

HUDACO INDUSTRIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1985/004617/06)
Share code: HDC & ISIN: ZAE000003273
("Hudaco")

**ANNOUNCEMENT REGARDING THE ACQUISITION OF THE TRADING ASSETS AND LIABILITIES OF
INSULATION ADVANCED TECHNOLOGIES (PROPRIETARY) LIMITED, ISOTEC BALANCING
(PROPRIETARY) LIMITED, ISOMEK (PROPRIETARY) LIMITED AND MOHOLI SUPPLIES (PROPRIETARY)
LIMITED**

1. INTRODUCTION

Shareholders are advised that Hudaco has entered into an agreement ("the Agreement") with Insulation Advanced Technologies Proprietary Limited, Isotec Balancing Proprietary Limited, Isomek Proprietary Limited and Moholi Supplies Proprietary Limited (collectively "Isotec") to acquire the trading assets and liabilities of Isotec, subject to the fulfilment of the conditions precedent set out in paragraph 4.4 below ("Conditions Precedent") ("the Transaction").

2. DESCRIPTION OF ISOTEC

Isotec is a leading provider of insulation materials and solutions in South Africa. The group manufactures and distributes thermal and electrical insulation materials primarily used in the manufacture and repair of transformers and electrical motors for the manufacturing, mining, repair, railway, generation and switchgear segments. The main production activities involve the insulation of copper and aluminium conductors and the production of composite material according to customer specifications. Isotec has 119 employees in five locations in South Africa and generates revenue of about R500 million per year.

3. RATIONALE FOR THE TRANSACTION

Hudaco specialises in the importation and distribution of selected high-quality branded automotive, industrial and electronic consumable products, mainly in the southern African region. One of Hudaco's key strategies is to acquire new businesses in similar fields of activity, or complimentary businesses, when the opportunity arises.

The Transaction is consistent with Hudaco's strategy of diversifying its portfolio. The business of Isotec is an ideal fit for Hudaco in that it focuses on supplying quality, branded products and services, while providing significant value-add for the customer, which is an area of core competency of Hudaco. The offering of Isotec will complement and enhance the range of products and services that Hudaco already offers to the electrical power transmission sector, particularly through its Powermite and Varispeed businesses. They will work together in developing their routes to market and expanding the combined customer base. The Transaction will also significantly improve Isotec's B-BBEE rating and Hudaco will be able to utilise its experience and expertise in value-added distribution to enhance Isotec's market position, resulting in long term benefits to shareholders.

4. DETAILS OF THE TRANSACTION

4.1 Consideration

The Consideration will be a multiple of the average annual profit after tax (but excluding interest received) of Isotec for the three years following the Effective Date. The maximum Consideration is R709 million.

The Consideration will be funded from cash generated by Hudaco's businesses, existing and (if necessary) new facilities and will be paid as follows:

- an initial amount of between R250 million and R287 million, payable in cash on the Effective Date; and
- three tranches payable in cash two months after the first, second and third anniversaries of the Effective Date, based on actual average levels of profitability achieved in each of those years.

4.2 Effective date

The effective date of the Transaction is the later of the first day of the month following the fulfilment of all Conditions Precedent, and 1 March 2025.

4.3 Management

Anthony Schimper, the managing director, is the beneficial owner of Isotec. He has agreed to enter into an employment contract for a minimum period of three years and has, as part of the Agreement, entered into a restraint of trade arrangement in favour of Hudaco, for a period of five years after his employment ultimately ceases.

4.4 Conditions Precedent

The Transaction is subject to the fulfilment of several Conditions Precedent, namely:

- the completion of a satisfactory due diligence review;
- written confirmation being obtained from major suppliers and customers approving the Transaction and agreeing to continue conducting business with Isotec on the same terms and conditions as prior to the Transaction;
- the conclusion of a new lease agreement over the primary premises of Isotec;
- the conclusion of employment contracts and restraint of trade agreements with Anthony Schimper and certain other key personnel;
- the receipt of the resolutions passed by Isotec, requisite for the approval of the Transaction;
- the receipt of unconditional approval of the Transaction by the Competition Commission; and
- Hudaco board approval and applicable regulatory approvals, if any.

4.5 Value of net assets and profit attributable to Isotec

Isotec generated profit after taxation of R69 million for the financial year ended 29 February 2024 and the net asset value on that date was R152 million. However, after adjusting for elements that do not specifically form part of the acquisition of the trading assets and liabilities from Isotec, the profit after tax was R90 million and the net asset value to be delivered on the Effective Date is estimated to be R250 million.

The relevant financial information has been extracted from the audited annual financial statements of the companies comprising Isotec for the financial year ended 29 February 2024, which have been prepared in terms of International Financial Reporting Standards for Small and Medium-Sized Entities and the requirements of the Companies Act of South Africa.

5. REPRESENTATIONS AND WARRANTIES

The agreement contains representations and warranties by the parties in favour of one another which are standard for transactions of this nature.

6. CATEGORISATION

The Transaction constitutes a category 2 transaction in terms the JSE Listings Requirements, involves no related parties, and does not require shareholder approval.

Johannesburg
20 January 2025

Transaction sponsor to Hudaco
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Corporate Adviser to Isotec
Merchantec Capital