company can return wealth to its shareholders. Although stock price appreciation and dividends are the two most common ways of doing this, there are other useful and often overlooked ways for companies to share their wealth with investors

A stock buyback, also known as a share repurchase is a company buying back its shares from the marketplace. You can think of a buyback as a company investing in itself, or using its cash to buy its own shares. The idea is simple because a company can't act as its own shareholder. Repurchased shares are absorbed by the company and the number of outstanding shares on the market is reduced. When this happens, the relative ownership stake of each investor increases because there are few shares, or claims on the earnings of the company.

Buybacks are carried out in two ways, i.e. tender offer and open market.

CB: Change of Board

An event where a company moves it's listing from one board, to another board, e.g. from the JSE's Main Board to its Secondary Board viz. AltX. There are various reasons for changing board i.e.the company has changed its core business, it has reached a size where it has adequate exposure and therefore moves to the main board in line with its competitors in the same sector. If a company has a market cap of less than a billion rand, it will move to AltX.

CD: Cash Dividend

An event where an issuer distributes reserves in cash only to the registered owners (and where applicable for the benefit of beneficial owners). According to the Companies Act, a dividend must be paid out of the current year's profits or out of retained income.

Cash payment made as a "return" on investment to shareholders out of a company's profits after taxation and transfer to reserves and prior charges have been met. The receipt of a dividend is one of the reasons that shareholders invest in the Stock Market. The dividend is however determined by the directors but no dividend has to be declared. Sometimes some of the profits of a company are retained, which obviates the need to raise further capital through the issue of shares.

Dividend types and description:

- **Maiden**

  First dividend or a dividend paid after a long period.

- **Interim**

  Dividend paid after a reporting period, e.g. 6 monthly.

- **Final**

  Dividend declared for the financial year-end.

- **Special**

  Dividend declared for the interim or financial year-end, over and above the normal dividend.

A dividend re-investment plan (DRIP) is a means of allowing shareholders to cheaply reinvest their dividends in the purchase of more shares in a company. The operator DRIP (typically the company's registrar) pools the cash dividends payable to shareholders who have chosen to use the DRIP, purchases shares in the market and allocates them to the shareholders.

From the point of view of a shareholder it is similar to receiving a scrip dividend, but there are important differences:

1. A DRIP does not retain cash within the company.
2. There are (small) dealing costs.
3. The number of shares a shareholder gets depends on the price on the day on which the DRIP operator purchases the shares.

CF: Conditional Offer

An offer made to the shareholders of a company conditional upon the occurrence of some event, eg shareholders meeting, regulatory approval etc. Typically, where a take over bid is being made, the predator will make an offer to shareholders conditional upon it being accepted by a certain percentage of the shareholders.

CI: Capitalisation Issue

Free issue of shares to all existing shareholders.

Also called Bonus Issue, these do not involve the transfer of cash between the company and its members. They occur when a company feels it desirable to convert part of its reserves (profits from earlier years which have not been paid out as dividends) into new shares. This often arises when the number of shares in issue is small in relation to the total value of the business. This makes them too scarce or highly priced to be easily traded, from a member's (shareholder's) point of view. The effect is to give him (shareholder) a greater number of shares than he already has. As the company itself has not grown any larger or smaller in the process, the percentage of his holding has remained unchanged. His stake therefore consists of more shares, each representing less of the company.

CM: Capital Redemption

This refers to preference shares or debentures. The initial capital or investment is paid out by the company at a certain future date. The only difference between redeemable 'prefs' and redeemable debentures is that the debentures are units of loan capital and receive interest, while the 'prefs' are share capital and receive dividends, which may not be paid if the company is not making profits.

Redemption with election

An event where the issuer repays the (loan) redeemable preference share capital or the debenture securities in full to the registered owners (and where applicable for the benefit of the beneficial owners). The registered owner, where applicable acting on the instructions of the beneficial owner has the option to elect either a cash repayment or new securities. This will result in only the redeemed securities being delisted, those not redeemed remain listed. The listing of the instrument is not terminated.

Redemption without election

An event where an issuer repays the (loan) redeemable preference capital or the debenture securities in full to the registered owners (and where applicable for the benefit of the beneficial owners). The registered owner, where applicable acting on the instructions of the beneficial owner, does not have the option to elect either a cash repayment or new securities, the beneficial owner receives cash or new securities as stipulated by the issuer prior to the finalisation date. The listing of the instrument is usually terminated.

RS: Redemption of Securities

An event type no longer in use and which is now covered under and treated as a CM.

PR: Partial Redemption

This is essentially treated the same as a CM, except only a portion or part of the redeemable Capital is repaid and all instruments remain listed. Price adjustments are made. There can be more than one partial redemption throughout the life of an instrument.

CO: Consolidation

An event where the number of issued shares of a class is consolidated into a lesser quantity of shares of the same class with a corresponding increase in the nominal value/par value of the resultant number of issued shares of the same class. The effect of a consolidation is that the number of shares of the same class in issue reduces but the total nominal value/par value of the issued share capital in respect of that class remains the same.

In a perfect market the price should rise by the same ratio as the consolidation, i.e. on the first day of trading after the automated consolidation took place, the Market Capitalisation (Number of Shares x Market Price) should be the same as before.

There will always be a change in the Nominal Value/ Par Value of the share. The company could use this if the value of their shares is too low, in order to increase their trading value. As an example, on a 1 for 2 consolidation, the nominal value/par value and trading price will double.

CP: Capital Repayment

A corporate action in which the company partly repays the capital in issue by paying the holders a proportion of the paid-up capital of the security.

CR: Capital Reduction

An event where a payment of cash is made to registered owners (and where applicable for the benefit of the beneficial owners) when excess working capital held in a company is distributed. Payment is made out of the Share Premium Account.

The power to reduce share capital must exist in the company's Articles of Association. The procedure to insert the power into the Articles of Association requires that a special resolution be voted upon at a general meeting of the company, followed by filing the special resolution and amended Articles of Association at CIPRO.

NOTE: Unalloted share capital may be cancelled by the company at any time without the court's consent.

CV: Conversion of Securities

Conversions arise when convertible securities are converted in accordance with the relevant trust deed. Holders of convertible debentures, convertible preference shares, deferred shares and options have the right to convert all or part of such instruments into ordinary shares each year and by a certain closing date. Sometimes holders of such instruments have to pay a conversion take-up price. The securities are compulsorily convertible. Convertible securities may be listed or unlisted. The portion of the convertible securities so converted is withdrawn from the company's listing (if they are listed). Securities taken up as a result of the conversion are then listed on the JSE by way of an additional listing. That part of the option not taken up, falls away.

A Conversion- Auto (Full/Partial)
An event where all/part of the issued securities of a class are automatically converted into new securities of a different class by the issuer, without election i.e. the holder of the security receives a new security in place of the old one. Not all securities are converted in the case of a partial conversion. Conversions may be triggered as per security proposal e.g. time lapse, dividend ceiling, etc.

A Conversion- Election (Full/Partial)
An event where the registered owners, where applicable acting on instructions of beneficial owners, are entitled to elect whether they wish to convert all or a specified portion of the issued securities of a class held by them into new securities of a different class. The holder of the security receives a new security in place of the old security. The holder has the election to convert if and when the shareholder chooses to, in line with the terms.

GB: Share Buy-Back: General

The Company repurchases shares from the general market and the listed shares are then withdrawn. Share buy-back schemes must be approved by the shareholders.

See specific buy back (BS)

GI: General Issue of Shares For Cash

An event where the company issues shares for cash to the general market. This is usually done in order to increase the company's capital through a new issue for cash. The extra cash raised from such an issue can be used for expansion or to take advantage of opportunities presented by market conditions. This is not in proportion to shareholder rights. The shareholders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

IC: Change in Authorised Share Capital

An act by which a company changes its authorised share capital. This is usually done after obtaining the necessary approval from the shareholders and the JSE's Corporate Finance division.

IL: Liquidation Dividend

An event where the payment of cash to registered owners (and where applicable for the benefit of beneficial owners) is made on the winding up of the company and subsequent termination of the securities. A liquidation payment can be made in stages (Interim and Final).

In the case of an *interim* liquidation payment, the cash entitlement will be paid out whilst the securities are still listed.

In the case of a *final* liquidation payment, once payment has been made, the securities will be de-listed. Liquidation payments can also be made after the company has de-listed.

IS: Special Dividend

A nonrecurring dividend that is exceptional in terms of either size or date issued. Dividends are paid out of excess profits of the company. Like any other dividend a special dividend has to comply with all the requirements of the Companies Act

IT: Interest Payment

An event where interest is paid to registered owners of interest bearing securities (and where applicable for the benefit of the beneficial owners), at a fixed or variable rate.

MB: New Listing

The listing of a new company and the issue of shares to raise finance to increase its working capital. In return, shareholders become holders in the company and they qualify to participate in all entitlements associated with that instrument type.

A new listing is also an event where a new type or class of securities is to be issued by an issuer and listed on the JSE. A new listing can occur as a result of three types or combinations of offers:

- **a public offer:** The making available of a new securities issue to the public through underwriting.

  Prior to a new listing on a stock exchange, a company will have an initial public (I.P.O.) offering whereby it will offer shares to the public and/or institutions. It is important for the back offices of investment banks to know which companies have declared their intentions of going public, so that they can set up the issue in their reference databases, whilst the front office has the possibilities of either advising on the IPO or consummating the deals.

  Not all companies that declare their intention of going public actually do so. They may in the interim, be taken over, fail due to diligence or not achieve the valuation that they had hoped for.

- **a private placing:** a non-renounceable offer to specified persons or entities identified by the issuer (excluding an offer to the public or to existing holders of issuer's securities) to subscribe for securities i.e. the sale of securities directly to institutional investors such as banks, mutual funds, insurance companies, pension funds and foundations.
- **a combination of the above two options.**

MO: Minority Offer

An event where the holding company holds the majority of the shares in a subsidiary and the rest of the shares are held by minority shareholders. An offer is made to buy the minorities out.

MW: New Listing / Termination of a Warrant

An event where all warrant details are captured on RDS and listed on the JSE. This will include the listing date, termination date, strike price, cover ratios, barriers etc. Only one event is loaded per warrant listed. The warrant is suspended at commencement of business using the expiry date and terminated five days later for settlement purposes.

NC: Name Change

An event where the registered name of a company is changed. If a company retains its history, it is processed as a normal name change. If it does not retain its history, the Name Change is treated as a de-listing and then a new listing.

The process of suspension and termination for those companies not retaining history is still being workshopped.

OL: Odd-Lot Offer

An event where the listed company intends reducing administrative costs resulting from a large number of "odd-lot" holders. The Committee interprets an "odd-lot" as a total holding of less than 100 securities. In all instances a three-way election must be provided for holders (all registered owners) of odd lots (and where applicable for the benefit of the beneficial owners) the option to either:

1. elect to retain their odd-lot holding
2. elect to top up their holding to 100 securities or a round lot of securities; or
3. elect to sell their odd-lot holding

Failing an election, the odd lot will be sold for the benefit of registered owners (and where applicable for the benefit of the beneficial owners).

PV: Nominal Value/ Par Value Change

The nominal rand amount assigned to a security by the issuer usually bears no resemblance to the market price, which is primarily determined by market forces. A change in nominal value/par value refers to an event where the company changes its nominal/par value, by either reducing or increasing it. Such a change will usually be accompanied by a proportionate change in the number of shares but this is not a rule. This figure is used to calculate the authorised share capital of a company.

RL: Reverse Take-Over Listing

An acquisition by a listed company of a business, an unlisted company or assets where any percentage ratio is 100% or more of the original market value of the listed company, or which would result in a fundamental change in the business, or in a change in board or voting control of the listed company, in which case this will be considered a new listing.

RT: Rights Offer/Claw Back Offer

This is the right of existing shareholders to be offered a new issue of shares by a company in proportion to their existing holdings. Unlike scrip issue, a rights issue raises funds for a company and it increases the net assets of a company. It will also have an effect on the share price.

Rights Offer (regular)

It may be traded for a three-week period before payment is due. It may be taken up or allowed to lapse.

If the shareholder does not wish to subscribe for the new securities, the rights under the title of letters of allocation may be sold in the market until the last day mentioned in the rights letter. This is a mechanism employed by a listed company to raise more capital. The company would issue the Nil Paid Letters (NPL) to existing shareholders and invite them to buy more shares at a specified rate. The associated take up price is normally on or below the current market price of the shares into which the NPL's will be converted to make the issue attractive. A shareholder takes up his rights when he decides to convert NPL's held by him, and lapses his rights when he decides not to.

NPL's are instruments that normally have a lifespan of 18 business days and are listed and traded like ordinary shares. They are usually identifiable by the share code being suffixed with an "N".

Claw Back Offer

In the eyes of the shareholders this is essentially the same as a rights offer however the shares are first sold to a third party who then offers to sell them to the issuer's shareholders in proportion to their shareholdings, i.e:

An issue of securities for cash by an applicant (issuer) to persons/entities where the securities are then offered by such persons/entities to the applicant's shareholders i.e. registered owners (and where applicable for the benefit of the beneficial owners) in proportion to their holdings. This is usually done to reduce debt position or repay the capital loan made by the person/entity to whom the claw back offer is made. The company is clawing back ownership.

SA: Scheme of Arrangement

Scheme of Arrangement with Election

A general event type used to describe complex deals and arrangements between listed companies. In essence a third party proposes a scheme of arrangement to purchase shares in a listed company by offering either:

- A new company
- Cash
- Combination of the above

The shareholder will have the election of either of the above.

An event where the registered owners (and where applicable beneficial owners) are obliged to dispose of the relevant securities in terms of the scheme for consideration which may or may not be subject to an election as to its content and, if so, where the registered owner (and where applicable acting on the instructions of the beneficial owners) may exercise the election. The scheme shall have been proposed in terms of Section 311 of the Companies Act, which has been approved by registered owners, where applicable acting on the instructions of the beneficial owners, and which shall have been sanctioned by the High Court and where the sanctioning order has been registered by the Registrar of companies.

Scheme of Arrangement without Election
A third party proposes a scheme of arrangement to purchase shares for:

- Cash
- Shares in new company
- Combination of the above

Schemes of arrangement will utilise various corporate actions to achieve the desired result, e.g. it could involve CV, SU, TE and a CR, CP or CI, amongst others.

SC: Scrip Dividends

Instead of a company paying out a cash dividend, shareholders may receive scrip in lieu of cash. In a scrip dividend, the default (i.e. non-election) could be for cash or scrip. There must always be an election in a scrip dividend, if not, it will be deemed to be a capitalisation issue. Companies may use scrip in order to retain cash for working capital. The new scrip will be equal to the issued scrip in every respect- therefore the shareholder will be eligible for dividends on the new scrip when the next dividend is declared. Generally, the new scrip is issued in a ratio to the scrip already held. Scrip Dividends must form part of an election, the other part being cash. Scrip dividends are sometimes called Cap Awards.

No price adjustment is calculated for scrip dividends. The shares are added to the index when they are listed.

SD: Subdivision

An event where the number of issued shares of a class is split into a greater quantity of shares of the same class with a corresponding decrease in the par value of the resultant number of issued shares of the same class. The effect of a subdivision is that the number of shares (held by each investor) of the same class in issue increases in direct proportion to the overall increase in the issued share capital but the total nominal value of the issued share capital (and the shareholders percentage interest in the company) remains the same.

A company would use this event to lower the price of their shares and thereby make them more affordable and attractive. They also do this in order to increase the tradability of their shares. A sub-division normally takes place when a company's shares reach a price level that puts them beyond the reach of the average investor.

A sub-division sometimes directly follows a Consolidation, in which case the whole process is referred to as a Reconstruction. This is to identify and pay out the holders of a small number of shares, thus reducing administration costs involved. The demand for the share in question normally rises after a sub-division (split) and so the market price may rise.

SE: Scrip Issue: Additional Shares

It is the take-up or issue of new shares to existing shareholders in proportion to their existing shareholdings resulting from a Scrip Dividend (SC) announcement. The shareholder does not pay for these new shares that are said to be issued fully paid up. This issue of shares is to those shareholders who elected to receive scrip in lieu of cash. This can be used in conjunction with SC and WD. The full scrip quota is listed to enable trade in these shares however once the final election results are known then a WD is processed to withdraw the shares of the shareholders who elected to receive cash.

SI: Specific Issue of Shares for Cash

An event where the company issues shares for cash to specific investors from the unissued portion of its authorised share capital. The rationale for such an issue is to raise extra capital for expansion or simply to take advantage of market conditions. The shareholders will have waived their rights to retain their percentage holdings at an earlier General Meeting.

SL: Suspension Lifted

This is when a suspension of a share is lifted by the JSE. This is sometimes referred to as a re-instatement.

The suspension is lifted because the company has fulfilled the requirement which caused them to be suspended. The company must request re-instatement.

SO: Exercise of Options

There are 2 events associated with this event type:

1. The act by which the buyer/holder of an option takes up his rights to buy or sell the underlying instrument at the strike price. These are unlisted shares until the option is exercised.

2. An issue of shares in the market.

SS: Share Incentive Scheme

It is an incentive scheme, where instead of paying cash in the form of bonuses, the company allocates shares to its employees for having reached performance targets. Staff may have to pay for shares, usually at a discounted price.

ST: Sector Transfer

An event where a company moves it's listing from one sector, to another sector. The company has usually changed its core business, or the FTSE/JSE has changed the Sector Classification and structure.

SU: Suspension: Company and/or JSE Initiated

A share that the JSE has suspended from trading for a period of time. This usually occurs where some material event is about to occur which will drastically affect the share price. Until this information is made public, trading is suspended to prevent insiders from buying or selling the shares illegally. This can either be company or JSE initiated when the company fails to comply with the listings requirements. A company is suspended before a termination if there is a corporate action, e.g. a scheme of arrangement, an offer, etc.

TE: Termination

An event where the listing status of the instrument on the JSE is withdrawn. It does not necessarily mean the company is delisting as they may have other instrument classes still listed. A company delisting will result in all it's listed instruments being delisted.

TU: Take-Up

This is the second step in the two-part operation of a Rights Issue. Holders of letters have these letters converted into more scrip as specified by the issuing company by lodging the letter together with the required cash by the last day for the acceptance of the rights issue. Rights Issues not taken up will lapse. This event would coincide with the delisting of the nil paid letters (NPL's) and with the acquiring of new ordinary shares and listing thereof. Those NPL's that are not taken up would simply disappear. When the rights offer is underwritten, then rights not taken up are bought by the underwriter and there is no withdrawal of shares. All shares are listed on EX date. If the rights offer is not underwritten, those shares not taken up are withdrawn. Excess shares not taken up are sometimes made available to the accepting shareholders via an excess offer where qualifying shareholders are offered the "Excess" shares over and above their rights. The excess amounts allocated are determined after all elections have been received. Note that the NPL must suspend and terminate 5 days later in order to allow for settlement.

UB: Unbundling

Unbundling- Dissolved with Election

A holding company listed on the JSE has one or more subsidiaries. The company also has cash reserves and investments in unlisted shares. After unbundling, the holding company is dissolved and, this event will be linked to a suspension (SU) and termination (TE) event type. The shareholder will receive, in relation to the initial holding in the Holding Company:

- Shares in the subsidiaries (listed or private); or
- Cash; or
- Combination of the above

Unbundling- Dissolved without Election

A Holding company is listed on the JSE and has one or more subsidiaries, either listed or unlisted. The Company also has cash reserves and investments in unlisted shares. After unbundling, the holding company will be dissolved. The shareholder will receive, cash and / or shares In the subsidiaries (listed or private) in relation to the initial holding. The shareholder will not have the right to an election but will receive whatever the holding company declares as part of the unbundling. This will be linked to a suspension (SU) and termination (TE) event type.

Unbundling- Not Dissolved with Election

Holding company listed on the JSE. Company has one or more subsidiaries. Company also has cash reserves and investments in unlisted shares. After unbundling, the holding company is NOT dissolved and the shareholder will receive, in relation to the initial holding in the Holding Company:

- Shares in the subsidiaries (listed or private); or
- Cash; or
- Combination of the above.

Unbundling- Not Dissolved without Election

A holding company is listed on the JSE and has one or more subsidiaries, either listed or unlisted. The Company also has cash reserves and investments in unlisted shares. After unbundling, the holding company will NOT be dissolved. The shareholder will receive, cash and / or shares In the subsidiaries (listed or private) in relation to the initial holding. Shareholder will not have the right to an election but will receive whatever the holding company declares as part of the unbundling.

UO: Unconditional Offer

Offer to the shareholders where there are no conditions preventing the offer from happening:

- **Cash/Share offer:** offer to holders of shares to sell their shares to a third party for cash or shares in another listed company.
- **Partial and/or Hostile offer**: offer to holders of shares at a specific date to sell a part of their holdings to a third party for cash or shares in another listed company as consideration.

VW: Voluntary Winding-Up

This is when a company elects to voluntarily wind-up the business.

The company voluntarily winds up:

- When the period (if any) fixed for the duration of the company by the articles of association expires, or the event (if any) occurs, the occurrence of which the articles provide that the company in a general meeting has passed a resolution requiring it to be wound up voluntarily;
- If the company resolves by a special resolution that it would wind up voluntarily;
- If the company resolves by an extraordinary resolution to the effect that it cannot by reason of its liabilities continue its business, and that it is advisable to wind up.

WD: Withdrawal of Listing

The withdrawal of a proposed listing of securities or it can also mean the withdrawal of already listed securities, e.g. withdrawing securities that are not taken up in a rights offer or not taken up in a scrip dividend. **It does not mean the Delisting of a Company or it's instruments**. This is catered for by the Event Type TE - termination of a listing of an instrument.

WD is used in conjunction with TU and SE. When an excess amount of shares are listed by the company expecting a 100% take-up or acceptance of the scrip dividend but in reality less than 100% is acquired, then the extra shares are withdrawn. Buybacks also can result in shares being withdrawn from the market.

440K: Section 440K

If an offer for the acquisition of securities under an affected transaction involving the transfer of securities or any class of securities of a company to an offeror, has within four months after the date of the making of such offer been accepted by the holders of not less than nine-tenths of the securities or any class of securities whose transfer is involved (other than securities already held at the date of the issue of the offer by, or by a nominee for, the offeror or its subsidiary), the offeror may at any time within two months after the date of such acceptance give notice in the prescribed manner to any holder of such securities who has not accepted the said offer, that he or it desires to acquire his or its securities, and where such notice is given, the offeror shall be entitled and bound to acquire those securities on the terms which under the affected transaction the securities of the holders who have accepted the offer, were or are to be transferred to the offeror.

This is not a corporate action in its own right but would form part of a scheme of arrangement or a minority offer or unconditional offer.