

EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH ISIN: ZAE000071072

(“EOH” or “the EOH Group”)



DISPOSAL OF LSD INFORMATION TECHNOLOGY PROPRIETARY LIMITED

1. Introduction

- 1.1. In December 2017 EOH, through its wholly-owned subsidiary, EOH Mthombo Proprietary Limited (“**EOH Mthombo**”), acquired LSD Information Technology Proprietary Limited (“**LSD**”) from the trustees for the time being of The Ixoxo Trust, LSD Capital Proprietary Limited, Stefan Lesicnik (the “**Key Employee**”) and Neil Cameron White (collectively the “**Initial Sellers**”) by entering into an acquisition agreement (the “**Initial Acquisition Agreement**”). LSD specialises in open source technologies with offerings across Linux, automation, DevOps and containers.
- 1.2. On 17 April 2020, EOH Mthombo entered into a settlement agreement with the Initial Sellers (the “**Settlement Agreement**”) in terms of which EOH Mthombo has agreed to transfer all of its shares in LSD to the Initial Sellers as full and final settlement of EOH’s outstanding obligations to the Initial Sellers (the “**Outstanding Obligations**”), created in terms of the Initial Acquisition Agreement (the “**Transaction**”).

2. Rationale for the Transaction and application of proceeds

- 2.1. The Outstanding Obligations are c.R96 million as at 17 April 2020. The Settlement Agreement amicably cancels the Initial Acquisition Agreement and relieves EOH of the Outstanding Obligations which have proven onerous to deliver upon given EOH’s current priority to further deleverage the balance sheet.
- 2.2. The Transaction is in line with EOH’s objective of creating a fit-for-purpose capital structure that is adequately supported by its cashflows and will reduce the EOH Group’s liabilities.
- 2.3. EOH and the Initial Sellers are committed to ensuring that EOH Mthombo and other designated companies within the EOH Group continue to receive the various services offered by LSD and that EOH’s customers are not negatively affected.

3. Salient terms of the transaction

- 3.1. The Settlement Agreement is effective from 1 April 2020 (the “**Effective Date**”).
- 3.2. The Initial Sellers shall retain any consideration received from EOH Mthombo pursuant to the Initial Acquisition Agreement and EOH Mthombo shall be entitled to retain any dividends declared by LSD post the Initial Acquisition Agreement until the Closing Date (as determined

in accordance with paragraph 4.2 below) up to a maximum of R30 million, following which no further liabilities shall exist between LSD, EOH Mthombo and/or any other company within the EOH Group in respect of inter-company loans. The overall benefits of such approach to each party are considered to largely offset within a fair difference.

- 3.3. Following the conclusion of the Settlement Agreement, EOH Mthombo, the Initial Sellers and the Key Employee agree that all and any liabilities in terms of the Initial Acquisition Agreement and/or the services agreement concluded between the Key Employee and EOH Mthombo will be discharged in full and final settlement and none of the initial sellers nor the Key Employee will have any further claims or actions arising from the Initial Acquisition Agreement or services agreement against EOH Mthombo and/or any other company within the EOH Group.
- 3.4. With effect from the Effective Date, the Initial Sellers and the Key Employee have provided an unconditional and irrevocable release of EOH Mthombo and/or any other company within the EOH Group from any duties, obligations and liabilities that any of them may have towards LSD, the Initial Sellers and/or the Key Employee in respect of the Initial Acquisition Agreement and/or the services agreement.
- 3.5. The Settlement Agreement contains warranties and indemnities that are customary for a transaction of this nature.

4. Suspensive conditions

- 4.1. The transaction is subject to the fulfilment or waiver, if applicable, of the following conditions precedent on or before 31 May 2020, or such later date as EOH Mthombo and the Initial Sellers may agree to:
 - 4.1.1. written confirmation from the Initial Sellers that no guarantees have been issued by the EOH Group in respect of LSD and/or its business, alternatively and in the event that guarantees have been issued, the EOH Group have been unconditionally released from all such guarantees in accordance with their terms and the Initial Sellers have taken on such guarantees, with effect from the Effective Date; and
 - 4.1.2. written confirmation from the Initial Sellers that no prior consent is required from any third party as a result of the change of control occurring in LSD following the transaction, alternatively and if such consent is required, that the relevant third party has provided the requisite consent.
- 4.2. The closing date of the transaction shall be 5 business days after the date on which the last suspensive condition is fulfilled or waived (the “**Closing Date**”).

5. Financial information

- 5.1. The value of the consolidated net assets of the LSD at 31 January 2020 was R58,024,835.
- 5.2. The profit after tax attributable to LSD for the 6 months ended 31 January 2020 was R8,663,848.
- 5.3. The above financial information has been extracted from the unaudited results of EOH for the six months ended 31 January 2020 which were prepared in terms of EOH’s accounting policies

and International Financial Reporting Standards.

6. Categorisation

The transaction 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.

20 April 2020

Sponsor

The logo for Java Capital, featuring the word "JAVACAPITAL" in a sans-serif font. A blue horizontal line is drawn through the middle of the letters "A", "V", and "A".

Overall strategic and lead adviser

The logo for Rothschild & Co, featuring a stylized blue starburst icon to the left of the text "Rothschild & Co" in a bold, sans-serif font.