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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 USC METERING AND AMANZI METERS**

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## **1. INTRODUCTION**

The Board of directors of Sebata ("**the Board**") is pleased to inform shareholders that Sebata, and where applicable its wholly-owned subsidiary MICR*Omega* H2O Proprietary Limited ("**MMG H2O**"), has entered into Sale of Shares Agreements, Donation Agreements and Shareholders' Agreements with Inzalo Capital Holdings ("**Inzalo**"), for the disposal of 55% of the total issued share capital in each of the companies that collectively comprise the "Water Group" ("**the Disposal**") and the donation of 5% of the total issued share capital in each of the companies comprising the "Water Group" ("**the Donation**") to Inzalo for an aggregate purchase consideration of R388 484 000 ("**the Transaction**"). The Transaction constitutes a Category 1 transaction in terms of the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**").

The "**Water Group**" comprises USC Metering Proprietary Limited ("**USC**") and Amanzi Meters Proprietary Limited ("**Amanzi**").

The Transaction will be implemented on the third business day after the last of the suspensive conditions to the Disposal, as set out in paragraph 2.3.2 below, is fulfilled or waived, as the case may be. The effective date of the Transaction will be 1 August 2019.

## **2. THE TRANSACTION**

### **2.1 Nature of the business of the Water Group**

#### **2.1.1 USC**

Utility Systems is the premier supplier of electronic water control and Standard Transfer Specification (STS) Association approved prepayment devices. They cater for a wide range of tailor-made metering options for water service providers and their customers through the application of next generation smart water management devices.

#### **2.1.2 Amanzi**

Amanzi Meters develops and manufactures plastic water meters, ball valves and meter boxes. As a combination, these bespoke products provide practical solutions for water management reticulation.

### **2.2 Rationale for the Transaction**

Over the past few years Sebata and its subsidiaries have come under increasing pressure to transform and become more compliant with the Broad Based Black Economic Empowerment ("**B-BBEE**") legislation in order to continue operating at a competitive level within the local economy. This was further reinforced by the Preferential Procurement regulations released in January 2017 which allow an organ of the state to set pre-qualification criteria for any tender released, including a tenderer having a stipulated minimum B-BBEE status.

The rationale of the Transaction is to simultaneously improve the empowerment credentials of the Water Group while creating shareholder value. Currently the sum of the parts of the Sebata group exceeds its market capitalisation.

### **2.3 The Disposal**

#### **2.3.1 Purchase Consideration**

2.3.1.1 The consideration payable by Inzalo for 55% of the total issued share capital of USC is an amount of R355 484 000.

- 2.3.1.2 The consideration payable by Inzalo for 55% of the total issued share capital of Amanzi is an amount of R33 000 000.
- 2.3.1.3 The considerations set out in paragraphs 2.3.1.1 and 2.3.1.2 above are payable on achievement by the Water Group of a combined net profit after tax target of R165 million, based on the finalised management accounts of USC and Amanzi as at 31 July 2021.
- 2.3.1.4 Inzalo has the right at any time to make accelerated payments in full or in part of the purchase consideration prior to the period defined for the achievement of the profit target referred to in paragraph 2.3.1.3 above. All dividends received by Inzalo through its shareholding in the Water Group will be appropriated to the settlement of the purchase consideration until such consideration has been paid in full or has been discharged in terms of paragraph 2.3.1.5 below.
- 2.3.1.5 In the event that the profit target referred to in paragraph 2.3.1.3 above is not achieved, the documents of title in respect of USC and Amanzi will be returned to Sebata, any amounts paid by Inzalo to Sebata will be returned to Inzalo and the Transaction will be terminated with neither party having any claim against the other.

### **2.3.2 Suspensive conditions to the Disposal**

The Disposal is subject to the fulfilment or waiver, as the case may be, of the following suspensive conditions by no later than 30 November 2019, or such later date as may be agreed in writing between the parties:

- 2.3.2.1 Sebata, or MMG H2O as the seller in the case of USC, obtaining the approval of the Disposal by the Board and shareholders of the Company;
- 2.3.2.2 MMG H2O obtaining the approval of the disposal of USC by the board of directors of MMG H2O;
- 2.3.2.3 Inzalo obtaining the approval of the Disposal by the board of directors and shareholders of Inzalo; and
- 2.3.2.4 such statutory and regulatory approvals that may be required are obtained and to the extent that the approval of such authorities is conditional, the parties agreeing in writing to such conditions.

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

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

### **2.5 The Donation**

- 2.5.1 In terms of the Donation Agreements, Sebata, or MMG H2O as the donor in the case of USC, will donate 5% of the total issued share capital in each of USC and Amanzi ("**Donation Shares**") to Inzalo. The Donation is made concurrently with the execution of the Sale of Shares Agreements in respect of the Disposal. The Donation Shares will be transferred to Inzalo as follows:
  - 2.5.1.1 On signature date the documents of title in respect of 50% of the Donation Shares will be delivered to Inzalo; and
  - 2.5.1.2 On 1 August 2020, the documents of title in respect of the remaining 50% of the Donation Shares will be delivered to Inzalo.
- 2.5.2 In the event that the profit targets referred to in paragraphs 2.3.1.3.1 and 2.3.1.3.2 above are not achieved, Sebata, or MMG H2O as the donor in the case of USC, will purchase the Donation Shares from Inzalo for a consideration calculated as the difference between the Net Asset Value per share of the Donation Shares at 1 August 2019, and the Net Asset Value per share of the Donation Shares at 31 July 2021, as evidenced by the management accounts of USC and Amanzi.

## **3. FINANCIAL INFORMATION**

The audited value of the net assets of the Water Group as at 31 March 2019 is R97.3 million. The audited profit after tax for the Water Group for the year ended 31 March 2019 is R2.4 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. SHAREHOLDER UNDERTAKINGS

To date, irrevocable undertakings to vote in favour of the Transaction have been received from certain Sebata shareholders holding in aggregate 88 566 646 Sebata shares, representing 77% of the voting rights at the general meeting or any adjournment thereof. The following Sebata shareholders have provided irrevocable undertakings to vote the stated number of Sebata shares in favour of the Transaction:

Shareholder	Date of irrevocable undertaking	Shares subject to undertaking	Percentage holding (%)
Laird Investments (Pty) Ltd	20/08/2019	73 708 266	64%
Kamberg Investment Holdings (Pty) Ltd	20/08/2019	11 483 180	10%
Seratrix (Pty) Ltd	20/08/2019	3 375 200	3%
<b>Total</b>		<b>88 566 646</b>	<b>77%</b>

#### 5. CATEGORISATION OF THE TRANSACTION AND FURTHER DOCUMENTATION

The Transaction constitutes a Category 1 transaction in terms of section 9.5(b) of the JSE Listings Requirements. Accordingly, a circular containing full details of the Transaction, including, *inter alia*, a notice to convene a general meeting of shareholders of Sebata in order to consider and, if deemed fit to pass, with or without modification, the resolutions necessary to approve and implement the Transaction, will be distributed to shareholders of Sebata in due course.

Johannesburg  
20 August 2019

**Corporate Adviser and Sponsor to Sebata**  
Merchantec Capital