

The Directors  
4Sight Holdings Limited  
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13 August 2020

Dear Sirs

## **FAIRNESS OPINION REGARDING THE DISPOSAL BY 4SIGHT HOLDINGS OF 100% OF THE ISSUED SHARE CAPITAL OF DIGITATA LIMITED WHICH CONSTITUTES A RELATED PARTY TRANSACTION**

### **Introduction**

In terms of the announcement published by 4Sight Holdings Limited (“4Sight” or the “Company”) on the Stock Exchange News Service (“SENS”), operated by the JSE Limited (“JSE”) on Tuesday, 7 April 2020, holders of ordinary no par value shares in the issued share capital of 4Sight (“4Sight Shares”) (“4Sight Shareholders” or “Shareholders”) were advised that 4Sight had entered into a share sale and repurchase agreement (the “Share Sale and Repurchase Agreement”) with various parties (the “Purchasers”), whereby 4Sight will dispose of 100% of the ordinary issued share capital in Digitata Limited (“Digitata”) (the “Digitata Equity”) to the Purchasers for an aggregate consideration of R91,900,000 (the “Digitata Sale Consideration”).

The Digitata Sale Consideration payable by the Purchasers for the Digitata Equity will be discharged by the Purchasers selling to the Company as part of an indivisible transaction, an aggregate of 290,549,558 4Sight Shares (the “Repurchase Shares”) for an amount equal to the Digitata Sale Consideration.

As a condition precedent to the Proposed Transaction, Digitata will transfer its equity in Battler Investments Proprietary Limited (“Battler Investments”) (“Battler Investments Equity”) to Foursight Holdings Limited, a wholly-owned subsidiary of 4Sight for no additional consideration and which transaction is subject to Digitata being entitled to continue its operations from the premises rent-free for a period of 18 months, while also contributing to operating costs (the “Battler Transaction”) (the rental forfeited by 4Sight is defined as the “Digitata Rental Benefit” and the fair value of Battler Investments Equity less the fair value of the Digitata Rental Benefit is defined as the “Net Battler Consideration”).

The Digitata Rental Benefit arising from the Battler Transaction, the disposal of Digitata Equity and the repurchase by the Company of the Repurchase Shares are collectively referred to herein as the “Proposed Transaction”.

Full details of the Proposed Transaction are set out in the circular to shareholders to be dated on or about 21 August 2020 (the “Circular”).

### **Fairness Opinion Required in terms of the JSE Listings Requirements**

The disposal of the Digitata Equity and the Digitata Rental Benefit arising from the Battler transaction collectively constitute a small related party transaction, as one of the Purchasers, Yotta Trust, is an associate of a former director of 4Sight who resigned within 12 months prior to the execution of the Share Sale and Repurchase Agreement. In addition, the repurchase by the Company of the Repurchase Shares constitutes a specific repurchase of shares (the “Specific Repurchase”).

Accordingly, in terms of:

- section 21.12 of the Alternative Exchange (“Alt-X”) requirements, read with paragraph 10.7(b)) of the JSE Listings Requirements (“Listings Requirements”) in respect of a transaction with related parties; and
- section 5.69(e) of the Listings Requirements in respect of the Specific Repurchase,

a fairness opinion from an independent expert is required confirming whether the terms and conditions of the Proposed Transaction are fair insofar as the shareholders of 4Sight are concerned (the “Fairness Opinion” or “Opinion”).

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed by the board of directors of 4Sight (the “Board” or the “Directors”) as the independent expert in respect of the Proposed Transaction.

## Responsibility

Compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report on the fairness of the terms and conditions of the Proposed Transaction.

## Explanation as to how the term “fair” applies in the context of the Transaction

Schedule 5.7 of the Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company’s shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The Proposed Transaction would be considered fair to Shareholders if the fair value of the Repurchase Shares and the Net Battler Consideration, in aggregate, is more than or equal to the fair value of the Digitata Equity, or unfair if the fair value of the Repurchase Shares and the Net Battler Consideration, in aggregate, is less than the fair value of the Digitata Equity.

## Details and sources of information

In arriving at our findings, we have relied upon the following principal sources of information:

- The terms and conditions of the Proposed Transaction, as set out in the Circular;
- The Share Sale and Repurchase Agreement;
- Audited consolidated annual financial statements of 4Sight for the year ended 31 December 2018 and reviewed condensed consolidated provisional results of 4Sight for the year ended 31 December 2019;
- Unaudited management accounts of 4Sight, on a consolidated basis and by underlying operating entity, for the years ended 31 December 2018 and 31 December 2019, including financial information for Digitata;
- Unaudited management accounts of 4Sight, on a consolidated basis and by underlying operating entity, for the year-to-date period ended 31 May 2020, including financial information for Digitata;
- Budgeted financial information of 4Sight, on a consolidated basis and by underlying operating entity, for the year ending 31 December 2020, including financial information for Digitata;
- Independent property valuation report for the property owned by Battler Investments situated on Portion 1 of Erf 1781 Fourways, No. 28 Roos Street, Fourways (the “Property”), prepared by Heather Donald Valuations Proprietary Limited as at 5 February 2018 per Heather Donald (Registration number 5352) (the “Independent Property Valuation Report”);
- The South African Property Owner’s Association (“SAPOA”) capitalisation and discount rate report for the six months to November 2019 (the “SAPOA Market Report”);
- Discussions with directors, management and/or advisors of 4Sight regarding the rationale for the Proposed Transaction;
- Discussions with Directors, management and/or advisors of 4Sight regarding 4Sight and Digitata’s historical consolidated financial information;
- Discussions with Directors, management and/or advisors of 4Sight on prevailing market, economic, legal and other conditions which may affect 4Sight and Digitata’s underlying values;
- Market data per Thomson Reuters and IRESS Expert; and
- Publicly available information relating to 4Sight and Digitata that we deemed to be relevant, including company announcements and media articles.

The information above was secured from:

- Directors and management of 4Sight and their advisors; and

- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing 4Sight and Digitata.

## Procedures

In arriving at our findings, we have undertaken the following procedures and taken into account the following factors:

### *Repurchase Shares and Digitata Equity*

- Reviewed the audited and unaudited financial information, as detailed above;
- Reviewed and obtained an understanding from management as to the budgeted financial information, on a consolidated basis and by underlying operating entity, for the financial year ending 31 December 2020 prepared by management and the basis of the assumptions therein including the prospects of the business and its underlying operations. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- Compiled a capitalisation of maintainable earnings basis by using budgeted financial information, which is the best proxy for maintainable earnings, for 4Sight and for Digitata and applied BDO Corporate Finance's calculated earnings multiples based on market comparables to earnings before interest, taxation, depreciation and amortisation ("EBITDA");
- Assessed the long-term potential of 4Sight and its underlying operations, including Digitata;
- Evaluated the relative risks associated with 4Sight and Digitata and the information and communication technology ("ICT") sector;
- Reviewed certain publicly available information relating to 4Sight and Digitata and the ICT sector that we deemed to be relevant, including Company announcements and media articles and available analyst coverage; and
- Where relevant, representations made by management and/or Directors were corroborated by source documents or independent analytical procedures performed by us, to examine and understand the industry in which 4Sight operates, and to analyse external factors that could influence 4Sight and its underlying operations.

### *Battler Transaction*

- Reviewed the audited and unaudited financial information of Battler Investments, as detailed above;
- Reviewed the Property Valuation Report and considered the methodology and assumptions applied in determining fair market value. Based on our review of the report we are satisfied that the approach adopted is consistent with standard market practice and the assumptions are consistent with market parameters. We however note that the valuation was performed in February 2018. Consequently, we updated assumptions based on data per the SAPOA Market Report; and
- Determined the net present value of the Digitata Rental Benefit.

We have undertaken the following general procedures and taken into account the following factors:

- Reviewed the terms and conditions of the Proposed Transaction as contained in the Circular and Share Sale and Repurchase Agreement;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in ICT valuation and knowledge of the industrial goods sector generally;
- Held discussions with Directors and management of 4Sight regarding the past and current business operations, regulatory requirements, financial condition and future prospects of the group and such other matters as we have deemed relevant to our inquiry;
- Held discussions with Directors and management of 4Sight regarding the rationale for the Proposed Transaction; and
- Performed a sensitivity analysis on key assumptions included in the valuations.

## Assumptions

We arrived at our findings based on the following assumptions:

- That all agreements that are to be entered into in terms of the Proposed Transaction will be legally enforceable as against the relevant parties thereto;
- That the Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of the Company; and

- That reliance can be placed on the financial information of 4Sight and Digitata.

### **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our findings by:

- Placing reliance on audit reports in the financial statements of 4Sight;
- Conducting analytical reviews on the historical financial results and budgeted financial information, such as key ratio and trend analyses; and
- Determining the extent to which information in respect of 4Sight and Digitata was confirmed by documentary evidence as well as our understanding of 4Sight and Digitata and the economic environment in which they operate.

### **Limiting conditions**

This Fairness Opinion is provided in connection with and for the purposes of the Proposed Transaction. This Fairness Opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders.

Individual Shareholders' decisions regarding the Proposed Transaction may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Proposed Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our conclusions. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of this Fairness Opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results will correspond to those projected. We have, however, compared the budgeted financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Proposed Transaction will have the legal consequences described in discussions with and materials furnished to us by representatives and advisors of the Company and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

We have been neither a party to the negotiations entered into in relation to the Proposed Transaction nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Proposed Transaction.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Proposed Transaction. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

It is also not within our terms of reference to compare the merits of the Proposed Transaction to any alternative arrangements that were or may have been available to 4Sight. Such comparison and consideration remain the responsibility of the Board and their advisors.

### **Independence, competence and fees**

We confirm that we have no direct or indirect interest in 4Sight ordinary shares or in the Proposed Transaction. We also confirm that we have the necessary qualifications and competence to provide the Fairness Opinion.

We confirm that neither we, nor any person related to us (as contemplated in the Listings Requirements), have any relationship with 4Sight or any party involved in the Proposed Transaction.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the success of the Proposed Transaction.

## Valuation approach

In considering the terms and conditions of the Proposed Transaction, we performed an independent valuation of each of the:

- Repurchase Shares;
- Digitata Equity;
- Battler Investments Equity; and
- Digitata Rental Benefit.

We performed a Market Valuation of the Repurchase Shares and Digitata Equity by using the capitalisation of maintainable earnings methodology.

Key internal value drivers and assumptions to the capitalisation of maintainable earnings valuations included an assessment of maintainable earnings. Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of 4Sight and Digitata as well as an assessment of market-related earnings before interest and tax (“EBIT”), EBITDA and profit after tax (“PAT”) multiples applicable to comparable publicly traded companies.

We selected a basket of comparable companies with similar operations to 4Sight and Digitata. Historic and forward multiples were calculated for these comparable companies. Outliers were excluded and a range of market multiples was determined. This range was adjusted for differences between 4Sight and Digitata and the basket of peers to account for the risk profile of 4Sight and Digitata relative to the basket of peers

Our valuation results are sensitive to estimates of maintainable earnings, driven by estimates of sustainable margins.

We performed a sensitivity analysis on maintainable earnings, driven by estimates of sustainable margins. The sensitivity analysis was performed by increasing and decreasing the sustainable margins by a factor of 100 basis points.

The sensitivity analysis did not indicate a sufficient effect on the valuation of the Repurchase Shares nor the Digitata Equity to alter our opinion in respect of the fairness of the Proposed Transaction.

### *Net Battler Consideration*

In performing our valuation of Battler Investments we adopted the net asset value (“NAV”) approach, taking into account the indicative fair market value of the Property determined by the independent property valuer, adjusted for prevailing market conditions and assumptions.

We adopted the net present value (“NPV”) methodology to the Digitata Rental Benefit based on the NPV of the forfeited rental.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Battler Investments. Additionally, sensitivity analyses were performed considering key value drivers.

Key external value drivers to the NAV valuation and Digitata Rental Benefit include the capitalisation rate and discount rate respectively. We applied the average SAPOA Market Report rate for the ‘non CBD secondary office’ category for both, which is 10.07%.

## Conclusion

In undertaking the valuation exercise above, we determined a fair value for the Digitata Equity of USD 6.472 million and a fair value of USD 7.962 million for the Repurchase Shares. The fair value of the Net Battler Consideration is a net obligation of USD 0.1k to 4Sight as the NAV of Battler Investments amounts to USD 38.8k and the NPV of the Digitata Rental Benefit amounts to USD 38.9k.

BDO Corporate Finance has considered the terms and conditions of the Proposed Transaction and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Proposed Transaction are fair to 4Sight Shareholders.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us up to Thursday, 13 August 2020 (the “Last Practicable Date”). We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Last Practicable Date that may affect our opinion or factors, or assumptions contained herein.

We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Proposed Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

**Consent**

We hereby consent to the inclusion of this Fairness Opinion, in whole or in part, and references thereto in the Circular, in the form and context in which it appears.

Yours faithfully

A handwritten signature in black ink, appearing to read 'N. Lazanakis', with a horizontal line underneath.

N Lazanakis CA(SA)  
*Director*

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