



Novus Holdings Limited  
Incorporated in the Republic of South Africa  
(Registration number 2008/011165/06)  
JSE share code: NVS ISIN: ZAE000202149  
("Novus Holdings" or the "Company" or the "Group")

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## ACQUISITION OF A 75% EQUITY SHARE IN PEARSON SOUTH AFRICA AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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### 1. INTRODUCTION

- 1.1. Shareholders of Novus Holdings ("Shareholders") are referred to the cautionary announcement released on the Stock Exchange News Service ("SENS") on 21 June 2022, and the renewal of cautionary announced on SENS on 10 August 2022 ("Cautionaries") regarding a potential acquisition by the Group.
- 1.2. Novus Holdings concluded an agreement on 12 August 2022 ("Signature Date"), whereby the Company, together with its wholly owned subsidiary, Novus Print Proprietary Limited ("Novus") entered into a sale and purchase agreement ("Agreement") with Pearson Holdings Southern Africa Proprietary Limited (the "Seller").
- 1.3. In terms of the Agreement, and subject to the fulfilment of the conditions precedent as set out in paragraph 4 below ("Conditions Precedent"), Novus will acquire the Seller's 75% equity share of Pearson South Africa Proprietary Limited ("Pearson SA"), for the purchase consideration set out in paragraph 7 below (the "Acquisition" or the "Transaction").
- 1.4. The remaining 25% of Pearson SA's share capital is held by black economic empowerment ("BEE") partners, being Sphere RB Investments Proprietary Limited (22.5%) and Pearson Marang Education Trust (2.5%) which shareholding and BEE arrangements will remain in place following the Acquisition.

### 2. DESCRIPTION OF PEARSON SA

- 2.1. Pearson SA provides education solutions from early childhood learning to beyond school. Pearson SA provides curriculum-based print materials that support the National Curriculum and Assessment Policy Statement ("CAPS") and includes higher education curricula, e-learning content and tools, as well as teacher training and a vast selection of supplementary learning material.
- 2.2. Pearson SA is home to Maskew Miller Longman and Heinemann, two of the best-known names in South African publishing and leaders in the provision of print materials and CAPS-approved textbooks. Pearson SA is an innovator in providing learning content and teacher training for use in schools, TVET colleges, higher education institutions, and home and professional environments.

### 3. RATIONALE FOR THE ACQUISITION

- 3.1. During the past three years, Novus Holdings embarked on a process to reposition and restructure the Group following market changes in its traditional print business.
- 3.2. The restructure included the liquidation of surplus assets and release of working capital in line with operational requirements which resulted in the return of surplus cash to Shareholders. Following this repositioning, the core print business remains viable with the Company focusing on operational management and return on assets, coupled with selective opportunities for investment and growth.
- 3.3. The return of surplus capital to Shareholders remains a focus of the board of directors of the Company (the “**Board**”) but this will be evaluated against, the ability to leverage the Group’s skills and infrastructure. The Board and management will continue to seek and evaluate investment opportunities that deliver returns in excess of its risk adjusted cost of capital in order to create value for Shareholders.
- 3.4. The opportunity to acquire the majority of the Pearson SA business follows Pearson plc’s (the parent company of the Seller) decision to divest the international courseware local publishing businesses. Pearson SA, being the owner of extensive education related intellectual property, serves all tiers of the education market in South Africa, with a primary focus on schools. The Pearson SA textbooks and courseware are active in many of the subject matter areas. The business is supported by a sophisticated and comprehensive sales and distribution network across South Africa which delivers high service levels. The business benefits from long term relationships with education departments and content owners/developers, to provide high quality learning materials to students.
- 3.5. While the paper based textbook business is expected to remain a significant part of the education system, Pearson SA have also been pro-active in developing solutions to provide digital content to assist its stakeholders and students to participate in the migration to digital educational platforms.
- 3.6. The Pearson SA textbook publishing business aligns with the core print activities of Novus Holdings and will benefit from the distribution, publishing and production network of the Novus platform.
- 3.7. As part of the Transaction, Novus Holdings will support and join the current BEE partners in a well-structured sustainable Broad-Based BEE (“**B-BBEE**”) structure/partnership.
- 3.8. The transfer of control from an international shareholder to Novus, with its established infrastructure, ensures that there will be no disruption in the delivery of important education materials to schools and learners. It also creates the opportunity for the focussed localisation of learning solutions, that will further assist to alleviate some of the unique challenges in South Africa’s education system.

#### 4. CONDITIONS PRECEDENT

- 4.1. The Transaction constitutes a Category 1 transaction in terms of the Listings Requirements of the JSE Limited (“**JSE**”). Therefore, execution of the Transaction is subject to, among other things, Shareholder approval.
- 4.2. The implementation of the Acquisition is subject to the fulfilment of the following Conditions Precedent:
  - 4.2.1. the Acquisition (to the extent necessary) has been unconditionally approved by the Competition Authorities in terms of the Competition Act, (No. 89 of 1998) as amended or conditionally approved on terms and conditions which are acceptable to the Seller and Novus; and
  - 4.2.2. the receipt of Shareholder approval, by way of the approval of the ordinary resolution(s) by the requisite majority of Shareholders in general meeting, to be convened for such purpose (“**General Meeting**”).
- 4.3. The Conditions Precedent set out in 4.2.1 and 4.2.2 above are not capable of being waived.
- 4.4. The last of the Conditions Precedent must be fulfilled by not later than 31 March 2023, which date may be extended by the parties to the Agreement by mutual agreement.

#### 5. IRREVOCABLE UNDERTAKINGS

Shareholders holding more than 50% of the issued share capital of the Company have provided irrevocable undertakings to vote in favour of the Acquisition.

#### 6. EFFECTIVE DATE

The effective date of the Acquisition (“**Completion Date**”) will be five business days following the last of the Conditions Precedent being satisfied (“**Effective Date**”) unless the Conditions Precedent are fulfilled in the period commencing on 8 December 2022 and ending on 24 January 2023, in which case the Effective Date will be 31 January 2023.

#### 7. PURCHASE CONSIDERATION

- 7.1. The purchase consideration for the Acquisition (“**Purchase Consideration**”) is made up as follows:
  - 7.1.1. a base consideration of ZAR 829,4 million (“**Base Consideration**”);
  - 7.1.2. to the extent that the Acquisition has not been completed by 30 November 2022, the profits typically attributable to the Seller from 1 December 2022 until the Completion Date will accrue and be paid to the Seller (“**Top Up**”) against the retention of such profits within Pearson SA; and
  - 7.1.3. interest at a market related interest rate will accrue to a portion of the Base Consideration from 1 October 2022 to 30 November 2022.
- 7.2. Notwithstanding the Effective Date of the Transaction, a proportional share of the profits earned by Pearson SA between 1 August 2022 and 30 November 2022 will accrue to Novus and forms part of the Base Consideration determined above.

- 7.3. The construct of the Transaction in relation to the B-BBEE structure ensures that Novus will also benefit from additional future cash distributions occasioned by the settlement of a notional B-BBEE loan.
- 7.4. The Base Consideration and interest (referred to in paragraph 7.1.3 above) will be settled in cash on the Completion Date. The Top Up, to the extent that it is required will be settled within twenty business days following the Completion Date.
- 7.5. The Purchase Consideration will be funded from Novus' existing cash resources and debt facilities. In this regard, a credit approved facility has been obtained.
- 7.6. The resultant level of gearing is within prudent senior finance limits of the Group, given the cash generating nature of the business to be acquired.

## **8. FINANCIAL INFORMATION**

- 8.1. The audited value of the net assets of Pearson SA as at 31 December 2021 was R643 million. The audited profit attributable to Pearson SA for the year ended 31 December 2021 was R260 million.
- 8.2. The audited annual financial statements for Pearson SA for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards and the South African Companies Act.

## **9. SIGNIFICANT TERMS OF THE AGREEMENT**

- 9.1. The suite of transaction agreements contain various reciprocal transitional service and support agreements ("TSAs") to provide for an orderly and cost-effective transfer and operational handover. The TSAs provide for an appropriate duration from Completion Date, to allow for an orderly handover of services including intellectual property management, copyright renewals, IT licences and digital platform handovers. The Pearson SA business is materially stand alone and the TSAs purpose are to document and formalise an organised handover and integration process to ensure operational continuity and efficiency.
- 9.2. The Seller has provided certain customary restrictive undertakings in relation to the business of Pearson SA during the period between the Signature Date and the Completion Date. The Agreement provides customary non-compete and non-solicitation restrictive covenants in favour of Novus.
- 9.3. The Agreement contains representations and warranties by the Seller in favour of Novus which are standard for a transaction of this nature. The warranties are subject to customary financial, diligence and other limitations. Novus has also given customary warranties in favour of the Seller. The Transaction agreements include customary and typical tax warranties in respect of pre-completion tax liabilities, which are subject to typical exemptions and financial thresholds.

## 10. CATEGORISATION OF THE ACQUISITION

The Acquisition is classified as a Category 1 transaction in terms of the Listings Requirements of the JSE. Whilst the current Purchase Consideration of the Transaction is almost commensurate with the Company's current market capitalisation, resulting in a categorisation percentage in the region of 100%, pursuant to engagement with the JSE regarding the applicability of paragraph 9.5(c) of the Listings Requirements, it has been determined that the Transaction does not constitute a reverse take-over and consequently, revised listings particulars will not be required to be incorporated into the circular.

## 11. DISTRIBUTION OF CIRCULAR

A circular containing the full details of the Acquisition, incorporating a notice convening the General Meeting, will be distributed to Shareholders in due course, together with the announcement of the salient dates and times of the Acquisition and the General Meeting, on SENS.

## 12. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the Cautionaries and are advised that as terms of the Acquisition have now been disclosed, caution is no longer required to be exercised by Shareholders when dealing in the Company's shares.

Cape Town  
12 August 2022

### Corporate Advisor to Novus Holdings



Nodus Capital

### Legal Advisor to Novus Holdings



ENSafrica

### Transaction Sponsor to Novus Holdings



Merchantec Capital

### Corporate Advisor to Pearson plc



BNP Paribas

### Legal Advisor to Pearson plc



Herbert Smith Freehills LLP