



## EOH HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/014669/06)

JSE share code: EOH ISIN: ZAE000071072

A2X share code: EOH ISIN: ZAE000071072

("EOH" or the "Company" or the "Group")

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## DECLARATION ANNOUNCEMENT IN RESPECT OF THE EOH RIGHTS OFFER

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Shareholders are referred to the pre-closing stakeholder update published on the Stock Exchange News Service ("**SENS**") on Tuesday, 17 January 2023 in terms of which shareholders were advised that the Company intends to raise an amount of R600 million by way of a R500 million renounceable rights offer ("**Rights Offer**") and a R100 million specific issue of shares for cash to a subsidiary of Lebashe Investment Group Proprietary Limited ("**Lebashe**"), EOH's strategic empowerment partner ("**Specific Issue**"), (collectively the "**Capital Raise**").

Shareholders are hereby advised that EOH intends to launch the Rights Offer of ordinary no par value shares in EOH ("**Ordinary Shares**") as contemplated in a Rights Offer circular to be published on or around Monday, 23 January 2023 (the "**Rights Offer Circular**").

The final terms of the Rights Offer, including the subscription price per Rights Offer Share ("**Rights Offer Price**") and the ratio of Rights Offer Shares for every Ordinary Share held ("**Ratio of Entitlement**"), will be announced by EOH on SENS on the finalisation date, expected to be on Thursday, 19 January 2023.

## RATIONALE FOR THE RIGHTS OFFER

Over the past three financial years, EOH has spent a significant amount of time on its turnaround strategy, focused on dealing with the legacy issues inherited by the current management team and refining its capital and corporate structure to stabilise the business (focused on quality earnings, cost reduction and solving the substantial legacy debt and inefficient capital structure), and positioning EOH for future growth.

As stated in EOH's results announcement on the 26 October 2022, for the financial year ended 31 July 2022 ("**FY2022**") which saw improvements in the Group's gross margins from continuing business up

at 28% from 25% in the prior year and over an 80% improvement in operating profit from continuing operations at R100 million. EOH reported an improvement of 26% against the previously reported continuing headline loss per share from 98 cents to 72 cents and continuing loss per share showed a 45% improvement from 181 cents to 99 cents.

These positive financial results reflect a major milestone in the successful execution of EOH's turnaround strategy and follow significant progress made in addressing historical compliance, governance and risk failings.

Notwithstanding the significant progress made to date, EOH's deleveraging and liquidity objectives remain incomplete, with the Company continuing to be burdened by its debt commitments and interest obligations which necessitated the renegotiation of its debt funding package with its lender group in April 2022. Following discussions with the lender group, EOH successfully refinanced its R1.9 billion debt into a R1.4 billion senior bridge loan repayable before or on 1 April 2023 (effective from 12 October 2022, the lender group amended the repayment period to on or before 31 December 2023), a R500 million senior term loan with a three-year term and R500 million in facilities comprising of R250 million overdraft facility and R250 million in indirect facilities including guarantees and credit cards. Following the disposal proceeds received from the sale of Sybrin, the Information Services Group (prior to the FY2022 year-end) and Network Solutions (post the FY2022 year-end), the remaining balance on the senior bridge loan is R728 million.

With the turnaround of EOH's compliance, governance and risk management largely complete, and in the context of significant improvement in EOH's financial performance, EOH's board of directors (the "**Board**") considers it appropriate to proceed with the Capital Raise and position the Group's capital structure for future growth.

After discussions with key investors and taking into account the debt position of the Group and the prevailing market environment in which Group operates, the Board has determined that the optimal quantum for the Capital Raise is R600 million. This amount will enable the Group to settle a significant portion of the balance of the senior bridge loan, the impact of which is expected to be:

- a reduction in the current interest burden of c.R100 million per annum;
- the creation of a sustainable capital structure, which will provide management with the opportunity to make longer term growth decisions and free up cash resources allowing EOH to invest in new markets, new product offerings and bolster existing product offerings;
- providing EOH with sufficient financial headroom to eliminate the need for involuntary business disposals in the future; and
- removal of the perceived financial distressed status of EOH, enabling the attraction and retention of top personnel and management as well as improving client relationships and the Group's ability to take on new clients and projects.

As set out in further detail below, the Rights Offer will be fully committed and underwritten, thus ensuring that the targeted total gross proceeds of R600 million from the Capital Raise will be raised. EOH anticipates R165 million remaining on the senior bridge loan after successful completion of the Capital Raise. The Group has concluded a term sheet with The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division), subject to the successful conclusion of the Capital Raise, the application of those proceeds towards a partial reduction of existing debt, and satisfactory conclusion of written agreements together with the fulfilment of standard conditions precedent, to refinance the remaining debt into the following package:

- a R200 million 4-year amortising term loan;
- a R250 million 3-year bullet term loan;
- a R250 million 4-year revolving credit facility; and
- R500 million general banking facilities which will include a working capital facility and ancillary banking facilities.

This will ensure the Group emerges from the Capital Raise with a sustainable capital structure, allowing management to focus on driving growth in the operations.

The Rights Offer will provide shareholders with the opportunity to participate in the future growth of EOH as it benefits from its improved financial position.

## **SALIENT TERMS OF THE RIGHTS ISSUE**

EOH intends to raise gross proceeds of R500 million through an offer of renounceable rights to subscribe for new Ordinary Shares ("**Rights Offer Shares**") to EOH shareholders (excluding EOH shareholders resident or located in certain restricted jurisdictions) who are recorded in the register on the record date for the Rights Offer ("**Qualifying Shareholders**"), being on Friday, 27 January 2023.

The Rights Offer is to be made by way of the issue of nil paid renounceable rights to Qualifying Shareholders ("**Rights**") to subscribe for Rights Offer Shares at the Rights Offer Price in the Ratio of Entitlement. The final terms of the Rights Offer, including the Rights Offer Price and the Ratio of Entitlement, will be announced on SENS by EOH on the finalisation date, expected to be on Thursday, 19 January 2023.

Upon issue, the Rights Offer Shares will rank *pari passu* with all other Ordinary Shares of the same class.

## **EXCESS APPLICATIONS**

Qualifying Shareholders will be permitted to apply for Rights Offer Shares not taken up in excess of their *pro rata* entitlement in terms of the Rights Offer, should there be excess shares available for allocation. Such excess shares will be allocated equitably, taking into consideration the number of Ordinary Shares held by the Qualifying Shareholder that applies for excess shares prior to such allocation, including Rights Offer Shares taken up as a result of the Rights Offer, and the number of excess shares applied for by such Qualifying Shareholder.

## **SHAREHOLDER COMMITMENTS AND UNDERWRITING**

Lebashe, Mianzo Asset Management Proprietary Limited ("**Mianzo**"), Anchor Capital Proprietary Limited ("**Anchor Capital**") and the Biggles Trust, which between them own 50 643 251 Ordinary Shares, equating to 30% of all the issued Ordinary Shares (net of treasury shares), have committed to follow their Rights in full. Lebashe and EOH have agreed on a commitment fee of 1.5% of the amount committed by Lebashe to follow its Rights under the Rights Offer. No commitment fee is to be paid to Mianzo, Anchor or the Biggles Trust.

EOH has in-principle agreements with Aeon Investment Management Proprietary Limited, Anchor Capital Proprietary Limited and Visio Capital Management Proprietary Limited (the "**Underwriters**") pursuant to which the Underwriters have agreed that, if and to the extent that there are any Rights Offer Shares remaining that have not been subscribed for by EOH shareholders ("**Remaining Shares**"), they will subscribe at the Rights Offer Price, severally (and not jointly or jointly and severally), for the Remaining Shares (equating to 70% of the Rights Offer not committed by shareholders providing commitments to follow their Rights) as principal or will procure that their clients or other nominees will subscribe for such Remaining Shares, as the case may be, in each case in proportions calculated in accordance with the terms of the underwriting agreements to be entered into between the Underwriters and the Company imminently.

The Directors have made due and careful enquiry to confirm that the Underwriters are able to meet their commitments in terms of the Rights Offer. Further particulars of the Underwriters will be set out in the Rights Offer Circular.

It is intended that, pursuant to the terms of the underwriting agreements to be entered into between the Company and the Underwriters, an underwriting fee equal to 2.0% of the underwritten amount shall be payable by EOH to the Underwriters in their respective proportions. The underwriting fee is, in the opinion of the Board, not greater than the current market rate charged by underwriters for a transaction of this nature.

Accordingly, the Rights Offer will be fully committed and underwritten through the shareholder commitments to follow their Rights in full and the underwriting agreements with the Underwriters.

## SALIENT DATES AND TIMES

Unless otherwise stated, capitalised terms used in the table below have the same meaning given in the Rights Offer Circular.

	2023
Declaration Date	Tuesday, 17 January
Finalisation Date published on SENS by 11:00	Thursday, 19 January
Publication of Rights Offer Circular on the Company's website	Monday, 23 January
Last day for Shareholders in Restricted Territories to satisfy EOH that they can participate in the Rights Offer	Tuesday, 24 January
Last date to trade to be eligible to participate in the Rights Offer	Tuesday, 24 January
Ordinary Shares trade <i>ex-Rights</i> from 09:00	Wednesday, 25 January
Listing of and trading in Rights on the JSE under Alpha Code "EOHN" and ISIN ZAE000316444 from 09:00	Wednesday, 25 January
Circular (enclosing the Form of Instruction) posted to Qualifying Certificated Shareholders on	Thursday, 26 January
Record date for Rights	Friday, 27 January
Rights Offer opens at 09:00	Monday, 30 January
Qualifying Dematerialised Shareholders have their Broker or CSDP accounts credited with their Rights	Monday, 30 January
Qualifying certificated shareholders have their Rights credited to an electronic account held by the Transfer Secretaries	Monday, 30 January

2023	
Circular distributed to Qualifying Dematerialised Shareholders	Monday, 30 January
Qualifying Certificated Shareholders (or their transferees) who want to sell their Rights to ensure they have delivered the Form of Instruction to the Transfer Secretaries by no later than 12:00	Tuesday, 7 February
Qualifying Certificated Shareholders (or their transferees) who want to renounce their Rights in whole or in part must lodge their Forms of Instruction to the Transfer Secretaries by 12:00	Tuesday, 7 February
Last day to trade in Letters of Allocation	Tuesday, 7 February
Listing and trading of Rights Offer Shares commences at 09:00	Wednesday, 8 February
Record date for Letters of Allocation	Friday, 10 February
Certificated Shareholders wishing to exercise all or some of their Rights to lodge payment or proof of payment and Forms of Instruction with the Transfer Secretaries by 12:00	
Rights Offer closes for acceptances, and last time to submit excess applications, at 12:00	Friday, 10 February
In respect of Qualifying Dematerialised Shareholders (or their transferees), CSDP or Broker accounts debited with the Rights Offer Price and credited with the Rights Offer Shares at 09:00	Monday, 13 February
Results of Rights Offer released on SENS	Monday, 13 February
In respect of successful excess applications, Qualifying Dematerialised Shareholders' (or their transferees') CSDP or Broker accounts debited with the Rights Offer Price and credited with Rights Offer Shares at 09:00	Monday, 13 February
In respect of successful excess applications, Rights Offer Shares issued to Qualifying Shareholders (or their transferees)	Monday, 13 February
Refund payments (if any) in respect of unsuccessful applications by Qualifying Certificated Shareholders (or their transferees) by EFT	Wednesday, 15 February

**Notes:**

1. Share certificates in respect of Ordinary Shares may not be dematerialised or rematerialised between Wednesday, 25 January 2023 and Friday, 27 January 2023, both days inclusive.
2. CSDPs effect payment on a delivery versus payment basis in respect of dematerialised shares.
3. Qualifying Dematerialised Shareholders are required to inform their CSDP or Broker of their instructions in terms of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

Shareholders are advised that the dates and times in respect of the Rights Offer may change. Any changes to the dates and times will be announced on SENS.

## **TAXATION**

The tax treatment of the purchase, subscription, renouncing, holding and disposal of the letters of allocation or Rights Offer Shares in the hands of Ordinary Shareholders is dependent on their individual circumstances and the tax jurisdiction applicable to those Ordinary Shareholders. No Ordinary Shareholder should construe the contents of this announcement or the Rights Offer Circular and the documentation accompanying it as tax or other advice. Ordinary Shareholders are advised to consult their tax and financial advisors regarding any taxation implications pertaining to them regarding the acceptance of their Rights in terms of the Rights Offer

## **OVERSEAS SHAREHOLDERS**

Any shareholder resident outside the common monetary area who receives the Rights Offer Circular and form of instruction, should obtain advice as to whether any governmental and/or any other legal consent is required and/or any other formality must be observed to enable such a subscription to be made in terms of such form of instruction.

The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and the Rights Offer Circular and form of instruction should not be forwarded or transmitted by recipients thereof to any person in any territory other than where it is lawful to make such an offer.

## **RIGHTS OFFER CIRCULAR**

Further details of the Rights Offer will be disclosed in the Rights Offer Circular, which is anticipated to be made available on EOH's website ([www.eoh.co.za](http://www.eoh.co.za)) on Monday, 23 January 2023, and will be posted, together with a form of instruction in respect of the letters of allocation, to certificated shareholders on Thursday, 26 January 2023 and to qualifying dematerialised shareholders on Monday, 30 January 2023.

Joint Financial Advisor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Joint Financial Advisor

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division)

Transaction Sponsor

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division)

South African Legal Advisor to EOH

DLA Piper Advisory Services Proprietary Limited

Legal Advisor to Joint Financial Advisors

Bowman Gilfillan Incorporated t/a Bowmans

Johannesburg

Tuesday, 17 January 2023

## **IMPORTANT NOTICE**

This announcement does not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for securities in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation or advertisement of an offer to buy and/or subscribe for, shares as defined in the South African Companies Act 71 of 2008, as amended, or otherwise ("**Companies Act**") and will not be distributed to any person in South Africa in any manner that could be construed as an

offer to the public in terms of the Companies Act. As a result, this announcement does not comply with the substance and form requirements for a prospectus set out in the Companies Act and the South African Companies Regulations of 2011, and has been approved by, and/or registered with, the South African Companies and Intellectual Property Commission or any other South African authority. Nothing in this announcement should be viewed, or construed, as "advice", as that term is used in the South African Financial Markets Act 19 of 2012, as amended, and/or Financial Advisory and Intermediary Services Act 37 of 2002, as amended, ("**FAIS Act**").

The announcement constitutes factual, objective information about EOH and nothing contained herein should be construed as constituting any form of investment advice or recommendation, guidance or proposal of a financial nature as contemplated in the FAIS Act in respect of EOH or any transaction in relation thereto. EOH and/or its representatives and advisors are not (and are not required to be) Financial Services Providers as contemplated in the FAIS Act in South Africa and the contents of this announcement must not be construed as constituting the canvassing for, or marketing or advertising of, financial services by EOH and/or its representatives and advisors in South Africa. To the extent that any of EOH's representatives and advisors, including The Standard Bank of South Africa Limited and Rand Merchant Bank, a division of FirstRand Bank Limited ("**Joint Financial Advisors**"), are registered Financial Services Providers, none of them purport to provide, market or advertise financial services to any person in respect of EOH and this announcement does not constitute financial advice, or financial services, provided by the aforesaid to any person who is in possession of this announcement.

This announcement is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, ("**Order**"); (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order; (c) are outside the United Kingdom; or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

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Further, the content of this announcement should not be construed as business, legal or tax advice. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by EOH or any of the Joint Financial Advisors and Underwriters that any recipient of this announcement should acquire any of EOH's securities. Neither EOH nor any of the Joint Financial

Advisors and Underwriters is making any representation to any prospective investor regarding the legality of an investment in EOH by such prospective investor under the laws and regulations applicable to such prospective investor. Prospective investors should consult their own professional adviser before making any investment decision with regard to EOH and in making an investment decision, prospective investors must rely on their own analysis, enquiry and examination of EOH, including the merits and risks therein. All investment is subject to risk. The value of the securities offered may go down as well as up. Past performance is no guarantee of future returns.

The contents of this announcement have not been verified by the Joint Financial Advisors and Underwriters in connection with the Rights Offer or any of their respective affiliates. Each Joint Financial Advisor and Underwriter is acting on behalf of EOH and no one else in connection with the Rights Offer. They will not regard any other person as their client in relation to the Rights Offer and will not be responsible to anyone other than EOH for providing the protections afforded to their respective clients nor for providing advice in relation to the Rights Offer, the contents of this announcement or any transaction, arrangement or other matter referred to herein. Neither the Joint Financial Advisors and Underwriters, nor any of their respective directors, officers, employees, advisers, agents, alliance partners or any other entity or person accepts any responsibility or liability whatsoever for, or makes any representation, warranty or undertaking, express or implied, as to the truth, accuracy, completeness or fairness of the information or opinion in this announcement (or whether any information has been omitted from this announcement) or any other information relating to EOH, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith. Accordingly, the Joint Financial Advisors and Underwriters disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort, delict or contract or that they might otherwise be found to have in respect of this announcement and/or any such statement.