

Allied Electronics Corporation Limited  
(Registration number 1947/024583/06)  
(Incorporated in the Republic of South Africa)  
Share code: AEL ISIN: ZAE000191342  
("Altron" or "the Company")

---

## **ACQUISITION BY BYTES TECHNOLOGY GROUP LIMITED ("BYTES UK") OF THE ENTIRE ISSUED SHARE CAPITAL OF BLENHEIM GROUP LIMITED ("BLENHEIM")**

---

### **1. INTRODUCTION**

Shareholders are advised that Bytes UK, a wholly owned subsidiary of Allied Electronics Corporation Limited ("Altron"), has entered into a share purchase agreement ("SPA") to acquire 100% of the issued share capital of Blenheim on terms and conditions more fully set out in the SPA and as summarised below ("the Transaction").

The salient terms and conditions of the Transaction are as follows:

- Bytes UK will acquire the issued share capital of Blenheim for a consideration of £35,9 million (as detailed in paragraph 5 below);
- Blenheim is the holding company of Phoenix Software Limited ("Phoenix Software"), a business focussed on the resale of software products and associated services; and
- standard warranties and indemnities associated with transactions of this nature will be provided by Blenheim.

The Transaction is not subject to the fulfilment or waiver of any outstanding conditions precedent.

### **2. NATURE OF BUSINESS OF PHOENIX SOFTWARE**

Phoenix Software specialises in end-to-end IT infrastructure solutions including software asset management, software licensing, licence-management-as-a-service, hardware and devices, managed services, cloud services, data storage, data centre infrastructure management, enterprise software, servers, network security, unified communications and virtualisation.

Phoenix Software delivers transformational IT solutions such as workforce mobility, core infrastructure, storage, hyper-converged infrastructure (HCI) and best-of-class IT security.

The business has been operating as a Value-Added-Reseller ("VAR") in the UK for over 27 years and has vast experience of advising customers on the best-fit software licensing, hardware, Software Asset Management, EUC and general IT services and solutions currently available.

It has established a reputation as one of the UK's pre-eminent suppliers to public sector organisations, with customers drawn from some of the UK's largest organisations including the NHS, Emergency Services, Housing Associations and a number of local authorities, as well as many smaller organisations such as schools, charities and local businesses.

### **3. RATIONALE FOR THE TRANSACTION**

The Transaction fits in with Altron's strategic objectives of, *inter alia*, growing its international ICT footprint in selected regions. Further strategic benefits of the Transaction include:

- Phoenix Software operates in the same industry as Bytes UK, albeit in Northern England and predominantly servicing public sectors clients, while Bytes UK is dominant in the South of England with primarily private sector clients. This makes the acquisition relatively low risk due

to similarity in products and services, while at the same time offering cross selling opportunities for the combined entity;

- Phoenix Software will be integrated into the leadership structures of Bytes UK, which has a demonstrable track record of strong performance in the UK market;
- The markets in which Bytes UK and Phoenix Software operate are showing double digit growth;
- Phoenix Software has a strong track record of growth and stable profits spanning over 27 years;
- Phoenix Software has strong senior management who will offer continuity going forward;
- The acquisition will make the Bytes UK group a significant Microsoft LSP in the UK, further leveraging off the latter's success in the cloud computing space, among others;
- Altron sees significant synergies between the two businesses;
- Phoenix Software will add 3,100 new customers to Bytes UK, which will provide further cross sell opportunities;
- The acquisition will add systems integrator/services capability to the Bytes UK group;
- Phoenix Software is highly cash generative, with a cash conversion ratio of close to 100%;
- The acquisition will be funded with a combination of inexpensive bank funding and Bytes UK's own resources, which should result in positive earnings accretion for Altron shareholders;
- The acquisition price translates into a relatively attractive EV/EBITDA multiple of 7x, while the anticipated returns over a 3-year period exceeds Altron's cost of capital thresholds.

#### **4. EFFECTIVE DATE OF THE TRANSACTION**

The Transaction between Bytes UK and Blenheim will become effective as per the SPA by no later than 1 October 2017.

#### **5. CONSIDERATION**

The purchase consideration to be paid by Bytes UK as a result of the Transaction will be a total cash consideration of £35.9 million ("the Purchase Consideration").

The Transaction will be funded from a combination of cash resources in Bytes UK, existing group facilities and a new trade finance facility in Bytes UK.

#### **6. NET ASSET VALUE OF AND PROFITS ATTRIBUTABLE TO BLENHEIM AND ITS SUBSIDIARIES**

The value of the net assets of Blenheim and its subsidiaries as at 31 October 2016 (being the date of the most recent audited financial results) amounted to £1.7 million.

For the financial year ended 31 October 2016, Blenheim and its subsidiaries reported revenue of £118.8 million, EBITDA of £5.08 million and a profit after tax of £3.6 million.

Blenheim's historical financial statements have been prepared in accordance with UK GAAP.

#### **7. CONDITIONS PRECEDENT TO THE TRANSACTION**

The Transaction is not subject to the fulfilment or waiver of any outstanding conditions precedent.

#### **8. IDENTITY OF THE SELLING SHAREHOLDERS**

Bytes UK will acquire the entire issued share capital of Blenheim Group Limited, from the owner/managers of the business, being private individuals.

## **9. CATEGORISATION OF THE TRANSACTION AND SHAREHOLDER APPROVAL**

The Transaction is classified as a Category 2 transaction in terms of Section 9.15 of the JSE Listings Requirements and accordingly will not require Altron shareholder approval.

By order of the board of Altron

Johannesburg  
29 September 2017

Sponsor  
Investec Bank Limited