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**")

PRE-CLOSING STAKEHOLDER UPDATE

At the release of EOH's year-end results on 2 December 2020, EOH reported positive cash generation and EBITDA, as well as a significant improvement in the Group's liquidity position. EOH is now well positioned to execute on its growth initiatives whilst still navigating volatile local and global market conditions. The Group wishes to provide shareholders with a further update on trading conditions during the six-month period leading up to the half year results for 2021.

Financial performance and liquidity

Total Group revenue remains resilient and in line with budget expectations despite the continued disruption caused by COVID-19. EOH continues to benefit from the turnaround efforts executed upon in the 2020 financial year and expects to post both an operating profit and positive EBITDA (before any normalisation adjustments) for the first six months of the 2021 financial year.

The iOCO business remains relatively resilient across its three core offerings with gross profit margins being maintained in the mid-twenty percent range. The collective iOCO business also continues to post an operating profit and positive EBITDA.

The iOCO Technology cluster felt the largest impact of the national lockdown and its recovery over the period was muted with the lower margin hardware business falling short of prior year profitability as a result of customers delaying spend on hardware or considering cloud alternatives.

The iOCO Services cluster's positive performance was largely driven by the Digital Industries unit which has seen year-on-year growth in excess of 20% at both the revenue and EBITDA levels. Digital Industries is focused on operational technology across a broad spectrum of light and heavy duty industrial sectors and has enabled customers with mission critical production plants to keep running despite the disruptions and challenges caused by COVID-19.

The iOCO Digital cluster which includes the Group's cloud, application development and automation business is performing well and has delivered in line with expectations.

The NEXTEC business continues to execute upon its turnaround strategy with most businesses seeing revenue growth despite the tough macro-economic conditions. Margins do however, remain under pressure. At year-end, EOH reported on the NEXTEC non-core businesses to be closed which included Pia Solar and Autospec. Pia Solar is in the process of being wound down and the NEXTEC management team is executing on the closure of the Autospec projects in line with expectations. Significant steps have been taken to materially reduce the expected losses to completion. As seen in the second half of the 2020 financial year, the NEXTEC businesses that remain core to the EOH Group are self-sufficient from a liquidity perspective.

The IP Cluster is exceeding expectations with performance largely driven by the strong recovery in Information Services post the national lockdown at the end of March 2020.

EOH continues to focus on cost control and efficiency measures across the Group having exited a further 7 034 square metres of property year-to-date resulting in savings of c.R3 million to date.

At year-end, EOH advised that 5 of the 8 problematic legacy public sector contracts had been settled. Of the remaining 3 legacy contracts one is currently in arbitration, one is in legal dispute due to non -payment from the customer and the final contract is concluding at the end of April 2021.

Cash generation from operations for the period is positive with a cash balance of R591 million as at 27 January 2021 after paying R409 million down on debt during this period. The Group remains pleased with the progress made in managing liquidity following the implementation of its cash pooling arrangement. The Group's cash pooling policy allows for cash previously held in individual legal entities to be centrally managed. This improved visibility has significantly decreased liquidity risk for the business.

Disposal of assets

On 13 December 2019, EOH entered into an agreement to dispose of all of its shares in Dental Information Systems Holdings Proprietary Limited (DENIS) for a total consideration of R250 million. Following the fulfilment of all suspensive conditions pertaining to the transaction, the first R234 million payment related to the transaction was received 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 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 released the full cash amount in escrow of R47 million on 30 September 2020.

On 18 November 2020, EOH concluded the sale of 100% of the issued share capital of MARS Holdings (Pty) Ltd and its principal business Syntell, to a consortium led by the current executive directors of Syntell for a consideration of R211 million. The execution of the transaction provided EOH with the opportunity to extinguish the last sizeable VFA liability of R36 million on its balance sheet. Furthermore, a shareholder loan from EOH of R10.5 million was settled by Syntell prior to the signature date of the sale agreement. On 18 November 2020, the Group received a cash amount equal to the base purchase price of R211 million less the VFA liability of R36 million.

Deleverage plan

Deleveraging and proactively engaging with lenders remains a strategic priority for EOH. Year-to-date, the Group has repaid the lenders a further R409 million, principally from disposal proceeds. The lower base interest rates and lower outstanding gross debt balance, c.R2.0 billion as at 25 January 2021, has resulted in materially lower and more manageable financing costs.

Stephen van Coller said, ***"The EOH of today is far removed from the EOH I joined two years ago. We have made great progress towards building a sustainable organisation and our business is now more focused and less complex, with an improving cost and capital structure and positive cash generation. We will continue to look at opportunities to optimise and fine-tune the business as we move forward. The emphasis is now on executing on our growth strategy and growing our core business from a top-line and earnings perspective while providing globally competitive technology services and innovations to our customers."***

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.

29 January 2021

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