
WORKFORCE HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number 2006/018145/06)
Share code: WKF ISIN: ZAE000087847
("Workforce" or "the Company")

**ACQUISITION OF OPENSOURCE INTELLIGENT SOLUTIONS PROPRIETARY LIMITED AND
OPENSOURCE INTERNATIONAL LIMITED**

1. INTRODUCTION

The board of directors of Workforce ("the Board") is pleased to inform shareholders that on 9 December 2020 ("**Signature Date**"), Workforce entered into a sale and purchase agreement ("**Agreement**") with Michelle Ann Sampson ("**the Seller**"), OpenSource Intelligent Solutions Proprietary Limited ("**OpenSource**") and OpenSource International Limited ("**OpenSource International**").

In terms of the Agreement, and subject to the fulfilment or waiver of the conditions precedent set out in paragraph 2.3 below ("**Conditions Precedent**"), the Seller will sell 100% of her shares and claims in OpenSource and OpenSource International (collectively referred to hereinafter as the "**Sale Interest**") to Workforce with effect from the Effective Date, for the purchase consideration as set out in paragraph 2.4 below ("**Purchase Consideration**") (the "**Acquisition**").

OpenSource and OpenSource International are collectively referred to hereinafter as the "**OpenSource Group**" or "**Group Companies**".

2. THE ACQUISITION

2.1 Nature of the business of the OpenSource Group

OpenSource is a South African based business which was established in 1993. OpenSource International was established in Mauritius in 1999. The OpenSource Group places skilled SAP resources on both a contract and permanent basis at clients utilising SAP's Enterprise Resource Planning system. In addition to this, the OpenSource Group also provides SAP training and other SAP related services including, but not limited to, SAP site maintenance and payroll outsourcing.

2.2 Rationale for the Acquisition

Historically, Workforce's Temporary Employment Services ("**TES**") offering has focused on the provision of outsourced blue collar and technical resources into the market. The Company is seeking to further expand its TES offering to include more niched and highly skilled resources and has identified the SAP contracting space as a viable and compelling segment of the broader IT market with exciting growth and expansion opportunities. The OpenSource Group further meets Workforce's acquisition criteria by being both a profitable and cash generative business that is recognised as one of the leading service providers in its field. Workforce also anticipates potential cross selling opportunities between itself and the OpenSource Group.

2.3 Conditions Precedent and Effective Date

The Acquisition is subject to fulfilment or waiver, as the case may be, of the following Conditions Precedent:

- 2.3.1 delivery by the Seller to Workforce of the financial statements of the OpenSource Group for the period ended 31 December 2020 ("**Effective Date Accounts**") within 60 days of the Effective Date;
- 2.3.2 the conclusion of employment agreements between the Group Companies and certain key persons within 30 days of the Signature Date;
- 2.3.3 the Board, and each of the board of directors of the Group Companies, approving the purchase of the Sale Interest within 30 days of the Signature Date;
- 2.3.4 to the extent required, the Seller obtaining the relevant exemption in terms of section 119 of the Companies Act, 2008 (Act No. 71 of 2008), ("**Companies Act**") as amended and delivery of written confirmation thereof to Workforce within 30 days of the Signature Date; and
- 2.3.5 no force majeure event or change in legislation, which materially affects the ability to conduct the business of the OpenSource Group, occurs during the period between the Signature Date and the date upon which the last of the conditions is fulfilled or waived, as the case may be, which has a material adverse effect on the value of the OpenSource Group.

The Effective Date of the Acquisition is 1 January 2021.

2.4 Purchase Consideration and Payment Structure

- 2.4.1 In terms of the Agreement, a maximum Purchase Consideration of R24 208 875 in cash is payable by Workforce to the Seller as set out below:
 - 2.4.1.1 an amount of R10 325 325, payable within 30 days of the fulfilment or waiver, as the case may be, of the Conditions Precedent;
 - 2.4.1.2 an amount of up to R3 441 775, payable within 30 days of the date on which the annual financial statements of the OpenSource Group for the 12 month period commencing on 1 January 2021 are received by Workforce, subject to the OpenSource Group achieving a warranted profit after tax ("**PAT**") of up to R3 871 997; and
 - 2.4.1.3 an amount of up to R3 441 775 ("**Third Payment**"), payable within 30 days of the date on which the annual financial statements of the OpenSource Group for the 12-month period commencing 1 January 2022 ("**Year 2 Accounts**") are received by Workforce, subject to the Group Companies achieving a warranted PAT of up to R4 355 996.
 - 2.4.1.4 In the event that the aggregate value of PAT for the two-year period ending 31 December 2022 is greater than R8 227 993 ("**First Top Up Target**"), the Seller shall be entitled to receive a top up payment ("**First Top Up Payment**") based on an agreed upon formula. This payment will be limited to a maximum of R5 000 000, payable by Workforce to the Seller, on the same date that the Third Payment is payable.
 - 2.4.1.5 In the event of the First Top Up Payment becoming due and payable, or where the First Top Up Payment did not become payable but the OpenSource Group achieved an amount equivalent to no less than 90% of the First Top Up Target, and the OpenSource Group's PAT for the 12 month period commencing 1 January 2023 exceeds the Year 2 Accounts PAT by

12.5% or more, a Second Top Up Payment of up to R2 000 000 will become due to the Seller based on an agreed upon formula. This payment will be payable within 30 days of Workforce receiving the annual financial statements of the OpenSource Group for the 12-month period commencing 1 January 2023.

2.4.2 In the event of a failure by the Group Companies to achieve any of the profits warranted in paragraphs 2.4.1.2 and 2.4.1.3 above, Workforce's recourse shall be limited to a reduction of the Purchase Consideration and Workforce shall have no other claim against the Seller arising out of any such failure.

2.4.3 The Acquisition is being funded by a combination of internal cash resources and third-party debt funding.

2.5 Other salient terms of the Acquisition

In addition to the warranties contained in the Agreement which are usual for transactions of this nature, the Seller has undertaken that the Group Companies shall generate sufficient cash from 1 January 2021 to 31 December 2021 so that Workforce shall not be required to provide any working capital to the Group Companies to enable them to carry on their business during this period.

Subsequent to the Acquisition, the memorandum of incorporation of the Group Companies will be reviewed to ensure that they do not prevent Workforce from complying with its obligations in terms of the Listings Requirements of JSE Limited.

3. FINANCIAL INFORMATION

The value of the reviewed net assets that are the subject of the Acquisition as at 29 February 2020 was R1 987 484.

The reviewed profit after tax attributable to the net assets that are the subject of the Acquisition for the year ended 29 February 2020 was R1 830 492.

The reviewed profit after tax for the year ended 29 February 2020, adjusted for certain non-recurring items, amounted to R3 441 775.

The annual financial statements for the year ended 29 February 2020 were prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the Companies Act.

4. CLASSIFICATION OF THE ACQUISITION

The Acquisition is classified as a Category 2 transaction in terms of the Listings Requirements of JSE Limited.

Johannesburg

10 December 2020

Designated Adviser

Merchantec Capital