

**ETION LIMITED**

(Incorporated in the Republic of South Africa)

(Registration Number: 1987/001222/06)

(Share Code: ETO)

(ISIN: ZAE000097028)

(“**Etion**” or “**the Company**” or “**the Group**”)



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**CATEGORY 2 DISPOSAL ANNOUNCEMENT**

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**1. INTRODUCTION**

Shareholders of the Company (“**Shareholders**”) are advised that on 28 June 2022, the Company, its wholly-owned subsidiary, Etion Connect Proprietary Limited (“**Etion Connect**”), entered into an agreement (“**Agreement**”) with Etion Telecommunications Proprietary Limited (“**Purchaser**”) a newly formed entity consisting of a third-party equity partner as well as the executive management of Etion Connect, in terms of which, *inter alia*, the Company will sell the business of Etion Connect, comprising all of the assets (save for certain Excluded Assets as noted in paragraph 9.2 below), all of the liabilities and transfer of all of the employees of Etion Connect (“**Business**”) to the Purchaser (“**Disposal**”) for the purchase consideration of R71 500 000 (“**Purchase Consideration**”).

The Disposal is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements

**2. RATIONALE FOR THE DISPOSAL**

The Etion board of directors initiated a process to unlock shareholder value in 2020 as the share price of the Company did not reflect the underlying intrinsic value of the businesses in the Etion group of companies. It is within this context that the Agreement has been concluded.

**3. DESCRIPTION OF THE BUSINESS OF ETION CONNECT**

Etion Connect provides carrier-grade passive connectivity equipment and solutions that enable telecommunications networks to function, connecting communities, businesses and government with mission-critical connectivity access.

**4. DISPOSAL CONSIDERATION**

As set out above, the Purchase Consideration for the Disposal of the Business (excluding the Excluded Assets as noted in paragraph 9.2 below) to the Purchaser is R71 500 000.

**5. APPLICATION OF DISPOSAL CONSIDERATION**

Subsequent to the review and consideration of operational cash requirements and a comprehensive review of the Company’s remaining known obligations and liquidity position, the net proceeds of the Disposal will be made available for distribution to Shareholders.

**6. CONDITIONS PRECEDENT**

The Agreement is subject to the fulfilment or waiver (to the extent legally permissible) of conditions precedent (“**Conditions Precedent**”), including but not limited to:

- 6.1. the boards of directors of Etion Connect and the Purchaser have approved and ratified the entering into and implementation of the Agreement
- 6.2. the shareholder of Etion Connect has passed all the necessary resolutions to approve the Disposal, to the extent applicable;
- 6.3. the Purchaser shall have provided Etion Connect with certified copies of its constitutional documents and internal restructuring agreement;
- 6.4. the Purchaser shall provide Etion Connect with written confirmation that all the conditions precedent relating to the loan funding of the Purchaser have been fulfilled, as required in order to satisfy the Purchase Consideration;
- 6.5. Etion Connect shall provide to the Purchaser a letter from its funders, in terms of which its funders confirm that there are no cross-suretyships, cessions and pledges of debtors books, guarantees or any other security arrangements, including any other contractual commitments, given by Etion Connect and/or the Business in favour of such funders ("**Encumbrances**") or releases Etion Connect from, and terminates all and any such Encumbrances;
- 6.6. Etion Connect shall have obtained all necessary signed written consents and/or waivers required to assign all of Etion Connect's rights and obligations under the certain third-party agreements to the Purchaser;
- 6.7. Etion Connect shall have obtained all necessary signed written consents required to assign and/or transfer all licenses, permits, the Etion Connect trademark and other authorizations required for the Purchaser to conduct the Business in accordance with all applicable laws, as such business is conducted as at the signature date of the Agreement;
- 6.8. the Purchaser shall have registered with the South African Revenue Services as a VAT vendor and shall have provided Etion Connect with written confirmation of such registration;
- 6.9. Etion Connect shall have advertised the Sale in compliance with the terms of section 34 of the Insolvency Act, No. 24 of 1936 as amended from time to time; and
- 6.10. no material adverse change shall have occurred between the Effective Date (as defined in paragraph 7) and the date of fulfilment or written waiver of the last of the Conditions Precedent.

## 7. EFFECTIVE DATE OF THE DISPOSAL

- 7.1. Subject to the fulfilment or waiver (to the extent legally permissible) of the last of the Conditions Precedent, the effective date of the Disposal is 1 April 2022 ("**Effective Date**").
- 7.2. Delivery and payment in respect of the Business will take place on the first business day of the calendar month following the calendar month in which the last of the Conditions Precedents has been fulfilled or waived (to the extent legally permissible), unless the parties to the Agreement otherwise agree in writing ("**Closing Date**").

## 8. FINANCIAL INFORMATION

- 8.1. The value of the net assets (including the Excluded Assets as noted in paragraph 9.2 below) comprising the assets of Etion Connect ("**Assets**") as at 31 March 2022, being the date of the last unaudited management accounts of Etion Connect, was R78,329,275.

- 8.2. The unaudited profits after tax attributable to the Assets for the year ended 31 March 2022, was R32,563,694, based on the unaudited management accounts of the Company for the year ending 31 March 2022, which were prepared in terms of IFRS.
- 8.3. The Company is satisfied with the quality of the management accounts of Etion Connect, however, Shareholders are warned that they are unaudited.

#### 9. **WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT**

- 9.1. The Agreement contains representations, warranties, indemnities and interim period undertakings by Etion Connect in favour of the Purchaser which are standard for a transaction of this nature.
- 9.2. Certain Business assets of Etion Connect have been excluded from the Disposal and shall be retained by Etion Connect, being, a receivable from the South African Revenue Service, a value added tax receivable and a deferred tax asset (collectively the “**Excluded Assets**”). Furthermore, any excess cash and cash equivalents of the Business above R10 000 000 and any excess net working capital of the Business above R50 000 000, on the Effective Date, shall be retained by Etion Connect (“**Retained Cash**”), provided that the Retained Cash and Excluded Assets, in aggregate, shall not exceed R13 500 000.

#### 10. **CLASSIFICATION OF THE DISPOSAL**

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

28 June 2022

Designated Advisor

PSG Capital

