

REUNERT

REUNERT LIMITED

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Incorporated in the Republic of South Africa
JSE and A2X share code: RLO
("Reunert", "the Group" or "the Company")

Registration number: 1913/004355/06
ISIN code: ZAE000057428

2023

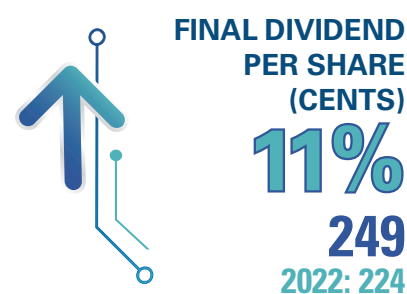
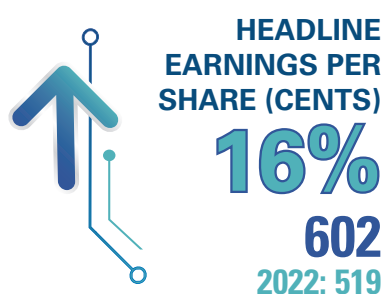
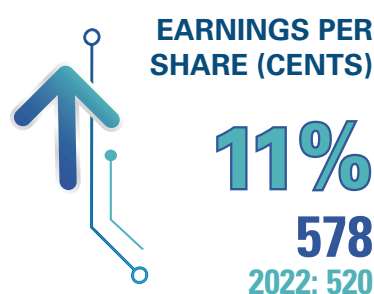
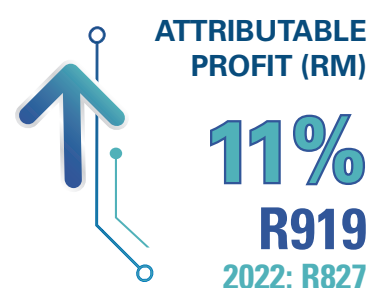
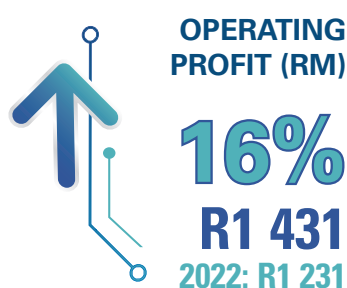
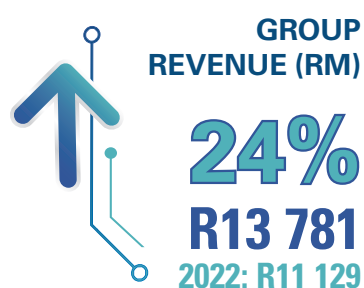
Audited consolidated financial statements¹

and cash dividend declaration for the year ended 30 September 2023

The contents of this announcement are the responsibility of the board of directors of the Company (the Board). Shareholders are advised that this announcement does not contain full or complete details and represents a summary of the information contained in the Group consolidated annual financial statements for the year ended 30 September 2023 (Group AFS), which are accessible via the JSE link at https://senspdf.jse.co.za/documents/2023/JSE/ISSE/RLO/AFS_2023.pdf and on Reunert's website (<https://www.reunert.co.za/downloads/results/2023/reunert-annual-financial-statements-0223.pdf>) from Wednesday, 22 November 2023. Shareholders and investors are advised to review the Group AFS in making any investment decisions.

The Group AFS have been audited by Deloitte & Touché, who expressed an unmodified audit opinion thereon.

SALIENT FEATURES



Overview

2023 delivered increased value for shareholders

In 2023, Reunert delivered a pleasing growth in financial performance and the continued execution of the Group's strategic growth initiatives. The Group's efforts to reduce working capital yielded a positive improvement in cash generation, which enabled the dividend to be increased by 11% (2022: 8%). The quality of the Group's earnings also improved for the year and return on capital employed increased to 17,4% (2022: 16,1%).

Group results

The Group's revenue increased by 24% to R13 781 million (2022: R11 129 million). Improved operating leverage was delivered by the Group as segment operating profit increased by 28% to R1 462 million (2022: R1 140 million). The Group's profit for the year increased by 14% to R959 million (2022: R844 million) and headline earnings per share increased by 16% to 602 cents per share (cps) (2022: 519 cps) while basic earnings per share increased by 11% to 578 cps (2022: 520 cps).

Strategy

The Group's three key growth strategic initiatives remain the investment into:

- expansion of our ICT Segment offering to create market leading digital integration capabilities;
- our suite of assets participating in the rapidly growing renewable energy market; and
- the increase in our international revenues, specifically focused on the Applied Electronics and Electrical Engineering Segments.

During the 2023 financial year, the Group's strategic execution on all three initiatives remained on track and was augmented by the completion of the restructure of the Group's capital structure.

ICT

The ICT Segment's Solutions and Systems Integration (S&SI) Cluster was expanded through two acquisitions in 2023. The acquisition of shares in IQ Business (Pty) Ltd (IQ Business) was concluded in July and Plus 1X Solutions (Pty) Ltd's (+OneX) value offering was expanded by the acquisition of a cyber security capability. The S&SI Cluster is now a leading player in the rapidly growing digital integration market to large and enterprise clients and is expected to grow at a higher rate than the other ICT businesses in the segment.

Renewable Energy

The market conditions for the Group's renewable energy businesses continued to strengthen as the long-term trend of private sector energy investment accelerated. These large-scale investments also benefit the Group's power cable business. The investment required into the upgrade of the country's transmission system will further bolster the Group's participation in the renewable energy market.

The Group continued to invest into its Build-Own-Operate (BOO) solar asset portfolio which currently has 57MW of owned, under construction and near financial-close solar assets. The storage business grew strongly this year and the large-scale containerised storage solutions, which form a critical component of the country's renewable energy needs, reached scale and will underpin the growth in this business going forward.

International revenues

The Applied Electronics Segment's international revenues increased during the year as new markets were successfully accessed. The segment's world class intellectual property and the investment into an expanded product portfolio have positioned the defence businesses to continue their growth over the medium-term.

Enhanced financial capacity

The Group has successfully converted a substantial portion of its short-term uncommitted banking facilities into longer-term committed facilities.

This programme was undertaken in two distinct parts:

- Secured longer-term facilities that are available to be used to meet the financing needs of all the Group's local subsidiaries, excluding Quince Capital (Pty) Ltd (Quince); and
- To externally finance the Group's rental loan and receivables book owned by Quince. This allows for the redeployment of the Group's internal funding.

This process, and the ability of Quince to repay the internal loans, has ensured adequate capital to deploy to the Group's strategic initiatives and to meet the Group's operational requirements. It also achieved the strategic objective of releasing lower earning funding from the Quince book for redeployment into opportunities that yield higher returns.

Segmental review

Electrical Engineering

The segment delivered another year of financial growth as the Power Cable and Circuit Breaker businesses delivered solid results. These performances increased the segment revenue by 14% to R7 159 million (2022: R6 266 million) and the segment operating profit by 27% to R552 million (2022: R436 million).

Power Cable volumes increased and product mix improved both in Zambia and South Africa. The higher factory loading increased operational efficiencies, which together with the improved product mix led to better margins. In South Africa, the investment into renewable energy continues to support the local power cable volumes and this is expected to continue into the medium-term.

The Circuit Breaker business generated good product sales in South Africa and in most of their export markets, with the exception of the USA where destocking by the customers reduced volumes sold for the first three quarters of the financial year. The solid overall volumes were augmented by an improved margin performance as supply chain costs eased and the impact of the price increases in the prior financial year were realised.

ICT

The ICT Segment had a challenging year as the segment's key Small and Medium Enterprise (SME) customer base came under increased pressure due to the weakening South African macro-economic conditions. Segment revenue increased by 18% to R3 064 million (2022: R2 599 million) and segment operating profit increased by 2% to R660 million (2022: R644 million) as several matters negatively impacted the segment.

The financial performance of the segment was negatively affected by record levels of loadshedding, which reduced the minutes sold by Electronic Communications Network (Pty) Ltd (ECN) by 17%, the sale of R250 million of the Quince book to fund the acquisition of Etion Create, and the South African Post Office (SAPO) being placed under business rescue, all of which resulted in a reduction in segment operating profit. +OneX accelerated its digital integration income and SkyWire (Pty) Ltd (SkyWire) leveraged its national broadband connectivity network to deliver notable year-on-year operating profit performances. The tightening credit conditions resulted in an increase in the allowance for expected credit losses as measured in accordance with IFRS 9 – Financial Instruments.

Applied Electronics

The Applied Electronics Segment had an excellent year as defence revenue reached a multi-year high and the demand for the segment's renewable energy products and solutions remained positive. These dynamics resulted in segment revenue increasing by 51% to R3 559 million (2022: R2 361 million) and delivered a segment operating profit increase of 163% to R432 million (2022: R164 million).

The management teams performed well as they executed these order books delivering year-on-year improvement in financial performances at the Radar, Fuze and Encryption businesses. This was bolstered further by the results of recently acquired Etion Create. Together with the increased revenues, margins improved as higher volumes enabled improved operational efficiencies and a good product mix was supported by a foreign exchange rate that weakened to an average of R18,17: 1USD (2022: R15,82: 1USD) for the year.

The renewable energy market continued to grow in 2023, but experienced a marked increase in competition as new entrants and products entered the market. The Energy Storage business delivered an improved financial performance as residential and small commercial battery sales increased on the back of record loadshedding.

The Solar Energy business delivered a build rate largely in line with the prior year. The business' leadership team invested into human capital to enable an increased capacity of solar assets. This yielded positive results in the second half of the financial year as an improved solar project pipeline and deals were secured. Demand in commercial and industrial markets remained high and the business enters the 2024 financial year with the expectation of an improved financial performance and a considerable increase in BOO assets under ownership.

Prospects

The 2023 financial year yielded a positive growth in the financial performance of Reunert and delivered increased value for shareholders. Reunert will continue to face the risks and challenges associated with the general South African macro-economic environment, which we do not expect to improve in the first half of 2024 and which will continue to place pressure on our key customer segments. Despite this the Group is well placed to deliver growth in financial performance in 2024. The timing of defence export deliveries and large cable contracts bias growth towards the second half of the 2024 financial year.

The Group's expected performance is underpinned by:

- the Electrical Engineering Segment on the back of solid Power Cable order books, on-going private investment into renewable energy and the strengthening export demand for Circuit Breakers;
- the incorporation of IQ Business into the ICT Segment;
- the continued growth of our renewable energy businesses; and
- the record defence order book.

Cash dividend

Notice is hereby given that a gross final cash dividend No. 195 of 249,0 cents per ordinary share (September 2022: 224,0 cents per ordinary share) has been declared by the directors for the year ended 30 September 2023. The dividend has been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for, a reduced rate of withholding tax. Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 199,2 cents per ordinary share (September 2022: 179,2 cents per ordinary share). The issued share capital at the declaration date is 184 969 196 ordinary shares.

Income tax reference number: 9100/101/71/7P.

In compliance with the requirements of Strate Proprietary Limited and the Listings Requirements of the JSE Limited, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 23 January 2024
First date of trading (ex dividend)	Wednesday, 24 January 2024
Record date	Friday, 26 January 2024
Payment date	Monday, 29 January 2024

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 24 January 2024 and Friday, 26 January 2024, both days inclusive.

On behalf of the Board

Mohamed Husain Chairman	Alan Dickson Chief Executive Officer	Nick Thomson Chief Financial Officer
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Sandton, 21 November 2023

¹ Extracted financial information from the Group AFS.

This announcement itself is not audited or reviewed. The audit conclusion on the underlying consolidated financial statements was unmodified. The unmodified auditor's report is available for inspection at the registered office of the Company.

Directors

MJ Husain (Chair)*, T Abdool-Samad*,
AE Dickson (Chief Executive Officer),
LP Fourie (Chair of the Audit Committee)*, JP Hulley*,
TNM Eboka*, RJ Boëtger*, S Martin*,
Dr MT Matshoba-Ramuedzi*, M Moodley,
NA Thomson (Chief Financial Officer), GB Dalglish*.

* Independent non-executive

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Sponsor

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22 November 2023 (publication date)