

## **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")



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## **PRE-CLOSING STAKEHOLDER UPDATE FOR THE SIX MONTHS ENDING 31 JANUARY 2024**

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On 18 October 2023 EOH published its audited results for the year ended 31 July 2023 ("FY2023") which can be viewed at <https://www.eoh.co.za/investor-relations/eoh-financial-results>.

EOH hereby provides stakeholders with an update on trading conditions and events during the six-month period to 31 January 2024 ("HY2024") of its financial year ending 31 July 2024 ("FY2024").

### **Operating Context**

The operating environment in South Africa continues to be challenging. This environment continued in the first quarter of H1-2024, but EOH experienced a better second quarter as inflation abated and interest rates stabilised. Whilst inflation is back within the South African Reserve Bank's target range, 14-year high interest rates continue to place consumers, companies and the Public Sector under extreme pressure. The muted GDP growth forecasts and high unemployment rate will continue to make for a challenging trading environment for the foreseeable future. Liquidity in the market continues to be tight with businesses following a conservative approach to cash management.

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.

### **Group Financial Performance**

The challenging economic environment continues to have an impact on clients' IT budgets and investment planning. Certain sectors are more constrained, notably the Government, SOE's and municipalities, as well as large corporate IT investments being delayed or spread out over longer periods. As reported at year end, in H2-2023 EOH saw a drop in revenue versus the strong H1-2023. This trend continued in the first quarter of FY2024 but recovered in the second quarter of FY2024, as interest rates stabilised and inflation retreated somewhat resulting in most corporates returning to some investment in IT. EOH's local Digital Enablement business unit and International business continue to grow revenue, with the EOH divisions with reliance on Public Sector and large corporates still experiencing delays in contracting. However EOH anticipates showing some revenue growth relative to H2-2023.

Despite the soft operating environment, EOH has managed to maintain stable gross margins as previously reported in FY2023, illustrating the continued commitment from our customers.

The Group Debtors' days remained constant and net cash balance is stable at R232 million on 29 January 2024. As communicated at year end, EOH is on track to deliver administration cost savings of over R50 million, on an annualised basis, during FY2024, ensuring the Group remains agile in the challenging trading environment.

The outstanding legacy issue regarding EOH Abantu (Pty) Ltd t/a Highveld, a PAYE dispute with SARS, has not been resolved. EOH is still pursuing its High Court application to resolve the matter in absence of an official response from SARS to the last settlement offer.

The Group has entered into a settlement offer, in line with the provisions raised in FY2023, with the liquidators of Mehleketo (Pty) Ltd, which closes out another legacy matter.

The Group's interest charge will decrease from the six-months ended 31 January 2023 ("HY2023"), as a result of the R600 million capital raise and the refinancing of consortium facilities with a single bank at improved interest rates during FY2023. This improvement has been ameliorated by an additional interest charge provided on legacy debts of around R19 million.

Our employee value proposition continues to improve as EOH was among a group of select South African corporates to be awarded TOP EMPLOYER status for the second year running.

## **Restructure**

As part of the restructure of EOH and moving toward an investment holding company, long-term commitments have been signed by the CEOs of each of the operating divisions. The head office consists of approximately 40 people responsible for governance, reporting, investor relations, and certain specialist services, for example, legal and tax and the legacy issues including the bank debt. The restructure is mostly complete which has resulted in the cost savings promised from a more efficient corporate and operating structure, which will realise in H2-2024.

## **Outlook**

The economic environment and trading conditions have remained challenging over the past 12 months and the upcoming elections may also cause uncertainty, especially in the Public Sector. As a result, we do not anticipate any material improvement in the next six-months.

The stronger balance sheet and more efficient cost structure allows EOH to navigate these conditions more effectively than in the past as well as pursue growth opportunities where they exist, primarily in the local and international digital enablement businesses.

The EOH Board and management team continue to monitor developments and proactively manage their impacts on the Group's business, whilst maintaining focus in delivering the strategy and current financial targets.

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.

EOH expects to release its financial results for HY2024 on or about 26 March 2024.

31 January 2024

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