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**")

TRADING STATEMENT FOR THE TWELVE MONTHS ENDED 31 JULY 2020

Salient features

- A further improvement of between 70% and 76% to the previously reported total headline loss per share
- EOH generated both positive EBITDA, before normalisation adjustments, and positive operating cash flow for FY2020
- All iOCO core lines of business have performed soundly since the start of the COVID-19 crisis with gross profit margins remaining above 20%
- Notwithstanding the large payments to the lenders, cash balances remain healthy at R943 million as at 19 October 2020
- The Group continues to make good progress in working through remaining inherited legacy issues and executing upon the deleveraging strategy

Trading statement

Shareholders are advised that, EOH anticipates an improvement of between 67% and 73% to the total loss per share ("**LPS**") and an improvement of between 70% and 76% to the total headline loss per share ("**HLPS**") for the Group for the year ended 31 July 2020 ("**FY2020**") compared to the previous corresponding period, being the twelve months ended 31 July 2019 ("**FY2019**") as further detailed in the table below.

This improved financial performance was largely as a result of:

- The positive progress made towards stabilising the business model whilst still navigating the difficult economic environment brought about by the COVID-19 pandemic;
- The work done towards establishing a fit for purpose cost structure; and
- Significantly reduced one-off costs and legacy issues that were a substantial burden on the financial performance and cash flow of EOH during the previous corresponding period.

	FY2020 Anticipated LPS and HLPS	H2 2020 Anticipated LPS and HLPS	H1 2020 LPS and HLPS (as previously reported)	FY2019 LPS and HLPS (as previously reported)
LPS: Total operations	Loss of 820 cents to 1 002 cents per share	Loss of 133 cents to 315 cents per share	Loss of 687 cents per share	Loss of 2 995 cents per share
HLPS: Total operations	Loss of 406 cents to 496 cents per share	Loss of 11 cents per share to 101 cents per share	Loss of 395 cents per share	Loss of 1 681 cents per share

Operational overview

Trading conditions were impacted by the effects of COVID-19 in the second half of FY2020 which placed some EOH customers under pressure and a slight softening of revenue was experienced as a result. Progress was however made on key initiatives including optimising cost structures, dealing with legacy issues and delivering on the deleveraging strategy which enabled the Group to post a much stronger H2 2020 financial performance in comparison to H1 2020. The continued assessment of the balance sheet had a significantly smaller impact on impairment costs for FY2020 when compared to FY2019. The Group continued to deliver strong positive operating cash generation in the second half of FY2020 and for the full year. We are also pleased to report both positive EBITDA (before normalisation adjustments) and positive normalised EBITDA for the full year, in line with our trajectory at the half year.

iOCO

All iOCO core lines of business of the end-to-end ICT business have performed soundly since the start of the COVID-19 crisis.

The primary contributing factors to the resilience of iOCO has been the low concentration in the higher impacted industries such as retail, tourism and the SME segment. iOCO has not experienced any major client losses nor retention issues and have continued to make progress on the remediation of the problematic legacy public sector contracts. In line with global trends across the technology sector, iOCO has seen increased engagement with clients since the onset of COVID-19 as they quickly transitioned to remote working and are embracing the acceleration of digital, automation and other cloud migration initiatives.

NEXTEC

Nextec saw the benefits from the turnaround initiatives implemented in H2 2020. Nextec, excluding Pia Solar and Autospec, was self-funding in H2 2020. This positive performance was primarily driven by the new management teams put in place and the exiting of non-core assets that were either too balance sheet intensive in terms of credit lines or had a high risk profile.

IP

The IP assets, which include two B2B2C businesses, were negatively impacted by COVID-19, specifically during Level 4 and 5 lockdowns. These businesses however, still delivered profitable financial performances for FY2020.

Information Services is primarily a consumer facing business and the immediate aftermath of lockdown saw a significant impact on clients. The COVID-19 appropriate modifications to existing digital solutions contributed to business continuity. The business has shown rapid recovery since the implementation of Level 1 and 2 lockdowns and has delivered a profitable financial performance for FY2020.

Sybrin's financial performance was impacted by some customers in some African territories being unable to transition to remote working as well as new projects being delayed. Despite these factors, Sybrin managed to maintain projected profit margins and financial performance through focused cost management.

While Syntell saw a downward trend in profits over the early months of lockdown, it started to see a recovery to pre-COVID levels from June 2020. Client retention has been excellent during the COVID-19 pandemic but the delay of new tender processes has negatively impacted growth in new customers.

Deleveraging Progress

On 13 December 2019, EOH advised shareholders that a sales agreement had been entered into between EOH Abantu Proprietary Limited ("**EOH Abantu**"), a wholly-owned subsidiary of EOH and a subsidiary of Afrocentric Investment Corporation Limited ("**Afrocentric**"), in terms of which EOH Abantu disposed of all of its shares in Dental Information Systems Holdings Proprietary Limited ("**Denis**") for a total consideration of R250 million. EOH is pleased to inform shareholders that all suspensive conditions pertaining to the Denis transaction have now been fulfilled and the first R234 million payment related to the transaction was settled on 30 September 2020, with R16 million being held in escrow until 1 April 2022.

On 20 April 2020, EOH announced the sale of the remaining 30% stake in Construction Computer Software (Pty) Ltd ("**CCS**") to RIB Limited ("**RIB**"), a wholly-owned subsidiary of RIB Software SE, for a total consideration of R143 million. In addition to the early exercise of the call option, RIB agreed to release the full cash amount in escrow of R47 million, by no later than 30 September 2020 which has now been completed.

The Group has repaid R580 million of the R1,600 million target agreed with lenders to be settled by the end of February 2021. Disposal proceeds from both Denis and the 30% stake in CCS have not been included in the R580 million repayment. It is anticipated that an additional R207 million in respect of these proceeds will be applied to debt repayment. The total outstanding debt is R2,430 million as at 19 October 2020 before these proceeds are applied and therefore will be R2,223 million thereafter.

Notwithstanding the large capital repayments to the lenders, cash balances remain healthy and were R943 million as at 19 October 2020. The Group had access to a further R335 million of overdraft facilities as at year-end as the benefits of the new cash pooling process were realised. EOH remains committed to deleveraging the balance sheet and normalising the capital structure of the business as this will provide the Group with optionality as it seeks to define its future growth path.

ENSafrica process update

At the initial stage of the investigation, three contracts were identified as having apparent irregularities including collusion to bypass State Information Technology Agency ("**SITA**") processes to enable over invoicing. The liability for the over-invoicing was raised in the Group's 2019 annual financial statements.

EOH declared the over-invoicing to the National Treasury at a meeting on 31 May 2019 and has already commenced reimbursing the relevant government department for the over-charging in two contracts, pursuant to an agreement with the Special Investigations Unit which states that EOH will repay approximately R42 million as reimbursement for the overcharging. EOH is in the process of finalising a similar reimbursement arrangement with regards to the remaining third and final contract.

Annual results

EOH will publish its annual results on or about 17 November 2020.

The financial information on which this trading statement is based has not been reviewed and reported on by the Group's external auditors.

22 October 2020

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