

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

ANNOUNCEMENT REGARDING THE SUBSCRIPTION OF SHARES IN 4PLUS

1. Introduction and nature of the business of 4Plus

AYO shareholders are advised that AYO has entered into three separate subscription agreements with 4 Plus Technology Venture Fund Africa Proprietary Limited ("**4Plus**") and Womens Technology Investment Proprietary Limited ("**WTI**") (WTI being the sole shareholder in 4Plus prior to the subscriptions in 4Plus by AYO, as set out below) in terms of which:

- on 3 May 2019, being the effective date, AYO subscribed for 10.53% of 4Plus for a total cash subscription amount of R80 million ("**First Subscription Transaction**");
- on 1 September 2019, being the effective date, AYO acquired an additional 5.00% of 4Plus for a total cash subscription amount of R40 million ("**Second Subscription Transaction**"); and
- on 13 December 2019, being the effective date, AYO acquired an additional 7.41% of 4Plus for a total cash subscription amount of R64 million ("**Third Subscription Transaction**").

In addition to the First Subscription Transaction, the Second Subscription Transaction and the Third Subscription Transaction, on 2 April 2020 AYO entered into a preference share subscription agreement ("**Preference Share Subscription Agreement**") with 4Plus in terms of which AYO subscribed for 3 000 variable rate cumulative redeemable preference shares in the capital of 4Plus ("**4Plus Preference Shares**") for a total cash subscription amount of R30 million ("**Preference Share Subscription Transaction**").

The First Subscription Transaction, the Second Subscription Transaction, the Third Subscription Transaction and the Preference Share Subscription Transaction are collectively referred to hereinafter as the "**4Plus Subscription Transactions**".

AYO, as a result of the implementation of the First Subscription Transaction, the Second Subscription Transaction and the Third Subscription Transaction, currently owns 22.94% of 4Plus.

4Plus is an investment holding company which invests in business to support a business-to-business ("**B2B**") e-commerce market-place multisided platform. The primary asset in 4Plus is a digital media and adtech business, Volt Africa Proprietary Limited ("**Volt**"). Volt's services include ad solutions campaign management, managed services and digital solutions.

2. Salient terms of the 4Plus Subscription Transactions

2.1 First Subscription Transaction

In terms of the First Subscription Transaction, AYO subscribed for a total of 100 shares in the issued ordinary share capital of 4Plus (“**4Plus Shares**”), in four equal tranches of 25 4Plus Shares each, for a subscription price of R20 million per tranche.

2.2 Second Subscription Transaction

In terms of the Second Subscription Transaction, AYO subscribed for a total of 50 4Plus Shares, in two equal tranches of 25 4Plus Shares each, for a subscription price of R20 million per tranche.

2.3 Third Subscription Transaction

In terms of the Third Subscription Transaction, AYO subscribed for 80 4Plus Shares, in a single tranche, for a subscription price of R64 million.

2.4 Preference Share Subscription Transaction

2.4.1 Introduction

In terms of the Preference Share Subscription Agreement, AYO subscribed for the 4Plus Preference Shares for a total subscription amount of R30 million, on the “**Subscription Date**”, being the date on which AYO subscribed for those Preference Shares, as follows:

- 1 500 Preference Shares issued within seven days of payment of the first tranche of R15 million, being the date of signature of the Preference Share Subscription Agreement; and
- 1 500 Preference Shares issued within seven days of payment of the second tranche of R15 million, as notified by 4Plus to AYO.

The 4Plus Preference Shares entitle AYO to the receipt of scheduled preference dividends, accumulated preference dividends or early redemption dividends (collectively referred to hereinafter as “**Preference Dividends**”), the details of which are set out in paragraphs 2.4.4.1, 2.4.4.2 and 2.4.4.3, respectively, below.

The 4Plus Preference Shares carry the rights and privileges as set out below.

2.4.2 Conversion rights attaching to the 4Plus Preference Shares

The 4Plus Preference Shares may be converted to 4Plus Shares at the option of AYO, with such option only being exercisable after five years from the Subscription Date. Should AYO elect to exercise such option, the Company will be entitled to receive 20% of the issued ordinary share capital of 4Plus at the time of exercise.

2.4.3 Redemption of 4Plus Preference Shares

2.4.3.1 Final redemption date

The 4Plus Preference Shares must be redeemed, subject to any circumstances as may result in an early redemption as detailed in paragraph 2.4.3.2 below, by the “**Final Redemption Date**”, being:

- the date falling seven years from the Subscription Date; or
- the date falling sometime after, but not sooner than, three years and one day after the Subscription Date.

2.4.3.2 Early redemption

4Plus may, at any time, be entitled (but not obliged) to voluntarily redeem all or any of the 4Plus Preference Shares out of internally generated cash flows, provided that:

- the aggregate “**Preference Share Amount**” (as detailed below) to be redeemed may, subject to certain terms of the Preference Share Subscription Agreement, not be less than R1 million.

The Preference Share Amount is an amount equal to the aggregate of:

- the issue price of each unredeemed 4Plus Preference Shares, being R10 000;
- any Accumulated Preference Dividends, as defined in paragraph 2.4.4.2 below;
- any Scheduled Preference Dividends, as defined in paragraph 2.4.4.1 below, that were declared on the previous scheduled dividend date but remain unpaid as at the current scheduled dividend date (“**Accrued Dividend**”); and
- any other Preference Dividend that remains unpaid for any reason.

2.4.4 Dividend rights attaching to the 4Plus Preference Shares

The 4Plus Preference Shares entitle AYO to the receipt of the following dividends:

2.4.4.1 Scheduled preference dividends (“**Scheduled Preference Dividends**”)

AYO shall have the right to receive, in respect of each Dividend Period, being the six-month period ending 30 June and 31 December each year, the Scheduled Preference Dividend which shall be a semi-annual cumulative preferential cash dividend payable in arrears on 30 June and 31 December each year. The Scheduled Preference Dividend shall carry a dividend rate equal to the prime rate of interest plus 200 basis points (“**Dividend Rate**”).

2.4.4.2 Accumulated preference dividends (“**Accumulated Preference Dividends**”)

An Accumulated Preference Dividend means, at any time, any Preference Dividend or any portions thereof which ought to have been declared and paid in accordance with the

provisions of the Preference Share Subscription Agreement, but which were for any reason whatsoever not paid in full.

2.4.4.3 Early redemption dividends (“Early Redemption Dividends”)

AYO shall have the right to receive an Early Redemption Dividend, in accordance with the provisions of the Preference Share Subscription Agreement, should 4Plus elect to voluntarily redeem the 4Plus Preference Shares prior to the Final Redemption Date.

Should such early redemption be made by 4Plus:

- at any time prior to or on the second anniversary of the Subscription Date, 4Plus must declare and pay an Early Redemption Dividend of 3% of the Preference Share Amount on such date as indicated in the notice to AYO that 4Plus has elected to voluntarily redeem all or a portion of the 4Plus Preference Shares; or
- at any time prior after the second but prior to the third anniversary of the Subscription Date, 4Plus must declare and pay an Early Redemption Dividend of 2% of the Preference Share Amount on such date as indicated in the notice to AYO that 4Plus has elected to voluntarily redeem all or a portion of the 4Plus Preference Shares
- at any time prior after the third but prior to the fourth anniversary of the Subscription Date, 4Plus must declare and pay an Early Redemption Dividend of 1% of the Preference Share Amount on such date as indicated in the notice to AYO that 4Plus has elected to voluntarily redeem all or a portion of the 4Plus Preference Shares

No Early Redemption Dividend will be payable in circumstances where the Preference Shares are redeemed using internally generated operating free cashflow of 4Plus.

3. Rationale for the 4Plus Subscription Transactions

In 2019, there were at least 2,55 million businesses which fall within the small-, medium- and micro-enterprise (“SMME”) sector in South Africa. The National Development Plan envisioned that by 2030 SMMEs will contribute 60-80% of GDP increases, and generate 90% of the 11-million new jobs in South Africa. Globally, over 95% of enterprises are SMMEs, which employ 60-70% of the working population.

SMMEs need to move online to harness B2B, and will require eCommerce platforms as a service. These will include eCommerce shopfronts, digital marketing, payment gateways and logistic solutions. AYO sees this as a massive opportunity for growth and has looked to emulate international models such as Shopify and Amazon Web Services. AYO seeks to position itself in the eCommerce solutions space.

AYO has, through 4Plus, partnered with women empowerment groups, other community-based organisations, digital service providers and eCommerce companies to provide B2B marketplace services to SMMEs. A B2B marketplace connects SMMEs by linking demand to supply. It eliminates the unnecessary steps a business must take in finding suppliers and customers, drastically increasing efficiency for the platform users.

4Plus is a good fit for AYO's ambitions as it has core investments which will assist AYO in fast tracking and rolling out SMME platforms and solutions across the Continent. One of the most significant benefits of using eCommerce software is that SMMEs can run their entire business without having to purchase additional solutions or concern themselves with the back-end or IT aspects of running an online store. 4Plus offers all-inclusive e-commerce software, including:

- customer relationship management (CRM) tools that assist in the management of customers;
- a content management system (CMS) to enrich SMME websites with multimedia, additional pages and a full-featured blog;
- third-party integration to connect apps; and
- website infrastructure and security.

4Plus already has the in-house capabilities to establish such a marketplace, building on its core B2C backbone. A core development team exists for eCommerce online sales, payment systems and plug-ins. Additionally 4Plus, via Volt business solutions, is able to provide a high quality digital sales, marketing analytics and agency solutions offering. 4Plus also has access to community media which will benefit SMMEs through access to marketing platforms and has entered into digital content sharing agreements with leading digital agencies.

AYO will integrate its payment solutions, which it has invested in via the Fintech Fund, into the B2B platforms which are owned by 4Plus.

4. Subscription consideration

The total subscription consideration payable for the First Subscription Transaction, the Second Subscription Transaction and the Third Subscription Transaction was R184 million, payable in cash.

5. Conditions precedent

There were no conditions precedent in respect of the 4Plus Subscription Transactions, however representations and warranties which are standard for transactions of this nature, were put in place and agreed upon.

6. Categorisation of the 4Plus Subscription Transactions

In terms of the "aggregation" provisions of the JSE Listings Requirements, the Third Subscription Transaction and Preference Share Subscription Transaction have been aggregated with the First Subscription Transaction and the Second Subscription Transaction, and accordingly, are classified as a Category 2 transaction in terms of JSE Listings Requirements. Consequently, no shareholder approval is required.

7. Financial Information

The value of the net assets that are the subject of the 4Plus Subscription Transactions as at 31 March 2020, being the last financial year end of 4Plus, was R156 119 906. The loss for the period attributable to such net assets for the year ended 31 March 2020 was R26 449 335.

The financial information has been extracted from 4Plus' unaudited 12-month management accounts for the year ended 31 March 2020, which were prepared in terms of IFRS.

4Plus is currently finalising its maiden set of audited financial results for the year ended 31 March 2020.

Therefore, the most recent and only source of financial information for purposes of this announcement is the above-mentioned unaudited management accounts.

Cape Town
17 November 2020

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