METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1948/031013/06
ISIN: ZAE000090692
JSE and A2X share code: MTA
("**Metair**" or the "**Company**" or the "**Group**")

TRADING AND OPERATIONAL UPDATE AND TRADING STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

TRADING UPDATE

Trading environment

The year under review required ongoing agility to mitigate against the challenges in the markets in which Metair operates. The Group therefore focused on areas within its control, especially operational execution and continued to support customers, while navigating near-term industry headwinds. Appropriate measures were successfully implemented to reduce costs, optimise manufacturing capabilities and production efficiencies, rationalise unprofitable business lines and adjust commercial strategies. In addition, the continued improvement initiatives and turnaround at Hesto Harnesses ("**Hesto**"), the Group's major wiring harness supplier, was particularly pleasing when considering the significant losses incurred in the previous financial year ended 31 December 2023 ("**F2023**").

It was essential to mitigate and de-risk against the increasing financial volatility of and exposure to the Mutlu Group in Türkiye ("**Mutlu**"). Metair therefore successfully implemented the disposal of Mutlu, as detailed in the announcement published on SENS on Friday, 20 December 2024 thereby substantially de-risking the balance sheet and regaining control of interest cost. Consequently, Mutlu is classified as a discontinued operation in the financial year ended 31 December 2024 ("**F2024**") results and the previously presented results for F2023 have been restated accordingly.

Results from continuing operations (unless otherwise stated)

Operating conditions remained challenging throughout F2024, largely due to lower local production at South African Original Equipment Manufacturers' ("**OEMs**") caused by weaker demand from traditional export markets, as well as market share shifts due to the influx of imported vehicles, especially from China and India. In addition, as previously reported, reduced production volumes, due to engine certification issues, at one of the Group's major customers, Toyota South Africa Motors ("**TSAM**"), due to engine certification issues, significantly impacted the results of most Metair subsidiaries. These issues were resolved by TSAM in the fourth quarter of 2024.

Total local market vehicle production declined c. 5% from 649 231 vehicles in F2023 to 615 989 vehicles in F2024. TSAM resumed normal line production in November 2024, but the delayed engine certification process exposed the Group to an annual volume decline of c. 28%.

Automotive batteries sold in the Energy Storage businesses (Rombat and First Battery) improved by 10%, up 405 000 units from 3.9 million units in F2023 to 4.3 million units in F2024, supported by stronger export sales volumes.

Group revenue from continuing operations has been resilient despite the challenging market conditions and is expected to be R11.8 billion compared to R12.1 billion in F2023. Earnings before interest and taxation (EBIT*), is expected to range between R480 million and R520 million (F2023: R633 million) at a margin of between 4.1% and 4.4% (F2023: 5.3%). If Hesto were to be consolidated as a subsidiary (with all else being equal), Group revenue from continuing operations would be expected to be R17.3 billion compared to R17.8 billion in F2023, and EBIT would be expected to range between R720 million and R800 million (F2023: R25 million) at a margin of between 4.2% and 4.6% (F2023: 0.1%).

The restructuring of non-core operations, such as First Battery's ("**FB**") Industrial business and Alfred Teves Brake Systems' ("**ATE**") manufacturing line, had a temporary impact on reported EBIT above but is aligned with the long-term strategy to focus on profitability and cash flow generation. In this regard, c. R41 million in once-off restructuring costs were incurred.

**EBIT - calculated as operating profit before interest and taxation but excluding the impact of capital items (impairment of non-financial assets, and profit/loss on disposals and acquisitions). Comparatives have been adjusted accordingly.*

OPERATIONAL UPDATE

Automotive Components Vertical (excluding Hesto, which is currently not consolidated)

Revenue is expected to decline by c. 8% from R7.8 billion in F2023 to R7.2 billion. EBIT margins are anticipated to be between 5.0% and 5.4% (F2023: 7.1%). The impact of reduced customer volumes was partially mitigated through continued focus on operating efficiencies and cost control. Production capacity and shift patterns are being adjusted to match market demand. A decision was also taken to transition ATE into a trading only business model.

Hesto

Hesto demonstrated strong operational recovery on the back of the turnaround initiatives implemented. While Hesto's turnover is expected to be slightly lower than 2023 at between R5.4 billion and R5.6 billion in F2024 (F2023: R5.7 billion), EBIT is expected to improve, as a result of better efficiencies and operational improvements, from a reported loss of R608 million in F2023 to a profit of between R235 million and R265 million.

When including Hesto, Automotive Components revenue is expected to be 6% lower at R12.7 billion (F2023: R13.5 billion). EBIT is expected to range between R600 million and R645 million, recovering strongly from the R54 million loss incurred in F2023. Margins are expected to be between 4.7% and 5.2% (F2023: (0.4)%).

Energy Storage Vertical (excluding Mutlu which has been discontinued following the disposal)

Improved manufacturing efficiencies and scrap recovery supported earnings at FB in South Africa and EBIT margins of c. 9% to 11% are expected, even with softer sales volumes of c. 1.6 million batteries compared to 1.8 million batteries in F2023. Excluded from EBIT are once-off costs of c. R32 million associated with the restructure of the industrial division.

At Rombat S.A in Romania ("**Rombat**"), volumes sold improved by 23% to 2.8 million batteries (F2023: 2.3 million) supported by gains in exports sales. The business faces pressure from competition with cheaper imports and exposure to OEMs, and EBIT margin is expected to be between 1.6% and 2% (F2023: 1.6%). Write-offs of c. R43 million from the impairment and disposal of a portion of the Li-Ion line and R53 million from the impairment of goodwill were incurred during F2024.

Energy Storage revenue is expected to improve by c. 9% to R4.6 billion (F2023: R4.2 billion). EBIT margins are anticipated to range between 5.6% and 6.1% (F2023: 5.0%), before the impacts of impairments and restructuring costs.

Discontinued operations (Mutlu)

Türkiye's interest rates increased to 50% during F2024, and the annual inflation rate peaked at 75% before dropping to 44.4% in December 2024. To mitigate against the increased financial volatility and debt levels, the Group concluded the disposal of Mutlu on 19 December 2024.

Due to tough trading conditions, the hyperinflationary environment and excessive interest, Mutlu is expected to report a post-hyperinflation loss after tax and interest of R486 million up to the date of sale in December 2024 (F2023: R74 million profit for the full year). Due to the resulting high debt and trade creditor levels, equity proceeds of US$1 million were realised (subject to closing accounts finalisation) on the sale, and together with the impact of hyperinflation as well as recycling of foreign currency translation losses, the loss on sale including costs is expected to be R4.0 billion.

AutoZone Holdings Proprietary Limited ("AutoZone") acquisition

As reported in the SENS announcement published on Tuesday, 17 December 2024, the Group successfully completed the purchase of AutoZone for an aggregate sum of R278.5 million. The acquisition represents a strategic shift to diversify revenue streams and gain access into new markets. Integration processes and the identification of synergistic opportunities are underway. The net asset value of identifiable assets acquired, comprising mainly inventory, amounted to c. R473 million and consequently a purchase gain of c. R195 million is expected to be realised ("non-HEPS") for F2024. AutoZone is consolidated effectively from 31 December 2024, as allowed under IFRS.

Liquidity and debt

As previously reported in the SENS announcement published on 17 December 2024, an executable final optimal capital restructuring for Metair is well on track and will be presented to the board of directors of Metair ("**Board**") and the funders during March 2025. With the full support of the Group's lenders, the new proposed funding profile will aim to ensure a sustainable capital structure and covenant threshold, focused on the optimisation and the deleveraging of debt in the medium term.

The Group's net debt (including Hesto and associated guarantees) amounts to approximately R4 billion at 31 December 2024 (F2023: R4.5 billion), the majority of which is classified as short term. In addition to the R685 million raised on 1 July 2024 for the rebalancing of Hesto shareholder loans, additional short term bridge facilities totalling R1.130 billion were raised to redeem the preference share facility (R840 million) and acquire AutoZone (R290 million).

Net debt: earnings before interest, tax, depreciation and amortisation ("**EBITDA**") (on a covenant methodology basis) is anticipated to range between 3.4 and 3.6 times (F2023: 3.1 times). New covenants and funding terms will be communicated upon conclusion of the new debt refinance package.

European Commission's Statement of Objections

Shareholders are referred to the announcements published on SENS on Wednesday, 6 December 2023, Monday, 11 March 2024, and Thursday, 5 September 2024 regarding the European Commission's ("**Commission**") investigations into battery manufacturers in Europe. At this stage, no ruling or final determination has been made by the Commission and a reliable estimate of any potential fine cannot be determined.

Strategy update

Metair is navigating challenging operational and geopolitical conditions. Market share shifts will continue to impact vehicle production in key regions as engine technologies evolve and consumer preferences change. To address these challenges facing Metair's automotive component manufacturing businesses, the Group will focus on operational efficiencies to reduce costs, strengthen its revenue base, and improve margins for better returns on invested capital.

In South Africa, we are working towards gaining market share by expanding product offerings and entering new sales channels. While we face short-term challenges related to volume decline and high debt levels, management has made significant progress regarding the stabilisation and turnaround strategy. Hesto has shown strong recovery, and local operations such as Lumotech and FB contribute meaningfully to profitability. To address market shifts and volume variability, right-sizing certain operations will be a priority in the financial year ending 31 December 2025. The AutoZone acquisition will be key strategic driver in terms of diversifying our dependence on local OEMs and opening new sales channels.

Going forward, in line with our strategy, our primary segmental focus will move from Automotive Component Manufacturing and Energy Storage to Automotive Component Manufacturing and Aftermarket Automotive Parts and Services. We aim to expand in Sub-Saharan Africa's mobility sectors through a "reset and growth" strategy, creating long-term value and fostering sustainable mobility. This will involve optimising EBITDA, driving efficiencies, and ensuring that leadership has the right capabilities to guide the Company. The Group is committed to positioning itself for the future by embracing technological advancements and strengthening relationships with OEMs, partners, and customers.

The Board remains cognisant of the solvency and liquidity ratios in the current operating environment and is therefore closely monitoring and reviewing actual capital commitment and optimal timing requirements. The restructuring of the Group's balance sheet, including the renegotiation of terms, size, payment profile and make-up of a new funding package, remains top priority.

TRADING STATEMENT

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next, will differ by at least 20% from the financial results for the previous corresponding period.

Metair is in the process of finalising its financial results for the year ended 31 December 2024 ("**Results**") and Metair shareholders are accordingly advised as follows:

Earnings guidance from continuing operations

In respect of the Group's earnings from continuing operations (the Group, excluding Mutlu), the Company expects to report:

- earnings per share ("**EPS**") of between 138.53 cents and 140.73 cents compared to EPS of 11 cents* for the year ended 31 December 2023 ("**FY2023**"); and
- headline earnings per share ("**HEPS**") of between 78.56 cents and 98.0 cents, being a decrease of between 0% and 20% (FY2023: HEPS of 98 cents*).

**Re-presented for discontinued operations in accordance with International Financial Reporting Standards (IFRS) 5.*

Total earnings guidance including discontinued operations

In respect of the Group's total earnings, including Metair Türkiye, the Company expects to report:

- a loss per share of between 2 145.15 cents and 2 154.95 cents (FY2023: EPS of 49 cents), primarily due to the capital loss realised on sale of Mutlu; and
- a headline loss per share of between 185.33 cents and 212.33 cents (FY2023: HEPS of 135 cents).

Due to the debt restructuring process and the activities currently being undertaken, the full year results are expected to be published on or about Wednesday, 26 March 2025.

The information contained in this announcement is the responsibility of the Board and does not constitute an earnings forecast. Such information has not been audited, reviewed, or reported on by the Group's external auditors.

14 February 2025
Johannesburg

Sponsor
One Capital