

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")

VOLUNTARY ANNOUNCEMENT RELATING TO THE ACQUISITION BY ALTRON OF THE iS PARTNERS GROUP

1. INTRODUCTION

The board of directors of Altron ("the Board") is pleased to announce that the Company has concluded a Share Sale Agreement, through its wholly owned subsidiary, Altron TMT Proprietary Limited, to acquire the entire issued share capital of iS Partners Proprietary Limited ("iS Partners"), including its primary subsidiaries, Karabina Solutions Proprietary Limited ("Karabina") and Zetta Business Solutions Proprietary Limited ("Zetta"), with an anticipated effective date of 1 July 2018 ("the Acquisition").

2. NATURE OF THE ACQUIRED GROUP

Karabina – Karabina (previously known as iS Partners) provides business technology services with expertise across multiple industries. The business focusses on the implementation, customisation, integration as well as core application development on the Microsoft platform for Business Intelligence ("BI"), Customer Relationship Management ("CRM"), Knowledge Management ("KM") and Corporate Performance Management ("CPM") solutions.

As a Microsoft Gold Certified Partner, Karabina is uniquely positioned to deliver complete end-to-end solutions through combined expertise and experience gained in these areas. The BI, Data Warehouse and Knowledge Management business takes advantage of Office, SharePoint and SQL Server while both its classic and cloud CRM offerings use the full benefits of XRM available through Microsoft Dynamics and Microsoft Dynamics 365.

To complement these offerings, Karabina is also the exclusive resellers of various third party applications such as TimeXtender to fast track BI implementations, Strategy Companion's visualisation tools and MultiVue to support Master Data Management initiatives.

Zetta – Zetta offers business solutions, enabled by information platforms, to many of South Africa's leading organisations. Its specialised advisory, consultative and technology solutions are centred around Business Intelligence, Big Data Master, Data Management Enterprise and Content Management.

3. RATIONALE FOR THE TRANSACTION

This Acquisition represents an opportunity to complement Altron's existing ICT offering. As a major player in this field, Altron has the requisite knowledge, experience and vast customer base to continue the growth trajectory of iS Partners.

The Board is of the opinion that the Acquisition of iS Partners will provide a strong and strategic platform from which a stand-alone Microsoft-focussed business can be created within Altron and will be the only business unit within Altron (other than Bytes UK) to provide solutions and services based on a Microsoft strategy. The Company's strategic growth areas focus on Cloud, Data Analytics, Internet of Things and Security. Altron intends to add its existing Microsoft business offering into iS Partners, to build a cloud and data analytics business of scale.

4. PURCHASE CONSIDERATION

The purchase consideration of R225 million equates to a 6.25x EBITDA multiple based on warranted EBITDA of R36 million for the 12 months ending 30 September 2018.

A portion of the maximum purchase consideration is payable in cash on the closing date, together with two deferred payments to follow thereafter.

5. CONDITIONS PRECEDENT

The transaction is subject to the fulfilment or waiver (as the case may be) of, *inter alia*, the following conditions precedent:

- the passing of resolutions by the respective boards of directors of each of the sellers and the purchaser giving their unconditional approval of the transactions contemplated in the agreements related hereto, insofar as not yet obtained before the conclusion of the Share Sale Agreement;
- Competition Commission approval; and
- the successful conclusion of service contract commitments with key managers and staff.

The Share Sale Agreement contains warranties and indemnities that are standard for a transaction of this nature.

6. CATEGORISATION OF THE TRANSACTION

The Acquisition is below the 5% ratio in terms of the Listings Requirements of the JSE for a Category 2 announcement and is made on a voluntary basis.

By order of the Board of Altron.

Johannesburg
11 June 2018

Financial Advisor and Sponsor
Investec Bank Limited