

## EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH ISIN: ZAE000071072

("EOH" or "the Group")



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## DISPOSAL OF 100% OF THE ISSUED SHARE CAPITAL OF SYBRIN LIMITED (GUERNSEY) AND SYBRIN SYSTEMS PROPRIETARY LIMITED

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### 1. Introduction

The Board of Directors of EOH are pleased to announce that EOH Mthombo Proprietary Limited ("**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 Sybrin Limited (Guernsey) ("**Sybrin Ltd**") and Sybrin Systems (Pty) Ltd ("**Sybrin Systems**") ("**the Sale Shares**"), together with all of Sybrin Ltd and Sybrin Systems' interests in their subsidiaries and associates (together "**Sybrin**"), to K2020893770 South Africa (Pty) Ltd ("**the Purchaser**"), a 51% black owned entity, for a cash consideration of R334 351 140 ("**the Base Purchase Price**") ("**the Transaction**").

The Purchaser is a consortium comprising of:

- One Thousand & One Voices Management (Mauritius) Ltd ("**1K1V**"); and
- Crossfin Technology Holdings (Pty) Ltd ("**CFTH**") and their black economic empowerment partners led by Isaac Mophatlane, (together "**the Consortium**")

### 2. About Sybrin and the Consortium

Established in 1991, Sybrin is a market leader in the provision of bespoke solutions to the Banking, Financial Services and Insurance sectors as well as Central Governments. Utilizing its proprietary low-code platform, Sybrin specializes in developing, implementing and integrating end-to-end systems and solutions. With over 250 employees, Sybrin provides its services to over 100 customers and 7,500 users across 17 countries.

Sybrin's unique solutions provide the means to disrupt legacy business models, radically enhance user experiences and deliver real business impact to clients. This promotes further financial inclusion, particularly across emerging markets, as a consequence of the new generation technology reducing the cost to serve.

1K1V is a private equity fund backed exclusively by industry-leading families from around the globe. 1K1V was designed as a unique investment vehicle to partner with its portfolio companies in a differentiated manner by leveraging 1K1V's Three-Dimensional Capital® for the exclusive benefit of its portfolio companies and partners.

CFTH is an investment holding company that invests in high growth and established cash generative businesses, offering investors a blended exposure to technology investments in Fintech.

CFTH aims to influence technology across the value chain from point of processing to point of fulfilment either directly or indirectly through partnerships.

### 3. Rationale for the Transaction and application of proceeds

Sybrin was acquired by EOH in 2013 due to its fit with the EOH strategy at the time, which included a stronger vertical focus and African expansion. Sybrin's core financial services capabilities and workflow management solutions have subsequently added value to EOH and enhanced the Groups offering to its client base.

Sybrin is now at a stage where it is well positioned to leverage its proven track record and significantly scale its innovative technology across several geographies. However, the limited capital available to EOH at the current time hinders the rate at which Sybrin is able to expand and grow its business.

This transaction not only represents a significant milestone in EOH's deleveraging plan, but the Consortium is also the right partner to unlock Sybrin's full potential, enabling both future growth and international expansion.

The proceeds of the transaction, net of costs, assist EOH in creating a more appropriate capital structure and will primarily be applied to reduce debt with the remainder of the proceeds utilised for working capital requirements.

### 4. Salient terms of the Transaction

Subject to the fulfilment or waiver of the suspensive conditions (detailed below), closing will take place on the last business day of the month in which the last suspensive condition is fulfilled, provided that if the last suspensive condition is fulfilled after the 26<sup>th</sup> day of a month, closing shall be the last business day of the following month ("**the Closing Date**").

The Base Purchase Price, after adjusting for net debt, non-operating assets and working capital, equates to an enterprise value ("**EV**") of R410 000 000 implying an EV/normalised EBITDA multiple of 5.3x on Sybrin's 31 July 2020 ("**FY20**") normalised EBITDA of R77 982 619 (FY19 R79 270 087).

The Base Purchase Price is subject to adjustment, as detailed below, and shall be settled in cash, as follows:

- R280 174 777 to EOH on the Closing Date ("**the Upfront Pre-Adjustment Purchase Price**");
- R4 176 363 ("**the Escrow Amount**") will be paid, by the Consortium, into an escrow account and held by an escrow agent on the Closing Date; and
- Such other amount calculated in accordance with the Completion Accounts Adjustment Amount (detailed below) and the EBITDA Adjustment Amount (detailed below), will be paid to EOH 30 days after the finalisation of the 31 July 2021 ("**FY21**") Sybrin Annual Financial Statements ("**the Final Purchase Price Payment**").

The Final Purchase Price Payment is calculated as the sum of the following:

1. The "**EBITDA Adjustment Amount**", calculated as follows:

- Should the FY21 Normalised EBITDA be between R70 000 000 and R80 000 000
  - The EBITDA Adjustment Amount will be R50 000 000 (“**the Base EBITDA Adjustment Amount**”).
- Should FY21 Normalised EBITDA be greater than R80 000 000
  - The Base EBITDA Adjustment Amount of R50 000 000 will be adjusted upwards by R3 333 333 for every R1 000 000 increase in EBITDA subject to a maximum adjustment of R75 000 000.
- Should FY21 Normalised EBITDA be less than R70 000 000
  - The Base EBITDA Adjustment Amount of R50 000 000 will be adjusted downwards by R3 333 333 for every R1 000 000 decrease in EBITDA subject to a maximum adjustment of R50 000 000

2. The “**Completion Accounts Adjustment Amount**”, calculated as follows:

- The difference between the Net Working Capital Difference (being the difference between net working capital as at the Closing Date and the average net working capital for the 12 month period prior to the Closing Date) and R3 998 132; and
- The difference between net debt as at the Closing Date and the expected net debt at the Closing Date;
- The difference between the non-operating assets as at the Closing Date and the target non-operating assets at the Closing Date.

The Completion Accounts Adjustment Amount is expected to be c.R4 000 000 and is largely dependent upon the net working capital as at the Closing Date.

The Escrow Amount, which will be held by a third party escrow agent, will be held as security for the payment by the Seller to the Consortium for any claim which the Consortium may have against the Seller for any breach of any warranties and indemnities given by the Seller to the Consortium in terms of the SPA, which are specifically not covered by Warranty and Indemnity Insurance taken out by the Consortium. The Escrow Amount will be held by the third party escrow agent for the above mentioned purposes for a period from the Closing Date until the 14<sup>th</sup> business day following the date on which warranty and indemnity exposure is eliminated through settlement of the relevant third party liability.

The Consortium shall be entitled to terminate the SPA at any time before the Closing Date if a material adverse effect occurs in relation to Sybrin Systems and Sybrin Limited.

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

## 5. **Suspensive Conditions**

The Transaction is subject to, *inter alia*, the fulfilment or waiver of the following suspensive conditions:

- Approval of the Transaction by the relevant Competition Authorities and the Financial Surveillance Department of the South African Reserve Bank;
- Consent being received from the lenders to EOH; and

- The acquisition financing agreements entered into between the Consortium and its third party lenders for the provision of funding for the Transaction becoming unconditional in accordance with their terms.

## 6. Financial information

The value of the consolidated net assets of Sybrin at 31 July 2020 was R91 470 994 after accounting for outside shareholder interests of R2 258 256. The consolidated net profit after tax of Sybrin for FY20 was R68 200 657 after accounting for R576 912 of outside shareholder interests.

The above financial information has been extracted from the unaudited management accounts of Sybrin for FY20 which were prepared in terms of Sybrin'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.

8 June 2021

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### Sponsor



### Financial Advisors



### Legal Advisor to EOH

**WEBBER WENTZEL**

in alliance with > **Linklaters**

**Overall Strategic and lead advisor to EOH**



**Legal Advisor to the Consortium**

