

AYO TECHNOLOGY SOLUTIONS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1996/014461/06
JSE share code: AYO
ISIN ZAE000252441
("AYO" or the "Group" or the "Company")

SMALL RELATED PARTY TRANSACTION - PROPOSED SUBSCRIPTION OF SHARES IN BOWWOOD AND MAIN NO 180 PROPRIETARY LIMITED

1. Introduction

AYO Shareholders ("**Shareholders**") are advised that SGT Solutions Proprietary Limited ("SGT"), a 40% subsidiary of AYO intends to subscribe for 45% of the ordinary shares in Bowwood and Main No 180 Proprietary Limited ("**Bowwood**") ("**the Transaction**") such that after the Transaction AYO, via SGT, will own 18% of Bowwood.

2. Nature of business

Bowwood was incorporated in South Africa as an investment holding entity whose sole investment is a 25% + 1 share shareholding in the ordinary shares in SAAB Grintek Defense Proprietary Limited ("**SGD**"). SGD is a leading South African defence and security company, bringing capabilities including electronic warfare systems, sensor, technology, command and control, training systems, avionics, security and support solutions to the African and international markets.

Bowwood is 60% owned by African Equity Empowerment Investments Limited ("**AEEI**"), which is a 49% shareholder of AYO. The remaining 40% is owned by Sekunjalo Investment Holding Proprietary Limited ("**SIH**").

3. The rationale

SGT is a turnkey solutions integrator, specialising in the design, supply, deployment and maintenance of multi-technology telecommunications systems for fixed, mobile and converged network operators. SGT also designs, develops and markets DC power solutions for the telecommunication market.

In line with the broader AYO Group strategy to expand its markets and offerings, the Transaction will allow SGT and the broader AYO Group to diversify the Group's income streams.

4. Subscription consideration

SGT will subscribe for 45% of the ordinary shares in Bowwood ("**Subscription Shares**") for a subscription consideration of R48 million ("**the Subscription Consideration**"). The Subscription Consideration shall be settled in cash by SGT. The Transaction results in all existing shareholders being diluted proportionately. Post implementation of the Transaction, AEEI and SIH's shareholding in Bowwood will be diluted to 33% and 22% respectively.

5. Suspensive Conditions

The Subscription Agreement is subject to the following suspensive conditions:

- SGT shall have conducted a due diligence investigation and satisfied itself, in its sole and absolute discretion, with the outcome thereof.
- SGT agrees to adopt and adhere to the existing constitutional documents of Bowwood.
- The existing shareholders of Bowwood waive in writing any rights they have or may have in respect to the Subscription Shares, including any option rights and rights of pre-emption and whether such rights arise out of Bowwood's memorandum of incorporation ("**MOI**") or any other agreement.
- To the extent required by the MOI, the existing shareholders or any other party required to approve the Transaction, pass all of the resolutions necessary to implement the Transaction.
- By the date on which the last of the suspensive conditions is fulfilled or waived, as the case may be, no material adverse change as defined in the Subscription Agreement, shall have occurred.

6. Effective Date of the Transaction

The effective date of the Transaction shall be the date upon which all suspensive conditions have either been fulfilled or waived.

7. Financial information

The value of the net assets that are the subject of the Transaction as at 31 August 2019, being the last financial year end of Bowwood, was R81 304 210. The profit after tax attributable to such net assets for the year ended 31 August 2019 was R6 442 789.

The financial information has been extracted from Bowwood's unaudited financial results for the year ended 31 August 2019. The above financial information has been prepared in accordance with International Financial Reporting Standards.

Post the implementation of the Transaction, SGT will classify its investment in Bowwood as an associate in terms of IFRS 28.

8. CLASSIFICATION OF THE TRANSACTION

AEEI is a material shareholder of AYO. Bowwood is a subsidiary of AEEI and hence is considered to be an associate of AEEI. SGT is a subsidiary of AYO and hence SGT is considered to be an associate of AYO. The Transaction is therefore considered to be a small related party transaction in terms of 10.1(b)(vii) of the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") as AYO, through its associate SGT, is entering into a transaction with an associate of a material shareholder being AEEI. At the date of agreeing the terms of the Transaction, the Transaction constituted 2.00% of AYO's market capitalisation.

9. Fairness opinion

As a result of the Transaction being classified as a small related party transaction it requires a fairness opinion ("**Fairness Opinion**") from an independent professional expert acceptable to the JSE ("**Independent Expert**"), confirming that the terms of the Transaction are fair as far as Shareholders are concerned.

In terms of paragraph 10.7(b) of the JSE Listings Requirements, the Company has appointed Merchantec Capital as the Independent Expert and has provided the JSE with written confirmation from the Independent Expert that the terms of the Transaction are fair to Shareholders.

Copies of the Fairness Opinion may be requested from the Company via email at wazeer.moosa@ayotsl.com or from the sponsors at sponsor@vunanicapital.co.za or sponsorteam@merchantec.co.za for a period of 28 (twenty-eight) days from the date of this announcement. Given the restrictions imposed as a result of the COVID-19 pandemic, these will be sent electronically.

Cape Town

1 June 2020

Joint Sponsor

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Merchantec Capital

Independent Expert

Merchantec Capital