

AYO TECHNOLOGY SOLUTIONS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1996/014461/06

Share code: AYO

ISIN: ZAE000252441

("AYO")

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1996/006093/06

Share code: AEE

ISIN: ZAE000195731

("AEEI")

JOINT ANNOUNCEMENT - ACQUISITION OF ITALIAN SUMMER

1. Introduction

Shareholders holding securities in AYO and AEEI respectively are advised that SGT Solutions Proprietary Limited ("**SGT**" or "**Purchaser**"), a company owned 40% by AYO and 60% by AEEI respectively, entered into a binding sale of shares and loan claim agreement ("**Agreement**") with the Trustees of the SY Share Trust ("**Seller**"), Italian Summer Holdings Proprietary Limited ("**Italian Summer**"), its wholly-owned subsidiary, Engineering Data Systems (South Africa Proprietary Limited) ("**the Company**") and Steven Yap (being the sole director of the Company and the trustee of the Seller) on 18 July 2022 in terms of which SGT shall acquire:

- 100% of the issued share capital of Italian Summer ("**Sale Shares**") and claims held by the Seller against the Company ("**Sale Claims**") (the Sale Shares and Sale Claims are collectively referred to hereinafter as the "**Italian Summer Equity**") from the Seller, subject to the fulfilment or waiver of the conditions precedent set out in paragraph 5 below ("**Conditions Precedent**"), for a total purchase consideration of R73 628 544 ("**Purchase Consideration**") ("**Acquisition**").

2. Nature of business

Italian Summer, through the Company, supplies, installs and maintains power management and backup solutions and related equipment and products for commercial and industrial applications. Italian Summer supplies the solutions to customers in a variety of sectors throughout Southern Africa, including large commercial institutions, industrial manufacturing plants, and government departments. Italian Summer supplies and services these entities both directly and indirectly through its network of agents covering a broad geographic range.

3. Rationale for the Acquisition

The rationale for entering into the transaction is that potential synergies exist which would be beneficial to both SGT and Italian Summer, and ultimately create a larger market share in the telecommunications sector through an increased value-add as well as access to new potential customers.

4. Acquisition Structure and Purchase Consideration

The total Purchase Consideration comprises:

- an amount of R71 944 369 for the Sale Shares ("**Sale Share Purchase Price**"), which amount is calculated by multiplying the audited net profit after tax ("**NPAT**") of the Company for the financial year ended 31 July 2021 ("**2021 Financial Year**"), adjusted for family member salary and rental of assets, by 5.5; less an amount of R1 684 175 ("**Sale Claims Purchase Price**"); and
- the Sale Claims Purchase Price.

Accordingly, SGT shall acquire the Italian Summer Equity for a total purchase consideration of R73 628 544 payable as follows:

- an upfront amount of R35 972 184.50 (being an amount equal to 50% of the Sale Share Purchase Price) ("**Upfront Amount**") which shall be paid by SGT in cash within 14 days from the date on which the last of the Conditions Precedent are waived/fulfilled ("**Effective Date**") (as set out in paragraph 5 below);
- Sale Claims Purchase Price which shall be paid by SGT in cash within 14 days of the **Effective Date**; and
- an "**Earn-Out Amount**", comprising a First Earn-Out Amount and a Second Earn-Out Amount, which Earn-Out Amount shall be capped at an amount of R35 972 184.50, being 50% of the Sale Purchase Price ("**Maximum Sum**") and which First Earn-Out Amount and a Second Earn-Out Amount shall be paid by SGT in cash subject to the achievement of the warranted net profit after tax ("**Warranted NPAT**") of the Company for the financial years ending 31 July 2022 and 31 July 2023, respectively, and adjustments thereto, as set out in paragraph 4.1.1 below.
- The Purchase Consideration will be paid out of existing cash resources.

4.1.1. Adjustment of Earn-Out Amount

- The First Earn-Out Amount shall be paid within 14 days of finalisation of the audited results of the Company for the financial year ending 31 July 2022 (“**First Earn-Out Period**”), for which the Warranted NPAT shall be the audited NPAT for the 2021 Financial Year plus 10% (ten percent).
- The formula for determining the First Earn-Out Amount for the First Earn-Out Period will be as follows: 50% of the Maximum Sum x (FY2022 Audited NPAT / FY2022 Warranted NPAT), subject to the First Earn-Out Amount being capped at R17 986 092.25, being 50% of the Upfront Amount (“**Annual Cap**”).
- The Second Earn-Out Amount shall be paid within 14 days of finalisation of the audited results of the Company for the financial year ending 31 July 2023 (“**Second Earn-Out Period**”), for which the Warranted NPAT shall be the audited NPAT for the 2022 Financial Year plus 10% (ten percent).
- The formula for determining the Second Earn-Out Amount for the Second Earn-Out Period will be as follows:
50% of the Maximum Sum x (FY2023 Audited NPAT / FY2023 Warranted NPAT), subject to the Second Earn-Out Amount being capped at the Annual Cap.
- The Seller is entitled to receive the portion of the Earn-Out Amounts not earned in the First Earn-Out Period, during the Second Earn-Out Period, provided that the total aggregate Earn-Out Amounts for both Earn-Out Periods is capped at the collective Earn Out Amounts.

5. Conditions Precedent and Effective Date

5.1. Conditions Precedent

The Acquisition is subject to and conditional upon, the fulfilment or waiver of the following Conditions Precedent:

- 5.1.1. the completion of a due diligence exercise being undertaken by the Purchaser to determine the technical, financial and operational state of the Company, and the outcome of such due diligence being acceptable to the Purchaser;
- 5.1.2. the approval of the entering into and implementation of the Agreement by the board of directors of the Purchaser;
- 5.1.3. the approval of the entering into and implementation of the Agreement by the shareholders of the Purchaser, by way of resolution;
- 5.1.4. the UPS Business Trust of the Seller, which owns the operational assets currently being leased to the Company (“**Operational Assets**”), entering into a written sale of assets agreement with the Company (“**Sale of Assets Agreement**”) in terms of which the Company will acquire the Operational Assets for a price equal to the Sale Claims Purchase Price, and such Sale of Assets Agreement becomes unconditional in accordance with its terms, other than in relation to conditions therein requiring the Agreement to become unconditional;

- 5.1.5. the UPS Business Trust distributes and transfers to the Seller its claims of the Operational Assets arising from the Sale of Assets Agreement;
- 5.1.6. the approval of the entering into and implementation of the Agreement by the trustee of the Seller, by way of resolution;
- 5.1.7. to the extent required, the consent of the counterparties to any of the Company's material contracts which contain restrictive provisions regarding a change of control of the Company;
- 5.1.8. the conclusion of employment agreements with key employees of the Company (where appropriate containing restraints of trade undertakings) to the satisfaction of the Purchaser;
- 5.1.9. that prior to the Effective Date, there is no material adverse effect, as determined by the Purchaser;
- 5.1.10. that the parties to the Agreement obtain all such other statutory and regulatory approvals and requirements as may be necessary in order to implement the Agreement and are complied with, as the case may be (including, without limitation, in terms of the Listings Requirements of the JSE Limited ("JSE"), the Companies Act (Act 71 of 2008) as amended and the Competition Act, (Act 89 of 1998);
- 5.1.11. the Purchaser has approved in writing the form of memorandum of incorporation ("MOI") of Italian Summer and such MOI has been duly adopted and submitted to the Companies and Intellectual Property Commission ("CIPC") and CIPC has placed the updated MOI of Italian Summer on file;
- 5.1.12. the audited annual financial statements for the 2021 Financial Year of the Company have been duly prepared, on terms acceptable to the Seller, including but not limited to, in relation to any adjustments to relating to interest income/expenses, family member salaries and rental of assets; and
- 5.1.13. the conclusion of a memorandum of agreement between the Company and Steven Yap regarding the securing of additional client contracts for the Company (prior to the expiry of his employment contract), to the satisfaction of the Purchaser.

5.2. Effective Date

The Effective Date of the Acquisition shall be 29 July 2022, or the first business day after fulfilment or waiver of the suspensive conditions, whichever is earlier, notwithstanding the date on which all of the Conditions Precedent set out in the Agreement are fulfilled or waived.

6. Financial Information

The value of the net assets of the Company as at 31 July 2021, extracted from the latest audited annual financial statements, was R27 011 643.

The audited NPAT for the 2021 Financial Year, extracted from the latest audited financial statements of the Company was R12 149 954.

The audited financial statements for the 2021 Financial Year were prepared in terms of International Financial Reporting Standards for Small and Medium-sized Entities and management is satisfied with the accuracy and completeness of such audited financial statements.

7. CLASSIFICATION OF THE ACQUISITION

The Acquisition is classified as a Category 2 transaction for both AYO and AEEI in terms of the JSE Listings Requirements and, accordingly is not subject to the approval of shareholders of either AYO or AEEI.

Cape Town

19 July 2022

Transaction Sponsor

Vunani Sponsors

Joint Sponsor

Merchantec Capital