

REUNERT LIMITED
 Incorporated in the Republic of South Africa
 Registration number 1913/004355/06
 Ordinary share code: RLO
 ISIN code: ZAE000057428
 ("Reunert", "the Group" or "the Company")

Provisional condensed results and cash dividend declaration for the year ended 30 September 2020~

The contents of this short-form announcement are the responsibility of the board of directors of the Company (the Board).

Shareholders are advised that this short-form announcement does not contain complete details and represents a summary of the information contained in the full announcement, which was accessible via the JSE link at https://senspdf.jse.co.za/documents/2020/JSE/ISSE/RLO/AFS_2020.pdf and on Reunert's website (www.reunert.com) from 24 November 2020.

Shareholders and investors are advised to review the full announcement in making any investment decisions.

The full announcement is also available for inspection at no charge at the registered offices of the Company and its sponsor, One Capital Sponsor Services Proprietary Limited, 17 Fricker Road, Illovo, during normal business hours.

Salient features

Group revenue R8 046m
 down 25%
 2019: R10 714m

Core operating profit# R867m
 down 37%
 2019: R1 376m

Free cash flow^ R946m
 down 28%
 2019: R1 313m

Final dividend per share
 192 cents
 2019: 383 cents

Year ended	30 September	30 September	%	Quarter 4~	%
Rm	2020	2019	change	2020	2019
Operating profit	307	1 361	(77)	463	515
Free cash flow^	946	1 313	(28)	837	798
Earnings per share (cents)	29	490	(94)		
Headline earnings per share (cents)	115	573	(80)		
Net asset value	6 543	7 431	(12)		

OVERVIEW

Reunert's 2020 financial performance has been negatively impacted by three distinct issues which were the drivers of the Group's lower financial performance when compared to the prior year.

- the primary issue was the COVID-19 pandemic, which disrupted the Group's operations during the national lockdown. This, together with the predicted future impact of COVID-19 on the Group's businesses, gave rise to the need to raise provisions for impairments and expected credit losses (ECL) in terms of the forward-looking requirements of International Financial Reporting Standards (IFRS);
- underperformance in the Electrical Engineering segment; and
- a once off abnormal credit write-off at Quince Capital (Pty) Ltd (Quince), the Group's in-house rental finance provider.

Pleasingly, the generation of free cash flow (FCF) during the period under review was in line with the Group's historic conversion ratios notwithstanding the difficult trading environment.

Group Results

Reunert's 2020 financial performance was adversely affected by the three issues described above and the Group's revenue decreased by 24,9% to R8 046 million (2019: R10 714 million) and the Group's operating profit decreased by 77,4% to R307 million (2019: R1 361 million) with headline earnings per share of 115 cents (2019: 573 cents) and earnings per share of 29 cents (2019: 490 cents).

The Group's efforts to manage costs and conserve cash were successful and FCF recovered strongly after COVID-19 lockdown levels 5 and 4 were lifted. The full year cash conversion of the Group remained in line with its historical norms and R946 million of FCF (2019: R1 313 million) was achieved, a

conversion ratio of 83,5% (2019: 84,8%) of EBITDA before impairment of financial assets.

Fourth Quarter Financial Performance

All three of the Group's segments performed well during the fourth quarter and were profitable. The Group delivered a core operating profit of R463 million (2019: R515 million) for the fourth quarter, which is 90% of the comparable quarter in the prior year. This performance reflects the strength of the Group's businesses and the resilience and responsiveness they have demonstrated since the lockdown restrictions were lifted. The Group's cash flow recovered strongly in the fourth quarter resulting in FCF of R837 million (2019: R798 million) due to strict cash and cost management implemented since the COVID-19 lockdown was declared.

COVID-19 Impact

The COVID-19 pandemic impacted Reunert through:

- a material loss of revenue during the third quarter of the 2020 financial year when the national state of disaster lockdown levels 5 and 4 were in place;
- depletion of cash resources in order to support the Group's operations and employees during the lockdown levels 5 and 4 when normal operations were suspended;
- mark-to-market losses on our export hedge instruments as the rand weakened rapidly; and
- the impact of the IFRS forward-looking requirements resulting in the impairment of goodwill and property, plant and equipment at the cable factories and increased ECL recognised at Quince.

Abnormal Credit write-off

An abnormal credit write-off resulted from an external fraud perpetrated against Quince by a non-connected, independent third-party dealer. A comprehensive external forensic investigation by Bowmans has been completed and has resulted in a credit write-off of R298 million, which was reported as part of the interim financial results for the six months ended 31 March 2020.

In the period since the interim reporting the following actions have been completed:

- the forensic investigation determined that no Quince employee had a material non-disclosed conflict of interest or that any criminal or deliberate misconduct facilitated the external fraud; and
- the Group commissioned an independent review of the enterprise risk management framework at Quince to ensure the risk governance and control framework is appropriate. The outcome from this investigation identified various areas where functions and processes within Quince's Credit Management could be strengthened to improve monitoring and oversight. These recommendations are in the process of being implemented.

The in-depth assessment of the Quince loan book has validated the performance thereof and the risk governance and control framework improvements will strengthen Quince's resilience.

Cable Businesses

The cable businesses suffered a material underperformance in the 2020 financial year, primarily due to a seven week labour disruption at African Cables in the first quarter, significant foreign exchange losses at Zamefa in Zambia, and weak infrastructure investment demand across the businesses' key Southern African markets. During the second half of the financial year, the financial performance of the cable businesses was negatively impacted due to the inability to manufacture during lockdown levels 5 and 4.

Segmental Review

Electrical Engineering (EE)

The cable businesses faced significant challenges during the reporting year as previously described. This resulted in the segment's revenue decreasing by 30,9% to R3 767 million (2019: R5 457 million) with a core operating profit of R28 million (2019: R320 million).

The EE segment's performance in the fourth quarter of the 2020 financial year was pleasing. At African Cables the fourth quarter was the only uninterrupted production period of the year and the efficiency benefits resulting from the prior year's restructure were evident, despite modest production volumes. The circuit breaker business continued their good performance as export volumes were excellent and production output was robust despite the supply chain challenges resulting from COVID-19.

Information Communication Technology (ICT)

The COVID-19 hard lockdown had a material impact on the segment's performance and the ICT segment's strong operational performance in the first half of the financial year, weakened in line with the reduced activity in the second half of the 2020 financial year. The segment's core operating profit fell by 21,6% to R604 million (2019: R770 million) while revenue decreased by 22,0% to R2 524 million (2019: R3 236 million).

The Office Automation business continued its recovery and increased market share. The Communications Cluster performed well and secured record new deals. The Finance Cluster delivered good performance although the book decreased in the final quarter as new sales did not exceed settlements and collections. This trend is expected to continue into the 2021 financial year.

Applied Electronics (AE)

Although the AE segment rebounded strongly after the COVID-19 lockdown, revenue for the year decreased by 16,8% to R1 951 million (2019: R2 346 million) while core operating profit for the year decreased by 25,3% to R268 million (2019: R359 million).

Reutech Communications and Reutech Radar Systems both delivered an excellent year-on-year improvement in their financial performances as they continue to deliver against their strong export order books.

Prospects

Reunert has recovered well from the business interruption of COVID-19. The fourth quarter financial and operational performance compares favourably against performance in the comparable period of last year and reflects the strength of the underlying businesses. The statement of financial position remains strong and cash flow generation supports the execution of the Group's strategic and operational objectives.

Whilst recognising that there remains much economic uncertainty ahead, the Group's businesses have robust business models and are likely to recover to prior-COVID-19 financial performances as the economy recovers and the government's infrastructure expenditure improves. In addition, the Group is serving markets that are anticipated to offer good structural growth and opportunities, including:

- the renewable energy businesses;
- the strong export businesses in the AE segment and at CBI electric: Low Voltage; and
- the ICT businesses, specifically the Communications Cluster, the Total Workspace Provider offerings, and the newly launched 4th Cluster, all of which focus on the provision of business-to-business solutions that support the future of work in our country.

Cash dividend

Whilst cognisant of the economic uncertainty going forward, the Group's FCF generating capacity remains intact. The actions taken by the Company to increase its resilience enable Reunert to declare a final dividend, albeit at a reduced level.

Therefore, notice is hereby given that a gross final cash dividend No 189 of 192,0 cents per ordinary share (2019: 383,0 cents per ordinary share) has been declared by the directors for the year ended 30 September 2020.

The dividend has been declared from retained earnings, bringing the total dividends declared for the year to 257,0 cents per ordinary share.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for a reduced rate of withholding tax.

Accordingly for those shareholders subject to withholding tax, the net dividend amounts to 153,6 cents per ordinary share (2019: 306,4 cents per ordinary share).

The issued share capital at the declaration date is 184 969 196 ordinary shares.

Income tax reference number: 9100/101/71/7P

In compliance with the requirements of Strate Proprietary Limited and the Listings Requirements of the JSE Limited, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 19 January 2021
First date of trading (ex dividend)	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Payment date	Monday, 25 January 2021

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 20 January 2021 and Friday, 22 January 2021, both days inclusive.

On behalf of the board

Trevor Munday	Alan Dickson	Nick Thomson
Chair	Chief Executive Officer	Chief Financial Officer

Sandton, 23 November 2020

~ Extracted financial information from the provisional condensed reviewed consolidated financial statements for the year ended 30 September 2020, excluding free cash flow and all quarter 4 information. This announcement itself is not audited or reviewed.

^ Cash generated from operations +/- interest received/(paid) - tax paid - replacement capital expenditure.

Core operating profit = operating profit as reported, adjusted for the impact of items such as profit and loss on disposal of assets, credit write-offs and ECL's recognised.

Registered office

Nashua Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Sandton PO Box 784391, Sandton, 2146 Telephone +27 11 517 9000

Investor enquiries

Karen Smith +27 11 517 9000 or email invest@reunert.co.za.

For more information log on to the Reunert website at www.reunert.com

Directors: TS Munday (Chair)*, T Abdool-Samad*, AB Darko*, AE Dickson (Chief Executive Officer), LP Fourie (Chair of the audit committee)*, JP Hulley*, SD Jagoe*, S Martin*, MT Matshoba-Ramuedzisi*, MJ Husain* (Appointed: 1 November 2020), M Moodley, Adv NDB Orleyn**, NA Thomson (Chief Financial Officer)
* Independent non-executive; ** Non-executive