

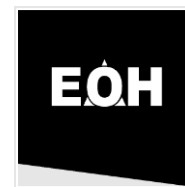
EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH ISIN: ZAE000071072

(“EOH” or “the Group”)



DISPOSAL OF NETWORK SOLUTIONS AND HYMAX TO SEACOM

Introduction

On 6 April 2022, EOH concluded agreements to divest of its Network Solutions business (“**EOH-NS**”) conducted by EOH Mthombo Proprietary Limited (“**Seller**”), a wholly-owned subsidiary of EOH and of the entire issued share capital of Hymax (SA) Proprietary Limited (“**Hymax**”), both of which, currently operate under the iOCO division, to Seacom South Africa Proprietary Limited (“**SEACOM**”), for a consideration (Enterprise Value or “**EV**”) of R144.9 million (“**Transaction**”).

EOH-NS and Hymax have vast experience in the delivery of wholesale and managed service solutions for the networking and voice segments of the telecommunications industry.

Rationale for transaction and application of proceeds

Over the past two years, EOH has embarked on a targeted disposals strategy which includes assets that are capital intensive.

In support of this and due to EOH’s current capital constraints, relative to the Mobile Network Operators (MNOs), and as the Group prioritises creating a fit-for-purpose capital structure, EOH has looked to ensure that EOH-NS and Hymax can continue investing in world-class infrastructure and maintain their service excellence.

SEACOM’s position as a leading ICT and internet connectivity supplier for African enterprises as well as their stated strategic objective of strengthening its enterprise offering, provides a compelling opportunity for value unlock for EOH-NS and Hymax, both for existing and future clients and the transferring employees.

The embedded relationships that exist between customers and other EOH business units will remain as is and the EOH Infrastructure Services business is positioned to benefit from the transaction as we leverage the SEACOM connectivity expertise.

The proceeds of the Transaction, net of costs, will primarily be applied to reduce EOH debt further.

Salient Terms of the Transaction

The Transaction comprises two inter-conditional agreements, being the sale of the EOH-NS business as a going concern by the Seller to Hymax (“**Sale of Business**”) and the sale of the entire issued share capital of Hymax to SEACOM (“**Sale of Shares**”).

The Transaction shall take effect on the first day of the month immediately following the month within which the fulfilment or waiver of the suspensive conditions in respect of the Sale of Shares (detailed below) are met (“**Effective Date**”). This process is estimated to take three to five calendar months with conditions precedent needing to be met by 31 August 2022.

On the Effective Date, SEACOM will acquire the entire issued share capital and sale claims of Hymax as one indivisible transaction for a purchase price of R144.9 million equivalent to the enterprise value and represents an EV / normalised EBITDA multiple of c. 4,8x on the EOH-NS and Hymax 31 July 2021 normalised EBITDA of c. R30 million, to be settled as follows:

- an upfront payment of R115.9 million, representing 80% of the EV, payable on the closing date.
 - 20% of the EV (“**Retention Amount**”) is to be held in an interest-bearing escrow account. The Retention Amount shall be held by an escrow agent for a period of 12 months as security for the payment of any warranty and indemnity claims, which warranties and indemnities are customary for a transaction of this nature. 50% of the Retention Amount shall be released after six months assuming no claims are made.
- The EV is adjusted for:
 - the amount by which the net debt (being the consolidated value of the liabilities of the business) at the Effective Date is less than or above zero; and
 - the amount equal to the working capital adjustment, being the amount by which the working capital exceeds or is lower than the agreed working capital amount (being the 12-month normalised average net working capital as at the month preceding the Effective Date).

Suspensive Conditions

The Transaction is subject to the fulfilment or waiver of the following suspensive conditions on or before 31 August 2022:

- the requisite board and shareholder approval being obtained by both SEACOM and the Seller;
- unconditional approval from the Competition Authorities;
- the conclusion of a sub-allocation agreement from the Seller to SEACOM in respect of the telephony number blocks utilised by EOH-NS;
- confirmation that the Seller has either obtained the counterparty’s consent for the cession and assignment of all contracts or agreements relating to the EOH-NS business, including key customer contracts or an agency arrangement and assignment of the requisite contracts to Hymax has been concluded;
- the Sale of Business is advertised in terms of Section 34 of the Insolvency Act;
- the Sale of Business agreement having been implemented in full and Hymax becoming the legal owner of the EOH-NS business;
- the conclusion of a transitional service agreement between Hymax and the Seller in respect of services provided by the Seller to EOH-NS or Hymax which do not form part of the Sale of Business agreement;
- all inter-company receivables and payable in respect of EOH-NS and the Seller which are outstanding for longer than 120 days have been settled in full; and
- the Seller obtains the written unconditional and irrevocable consent of the Lenders.

Financial Information

The value of the consolidated net assets of EOH-NS and Hymax as at 31 July 2021 was at R70 448 221.

The normalised profit after tax amounted to R4 656 894 for the year ended 31 July 2021.

The above financial information has been extracted from the audited results of EOH for the year ended 31 July 2021 which were prepared in terms of EOH's accounting policies and International Financial Reporting Standards.

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.

7 April 2022

Sponsor

