

AYO Technology Solutions Ltd Presentation to Parliament Standing Committee on Finance (SCoF)

AYO Technology Solutions Ltd Virtual Presentation

17 March 2021

Presented by Dr Wallace Mgoqi, Chairperson and Howard Plaatjes, CEO



Background to SCoF presentation

The honorable Minister of Finance, Tito Mboweni, invited AYO and the PIC to present to Parliament to hear the AYO side of the story in relation to the dispute between AYO and the PIC.

AYO welcomed the opportunity and sent a formal letter to SCoF chairperson and secretariat indicating our willingness to come and present.

We thank SCoF for giving us the time and opportunity to present.

Outline of the presentation

1. AYO the company
2. AYO opportunity to transform the ICT sector on scale
3. Detractors' smear campaign against AYO launched in March 2018
4. PIC Commission of Inquiry and voluntary submission and engagement
5. Consequences of the negative media campaigns, CIPC and PIC litigation against AYO
 - Material consequences and value destruction
 - Reputational consequences and value destruction
 - Institutional consequences and value destruction
 - Current litigation against AYO sub-judice
 - Summary
6. AYO value protection/retention strategy
7. Conclusion

AYO the company

- More than 21 subsidiaries and investments in the ICT sector
- Established for more than 25 years and has built up capacity as a fully-transformed ICT company
- Has 2000+ employees
- Contributed R1,1 billion in taxes
- At the cutting edge of ICT innovation with technologies in health information systems, applications software, unified communications, cyber security, etc.
- AYO has supported black entrepreneurs in the ICT sector
- Committed more than R350 million to the development of the sector-social development fund, AYO Academy
- Largest JSE-listed ICT company with largest net asset value and it is black-owned
- This is a quick overview of the AYO major subsidiaries





- HST is a specialist technology provider to the healthcare industry since 1980.
- HST's client base consists of large public and private health sector organisations in South Africa and Nigeria.
- HST has powered the technology behind NHLS for over 20 years and in 2020 during the COVID-19 pandemic implemented 28 integrations free of charge to enable the national laboratory to communicate with private entities and consolidate reports and statistics.



Delivering Excellence Together

- Sizwe Africa IT Group is the leading and preferred ICT solutions provider for large public and private organizational clients across industry verticals from education to mining and government.
- Services cover the full spectrum of technology from physical infrastructure to managed services, fibre and facilities management, solar solutions and finance options.
- Sizwe Africa IT Group employs over 600 people.
- Sizwe Africa IT Group's vast geographic footprint across South Africa includes 34 offices/technical points throughout the country.
- Sizwe Africa IT Group holds strategic partnerships with world-leading OEMs including Samsung, Dell, HP, Apple, Microsoft, Cisco, etc.





P U L E N G

T E C H N O L O G I E S

- Founded almost two decades ago, Puleng Technologies is one of the most reputable cyber securities companies in South Africa.
- Puleng services large blue-chip multinational organisations, financial institutions, SOEs and public sector clients.
- Puleng's services include data, user and access security, as well as Governance, Risk and Compliance (GRC) programmes.
- Puleng's international partners include IBM, Netscope, Radware, Riskiq, Beyond Trust and many others.



- Headset Solutions was established in 1993 and is currently one of the largest importers and distributors of telecommunications hardware and consumer electronics.
- Sole distributor of the Poly range of audio, video and consumer products, as well as Jabra and Konftel products for the entire African continent.
- Largest inventory in Africa.
- Over 1 million headsets sold in South Africa.



- Global Command and Control Technologies (GC2T) is the leading technology provider for enabled awareness solutions across the commercial, security and military domains.
- Solutions include asset and force tracking across the globe (land, air or maritime), spatial awareness and constructive simulation technologies.
- GC2T currently services the supply of command, control, communication and information system for African Union's Multinational Joint Task Force.

AYO's African footprint

The AYO Group has a diverse large client base situated in all major South African cities and a number of African countries.



AFRICAN COUNTRIES:

Ghana
Nigeria
Cameroon
Uganda
Ethiopia
Kenya
Tanzania
Malawi
Zambia
Zimbabwe
Botswana
Namibia
Swaziland
Lesotho
Madagascar
Mauritius



AYO history and growth strategy

- Existed for more than 20 years
- Built up a formidable ICT capacity in a largely untransformed industry
- Board composition, executive team and employees are fully transformed
- Embarked on a growth strategy to fully transform the ICT sector by 2020
- Identified a number of acquisition targets to own and transform private and public sector customers
- To execute this strategy AYO put together a prospectus and a market sounding document for investors, including the PIC
- The PIC committees, that evaluated the AYO team's proposal, were uniform in their support and valuation of AYO
- The pre-listing statement was the guide for all investors into AYO

AYO lists in December 2017 to cheers from all stakeholders



AYO's commitment to transformation

- Commitment to transformation started with inviting:
 - COSATU's investment arm Kopano
 - Popcru investment arm
 - more than 3000 black women through black women's groupings
 - Other small black business and community groupings
- Used its capital base to support black businesses:
 - Vunani capital-expand its business
 - Fintech fund
 - AYO enterprise fund
 - Black business council representatives
- AYO academy committed towards the development of black professionals
 - Focus on women
 - Focus on rural communities
- AYO had more community-based shareholders than any other company on the JSE (before listing)

AYO post listing smear campaign

- Detractors smear campaign against AYO launched in March 2018
- AYO caught in the battle at the PIC between different factions as collateral damage
- Up until March 2018 there was no problem with the AYO listing
- Asset managers and hedge-funds took advantage of the negative publicity against AYO to undermine its value
- Extensive collaboration between journalists/public commentators and private corporate entities designed to do maximum damage
- Unusually in the history of this country CIPC has never intervened to overturn a PIC investment
 - suddenly CIPC as a result of media and political pressure started a litigation
 - CIPC case was dismissed by the courts and showed the frivolous nature of its complaint
- The impact of this and the PIC Commission of Inquiry had devastating consequences for AYO

PIC Commission of Inquiry - voluntary submission & engagement

- AYO welcomed the Commission and voluntarily sent executives to be fully transparent in engagement with PIC Commissions:
 - Was shocked at the intense focus on AYO compared to other companies
- No intention to talk about the outcome of the PIC Commission except to say that there was no evidence of corruption in the report.
- The investment was presented to the PIC by the AYO corporate investment team including:
 - The newly-recruited CEO from a multinational
 - Executives with a combined value of 75 years in ICT sector-presented to peers
 - Experienced PIC analysts with 50 years experience and together saw the business case for the ICT investment and transformation
- Hearsay and unsubstantiated claims were made by people at the commission.
- AYO chose to deal with the facts instead of gossip.
- AYO is confident not withstanding the negative publicity that it will be successful in any litigation by the PIC or any other party.
- AYO's position remains that it has done nothing wrong and is a victim of a smear campaign by hidden hands.

Material consequences and value destruction

- The PIC initially insisted that the British Telecom (BT) investment formed part of the AYO listing.
- Significant capital was earmarked for the BT investment, which was the foundation for multinational customer acquisition strategy, e.g. SASOL.
- PIC scuppers the British Telecoms investment, by relying on negative media.
- Without PIC support, BT company decided to withdraw from engagement with AYO.
- We fear that there is a hidden hand that used the Commission to smear AYO and that continues to direct activities to undermine the business and reputation of AYO.
- AYO has lost normal business, which it had prior to listing to the tune of R1,3 billion, in public and private sector.
- AYO has faced cancellation of banking facilities.
- AYO has been irrationally censured by the JSE for what may be regarded as regular compliance issues and not corruption.

Reputational consequences and value destruction

- AYO has suffered irreparable harm and reputational damage by actions of the PIC and the media landscape.
- Acquisition targets are adopting a “wait and see” approach.
- Customers in the private sector are skeptical and are reducing orders.
- Employees, Executives and Board of Directors are negatively impacted.
- Management is spending inordinate operational time defending the company on numerous levels.
- Banks are terminating facilities and closing accounts based purely on media reputation.
- It should be noted by SCoF that there are companies in the ICT sector who have admitted to fraud in the public sector, that are also listed, and yet there has been no attempt to stop their banking facilities.
- The lucrative SASOL contract leading to loss of South African jobs –handed to an Indian company
- The loss of a healthcare software contract losing jobs to an US based entity
- AYO is a target of a coordinated smear campaign with ominous intentions

Institutional consequences and value destruction

- In summary AYO is a victim of the following institutional actions
 - JSE and FSCA targeted AYO unfairly and censored it with fines which made no sense
 - CIPC launched a litigation case which it lost against AYO without any rational basis and precedent
 - PIC has acted to destroy AYO whereas its engagement with other companies-not transformed is one of a business, with AYO it is agenda driven and targeted.

Current litigation against AYO

- The PIC has instituted litigation against AYO, the matter is sub-judice
 - The court records are available to the public
- AYO is hopeful that the PIC will work with it to resolve outstanding matters
- Ultimately AYO and the PIC have to work together to protect the value of the investment
- Litigation is costly, protracted and adversarial and outcome is win or lose
- AYO is not a political opponent of the PIC and should not be treated as such

Summation of consequences

- We have demonstrated to SCoF the devastating material, business, institutional, reputational and legal consequences of the barrage of smear campaign that AYO had to endure
- We have also demonstrated that AYO has done nothing wrong
- Only SCoF can normalize this relationship between the PIC as a shareholder of AYO
- SCoF to allow AYO to fulfil its potential as a fully transformed ICT business and grow value for the GEPP and its beneficiaries

AYO Value protection/retention strategy

- AYO has a duty to its shareholders, its employees, its customers and transformation in the ICT sector.
- AYO is doing everything possible to ensure that the GEPF, who represent pensioners' money, is able to realize value from its investment in AYO.
- If AYO was able to operate as a normal company in SA it would not just retain value for the GEPF, it would be able to grow substantially as stated in its PLS to the PIC.
- AYO's Board of Directors and management have instead had to deal with all the issues previously stated.

Steps AYO has taken in a difficult environment

- Despite enormous external pressure AYO remained focuses on the business
- Grown the net asset value of AYO close to R5billion and continues to grow, year on year
- Retained its strong cash position
- Paid the PIC R180m in dividends
- Contributed R1,1b to the tax fiscus
- Continues to look at acquisition targets in order to transform the ICT sector and add value to the investment of the PIC in AYO

Strengthening of AYO governance

- At the behest of the PIC, AYO appointed 4 additional directors and independent chairman reducing the influence of AEEI presence on the board
- Professionals appointed to the board committees
- Strengthening of finance and internal audit function and appointment of new external auditors
- Two years of unprecedented audits which yielded no different results
- Active board engagement with management on a regular basis especially during the difficult COVID period
- Governance focused on retention of value especially of GEPP
- Appointment of 25-year expert in treasury functions and asset management-responsible for AYO treasury

AYO's plea to SCoF

- Firstly, appreciation for the opportunity to present our point of view
- AYO pleads with SCOF to examine the facts as opposed to the noise and the hearsay
- We have shown that since middle 2018 AYO has faced a barrage of litigation, investigations and unwarranted enquiries
- The consequences eroded value for shareholders and created job insecurity in the company's human capital
- It is sad that PIC conduct has caused significant erosion to their investment in AYO on behalf of the GEPF and its beneficiaries

AYO request for an investigation

- AYO is a business committed to ICT transformation
- It is defenseless against the kind of political and media smear campaign that it has been subjected to
- It is defenseless against the resources of the PIC which is using pensioners money to drive a political agenda against AYO, undermining the business through both an overt public and covert actions
- South Africa needs greater accountability by officials especially in SOEs and regulatory institutions to ensure that there is no bias no unfairness and no victimization and that state organs should not be used to settle political scores or destroy businesses or individuals

AYO request for an investigation

- AYO therefore requests the following:
 - SCOF investigation into the conduct of institutions that are undermining the democracy and business confidence in our country, that actively engage in destroying AYO and the GEPP value
 - These should include; JSE, banking institutions, CIPC, FSCA, the role of the PIC and national treasury officials that are playing a hidden hand in the cancelation of contracts, banking facilities and support by customers and service providers to AYO
 - This conduct has huge reputational impact for SA business reputation and business confidence especially as AYO has done nothing wrong and been transparent about business dealings from inception to date

Conclusion

- We have given you an overview of AYO the business, its companies, its people, its customers and its commitment to transformation.
- We have shown you the consequences of the negative material, institutional, legal and reputational campaign against AYO.
- We have demonstrated to you the importance of good governance as well as prudent executive management to retain and grow value for the GEPIF
- We have pleaded with you to investigate the conduct of the parties previously mentioned in undermining the investment in AYO-with highly irregular and possibly criminal conduct on their part
- At all times AYO has been transparent, has worked hard to build its business and retain its commitment to retain its business—in ICT Sector
- If AYO is allowed to do its business without shackles like every other normal ICT company, it will realize the value for its shareholders including the GEPIF as outlined in its prospectus.
- We thank you for this opportunity and welcome any further questions to the AYO Chairperson and CEO