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

PRE-CLOSING STAKEHOLDER UPDATE AND EXTENSION OF FINANCIAL REPORTING PERIOD

Shareholders are referred to the last market update published on SENS on 9 June 2020, in which EOH provided an update on its key initiatives including a strategic review of the iOCO business, plans to reduce its debt burden and how it has adapted to the impact of COVID-19. The Group also reported resilient financial performance for the third quarter. The Group wishes to provide shareholders with a further update on these key initiatives as well as financial performance during the six month period ending 31 July 2020 ("**H2**").

EOH continues to make positive progress on these commitments as well as the three key themes identified at the previous year-end results, namely:

- Creating more transparency on the business and its financials;
- Creating a fit-for-purpose capital structure; and
- Rebuilding credibility through establishing robust governance.

EOH is now in a position where within an unprecedented macro-economic environment the core iOCO business remains stable, the IP businesses sound and NEXTEC is well positioned to return to a state of profitability.

Business model evolution

As communicated on 9 June 2020, EOH has recently completed a detailed strategic review of the iOCO business which was a bottom up zero base process. iOCO's end-to-end ICT capability provides a significant differentiator on which to meaningfully grow its market share going forward.

The NEXTEC strategy has also been updated to reassess the businesses which have started to turnaround and for which a clearer strategy within the Group was required. Nextec is now focused on the following three core areas:

- Business process outsourcing;
- Technology infrastructure; and
- Disposing of non-core assets that are either Balance Sheet intensive or of too high a risk profile.

Sound progress has been made in optimizing the legal structure of the Group. During the course of the financial year, 8 entities were deregistered and another 41 entities sold. The Group looks to continue optimizing its legal structure in the next financial year.

Financial performance and liquidity

Whilst COVID-19 has resulted in a weaker macro-economic environment, the performance of the core iOCO business has remained relatively resilient. The total Group has however, felt some softening at a revenue level as a result of the impact of lockdown and COVID-19. This was offset through cost control measures implemented across the Group. Consequently, EOH expects to show meaningful improvement in EBITDA performance, before normalisation adjustments, from H1 to H2.

The Group has also seen positive cash generation from operations for H2. As communicated as part of the interim results presentation, management targeted cash cost savings of R400 million over the four months to the end of July 2020. To date, through strict adherence to cost control measures, including salary cuts for three months, management have been able to achieve in excess of 90% of this target. Sustainable cost savings of 3 to 5% are expected to continue into the new financial year. Additionally, over the last year, the Group has exited over 28,000 square meters of property, resulting in an ultimate expected annualised go forward saving of R84 million.

As a result of the successful implementation of the first phase of a formalised treasury function, the Group's liquidity position has improved significantly. Cash balances have increased from approximately R893 million of positive cash balances reported at 3 June 2020, to approximately R1,004 million of positive cash balances as at 28 July 2020. Furthermore the new cash pooling process implemented by the treasury function also makes a significant difference to liquidity.

In the pre-closing statement in respect of EOH's interim period, published on 30 January 2020, EOH advised that 8 of the 54 legacy public sector contracts had negatively impacted the financial performance of the business. The operational and financial viability of these contracts has been closely managed and tracked on an ongoing basis. Of the 8 contracts 1 has been exited, 2 normalised and positive progress is being made with normalising the remaining 5 contracts. In 4 of these remaining cases, we are awaiting specific legal and committee approval for the amended agreements reached with the parties. This has significantly reduced the risk the Group has previously been exposed to.

Positive progress has been made in H2 within the NEXTEC portfolio, with several loss-making entities either being sold or closed down. Apart from the impact of PiA Solar and Autospec, which have unique challenges, NEXTEC is now in a position whereby the division is not expected to be a cash burden to the Group.

Despite being impacted by COVID-19 through the nature of their services, the IP businesses continue to perform well albeit at lower profitability levels then in H1, which we expect to largely recover. The sales processes for the whole, or part of, these businesses remain in progress despite some delays while the businesses re-forecast their budgets and projections based on new economic forecasts.

Deleverage plan

EOH committed to a R1.6 billion deleverage plan with its lenders effective from 1 May 2019. To date EOH has repaid the lenders R542 million of this target principally from disposal proceeds. Disposal proceeds in the current financial year totalled R421 million and capital repayments to lenders totalled R292 million over the same period. In addition, EOH serviced R319 million in interest costs on this debt in the current financial year. The lower outstanding debt balance, of approximately R2.5 billion, combined with the sizeable reduction in interest rates will result in materially lower and more manageable financing costs for the Group going forward.

The large legacy liabilities associated with vendors for acquisitions have been significantly reduced over the last year reducing from R303 million at the end of July 2019 to approximately R90 million by 28 July 2020.

Additionally, as communicated previously, the sale of Dental Information Systems Holdings (Pty) Ltd ("**Denis**") has been approved by the Competition Commission without any conditions and is currently before the Competition Tribunal for approval before the end of August 2020. This transaction will result in a further R250 million total cash inflow for the Group which will be used in part to reduce debt balances.

Management remain committed to deleveraging the Balance Sheet and normalising the capital structure of the business.

Governance

Adhering to sound Governance principles remains a key tenet for management. Consequently, management has established an internal audit function and rolled out 16 new policies across the Group. 94% of key training has been completed across the Group and a standard contracting framework is now in place.

Extension of financial reporting period in respect of the full year results

Shareholders are referred to the third market notice issued on 7 July 2020 by the Financial Services Conduct Authority ("**FSCA**"), wherein, as a result of the impact of the COVID-19 pandemic and resultant nationwide lockdown, the FSCA granted companies listed on the JSE Limited who have financial years ends of 31 May 2020, 30 June 2020 and 31 July 2020, an extension of two months by which to comply with various reporting timeframes as provided for in the JSE Listings Requirements ("**the FSCA extension**").

As a consequence of the COVID-19 pandemic and resultant national lockdown, shareholders are advised that EOH will be relying on the FSCA extension and accordingly, the summarised audited financial results for the year ending 31 July 2020 will be published on or about 17 November 2020 together with the Company's integrated annual report containing the audited annual financial statements and the notice of annual general meeting.

The financial information contained in this pre-closing stakeholder update has not been reviewed nor reported on by PricewaterhouseCoopers Inc., the Group's independent external auditors.

Stephen van Coller said "I am very excited that EOH has returned to a stable and cash generative organisation in such a short period notwithstanding the negative effects of COVID19. This has been achieved at least 6 months ahead of plan and is a result of the enormous efforts of a highly dedicated and experienced team and indicative of the inherent culture and quality of the underlying businesses."

EOH will be holding an investor strategy day tomorrow, 30 July 2020, hosted by Avior Capital Markets (Pty) Ltd. A copy of the investor presentation, which will form the basis of the engagement is available on the Company's website at, https://www.eoh.co.za/investor-relations/presentations/.

29 July 2020

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