

SHAREHOLDERS' CIRCULAR

ON THE ISSUANCE OF PREFERENCE SHARES
BY NEW VISION PUBLISHING AND
PRINTING COMPANY LIMITED

24th SEPTEMBER, 2024

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1.0. Rationale for the Circular

- 1.1. Following the outbreak of the COVID-19 pandemic, New Vision Printing and Publishing Company Limited (hereinafter referred to as “New Vision” or the “Company”), has suffered financial distress with its revenue fluctuating over the past five (5) years. To recover from this situation, New Vision is now looking to obtain a UGX. 25 Billion investment from the Government of Uganda through the issuance of preference shares. The investment will be used to enhance its digital platforms, expand its outdoor advertisement, modernize its printing press operations and implement automation and business process optimization. These strategic investments will place New Vision in a position to become more profitable.
- 1.2. Before this process can be finalized, New Vision will require its Shareholders to approve this investment and the terms that have been negotiated with the Government of Uganda, being the proposed investor, some of which include;
- 1.2.1 The increase of share capital;
- 1.2.2 The issuance of preference shares at a par value of UGX.160;
- 1.2.3 The allotment of these non-participatory, non-cumulative, non-redeemable, convertible preference shares to the Minister of Finance, Planning and Economic Development, which is currently the Majority Shareholder in New Vision; and
- 1.2.4 The payment of a 3% dividend rate out of profit as a consideration if New Vision makes a profit.

2.0. Details of the Meeting

- 2.1. The approval of the above-stipulated proposal will take place as follows:

DATE	16th October 2024
TIME	2:00 p.m.
LOCATION	Virtual EOGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting.

Agenda for the Extra Ordinary General Meeting

S/N	ITEM	REQUIRED ACTION
1.	Ordinary Business	
	a. Creation of 156,250,000 Preference shares at a nominal value of UGX 160	Consideration and approval
	b. Increase of Share capital by UGX. 25,000,000,000/= from UGX. 1,503,990,000/= to UGX. 26,503,990,000/=	Consideration and approval
2.	Special business	
	a. Amendment of Clause 5 of the Memorandum and Articles of Association	Consideration and approval
	b. Amendment of Clause 36(a) of the Company's Articles of Association	Consideration and approval
3.	Any other Business	

Background

- 2.1. New Vision, is one of the nineteen (19) companies that are currently listed on the Uganda Securities Exchange (hereinafter referred to as “USE”), and has its shares presently trading at UGX. 153.00 (Uganda Shillings One Hundred Fifty Three) each as at 17 September 2024. The Government of Uganda through the Minister of Finance, Planning and Economic Development is the largest shareholder at 53.34%, leaving 46.66% stake taken up by the public.
- 2.2. Although New Vision has diversified its business from providing a leading daily newspaper into holding an investment portfolio in the radio broadcasting sector, television broadcasting, and having a visible online presence, New Vision is still recovering from the impact of the COVID-19 pandemic on its business lines. The challenges from the COVID-19 pandemic coupled with ongoing internal restructuring processes have led to fluctuating revenue over the past five years.
- 2.3. In a bid to salvage this situation, New Vision engaged the Government of Uganda and a sectorial Committee constituting all Ministers whose work was associated with New Vision under the stewardship of the Rt. Honourable Prime Minister to determine an appropriate way forward with a view of alleviating the financial consequences of the Pandemic.
- 2.4. Subsequently, meetings were convened on 18 and 19 January 2024 and it was resolved that New Vision would formally submit a comprehensive business proposal request for the UGX. 25,355,563,164/= (Uganda Shillings Twenty-Five Billion Three Hundred Fifty-Five Million Five Hundred Sixty-Three Thousand One Hundred Sixty-Four only) capitalisation which is to be funded through the Minister of Finance, Planning and Economic Development (the majority shareholder in New Vision). The proposed capitalisation was captured in the FY2024-2025 Budget.
- 2.5. With this capital injection, New Vision is now looking to power its strategic ventures by enhancing its digital platforms, expanding its outdoor advertisement, modernizing its printing press operations and implementing automation and business process optimization.
- 2.6. The Government of Uganda has since agreed to recapitalize New Vision with an investment of UGX. 25,000,000,000 (Uganda Shillings Twenty-Five Billion only). In return for this investment, Vision Group will be able to issue 156,250,000 (One Hundred Fifty Six Million Two Hundred Fifty Thousand) preference shares at a par value of UGX. 160 per share to the Government of Uganda, through the Minister of Finance, Planning and Economic Development.

3.0. Current New Vision Shareholding Structure

Current New Vision Share Holders	Shares	%	Value
Minister of Finance, Planning and Econ Dev't	20,400,000	26.67	401,064,000
Minister of State for Finance-Privatisation	20,400,000	26.67	401,064,000
NSSF	15,000,000	19.61	294,900,000
NSSF Pinebridge	2,185,857	2.86	42,973,949
NIC	2,068,172	2.70	40,660,262

Current New Vision Share Holders	Shares	%	Value
BOU Staff Retirement Benefit Sch AIG	1,703,380	2.23	33,488,451
BOU Staff Retirement Benefit Sch sim	979,399	1.28	19,254,984
ICEA	563,286	0.74	11,074,203
Wazunula Samuel Mangaali	510,000	0.67	10,026,600
Tullow Oil Staff Retirement Benefits Sch	445,800	0.58	8,764,428
Others	12,244,106	16.01	240,719,124
Total	76,500,000	100	1,503,990,000

As preference shares are a different class of shares from ordinary shares, there will be no impact on the current ordinary shareholding structure.

4.0. Proposed changes to the Share Capital

- 4.1. Given that all the ordinary shares currently held in New Vision have been allotted to the existing shareholders, there will be a need to increase the Share Capital after which a new class of shares namely, preference shares will be introduced and allotted to the Government of Uganda, through the Minister of Finance, Planning and Economic Development in consideration for the investment of UGX. 25,000,000,000 (Uganda Shillings Twenty-Five Billion only).
- 4.2. Article 7 of New Vision's Amended Memorandum and Articles of Association, stipulates that any changes to the rights attached to a class of shares require the consent of three-fourths of the issued shares of that class or a special resolution passed at a separate General Meeting of the class's shareholders. A quorum of at least ten shareholders holding one-third of the issued shares of the class is necessary for such a meeting, and any shareholder present may demand a poll.
- 4.3. Therefore, with the approval of the Shareholders, New Vision can proceed to issue preference shares. Additionally, Article 35 of New Vision's Amended Articles of Association, provides that the Company through an ordinary resolution, may increase her share capital, by such sum, to be divided, into shares of such amount, as the resolution shall prescribe.

Proposed changes to the Share Capital of the Company			
Particulars of shares	Ordinary	Preference	Total
No. of shares	76,500,000	156,250,000	232,750,000
Nominal value per share	19.66	160	
Total nominal value (UGX)	1,503,990,000	25,000,000,000	26,503,990,000
Proposed holder	Government of Uganda and the Public	Government of Uganda	

- 4.4. Referring to the tabulation above, per the proposed transaction structure as contemplated by New Vision, the Company will be able to issue 156,250,000 (One Hundred Fifty Six Million Two Hundred Fifty Thousand) preference shares at a

par value of UGX. 160 per share which is above the current trading/market price of UGX. 153 per share on the stock exchange. The preference shares will attract a fixed dividend of 3% which is close to the annual inflation rate.

5.0. Structuring Considerations for New Vision Preference Shares

- 5.1. Considering that the UGX. 25,000,000,000/= (Uganda Shillings Twenty Five Billion only) investment will be availed in a single tranche to recapitalize the business at a 3% dividend rate per annum, the Preference Shares will be structured as follows:

Indicative Offer Structure	
	Salient Features
Issuer	<ul style="list-style-type: none"> New Vision Printing and Publishing Company Limited
Transaction	<ul style="list-style-type: none"> Issuance of a new class of shares (preference shares) specifically only to its majority shareholder in consideration for a UGX. 25 Billion capital injection
Proposed Holder of Preference Shares	<ul style="list-style-type: none"> Government of Uganda through the Minister of Finance, Planning and Economic Development.
Listing	<ul style="list-style-type: none"> The preference shares will not be listed on the Uganda Securities Exchange
Offer Size	<ul style="list-style-type: none"> UGX. 25 Billion
Number of Preference Shares	<ul style="list-style-type: none"> 156,250,000 preference shares at a par value of UGX. 160
Preferential dividend rate	<ul style="list-style-type: none"> Fixed rate of 3% only payable if the Company makes a profit
Pricing	<ul style="list-style-type: none"> Issued at par (Nominal value of UGX. 160 per share)
Participating/ Non participating	<ul style="list-style-type: none"> Preference shareholders participation will be restricted to the preferential dividend
Cumulative/ non-cumulative	<ul style="list-style-type: none"> The dividend will be non-cumulative which means that if the Company does not make a profit, there will be no obligation for the Company to pay that dividend plus the next year's dividend (if due)
Convertible/ non-Convertible	<ul style="list-style-type: none"> The preference shares will be convertible at the sole discretion of the Company
Redeemable/ non-redeemable	<ul style="list-style-type: none"> The preference shares will be not redeemable which means that the Company shall not be required to pay the funds back to the Government of Uganda

- 5.2. The proposed structure provides room for the Company to invest in its growth areas with a dividend obligation to the Government of Uganda only when profitable. The non-cumulative nature of the preference shares means that the Company does not create a future liability. The convertible feature offers the Company flexibility to convert the preference shares into ordinary shares at a time that suits the Company's financial position.

6.0. Recommendations from the Board

- 6.1. Following the hybrid board Meeting which took place on 12 September 2024, both Physically at the New Vision offices and virtually via the Zoom application, we note that the following recommendations were made:
- 6.2. The Board recommended that the engagements with the Stakeholders; the Capital Markets Authority, the Uganda Securities Exchange and the Attorney General commence as New Vision awaits receipt of the approval of the Notice for the Extra Ordinary General Meeting;
- 6.3. The conversion of the Preference Shares into Ordinary Shares will be at the sole discretion of New Vision as and when the Company considers the same convenient and favourable for its financial status;
- 6.4. The Board of Directors recommended the approval of this transaction considering the ready availability of the Shareholder who is willing to invest UGX. 25 Billion in the Company with their only consideration being a 3% dividend rate in the event that the Company makes a profit.

7.0. Financial information

- 7.1. The Audited financials of New Vision for the years 2019/2020, 2020/2021, 2021/2022, 2022/2023, and 2023/2024 can be accessed using this link: <https://www.visiongroup.co.ug/financial-information/>

8.0. Risk Factors and Frequently Asked Questions

The anticipated risks associated with the transaction are summarised in a Q&A Format as detailed below:

8.1. What are preference shares and how do they differ from ordinary shares?

Preference shares are shares whose holders are entitled to receive a fixed amount of dividend before the holders of ordinary shares, as determined by the memorandum and articles of association, as well as the terms of the issue. The main identifying features of preference shares are that they confer on the holders' preference over other classes in respect of either dividend or repayment of capital or both and are paid out first before in the event of liquidation/dissolution of the Company. However, preference shares do not hold any voting rights.

8.2. How will this new issuance of preference shares impact the value of the existing ordinary shares?

This transaction within its contemplated structure does not result in any dilution of the existing ordinary shares. The preference shares are non-voting and the ownership structure remains the same.

Furthermore, according to the transaction structure, the preference shares can convert to ordinary shares in the future. At that point, the existing ordinary shareholders will be given an opportunity to participate on a pro-rata basis through a rights issue where the Government of Uganda's participation will be through the conversion of the preference shares. Dilution is possible at this stage in the event that an existing shareholder chooses not to participate in the rights issue.

8.3. Will the issuance of preference shares affect the dividend expectation for ordinary shareholders?

Preference shareholders will have a priority over dividends before ordinary shareholders i.e. the dividend due to preference shareholders will have to be first paid in totality before ordinary shareholders can receive a dividend. However, the preference shares are non-participatory which means they do not carry a right to share in the dividend which is declared to ordinary shareholders after paying off the fixed dividend to preference shareholders. The government of Uganda will still receive their entitlement of the dividend declared to ordinary shareholders due to their 54.34% shareholding.

8.4. How will the new preference shares affect the Company's overall financial performance and future growth prospects?

The new preference shares are a form of financing which has been availed to the Company to support in enhancing its digital platforms, expanding its outdoor advertisement, modernizing its printing press operations and implementing automation and business process optimization. If used effectively, this can enhance financial performance and growth prospects. The Company will provide updates on how the funds contribute to its strategic objectives and financial results.

8.5. What risks do you envisage with the issuance of preference shares and how is the Company going to mitigate them?

The preference shares will be issued and attract a dividend rate of 3% percent per annum. This is a fixed dividend obligation which the Company must meet when they make a profit. It is possible that the Company only generates enough profit to meet this obligation but not enough to offer a dividend to ordinary shareholders. To mitigate this, the Company plans to use part of the proceeds to retire expensive debt whilst investing in the previously highlighted segments.

The performance of the overall economy remains a risk to the Company as increased cost of living will impact customer's ability to buy its products and for corporates to advertise through the Company's various channels. The Company is mitigating this risk through constant monitoring of the economy and providing innovative products to suit the customer's needs.

There is an implementation risk for the proposed growth strategy which may not bear fruit quickly enough for the Company to recover. The Company is mitigating this risk through supporting existing managerial talent with the Board constantly monitoring performance versus strategy implementation.

8.6. Please explain why the proposed preference shares will not be listed on the Uganda Securities Exchange.

The transaction is of a private nature between the Government of Uganda through the Minister of Finance, Planning and Economic Development, primarily to capitalize the operations of New Vision. The decision to list remains within the sole discretion of New Vision and the Government of Uganda. According to the proposed transaction structure, there is an obligation to list the ordinary shares which have been converted from the preference shares at a time determined by the Company in consultation with the Shareholders.

8.7. **Did the Company explore other options before settling on the issuance of Preference Shares?**

The Management and Board of Directors of the Company explored several options including coming to ordinary shareholders for a Rights Issue. It was determined that due to the financial health of the Company, the success rate would be very low. Engagement with the Government of Uganda resulted in a structure that was very flexible for the Company including the speed of execution. In addition, the Government of Uganda recognised the strategic importance of the Company and agreed to a dividend rate that the Company could sustain. It was concluded that the issuance of preference shares enabled the Company to receive an equity capital injection which would allow it to grow its business without the burden of excessive debts.

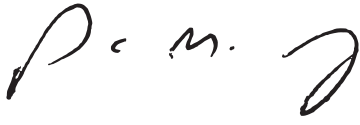
9.0. **Consents**

- 9.1 The Capital Markets Authority was notified of the proposed preference share transaction and in their response dated 20th September 2024 noted the private nature of the transaction and advised the Company to ensure that the interests of minority shareholders at all stages of the execution of the transaction are safeguarded. The Company has provided assurance in writing to the Authority on the 20th of September 2024, committing to fully adhere to this guidance.
- 9.2 The Uganda Securities Exchange granted approval for the distribution of the Shareholders' Circular to the Ordinary Shareholders and the publication of the Notice to convene an Extra Ordinary General Meeting on 16th of October 2024.
- 9.3 The Attorney General was informed about the proposed transaction with the Government of Uganda, any additional information or feedback shall be taken into consideration through out the course of this transaction.

10.0. **Contact information**

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Approved by:



DIRECTOR



COMPANY SECRETARY



TRANSACTION ADVISOR



LEGAL ADVISOR

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