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**Sebata Holdings Limited**  
Incorporated in the Republic of South Africa  
(Registration number 1998/003821/06)  
Share code: SEB ISIN: ZAE000260493  
("Sebata" or "the Company")

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**EMPOWERMENT TRANSACTION RELATING TO THE DISPOSAL OF THE MAJORITY OF SEBATA'S  
SHAREHOLDING IN UMS**

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## 1. INTRODUCTION

The Board of directors of Sebata ("**the Board**") is pleased to inform shareholders that the Company has entered into a Sale of Shares Agreement and a Loan Agreement with USC Metering Proprietary Limited ("**USC**"), for the disposal of 100% of the total issued share capital in IPES Utility Management Services Proprietary Limited ("**UMS**") to USC for a purchase consideration of R43 million- as more fully set out in paragraph 2.3.1 below (the "**Transaction**"). Sebata will retain an indirect shareholding in UMS through its 40% shareholding in USC.

The remaining 60% shareholding in USC is held by Inzalo Capital Holdings Proprietary Limited ("**Inzalo**") pursuant to the empowerment transaction announced on SENS on 20 August 2019, that was disclosed in the circular to shareholders dated 20 December 2019 and was approved by shareholders at the general meeting on 22 January 2020,. The shareholders of Inzalo are Sihle Lloyd Ndlovu and Sbonelo Trinity Mazibuko.

The effective date of the Transaction will be 1 February 2020 ("**Effective Date**").

## 2. THE TRANSACTION

### 2.1 Nature of the business of UMS

UMS was founded in 1996 to assist municipalities and utilities with the management of their revenue enhancement and revenue protection needs. UMS developed its own range of bespoke software applications and management solutions- most notably: credit control, indigent register management, data cleansing, and meter installation and maintenance. UMS focuses on assisting the municipal sector to achieve measurable financial well-being and growth by equipping them to be financially viable. This is done whilst transferring related skills through personnel development and mentorship programs. UMS has its head office in Pretoria and has several regional offices throughout South Africa.

### 2.2 Rationale for the Transaction

UMS presently has extreme difficulty in securing new business and retaining long-standing clients due to the increased focus on empowerment and UMS's clear shortcoming in this area. This has resulted in a much poorer present economic performance even when compared to the most recently concluded financial year (2019). The recently implemented empowerment transaction for USC created an opportunity for this Transaction by repositioning the UMS business to be a direct subsidiary of USC. UMS will not only significantly improve its empowerment standing but will also benefit from the significant synergies between the two businesses. The acquisition of the UMS business will allow USC to control the value chain from the production of smart water meters through to installation of the meters. In addition, UMS business will assist USC to provide value added services to the local authorities by offering credit control and debt collection functions. On conclusion of the Transaction, UMS should immediately return to full profitability levels and the Transaction has been priced and structured to be conditional on that.

### 2.3 The Transaction

#### 2.3.1 Purchase Consideration

The consideration of R43 million ("**Capital Amount**") is payable:

- 2.3.1.1 on achievement by UMS of a significantly improved net profit after tax target of R10 million for the first 12-month period ending 31 January 2021, based on the finalised management accounts of UMS for the period in question;

2.3.1.2 in the form of 36 equal monthly payments in respect of the Capital Amount and accrued interest thereon at the prime interest rate compounded monthly from the Effective Date, over the 36-month period beginning 1 July 2021 and ending 30 June 2024.

Achievement of the profit target set out in paragraph 2.3.1.1 above and full settlement of the repayment obligations set out in paragraph 2.3.1.2 above will constitute settlement of the purchase consideration.

In the event that the profit target referred to in paragraph 2.3.1.1 above is not achieved, the documents of title in respect of UMS will be returned to Sebata and the Transaction will be terminated with neither party having any claim against the other.

USC will have the right at any time to make accelerated payments in full or in part of the Capital and interest amounts.

All dividends received by USC, through its ownership of 100% of the issued share capital of UMS, will first be apportioned to the settlement of the Capital Amount and accrued interest thereon.

### **2.3.2 Suspensive conditions to the Transaction**

There are no outstanding conditions precedent in respect of the Transaction.

### **2.4 Application of the sale proceeds**

It is intended that the majority of the net proceeds of the Transaction will be distributed to shareholders with the remainder being used to grow the businesses within the Sebata Group.

## **3. FINANCIAL INFORMATION**

The audited value of the net assets of UMS as at 31 March 2019 is R15.3 million. The audited profit after tax for UMS for the year ended 31 March 2019 is R6.6 million.

The financial statements were prepared in accordance with International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended.

## **4. CLASSIFICATION OF THE TRANSACTION**

The Transaction is categorised as a category 2 transaction in terms of the Listings Requirements of JSE Limited.

Johannesburg  
31 January 2020

**Sponsor**  
Merchantec Capital