

Metrofile Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MFL
ISIN: ZAE000061727
("Metrofile" or the "Company")

ACQUISITION OF IRONTREE INTERNET SERVICES

1. Introduction

The Company is pleased to announce that, through its wholly-owned subsidiary Metrofile Pty Ltd, it has agreed to acquire 70% of the shares in and claims against IronTree Internet Services CC ("IronTree") from the founding shareholders consisting of a consortium of individual investors (collectively the "Sellers") with the remaining 30% to be purchased in 2024. The total consideration for 100% of shares in and claims against IronTree will be for a minimum consideration of R80 000 000 and a maximum consideration of R140 000 000 (the "Acquisition").

The effective date of the Acquisition is expected to be on or about 15 November 2021, or a later date as agreed between the parties ("Effective Date").

2. Nature of IronTree Business

IronTree provides data management services including cloud backup, disaster recovery and specialised server hosting in a private cloud. IronTree also offers cyber-crime and ransomware prevention, ongoing privacy law compliance management, and business continuity planning services.

3. Rationale for the Acquisition

This Acquisition complements Metrofile's strategic pillar of accelerating its position into the provision of information management and digital services. This Acquisition will benefit Metrofile's clients who are increasingly managing their information digitally and will provide them with digital back up and hosting services that support their businesses.

IronTree will strengthen Metrofile's core capabilities in virtual storage and digital risk management. IronTree will also provide access to products in high growth segments such as cybersecurity and digital compliance.

4. Terms of the Acquisition

The Acquisition will be settled on the following basis:

- an upfront cash amount of R48 918 295 for 70% of the shares in and claims against IronTree will be payable to the Sellers on the Effective Date ("**Upfront Payment**");
- a top-up payment (of maximum R12 281 705) will be payable should IronTree achieve an adjusted EBITDA of R18 719 464 for the 12-month period ending 28 February 2022 ("**Top-up Payment**");
- the remaining 30% of the shares will be purchased in 2024 and will be determined using a sliding scale based on the growth in revenue of the business up to the 12-month period ending 29 February 2024 ("**Second Payment**"). The Second Payment will be based on revenue, rather than EBITDA, in order to simplify the integration of IronTree into Metrofile as integration initiatives are likely to consolidate costs of both Metrofile and IronTree;
- The Upfront, Top-up and Second Payment will cumulatively not be less than R80 000 000 and will not exceed a total purchase consideration of R140 000 000. The maximum payment will be linked to a Revenue target of R100 000 000 for the 12-month period ending 29 February 2024.

The Sellers have agreed a restraint of trade for a period of 5 years from the effective date of the Second Payment.

Warranties provided are normal for a transaction of this nature.

The Company confirms that the IronTree memorandum of incorporation will comply with clause 10.21 of schedule 10 of the JSE Listings Requirements.

5. Conditions Precedent

The implementation of the Acquisition will be subject to the fulfilment of the remaining conditions precedent noted below by no later than 12 January 2022, however we expect these to be fulfilled by the Effective Date:

- consent is received from parties to material contracts as identified by Metrofile as well as from Metrofile's senior lender;
- employment contracts are entered into with key management;
- completion of Metrofile's due diligence investigation; and
- IronTree is converted into a private limited liability company in accordance with the terms of the Companies Act, 71 of 2008.

6. Financial Information of IronTree

As per IronTree's latest management accounts for the year ended 28 February 2021 (in accordance with IFRS), the following information is extracted:

- Revenue of R45 288 871;
- Profit after tax of R6 676 523;
- Adjusted profit after tax of R9 501 803;
- Net assets of R4 280 188.

7. Categorisation

The Acquisition is a category 2 transaction for the Company and shareholder approval is therefore not required. Shareholders will be informed once the conditions precedent detailed above have been fulfilled.

8. Responsibility Statement

The Board accepts responsibility for the information contained in this announcement. To the best of its knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information included.

Illovo
21 October 2021

Sponsor
The Standard Bank of South Africa Limited

Transaction Advisor
Apex Partners