

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 SIX MONTHS ENDED 31 JANUARY 2023

Salient features

- EOH generated improved revenue from continuing operations of between 5% and 10% for the Group compared to the six months ended 31 January 2022 ("HY2022"), with strong growth in the iOCO Digital and International operations.
- Gross profit margins for continuing operations have been maintained and will be between 28% and 30% overall.
- EOH generated an operating profit of between R100 million and R120 million from continuing operations for the six months ended 31 January 2023 ("HY2023") (HY2022: R162 million), following an operating profit from continuing operations of R100 million for the full year ended 31 July 2022 ("FY2022").
- A total loss per share ("LPS") from continuing and discontinued operations for HY2023 of between 0 cents and 6 cents (HY2022 *(restated)*: 8 cents earnings per share ("EPS")) compared to total LPS for FY2022 *(remeasured)* of 9 cents.
- Total headline loss per share ("HLPS") from continuing and discontinued operations for HY2023 of between 15 cents and 20 cents (HY2022 *(restated)*: 25 cents headline earnings per share ("HEPS")) compared to total HLPS for FY2022 *(remeasured)* of 11 cents.
- A total LPS from continuing operations for HY2023 of between 12 cents and 16 cents (HY2022 *(restated)*: 14 cents EPS) compared to total LPS for FY2022 *(remeasured)* of 62 cents.
- A reduction in debt to R1.2 billion as at 31 January 2023 with a further reduction to R673 million post half-year end with the application of the capital raise proceeds to settle the majority of the bridge loan.

Trading statement

Operating results for HY2023 reflected improved trading compared to the previous six months ended 31 July 2022, although down on HY2022, which had benefited from significant one-off adjustments which included a large benefit from provision reversals and recovery of previous debt and cash written off and recovery from IP businesses for corporate costs which are no longer received due to their disposal.

Adjusted EBITDA from continuing operations is anticipated to be between R160 million and R190 million for HY2023.

	Continuing operations			Total operations		
	HY2023 <i>Anticipated*</i>	HY2022 <i>Restated*</i>	FY2022 <i>Remeasured^</i>	HY2023 <i>Anticipated*</i>	HY2022 <i>Restated*</i>	FY2022 <i>Remeasured^</i>
(LPS) / EPS	Between (12) cents and (16) cents per share	14 cents per share	(62) cents per share	Between 0 cents and (6) cents per share	8 cents per share	(9) cents per share

	Continuing operations			Total operations		
	HY2023 <i>Anticipated*</i>	HY2022 <i>Restated*</i>	FY2022 <i>Remeasured[^]</i>	HY2023 <i>Anticipated*</i>	HY2022 <i>Restated*</i>	FY2022 <i>Remeasured[^]</i>
Weighted average shares outstanding used in calculation '000	271 374	271 374	271 374	271 374	271 374	271 374
(HLPS) / HEPS	Between (10) cents and (15) cents per share	14 cents per share	(45) cents per share	Between (15) cents and (20) cents per share	25 cents per share	(11) cents per share
Adjusted EBITDA	Between R160 million and R190 million	R278 million	R364 million	Between R160 million and R190 million	R339 million	R504 million

* During February (subsequent to HY2023), 384,615,384 rights issue shares were issued at R1.30 per rights offer share. Such shares were issued in the ratio of 227 rights offer shares for every 100 EOH ordinary shares held at the close of trade on 27 January 2023. As the rights issue price per share (R1.30) was below the fair value of the shares on the effective date (R2.90), a bonus element is inherent in the rights offer. This is determined as the fair value per share before the exercise of rights as a proportion of the theoretical ex-rights value per share and has been taken into account as an adjustment when restating earnings/loss per share and headline earnings/loss per share for the current and prior period. HY2023 anticipated numbers above is therefore after incorporating the bonus element of shares of 102,619,561. The HY2022 has also been restated by the same bonus element of shares of 102,619,561 as required by International Financial Reporting Standards ("IFRS").

[^] FY2022 numbers have been remeasured using the same weighted average shares outstanding as was used in the anticipated HY2023 and restated HY2022 numbers, to ensure comparability.

With the completion of the rights issue in February 2023 the Group has now delivered on all of its strategic objectives outlined over the last few years since the appointment of the current Board and management team. Subsequent to the completion of the deleveraging process and strengthening of the balance sheet, which included asset sales to pay down legacy debt, EOH has a stable portfolio of businesses focussed on assisting its clients with the digitisation of their businesses through a full stack of offerings covering all their technology needs.

The six months under review was characterised by a continued deterioration on the South African economic landscape. The high inflationary environment persisted, necessitating further interest rate hikes by the SARB putting consumers and corporates under pressure. Towards the end of 2022 load shedding increased significantly further destabilising an already fragile economy. Notwithstanding this, as a result of EOH's continued geographic and client diversification strategy the Group saw an improvement in operating results from the previous six months.

The Operational Technologies division saw declining revenue as a result of a significant slowdown in public sector contracts with SOEs however the division continued to generate good margins and EBITDA. NEXTEC saw marginal growth compared to the previous two six months periods, but profitability improved through the impact of the turnaround strategy in Infrastructure Solutions and the closure of unprofitable contracts in the Peoples business.

Capital Structure and Debt

Shareholders voted unanimously in December 2022 to proceed with a R500 million rights issue and R100 million specific share issue to the Group's strategic partner, Lebashe Investment Group. Total demand for the R500 million rights issue was over R1 billion, and the rights issue was successfully completed post half-year end in February 2023, along with the R100 million specific issue.

The net proceeds of the capital raise have been utilised to pay down the majority of the bridge loan of R728 million at 31 January 2023 to R173 million prior to the refinancing. Following the debt pay down and improved operating results from the business, EOH

is in the process of renegotiating its onerous debt facilities to a normalised structure with a single bank. The benefits of the restructure will significantly lower the cost of debt as well as improve efficiency in decision making eliminating the need for cumbersome authorisations from the lending consortium.

With an efficient capital structure now in place EOH is finally in a position where it can invest into the growth of its businesses which will ultimately result in improved earnings and value creation for its shareholders.

Interim results

EOH will publish its interim results for HY2023 on 5 April 2023 and management will host a webcast presentation at 11h00 on 5 April 2023 which can be viewed <https://sendit.media/stream/0G8lZYOjeOWkKDVG/watch>.

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

28 March 2023

Sponsor

The logo for JavaCapital, featuring the word "JAVACAPITAL" in a sans-serif font. The letter "J" is significantly larger and stylized, with a blue swoosh that extends from its top and curves under the word "CAPITAL".