

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 FINANCIAL YEAR ENDED 31 JULY 2022

Salient features

- EOH continued with its trend of year on year improvement in the operational environment with significant increase in Operating Profit and specifically as it relates to its continuing operations.
- EOH generated an operating profit between R250 million to R310 million from continuing and discontinued operations for the year ended 31 July 2022 ("FY2022") following an operating profit of R147 million for the year ended 31 July 2021 ("FY2021").
- An improvement in operating profit from continuing operations to between R90 million and R110 million.
- An improvement of between 85% and 95% to the previously reported total loss per share ("LPS") (FY2021: 166 cents).
- An improvement of between 25% and 36% to the previously reported headline loss per share ("HLPS") from continuing operations (FY2021: 109 cents)
- An improvement of between 43% and 53% to the previously reported loss per share from continuing operations (FY2021: 192 cents)
- Net cash balance at 31 July 2022 of circa R460 million. The Group had gross leverage of circa R1.3 billion, with unutilised short-term facilities of R250 million.

Trading statement

	Total operations		Continuing operations	
	FY2022 <i>Anticipated</i>	FY2021 <i>Reported</i>	FY2022 <i>Anticipated</i>	FY2021 <i>Reported</i>
LPS	Between 10 cents and 20 cents per share	166 cents per share	Between 90 cents and 110 cents per share	192 cents per share
HLPS	Between 18 cents and 26 cents per share	22 cents per share	Between 70 cents and 82 cents per share	109 cents per share
Adjusted EBITDA	Between R460 million and R520 million	R667 million		

The Group is now stable from an operational perspective and the remaining imperative is to strengthen the Group's capital structure and reduce its high interest charge. Although operational earnings improved, adjusted EBITDA, when compared to FY2021, is lower primarily due to the loss of earnings from the sale of IP assets and as a result of increasing the provision related to the settlement with the Special Investigating Unit ("SIU") on the Department of Water and Sanitation investigation. We have made significant progress with the SIU and should have a legal basis agreed and concluded by the end of November 2022 with the SIU.

The additional provision made on the amount finally to be settled with the SIU was the single item that caused the group to make a loss for the year rather than a profit, notwithstanding the heavy interest burden.

Operational overview

The 2022 financial year was characterised by an operating environment in South Africa that remained challenging. The Ukraine conflict, stringent lockdowns in China, ongoing supply chain disruptions, the sharp rise in energy prices, floods in Kwa-Zulu Natal and increased load-shedding all impacted an already weak local economy. The aggressive tightening of monetary policy locally and world-wide to combat rising inflation is placing consumers and many corporates under pressure. Notwithstanding this, EOH was able to deliver an improved total operating profit of between R250 million and R310 million compared to a total operating profit of R147 million in the prior financial year and retain significant cash reserves while servicing its significant interest burden in full. This is testament to the focused changes to the business model and way of operating.

The iOCO business continued to perform well and delivered improvements in gross margin and EBITDA margin compared to the prior financial year.

Whilst our NEXTEC business started the year well, the second half of FY2022 brought challenges in the Infrastructure Solutions business as a result of the effects of supply chain delays from OEM providers and the delay in project spend. Despite these headwinds, NEXTEC also delivered an improvement in gross profit and EBITDA margins relative to the prior financial year.

Deleveraging plan and liquidity

The Group continues to closely manage its working capital and liquidity, with gross cash balances of circa R460 million at 31 July 2022, including foreign and restricted cash, but excluding the undrawn R250 million overdraft facility, which remains at EOH's disposal. The reduction of EOH's debt and finalisation of an overall sustainable capital structure remains a key priority for EOH's management team and Board.

Following negotiations with lenders, EOH successfully refinanced the existing R1.9 billion debt into a R1.4 billion senior bridge facility repayable on or before 1 April 2023, a R500 million 3-year senior term loan, due 1 April 2025, a R250 million overdraft facility and R250 million in indirect facilities.

Proceeds from the sale of Sybrin and the Information Services Group, reduced the senior bridge facility to R832 million at year-end. Subsequent to year-end the sales of Network Solutions and Hymax SA were concluded, further reducing the bridge facility to R732 million.

With the deleveraging strategy approaching completion, the Group has been actively assessing its strategic options with regards to achieving an optimal long term capital structure which will allow EOH to pursue its growth strategy, immediately improve earnings and ultimately lead to value creation for shareholders. The Board and management continue to assess the Group's capital restructuring options and expect to make an announcement in this regard shortly after the release of the FY2022 results.

Annual results

EOH will publish its results for FY2022 on or about 27 October 2022.

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

30 September 2022

Sponsor

The logo for Java Capital, featuring the word "JAVA" in a stylized font with a blue underline, followed by "CAPITAL" in a simpler, grey font.