

EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH ISIN: ZAE000071072

(“EOH” or “the company” or “the group”)



STRATEGIC PARTNERSHIP THROUGH DISPOSAL OF 70% OF CONSTRUCTION COMPUTER SOFTWARE (PTY) LTD

1. Introduction

The board of directors of EOH (“**the Board**”) are pleased to announce that EOH Mthombo (Pty) Ltd (“**the Seller**”), a wholly-owned subsidiary of EOH, has entered into a share purchase agreement (“**SPA**”) with RIB Limited (“**RIB**”), a wholly-owned subsidiary of RIB Software SE, a German listed company, in terms of which EOH will dispose of a 70% interest in the issued ordinary share capital of Construction Computer Software (Pty) Ltd (“**CCS**”) together with its subsidiaries (“**the CCS group**”) (“**the transaction**”) for a consideration of R444 390 000 payable as set out in paragraph 4 below. The company has also entered into a reciprocal put and call option in terms of a shareholders’ agreement for the disposal of the remaining 30% of the issued ordinary share capital of CCS as set out in paragraph 6 below (“**subsequent disposal**”).

The transaction is in line with EOH’s investment strategy to assist its intellectual property and software based businesses to expand internationally. Key features of the strategic partnership with RIB include:

- RIB is a leading international provider of software technology in the construction and real estate industries;
- the transaction valuation is based on 8.5 times the forecast adjusted consolidated earnings before interest, tax, depreciation and amortisation (“**adjusted EBITDA**”) for the 12 month period ending 31 July 2019;
- participation in the future growth of CCS through a put/call option arrangement;
- cash proceeds received will be used to reduce debt on EOH balance sheet; and
- part of target of disposals to be executed as previously communicated to the market.

2. About CCS and RIB

The CCS group is a leading provider of cost and enterprise software solutions for the construction and engineering industries. CCS’s products and services suite includes construction management and enterprise management tools and systems which improve the speed, accuracy and transparency for project estimation and controls and enhance the efficacy of the client’s capabilities in project management. Their flagship products are *Candy*, a construction management software designed for estimation and control of projects and *BuildSmart*, a fully integrated enterprise management system. CCS is based in South Africa with small offices in the United Kingdom and the United Arab Emirates as well as a range of global affiliate distributors.

RIB is a leading provider of software technology to the construction and real estate industries that is developing a highly competitive cloud platform approach to software services, thereby digitalising the construction industry. RIB is specifically focused on the construction vertical and intimately understands what the clients in this sector want and as such represents a natural fit for CCS. RIB has operations in approximately 30 countries and an estimated 600,000 users on their platform. The investment by RIB in CCS can be seen as an important milestone in the globalization process of RIB Software SE.

3. Rationale and application of the proceeds

This transaction is a significant milestone in EOH's strategy to align with key partners which enable the scaling up of unique software businesses identified within EOH. It is a crucial step forward for EOH's IP division and RIB is the right partner to unlock CCS's full potential, enabling both future growth and internationalisation. Further, the deal is in line with EOH's strategy to build the "EOH of the Future" by reorganising the group and strengthening EOH's capital structure.

RIB's platform approach is the future of software and it would be difficult for CCS to compete in that space given the significant investment required to develop such a platform. Being part of RIB's broader development network as well as gaining access to their international business analyst and development teams will be positive for CCS. It also provides CCS with new, unique capabilities through partnerships with other RIB subsidiaries.

By retaining a 30% shareholding in CCS, EOH will be able to participate in the growth of CCS. In addition, the put and call option arrangement as further described in paragraph 6 provides an effective exit for EOH in December 2022.

A total of 75% of the proceeds of the transaction, net of costs, will be applied to a reduction of debt and will assist EOH in creating a more appropriate capital structure. The remainder of the proceeds will be utilised for the working capital requirements of EOH.

4. Terms of the transaction

- 4.1. Subject to the fulfilment or waiver of the conditions precedent on or before 26 July 2019, closing will take place on 29 July 2019 or 3 business days following the fulfilment of the last condition precedent ("**closing date**"). The effective date of the transaction is, subject to the fulfilment or waiver of the conditions precedent, 31 July 2019 ("**effective date**").
- 4.2. The purchase consideration for the transaction is R444,390,000 ("**initial purchase consideration**") which has been determined with reference to an 8.5 multiple applied to 70% of the forecast adjusted EBITDA of the CCS group for the 12 month period up to the effective date. The forecast adjusted EBITDA for the 12 months ending 31 July 2019 is based on actual income earned for the 10 months to 31 May 2019 as per the management accounts of EOH extrapolated to the full year, and compares to R78 million (extracted from the management accounts of EOH adjusted for comparability) for the 12 months ended 31 July 2018. The forecast adjusted EBITDA has not been reviewed or reported on by independent reporting accountants or auditors and is the responsibility of the directors of the company.
- 4.3. The final purchase consideration ("**final purchase consideration**") will comprise the initial purchase consideration adjusted as follows:
 - 4.3.1. if the actual EBITDA is less than R76,630,000, as at the effective date, the amount of the shortfall multiplied by 8.5, multiplied by 70%, will be deducted from the initial purchase consideration;
 - 4.3.2. the amount of working capital, cash and debt adjustments, as at the effective date as determined in terms of the agreement will be added to the initial purchase consideration; and
 - 4.3.3. if the closing date occurs after 14 August 2019 and if the purchase price for the acquisition by CCS of CCS UK has been paid by CCS on or before 31 August 2019, the amount of such purchase price (amounting to a maximum of the Rand equivalent of GBP756 000 at the prevailing exchange rate) will be added to the initial purchase consideration.

- 4.4. If the closing date occurs after 14 August 2019, the initial purchase consideration will be adjusted to account for working capital, cash and debt adjustments for the period from 1 August 2019 to 31 August 2019.
- 4.5. 90% of the initial purchase consideration, being R399,951,000 is payable in cash on the closing date with the remaining 10% being held by Webber Wentzel in escrow as security for warranties given and adjusted downwards for any claims made against the Seller in accordance with the terms of the SPA between the closing date and 31 July 2021 (“**escrow amount**”). The escrow amount will be payable to the Seller in cash by no later than 31 July 2021.
- 4.6. If as a result of the adjustment in paragraph 4.3, 90% of the initial purchase consideration exceeds the final purchase consideration, the Seller will pay to RIB the amount of such excess.
- 4.7. Warranties and indemnities applicable to the transaction are standard for a transaction of this nature.

5. **Conditions precedent**

The transaction is subject to the fulfilment or waiver, as the case may be, of the conditions precedent by not later than 31 July 2019 (or: (i) 31 August 2019, if required by the Financial Surveillance Department of the South African Reserve Bank or an Authorised Dealer; or (ii) such later date as may be determined by mutual agreement between the Seller and RIB) as contained in the SPA and as summarised below:

- 5.1. RIB providing the Seller with written proof that RIB has the funding required to discharge the purchase consideration in full;
- 5.2. the Seller, RIB and Webber Wentzel entering into a written escrow agreement in respect of the escrow amount;
- 5.3. the receipt of any third-party consents to implement the transaction; and
- 5.4. EOH obtaining South African Reserve Bank or Authorised Dealer approval.

6. **Call and put option**

- 6.1. In terms of the shareholders’ agreement, RIB will have the right to buy from the Seller the remaining 30% of the issued ordinary shares of CCS for a consideration, which is capped at US\$30 000 000.00, determined with reference to a multiple of 8.5x applied to the adjusted EBITDA of CCS for the year ending 31 December 2022 within 30 days of the provision of the financial statements for the year ending 31 December 2022 (“**RIB call option**”).
- 6.2. Provided that the RIB call option is not exercised, EOH shall have the right to sell to RIB the remaining 30% of its shares in CCS for a consideration determined with reference to a multiple of 8.5x applied to the adjusted EBITDA of CCS for the year ending 31 December 2022 which is capped at US\$18 000 000.00 (“**EOH put option**”). The EOH put option may be exercised in the period of 30 days after the expiration of the RIB call option.
- 6.3. The RIB call option and EOH put option have been capped in total monetary consideration to limit the maximum liquidity obligations, with any excess shares retained by EOH.
- 6.4. RIB may elect to settle the consideration payable in respect of either the RIB call option or the EOH put option in cash or in shares of RIB Software SE.
- 6.5. Further details regarding the subsequent disposal will be published following the exercise of either the RIB call option or the EOH put option.

- 6.6. In the event of the exercise of either the RIB call option or the EOH put option, the Board will consider the appropriate deployment of the sale proceeds at the time.

7. Financial information

- 7.1. The value of the net assets of the CCS group as at 31 January 2019 was R159,056,639.
- 7.2. The net profit after tax for the CCS group for the 6 months ended 31 January 2019 was R22,868,457.
- 7.3. The above financial information has been extracted from the unaudited interim results of EOH for the six-month period ended 31 January 2019 which were prepared in terms of the company's accounting policies and IFRS.

8. Categorisation

The categorisation of the transaction, including the consideration payable in terms of the RIB call option, is classified as a category 2 transaction in terms of the JSE Listings Requirements and is, accordingly, not subject to the approval of EOH shareholders.

1 July 2019

Sponsor



Financial Advisor

DELTA PARTNERS

Legal Advisor

WEBBER WENTZEL

in alliance with > Linklaters

Overall strategic and lead advisor to EOH Holdings Limited

