

Reunert

Empower. Innovate. Thrive.

REUNERT LIMITED

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

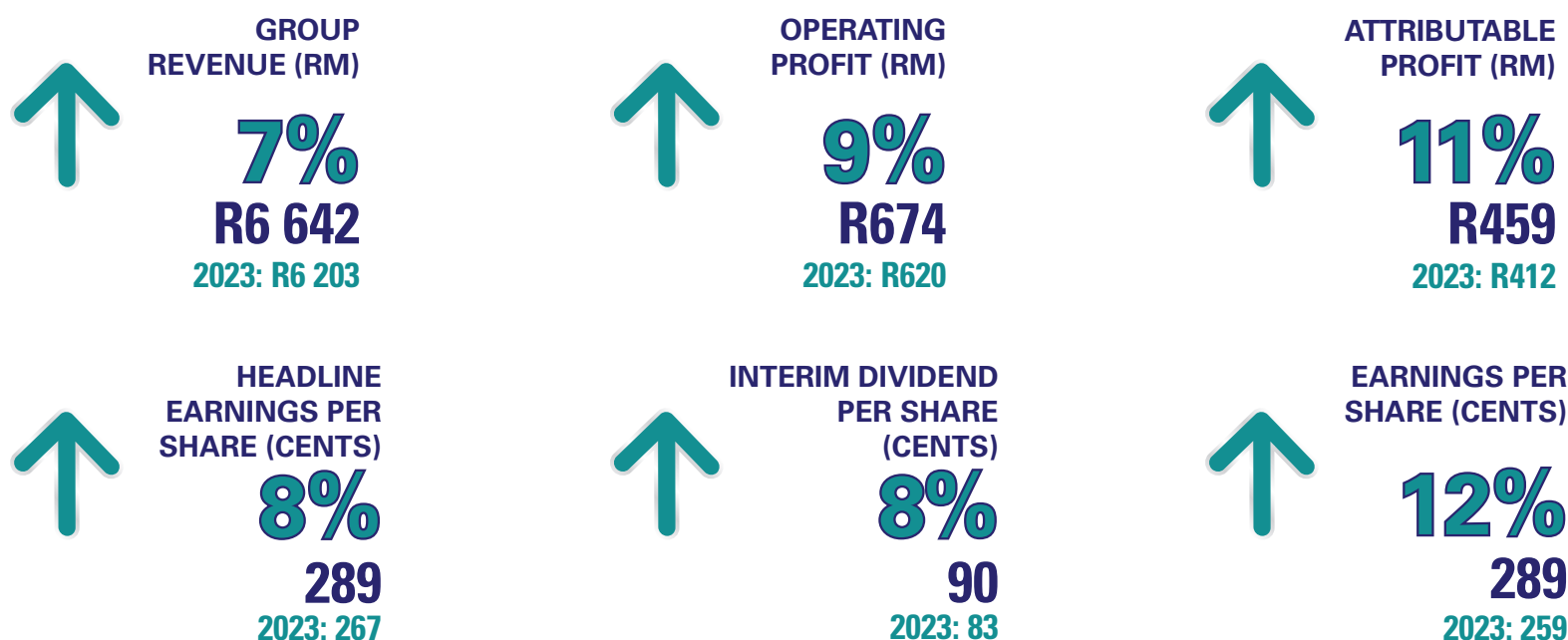
2024

Unaudited condensed consolidated interim financial statements¹

and cash dividend declaration
for the six months ended 31 March 2024

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 full announcement, which is accessible via the JSE cloudlink at https://senspdf.jse.co.za/documents/2024/JSE/ISSE/RLO/Interim_24.pdf and on Reunert's website (<https://reunert.co.za/reporting-and-results.php>) from 22 May 2024. Shareholders and investors are advised to review the full announcement in making any investment decisions.

SALIENT FEATURES



Reunert is pleased to present its results for the six-month period ended 31 March 2024 (H1 FY: 2024), which reflected another set of solid results as the Group continued to deliver on its financial, operational and strategic initiatives.

Overview

The South African macro-economic conditions facing the Group remained challenging during H1 FY: 2024. Of particular impact were the national port and logistics disruptions that developed rapidly and persisted throughout the reporting period. The management teams responded well to these challenges and managed their operations to meet most customer commitments. Unfortunately, our Total Workspace Provider, under the Nashua brand, business was unable to resolve the logistics challenges during H1 FY: 2024, which resulted in a noteworthy shortfall of imported product and led to a large reduction in sales and operating profit in the period, which negatively impacted the ICT Segment's and Group's results.

In addition, and as guided in our 2023 financial year-end results communication, the residential and small commercial battery market became saturated, which resulted in volume and margin compression at the Battery Storage business and necessitated the business being restructured and refocused to take advantage of the improved large battery market. This resulted in a marked reduction of this business' contribution to revenue and operating profit in the Applied Electronics Segment.

Group results

Despite the two challenges described above, the remainder of the Group performed well, and the Group's revenue increased by 7% to R6,6 billion from the R6,2 billion achieved in the six-month period ended 31 March 2023 (H1 FY: 2023).

The Group's 9% increase in operating profit to R674 million (H1 FY: 2023: R620 million) was driven by the strong results in the Electrical Engineering Segment and the Applied Electronics Segment's Defence Cluster.

The Group continued to generate strong free cash flow which resulted in a decrease in net interest paid and which helped boost profit for the period by 13% to R475 million (H1 FY: 2023: R422 million). Similarly, the Group's earnings per share and headline earnings per share increased by 12% and 8%, respectively.

Cash resources and liquidity

The high level of sales made in the second quarter of the 2024 financial year and the investment in working capital required to address the port congestion referred to under "Overview"; resulted in a R201 million increase in working capital during the period under review.

After absorbing the impact of the working capital investment, the Group positively generated free cash flow of R476 million (H1 FY: 2023: R298 million). This, together with the impact of the new longer-term facilities raised and the R141 million received in respect of the sale in the 2023 financial year to Lumika Renewables (Pty) Ltd of Terra Firma Solutions (Pty) Ltd, resulted in the net cash on hand increasing from R1 171 million at 30 September 2023 to R1 299 million at 31 March 2024.

The positive cash generation, which is expected to continue through the second half of the 2024 financial year (H2 FY: 2024), together with the unutilised banking facilities available to the Group and the cash on hand, provides the necessary financial resources to meet the Group's operational and strategic initiatives and support dividend payments.

Segment review

Electrical Engineering

Both Power Cable businesses performed well on the back of increased production volumes. These businesses leveraged the increased volumes to generate operational efficiencies which together with a better product mix in Zambia and lower foreign exchange rate losses, yielded improved margins and higher operating profit.

The Circuit Breaker business delivered steady product volumes and, positively, increased exports to the USA which offset weaker economic growth in Australia.

ICT

The negative impact of the port congestion on Nashua, described under "Overview" above, weakened an otherwise solid performance by the segment as

SkyWire (Pty) Ltd (last mile broadband connectivity), Plus 1X Solutions (Pty) Ltd (digital integrator) and Quince Capital (Pty) Ltd (Quince) all delivered improved results. Collections in the channel remained well managed and Quince's lease and loan receivables book is appropriately provisioned against the economic conditions facing the segment.

Applied Electronics

Renewable Energy

The cluster's Solar Energy business had a strong performance as build rates, margins, solar energy assets under ownership (BOO) and BOO performance all improved. The Battery Storage business has secured several large battery storage contracts and is expected to deliver an improved performance in H2 FY: 2024.

Defence

The Defence Cluster delivered a strong performance as the cluster executed on its large order book. The increased volumes resulted in improved factory throughput and efficiencies which together with a good product mix and stable foreign exchange rates yielded improved operating profit margins for the cluster. The Fuze, Radar, Secure Communications, Logistics businesses and Etion Create (Pty) Ltd all delivered strong performances in H1 FY: 2024. Importantly, the cluster's order books remained at levels similar to those experienced at 30 September 2023, which provides encouraging visibility on the cluster's expected positive financial performance throughout the remainder of the 2024 financial year and into the 2025 financial year.

Prospects

Reunert continues to expect that an improved financial result in 2024 can be delivered. Whilst the pressure in the South African facing businesses has increased since the 2023 financial year-end position, the Group's results are anticipated to be positively supported by:

- > the incorporation of IQ Business (Pty) Ltd and its subsidiaries' results for a full 12 months;
- > the continued positive Defence Cluster's sales on the back of the strong order book; and
- > solid Electrical Engineering growth.

Cash dividend

The Group's cash generation continues to be sufficient to meet operational and strategic requirements and support the dividend. Notice is hereby given that a gross interim cash dividend No. 196 of 90,0 cents per ordinary share (March 2023: 83,0 cents per ordinary share) has been declared by the Board for the six months ended 31 March 2024.

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 72,0 cents per ordinary share (March 2023: 66,4 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 (Pty) Ltd and the Listings Requirements of the JSE Limited, the following dates are applicable:

| | |
|---|-------------------------|
| Last date to trade (<i>cum</i> dividend) | Tuesday, 18 June 2024 |
| First date of trading (<i>ex</i> dividend) | Wednesday, 19 June 2024 |
| Record date | Friday, 21 June 2024 |
| Payment date | Monday, 24 June 2024 |

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 19 June 2024 and Friday, 21 June 2024, both days inclusive.

On behalf of the Board

| | | |
|-----------------------------------|--|--|
| Mohamed Husain Chairman | Alan Dickson Chief Executive Officer | Nick Thomson Chief Financial Officer |
|-----------------------------------|--|--|

Sandton, 21 May 2024

¹ Extracted financial information from the unaudited condensed consolidated interim financial statements for the six months ended 31 March 2024.

Directors

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

* Independent non-executive

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22 May 2024 (publication date)