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 FOR THE FINANCIAL YEAR ENDING 31 JULY 2023

Background

On 5 April 2023 EOH published its unaudited interim results for the six months ended 31 January 2023 (H1-2023), which included the following key features:

- Further improvement in continuing revenues of 8% year on year, including a 45% increase in international revenue, but with challenges being faced with public sector and SOE new business
- Stable gross profit margins at approximately 29%
- Continued progress with cost management initiatives
- Achieving R110 million in continuing operating profit, more than that achieved in the full previous financial year
- Impact of the higher interest rate environment being felt with the R600 million capital raise only completing during February 2023.

Positive momentum was built over the first 6 months (H1-2023) with all key metrics measured on a continuing basis, improving; revenue increasing 5%, gross profit 13%, adjusted EBITDA 112% and loss after tax reducing by 82%, compared to the previous six-month period (H2-2022).

EOH is now providing stakeholders with an update on trading conditions and events during the second six-month period of its financial year ending 31 July 2023 (H2-2023).

Completion of Restructuring and Deleveraging Plan

As communicated at the release of the H1-2023 results on 5 April 2023, EOH successfully completed a R600 million capital raise, comprising a R500 million rights issue and a R100 million specific share issue to its strategic partner Lebashe Investment Group.

Total demand for the R500 million rights issue, including underwriting commitments, amounted to R1.03 billion, with over 91% of shareholders following their rights and requests for excess allocations of R220 million. In the current economic environment this level of support demonstrates strong support for EOH's strategy and investment case.

The proceeds of the capital raise were utilised to pay down the majority of EOH's bridge facility. The strengthening of the capital structure combined with the improved trading results allowed for a debt restructuring with a single lender at markedly lower interest rates, as well as freeing up cashflow to make meaningful investments into the growth of the business.

The capital raise and optimising the capital structure marks the end of a long journey in restructuring and deleveraging EOH, allowing the leadership and employees to focus exclusively on the Growth-Efficiency-Talent strategy (GET).

Operating Context

The operating environment in South Africa continues to be challenging and has deteriorated since the last update. The impact of high inflation and the South African Reserve Bank's response of further increasing interest rates is placing consumers, companies and the Public Sector under extreme pressure and dampening growth forecasts for the economy. Liquidity in the market is getting tighter with businesses taking a conservative approach to cash management.

This, coupled with rising tensions, as a result of South Africa's global allegiances, has put further pressure on an already negative market sentiment with questions on whether South Africa will be included in AGOA going forward potentially negatively impacting foreign trade. Internationally economies are also under pressure, driven by rising interest rates, the Ukraine Russia war and continuing supply chain issues. However, EOH continues to see and pursue growth opportunities in its chosen markets as it invests in its international expansion.

The EOH Board and Management team continue to closely monitor these developments and to proactively manage their impact on the Group's business, whilst maintaining focus on delivering current financial targets and implementing the Growth-Efficiency-Talent (GET) strategy communicated to the market.

Re-alignment of Operating Businesses

EOH's restructuring and deleveraging strategy was effectively completed with the capital raise closing in February 2023. As introduced at the release of the H1-2023 results and with a stable client offering, EOH has introduced a simplified divisional structure in line with its product and services and executive responsibilities. The full year results as at 31 July 2023 will be reported under the new structure. EOH will approach the market through four solution pillars:

- Infrastructure Services & Applications; management of clients' IT infrastructures, Enterprise Applications and Software sales
- Digital Enablement; the modernisation and digitalisation of clients' IT infrastructures and operations including application development, automation, data, cloud as well as EOH's own platform and IP development together with its International business.
- Industrial Technology; primarily Operational Technology advisory, implementation and managed services previously under the Operational Technologies cluster within iOCO and the businesses previously under Nextec Infrastructure Solutions
- EasyHQ; including the People and HR solutions businesses previously under Nextec, and the recently launched GRC-as-a-service, outsourcing EOH's digital head office business infrastructure to our clients.

Continuing Financial Performance (excl Network Solutions & Nuvoteq)

Despite the challenging economic environment, the Group has continued to deliver top-line revenue growth from continuing operations and expects the full year revenue to show year on year growth. The Group continues to deliver a healthy gross profit margin similar to H1-2023.

The focus on cost management has continued into H2-2023 to ensure the Group remains agile and responsive to the changing economic environment. The Group however did incur once off charges in H2-2023. The first relates to the impact of the rights issue discount on the specific

R100 million share issue to the Lebashe Investment Group. This is a non-cashflow IFRS2 charge and is expected to be in the region of R54 million. The second relates to a financial asset impairment of the Tech Leasing book of R65 million (R 6 million in H1-2023). The Group has previously taken impairments on the Tech Leasing book and has now deemed it appropriate to fully provide for the book. This book relates to legacy (pre-2018) debts from customers who operate in the casino industry who had been badly affected by Covid and lockdowns. The Group has attempted to provide support to these customers and extended repayment terms, however it now considers it is prudent to provide for these debts in full.

The Group has made good progress in closing out most of the legacy issues (previously disclosed in our contingent liabilities). Given the discussions that have been had to date, management believes that the current provisions for legacy items are reasonable.

Before accounting for these once-off provisions and impairments the Group is expected to post operating profit from continuing operations at least similar to, if not marginally better than H1-2023.

The Group's interest charge has decreased significantly from H1-2023 despite rising interest rates, as a result of the R600 million capital raise and the refinancing of consortium facilities with a single bank at improved interest rates. However, the delay in the rights issue due to factors beyond the Group's control did result in an unbudgeted extra interest cost of R74 million which will not recur in 2024. The Group has performed well from a cash perspective with a strong focus on working capital management with no overdraft as at 30 July 2023 (H1-2023 overdraft R45 million) and a positive cash balance of R255 million (H1–2023 R236 million).

Infrastructure Services & Applications performance
The Infrastructure Services business continued with its H1-2023 performance into H2-2023 including adding around ten new customers. The Software business also continued with its H1-2023 performance into H2-2023. The Enterprise Applications business however has experienced significant headwinds in H2-2023 and is not expected to repeat the performance achieved in H1-2023.

Digital Enablement performance
EOH's clients continue to modernise and digitalise their IT infrastructures to extract efficiencies and improve customer experiences, which continues to provide the driver for growth in this business.

The International businesses in Egypt, the Middle East and Europe continued its positive momentum into H2-2023 as the Group continues to invest for accelerated growth.

Industrial Technology performance
Pressure in the public sector and SOE businesses has continued its impact into H2-2023. EOH continues to focus on strategies to diversify this pillar's client base to reduce reliance on the public sector and SOE businesses which includes, but is not limited to, its investment into East and West Africa where it has exclusive AVEVA distribution rights. The East and West Africa investment continues to bear fruit with the good traction in H1-2023 continuing into H2-2023.

EasyHQ performance
While the People Solutions businesses remains under top line pressure due to the current economic climate and SOE business pressure, its core cost structure continues to be managed

closely. In particular the contact centre businesses have concluded a successful turnaround and are now contributing positively to the Group's profitability. Despite the pressure at a top line the profitability demonstrated in H1-2023 has continued into H2-2023 due to a good efficiency focus.

Outlook

With the Group GET Strategy now embedded and the ability for the first time to invest in the growth of the business the Group is cautiously optimistic of its growth prospects going forward. This is underpinned by the current trends in the IT space of cloud, security and automation which are fully integrated in the Group strategy across the four pillars of the business. Furthermore, the final legacy issues look like they will be crystalised in the near term which will allow for the completion of the efficient reorganisation of the complex legal entity structure. The majority of the reorganisation will be completed by the end of H1-2023 which will assist in improved cost and operational efficiency.

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.

31 July 2023

Sponsor

JAVA CAPITAL