EOH HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/014669/06)
JSE share code: EOH ISIN: ZAE000071072
("**EOH**" or "**the Group**")

MARKET UPDATE

Introduction

Shareholders are referred to the EOH interim results which were published on 7 April 2020 in which the Group reiterated its commitment to reducing its debt burden and driving cost efficiencies, notwithstanding the challenges brought by COVID-19. The Group wishes to provide shareholders with an update on these key initiatives as well as its financial performance for the third quarter ended 30 April 2020 and where appropriate May 2020.

Financial Performance and Liquidity

Despite the headwinds created by COVID-19, the Group's financial performance has remained resilient over the last quarter, highlighting the relevance of EOH's products and services and the value that the Group is able to deliver to its clients in an increasingly digitised world. For the quarter ended 30 April 2020, revenue did experience some downward pressure as a result of the lockdown but the Group delivered a positive EBITDA as a result of the focus by management on costs and the elimination of unnecessary spend. The Group also saw positive cash generation from operations for the quarter.

The Group has continued to see good collections from its debtors book for the months of February, March, April as well as May with all months recording collections in excess of R1 billion. As at 3 June 2020, the Group had cash balances of R893 million, while also deleveraging in line with its strategy.

Deleverage Plan

As communicated to the market at the half year results presentation, the Group has agreed to a R1.6 billion deleverage plan with its lenders. On the back of the Group's improved financial performance for the quarter combined with the recent sale of the remaining 30% stake in Construction Computer Software (Pty) Ltd ("**CCS**") (please refer to the SENS announcement published on 20 April 2020), the Group has achieved its first capital repayment milestone having repaid R540 million of the R1.6 billion. This is in excess of the R500 million agreed with lenders and well ahead of the 31 August 2020 deadline. Since 1 August 2018, the Group has repaid R1.77 billion to its lenders - R1,140 million in capital and R626 million in interest.

The Group continues to service its interest obligations to the lenders and paid R75 million of interest during May. Going forward, the Group will benefit from the drop in base interest rates of 2,5% with all the Group's interest costs being at floating rates linked to JIBAR.

As previously communicated to the market, the Group has looked to deleverage its Balance Sheet primarily through the sale of non-core assets. Since 1 February 2019, the Group has signed agreements for the disposal of non-core assets in excess of R1.4 billion (including extinguished liabilities), receiving a total of R865 million in cash to date. The sale of Dental Information Systems Holdings (Pty) Ltd ("**Denis**") signed for R250 million (please refer to the SENS announcement published on 13 December 2019) has been approved by the Competition Commission without any conditions and is now before the Competition Tribunal awaiting approval. The sales processes for two of the IP assets are ongoing and are in the final stages with bidders. Additionally, the sales process for the third IP asset was launched in May 2020, with significant interest received from various bidders.

Additionally, the Group has been able to reduce its liabilities for acquisitions from R204 million at the end of January 2020 (R634 million at 1 August 2018) to R114 million as at the end of May 2020.

COVID-19 Status Update

The national lockdown has necessitated the review and assessment of ways of working differently and to adopt a cost-conscious mindset and focus on liquidity. At the half year results presentation the target of removing R400 million of cash costs from the business for the four months to the end of July 2020 (R100 million a month) was stated. The project has been very successful and is expected to surpass its target versus budget for the period to the end of July 2020 through various initiatives including:

- Salary adjustments
- Rental holidays and extensions with landlords
- Significant reduction in travel, entertainment and marketing spend
- Continued removal of unnecessary costs; and
- Ensuring cost structures are as flexible as possible thereby reducing fixed costs.

Conclusion

The Group recently completed a detailed strategic review of the iOCO businesses which has been co-created and built from the bottom up. EOH management remain invigorated and excited about the scale of the opportunity and the offering that EOH presents in the digitisation journey of customers and the country as a whole. This scale has been evidenced in the over 70 products that have been marketed to EOH customers to specifically assist them in Solving their COVID-19 business challenges.

“We wish to express our gratitude to our people who have worked tirelessly and given unselfishly over the last few months of uncertainty for the benefit of all EOH employees. We continue to Solve together with our people, for our customers, courageously and in an exponential manner.”

The numbers contained in this announcement have not been reviewed by EOH’s auditors, PwC. The Group’s financial year end is 31 July 2020 and a further update is anticipated prior to the close of this period.

9 June 2020

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