

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")



DISPOSAL OF 100% OF MARS HOLDINGS PROPRIETARY LIMITED

1. Introduction

The Board of Directors of EOH 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**") to dispose of 100% of the issued ordinary shares of MARS Holdings (Pty) Ltd ("**the Sale Shares**"), together with its subsidiaries and associates (together "**Syntell**"), to K2020776145 South Africa (Pty) Ltd ("**the Purchaser**"), owned by a consortium led by the current executive directors of Syntell ("**the Management Consortium**"), for a consideration of R211 000 000 ("**the Base Purchase Price**") ("**the Transaction**").

The Management Consortium comprises:

- Mark Chewins, the current CEO of Syntell
- Ametje Rist, the current CFO of Syntell
- Mike Hellens, a current executive director within Syntell
- Newport Investments (Pty) Ltd
- Reonet (Pty) Ltd

2. Rationale for the Transaction and application of proceeds

The Transaction is in line with EOH's stated strategic intent of selling non-core assets as it seeks to right-size the Group and deleverage its balance sheet.

Syntell was acquired by EOH in 2016 to provide better growth opportunities by accessing the EOH customer base and the shared services and resources of a larger listed group. Syntell requires significant capital investment in the coming years in order to develop key technologies to exploit market opportunities. Given the limited capital available to EOH until such time as the balance sheet is deleveraged, coupled with the extensive knowledge and access to capital that the Management Consortium possess, the value of Syntell to EOH is better optimised through a sale to a new shareholder. Furthermore, the execution of the Transaction provides EOH with the opportunity to extinguish the last sizeable vendor for acquisition ("**VFA**") liability on the EOH balance sheet ("**the VFA Liability**").

The cash consideration received by EOH will primarily be utilised to reduce debt which is consistent with EOH's objective of creating a fit-for-purpose capital structure. The remainder of the proceeds will be utilised for the working capital requirements of EOH.

The Management Consortium are excited to be the new shareholders of Syntell and look forward to continuing to provide solutions that create smart, safe and sustainable cities.

3. About Syntell

Syntell is a market leader in road safety and traffic management in Southern Africa, operating through 4 divisions:

1. Traffic Management is a leading developer of state-of-the-art road traffic management systems. With 34 years of experience, Syntell has successfully partnered with several metros and local authorities to unlock innovative, yet practical solutions, improving traffic flows in cities
2. Road Safety is the market leader in end-to-end traffic law enforcement services and systems in South Africa. It provides a turnkey solution from speed cameras to issuing tickets and the subsequent collection of fines, all of which makes South African roads safer and saves lives
3. Mikros has the widest traffic counting network in South Africa which spans across all nine provinces and is the leading electronic traffic data collection service provider in Southern Africa
4. Revenue Systems through a range of diverse vendor management systems, secure web-based architecture and 24/7 customer support, offers local authorities a complete outsource of prepaid electricity and water management systems. This allows authorities to focus on service delivery. Additionally, Syntell's platform, payCity, has over 1 million users.

4. Salient terms of the Transaction

Closing took place today, the date of signature of the SPA ("**the Signature Date**"), being 18 November 2020 ("**the Closing Date**").

The Seller is disposing of the Sale Shares to the Purchaser. The Base Purchase Price has been calculated with reference to the Syntell management accounts as at 31 July 2020 ("**the Locked Box Date**") and increased at a rate of 5% per annum from 1 November 2020 until the Closing Date ("**the Purchase Price Increase Amount**").

The Purchaser has paid to the Seller a cash amount equal to the Base Purchase Price, plus the Purchase Price Increase Amount less the VFA Liability. Furthermore, a shareholder loan from EOH of R10 500 000 was settled by Syntell prior to the Signature Date.

The SPA contains undertakings, warranties and indemnities that are customary for a transaction of this nature.

5. Conditions precedent

The Transaction is not subject to any conditions precedent.

6. Financial information

The value of the consolidated net assets of Syntell at 31 July 2020 was R149 231 973 after accounting for outside shareholder interests.

The consolidated net profit after tax of Syntell for the 12 months ended 31 July 2020 was R9 265 457 after accounting for R2 818 341 of outside shareholder interests.

The above financial information has been extracted from the management accounts of Syntell for the 12 month period ended 31 July 2020 which were prepared in terms of Syntell's accounting policies and International Financial Reporting Standards. EOH is satisfied with the quality of these management accounts for the purposes of this announcement.

7. 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.

18 November 2020

Sponsor



Financial Advisor



Legal Advisor

WEBBER WENTZEL

in alliance with > **Linklaters**

Overall Strategic and lead advisor to EOH

