

The background of the slide is a complex geometric pattern of interlocking triangles. The triangles are arranged in a way that creates a sense of depth and movement, with colors transitioning from dark blue on the left to light blue and then to green on the right. The overall effect is modern and professional.

FY 2019 Annual Results Presentation

15 October 2019



**Strategic and
operational
overview**

**Governance
overview**

**Financial
overview**

**Looking
forward**

Stephen van Coller
Group CEO

Fatima Newman
Group CRO

Megan Pydigadu
Group CFO

Stephen van Coller
Group CEO





STRATEGIC AND OPERATIONAL OVERVIEW

Stephen van Coller
Group CEO



KEY FEATURES



EOH remains a key part of the economic fabric of South Africa

Total Revenue
R15 373 million



Enhanced King IV compliant Board & new Executive leadership

Normalised EBITDA
R792 million



Extensive review and clean up of the balance sheet

Cash balance
R1 049 million

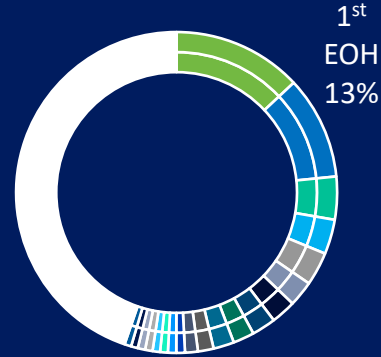
> EOH – A HIGH POTENTIAL BUSINESS WITH GREAT EMPLOYEES



>5000 clients
with multi-year
relationships



#1
**SA IT service
provider 2018**
Gartner, April 2019



Talented Technical
Workforce Over
1000 developers



**High potential IP
businesses**



100+
Entrepreneurial businesses
bought
=
Highly entrepreneurial people

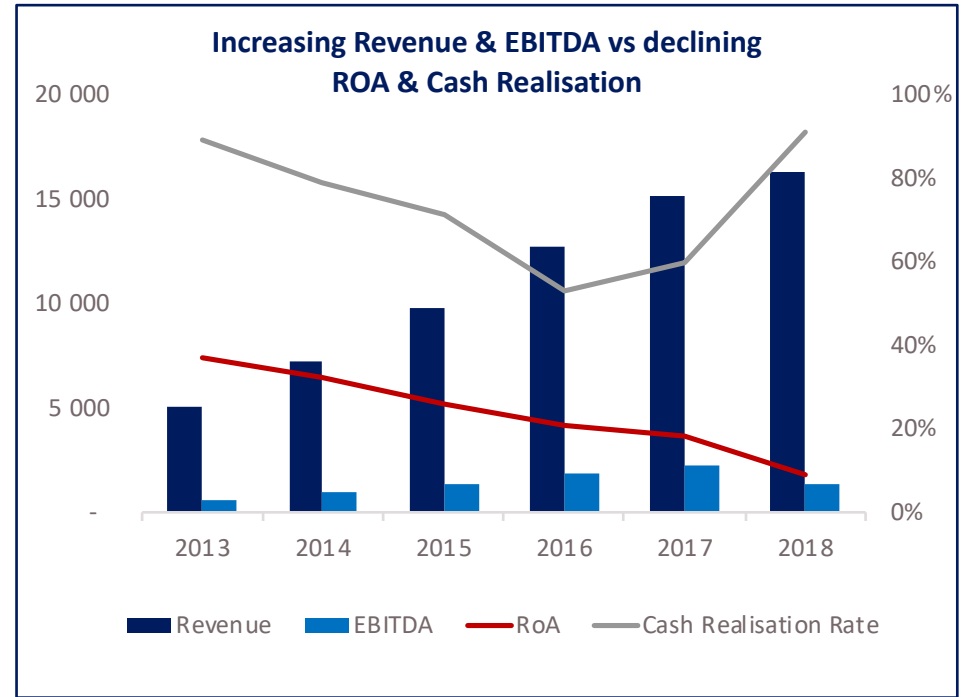
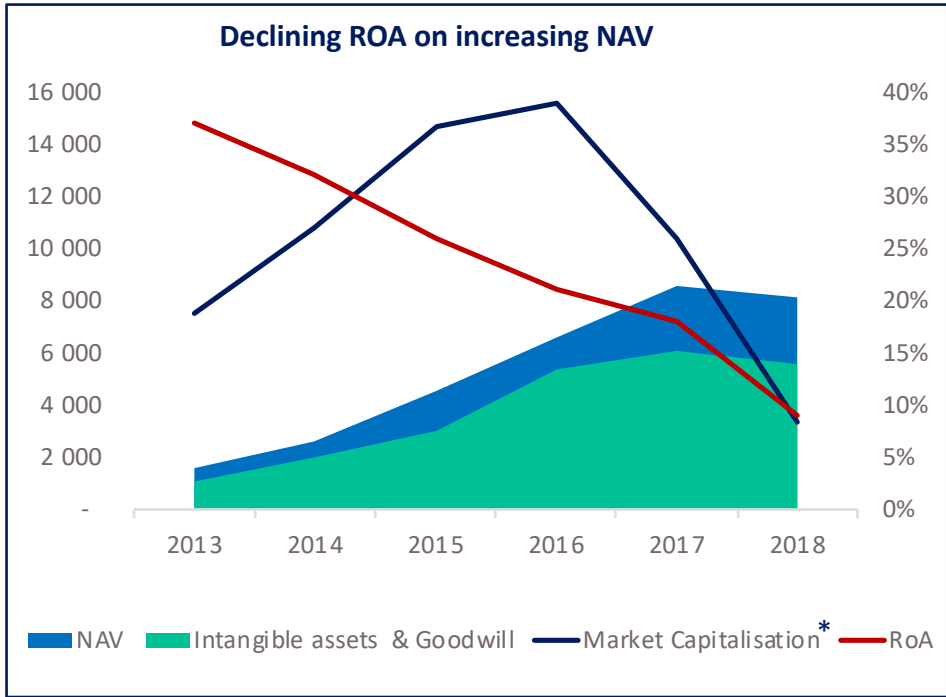


B-BBEE Large Enterprise
Level 1



**Unparalleled range
of IT Solutions**
Africa's Largest Technology
Service Provider

HOWEVER, CONCERNING TRENDS HAVE BEEN IN PLACE

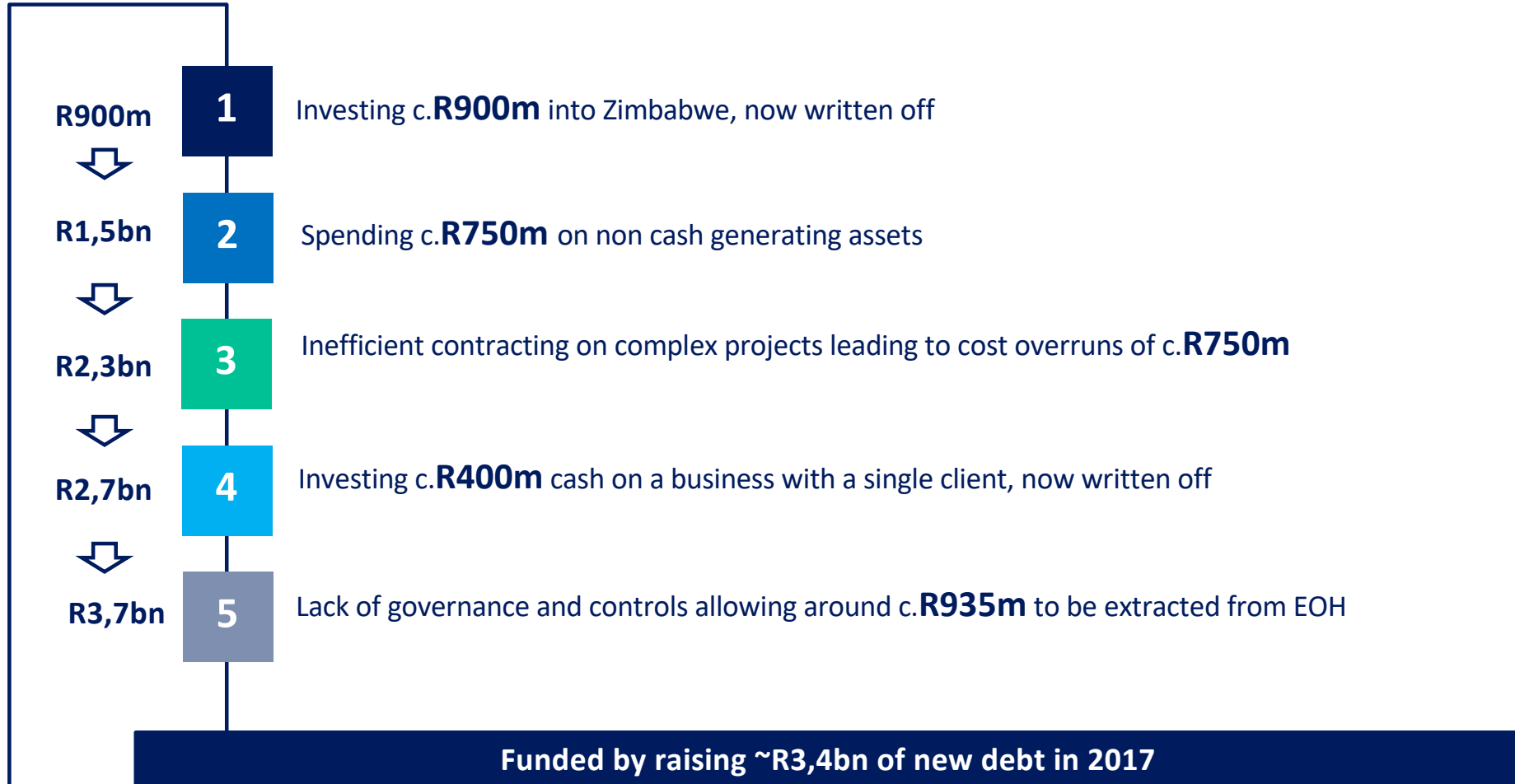


Clear evidence of

- Optimistic revenue recognition resulting in falling collections
- Inappropriate IP capitalization inflating EBITDA
- Revenue driven through generous asset purchase prices

* 6 Market cap data points used – August of each year

SOME MATERIAL MISTAKES WERE MADE BETWEEN 2013 and 2017



OUR TURNAROUND PROMISE WITH CLEAR PRIORITIES



Credibility

- Deal with the **allegations**
- Provide **transparency on outcomes**
- Rebuild an **ethical business**



Liquidity

- **Deleverage** the balance sheet
- Pursue other opportunities to **unlock liquidity**
- Address **costs**



Transparency

- Unpack **business model** for investors
- Provide **transparent reporting**
- Develop a strategy to **return to growth**

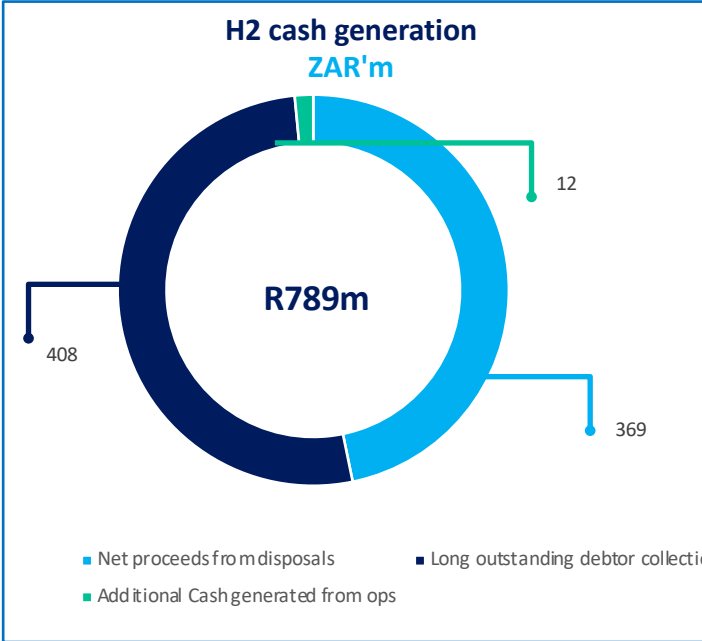
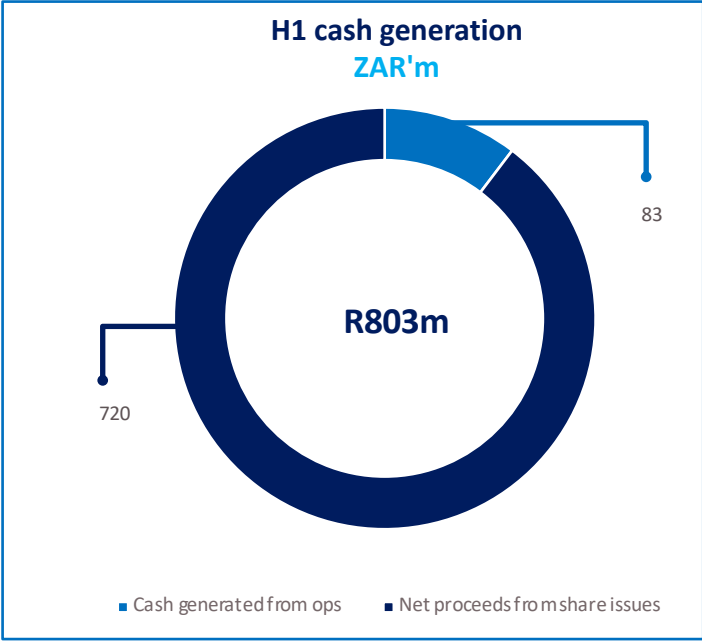
DESPITE THE SEVERE ISSUES UNCOVERED, SIGNIFICANT PROGRESS ACHIEVED



Credibility

- Created a **new Board** and **new Executive** team
- Rolled **out governance and control systems**
- Enhanced **whistle blowing** procedure
- Completed the **ENS review transparently**
 - All individuals directly involved no longer employed
 - ENS instructed to fully cooperate with all authorities
 - Engaging SARS and National Treasury to settle any liabilities

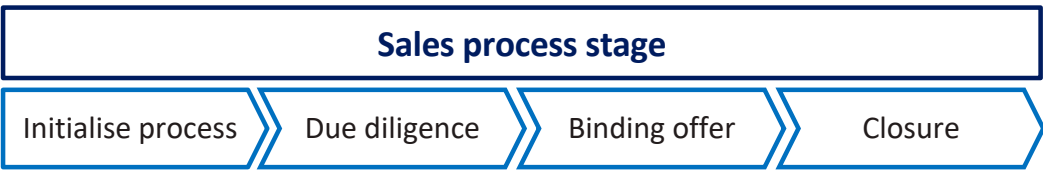
> DESPITE THE SEVERE ISSUES UNCOVERED, SIGNIFICANT PROGRESS ACHIEVED



R1,6 bn of cash generated in FY2019

Responsible deleveraging plan agreed with the Banks

DISPOSALS UPDATE



	Assets	Initialise process	Due diligence	Binding offer	Closure	
Non-core asset sales	5 Assets	[Progress bar]				
	9 Assets	[Progress bar]				
	9 Assets	[Progress bar]				
	3 Assets	[Progress bar]				
	2 Assets	[Progress bar]				
	7 Assets	[Progress bar]				
Strategic partnerships	CCS	[Progress bar]				
	3 Assets	[Progress bar]				

Total consideration @ October

15 Assets sold for c. R750m

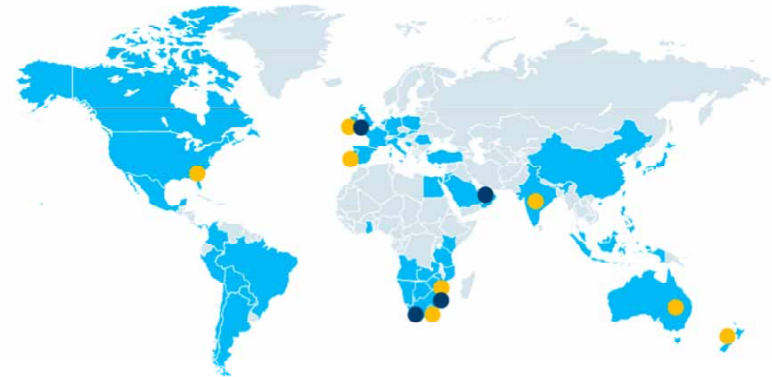
Total expected proceeds

> R 1 billion in 2020

SCALING OUR BUSINESSES: THE CCS TRANSACTION



CCS current footprint



● CCS offices. ● Authorized distributors. ● Countries where CCS software is used



Acquired by



The deal

EV/EBITDA of
8.5x



Enterprise value of
R 634.8m

PROPERTY RATIONALISATION



2018

77



2019

52



2020

21



GAUTENG

32



25



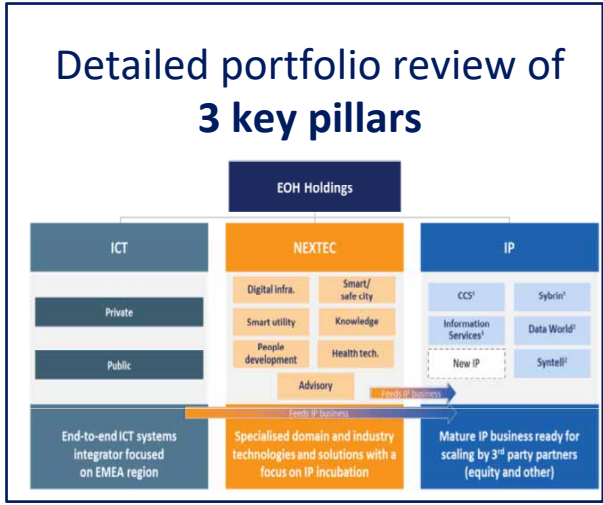
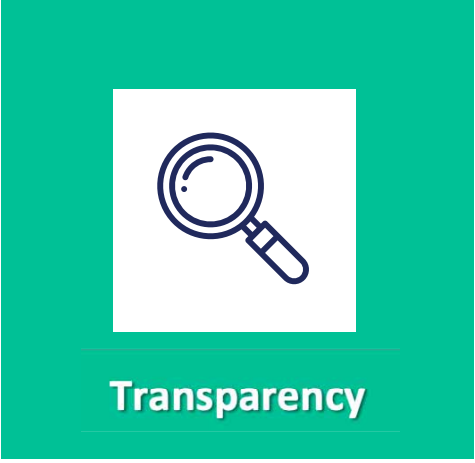
12



WESTERN CAPE

- **32 Buildings** exited in 2019
- Real Estate saving **R64,8 million**
- Additional reduction of **44 buildings** by 2020
- Total savings of **~R151 million** by 2020

DESPIITE THE SEVERE ISSUES UNCOVERED, SIGNIFICANT PROGRESS ACHIEVED



Clear path to simplified structure:

70% in legal entities



>100 hrs spent with Client Risk Committees and Senior Executives

Enhanced **financial reporting** and **disclosures**

Extensive **balance sheet clean up**

Crafted a **strategic turnaround plan** to harvest profitable business

The background of the slide is a photograph of a modern, multi-story building with a glass facade. The building is viewed from a low angle, looking up, which makes it appear tall and imposing. The sky is a clear, bright blue. The building's glass reflects the sky and other parts of the structure, creating a complex pattern of lines and colors. The overall aesthetic is clean, professional, and modern.

GOVERNANCE OVERVIEW

Fatima Newman
CRO

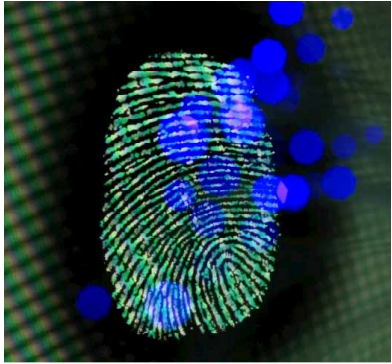


GOVERNANCE CONTEXT

- **6 intense, challenging and complex months!**
- **With the support of key strategic collaborators have made significant progress to clean up the past**
- **Progress in 6 months**
 - Significantly stronger **risk management** capability – with stronger leadership
 - **Progressed the legal process** to ensure justice and restitution
 - Committed to investing in a **sustainable strategy**



OUR PRIORITIES FOR CLEANING UP THE PAST - BASED ON FOUR PILLARS



Forensics

A detailed plan to forensically analyse our existing position by determining the scope of the wrongdoing



Governance

Before building a best practice framework, we needed to assess our functional capabilities



Justice

Simultaneously, we needed to kick off a process to ensure justice was served and we had done enough to mitigate the damage



Sustainability

We needed to understand the internal and existing skills and talents before we could assess the knowledge gap

SEVERAL FUNCTIONAL WEAKNESSES WITHIN THE EOH ECOSYSTEM



Procurement & Supply Chain

- **Poor tendering** process
- Inconsistent bid management
- No supplier relationship management
- No contractual management process
- **Lack of reporting** and limited visibility
- **No segregation** of duties



Legal

- **No contract management system in place**
- **Weak contracting policy** and processes
- **Ineffective action** on liabilities and penalties due
- **Poor regulatory compliance** and no BCM regulation
- Lack of visibility in the contract environment



Governance, Risk & Control (GRC)

- **Unethical behaviour** & leadership issues
- **No cohesive integrated governance** framework
- No compliance or risk management capability
- **Unethical risk culture** with inconsistent practices
- Insufficient training and awareness
- Inconsistent processes and practices
- **Inadequate whistleblowing** channels



Human Capital Management

- **Poorly managed organisational change**
- **Poor integration** of entity cultures
- Insufficient post acquisition restructuring
- Fragmented incentive systems
- **Poor performance management**
- **Excessive reliance on contractors**

STATUS ON THE COMPREHENSIVE REMEDIATION PLAN

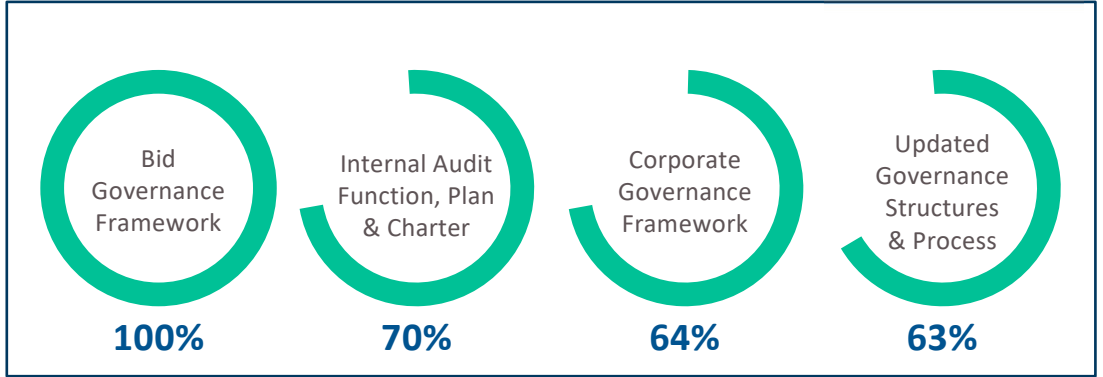
Forensic Analysis of Risk

Forensics



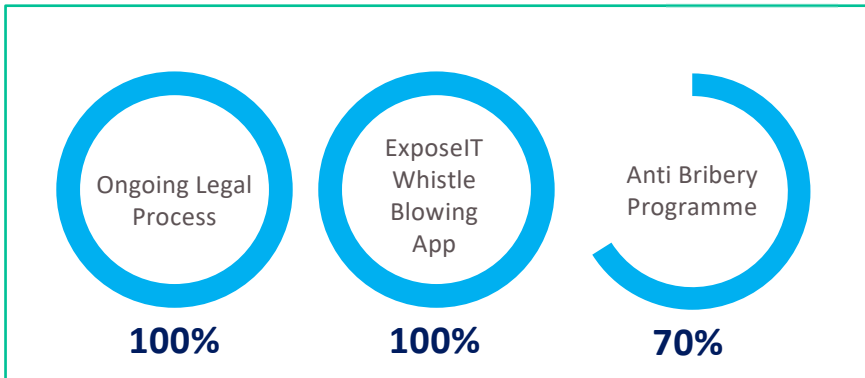
Strengthened Governance and Risk Management

Governance



Deliver Justice and Mitigate Damage

Justice

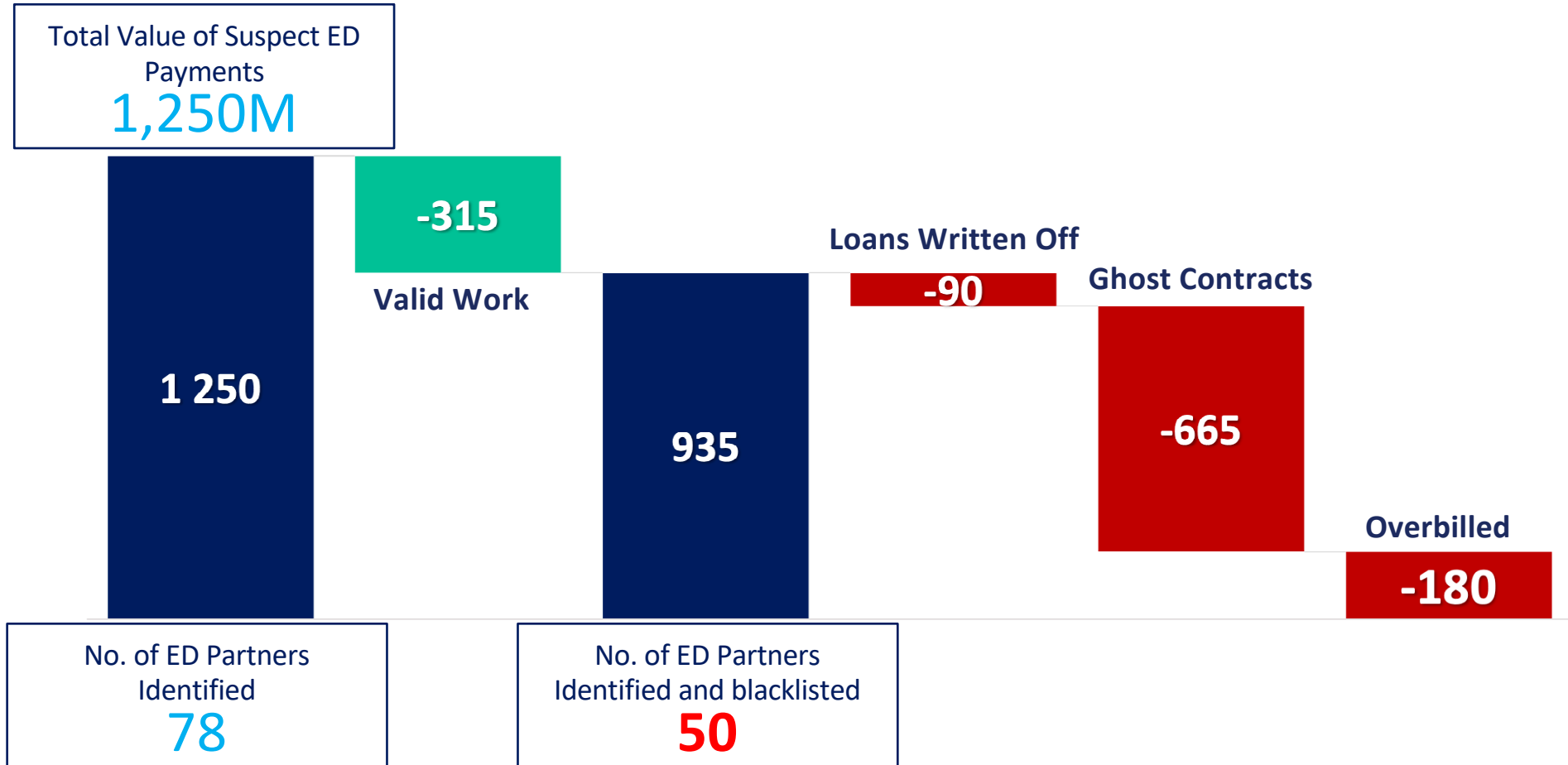


A Sustainable and Ethical Futureproofing for People

Sustainability



STATUS ON THE PURSUIT OF JUSTICE AND RESTITUTION



DEALING WITH THE INDIVIDUALS

Regulatory Bodies Engaged



1

16 EOH employees implicated



2

50 Enterprise Development entities implicated and blacklisted



3

18 Enterprise Development Directors implicated



4

12 Government employees implicated



5

7 Section 34 reports submitted



Of these implicated individuals, 46 names reported to FIC and Hawks*



WHERE TO FROM HERE

Good business practices are not driven by a corporate culture **they reflect a corporate culture!**

Values that govern the board room should be no different than the values that guide the rest of us

Good corporate citizenship means doing no harm in the communities we do business in – rather actively working to leave those communities better than we found them because **poverty anywhere undermines stability everywhere!**



FINANCIAL REVIEW

Megan Pydigadu
Group CFO

FACTORS IMPACTING OUR RESULTS

H1
2019

BEE & Liquidity Initiatives

BEE Transaction
Cash injection
R750mBridge Facility
R250mH2
2019

ENS & reputational issues

Make sense of the numbers

Re-organisation

Sales process


Initiated cost efficiencies

Implementation of improved credit & collection process

Deleveraging

CHALLENGES WE FACED AND IMPROVEMENTS MADE

THEN




Systems not fit for purpose

- Outdated
- Manual consolidation



People

- Culture of low accountability and ownership



Poor oversight and control

- Balance sheet not representative of reality
- Poor segregation of duties

NOW

- Consolidation system Phase 1 implemented
- Budgeting system implemented
- Treasury system being implemented
- Financial statement system implemented

- Proper functions in place (Tax, Treasury, FP&A)
- Recruitment of skilled and experienced individuals
- HR interventions: KPI's performance management
- IFRS skills inhouse
- Training on IFRS & tax for finance function

- Monthly balance sheet reviews
- Accountability & ownership driven down into organization
- Balance Sheet cleaned up
- Delegation of authority rolled out
- Risk heat maps implemented
- Weekly cash flow forecasting
- Weekly debtors meetings

> CLARIFYING DISCLOSURE DEFINITIONS

CONTINUING OPERATIONS

ASSETS HELD FOR SALE

DISCONTINUED

Income Statement



In each line of I/S

In each line of I/S

In one line item
Loss from discontinued operations

Balance Sheet



In each line of B/S

In assets held for sale

In assets held for sale

Includes



Core business
Businesses being re-assessed
Projects in the process of being closed in complex ERP space & electrification of water pumps

Doesn't form major line of business but earmarked for sale. Generally part of a business line

Major line of business earmarked for sale or in sale process



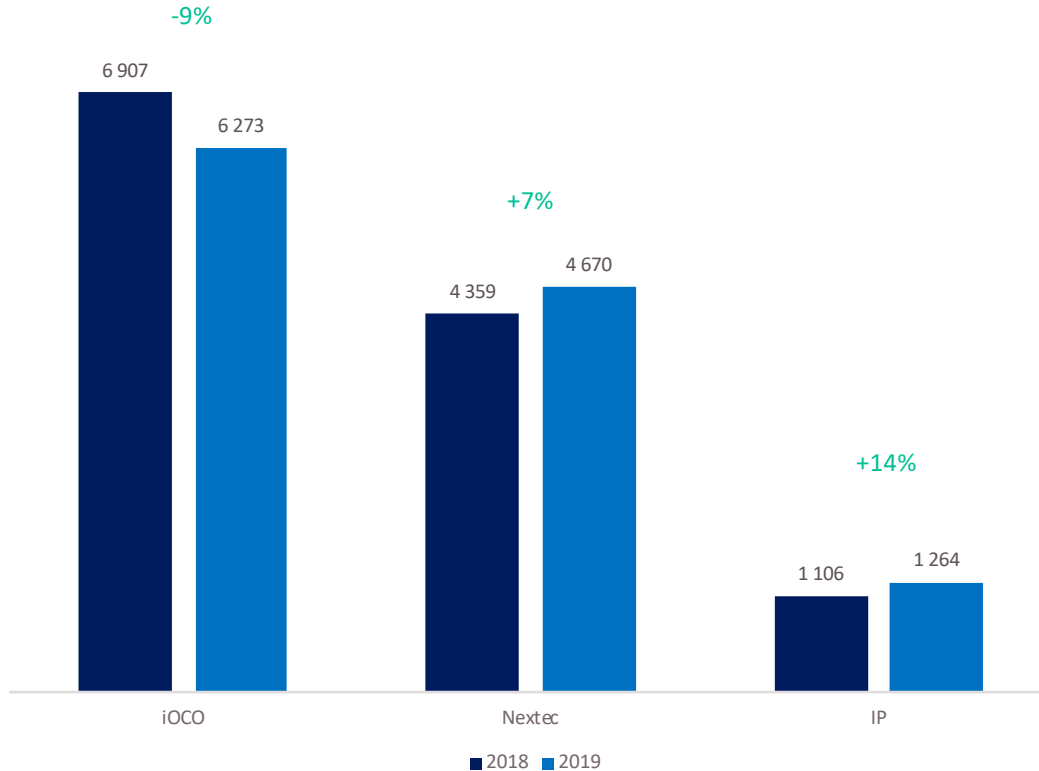
INCOME STATEMENT HIGHLIGHTS

Continuing

R'm	FY 2019 Reviewed	FY 2018 Restated Audited	% change
Revenue	11 791	12 103	(3%)
Gross Profit	2 369	3 421	(31%)
Net financial asset impairment losses	(606)	(534)	13%
Operating expenses	(5 136)	(4 227)	22%
Operating loss	(3 373)	(1 340)	152%
Net finance costs	(303)	(310)	(2%)
Share of equity-accounted loss	(10)	-	
Taxation	(324)	(206)	57%
Loss for the year – continuing operations	(4 010)	(1 856)	116%
Loss for the year – discontinued operations	(861)	(130)	562%
Loss for the period	(4 871)	(1 986)	145%
Gross margin	20%	28%	
Operating margin	(29%)	(11%)	
Loss per share – Continuing (cents)	(2 464)	(1 277)	
HEPS – Continuing (cents)	(1 352)	(728)	

REVENUE BREAKDOWN

Revenue by Division
(ZAR'm)

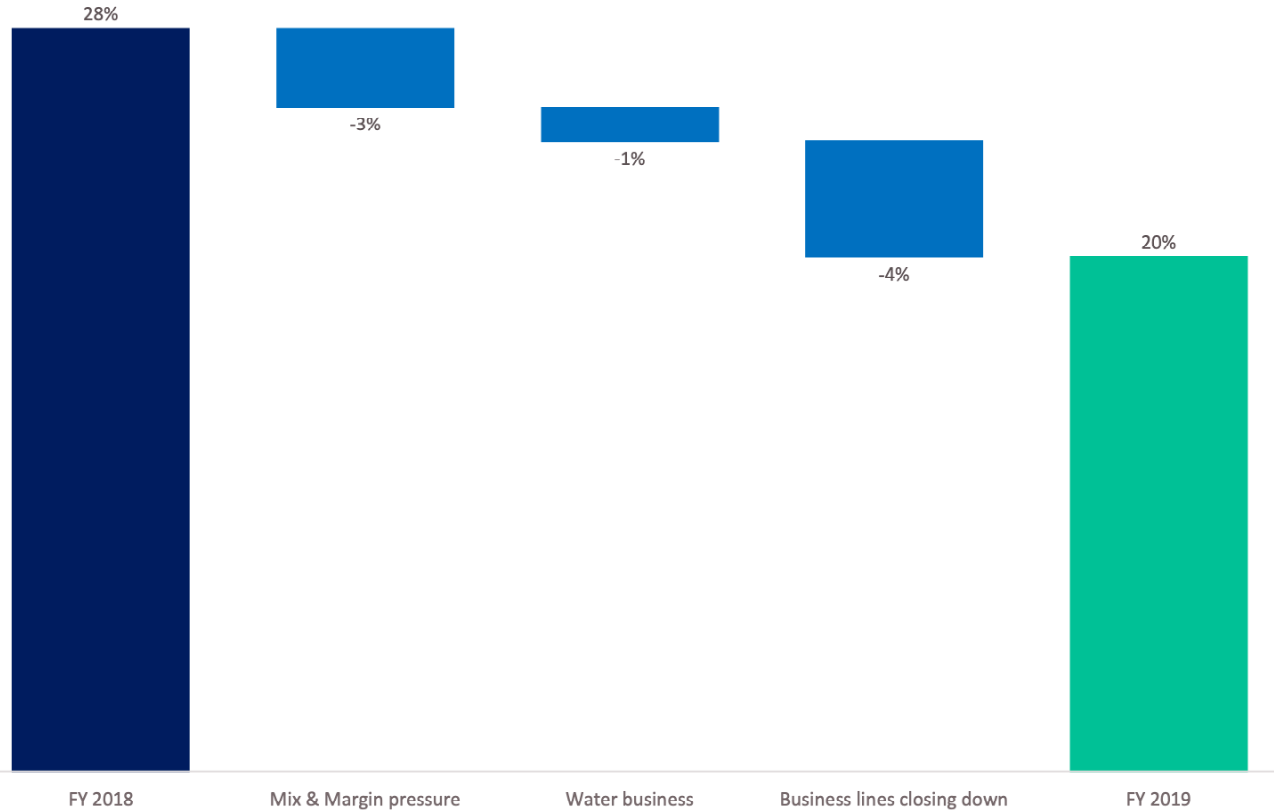


- Positive growth in IP business comprising Sybrin, Syntell & Information Services
- NEXTEC revenue impacted by delay in infrastructure projects in water, power sectors
- Slowdown in iOCO revenue in H2 due to reputational issues
 - Further impacted by poor performance in ERP implementation business as well as License reseller (Qlik)



GROSS PROFIT MARGIN

8% drop in GP Margin y-o-y



Mix & margin pressure

Economic pressures

Water Business Line

Delay on certain projects in infrastructure space

Business Line Close downs

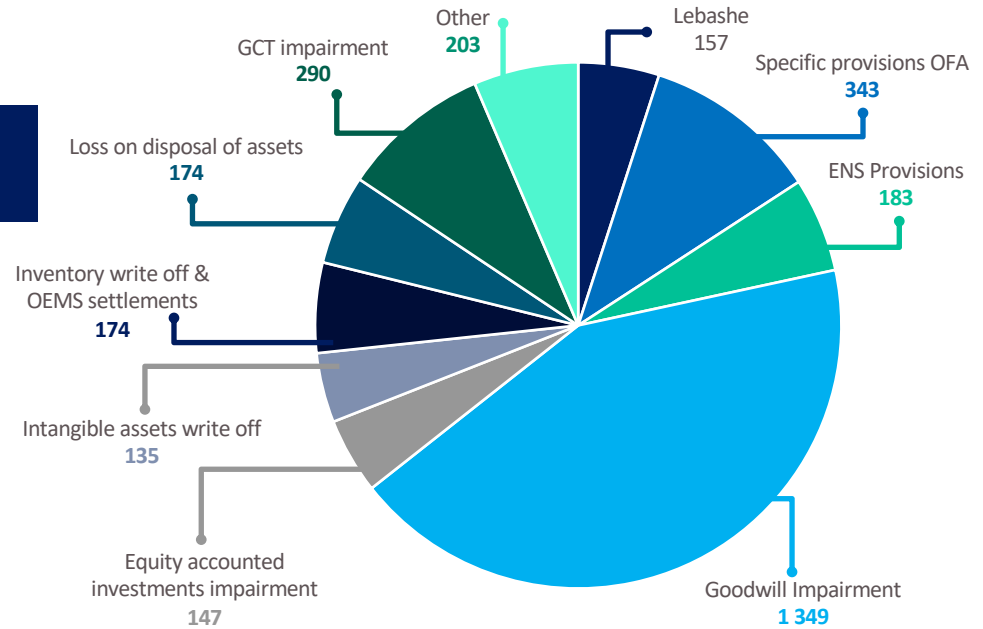
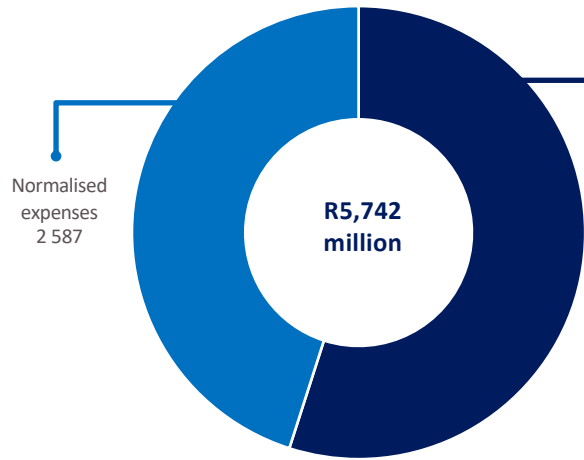
Close out of projects in ERP public sector space and water electrification projects

OPERATING EXPENSES IMPACTED BY FLAWED FUNDAMENTALS

c.20% decrease in normalised costs year on year

FY 2019

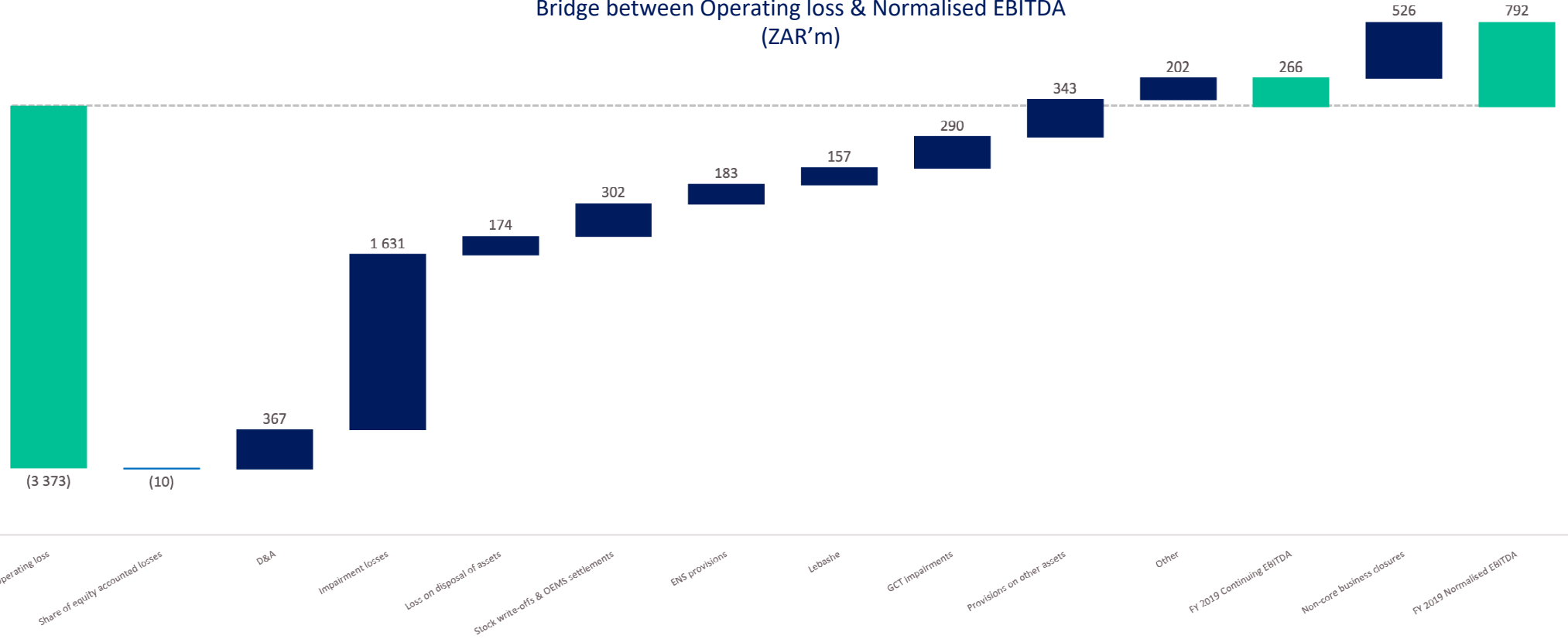
Once-off costs R3,155m





NORMALISED EBITDA

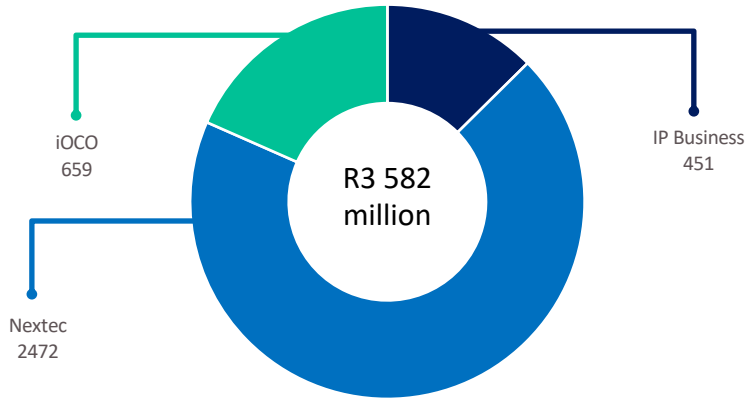
Bridge between Operating loss & Normalised EBITDA (ZAR'm)



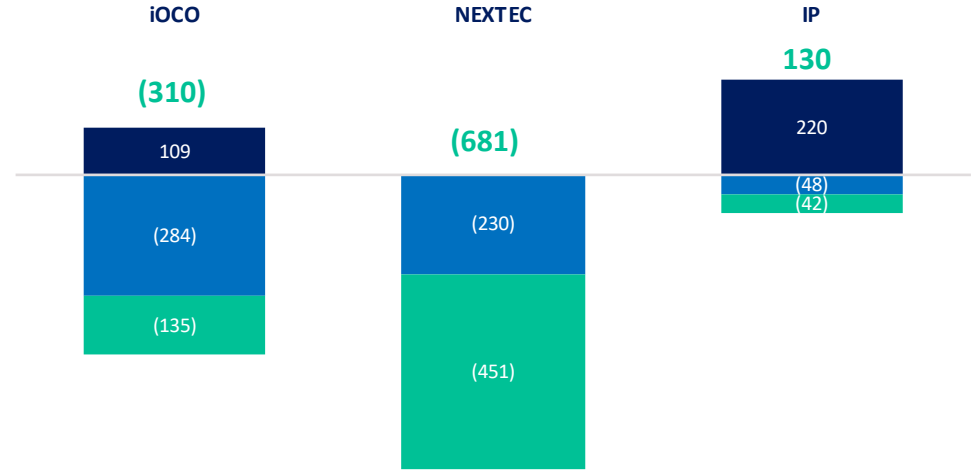


DISCONTINUED OPERATIONS

FY 2019 Discontinued Operations Revenue (ZAR'm)



Breakdown of R861m Loss after Tax in Discontinued Operations (ZAR'm)



■ Profit on disposal
 ■ Loss after tax
 ■ Remeasurement to fair value less costs to sell

R1,194m
 Net Assets Value expected to be realised



BALANCE SHEET REVIEW COMPLETED

Assets

ZAR 'm	FY 2019	Restated FY 2018	AHS Movement	Difference
Non-current assets	3 379	7 366	695	(3 292)
PPE	482	743	217	(44)
Goodwill	1 851	4 255	372	(2 032)
Intangible assets	489	880	-	(391)
Equity accounted investments	228	531	72	(231)
Other financial assets	12	499	7	(480)
Deferred tax	245	327	27	(55)
Finance lease receivables	72	131	-	(59)
Current assets	6 460	6 887	1 064	637
Trade and other receivables	3 164	4 733	716	(853)
Inventories	251	378	35	(92)
Cash & cash equivalents	1 049	1 418	310	(59)
Assets held for sale	1 759	-	-	1 759
Other current assets	237	358	3	(118)
Total assets	9 839	14 253	1 759	(2 655)



BALANCE SHEET REVIEW COMPLETED

Equity & Liabilities

ZAR 'm	FY 2019	Restated FY 2018	AHS Movement	Difference
Equity	1 957	5 937	-	(3 980)
Non-current liabilities	2 673	3 653	12	(968)
Other financial liabilities	2 256	3 208	9	(943)
Finance lease payables	28	57	-	(29)
Deferred taxation	389	388	3	4
Current liabilities	5 209	4 663	553	1099
Trade and other payables	3 006	3 139	469	336
Liabilities held for sale	565	-	-	565
Other current liabilities	1 638	1 524	84	198
Total equity and liabilities	9 839	14 253	565	(3 849)

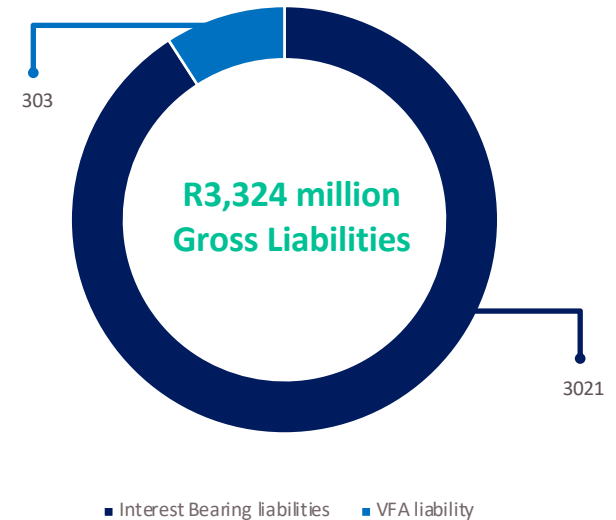
- 2019 Balance sheet unqualified opinion issued
 - Opening balances qualified
 - Disagreement on timing of errors

Net asset value of R 1,957 million

DELEVERAGE PLAN ON TRACK

ZAR 'm*	FY 2019	HY 2019	FY 2018
Interest bearing liabilities	3 021	2 775	3 405
Cash and cash equivalents	1 359	957	1 418
Net debt	1 662	1 818	1 987
Liabilities for acquisitions	303	419	634
Net debt including Liabilities for acquisitions	1 965	2 237	2 621

*All balances include assets held for sale.

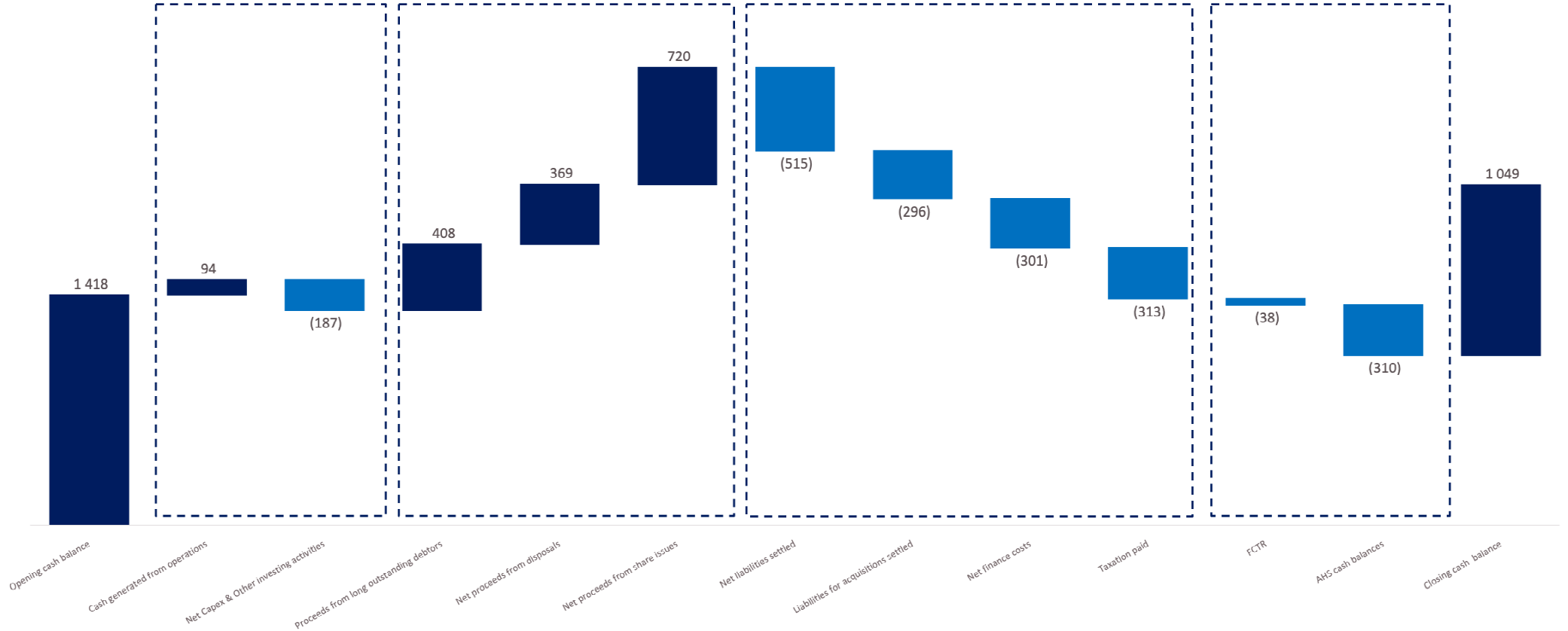


- Responsible deleveraging plan agreed with lenders
- The bridge loan raised in December 2018 has been fully repaid.
- Legacy burden of acquisitions has been reduced in the current financial year and is expected to unwind over the next 12 months.
- Deleveraging to occur over the next 18 months to right size and re-align the business.



DELIVERY ON LIQUIDITY EVENTS ENABLED DELIVERY OF DELEVERAGING IN H2

Business as usual Liquidity events Uses of the funds Cash balances to be sold

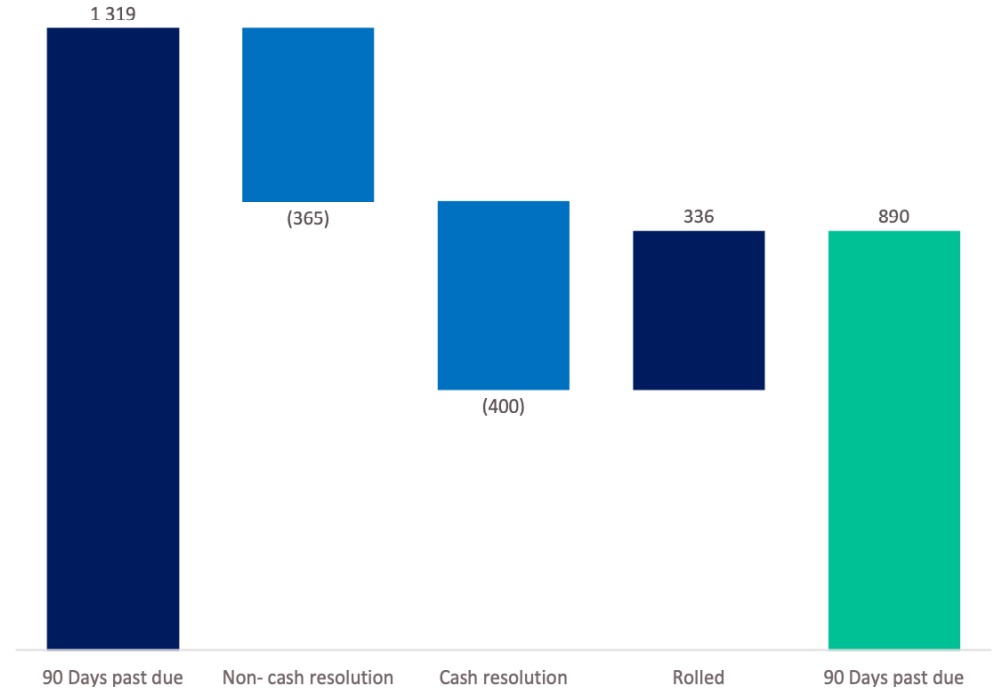
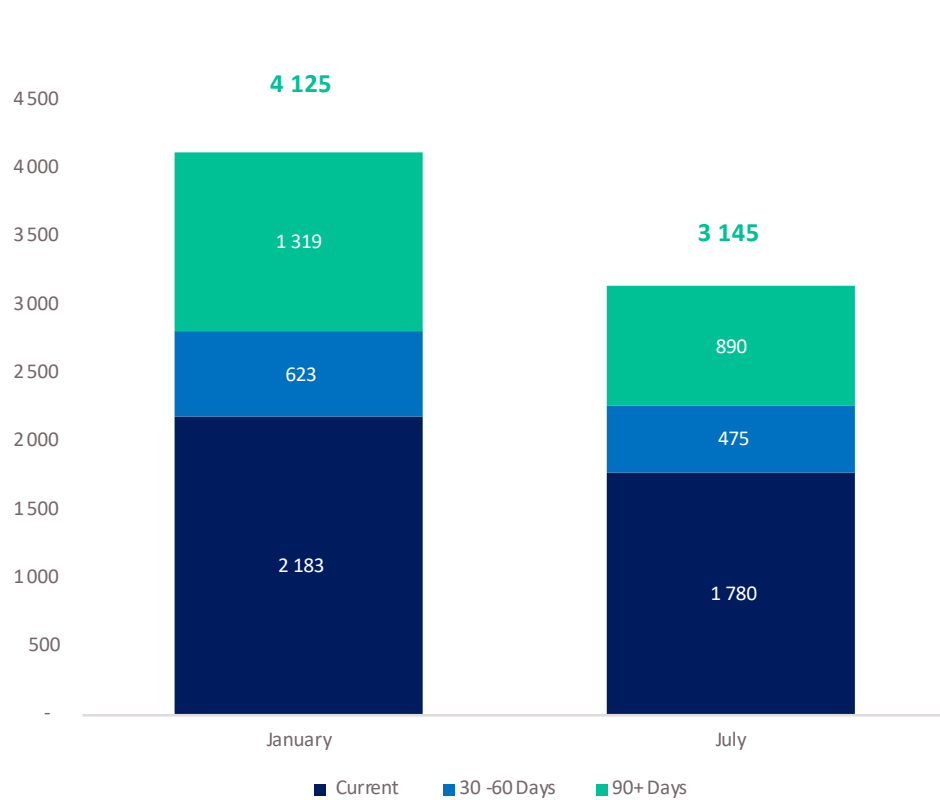




TRADE RECEIVABLES

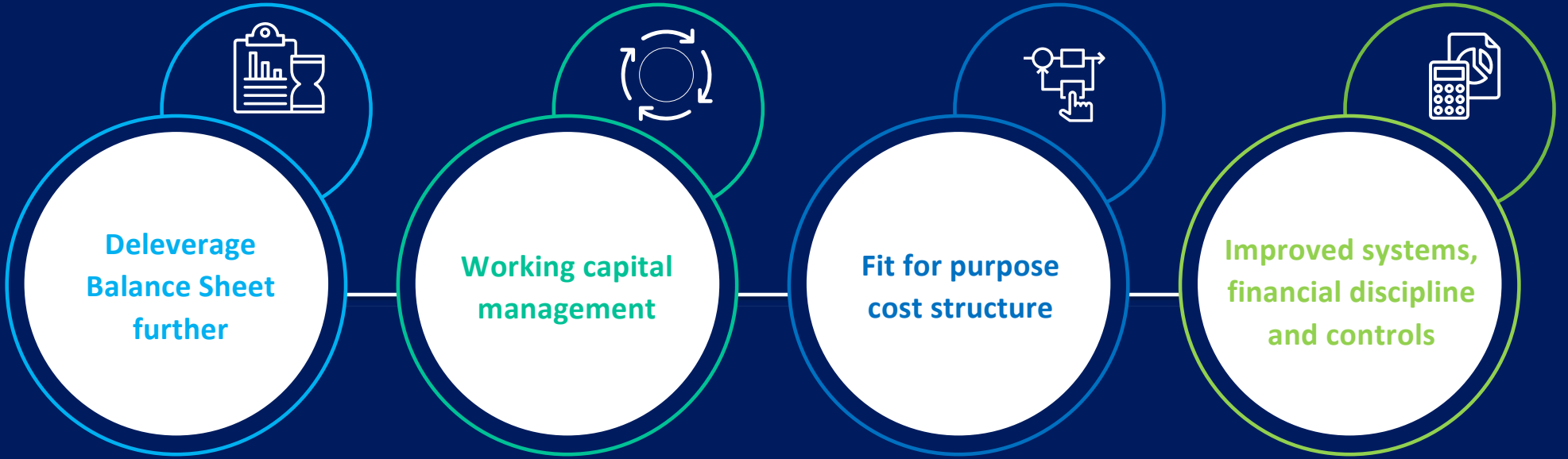


Ageing of Gross Debtors ZAR 'm



FY 2018 Provision	5,5%
FY 2019 Provision	16,5%

> PRIORITIES FOR FY 2020

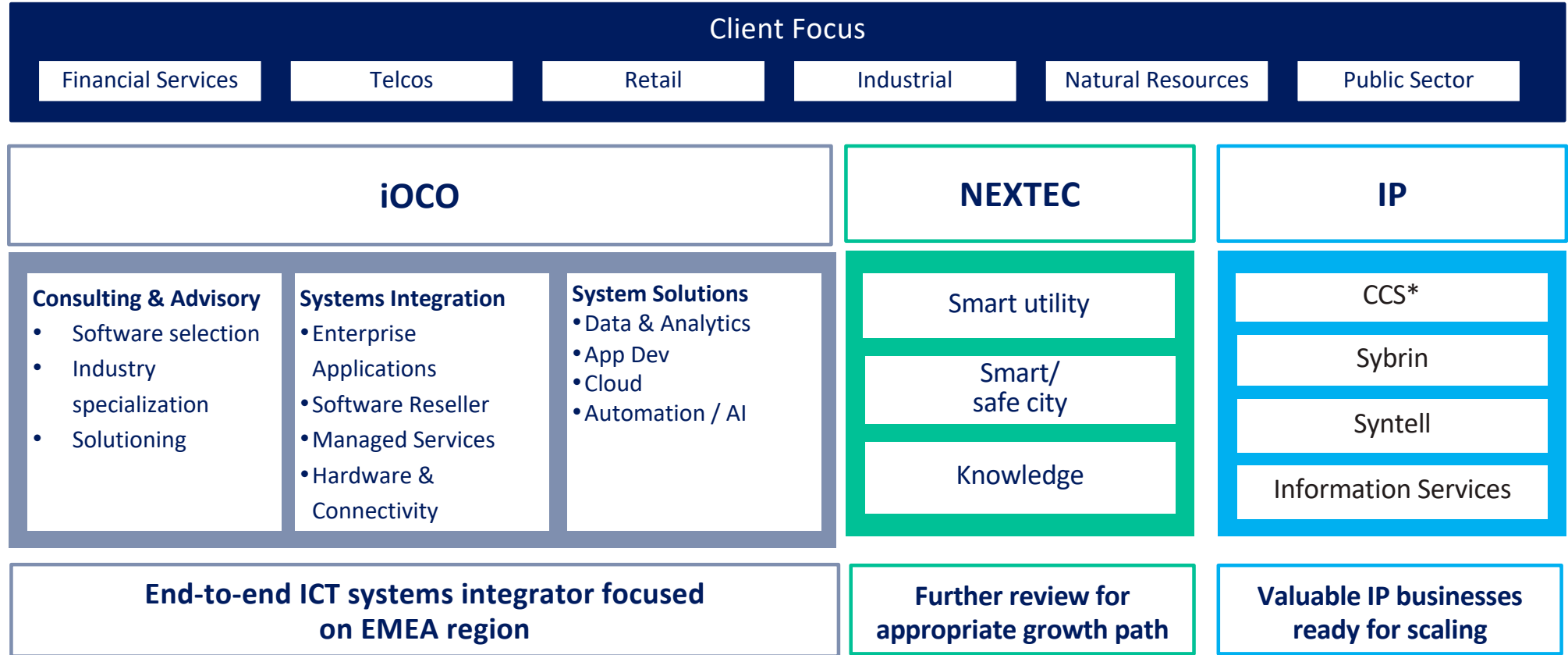




LOOKING FORWARD

Stephen van Coller
Group CEO

THE BUSINESS CONTINUES TO EVOLVE AS WE CLEAN UP



*70% of Construction Computer Software (CCS) was sold to RIB Limited, a subsidiary of German-listed RIB Software SE (RIB), for an amount of R444 million as at 31 July 2019

WE WILL CONTINUE TO DELIVER AGAINST THE PLAN



Transparency

- Refine **business model** for investors
- Continue portfolio refinement to **return to growth**
- Focus on **long term strategic plan**



Liquidity

- **>R1 bn in disposals**
- **Gross debt target** of <R1.5bn by FY2021
- **EBITDA margin** of >10% for FY2021
- **Neutral working capital** for FY2021
- **EBITDA cash conversion** of >80% for FY2021



Credibility

- **Revamp risk reporting**
- Embed **governance culture**
- Establish **Internal Audit**
- **Retain top talent** with appropriate incentives