

Invicta Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1966/002182/06)
Ordinary Share code: IVT Ordinary Share ISIN ZAE000029773
Preference Share code: IVTP Preference Share ISIN: ZAE000173399
("Invicta" or the "Company")

ACQUISITION OF A MAJORITY INTEREST IN THE DARTCOM GROUP OF COMPANIES AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Further to the cautionary announcement released on the Stock Exchange News Service of the JSE Limited and the A2X News Service on 13 September 2021 (the "**13 September Announcement**"), Invicta is pleased to advise that it has entered into a heads of agreement ("**HOA**") with Tuludi Capital Proprietary Limited ("**Tuludi**"), an investment vehicle managed by New GX Capital Group ("**New GX**"), and Kgalauwane Properties Holdings ("**Kgalauwane**") (collectively, the "**Sellers**") to purchase a majority shareholding in Dartcom SA Proprietary Limited ("**DSA**" or the "**Dartcom Group**"). In terms of the HOA, Invicta will acquire, whether directly or indirectly:

- 1.1. Tuludi's 78.03% shareholding in the Dartcom Group (the "**Dartcom Shareholding**");
- 1.2. all of the shares in and claims against Kgalauwane 2 Proprietary Limited which holds two properties key to the Dartcom Group's operations via Kgalauwane (the "**Kgalauwane Properties**"); and
- 1.3. the relevant individual ECNS and ECS Independent Communications Authority of South Africa ("**ICASA**") licenses held by Tuludi ("**ICASA Licenses**"),

collectively the "**Transaction**".

2. DESCRIPTION OF THE DARTCOM GROUP

The Dartcom Group is one of the foremost distributors of communication and renewable energy technology equipment and solutions both in South Africa and across the African continent. The Dartcom Group has an experienced workforce that operates the business' accredited manufacturing and distribution facilities. The business has aligned itself with leading global telecommunication and power solutions brands and is thus able to provide its customers with the best of breed products and services across the continent. To this end the Dartcom Group offers a wide range of solutions across the following ranges:

- 2.1 Radio frequency technology;
- 2.2 Fibre connectivity and fibre management solutions;
- 2.3 Fibre network products and solutions;
- 2.5 Active equipment such as site monitoring and maintenance; and
- 2.5 Power and renewable energy solutions;

Dartcom Fibre Solutions Proprietary Limited ("**DFS**") is a wholly owned subsidiary of DSA, and is a South African based manufacturer of world class fibre optic cables. The fibre optic cables are produced under license from OFS Fitel LLC ("**OFS**") (a global distributor of optical fibre), a wholly owned subsidiary of Furukawa Electric Company (Japan) ("**Furukawa**"), which has been a pioneer in optical fibre and power cables since 1974. DFS's relationship with the OFS and Furukawa companies ensures that DSA fully complies with global quality standards, has reliable access to stock at competitive pricing and is at the forefront of cutting-edge developments in technology.

The Dartcom Group recently established Gbitel Proprietary Limited, as a wholly owned subsidiary. Gbitel operates as a marketplace specialising in the design, build and transfer of fibre networks, as well as tower and power infrastructure projects through a model that benefits Small, Medium and Micro Enterprises (“**SMMEs**”). Gbitel’s service delivery marketplace framework is diverse and includes various bespoke funding, training, incubation and operating models to ensure that projects are delivered timeously and to specification whilst developing SMMEs.

3. DESCRIPTION OF THE KGALAUWANE PROPERTIES

Details of the Kgalauwane Properties which are key to the Dartcom Group’s operations are:

Property 1:

Address: 6 Padstone Street, Twenty-One Industrial Park, Sterkfontein, Ekurhuleni
Gross lettable area: 10,025m²
Permitted use: Industrial

Property 2:

Address: 33 Bearing Crescent, Silverton, Pretoria
Gross lettable area: 6,087m²
Permitted use: Industrial

4. RATIONALE FOR THE TRANSACTION

As part of our strategy to diversify from its industrial base in South Africa, Invicta wants to establish a diversified telecommunications, renewable energy and related battery storage technologies solutions provider, which has growth potential in South Africa as well as the rest of the African continent. Invicta’s objective is to emulate and leverage off of the existing engineering services and product distribution platform that it has built over the past decades.

Moreover, the introduction of New GX as an Invicta shareholder will significantly enhance the Broad-Based Black Economic Empowerment (“**B-BBEE**”) ownership and the empowerment credentials of the Company.

5. PURCHASE CONSIDERATION

The total purchase consideration for the Transaction is an amount of R565,652,928 (the “**Purchase Consideration**”) to be discharged as follows:

- 5.1. A payment of R50,000,000.00 in cash.
- 5.2. By the issue to Tuludi of 16,524,022 Invicta shares (with a value attributed to those Invicta shares of R27.28 per share) in terms of an asset-for-share transaction valued at R450,775,320;

The issue of the full 16,524,022 Invicta shares (“**Consideration Shares**”), is conditional upon Invicta being able to repurchase 5,200,000 shares from third party shareholders (“**Repurchase Shares**”) by way of share repurchases. Should Invicta not be able to acquire all of the Repurchase Shares in the market, the value of any such shares not acquired in the market (the “**Shortfall Shares**”), will be settled in cash, based on the R27.28 assumed value per share (“**Top-up Cash Amount**”). The Top-up Cash Amount will thus be calculated by multiplying the number of Shortfall Shares by R27.28 per share. Invicta has at the date of this announcement already acquired 897,687 of the Repurchase Shares in the open market by way of general authority granted by Invicta shareholders. Following the 13 September Announcement, Invicta has concluded agreements to repurchase a further 3,900,000 shares by way of

a specific repurchase (the “**Specific Repurchase**”), subject to Invicta shareholder approval. The terms of the Specific Repurchase are set out in the 13 September Announcement and in due course, a circular will be distributed to shareholders, incorporating a notice of general meeting.

- 5.3. A payment of a net R64,000,000 in cash for the Kgalauwane Properties which is based on a market value of R177,570,000 being attributed to such properties, as reduced by the value of the outstanding mortgage bond at the date of signature of the HOA (the cash consideration to be adjusted by the outstanding mortgage bond value at closing).
- 5.4. A payment for the ICASA Licenses in an amount of R877,608 to be discharged in cash.

6. IMPLEMENTATION DATE OF THE TRANSACTION

The Transaction will be implemented on the first business day of the month following the month in which the last of the conditions precedent set out in paragraph 7 below have been fulfilled (the “**Effective Date**”).

7. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment of the following conditions precedent which are normal for a transaction of this nature:

- 7.1. Invicta board approval of the Transaction;
- 7.2. the shareholders of Invicta approving the Specific Repurchase;
- 7.3. Tuludi, New GX, Kgalauwane and Dartcom Group board and shareholder approvals;
- 7.4. the conclusion of a management agreement between New GX and the Dartcom Group in terms of which New GX will manage the Dartcom Group for the three-year period following the Effective Date;
- 7.5. the agreement between Tuludi, New GX, Kgalauwane and Invicta becoming unconditional; and
- 7.6. the approval of relevant competition authorities, and any other regulatory approvals, if any, that may be required.

In addition, the “change in control” filing with ICASA for the ICASA Licenses will be completed post the Transaction.

8. FINANCIAL INFORMATION

The value of the net assets and the profits attributable to the net assets that are the subject of the Transaction are as follows:

8.1. Dartcom Shareholding

A consolidated net profit of R14,2 million for the period 1 April 2020 to 31 March 2021 is attributable to the Dartcom Shareholding which amount included a loss from foreign exchange of R33 million. It should be noted that the said profit after tax was negatively impacted by the muted trading conditions in the markets in which the Dartcom Group operates, as such markets were severely impacted by the COVID-19 pandemic. As a significant increase in the profits of the Dartcom Group is expected, the parties have agreed a profit warranty as described in paragraph 9 below.

The value of the net assets of the Dartcom Shareholding is R226,8 million at 31 March 2021.

The financial information has been extracted from the audited consolidated annual financial statements of the Dartcom Group for the year ended 31 March 2021, which were prepared in terms of International Financial Reporting Standards.

8.2. Kgalauwane Properties

A net profit of R1,8 million for the period 1 April 2020 to 31 March 2021 attributable to the Kgalauwane Properties.

The value of the net assets of Kgalauwane Properties is R46,2 million at 31 March 2021.

The financial information has been extracted from the unaudited trial balance of Kgalauwane Properties for the year ended 31 March 2021, which was prepared in terms of International Financial Reporting Standards for SMMEs.

9. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE TRANSACTION

- 9.1 The Sellers shall guarantee that the Dartcom Group will deliver cumulative consolidated net profit after tax of at least R349 million ("**Base Profit**") over the 3-year period ("**Performance Period**") commencing on the Effective Date.
- 9.2 In terms of a performance agreement with the Sellers, should the actual performance earnings over the Performance Period exceed the Base Profit of the Dartcom Group, then the Sellers will be entitled to share in the excess earnings on a sliding scale, provided the actual performance earnings exceed the Base Profit by greater than 5% ("**Performance Incentive**"). The Performance Incentive shall be subject to a maximum payment of R72 million.
- 9.3 Should the actual performance earnings be less than the Base Profit, Invicta will be entitled to claw back shares that were issued to the Sellers for no consideration, calculated by dividing the cumulative actual performance earnings shortfall by R27.28 to arrive at the number of shares to be clawed back. The aforesaid is conditional on the actual performance earnings are at least 5% lower than the Base Profit. The claw back mechanism is limited to a maximum of 40% of the Purchase Consideration.
- 9.4 The Sellers have agreed that 10,000,000 Consideration Shares ("**Lock-In Shares**") shall be subject to a lock-in and shall not be disposed of by the Sellers provided that:
 - 9.4.1 after the end of the third year after the Effective Date, the Sellers shall be permitted to dispose of no more than 3,333,333 Lock-In Shares;
 - 9.4.2 after the end of the fourth year after the Effective Date, the Sellers shall be permitted to dispose of an additional 3,333,333 Lock-In Shares; and
 - 9.4.3 after the end of the fifth year after the Effective Date, the Sellers shall be permitted to dispose of all the Lock-In Shares.

The above lock-in provisions shall cease to be binding on the Sellers should there be significant deterioration in market conditions affecting the market price of the Company's securities as well as the earnings attributable to Invicta ordinary shareholders.

- 9.5 The cumulative dividend in respect of the Consideration Shares held by the Sellers is guaranteed by Invicta over the Performance Period. Should the cumulative dividend per Consideration Share be less than R5.15, Invicta will be required to make a once-off payment to the Sellers to meet the shortfall based on the number of shares owned by the Sellers at the end of the Performance Period. The maximum once-

off payment would be R85,098,713, based on the full 16,524,022 Consideration Shares being held by the Sellers at the conclusion of the Performance Period and no dividend having been paid by Invicta for the duration of the Performance Period.

10. CLASSIFICATION OF THE TRANSACTION

The Transaction constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

11. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Following the release of this announcement, shareholders are advised that caution is no longer required to be exercised when dealing in the Company's shares.

12. BOARD RESPONSIBILITY STATEMENT WITH RESPECT TO THE TRANSACTION

The board of Invicta accepts responsibility for the information contained in this announcement insofar as such information relates to the Transaction and, to the best of its knowledge and belief, such information is true and this announcement does not omit anything likely to affect the importance of such information included.

Johannesburg
07 October 2021

Acting Company Secretary:
R Cloete, on behalf of Acorim

Transaction Sponsor:
Nedbank Corporate and Investment Banking, a division of Nedbank Limited