
TRADING STATEMENT

In terms of the JSE Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next will differ by at least 20% from the previous corresponding period.

Shareholders are accordingly advised that Ellies expects a loss per share ("LPS") for the financial year ended 30 April 2022 of between 5,42 cents and 6,50 cents per share when compared to the earnings per share ("EPS") of 7,25 cents for the year ended 30 April 2021. A headline loss per share ("HLPS") for the financial year ended 30 April 2022 of between 6,49 cents and 7,77 cents is also expected compared to the headline earnings per share ("HEPS") of 9,19 cents per share for the year ended 30 April 2021.

During the period being reported on, Ellies issued 185,2 million subscription shares in terms of the BBBEE transaction announced on 6 July 2021 and the circular dated 10 August 2021 and the EPS and HEPS per share for the financial year ended 30 April 2022 is based on the weighted average share in issue.

The trading environment remained constrained in the wake of the Covid-19 pandemic and the unrest and related looting in KZN and areas in Gauteng during July 2021. The effect of Covid-19 also had a material impact on global supply chains, as exports out of China remain constrained due to port congestion. In addition, South Africa's weak economy, exacerbated by record and growing unemployment and the more recent fuel price increases had a material adverse effect on the demand for the Group's products and consumer's disposable income. Revenues declined by 24,6% during the first half of the financial year and recovered in the second half to a decline of 10,8% for the full year.

The primary reason for the reduction in revenues and the resultant losses described above is the decline in the satellite installations business together with the repeated disruptions in the global supply chain because of China's COVID lockdown policies. Satellite dish installations have continued to show a declining trend over the past reporting periods due to increased competition from streaming alternatives, which is gaining momentum in the local market and was exacerbated in this reporting period by an intermittent shortage of decoders for 3 months due to a global shortage of micro-chip sets. During the initial lockdown restrictions, Multichoice was deemed an essential services provider and partnered with Ellies to continue delivering its services, which resulted in a surge in new subscriptions as people were home-bound. Subsequent to this, and as Covid-19-enforced lockdown restrictions eased, demand for new subscriptions has tapered off.

In terms of growing demand for the Group's inverter and solar power product range, the widespread load-shedding introduced by Eskom late in the reporting period was too late to have a meaningful impact on these results.

The further impact of the lockdowns caused delays in the supply chain and specifically affected delivery of product in time for the festive trading season in 2021. Due to the continued lower demand for satellite television offerings, the group has decided to focus on repositioning and widening this category towards a product and service offering focusing on the smart home and Internet of Things (IOT).

The refocused strategy leverages the current Ellies offerings around alternative energy, connectivity, IOT and streaming products for the home and business, and the change in strategy necessitates a reorganisation of the business model. The Group currently is further engaged in a process of considering potential acquisitions to accelerate this growth.

The financial results for the year ended 30 April 2022 are anticipated to be released on or about 29 July 2022.

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

22 July 2022

Sponsor

JAVACAPITAL