



## **EOH HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1998/014669/06)  
JSE share code: EOH ISIN: ZAE000071072  
("EOH" or the "Company")

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### **Announcement relating to, *inter alia*:**

- a proposed rights offer of R500 million;
  - a specific issue of ordinary shares for cash of R100 million to Lebashe Investment Group Proprietary Limited ("Lebashe"), EOH's empowerment shareholder;
  - amendment of the terms of the A Shares, comprising an amendment of a previously approved specific issue of A Shares requiring the approval of shareholders in terms of section 5.51 of the JSE Listings Requirements; and
  - the notice of a general meeting of EOH Shareholders.
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### **1. Introduction**

As stated in EOH's final results announcement on Wednesday, 26 October 2022:

- EOH generated a total operating profit of R282 million for the year ended 31 July 2022 following a total operating profit of R147 million for the year ended 31 July 2021, an increase of 92%;
- cash generated from operations was equivalent to 100% of operating profit;
- operating profit from the Company's continuing operations improved 82% on a restated basis to R100 million in FY2022 from R55 million in FY2021; and
- the Company recorded an improvement of 91% in total loss per share to 15 cents for the year ended 31 July 2022 from 166 cents in the preceding year.

These positive financial results reflect a major milestone in the successful execution of EOH's turnaround strategy and illustrate the significant progress made in addressing historical compliance, governance and risk failings. With the turnaround of EOH's compliance, governance and risk management largely complete, and in the context of the significant improvement in EOH's financial performance, the Company's board of directors ("**Board**") considers it appropriate to focus on optimising EOH's capital structure and positioning the Company for future growth by proceeding with an equity capital raise of up to R600 million ("**Capital Raise**").

Notwithstanding significant progress to date, EOH's deleveraging and liquidity objectives remain incomplete, with EOH continuing to be burdened by its debt commitments and interest obligations. This necessitated the renegotiation of its debt funding package with its lender group, which was concluded on 1 April 2022. The terms of the refinancing agreements with lenders require EOH to undertake a capital raise to repay a significant portion of the bridge facility outstanding. The bridge facility is repayable by December 2023.

The Board has resolved to put in place the necessary measures to be able to proceed with the Capital Raise comprising:

- (i) a renounceable rights offer ("**Rights Offer**") of up to R500 million (or, if the Specific Issue is not approved by EOH shareholders, up to R600 million), which Rights Offer is intended to be at a discount to the market price for EOH ordinary shares, as per normal market practice ("**Rights Offer Price**"); and
- (ii) a specific issue of ordinary shares at the Rights Offer Price for cash of R100 million to Lebashe ("**Specific Issue**"), further details of which are set out below,

in order to raise a total of R600 million.

The net proceeds of the Capital Raise will enable the Company to:

- repay approximately R563 million of its bridge facility (of which R728 million is currently outstanding) and thereby right-size the capital structure. The remaining balance of the bridge facility will be repaid from the proceeds of smaller asset disposals as well as a refinancing of the balance with one or more of the lenders;
- optimise the Company's balance sheet; and
- maintain sufficient working capital in the short to medium term to allow the Company to pursue its strategy.

In the opinion of the management team and Board, right-sizing the capital structure will allow EOH to improve earnings and ultimately create value for shareholders.

To give effect to the Capital Raise, the Company requires its shareholders to approve:

- (i) the increase of the authorised ordinary share capital of the Company;
- (ii) the consequential amendments to the memorandum of incorporation required by such increase in ordinary share capital; and
- (iii) the allotment and issue of ordinary shares for the purpose of the Rights Offer and Specific Issue.

The Company proposes to increase its authorised ordinary share capital to 7 500 000 000 EOH authorised ordinary shares. The increase in authorised ordinary share capital will allow the Company flexibility for the issue of ordinary shares pursuant to the proposed Capital Raise as well as for any future placements of ordinary shares as and when the Company considers it necessary to raise equity capital to fund organic or acquisitive growth, in accordance with the approval requirements of the Companies Act and the JSE Listings Requirements.

## **2. Amendment to the terms of the A Shares and the Specific Issue**

In 2018, EOH concluded an empowerment transaction with Lebashe that entailed an investment by Lebashe of R750 million into the Company, which was a necessary capital injection for an unsettled EOH. The empowerment transaction also entailed the issue of 40 million newly-created class of voting-only shares ("**A Shares**") to Lebashe, each of which entitle the holder to be issued with a certain number of EOH ordinary shares as capitalisation shares after a five year period, subject to the EOH ordinary share price reaching a strike price of R90.

Lebashe has agreed, subject to certain terms and conditions, to provide a partial underpin to the Rights Offer in the form of:

- (i) an irrevocable undertaking to follow its rights in terms of the Rights Offer; and

- (ii) a commitment to subscribe for ordinary shares for an aggregate subscription price of R100 million immediately after the Rights Offer through the Specific Issue.

In keeping with the spirit of the 2018 empowerment transaction, the Company and Lebashe propose amending the A Share terms by:

- (i) amending the strike price of the A Shares from R90 per ordinary share to a price per ordinary share equal to the closing ordinary share price on the day following the publication of the results of the Rights Offer increased by a 25% CAGR; and
- (ii) extending the maturity of the A Shares by a further 5 years,

as well as amending the Amended and Restated Relationship Agreement (being one of the key agreements of the 2018 empowerment transaction) to further enable Lebashe to add value as a strategic partner of EOH (collectively, the "**A Share Amendments**").

The effect of the A Share Amendments would be to provide Lebashe with a reasonable prospect of it being issued with EOH ordinary shares upon maturity of the A Shares whilst also extending the life of the Company's empowerment transaction (and the resultant benefits thereof to the Company) by a further five years.

The indicative impact of the A Share Amendments have been included in the *pro forma* financial information set out in paragraph 4 below as well as in the Circular. Based on the assumptions used for the *pro forma* financial information, the A Share Amendments could result in approximately 2.2 million ordinary shares being issued to Lebashe on maturity of the transaction on 30 September 2028.

Lebashe is a material shareholder of EOH and, accordingly, Lebashe is deemed to be a related party to EOH as defined in the JSE Listings Requirements.

### 3. Pricing of the Rights Offer and Specific Issue

It is intended that ordinary shares under the Specific Issue will be issued to Lebashe at the same price as the price at which they will be offered to shareholders (on a *pro rata* basis) under the Rights Offer.

In line with market practice, the price per ordinary share under the Rights Offer will be at a discount to the theoretical ex-rights price ("**TERP**") of the ordinary shares which is the market price at which the ordinary shares should theoretically trade upon closing of the Rights Offer.

### 4. *Pro forma* financial effects of the Transactions

The *pro forma* financial information, including the *pro forma* financial effects of the Rights Offer, the Specific Issue and the A Share Amendments (collectively "**the Transactions**") on the financial information of EOH as at and for the year ended 31 July 2022, is set out in Annexure 2 of the circular to be published by EOH on or about Monday, 14 November 2022 ("**Circular**") in accordance with the provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South Africa Institute of Chartered Accountants. The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board.

The accounting policies used in the preparation of the *pro forma* financial effects are compliant with IFRS and are consistent with those applied in the published audited consolidated annual financial statements of EOH for the year ended 31 July 2022.

The *pro forma* financial information has been prepared for illustrative purposes only, to provide information on how the Transactions may have affected the financial position of EOH. Due to its nature, the *pro forma* financial information may not fairly present EOH's financial position, changes in equity, comprehensive income, or cash flows after the implementation of the Transactions.

The tables below are a summary of the detailed *pro forma* financial information, and should be read in conjunction with the *pro forma* consolidated statement of financial position and *pro forma* consolidated statement of profit or loss and other comprehensive income and related notes and assumptions as set out in Annexure 2 of the Circular.

The tables below set out the *pro forma* financial effects of the Transactions, based on the published audited results for the year ended 31 July 2022. Given the uncertainty relating to the Rights Offer Price and consequently the Specific Issue price ("**Subscription Price**"), which will be at a market related discount to the TERP and will only be determinable at the finalisation date of the Rights Offer, illustrative scenarios of the assumed discount within the Rights Offers Price and the Subscription Price, are presented below:

- Scenario 1: The Rights Offer Price and the Subscription Price equating to a 20% discount to TERP on the Last Practicable Date.
- Scenario 2: The Rights Offer Price and the Subscription Price equating to a 30% discount to TERP on the Last Practicable Date.
- Scenario 3: The Rights Offer Price and the Subscription Price equating to a 40% discount to TERP on the Last Practicable Date.

Scenario 1	Before	Pro forma after Rights Offer	Pro forma after the Specific Issue	Pro forma after the amendments to the terms of A Shares		% change
				Pro forma after the Transactions		
<b>Cents per share</b>	<b>Note 1</b>				<b>Note 2</b>	<b>Note 3</b>
Basic loss per ordinary share from continuing and discontinued operations	(15)	6	1	(1)	(6)	60%
Diluted (loss)/earnings per ordinary share from continuing and discontinued operations	(15)	6	1	(1)	(6)	60%
Headline (loss)/earnings per ordinary share from continuing and discontinued operations	(18)	5	0	(3)	(7)	61%
Diluted headline (loss)/earnings per ordinary share from continuing and discontinued operations	(18)	5	0	(3)	(7)	61%
Basic (loss)/earnings per ordinary share from continuing operations	(99)	(35)	(36)	(42)	(43)	57%
Diluted (loss)/earnings per ordinary share from continuing operations	(99)	(35)	(36)	(42)	(43)	57%
Headline (loss)/earnings per ordinary share from continuing operations	(72)	(22)	(24)	(29)	(31)	57%
Diluted headline (loss)/earnings per ordinary share from continuing operations	(72)	(22)	(24)	(29)	(31)	57%
Net asset value per ordinary share	20	153	165	152	155	675%
Net tangible asset value per ordinary share	(492)	(95)	(60)	(95)	(69)	86%
Weighted average number of ordinary shares in issue ('000)	168 755	347 737	383 534	349 917	385 714	
Number of ordinary shares in issue ('000)	168 755	347 737	383 534	349 917	385 714	

<b>Scenario 2</b>	<b>Before</b>	<b>Pro forma after Rights Offer</b>	<b>Pro forma after the Specific Issue</b>	<b>Pro forma after the amendments to the terms of A</b>		<b>% change</b>
				<b>Shares</b>	<b>Pro forma after the Transactions</b>	
<b>Cents per share</b>	<b>Note 1</b>				<b>Note 2</b>	<b>Note 3</b>
Basic loss per ordinary share from continuing and discontinued operations	(15)	5	(3)	(1)	(9)	40%
Diluted (loss)/earnings per ordinary share from continuing and discontinued operations	(15)	5	(3)	(1)	(9)	40%
Headline (loss)/earnings per ordinary share from continuing and discontinued operations	(18)	4	(4)	(2)	(10)	44%
Diluted headline (loss)/earnings per ordinary share from continuing and discontinued operations	(18)	4	(4)	(2)	(10)	44%
Basic (loss)/earnings per ordinary share from continuing operations	(99)	(30)	(34)	(36)	(40)	60%
Diluted (loss)/earnings per ordinary share from continuing operations	(99)	(30)	(34)	(36)	(40)	60%
Headline (loss)/earnings per ordinary share from continuing operations	(72)	(19)	(24)	(25)	(30)	58%
Diluted headline (loss)/earnings per ordinary share from continuing operations	(72)	(19)	(24)	(25)	(30)	58%
Net asset value per ordinary share	20	131	139	130	130	550%
Net tangible asset value per ordinary share	(492)	(81)	(51)	(81)	(58)	88%
Weighted average number of ordinary shares in issue ('000)	168 755	407 948	455 787	410 129	457 967	
Number of ordinary shares in issue ('000)	168 755	407 948	455 787	410 129	457 967	

<b>Scenario 3</b>	<b>Before</b>	<b>Pro forma after Rights Offer</b>	<b>Pro forma after the Specific Issue</b>	<b>Pro forma after the amendments to the terms of A</b>		<b>% change</b>
				<b>Shares</b>	<b>Pro forma after the Transactions</b>	
<b>Cents per share</b>	<b>Note 1</b>				<b>Note 2</b>	<b>Note 3</b>
Basic loss per ordinary share from continuing and discontinued operations	(15)	4	(6)	(1)	(11)	27%
Diluted (loss)/earnings per ordinary share from continuing and discontinued operations	(15)	4	(6)	(1)	(11)	27%
Headline (loss)/earnings per ordinary share from continuing and discontinued operations	(18)	3	(7)	(2)	(11)	39%
Diluted (loss)/headline earnings per ordinary share from continuing and discontinued operations	(18)	3	(7)	(2)	(11)	39%
Basic (loss)/earnings per ordinary share from continuing operations	(99)	(23)	(30)	(28)	(34)	66%
Diluted (loss)/earnings per ordinary share from continuing operations	(99)	(23)	(30)	(28)	(34)	66%
Headline (loss)/earnings per ordinary share from continuing operations	(72)	(14)	(22)	(19)	(27)	63%
Diluted headline (loss)/earnings per ordinary share from continuing operations	(72)	(14)	(22)	(19)	(27)	63%
Net asset value per ordinary share	20	101	105	100	99	395%
Net tangible asset value per ordinary share	(492)	(63)	(38)	(62)	(44)	91%
Weighted average number of ordinary shares in issue ('000)	168 755	529 208	601 298	531 388	603 479	
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**Notes and assumptions:**

1. The "Before" column is based on the EOH annual financial statements for the financial year ended 31 July 2022.
2. The "Pro forma after the Transactions" column reflects the impact of the Rights Offer, the Specific Issue and the A Share Amendments (collectively the "Transactions") on EOH.
3. Represents the % movement as a result of the Transactions, being the % movement from Note 1 to Note 2.

4. The effects on earnings, diluted earnings, headline earnings and diluted headline earnings per ordinary share are calculated on the basis that the Transactions were effective on 1 August 2021, while the effects on the net asset value and net tangible asset value per ordinary share was calculated on the basis that the Transactions were effective on 31 July 2022 for purposes of presenting the *pro forma* financial effects thereof on EOH.

The detailed notes and assumptions to the financial effects are presented with the *pro forma* consolidated statement of profit or loss and other comprehensive income and the *pro forma* consolidated statement of financial position illustrating the assumption of the Rights Offer Price and the Subscription Price being at a 30% discount to the TERP are contained in Annexure 2 to the Circular. The independent reporting accountant's reasonable assurance report on the *pro forma* financial information is included in Annexure 3 to the Circular. This information is provided for illustrative purposes only and is not an indication of the price at which the Rights Offer shares will be offered.

## 5. The independent expert opinion

As the Specific Issue will be to a related party and will be at a discount to the 30-day volume weighted average price of EOH ordinary shares, a fairness opinion is required in terms of section 5.51(f) of the JSE Listings Requirements.

In addition, the proposed A Share Amendments constitute an amendment to a specific issue in terms of the JSE Listings Requirements that was previously approved by shareholders, as well as being a related party transaction between EOH and Lebashe. In accordance with section 5.51 of the JSE Listings Requirements, the Board of EOH is required to obtain an opinion as to the fairness of the proposed A Share Amendments.

EOH has appointed Nodus Capital TS Proprietary Limited to act as independent expert and to provide confirmation as to whether the terms of the Specific Issue and the A Share Amendments are fair to shareholders.

The independent expert has found both the terms of the Specific Issue and the proposed A Share Amendments to be fair to the shareholders of EOH.

The Board, having taken into account the independent expert opinion, has considered the terms and conditions of the Specific Issue and the A Share Amendments and is of the opinion that the Specific Issue and the proposed A Share Amendments are fair insofar as EOH shareholders are concerned.

The Board unanimously recommends that shareholders vote in favour of the resolutions necessary to give effect to the implementation of the Specific Issue and the proposed A Share Amendments.

## 6. Notice of general meeting

The Circular setting out full details of the Specific Issue and the A Share Amendments as well as a notice of the general meeting of Shareholders to be held at 10h30 on Tuesday, 13 December 2022 ("**General Meeting**") will be posted to shareholders on or about Monday, 14 November 2022.

The Circular will also be available in electronic form on the Company's website at <https://www.eoh.co.za/investor-relations/shareholder-meetings/> from Monday, 14 November 2022.

## 7. Salient dates and times relating the Specific Issue and the A Share Amendments

Posting record date	Friday, 4 November
Date of issue of Circular and notice of General Meeting published on SENS	Monday, 14 November
Last day to trade to participate in and vote at the General Meeting	Tuesday, 29 November
Voting record date to participate in and vote at the General Meeting	Friday, 2 December
Written notice to participate electronically in the General Meeting to be delivered to EOH's offices (marked for the attention of the Company secretary) by 10:30 <sup>6</sup>	Friday, 9 December
Proxy forms to be lodged with the transfer secretaries as soon as possible for administrative purposes only and preferably by 10:30 (but in any event before the proxy exercises any rights of the EOH shareholder appointing the proxy at the General Meeting) <sup>5</sup>	Friday, 9 December
General Meeting to be held at 10:30	Tuesday, 13 December
Results of General Meeting released on SENS	Tuesday, 13 December
Results of General Meeting published in the South African press	Wednesday, 14 December

### Notes:

1. The above dates and times are subject to amendment. Any such material amendment will be released on SENS and published in the South African press.
2. All times quoted in the Circular are local times in South Africa on a 24-hour basis, unless specified otherwise.
3. Shareholders are reminded that ordinary shares can only be traded on the JSE in dematerialised form. No orders to dematerialise or rematerialise ordinary shares will be processed from the business day following the last day to trade up to and including the voting record date, but such orders will again be processed from the first business day after the voting record date.
4. The certificated register will be closed between the last day to trade and the voting record date.
5. If the General Meeting is adjourned or postponed, forms of proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such form of proxy.
6. Shareholders may still register online to participate in and/or vote electronically at the General Meeting after this date and time, provided; however, for those shareholders to participate and/or vote electronically at the General Meeting, they must be verified and registered before the commencement of the General Meeting.

Johannesburg  
11 November 2022

**Joint Financial Advisor**  
Rand Merchant Bank (a division of FirstRand Bank Limited)

**Joint Financial Advisor and Transaction Sponsor**  
The Standard Bank of South Africa Limited

**South African Legal Advisor to EOH**  
DLA Piper Advisory Services Proprietary Limited

**Legal Advisor to Joint Financial Advisors**  
Bowman Gilfillan Incorporated

**Independent Reporting Accountant**  
PricewaterhouseCoopers Incorporated

**Independent Expert**  
Nodus Capital TS Proprietary Limited