

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 2023****Salient features**

- EOH continued its year-on-year improvement in operating results with an increase of between 20% and 50% in operating profit from continuing operations for the year ended 31 July 2023 ("FY2023") to between R120 million and R150 million, up from R100 million for the year ended 31 July 2022 ("FY2022").
- An improvement in headline loss per share ("HLPS") from continuing operations of between 53% and 62% to between 17 cents and 21 cents, compared to the HLPS of 45 cents (restated) in FY2022.
- An improvement in loss per share ("LPS") from continuing operations to between 18 cents and 22 cents from a LPS of 62 cents (restated) in FY2022.
- Total LPS from continuing and discontinued operations increased to between 12 cents and 14 cents, compared to 9 cents (restated) for FY2022.
- Net cash balance at 31 July 2023 of approximately R204 million. The Group had gross leverage of about R687 million, with unutilised short-term facilities of about R218 million.

Trading statement

	Total operations			Continuing operations		
	FY2023 <i>Anticipated</i>	FY2022 <i>Restated*</i>	FY2022 <i>Remeasured^</i>	FY2023 <i>Anticipated</i>	FY2022 <i>Restated*</i>	FY2022 <i>Remeasured^</i>
LPS	Between (12) cents and (14) cents per share	(9) cents per share	(6) cents per share	Between (18) cents and (22) cents per share	(62) cents per share	(38) cents per share
HLPS	Between (19) cents and (23) cents per share	(11) cents per share	(7) cents per share	Between (17) cents and (21) cents per share	(45) cents per share	(28) cents per share
Operating Profit				Between R120 million and R150 million	R100 million	R100 million
Normalised Adjusted EBITDA**				Between R315 million and R385 million	R364 million	R364 million
Weighted average number of shares in issue ('000)	436 578	271 374	436 578	436 578	271 374	436 578

* LPS and HLPS previously reported have been restated to reflect the effects of the renounceable rights offer to qualifying shareholders concluded in February 2023. The adjustment relates to the bonus element of shares for the rights offer per IFRS which arises as a result of the difference between the rights issue price and the fair value price on date of issue (TERP – theoretical ex rights price).

^ FY2022 numbers have been remeasured using the same weighted average shares outstanding to ensure comparability.

** Normalised EBITDA takes into account adjustments related to legacy items such as impairment of the Tech Leasing casino legacy book and movement on provisions.

During the second half of the year EOH successfully strengthened its capital structure through the R500 million rights offer and the R100 million specific issue to Lebashe Investment Group. The proceeds were used to reduce the Group's debt levels which, on an annualised basis, will lead to a significant reduction in interest expense. This will allow the Group to invest for growth, as well as afford greater flexibility in managing the business and its cash flows. The Lebashe Investment Group specific issue has a R49 million non-cashflow IFRS2 negative effect on the current year annual accounts due to the discount of the rights offer to the share price.

Operational overview

FY2023 has been characterised by an increasingly difficult trading environment with the effects of high inflation and the South African Reserve Bank's response of continued interest rate increases starting to have significant negative impacts on corporate strategy, spending and cash management. This is complicated by the on-going disruption of the Russia-Ukraine war, the grey listing of South Africa earlier this year and impacts thereof, combined with South Africa's persistent low growth and high unemployment rate. Compounding the effects of the above, the public sector's and state-owned enterprise's investment in technology remain significantly constrained.

Notwithstanding the impacts of the above, EOH will report an increase in revenue from continuing operations of between 2% and 4% and an increase in operating profit from continuing operations to between R120 million and R150 million, from the R100 million reported in FY2022. This includes the IFRS 2 charge of around R49 million and a significant net provision of R28 million mainly against the Tech Leasing legacy assets that have not improved post-Covid. After taking this into consideration the operating profit has increased by at least 100% since the prior year.

The Digital Enablement business performed well under the difficult trading environment and recorded an increase in revenues for the year. The International businesses continued the good growth trends experienced in the first half of the financial year with buoyant demand for our services from mid-tier European and Middle East corporates.

The Infrastructure Services business benefitted from a rebound in hardware sales to existing clients as well as healthy new client growth, however the challenges in the Enterprise Application and Software business continued in the second half of the year with sales and margins coming under pressure.

The Operational Technology business, within the Industrial Technology business, managed to grow revenues for the year despite the significant slowdown in public sector technology spend. This was achieved due to good performances in the mesh networking business specifically in the mining sector and in our power business, which does commercial grade distribution boards, as well as the investments in East and West Africa on the back of our exclusive AVEVA partnership showing promising returns.

The NEXTEC Consulting and Infrastructure businesses continue to be a focus of strategic re-alignment and restructuring to return to profitability. These businesses account for approximately 12% of Group revenue.

The EasyHQ business saw a reduction in revenues as it exited non profitable contracts, however this resulted in an improvement in profitability. The people resources businesses in NEXTEC have largely completed the turnarounds and are well positioned to grow revenue and customers in 2024, alongside a rebrand to EasyHQ.

Annual results

EOH will publish its results for FY2023 on or about 18 October 2023.

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

28 September 2023

Sponsor

JAVACAPITAL