

ELLIES HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2007/007084/06)

JSE share code: ELI ISIN: ZAE000103081

("Ellies" or the "Company")



CATEGORY 1 ACQUISITION AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are advised that Ellies has entered into a sale of shares agreement ("**Agreement**") with Heidi von Broembsen; Nicholas von Broembsen; Suzanne von Broembsen and Colin Sykes, being the sole members of Magetz Electrical cc and Power On Wheels cc (collectively trading as Bundu Power ("**Bundu Power**")) in terms of which Ellies will, with effect from the date of fulfilment or waiver of the conditions precedent set out in paragraph 6 below, purchase 100% of the members' interests in Magetz Electrical cc and Power On Wheels cc ("**Acquisition**") for a maximum consideration of R202.6 million ("**Consideration**").

2. DESCRIPTION OF THE ASSETS

Bundu Power, founded in 2005, specialises in the distribution and rental of generators as well as the distribution and installation of solar and ancillary products, providing alternative energy solutions for residential, commercial, industrial, hospitality, agricultural and recreational users.

3. RATIONALE FOR THE ACQUISITION

As previously disclosed in the Company's results for the six months ended 31 October 2022, Ellies is repositioning itself as a smart infrastructure business which will include comprehensive solutions for alternative energy, water storage and harvesting, connectivity and smart home technology. The acquisition of Bundu Power is the first building block of the new strategy and will expand the Ellies portfolio of alternative energy solutions. Ellies, in turn, provides Bundu Power with an expanded Southern African distribution network and access to a group with a level 2 BBEE status.

4. CONSIDERATION

The Consideration shall be settled as follows:

- an initial payment of R72.6 million to be paid on the date of fulfilment or waiver of the conditions precedent detailed in paragraph 6 below; and
- the balance payable through three earn out payments not exceeding in aggregate R130 million in respect of the 2023, 2024 and 2025 financial years.

Ellies intends to fund the Consideration through a combination of equity and debt.

5. FINANCIAL INFORMATION

The financial information is extracted from the latest annual financial statements of Bundu Power as at 28 February 2022, which financial statements were prepared in terms of IFRS for SMEs and are not audited or reviewed:

- the value of the net assets of Bundu Power is R48.7 million;
- the after tax profits attributable to Bundu Power for the year ended 28 February 2022 was R11.2 million; and
- the estimated profit after tax of Bundu Power for the year ended 28 February 2023 is R20.4 million. This information has not been audited or reviewed and reported on by either the Company's auditors or a reporting accountant in accordance with ISAE 3000.

6. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent (“**Conditions Precedent**”):

- the approval of the directors and shareholders of Ellies to the extent required;
- Magetz cc and Power On Wheels cc being converted to private companies;
- Ellies having completed to its satisfaction a due diligence investigation and the delivery of written notice in this regard to the members of Bundu Power;
- each of the members of Bundu Power entering into employment agreements with Bundu Power prior to 30 April 2023;
- each of the members of Bundu Power entering into non-competition agreements; and
- unconditional approval by the Competition Authorities or conditional approval accepted by both parties.

The Conditions Precedent must be fulfilled by 30 April 2023, unless extended by the parties in writing.

7. SIGNIFICANT TERMS OF THE AGREEMENT

Ellies has granted the Sellers a call option, exercisable in the Sellers’ absolute discretion, to repurchase all of the members’ interest at an agreed valuation should Ellies fail to pay any amount due and payable to the Sellers in terms of the Agreement within 60 business days of such amount falling due.

The Agreement furthermore contains representations and warranties by Bundu Power and its members in favour of Ellies that are standard for a transaction of this nature.

8. CATEGORISATION OF TRANSACTION AND SHAREHOLDER CIRCULAR

The Acquisition constitutes a category 1 transaction in terms of the JSE Listings Requirements and requires the approval of Ellies shareholders in general meeting. A circular containing full details of the Acquisition and incorporating a notice of general meeting of shareholders of Ellies, is in the process of being prepared and will be distributed to shareholders in due course.

9. RENEWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcement and renewals thereof released on SENS on 28 September 2022, 9 November 2022 and 22 December 2022 respectively and are advised that the negotiations referred to therein are still ongoing. Shareholders are therefore advised to continue to exercise caution when dealing in their Ellies shares.

1 February 2023

Sponsor

The logo for JAVACAPITAL, featuring the word "JAVACAPITAL" in a sans-serif font. The "J" is stylized with a blue swoosh underneath it.