

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 2024

EOH is currently finalising its financial results for the six months ended 31 January 2024 ("HY2024") which are expected to be released on SENS on 26 March 2024.

A review by management of the financial results for the period has indicated that EOH's results will differ by at least 20% from the prior year as further detailed below.

Salient features

- Continuing revenue increased by between 5% and 7% compared to the previous six-month period ended 31 July 2023, however, declined between 2% and 4% for the Group compared to the six months ended 31 January 2023 ("HY2023").
- Gross profit margins are stable compared to the previous six-month period ended 31 July 2023, however, down for the comparable period and will be between 26% and 28%.
- EOH generated an operating profit of between R5 million and R15 million for HY2024 (HY2023: R142 million).
- Total headline loss per share ("HLPS") for HY2024 of between 10 cents and 12 cents (HY2023: 17 cents).
- A total loss per share ("LPS") for HY2024 of between 14 cents and 16 cents (HY2023: 3 cents).
- Adjusted EBITDA is anticipated to be between R90 million and R105 million for HY2024 (HY2023: R171 million).
- Total cash generated from operations of between R190 million and R210 million (HY2023: R5 million).
- Net cash balance as at HY2024 was R300 million (HY2023: R198 million).

	Total operations	
	HY2024 <i>Anticipated</i>	HY2023 <i>Reported</i>
(LPS)	Between (14) cents and (16) cents per share	(3) cents per share
(HLPS)	Between (10) cents and (12) cents per share	(17) cents per share
Adjusted EBITDA	Between R90 million and R105 million	R171 million

As reported at the 2023 financial year-end, EOH experienced a challenging second half of FY2023. This trend continued through the first three months of HY2024. Despite an improvement in trading and tendering activity in the second three-month period, the challenging environment has led to a reduction in revenue. The core Digital Enablement business, including International, has seen good revenue growth, however, this has been offset by reductions in other areas, particularly in the Operational Technologies division which has been negatively impacted by delays in closing Public Sector contracts and contracting delays with large mining customers.

One of the major challenges facing the South African IT industry is finding and retaining appropriately skilled talent. Accordingly, despite the impact on gross margins and overall profitability, EOH took the decision to retain highly skilled staff that were not fully productive, in anticipation of improved trading. Management believes this is the correct medium-term approach in order to resource an anticipated increase in activity appropriately.

Operating costs continue to be a core focus, and EOH is on track to eliminate at least R50 million from the FY2023 cost base, on an annualised basis, as part of the efficiency strategy. Despite these savings the pressure on gross margins and the reduced gross profit has fallen through to the adjusted EBITDA performance for HY2024.

Working capital remains tightly managed in the current environment. Group debtors' days remained constant and there was a net cash balance of R300 million at 31 January 2024, with unutilised short-term facilities of R133 million. Cash generated by operations benefitted from an early receipt of cash in our foreign operations, where the corresponding payable was only settled after the period end, however, excluding the above receipt, the cash generated from operations was between R28 million and R34 million.

The Group's interest charge decreased to approximately R68 million (HY2024) from R102 million (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 R14 million.

EOH recently announced the agreement with SARS on the last remaining legacy issue that has been holding the company back from finalising the restructure and getting back to business-as-usual. The closure of this matter will allow for further corporate structure rationalisation and normalisation of the tax rate. The final agreement was in line with provisions held on the balance sheet, save for the write-off of a R7 million tax receivable which will negatively affect the tax charge for the reporting period.

EOH will publish its interim results for HY2024 on 26 March 2024 and management will host a webcast presentation at 11h00 on 26 March 2024 which can be viewed here <https://bit.ly/3v9QF1m>.

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

13 March 2024

Sponsor

The logo for Java Capital, featuring the word "JAVA" in a bold, blue, sans-serif font, followed by "CAPITAL" in a lighter, grey, sans-serif font. A thin blue horizontal line is positioned above the "A" in "JAVA".