

AUDITED CONSOLIDATED FINANCIAL STATEMENTS¹

and cash dividend declaration
for the year ended 30 September 2024

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 Group consolidated annual financial statements for the year ended 30 September 2024 (Group AFS), which are accessible via the JSE cloudlink at https://senspdf.jse.co.za/documents/2024/JSE/ISSE/RLO/AFS_2024.pdf and on Reunert's website (<https://reunert.co.za/pdf/full-year-results/2024/reunert-audited-consolidated-financial-statements-2024.pdf>) from Thursday, 21 November 2024. Shareholders and investors are advised to review the Group AFS in making any investment decisions.

SALIENT FEATURES

GROUP REVENUE (million)

5%



R14 446

2023: R13 781

OPERATING PROFIT (million)

7%



R1 531

2023: R1 431

ATTRIBUTABLE PROFIT (million)

13%



R1 037

2023: R919

EARNINGS PER SHARE

13%



652 cents

2023: 578 cents

HEADLINE EARNINGS PER SHARE

10%



665 cents

2023: 602 cents

FINAL DIVIDEND PER SHARE

11%



276 cents

2023: 249 cents

OVERVIEW

2024 delivered strong shareholder value

The Group delivered a solid year-on-year improvement in financial performance under challenging local market conditions with headline earnings per share growing by 10% to 665 cents per share (cps) (2023: 602 cps). Highlights included the strong growth in the Defence Cluster, increased Zambian power cable performance, the successful integration of IQbusiness and the strong resilience of the Group's businesses serving the South African market, which delivered good operational efficiencies and tight margin control. The lowlights were the battery storage business's performance, where commoditisation, over supply and reduced loadshedding all resulted in a significant decrease in the residential and small commercial (R&SC) battery storage market, and an operational issue impacting production and inventory at the Group's printed circuit board (PCB) manufacturer, which has been successfully addressed.

GROUP RESULTS

The Group's revenue increased by 5% to R14 446 million (2023: R13 781 million) and the Group increased operating profit by 7% to R1 531 million (2023: R1 431 million). The Group's profit for the year increased by 8% to R1 038 million (2023: R959 million) assisted by the positive impact of the continued strong cash flow generation and working capital management that resulted in a reduced net interest expense of R49 million (2023: R120 million).

The Group's continued good free cash flow generation enabled the final dividend to be increased by 11% (2023: 11%) which resulted in an increase of 10% (2023: 11%) to 366 cps (2023: 332 cps) in the total dividend for the year. The Group's quality of earnings, as measured by return on capital employed (ROCE), increased to 17.7% (2023: 17.4%) and total shareholder return for the year was 41% (2023: 47%). The repurchase and cancellation of 2.3 million shares under an equity hedge, together with the 2024 financial performance, continue to positively enhance shareholder value.

STRATEGY

2024 delivered an acceleration in the Group's three key strategic growth initiatives, namely the:

- expansion of our ICT Segment focusing on the growing digital integration market;
- investment into renewable energy; and
- growth of our international revenues, specifically focusing on the Defence Cluster of the Applied Electronics Segment and the Electrical Engineering Segment.

The Group's execution of the strategic growth initiatives is accelerating and is expected to continue to deliver enhanced profitability.

SEGMENTAL REVIEW

Electrical Engineering Segment

The segment delivered an excellent financial performance as both the circuit breaker and power cable businesses delivered strong growth. These performances increased segment revenue by 7% to R7 682 million (2023: R7 159 million) while segment operating profit increased by 20% to R665 million (2023: R552 million).

The power cable businesses delivered an excellent increase in financial performance. The Zambian business increased volumes, improved margins, realised operational efficiencies and delivered most of the improvement in operating profit. In South Africa, the power cable business secured steady volumes, but suffered from reduced high voltage power cable contracts as projects were delayed by the key municipal and provincial customers. The lean manufacturing programmes delivered good operational savings and this assisted in delivering a largely stable year-on-year financial performance.

The circuit breaker business's volumes were stable in South Africa while export volumes increased in the second half of the year (H2 FY: 2024), specifically into the key USA market. A much-improved year-on-year performance at the USA subsidiary, tight cost control and good margin management all contributed to the improvement in financial performance at the business.

ICT

The successful integration of IQbusiness (acquired in July 2023) into the segment, contributed strongly to revenue growth as the segment revenue increased by 27% to R3 897 million (2023: R3 064 million). The challenges at Transnet's ports negatively impacted the Total Workspace Provider Cluster, which was the primary reason for the segment operating profit only increasing by 7% to R706 million (2023: R660 million) despite the positive revenue growth.

The Solutions and System Integration (SSSI) Cluster grew strongly as IQbusiness was successfully integrated into the segment and +OneX delivered another strong double-digit growth in financial performance. The merger of +OneX and IQbusiness to create a leading Digital Integrator in the ICT market was concluded and is expected to continue to drive the growth of the cluster.

The Total Workspace Provider Cluster had their supply chain interrupted in the first half of the year (H1 FY: 2024), as described above, but importantly, the performance in H2 FY: 2024 returned to normality and delivered a financial performance aligned to prior years when uninterrupted supply was experienced.

The Business Communication Cluster's performance weakened in 2024 as fixed-line voice minutes declined in H1 FY: 2024. Minutes stabilised as loadshedding largely disappeared. The cluster's last mile broadband connectivity business had another strong year as demand continued to strengthen and its technology provides an increasingly compelling commercial and quality offering to traditional broadband connectivity solutions.

In the Rental-Based Finance Cluster, despite the weak economic growth and high interest rate environment, the collection of rentals remained stable as the business improved its credit control structures and enhanced the management of its customer base. This resulted in actual bad debts being well within normal limits at less than 0.5% of the present value of the rental book. While the rental book decreased slightly to R2 385 million (2023: R2 493 million) on the back of the reduced Total Workspace Provider sales, the cluster delivered pleasing growth in operating profit.

Applied Electronics

The Applied Electronics Segment's revenue decreased by 10% to R3 192 million (2023: R3 559 million), with segment operating profit decreasing by 16% to R361 million (2023: R432 million). The Defence Cluster delivered a solid financial performance, but the Renewable Energy Cluster's revenue and operating profit contribution decreased. This was caused by the change of status of the solar energy business, Terra Firma Solutions, from being a subsidiary to being 50% held through a joint venture, resulting in only 50% of their results being included in the segment revenue compared to 100% in 2023, as well as the collapse of the R&SC battery storage market, which resulted in an approximate halving of revenue over the comparative year and the business incurring a large operating loss.

RENEWABLE ENERGY

The solar energy business had a strong performance with a record build of new plants. Importantly, the business's increased focus on deal management, execution and Operations and Maintenance (O&M) yielded positive results as margins increased. There was a propensity for customers to build solar assets on their own balance sheet in 2024 and, while the key strategy to increase build-own-operate (BOO) solar assets continued, it did so at a rate slower than anticipated. The total BOO solar assets under ownership, in construction and near financial close increased by 37% to 78MW (2023: 57MW).

The well-publicised collapse of the R&SC battery storage market severely impacted the battery storage business. The business has been restructured and positioned for larger battery storage solutions and despite solid sales in the year, the uptake remained slower than desired and was insufficient to prevent a significant loss at the business. These circumstances resulted in the impairment of its goodwill and intangible assets.

DEFENCE CLUSTER

The Defence Cluster performed well. The businesses executed the healthy order books successfully and very positive financial performances were achieved at the fuze, radar and Eton Create businesses. These achievements were made possible through excellent operational performances that yielded high customer satisfaction and improved recoveries, an improvement in margins, that were enhanced by a stable and a slightly weaker Rand: US Dollar exchange rate, and a strong focus on cost management.

The fuze business performed very well. The capital expansion investment into the fuze factory was completed and yielded increased production in the year. Importantly, the increased production capacity is fully committed for 2025 with orders already booked for delivery in 2026.

The radar business delivered another strong year of mining sales which were augmented by record export defence revenues. The defence revenues were delivered into the new markets opened in 2023. The business's defence order book is full for 2025 and the prospects for mining position the business well for another strong performance.

The Secure Communications Cluster had a solid year as the communications business's export volumes rebounded and solid local sales were delivered. Eton Create continued its strong performance in both its key defence and mining markets. Unfortunately, a production fault at the PCB manufacturer resulted in the temporary loss of an export customer and the costs associated with the rectification of the problem and the resolution of the associated stock losses dampened the cluster's performance and negatively impacted the segment.

Importantly, the Defence Cluster's order book increased to R2 706 million at the financial year-end (2023: R2 688 million) despite the strong sales during 2024.

PROSPECTS

Reunert is encouraged by the political developments in South Africa since the elections in May and expect a steady improvement in key economic indicators. An improvement in South African GDP, GDFI and business confidence will support Reunert's growth although we remain cautious on the extent and timing of the expected rate of improvement in these indices.

Reunert is well positioned to deliver a growth in year-on-year financial performance in 2025. The first half of the financial year is expected to remain challenging as similar market conditions as 2024 exist, and the phasing of the Group's defence export contracts, high voltage orders and the expected increase in infrastructure orders bias the Group's growth towards the second half.

CASH DIVIDEND

Notice is hereby given that a gross final cash dividend No. 197 of 276.0 cents per ordinary share (September 2023: 249.0 cents per ordinary share) has been declared by the directors for the year ended 30 September 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 220.8 cents per ordinary share (September 2023: 199.2 cents per ordinary share). The issued share capital at the declaration date is 182 665 316 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, 21 January 2025
First date of trading (ex dividend)	Wednesday, 22 January 2025
Record date	Friday, 24 January 2025
Payment date	Monday, 27 January 2025

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 22 January 2025 and Friday, 24 January 2025, both days inclusive.

On behalf of the Board

Mohamed Husain
Chairman

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

Sandton, 20 November 2024

¹ Extracted financial information from the Group AFS.

This announcement itself is not audited or reviewed. The Group AFS have been audited by KPMG Incorporated, who expressed an unmodified audit opinion thereon. The unmodified auditor's report is available for inspection at the registered office of the Company.

Directors

MJ Husain (Chair)*, T Abdool-Samad*, RJ Boöttger*, G Dalglish (appointed 1 October 2023)*, AE Dickson (Chief Executive Officer), TNM Eboka*, LP Fourie (Chair of the Audit Committee)*, JP Hulley (Lead independent director)*, S Martin*, Dr MT Matshoba-Ramuedzisi*, M Moodley, NA Thomson (Chief Financial Officer).

* Independent non-executive

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