COMMENTARY ON THE EOH FINANCIAL RESULTS

for the year ended 31 July 2024

EOH is delighted to present a resilient set of results demonstrating notable progress with its turnaround strategy. Over the past financial year, the Group has made significant strides in building a sustainable business. EOH successfully addressed its capital structure, resolved major legacy issues, streamlined a significant head office and administrative structures, stabilised its financial performance, and reset the investment strategy for growth. These accomplishments represent important milestones in the pursuit of financial stability and the enhancement of investor confidence.

One of the most noteworthy achievements during this period was restructuring the Group into three divisions, aimed at increasing the Group's market share through greater internal cohesion to optimise client solutioning. iOCO South Africa now provides cutting-edge technology services to 38 of the top 40 JSE-listed South African companies. At the same time, iOCO International offers digital enablement services in the Middle East and Europe. EasyHQ, now referred to as OKS (Outsourced Knowledge Services), offers People Solutions and HR Platforms (powered by technology platforms) to various businesses.

Summarised financial results

Total Group revenue generated was R6.0 billion, down 3.1% (FY2023: R6.23 billion from continuing operations). Total Group revenue, excluding sold NEXTEC legacy entities, was R5.78 billion, down 0.3% (FY2023: R5.80 billion from continuing operations). Most of our businesses demonstrated resilient revenue generation despite the economic headwinds. International and Infrastructure put in an excellent performance, up 27% and 5%, respectively, with Digital revenue generation robust. Revenue declined in Connected Industrial Ecosystem business where the inability to close specific contracts resulted in a 15% reduction in revenue; however, we have seen a considerable uptick in performance in H2 of the year.

Gross profit of R1.65 billion was 6% lower than the prior year. Despite economic headwinds, gross margins remained relatively steady at 27.3% (2023: 27.9%). A Board sub-committee was formed in June 2024 to turn EOH around. Key initiatives include business restructuring and rationalisation plans. A corporate and administrative cost restructure has thus far been successfully completed, resulting in a range of R160 million to R200 million of cost savings into FY25. In addition to reducing cost and complexity, a key aim of the simpler corporate structures is to optimise the tax structure for the Group. As part of this process, a further 35 legal entities have been deregistered.

The associated restructuring costs significantly impacted FY24 financial performance. Operating profit was reduced by 17% or R23 million to R112 million, mainly due to underperformance within the EasyHQ, Connected Industrial Ecosystems and software enterprise businesses together with the restructuring costs.

EOH achieved a R307 million adjusted EBITDA, only 1.4% lower than the R312 million generated in 2023. EBITDA margins were stable at 5%. When normalised for the restructuring costs, it results in year-on-year growth in both operating profit and adjusted EBITDA*. The full benefits of these actions are expected to be realised in the FY25 year.

* *To note, EOH's definition of adjusted EBITDA includes an adjustment for share-based payment expense.*

Net finance costs were reduced by a pleasing 28% to R118 million. This notable decrease is attributed to a reduction in debt through the rights issue, further disposals of R41 million, and the refinancing of existing debt at improved interest rates. These rates now range between JIBAR+2.65% per annum and JIBAR+4% per annum, depending on the leverage ratio. Our finance cost for 2024 also includes a one-off legacy charge relating to a prior period interest expense of R14 million related to the Department of Water and Sanitation settlement.

EOH incurred a year-on-year headline loss per share of 0.21 cents, reflecting a significant improvement of 99% relative to the prior year's loss of 21 cents and a loss per share of 10 cents, an improvement of 23%.

COMMENTARY ON THE EOH FINANCIAL RESULTS continued

for the year ended 31 July 2024

Net working capital was tightly managed in the current environment, decreasing by approximately 21% in FY24. During the year, the Group generated R171 million in cash from operations, an improvement of 57% from the prior year. The Group had an available cash balance, together with an accessible facility, of R436 million as at 31 July 2024. A net investment of R64 million was made into maintenance and infrastructure during the year.

The successful rights issue concluded in 2023, raised a net R550 million, and has been critical in rightsizing EOH's capital structure. The debt as of 31 July 2024 decreased to R644 million after a further R41 million reduction through disposal proceeds. With the asset sale process aimed at reducing legacy debt essentially completed, the Group continues to focus on maintaining streamlined operations and aligning the business portfolio with core objectives. We will, together with our Board members and shareholders, continue to look at options to optimise the Group's capital structure.

DIVISIONAL REVIEWS

iOCO South Africa

IOCO SA, at 78% of total revenue, continues to contribute the largest share of the Group's revenue. The division experienced muted growth and delays in signing new contracts in an uncertain business environment leading up to the national elections. We are pleased to note that the business units in this segment have good pipelines and a positive outlook for FY25, with the increasing need for cloud, AI, intelligent data solutions and cyber security creating accelerating demand for EOH's leading solutions.

In particular, the swift progression of AI technology has led to a heightened need for IT services, data, and the computational resources essential for implementing AI in business. Our iOCO Digital business is at the forefront of efforts to empower clients to leverage these emerging trends. Companies are also grappling with cyber security, further exacerbated by changing ways of work. This has led to our Fraud and Forensics capabilities experiencing tremendous growth in supporting clients through our SOC (Security Operations Centre), SIEM (Security Information and Event Management) and other leading cyber security solutions.

While the Operational Technology (OT) business experienced a delay in signing off new contracts in South Africa this year, the outlook for this part of the business is positive, as these contracts are expected to come into effect in FY2025. The expansion of our OT business into Southern, East and West Africa continued to gain momentum, gaining several new partners and customers. Industrial companies are increasingly converging their IT and OT systems, and iOCO's Connected Industrial Ecosystems team is helping clients accomplish this often-complex process. iOCO maintains a competitive edge in this area as its team has deep and considerable sector-specific expertise.

iOCO International

The International segment grew revenue by a pleasing 27% this year to R661 million, now contributing 11% of Group revenue from 8% a year ago. Expansion into the Middle East, Switzerland, and the United Kingdom has exceeded our expectations. It is an important source of further revenue growth potential and diversifies EOH's business and geographic footprint.

Outsourced Knowledge Services

The OKS business focused on refining its go-to-market offerings during the period and generated reasonable results. The Fraud and Forensics components delivered good growth, while the HR Platforms business and People Solutions components remained steady. The tutoring components, in particular, had a solid period under review.

LEGACY ISSUES

EOH has managed to close out two of its significant legacy matters in the 2024 financial year, those being the Mehleketo and SARS legacy PAYE disputes. The settlement of these issues now puts the Group in a position to focus firmly on further executing the Growth-Efficiency-Talent (GET) strategy. Legacy payments are fast approaching their end, with final payments due to start closing out in FY2025. This is another important step forward, as these will be the final remaining legacy issues, which will coincide with the conclusion of the strategic reset and restructuring process.

COMMENTARY ON THE EOH FINANCIAL RESULTS continued
for the year ended 31 July 2024

STRATEGY – POSITIONING TO CREATE EXCEPTIONAL VALUE IN A DIGITAL WORLD

Business trends that have fueled the growth of our technology business in the past 12 months include evolving ways of work and the AI revolution. Specifically, the rapid advance of AI has increased demand for IT services, data, and computing power, which is needed to apply AI in business. EOH remains a level 1 black-owned company and is one of the largest IT services businesses in South Africa. It has the necessary scarce skills and experience to supply this accelerating demand and promote digital transformation in the public and private sectors.

EOH remains renowned for its ability to help legacy modernisation and architecturally set up the correct data and testing that supports customers in addressing the wave of change being experienced. One of iOCO's most notable achievements in the reporting period has been its efficient modernisation of legacy applications and large-scale cloud migration projects in the Financial Services sector. The Company is firmly poised to also support the public sector's digital transformation through its leading enablement services. Our legacy matters that hindered public sector growth are largely resolved, and the renewed government engagement for potential involvement in future projects has further focused the EOH teams and provided considerable momentum internally within the Company.

PROSPECTS

EOH advised shareholders that the Company intends to recommend that shareholders approve a proposal to change the Company name to iOCO Limited at the upcoming AGM. EOH believes that the proposed name change aligns with the Company's strategic objectives and branding initiatives.

EOH has made notable progress in restructuring and stabilising the business in the past year and is now well-poised to execute more efficient day-to-day operations and its exciting growth strategy.

We note welcome signs of a recovery in business confidence, with the absence of loadshedding, lower interest rates, higher growth expectations and positive cooperation within the Government of National Unity. These indicators point to a more robust economic landscape ahead. The EOH Group is well-positioned to capitalise on these improvements and participate in future growth.

On behalf of the Board

M de la Rey

Marius de la Rey
Interim Group Chief Executive Officer

Kooblall

Ashona Kooblall
Group Chief Financial Officer

Sandton
23 October 2024